HM Government

United Kingdom Labour Market Enforcement Strategy 2024/25

Annex B: Labour market and non-compliance risk analysis

Director of Labour Market Enforcement

Margaret Beels

November 2024

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Introduction

This annex provides supplementary information and analysis supporting the 2024/25 Labour market enforcement strategy and covers four main areas:

- Section 1: Emerging economic and labour market issues that may impact on labour non-compliance in the future.
- Section 2: A detailed description of the work on the ODLME risk model to present an updated picture of risk.
- Section 3: Analysis of proxy measures to assess the scale and nature of labour market non-compliance within the Director's remit.
- Section 4: An update on a major research study commissioned by the Director seeking to improve the evidence base around the scale and nature of non-compliance.

Section 1: Economic and labour market outlook

This section highlights the official data and publicly available research the Director has considered to inform her thinking on how the UK economy and labour market are performing and how current and future developments might impact on non-compliance affecting workers.

It considers the following issues:

1. **Recent and forecast economic and overall labour market performance.**
2. **A more detailed look at aspects of the labour market such as earnings, vacancies and employment growth by type.**

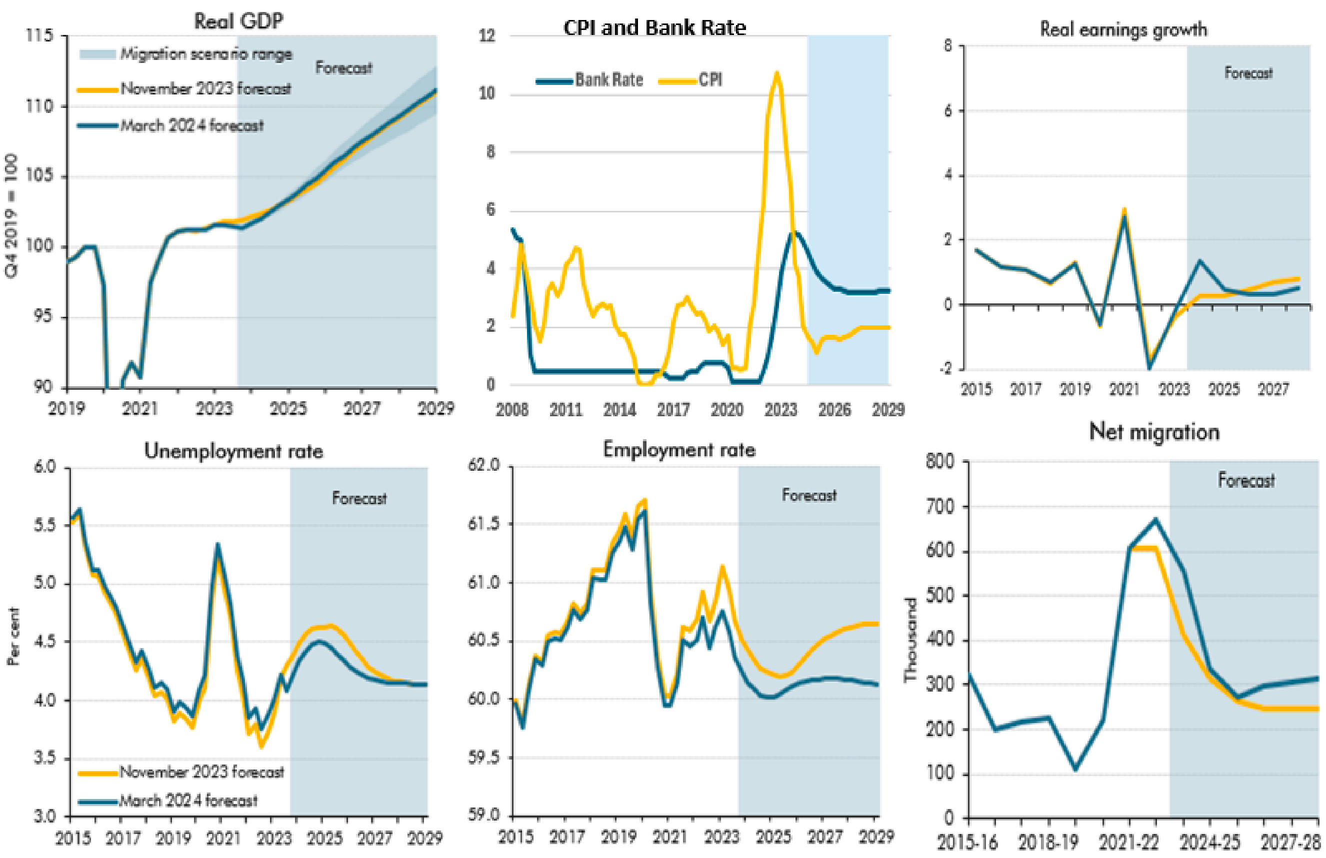
1.1 Economic performance and forecasts

The data below shows the most recent trends from the Office for Budget Responsibility's (OBR) economic forecasts which accompanies and informs the chancellor's budget.

Key points

- UK economic growth is forecast to pick up in 2024 (0.8 per cent) and return to trend growth of around 2 per cent in 2025 and 2026. This follows GDP growth of only 0.1 per cent in 2023.
- Inflation, measured by the Consumer Prices Index (CPI), peaked at 11.1 per cent in late 2022 and remained relatively high in 2023, averaging 7.5 per cent over the year. Inflation is forecast to continue its downward trend into 2024 to 2 per cent by the second quarter of 2024. The OBR expects inflation to remain either at or just below this level through to early 2029.
- Interest rates are also forecast to fall from their current high of 5.25 per cent. Interest rates increased rapidly in the second half of 2022, having been at or below 1 per cent for over a decade. The OBR anticipates rates falling to 4.2 by the fourth quarter of 2024, but then remaining above 3 per cent through to early 2029.
- The OBR expects the labour market to weaken with unemployment, reaching 4.5 per cent in the last quarter of 2024, up from 3.7 per cent in 2022. Unemployment should fall from 2025 but is forecast to remain above 4 per cent through to 2028. However, employment is still forecast to grow by a further 1.1 million to 34.3 million in 2028, largely on the back of population growth.

Figure 1: Real GDP, Q4 2019 = 100, CPI inflation, unemployment and employment rate, net migration, and average real earnings OBR and ONS forecasts from 2008 to 2029



[Office for Budgetary Responsibility: Economic and Fiscal Outlook: March 24]

The latest forecast from the Office for Budget Responsibility (OBR, March 2024) signals an improvement in GDP growth in 2024 following the stagnation in economic growth in 2023. Growth is still forecast to be moderate this year (0.8 per cent), before settling into a range of 1.7 to 2.0 per cent between 2025 and 2028 (Figure 1). Because of faster than anticipated population growth (principally due to migration) and lower economic participation rates, growth in GDP per head will be slower. This is important for productivity and living standards. Real GDP per head contracted in 2023 and 2024 but should increase by between 1 and 1.5 per cent each year to 2028.

A major challenge facing the UK and other economies has been a surge in **inflation** from late 2021 onwards. Measured by CPI, this peaked at 11.1 per cent in 2022 and remained relatively high, averaging 7.5 per cent in 2023. The OBR expects inflation to continue falling in 2024 reaching 2 per cent by the second quarter of the year and remaining around that level through to early 2029 (Figure 1). Inflation data provided by the ONS CPI release[1] stands at 4.0 per cent in 12 months to January 2024 the same rate as in December 2023 and down from a peak of 11.1 per cent October 2022. Notably the government has now achieved its objective of halving inflation.

Monetary policy has also tightened significantly, partly in response to higher inflation, since the second half of 2022. Having been at or below 1 per cent[2] between early 2009 and mid-2022, **interest rates** climbed steeply from Q3 2022, eventually reaching 5.25 per cent[3] in Q4 2023. Again, the distributional effects of this across different income groups can be considerable, hitting

1 Consumer price inflation, UK –Office for National Statistics
2 https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate
3 https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate

those holding debt. The OBR expects interest rates to fall from 2024 onwards, but the trajectory of decline is likely to be much slower than that for inflation. They expect interest rates to remain above 3 per cent by 2028.

1.2 Recent labour market trends

1.2.1 Employment, unemployment and migrant employment

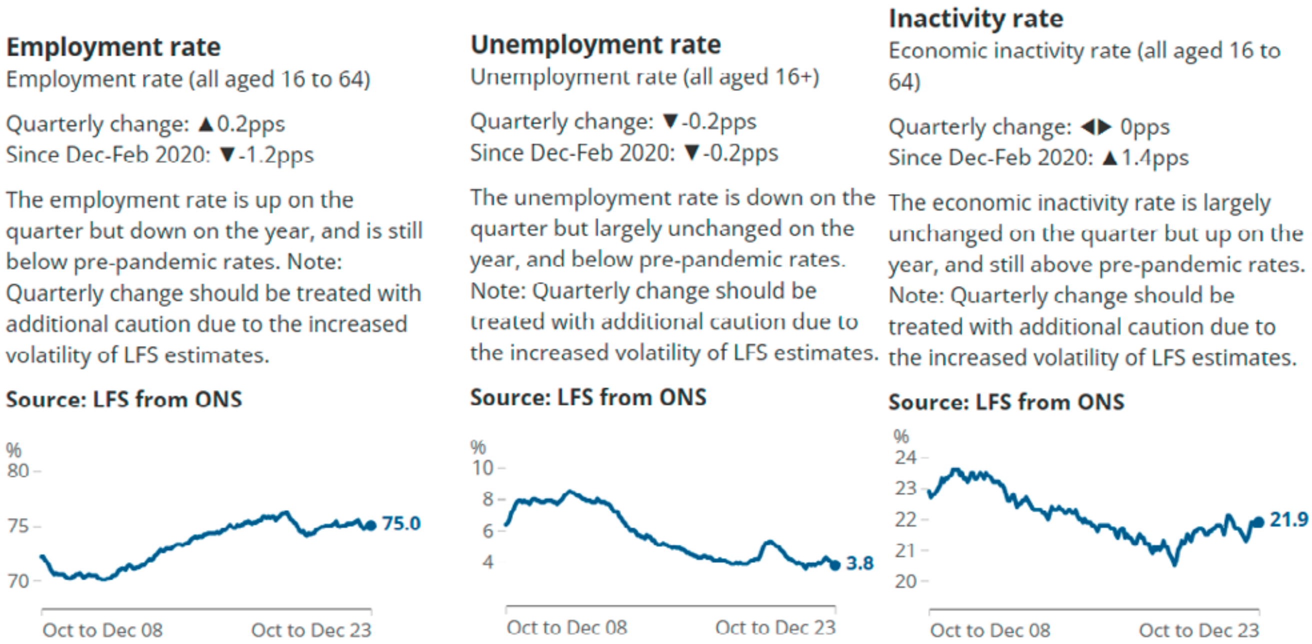
After going through some transformative work, the Labour Force Survey (LFS) was re-released in February 2024 as an official data set with the data producer, the Office for National Statistics (ONS), now giving reassurances on improved reliability.[4]

The headline messages are:

- At 75.0 per cent the employment rate for those aged 16 to 64 remains high in historic terms but still below the rate of 76.2 per cent achieved immediately prior to the COVID-19 pandemic.
- The UK economic inactivity rate (21.9 per cent) for those aged 16 to 64 years was largely unchanged between October and December 2023, but is above estimates a year ago. Although the rate of inactivity has not changed much over the last decade, there is increasing concern around its composition with far greater levels of long-term sickness absence.
- The UK claimant count for January 2024 increased by 14,100 on the month and by 61,200 on the year to 1.579 million.
- From November 2023 to January 2024, the estimated number of vacancies in the UK fell by 26,000 on the quarter to 932,000. Vacancies fell on the quarter for the 19th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.
- Nominal earnings growth remains strong, although they have eased a little in recent periods. Annual growth in total earnings (including bonuses) in Great Britain was 5.8 per cent in October to December 2023, and annual growth in employees' average regular earnings (excluding bonuses) was 6.2 per cent.
- Real pay growth continues as inflation continues to fall. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for total pay rose on the year by 1.4 per cent in October to December 2023, and for regular pay rose on the year by 1.8 per cent.

4 Issues with the reliability of some labour market data have impacted on our ability to present a robust picture of current labour market developments with warnings on volatility still appearing. The following warning is given about the headlines below. ONS: "*Because of increased volatility of Labour Force Survey estimates resulting from smaller achieved sample sizes, estimates of quarterly change should be treated with additional caution and we recommend using them as part of our suite of labour market indicators alongside workforce jobs, claimant count data and Pay As You Earn Real Time Information estimates.*"

Figure 2: Employment, unemployment and inactivity rate, October to December 2008 to October to December 2023, quarterly



Office for National Statistics: Employment in the UK

1.2.2 Labour supply

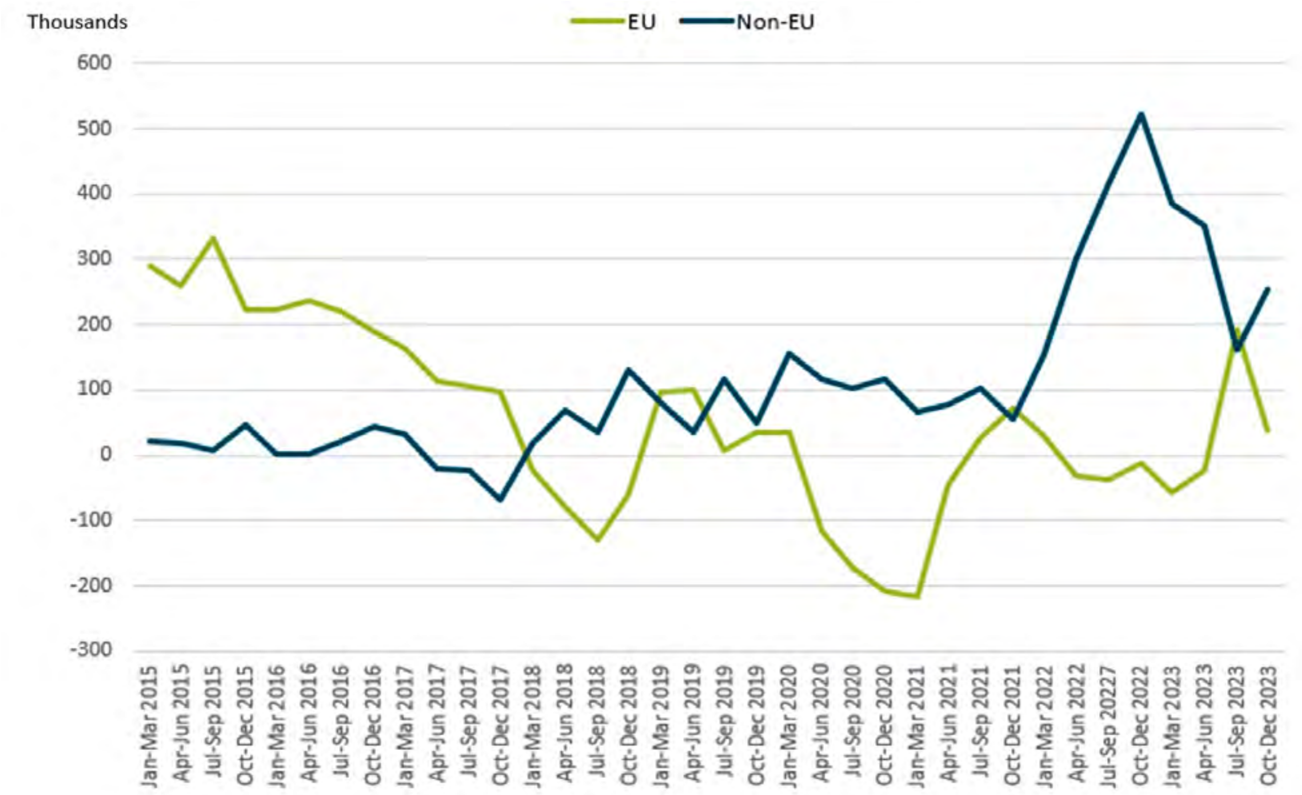
The relatively tight labour market, coupled with persistent levels of economic inactivity place greater emphasis on other sources of labour supply, particularly from overseas. Between October to December 2020 and the same period for 2023, total UK employment grew by almost 1 million persons (991,000). Of this, 928,000 were non-UK nationals, of which the vast majority were non-EU (831,000).[5] Figure 3 highlights the recent rapid increase (by over 600,000 workers) in non-EEA in employment between 2021 and 2023, compared to an increase of just 24,000 workers with EU nationality.

From October to December 2023, there were 4.49 million people working in the UK who were not UK nationals, 13.5 per cent of all people in employment. This included:

- 2.19 million people who were nationals of the 27 EU countries (6.6 per cent)
- 2.29 million people who were nationals of countries outside the EU (6 per cent)

5 Source: ONS February 2024 Labour Market Statistics, Table A12: Employment, unemployment and economically inactive levels by nationality: People (not seasonally adjusted)

Figure 3: Employment by nationality, Annual change in employment of non-UK nationals, 1998 to 2023, LFS release October to December 2023

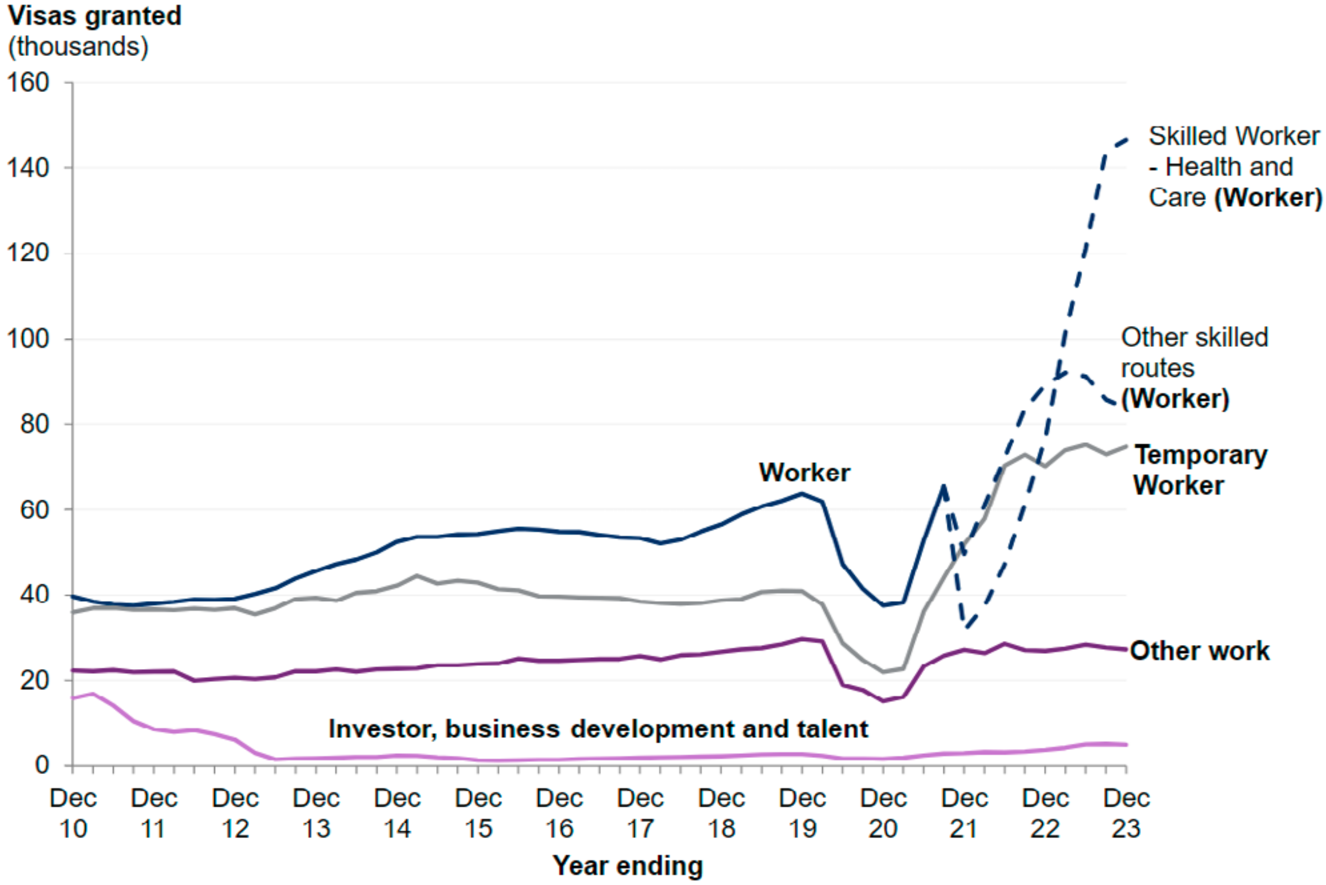


Office for National Statistics EMP6: labour market statistics Note: data is not seasonally adjusted

Figure 3 above highlights the change in composition of the non-UK national workforce. This can be seen in four broad phases:

- From 1998 to end 2003, non-EU national employment grew faster (by around 50,000 a year on average) compared to around 13,000 for EU nationals.
- After A8 accession from 2004 until the 2008 financial crisis, employment among EU nationals grew at over 100,000 a year and non-EU national employment growth was around 80,000 a year.
- Between 2009 and the end of 2017, on average non-EU national employment did not grow at all, while employment of EU nationals grew by 137,000 each year on average (this reached over 240,000 a year between 2014 and 2016).
- Finally, since the beginning of 2018 employment of EU nationals has fallen by around 22,000 each year, while non-EU national employment has been growing annually by over 112,000.

Figure 4: Work visas granted to main applicants between the year ending December 2010 and the year ending December 2023[6,7]



Home office: immigration statistics by visa type

Since 2017, the work visa structure has changed. There were 337,240 work visas granted to main applicants in the year ending December 2023, 26 per cent higher than in the year ending December 2022, and two and half times more (+146 per cent) than prior to the pandemic. This was largely driven by 'care workers and home carers' in the 'health and care worker' route.

Following Brexit, the UK introduced new immigration rules in 2021. Figure 4 highlights the impact these changes had on work-related immigration. Two aspects in particular stand out:

- A significant increase in the volume of overseas workers coming to the UK under **skilled migration routes**, impacted further by the additional of care workers to this route in February 2022 as part of the 'skilled worker – health and care' visa. Immigration via this route grew to 76,724 in 2023. Latest data suggest this growth has slowed recently.
- Growth in the volume of **temporary (6-month) visas for seasonal agricultural workers,** which now has up to 55,000 places available each year for those working in agriculture, horticulture, and poultry.

1.2.3 Employment by sector

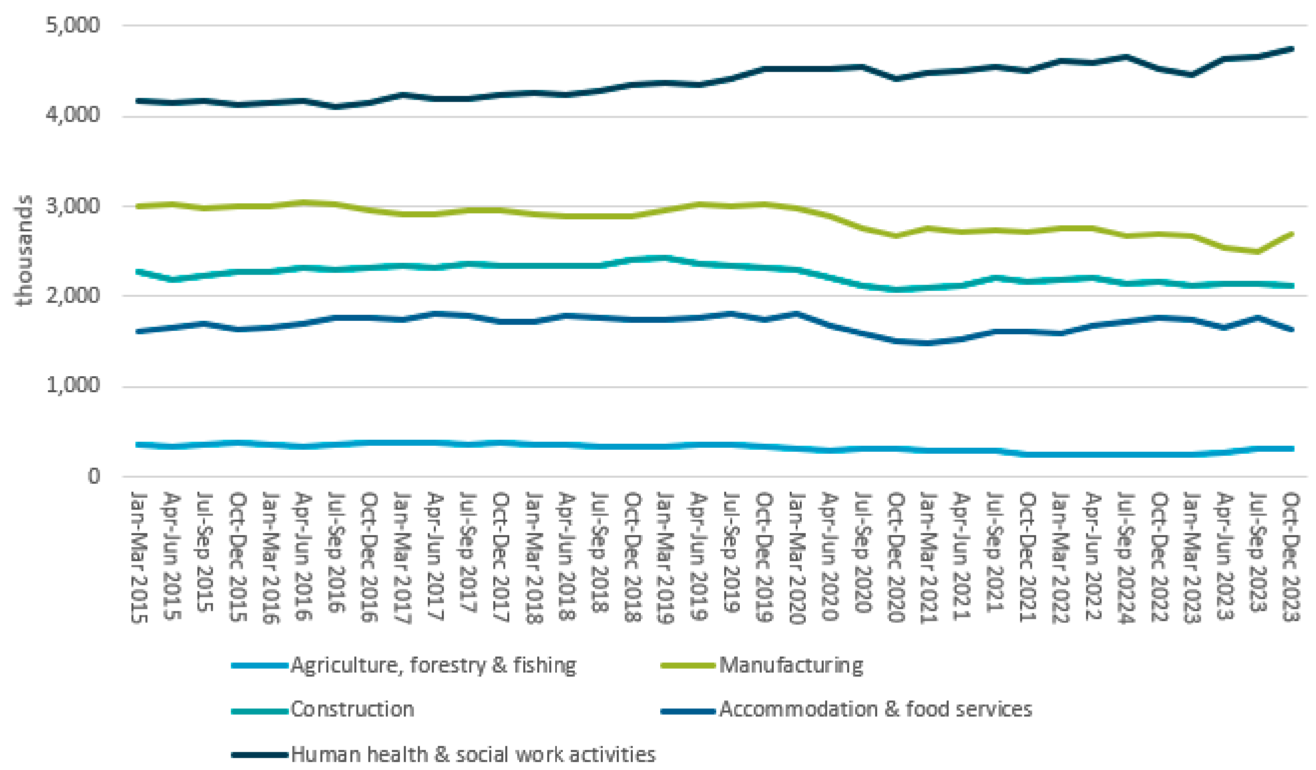
The sector-specific nature of the work immigration routes discussed above is relevant for considering overall employment trends by sector (Figure 5 below).

6 'Other skilled routes' includes the other visa routes in the 'Worker' category' such as the 'Skilled Worker' and the 'Senior or Specialist Worker' visa.

7 Work visa types are denoted by solid lines whilst the 'Skilled Worker – Health and Care' visa, which forms part of the 'Worker' category, is denoted by a dashed line and includes data from the first full year of the visa. The visa was introduced in 2020, along with the 'Skilled Worker' visa, and together replaced the 'Tier 2- General' visa, previously the main route in the 'Worker' category.

A number of factors impact on sectoral employment, ranging from long-term structural economic decline (e.g. manufacturing, agriculture), labour demand needs during the pandemic (health and social care) and labour supply shocks (the end of free movement of labour following Brexit).

Figure 5: UK: all in employment by industry: people (not seasonally adjusted) January to March 2015 for each period to October to December 2023



Office for National Statistics: [EMP13 – Employment by industry]

Human health and social work activities saw a general increase in the number of people employed throughout the period highlighted. The sector did not see a reduction in employment due to the sector's essential role in combating COVID-19. The number of workers has risen steadily from 4.17 million in Jan-Mar 2015 to 4.74 million in October to December 2023.

Employment in construction, manufacturing and agriculture remains below pre-pandemic levels. Manufacturing has seen the number of people employed in the sector fall from 2.97 million people between Jan-Mar 2020 to 2.69 million between October to December 2023. Construction saw a similar fall during the same period going from 2.30 million to 2.11 million workers.

The ODLME risk model, in [Section 2 – ODLME Risk Model Assessment 2023], explores these sectors and the classification given to them based on the risk of different types of non-compliance. Responses to ODLME's call for evidence also highlights case studies and complaints from unions and charities who have collected evidence from workers in these sectors. (Annex A).

It should be noted that the data below cannot distinguish between agency and non-agency workers, which the ODLME sees as a data gap. In many sections listed below, the ODLME has seen anecdotal evidence that agency workers are present. But without reliable data it's difficult to draw conclusions on this aspect.

1.2.4 Employment trends by type

Overall employment trends mask different experiences by type of employment. Between 2019 and 2023 (measured by ONS for the October to December period for each year) the volume of employees increased by around 1 million, but this was largely offset by a decline of almost 0.7 million self-employed.

The growth in employees has been driven entirely by an increase of over a million **full-time workers**. **Part-time employment**, by contrast, fell among employees and the self-employed (by 96,000 overall).

ONS report that the number of people with second jobs is currently 1.50 million (Oct-Dec 2023),[8] marginally below the 2019 level, but down considerably on the same period in 2022 (83,000 less second jobs). Against the backdrop of the cost-of-living crisis and the additional pressure on household incomes, this is somewhat surprising.

Table 1: UK employees and self-employed workers, full-time, part-time employees aged 16+, seasonally adjusted, thousands, from Oct-Dec 2019 compared to Oct-Dec 2022 and Oct-Dec 2023

	Employees	Employees FT	Employees PT	Self-employed	Self-employed FT	Self-employed PT	Second jobs
Oct-Dec 2023	28,678	21,807	6,870	4,370	2,948	1,422	1,149
Oct-Dec 2022	28,633	21,746	6,887	4,273	2,822	1,451	1,232
Oct-Dec 2019	27,726	20,792	6,934	5,027	3,571	1,455	1,165
Oct-Dec 2023 compared Jul-Sep 2023	+45	+145	-100	+50	+56	-6	-4
Oct-Dec 2023 compared Oct-Dec 2022	+45	+62	-17	+97	+126	-29	-83
Oct-Dec 2023 compared Oct-Dec 2019	+952	+1015	-63	-657	-624	-33	-16

Office for National Statistics: EMP01 SA: Full-time, part-time and temporary workers (seasonally adjusted)

In the 2023/24 LME strategy we posited that weaker economic growth with potentially a looser labour market might manifest itself in an increased shift towards additional and/or more precarious work. The actual evidence for this appears to be mixed.

- In the period October to December 2023 there were 1.16 million[9] people working on zero hours contracts (ZHCs), which compares to an average of 1.03 million and 0.98 million in the same periods in 2022 and 2019 respectively. ZHC working still only accounts for 3.5 per cent of all those in employment were engaged on ZHCs, though these data should be treated with caution as they are not seasonally adjusted.
- There appears to be less temporary contract working, down over year to 1.53 million[10] from 1.74 million in October-December 2022. The growth in full-time (and permanent) work discussed above would support this. Demand for labour by employers – many of whom still complain of labour shortages – would suggest their continued economic confidence and not having to hedge their bets via short-term, flexible contracts.

8 Labour Force Survey: workers with second jobs; UK All; SA
9 EMP17: People in employment on zero-hour contracts
10 EMP07: Temporary employees

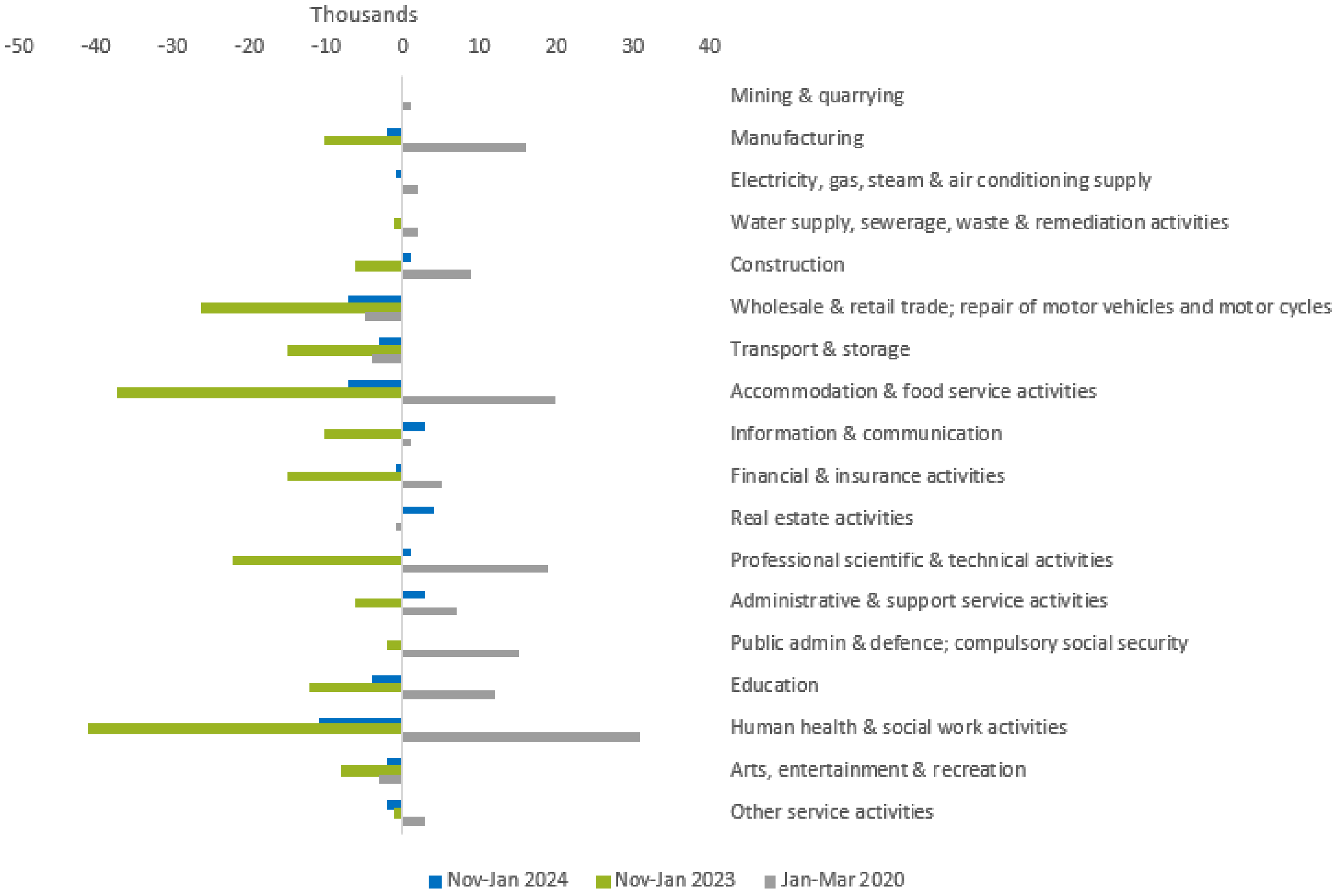
1.2.5 Vacancies

Figure 6: Number of Vacancies in the UK, seasonally adjusted, November 2004 to January 2005 to November 2023 to January 2024, quarterly

Office for National Statistics: Vacancy Survey

Currently, vacancies are above pre-pandemic levels, suggesting on one level a relatively tight labour market and continuing demand for workers. However, vacancy levels are now falling in line with a more subdued economic climate and moderate increase in unemployment. In November 2023 to January 2024, the estimated number of vacancies fell by 26,000 to 932,000, compared to August to October 2023. Vacancies have been falling consistently over the period with the estimated number of vacancies falling in 12 out of 18 industry sectors.

Figure 7: November 2023 to January 2024 three-month average vacancies in the UK, quarterly average change compared to from August to October 2023, November 2022 to January 2023 and pre-pandemic January to March 2020



Office for National Statistics: Vacancy Survey

In November 2023 to January 2024, the estimated number of job vacancies fell by 26,000 to 932,000, compared to the previous three months, with the estimated number of vacancies falling in 12 out of 18 industry sectors. The sectors with the largest falls were, wholesale and retail trade, which was down by 7,000.

The current period of consecutive quarterly declines equals the period across 2008 and 2009, when the economy was affected by the financial crisis, which was previously the longest period vacancies had gone without growth.

Although the figures are falling, the total estimated number of job vacancies remains 131,000 above January to March 2020 pre-coronavirus (COVID-19) pandemic levels, with human health and social work activities showing the largest increase, at 31,000.

1.2.6 Wages: real and nominal pay[11]

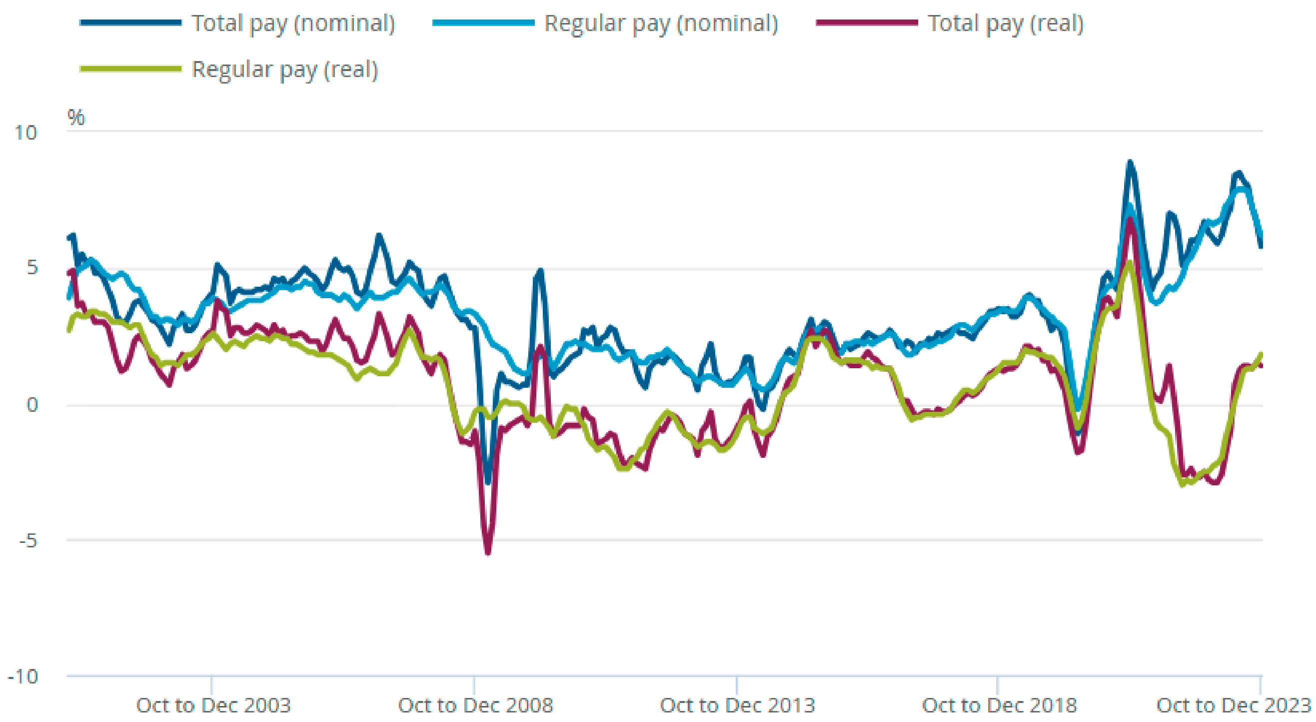
The steep rise in inflation in 2022/23, has also triggered significant increases in nominal pay as workers and households seek to maintain real incomes.

However, the rate of inflation has been falling throughout 2023 and there is evidence too that wage growth is slowing. According to the Office of National Statistics (ONS), nominal wage growth (excl. bonuses) was 6.2 per cent between October to December 2023 (Figure 8), down

11 Please note these data have been taken from the MWSS and ASHE surveys are not from the Labour force surveys due to data issue discussed above. Revisions are likely for recent quarterly data.

from 6.7 per cent compared to September to November 2023. Adjusted for inflation (real pay) pay has increased by 1.4 per cent. Nominal pay increases are beginning to slow down as inflationary pressures begin to ease and the labour begins to cool.

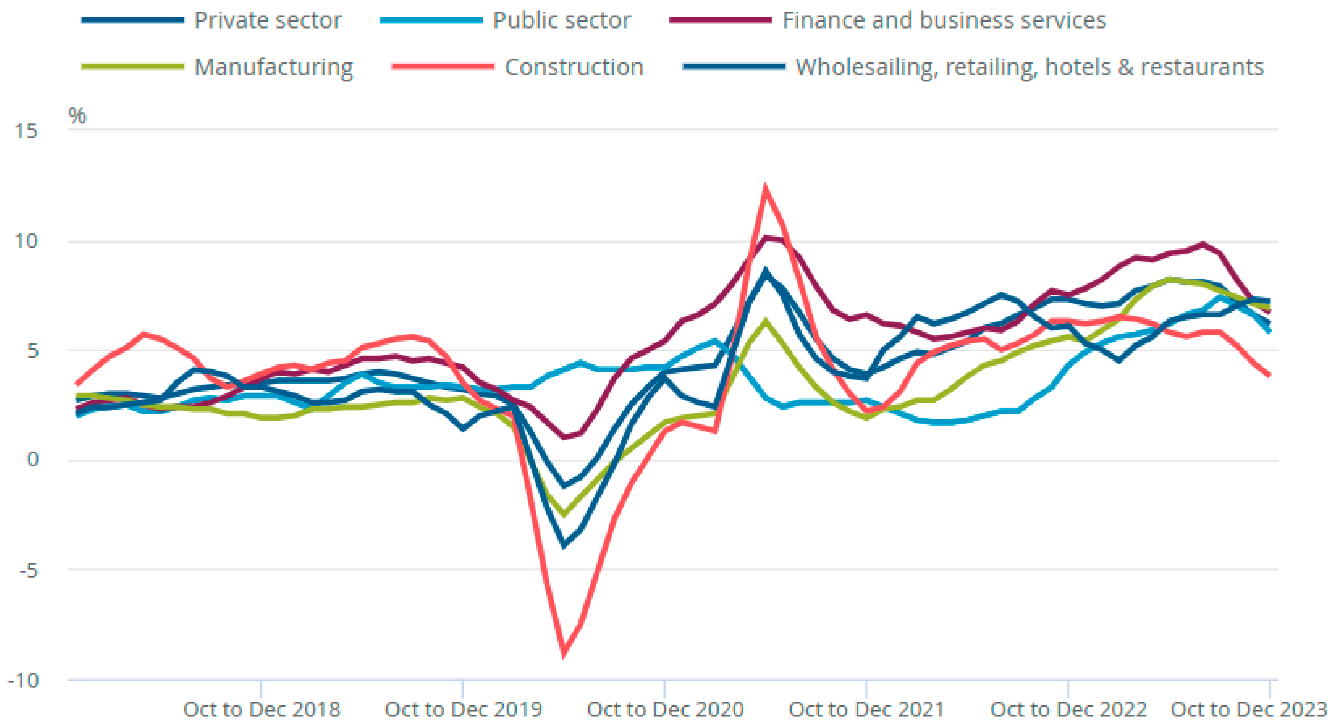
Figure 8: Average weekly earnings annual growth rates in Great Britain, seasonally adjusted, January to March 2001 to October to December 2023



Office for National Statistics: [Average Weekly Earnings]

In October to December 2023, the private sector had higher regular pay (nominal pay) increases than the public sector of 6.2 per cent compared to 5.8 per cent. Please note: exceptionally, total pay (including bonuses) for the public sector stood at 12.5 per cent, between June and August 2023, due to a one-off payment to help workers with the cost-of-living crisis. This is unlikely to be repeated. Public sector pay remained generally lower than the private sector throughout the period.

Figure 9: Average weekly earnings annual growth rates for regular pay by sector in Great Britain, seasonally adjusted, November 2017 to January 2018 to October to December 2023



Office for National Statistics: Average Weekly Earnings

Over the last five years, regular pay (defined as pay which excludes bonuses) has been volatile (Figure 9). The wholesaling, retailing, hotels and restaurants sector saw the largest annual regular pay growth rate at 7.2 per cent, between October to December 2023. As regular pay increases remain high, they have now peaked and are predicted to come down in the following months and years.[12]

When comparing peaks and troughs, the construction sector – and to a lesser extent the wholesale, retailing, hotels and restaurants sector – has seen the most pay volatility over the last five years. These sectors tend to be more sensitive to the economic cycle and this period of course included the COVID-19 pandemic and the implementation of the government's furlough scheme.

At the onset of the COVID-19 pandemic (April to June 2020) pay in the construction sector fell by 8.8 per cent compared with 3.9 per cent in the wholesale, retailing, hotel and restaurants sector. A year later, the construction sector saw regular pay increase by 12.3 per cent, the highest seen across all sectors. With the analysis from the ONS suggesting that a labour shortage in key areas, see section 1.2.3: Vacancies, and an increase in demand from the economy opening back up put significant pressure of wages. Other sectors saw a similar trend as seen in Figure 9, but the deviations were less pronounced.

Finally, when looking at real wages (pay increase minus inflation) the data shows only minimal real pay increases. Between September and November 2023 real pay across the whole economy increased by 1.4 per cent (excluding bonuses) but this was not shared equally amongst all sectors. Sectors such as construction, mining and quarrying and arts, entertainment and recreation services saw minimal if not real pay decreases between October 2023 and November

12 Average Weekly Earnings

2023. This was compared to sectors such as accommodation and food services activities, manufacturing and real estate activities which all saw over 4 percentage point real increases during the same period.

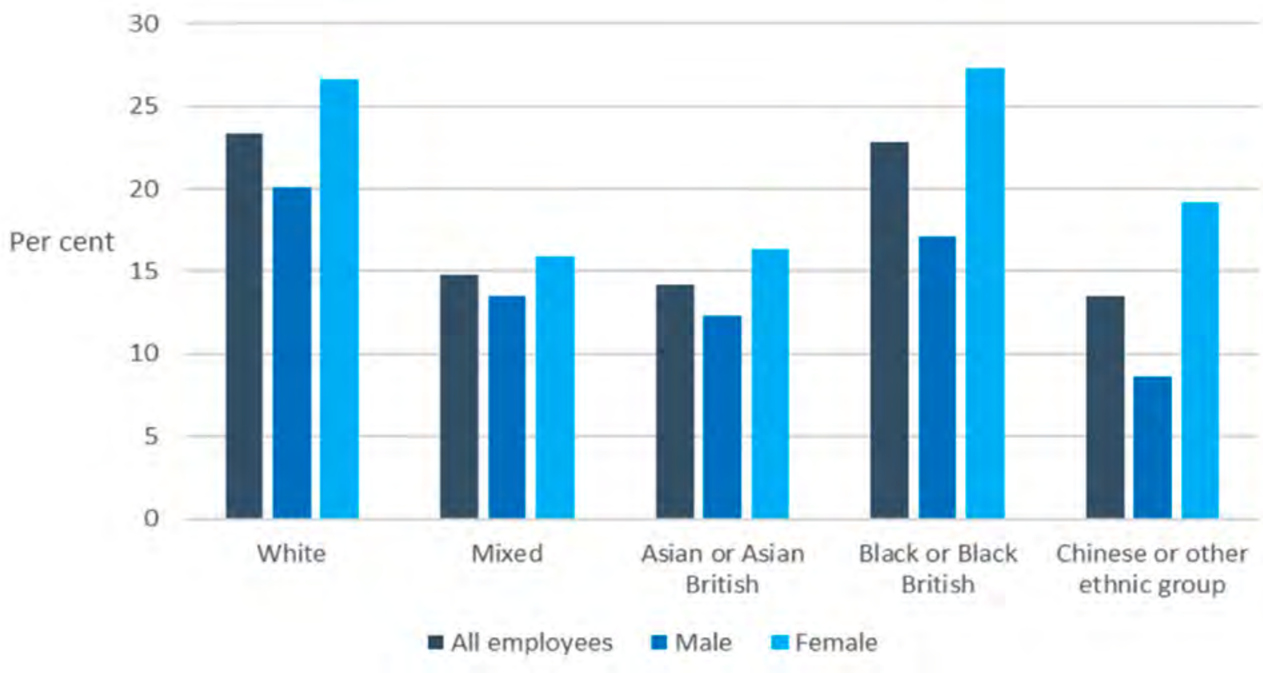
1.2.7 Trade unions

Trade unions allow for collective bargaining on wages and rights and can act as a valuable central point for advice and guide on issues around good practice for employers, workers' rights and how to address situations where workers may be being exploited.

However, the number of employees, especially in the private sector, who belong to a trade union continues to fall year on year.

- The proportion of UK employees who were trade union members fell to 22.3 per cent in December 2022 down from 23.1 per cent in December 2021. These years represent the two lowest union membership rates on record among UK employees for which we have comparable data (since 1995).
- The number of employees in the UK who were trade union members fell by 200,000 on the year to 6.25 million in 2022. This is the lowest membership level among UK employees since 2017. It is the second successive year where membership levels have fallen, following four years of growth.
- The fall in trade union numbers among employees affects both the private and public sectors. In 2022 membership in the private sector was down 152,000 on the year to 2.41 million, the lowest level on record. There was also a fall of 48,000 in trade union membership among public sector employees to 3.84 million at the end of 2022.

Figure 10: Trade union density by gender and ethnicity, 2022, Labour Force Survey

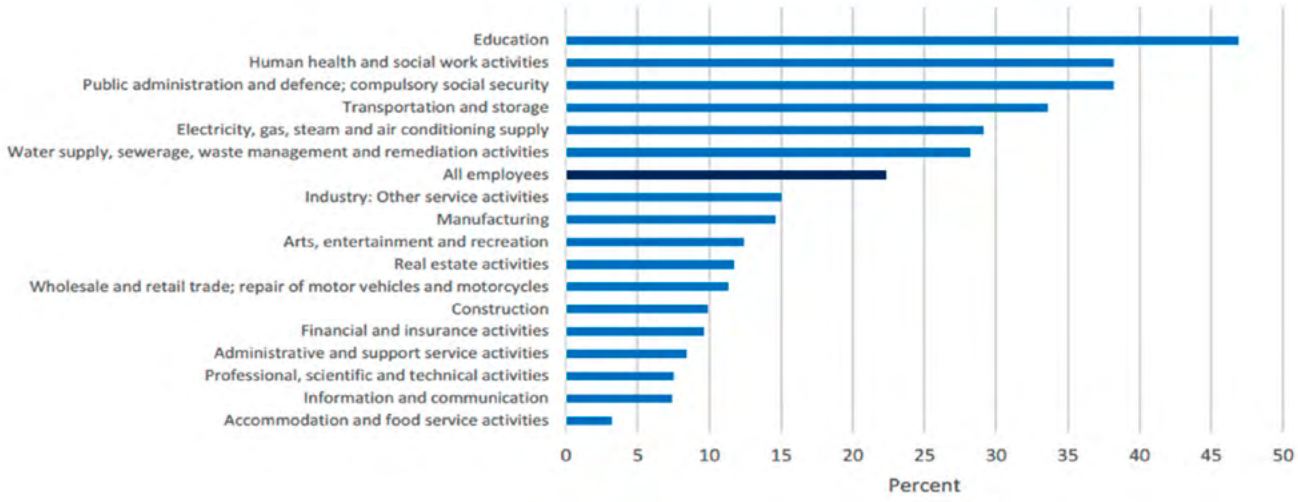


Department for Business and Trade: Trade Union Membership 1995-2022: statistical bulletin

Union membership by industry also shows that more public sector industries have a higher union membership rate (Figure 10). In line with historical trends, education had the highest proportion of employees who were trade union members in 2022 at 46.9 per cent, with both human health and social work activities, and public administration and defence following at 38.2 per cent. Outside of the public sector dominated industries, the transport and storage sector had the highest proportion of employees who were trade union members at 33.6 per cent.

By contrast, rates of unionisation in many predominantly private sector industries are around 10 per cent or less. This includes construction, financial and insurance activities and admin and support services. In low-paid sectors such as accommodation and food services union membership are well below five per cent, while in whole and retail it is only around 12 per cent.

Figure 11: Trade union density by industry 2022, Labour Force Survey



[Department for Business and Trade: Trade Union Membership 1995-2022: statistical bulletin]

1.2.8 Experience of workers.

An area where this strategy calls for improvement is for better recording and hence understanding of **vulnerable workers by protected characteristic** (see main strategy, recommendation 1). Doing so would help the enforcement bodies better target their interventions.

While data does not exist on foreign workers/visa workers' union status, the trade union statistics do provide some insight into membership by gender and ethnicity. What this shows is that female employees are more likely to be union members (most likely due to higher shares working in healthcare and education in the public sector).

The decreasing number of trade unions members particularly amongst young private sector employees (often these employees also know the least about their rights as workers) creates a risk. While workers can find other means of support, trade unions remain a valuable place for them to get advice and support as regards their rights.

Trade unions have insights into the activities taking place in workplaces. ODLME values its relationships with trade unions as a means of acquiring information and data to assist the formulation of the LME strategy. A strong union voice in a workplace should help reduce the risk of exploitation of workers.

For workers, below inflation pay, puts pressure on households to afford essentials. This can lead to an increased prevalence of precarious working (usually in the gig or hidden economy). The Director's Office is conducting research in this area, Section 4.1 The Scale and Nature of UK labour market non-compliance, expected to report in the winter of 24/25, should provide better evidence on how workers are treated in precarious working situations.

1.3 Labour market outlook.

Recent data shows that the employment rate remains below its pre-pandemic level, but unemployment has been falling, while vacancies are also dropping. Economic conditions (with low GDP and weak productivity growth) will remain tough, and unemployment is forecast to increase in 2024, albeit moderately in historical terms. After experiencing a technical recession in 2023, growth is only forecast to be moderate this year (0.8 per cent). The OBR is forecasting pressures on households until 2028 and real annual GDP growth between 1~2 per cent. Housing costs are still rising, using either owner occupied housing or private rental measures.[13] Recently, even as real wages began to grow, GDP per capita remained below pre-pandemic levels as living standards across different income distributions (those on different incomes) has fallen. Those in sectors at the bottom end of the earnings distribution may find themselves in need of higher pay creating worker shortages in low pay sectors.

Economic forecasts project a further fall in inflation throughout 2024 and cost-of-living pressures should begin to ease as a result. Key decision makers are starting to discuss reducing interest rates. However, decisions by OPEC+ and the escalation of the Israel-Gaza conflict, continuation of the Ukraine-Russia conflict and the ongoing disruption to shipping in the Red Sea, have put significant pressure on oil prices (with a per barrel price in March 2024 near $80 and analysts unsure of the future).[14] There are renewed concerns that inflationary pressures could persist across 2024.

The Office of the Director of Labour Market Enforcement, through its call for evidence (annex A), have found increasing evidence of foreign and UK workers being exploited in sectors such as hospitality, construction and social care. The Director's engagement with unions, think tanks and charities have also highlighted abuse facing workers from the lower end of the income distribution. Work by the Modern Slavery Policy and Evidence Centre (MSPEC) details areas of exploitation seen by workers on agricultural and social care visas and should be given attention when discussing how worsening economic conditions impact those at the lower end of the earnings distribution. There are concerns that worsening economic conditions will push workers into more precarious working practises where non-compliance and even modern slavery are more prevalent.

More work is needed to understand the role on migrant and precarious workers in labour market non-compliance and the risk to both UK and foreign workers in these high-risk sectors (identified by Section 2 – ODLME Risk Model Assessment 2023)). Additionally, more work is needed to understand low and precarious workers. This annex's Section 4.1 The Scale and Nature of UK labour market non-compliance goes into the details of how ongoing research is trying to fill those gaps.

13 https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/march2024
14 https://www.ft.com/content/6cf5e073-b0f1-4941-be35-824672d5f7a4

Section 2: ODLME risk model assessment 2023

2.1 Introduction

This section explores the output from the ODLME's risk model to produce a statement for what the Director sees in the high-risk sectors listed below. This assessment is primarily based on the enforcement bodies assessment of the non-compliant behaviours, though there are wider risks such as illegal working that impacts workers and businesses.

2.2 ODLME approach to assessing non-compliance risk.

ODLME uses primarily a sectoral approach to assess labour non-compliance risk. This aligns with the sectoral approach used by the three enforcement bodies for measuring and comparing worker complaints, intelligence, and data and official statistics. (Box 1).

Box 1: Risk model approach

While a number of criteria are considered in our risk assessment, the overall level is determined by the types of behaviour which occur over a five-point spectrum ranging from error to modern slavery, as follows:

- A (includes a proportion of modern slavery),
- B (Deliberate non-compliance),
- C (Serious non-compliance),
- D (Interpretation, non-compliance)
- E (Error)

The number of compliance and enforcement interventions is also taken into consideration, though this presents a challenge for assessing in comparison with the size of worker populations within those sectors.

The grading of risk (from A to E) demonstrates that our risk focus is based on severity of behaviours and the sectors we have assessed to be higher risk (discussed in section 2.4 below) will be those scored as A, B or C.

It is important to note therefore that the sectors we assess as higher risk do not necessarily align with the distribution of cases undertaken by the enforcement bodies. The individual enforcement bodies assess risk based on the risk factors from their own perspective. For example, HMRC NMW risk model identifies risk factors that correlate with underpayment and to identify the populations that pose the greatest risk of underpayment. While the ODLME risk model assesses different non-compliant behaviours, this identification is not present in legislation.

2.3 Assessment

While the ODLME assessment is based on industry sectors and the enforcement bodies assessment there are general trends that impact on our understanding of non-compliance.

i. Discussion of the contextual risk factors

ii. Sector by sector discussion of risk

2.3.1 Contextual factors for risk in 2023/24

While the risk model is focused on evaluating different industry sectors and the enforcement bodies assessment of non-compliance within those sectors, the impact of economy wide factors is also considered.

(i) Low-paid workers and the changing economic outlook

ODLME's focus is predominantly on vulnerable workers often in low-paid and/or insecure work arrangements. As such, the research project we have commissioned has an emphasis on building a stronger evidence base around precarious working (Section 4 below).

As highlighted in section 1, the UK economic outlook is forecast to improve from 2024 onwards, with inflation and interest rates set to fall by the end of the year, but unemployment is forecast to increase, albeit moderately.

Though less severe than in 2022-23 **the cost-of-living crisis** will continue to be a concern as inflation remains high compared to historical data.[15] The impact of inflation and higher borrowing costs has been felt disproportionately by those on lower incomes. Workers struggling with higher living costs may be more at risk of having to accept more insecure and potentially exploitative work.

The last two years have seen a **substantial uplift of the National Living Wage** – by over 20 per cent between April 2022 (£9.50) and April 2024 (£11.44). It is considered that employers have absorbed the 2023 uplift without increasing the level of non-compliance, but this has not fully been assessed. Some businesses have been vocal about the scale of the April 2024 increase, highlighting concerns that they will already be facing cost pressures. The magnitude of this NLW uprating will likely increase the overall population at the risk of potential NMW non-compliance and may also bring new sectors and occupations into consideration for enforcement purposes.

(ii) Exploitation of workers from overseas

Many of the low-paid occupations and sectors captured above are also characterised by high concentrations of workers from overseas. Migrant workers might enter the UK labour market either:

- Firstly – **legally** (e.g. via bespoke immigration routes such as for seasonal workers or care workers) or

15 https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/january2024

- Secondly – **illegally** (e.g. they have entered the country illegally, have overstayed their visa or have relied on fraudulent documentation).
- The **exploitation of overseas workers entering the UK** is therefore likely to be a key driver act of emerging labour non-compliance threats.
- **The introduction of new visa routes – especially for seasonal workers and in the care sector – has enabled a rapid increase in worker population in sectors without commensurate oversight.** Even those workers with the right to work are vulnerable to exploiters who prey on the fear of tied visas being removed. For the enforcement bodies, the payment of upstream fees to facilitate UK work opportunities makes the worker vulnerable to exploitation.[16] These payments are extremely difficult for the bodies and employers to identify prior to UK entry. Others will seek to work illegally in those sectors through lack of accreditation or having entered the country illegally.
- Additionally, where those workers are abandoned upon arrival, the payment of monies to secure a visa could be considered fraud rather than labour exploitation. There are some sectors particularly within the gig economy where the use of substitution[17] continues to allow circumvention of right to work checks enabling illegal working. As mentioned above the abuse of visa rights and illegal workers, is outside of the Director's remit, but they have impacted on the operations of GLAA and EAS through allegations of forced labour and the supply of labour without employment checks being undertaken or falsified.
- **Work immigration routes remain at risk of being abused by those seeking to exploit workers.** The opening up of skilled workers visa route because of changes made to the shortage occupation list (SOL) has resulted in non-compliance and exploitation as demonstrated by Op Topaz – an enforcement operation in the care sector which has involved EAS and GLAA. The Migration Advisory Committee's review of the (SOL) in October 2023 highlighted that the risks of serious labour exploitation are highest in low paid occupations. The MAC recommended abolition of the SOL, to be replaced with commissions looking at work migration for individual occupations. For now, the MAC recommended eight occupations for the 2023 UK-wide list – including care workers, laboratory technicians, bricklayers, roofers, and animal care services. For Scotland, it recommended fishing and forestry managers and boat and ship builders be included. The Home Office has announced that some of the criteria and implementation of visas will change which might mitigate some of the threats, but migrant workers will continue to be vulnerable.
- **The use of illegal workers provides an opportunity to undercut competitive businesses operating legitimately.** The most likely issue to result in deliberate labour non-compliance and exploitation is abuse of visas and illegal working.
- Added to this is a third category of **the population of workers entering the EU Settlement Scheme (EUSS) set up in 2019 to allow EU nationals already here to apply to remain in the UK after Brexit. EUSS applications amounted to almost 2.5 times the original estimate.** The impact of post-Brexit employment on EU nationals in the UK remains unclear. The numbers suggest that there are many EU workers with settled status [and pre-settled status] who are not working in the UK now. The EUSS continues to accept applications but under tighter conditions. There may continue to be workers from the EU in the UK who may not be in the scheme and are therefore working illegally. The ODLME needs more and higher quality data on the EUSS population to determine the scale of workers added to the UK workforce under the scheme. Changes to the EUSS introduced in late 2023 should reduce uncertainty around these figures.[18]

16 https://www.theguardian.com/society/2023/sep/03/sent-home-how-kenyans-dream-of-life-as-a-uk-care-worker-turned-sour
17 https://www.irishexaminer.com/news/spotlight/arid-41202997.html
18 https://www.gov.uk/government/news/eu-settlement-scheme-enhancements-confirmed

Table 2: EU Settlement Scheme: applications and outcomes, September 2021 and September 2023 (000s)

	Sep 2021	Sep 2022	Sep 2023	Per cent Change from Sep 2022
Applicants	6,225	6,877	7,572	12.7
Concluded	5,824	6,689	7,249	11.1
Settled Status	3,028	3,360	3,661	9.0
Pre-Settled Status	2,441	2,678	2,788	4.1
Refused	165	375	630	68.0

Source: Home Office EU Settlement Statistics (figures do not include withdrawn, void or invalid applications)

(iii) Impact on labour enforcement resources

The risk areas outlined above can also be exacerbated by the impact of increased non-compliance on available enforcement resources. Reported labour exploitation in the care sector, for example, has already diverted considerable resources from EAS and GLAA in particular. Other high-risk areas may be left without adequate compliance and enforcement cover as a result, reducing the likelihood that rogue employers will be dealt with.

What is also clear is that some of these non-compliance risks fall beyond the direct or even indirect remits of the three labour enforcement bodies. This is evidently the case for illegal migrant workers and the gig economy. At the same time though these labour violations cannot be seen or addressed in isolation. Increasingly there is a need for greater join-up across law enforcement to tackle what are often sector-wide issues, again impacting on resources.

2.3.2 Future look (over the next 2 years)

There are several factors on the horizon which have the potential to impact on business practices in the next couple of years. The following factors are on an upward trend in terms of the issues occurring and potential need for mitigation. The subsequent impact on non-compliance is not able to be assessed confidently at this time.

- **Global economic conditions have deteriorated. Energy and food markets have faced continued disruption due to Russia's invasion of Ukraine,** while monetary conditions have tightened globally to bring down inflation. GDP growth, especially in advanced economies, is expected to remain slow this year. The International Labour Organisation[19] sees worsening economic conditions as a direct link to increasing all forms of exploitation (including labour exploitation).
- **Artificial intelligence and technology, while some AI is already used in relation to work and recruitment, our understanding of its potential as regards worker exploitation is still developing.** Management by algorithm could involve unrealistic and inflexible productivity targets and mechanistic redundancy decisions. For example, the use of AI is already seen in candidate selection.
- Management by algorithm might fail to take account of temporary issues affecting a worker's performance or the working environment. There are several initiatives and research considering the impact of such developments (such as by the Trade Union Congress)[20], and we look forward to seeing more assessment of the issues in published reports.

19 https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_243391.pdf
20 https://www.tuc.org.uk/news/tuc-launches-ai-taskforce-it-calls-urgent-new-legislation-safeguard-workers-rights-and-ensure

- **The number and severity of weather events attributed to climate change continues to increase.** Recent years have seen an increasing number of high heat event, which is expected to increase further in coming years.[21] High heat events have contributed to deaths of outdoor workers in mainland Europe this year. This will lead to new health and safety legislation and increased costs for employers to refurbish workplaces to better standards. Both indoor and outdoor workers can experience testing conditions associated with heat/cold which need to be factored into productivity targets. As a health and safety issues, this does not necessarily fall under my remit, but where workers may be set unrealistic productivity targets given the conditions or find it difficult to access transport to work during difficult weather.
- **There will continue to be opportunities for the development of new employment models.** Features such as zero hours contracts, the engagement of umbrella companies and other intermediaries in the employment chain contribute to a flexible labour market which is welcomed by employers and employees alike. But it can create an asymmetry of risk for vulnerable workers not achieving certainty of income and/or sufficient work or failing to understand and plan for the financial impact of their employment status.

2.4 Assessment by sector

The ODLME's Risk Model is based upon the Standard Industry Classification[22] codes, where recorded (for example, hand car washes do not have a specific SIC code).

Here we discuss in greater detail our assessment of risk in five high-risk sectors:

1. **Agriculture and horticulture**
2. **Social care**
3. **Hand car washes.**
4. **Construction, and**
5. **The garment industry.**

Reporting is in terms of the non-compliance risks, supported by evidence from other sources (such as NGOs) and submissions in response to my call for evidence.

The **high-level findings** from this year's risk model exercise were that:

- **The list of priority sectors has remained broadly the same.** There has been a slight reduction in high harm behaviour, but this is not sufficient to affect the overall scores.
- **No emerging threats resulting in entry to the priority list were identified.**

2.4.1 Agriculture and including horticulture

Horticulture is the cultivation of plants in gardens or greenhouses, as opposed to the field-scale production of crops characteristic of agriculture. It includes the cultivation of fruits, vegetables, nuts, seeds, herbs, sprouts, mushrooms, algae, flowers, seaweeds and non-food crops such as grass and ornamental trees and plants. The seasonal worker visa scheme covers workers in horticulture (as well as poultry).

21 https://www.theguardian.com/uk-news/2023/sep/18/london-facing-45c-days-in-foreseeable-future-mayor-sadiq-khan-warns
22 https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities

Sector SIC	Description	2023 Impact of non-compliance	Trend	2022 Impact of non-compliance	Notes
01 Crop and animal production, hunting and related service activities	Agriculture including horticulture	A	Decreasing	A	

<u>Overall assessment:</u> No overall change A

- 01 Agriculture: mainly risk of modern slavery (A), deliberate non-compliance (B) and serious non-compliance (C) and GLAA licenced sector.

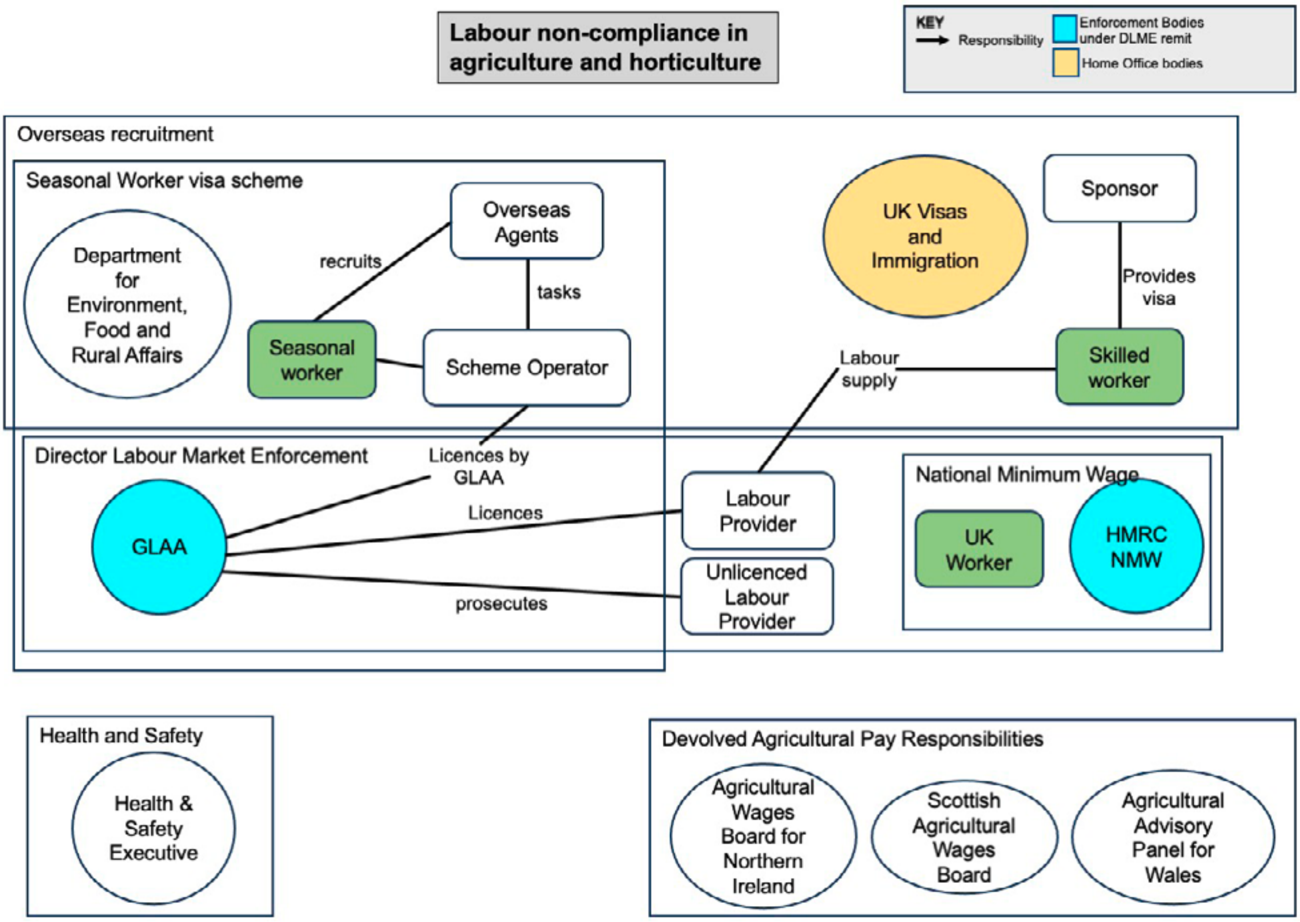
Concerns with the seasonal workers visa (see more information below) and poor working conditions standout. The use of Nepalese and Indonesian workers (where excessive agency fees had been charged in 2022) has decreased significantly (see MSPEC report here).

<u>Key reasons for assessment:</u>

- The labour supply problems in the seasonal worker visa scheme following the Russian invasion of Ukraine in February 2022 have reduced. While the use of countries at higher risk of work finding fees such as Nepal and Indonesia have reduced, this workforce has been replaced by workers from Central Asia who may have even less experience of English and their rights compared to previous workers (see Figure 13 below for breakdowns). One respondent to my Call for Evidence referenced a survey of agricultural workers where 9 per cent of respondents did not have written payslips. An independent study from the Modern Slavery Policy and Evidence Centre (UK agriculture and care visas and vulnerability to exploitation) highlights the issues faced by Indonesian agricultural workers. Workers reported having to pay between £2,500-£4,000 on average in agency recruitment fees (unlawful in the UK). Others reported having to work more than 48 hours a week (the weekly maximum under working time rules) and many reported inadequate accommodations, often without working toilet facilities or appliances to make food. Workers found themselves sharing a caravan with 4-6 other workers with instances of men and women being forced to share. The accommodation provided cost £65-80 a week, on average, plus utilities and food. This often left many Indonesian workers in debt and at risk of debt bondage. The report advocates for more support for workers, more enforcement investigations (outside of immigration enforcement) and a greater role for unions.
- However, while there has been a decrease in severe exploitation of SWV scheme workers, some of the conditions, such as accommodation, are difficult and there are suggestions of unfair treatment inconsistent with the intent of the scheme.
- Open-source reporting in horticulture highlights the threats associated with the seasonal workers visa such as working finding fees, lack of work and poor accommodation.[23]
- The GLAA have primary responsibility in the sector for working conditions as part of their licensing role. However, United Kingdom Visa and Immigration (UKVI) is ultimately has oversight and enforcement responsibility of this visa route – but setting out clear guidance to scheme operators – which includes worker welfare.

23 https://landworkersalliance.org.uk/lwa-report-digs-into-exploitation-of-migrant-workers-in-uk-horticulture/

Figure 12: Flow chart of stakeholders in the Agriculture/Horticulture, as of January 2024 (the diagram illustrates different responsibilities but does not demonstrate the scale of activity)



Source: ODLME

2.4.1.1 Seasonal workers survey results 2022

The seasonal workers survey is a monitoring tool used by the Department for Environment, Food, and Rural Affairs (Defra) to assess migrant welfare and the experience of seasonal workers working on UK farms. The survey has been carried out each year since the SWV route began as a pilot in 2019.

In the 2022 survey 4,068 people were surveyed:

- **On pay**:
  - Only 1 per cent of seasonal workers reported **not being paid on time**.
  - A further 14 per cent said they were **not fully paid for their work**, including associated work such as setting up or cleaning. This was particularly the case among Kazakh (22 per cent) and Nepalese (24.5 per cent) respondents.
  - A larger proportion (12 per cent) reported **not receiving accurate information about potential pay deductions**.
  - Respondents from Indonesia were least likely to state that they were provided with accurate information during recruitment. This applied across all topics, most noticeably with respect to information about the length of their contract (68.5 per cent compared with 86.8 per cent for the respondents as a whole). In addition, respondents from Nepal were the group least likely to state that they were provided with accurate information regarding **rates of pay** (77.3 per cent compared with 90.7 per cent).
- **On payment of fees**
  - Some 366 respondents (6.4 per cent) reported **paying recruitment fees or job finding fees** (which are unlawful in the UK).
  - 253 respondents reported paying between £3,000 and £4,999 in pre-arrival costs (visa, recruitment and other fees), with 484 reporting fees between £1,000 and £2,999 of the same cost.
  - Indonesian respondents were most likely to report fees of at least £3,000 (61.6 per cent compared with only 6.4 per cent for all respondents). Additionally, the proportion of Indonesian workers who paid between £1,000 and £2,999 before arriving in the UK was 28.5 per cent, compared with the survey average of 12.2 per cent. Combined, these results show that 90.1 per cent of Indonesian respondents reported that they paid £1,000 or more in pre-arrival costs.
  - A smaller proportion of Central Asian respondents raised a complaint compared with the survey average, while a greater proportion of Indonesians and Nepalese raised a complaint (11.6 per cent and 9.1 per cent compared with the survey average of 4.3 per cent).

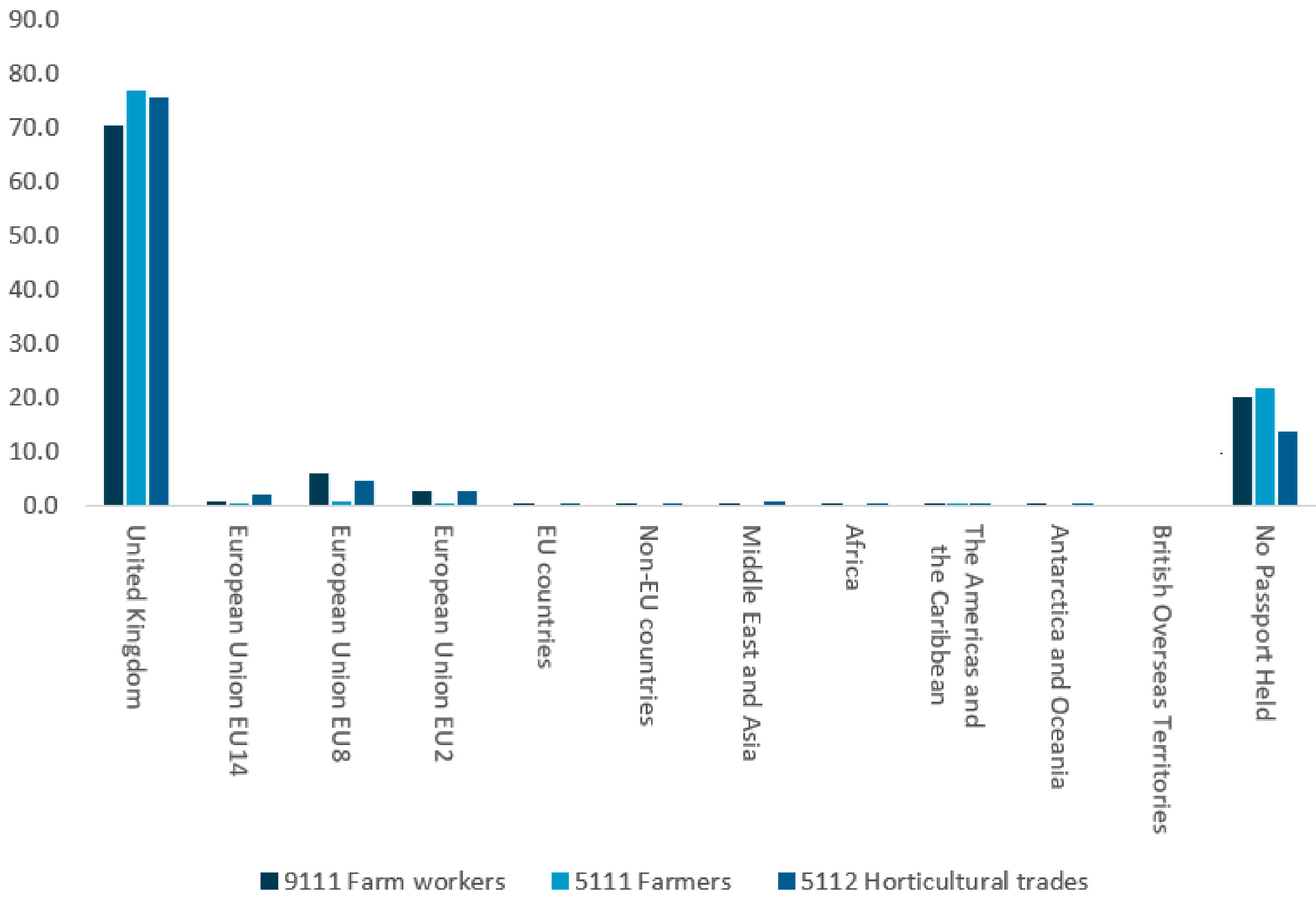
More data can be found here: Season Worker's Survey 2022 with more detail by country and on other issues not mentioned.

2.4.1.2 Agriculture and horticultural workforce

The agricultural sector in the UK plays a key role in ensuring food security and employment. Currently the size of the UK agriculture sector workforce is 307,000 (October and December 2023) and this has been falling between 2012 and 2023. A UK parliamentary report estimates the seasonal agricultural workforce at around 45,000-55,000.[24] Most seasonal workers are understood to be migrant workers. The seasonal worker visa route currently allows up to 45,000 temporary migrant workers to enter the UK to work in this sector each year. The report details that farmers are significantly dependent on foreign/migrant labour to run operations. In recent years seasonal workers were mostly sourced from Ukraine until 2022, but the current conflict in that country has meant scheme operators had to source at short notice from new countries, which, in some cases, has resulted in labour exploitation issues. Below shows the proportion of workers by nationality and explores the outcome of research and surveys into different visa schemes.

24 https://researchbriefings.files.parliament.uk/documents/CBP-9665/CBP-9665.pdf

Figure 13: Percentage of workers by passport held in SIC 9111, SIC 5111 and SIC 5112, Census 2021, England, and Wales only[25]



Office for National Statistics: [Migration and labour market, passport held based estimates, England and Wales]

Obtaining robust and reliable estimates of what constitutes the agricultural workforce is a challenge. This is especially so when considering nationality of farm workers. Statistics from the 2021 census shows out of all farmers in England and Wales, 97.5 per cent held a UK passport, 1.6 per cent were born in the EU, and 0.8 per cent were born outside the EU.[26] Among farm workers (SOC 9111) 11.7 per cent (9.8 per cent EU-born, 1.9 per cent non-EU-born) did not hold a UK passport. Among managers and proprietors in agriculture and horticulture (SOC 5112) this was 6.4 per cent (3.6 per cent EU-born, 2.8 per cent non-EU-born). While agriculture remains a serious concern for non-compliance, we have seen that these non-compliance issues do have an impact on UK domestic workers as well as migrant workers.

2.4.1.3 Seasonal workers in agriculture

As Figure 12 above highlights there are numerous government departments and agencies with responsibility for different aspects of seasonal working in agriculture:

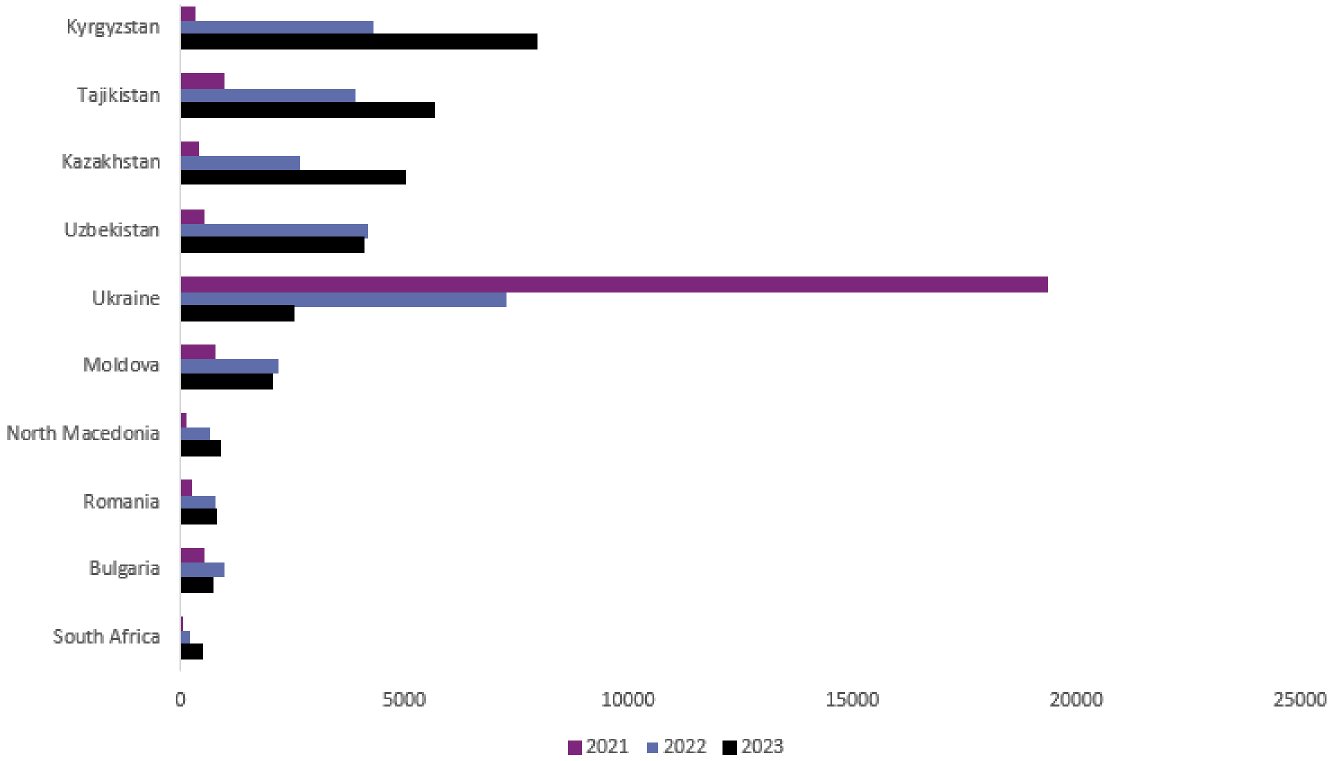
- Overall, the (SWV) scheme is operated by the Home Office.
- UK Visas and Immigration (within Home Office) is responsible for the running of the visa scheme.

25 The chart above shows that percentage breakdown by standard occupation codes (SOC) for the farming industry. It's important to note that while the No Passport Held category is high this does not equate to illegal working as many UK nationals do not hold passports but have a right to work.

26 Please note that the Census 2021 may have issues with picking up temporary seasonal workers.

- with Defra responsible for selecting the scheme operators and monitoring the welfare of seasonal workers. GLAA monitoring for instances of labour market exploitation. The GLAA licences the sponsors and sponsors must adhere to GLAA licensing standards.

Figure 14: Number of seasonal worker visas granted by nationality, 2021-2023, SIC 5112 (horticultural trades) and SIC 9111 (Farm workers)



Home Office: [seasonal workers visa statistics]

Overall visa volumes have fallen between 2022 and 2023 from 33,826 to 32,034, down 5.3 per cent. Visa rules tightening help to explain some of the fall as well as a continued shift to sourcing from the Central Asia (including Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) as numbers from Ukraine continue to fall, decreasing from 19,342 in 2021 to 2,532 in 2023. The Ukraine-Russia war has also impacted recruitment from Belarus and Russia, where numbers fell from 859 to 2 and 2,257 to 16 respectively between 2021 and 2023. Sourcing from Nepal and Indonesia has almost ceased dropping from 2,731 to 128 and from 1,451 to 0 between 2022 and 2023 respectively. Some of the drop off could be linked to non-compliance. Work by the [Modern Slavery Policy and Evidence Centre (MSPEC)] details areas of exploitation seen by Indonesian and Nepalese agricultural workers, as well as numerous articles detailing issues.[27]

2.4.1.4 Agriculture and horticulture: final remarks

In general, the data points to less exploitation in the sector compared to previous years and before the COVID-19 pandemic. With that said the issues around labour exploitation are set to continue with low, comparable pay (often leading to increased risk of NMW non-compliance), and high levels of vacancies, which are often filled by migrant workers on the seasonal workers' visa. Calls remain high to reform the visa system and need for a properly funded and backed labour inspectorate for farms.[28]

27 https://www.ft.com/content/5fae6209-c22a-4cee-afc8-dbc574508002

28 https://www.thebureauinvestigates.com/stories/2024-01-12/uk-government-breaching-international-law-with-seasonal-worker-scheme-says-un-envoy/

The current SWV Scheme is due to end in 2024. At the time of writing the government response to the *Independent Review into Labour Shortages in the Food Supply Chain*[29] chaired by John Shropshire is still awaited. It is important that any further scheme learns the lessons from the existing scheme better to protect workers in future. ODLME stands ready to assist this.

2.4.2 Adult social care

The provision of social care is covered across SIC 86-88, principally with:

- 87 (Residential care activities) and
- 88 (Social work activities without accommodation).

Sector SIC	Description	2023 Impact of non-compliance	Trend	2022 Impact of non-compliance	Notes
86-88 Care Sector	Social care	B	Not change	B	

Overall assessment: No overall change B

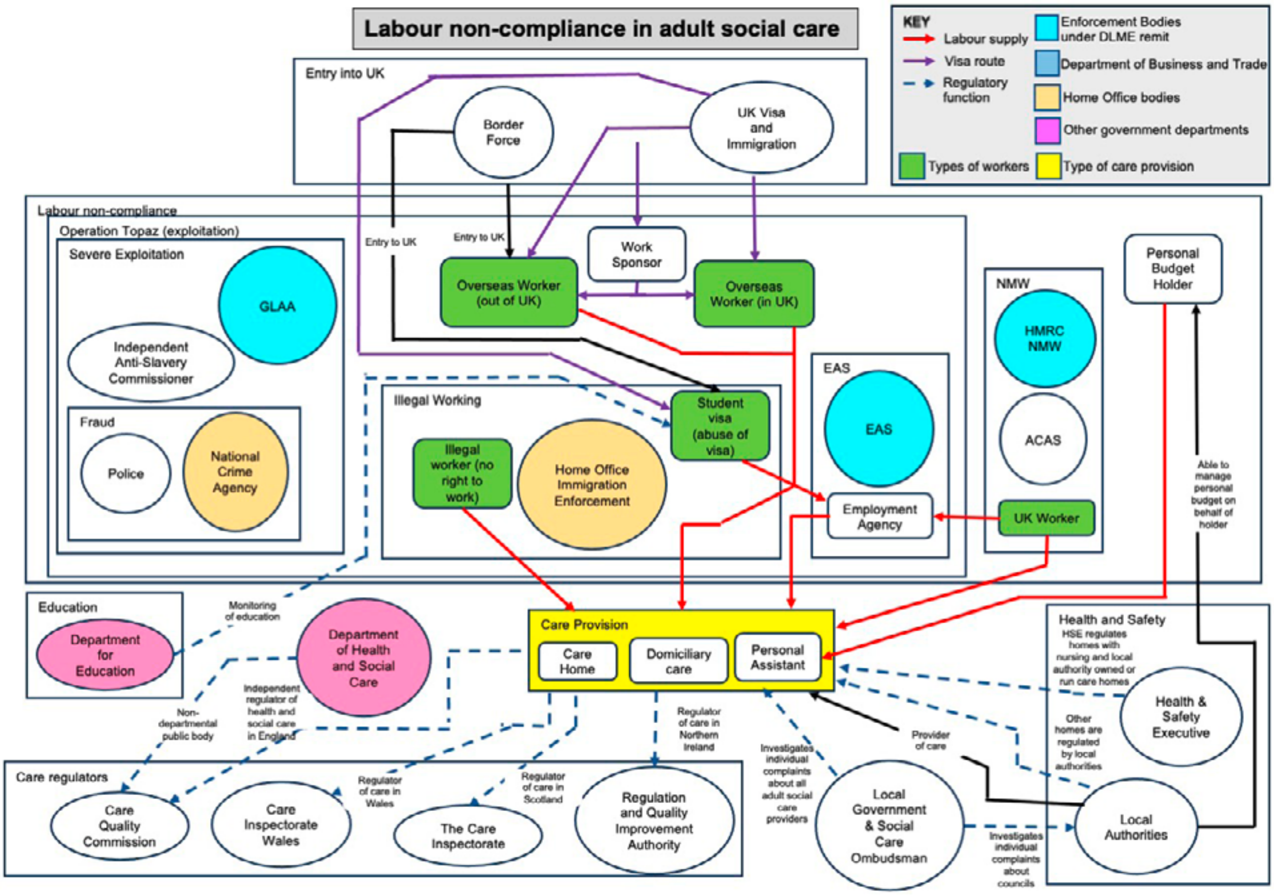
- Adult social care sector: An increasing risk of modern slavery and severe labour exploitation (A) with a high risk of serious non-compliance (C) and deliberate non-compliance (B), with an implication for interpreted non-compliance (D).

Key reasons for assessment:

- **The overall score has not changed but the threat linked to the abuse of visas to work in the sector continues. However, in assessing the overall risk to the sector, there are different worker populations at varying risk of labour non-compliance.** This sector was increased in scoring to B last year to recognise the greater understanding of the extent of worker exploitation achieved through Operation Topaz and exploitation of overseas workers. This remains the same this year, with the resources of GLAA and EAS severely stretched by the number of cases they have been involved with.
- The Op Topaz worker population relates to overseas workers, entering the country on care and student visas. Additionally, the work they are offered may pay less than they were promised and forced to work for much longer hours. They may have paid large fees to secure those visas and not find work opportunities on their arrival.
- The general worker population which is at risk of NMW non-compliance through standard NMW risk including non-payment of travelling time.
- Work by the Low Pay Commission also highlights concerns from unions (such as Unison, GMB, Home Care Association and the TUC). Firstly, issues with payslips and record-keeping where workers are asked to keep their own timesheets. Secondly, non-payment of travel time where Local Authorities often do not budget to pay workers for travel time. Finally, migrants tied into contracts they are too afraid to leave due to the strict visa rules.

29 https://www.gov.uk/government/publications/independent-review-into-labour-shortages-in-the-food-supply-chain

Figure 15: Flow chart of stakeholders in the Care sector, as of January 2024 (the diagram illustrates different responsibilities but does not demonstrate the scale of activity)



Source: ODLME

The DLME call for evidence highlighted a range of non-compliant behaviours in the delivery of adult social care ranging from non-payment of travelling time (for domiciliary care workers) to poor conditions, workers being paid below the minimum wage and concerns about access to employment tribunals (Annex A for more detail). The evidence being presented to the Director is that these non-compliance issues are prevalent across the sector. Current issues around workers not being paid for travel time and payslips failing to provide sufficient information in the social care sector continue to have large scale impacts on National Minimum Wage and National Living Wage compliance. UNISON research suggests most care workers (63 per cent) cannot tell from their payslips whether they are being paid for all their working time and that minimum wage records are often very hard to access.[30]

Research commissioned by the Modern Slavery Policy and Evidence Centre (titled: UK agriculture and care visas and vulnerability to exploitation) highlights the issues faced by Indonesian care workers. Low pay, with some workers reporting pay at £3 per hour (before deductions) persists. Salary deductions by employers are wrong and questionable. Some of the deductions are for work clothes, visa application fees, food, solicitor's fees, complaints from patients, accidentally damaging equipment, and accommodation.

2.4.2.1 Adult social care workforce

Set out below are data on the adult social workforce. Because of the devolved responsibility for social care across the four nations of the UK data are subject to different definitions, collection methods and time periods. These individual workforce numbers therefore cannot be summed to produce a total UK figure.

30 https://www.unison.org.uk/content/uploads/2018/09/25233.pdf

England

The adult social care sector has been in the spotlight for many years with the recent COVID-19 pandemic highlighting challenges in the system. The sector has around 1.635 million posts filled as of 22/23.[31] Even though the workforce has expanded over the last decade the demand for social care has far outstripped supply with the vacancy rate also rising, standing at 152,000 in 22/23.[32] This demand has come from an aging population, with an increased number of long-term sick (data on long term sick has been limited by the LFS) with the UK social care system heavily reliant (around 10 per cent of the workforce) on migrant labour.

By sub-sector, as of 22/23.[33]

- 700,000 workers were in the domiciliary sector for adult social care, of which the majority were in the private sector (555,000). Most of the workforce were on permanent contractors (87 per cent), 38 per cent were on ZHCs; 42 per cent working full-time and the vacancy rate was 12.5 per cent.
- 670,000 workers were in the residential adult social care sector. Most workers were based in the private sector (650,000). The workforce themselves were overwhelming on permanent contractors (90 per cent), with 9 per cent on a ZHC, with 59 per cent working full-time. Compared to domiciliary care workers the vacancy rate was lower at 7.4 per cent.
- 231,000 workers were in the community sector for adult social care. Most workers were based in the NHS (109,000). The workforce themselves were overwhelming on permanent contractors (85 per cent), compared to 8 per cent on ZHC, with 67 per cent working full-time and the vacancy rate at 8.6 per cent.
- 33,000 workers were in the day sector for adult social care. Most workers were based in the private sector (27,000). The workforce themselves were overwhelming on permanent contractors (89 per cent), with 10 per cent on ZHC, with 52 per cent working full-time and the vacancy rate at 8.2 per cent.

Scotland

The Scottish adult social care sector has many of the same issues as the English does, with vacancies, recruitment issues, demand, and retention of staff. A key report on the Scottish Social Service Sector highlighted the following. A key difference between the English and Scottish data is Scottish data record child services whereas English does not, therefore they are not directly comparable. The size of the workforce rose slightly to 211,510, an increase of 1.5 per cent since 2021. The social service workforce makes up approximately 7.8 per cent of all Scottish employment. This increase has been driven mainly by increases in the housing support/care at home, day care of children and nurse agency sub-sectors.

By sub-sector, as of 2022:

- Community care services (housing support/care at home, care homes for adults, adult day care) account for 62 per cent of the workforce.
- Adult care homes made up 24.1 per cent of the total workforce with 51,040 workers in the system. This was 30 workers less than 2021 and has dropped 2.7 per cent since 2013.
- Domiciliary care services made up 35.3 per cent of the total workforce with 74,620 workers, up by 1,500 workers since 2021 and up 20 per cent since 2013.

31 https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/national-information/The-size-and-structure-of-the-adult-social-care-sector-and-workforce-in-England.aspx

32 https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/national-information/The-size-and-structure-of-the-adult-social-care-sector-and-workforce-in-England.aspx

33 https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/Workforce-estimates.aspx

- Adult day care services made up 2.6 per cent of the total workforce with 5,520 workers. This was 650 workers less than 2021 and down 33 per cent since 2013.
- Between 2021 and 2022, half of the sub-sectors (9 of 18) recorded a decrease in the estimated headcount. The largest absolute decrease was in adult day care with a decrease of 650 while the largest relative decrease was in childcare agencies with a decrease of 50.0 per cent (note there was a net decrease of around 24 per cent in the number of childcare agency services operating compared to 2021). The largest absolute increase in the workforce was in housing support/care at 11 Scottish Social Services Council.

In 2022:

- The median age of the workforce is highest in the public sector (46) and lowest in the private sector (40). Staff working in early years services in the private sector have the lowest median age (28).
- The largest employer type differs between local authority areas, with services in Orkney, Shetland and Na h-Eileanan Siar (the three island authorities) provided mainly by the public sector. However, in most areas the private sector is the largest employer.

Wales

There is limited, up to date data for the Welsh adult social care workforce. Like the other devolved administrations of the United Kingdom, Wales is facing increasing demand for adult social care and problems with recruitment, retention and supply of workers. The workforce data report for 2022 – Social Care Wales show that 84,134 (a 7 per cent decrease since the previous year) workers were employed with a 9 per cent vacancy rate (5,323 jobs), with 226 workers leaving the sector in the same period.

By sub-sector (note these are estimates on actual and forecasted data):

- Adult residential care the workforce was 29,100 in 2022. In 2021, we estimated the figure to be 30,531 – a drop of 4.6 per cent in the estimated workforce over the last 12 months. Care workers make up 60.3 per cent of the adult residential care workforce.
- The domiciliary care workforce was 19,571. Of those, 4,232 (21.6 per cent) come from local authority-run services and 15,339 (79.4 per cent) come from commissioned service providers. In 2021, 23,108 people worked in domiciliary care, which shows a drop of 18.1 per cent in the workforce. Care workers made up 80.8 per cent of those 19,571 workers.
- The number of workers in day services stood at 2,954 (2,157 in local authority run services and 797 in commissioned services) and shows a slight increase on the 2021 workforce of 2,857. Care workers made up 60.5 per cent of that 2,954 strong workforce.
- Supported living sector workforce stood at 6,893 in 2022, which is split between 970 for local authorities and 5,923 for commissioned services. Care workers made up 79.4 per cent of that 6,893 workforce.

As of 2022:

- 82 per cent of the workforce was female.
- 80 per cent of the workforce were on permanent contracts.
- The percentage of agency workers in the sector has decreased slightly. This is most notable in the commissioned providers, which is now 1.7 per cent (compared to three per cent in 2021). Meanwhile, the proportion of agency workers in local authorities has increased marginally to 0.5 per cent (0.4 per cent in 2021).

- Of the 81,134 workers, 31,315 (37 per cent) work in local authorities and 52,876 (63 per cent) were in commissioned providers (private sector).
- The majority of workers worked over 36 hours per week.

Northern Ireland

Data detailing the characteristic of the social care workforce in Northern Ireland are more limited. Using statistics from ONS' Annual Population Survey, there were 23,700 Care workers and home carers (SOC code 6145) and 700 *Senior care workers* (SOC code 6146) in 2021. The vast majority of these (87 per cent) were female.

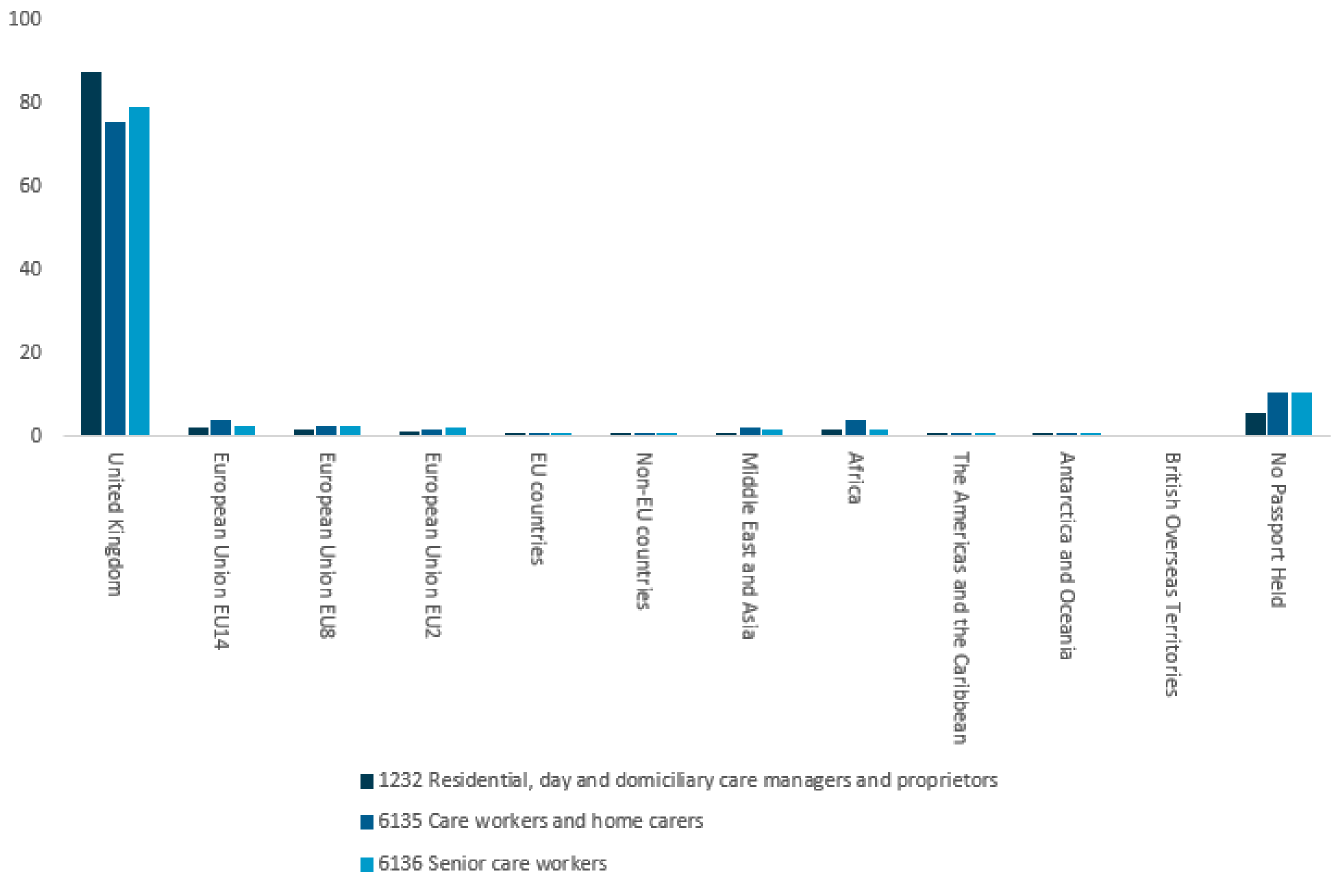
Information on migrant workers

Here we use various sources of data to provide an estimate of the numbers of overseas workers in the care sector and how this has changed in recent years.

First of all, using statistics from the 2021 Census for England and Wales shows that majority of care workers in the UK hold a UK passport: 87.2 per cent of **residential, day and domiciliary care managers and proprietors** held a UK passport in 2021, while 2.0 per cent held an EU14 passport and 1.5 per cent held an African passport (much of the remainder held no passport).

In comparison, **care workers and home carers** had a smaller proportion of UK passport holders (75.1 per cent) with 7.6 per cent of these care workers holding European passports and 3.7 per cent of workers with passports from African countries.

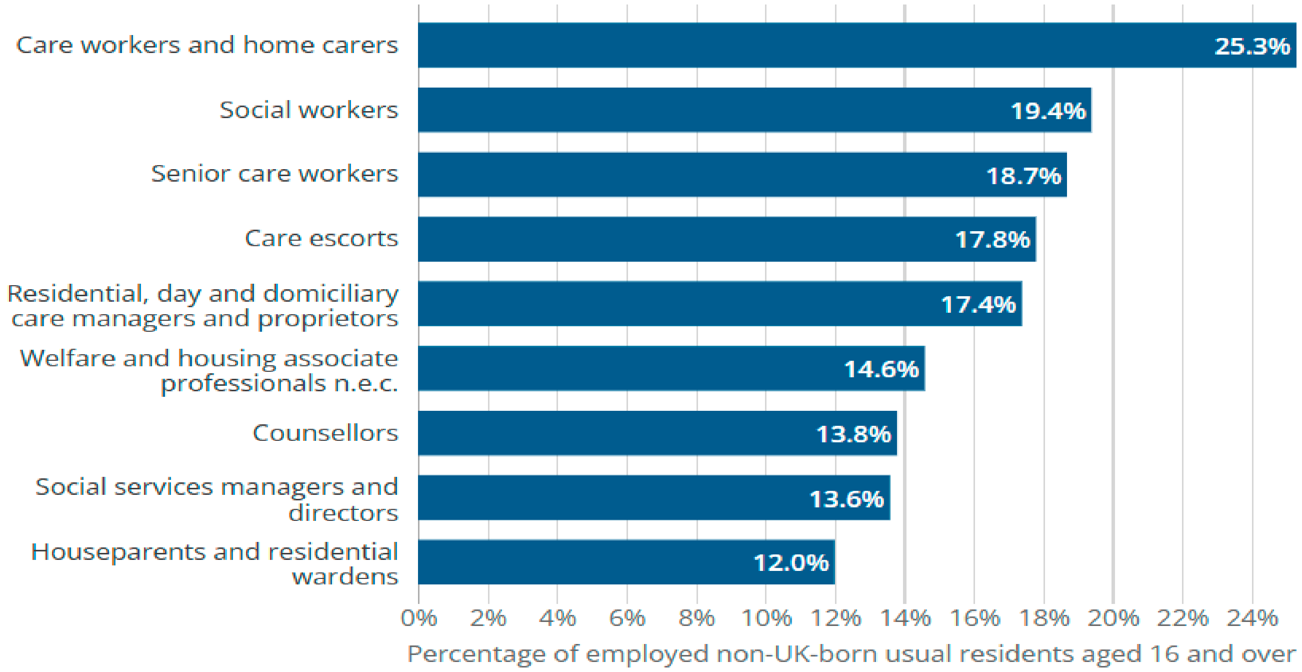
Figure 16: Percentage of workers by nationality in SIC 1232, SIC 6135 and SIC 6136, Census 2021, England and Wales only



Office for National Statistics: [Migration and labour market, passport held based estimates, England and Wales]

Measured on the basis of country of birth and considering more detailed roles in the care sector, the 2021 census shows one in four (25.3 per cent) **care workers and home carers** were not born in the UK. Some 10.1 per cent were born in Africa, while 6.0 per cent were born in the Middle East or Asia.

Figure 17: Percentage of employed non-UK-born usual residents, aged 16+, and by occupation related to adult social care, Census 2021



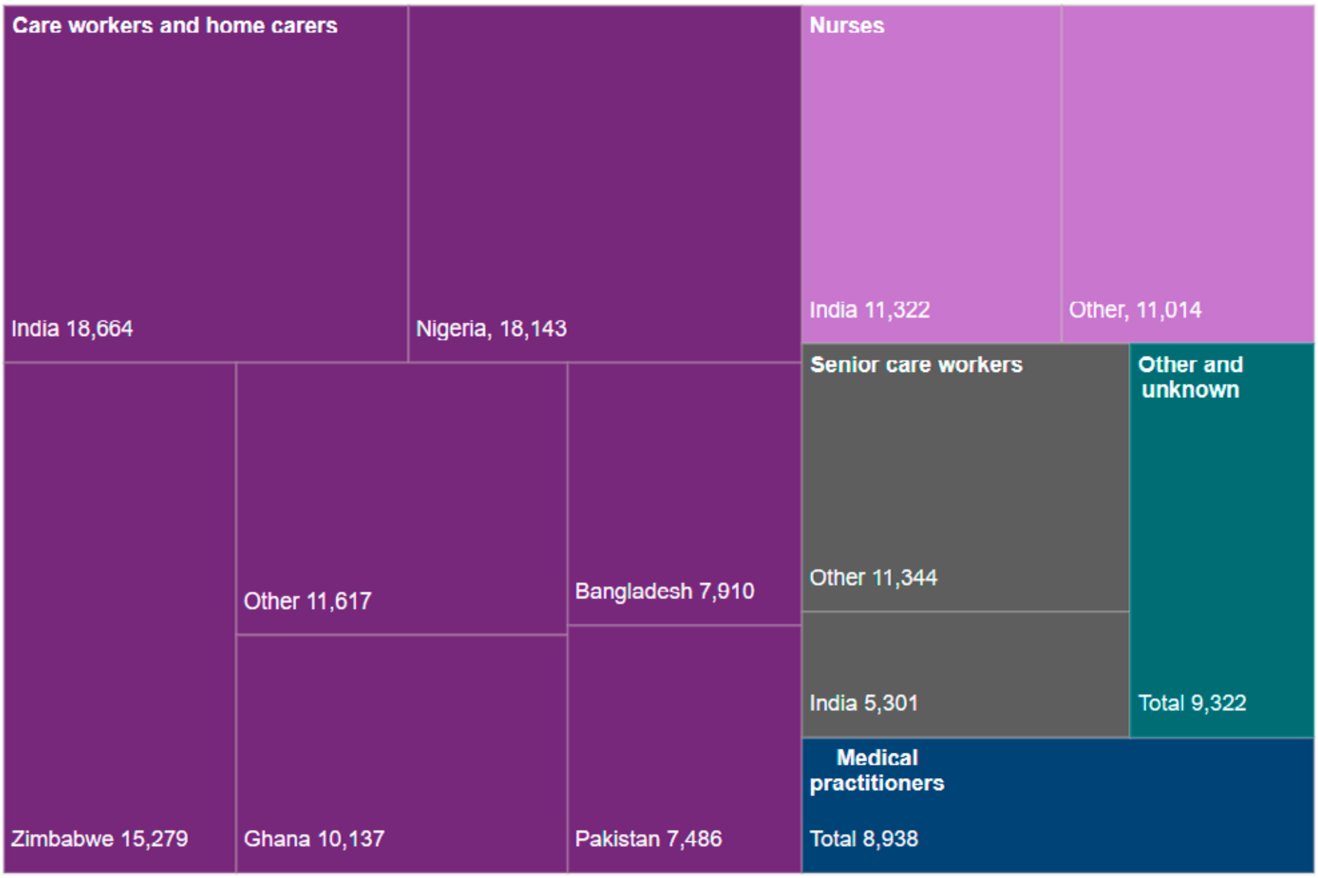
Office for National Statistics: [Migration and labour market, passport held based estimates, England and Wales]

As noted in section 1.2.2 above, following Brexit and the end of free movement of EU workers to the UK a new immigration system was introduced at the beginning of 2021. Initially only **senior care workers** qualified under the shortage occupation list (SOL) for skilled workers, but the government then implemented a recommendation from the Migration Advisory Committee (MAC) that **care workers** became eligible for the Health and Care Visa. This took effect from February 2022.

Over the two years, 2022 and 2023, over 141,000 migrants have come to the UK to work in the care sector: around 32,000 senior care workers and 109,000 care workers. Three quarters of these came in 2023 alone.

Figure 18 shows that Indian (18,664), Nigerian (18,143) and Zimbabwean (15,279) nationals together represented almost 6 in 10 (58 per cent) of visas granted to '**care workers and home carer'** occupations in 2023. Over half (51 per cent) of grants for **'nurses'** were to Indian nationals with 11,322 grants, and Indian nationals represented just under a third (32 per cent) of '**senior care workers'** with 5,301 grants.

Figure 18: Skilled worker – health and care' visas granted in the year ending September 2023, broken down by occupation and nationality



Home office: [immigration statistics by visa type]

Skills for Care now estimates that the effect of these changes in workforce composition in England by nationality is that the proportion of non-EU nationals has risen from 9 per cent in 2016/17 to 10 per cent in 2021/22 and then to 14 per cent in 2022/23. The proportion of the care workforce who are EU nationals was 7 per cent at the beginning and end of this period, having peaked at 8 per cent in 2019/20.[34]

2.4.2.2 Social care: final remarks

The social care sector remains a high priority for the ODLME and enforcement bodies, with several reports from intelligence, academics, media reporting and NGOs as well as from workers themselves highlight the continuing issues in this sector. The persistence of low pay, often at basic NMW/NLW levels turn UK workers away from the sector. Operation Topaz is making heavy demands on EAS and GLAA, emphasising the need for a joined-up approach with Home Office, DHSC, the Care Quality Commission, compliant care providers and their associations, local authorities and third sector organisations ODLME will continue to work with the enforcement bodies and other partners to seek to improve conditions for workers in this sector.

34 Skills for Care, The state of the adult social care sector and workforce in England report 2023, Chart 60

2.4.3 Hand car washes

While there is no specific SIC code for hand car washes, other cleaning services (81299), is used to align with management information.

Sector SIC	Description	2023 Impact of non-compliance	Trend	2022 Impact of non-compliance	Notes
81,299 Other cleaning services	Hand Car Washes	A	Not change	A	

Overall assessment: No overall change A

- 81,299 Hand Car Washes: A risk of 'includes a portion of modern slavery' (A) with a high risk of serious non-compliance (C). While deliberate non-compliance (B), with an implication for interpreted non-compliance (D) have fallen slightly.

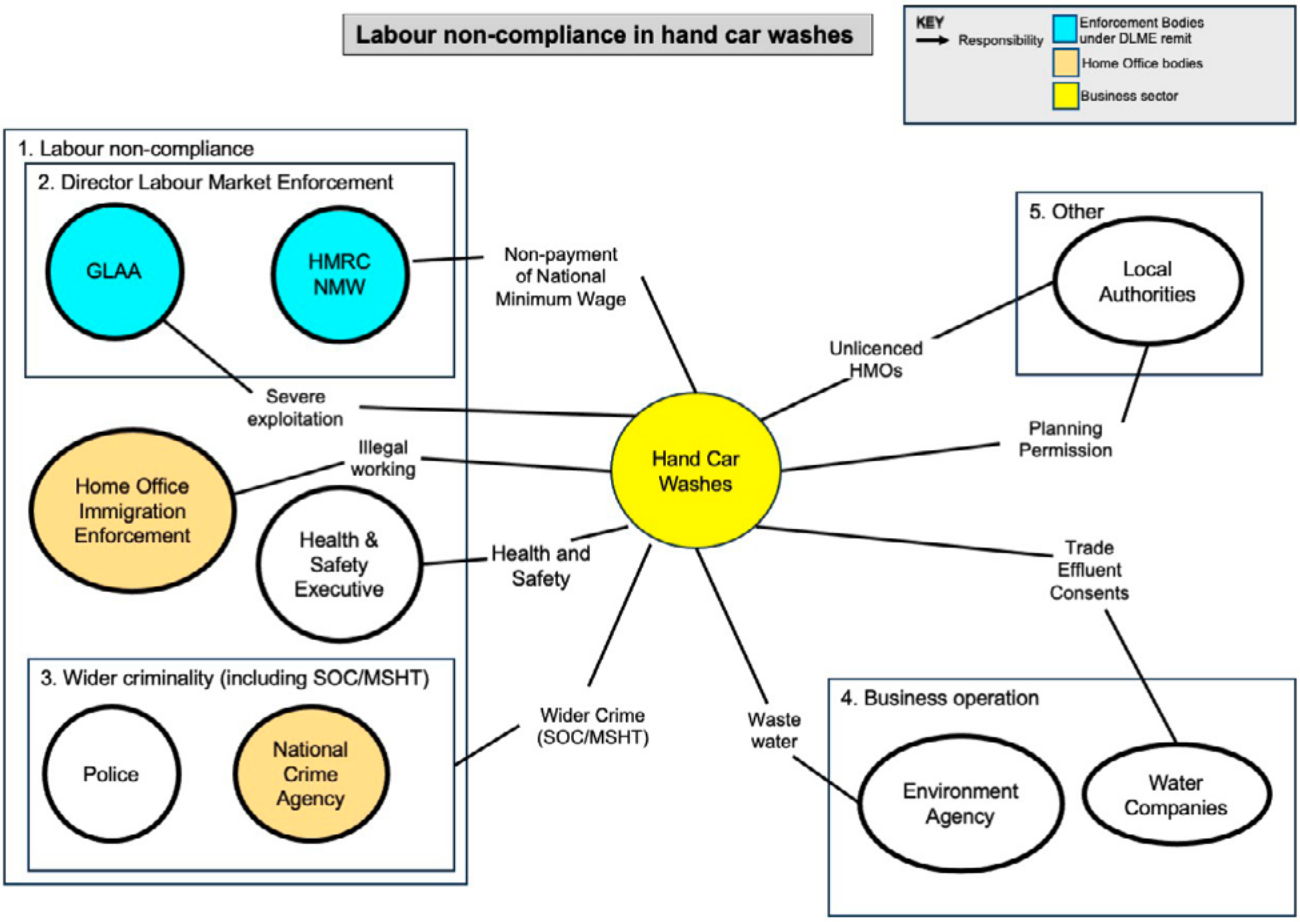
Key reasons for assessment:

- **No overall change A:** As the discussion of the EU Settlement Scheme above shows, the breakdown of the population post Brexit impacts the assessment of the risk under the Director's remit. Illegal working was a factor in the sector prior to Brexit, but the sector largely employed EU nationals from Eastern Europe.
- Following Brexit, it is unclear if the balance of the workforce has changed. As the majority of non-compliance in the sector relates to NMW, EU nationals who have not applied to the EU Settlement Scheme may now be working illegally and therefore not eligible for NMW.
- There is a potential for increased illegal working in hand car washes, with reporting of workers being picked up from hotels where people are staying while their immigration claims are being processed.[35]
- In terms of non-compliance, the non-payment of NMW remains the key risk with the lack of record keeping a barrier. For HMRC this sector is where they issue the most labour market enforcement undertakings (LMEUs). Another challenge is the lack of reliable estimates of the industry size. Where repeat visits are made to hand car wash locations to test the 'stickiness' of previous compliance promoting operations, the entities involved in the previous visit may have changed.
- In 2023 the Responsible Car Wash Scheme closed its accreditation scheme after five years, having signed up just one hand car wash.[36] Voluntary industry-led approaches to improving compliance in this sector are therefore unlikely on their own to have much impact on improving compliance in the sector.

The evidence being presented to the Director is that non-compliance in the industry is persistent and widespread. Respondents to the ODLME call for evidence highlighted an Unseen 2022 annual report that detailed that 15 per cent of all labour exploitation cases reported to their helpline referenced car washes. With 553 potential victims across 160 cases, this was a 259 per cent year-on-year increase in identified potential victims.

35 https://www.gbnews.com/news/migrant-crisis-asylum-seekers-working-illegally-investigation
36 https://rcws.org.uk/

Figure 19: Flow chart of stakeholders in the hand car wash sector, as of December 2023



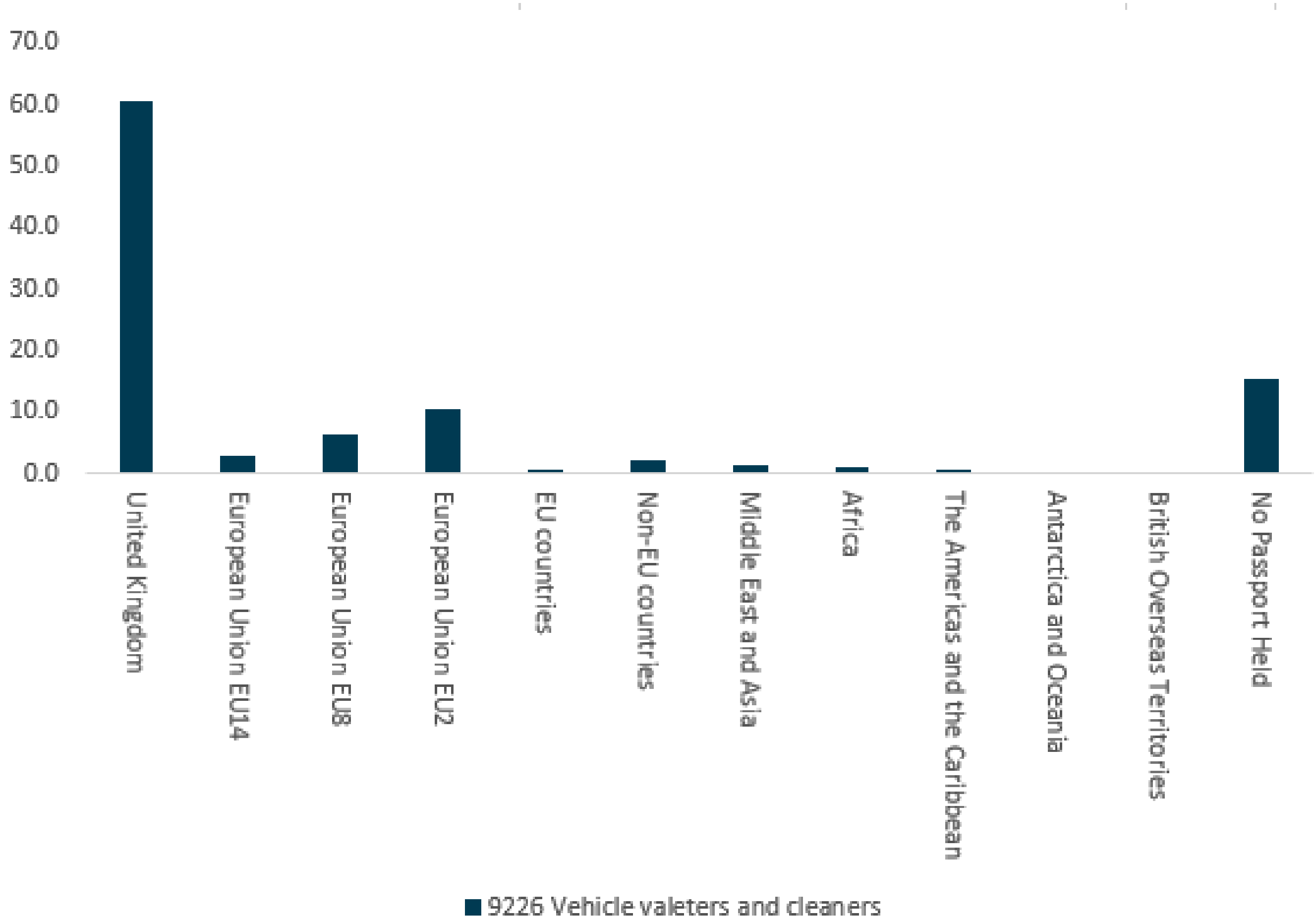
Source: ODLME

Figure 19 above illustrates some of the non-compliance and criminal threats that occur in the car wash sector, and the ODLME and enforcement bodies within it. Our assessment of labour non-compliance and exploitation primarily relates to HMRC NMW and GLAA while recognising that illegal working (a Home Office enforcement lead) provides a workforce to the sector. Additionally, the modern slavery aspects involve the National Crime Agency (NCA) and police forces as well as the cash-based nature of the industry enabling the laundering of criminal profits from other crimes. The nature of working with water and cleaning chemicals means that the sector is of interest to the Health and Safety Executive (HSE) as well as the run-off of the untreated wastewater into normal drains requiring licences from other regulators.

2.4.3.1 Hand car wash workforce

Information gap: There is an information gap for the post-Brexit recruitment of workers. It is unclear if the majority of the workforce in the sector are still mainly from Eastern Europe, with or without settled status. Data from the census 2021 shows the number of identifiable migrants working in the vehicle valets and cleaning sector at 24.2 per cent of those who work in the sector, or just over 5,000 people. ODLME believe that this figure is underreported, for example from illegal workers who were either not captured by the census or who did not answer the survey and the lack of record keeping associated with the industry.

Figure 20: Percentage of workers by nationality in SIC 9226, Census 2021



Office for National Statistics: [Migration and labour market, passport held based estimates, England and Wales]

2.4.3.2 Car washes: final remarks

The ODLME risk model and the call for evidence highlights the continuing high risk, particularly for non-payment of the National Minimum Wage, in the sector. The Car Wash Code of Practice Project demonstrated limited benefit, and the Responsible Car Wash Scheme has closed. The hand car wash sector continues to see high levels of non-compliance for non-payment of the National Minimum Wage. There have been calls from the Institution of Licensing to regulate this sector in a different way, relying more on local authorities and other regulators to issue water and sewage licenses to car wash forecourts for them to be able to operate. This would produce a more localised estimate of the scale and nature of car washes and provided an opportunity for wider multi-agency visits. Other suggested interventions include requiring non-cash transactions to capture the trading data and reduce the risk of non-compliant cash payments. The Director sees this sector as a high risk for non-payment of the National Minimum Wage threat that will require continued investigation.

2.4.4 Construction

Construction covers 2 SIC codes:

- 41 Construction of buildings and
- 43 Specialised construction activities (such as demolition, plumbing, roofing).

Sector SIC	Description	2023 Impact of non-compliance	Trend	2022 Impact of non-compliance	Notes
41/43 Construction	Construction	A	Not change	A	

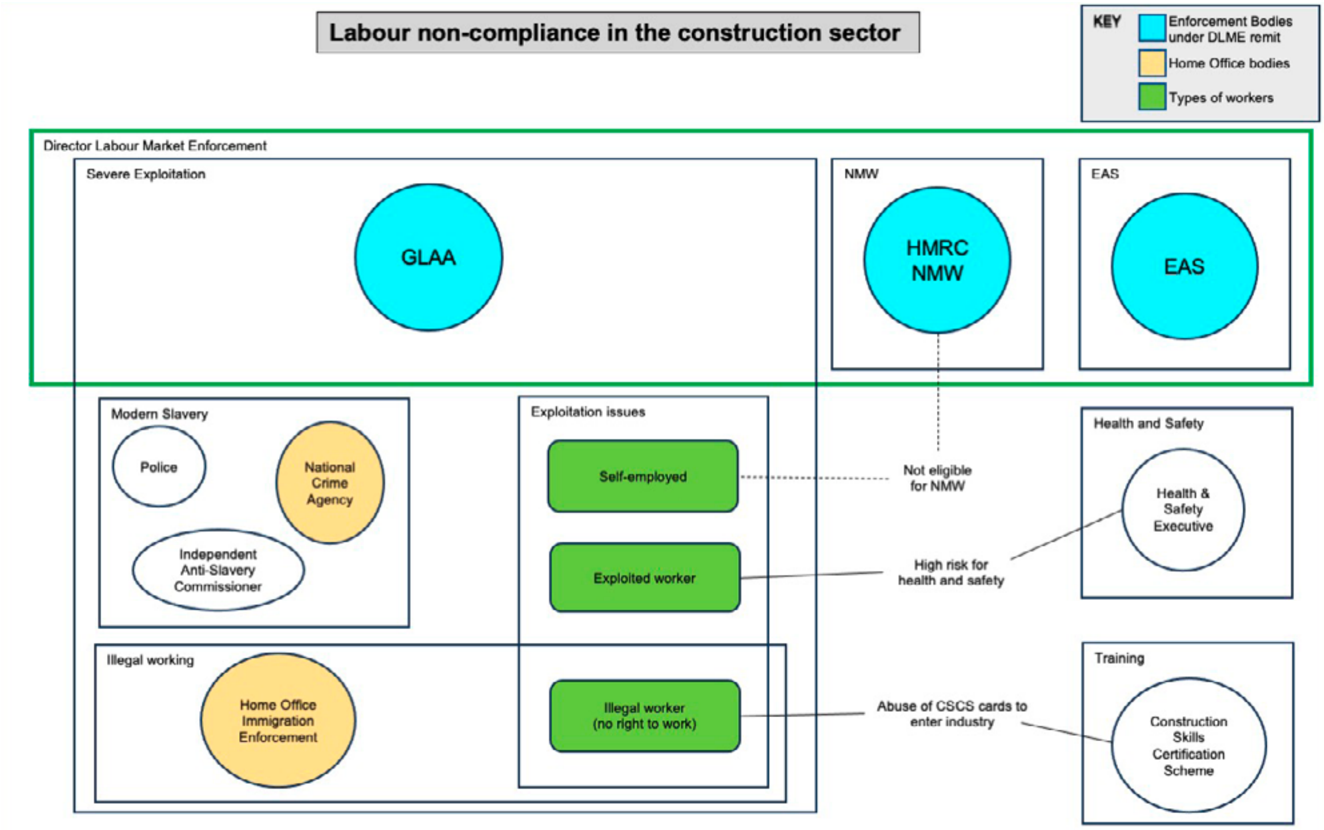
<u>**Overall assessment:**</u> **No overall change A**

- 41/43 Construction: A risk of 'includes a portion of modern slavery' (A) with other non-compliance spread around B/C for GLAA and C/D for HMRC NMW where their remits are different.

<u>**Key reasons for assessment:**</u>

- **The overall score for construction has not changed, but the scope for joint intervention activity remains difficult. This sector is less of a risk as pay levels for skilled workers are above NMW levels. Risks are more around manual labouring on the sites or dispersed activity on small sites. Intelligence indicates exploitation occurs in the sector but can be difficult to respond to. Although the sector is frequently cited internationally as a sector for modern slavery risk, in the UK the level of self-employment and reasonably good wages means that NMW non-compliance is less of a risk.**
- Illegal working continues to be a factor in non-compliance and pick-up points for casual labour in the industry increase the vulnerability of workers to exploitation.
- <u>**Information gap:**</u> The construction industry covers a variety of trades and occupations as well as secondary roles (such as site security and catering). This will mean that there are varying levels of non-compliance and the capability to respond. More information is required for the composition of specific industry subsectors and to understand where non-compliance is most likely to occur.

Figure 21: Flow chart of stakeholders in the construction sector, as of January 2024 (the diagram illustrates different responsibilities but does not demonstrate the scale of activity)



Source: ODLME

2.4.4.1 Research from the construction sector

The construction sector has a high level of self-employment due to subcontracting and short-term work. However, respondents reported to the call for evidence that a proportion might be under **'bogus self-employment'** in construction, which result in both tax and employment law non-compliance.

Respondents to the ODLME call for evidence raised concern that workers, who should be classified as employees are missing out on national insurance contributions.

We also received evidence of increased construction-related calls to worker helplines:

- In 2022 the Modern Slavery Helpline annual assessment identified construction as the second most reported industry for cases of labour exploitation. In total, the sector saw 141 cases reported in 2022 (a 35 per cent increase compared with 2021) and 543 potential victims identified.
- The Work Rights Centre indicated that in 2023, 26 per cent of calls to their helpline were related to construction, up from 18 per cent in 2022.

Unseen cites the following as factors potentially facilitating labour abuse in the construction industry:

- Widespread use of sub-contracted labour and high turnover of workers. This means it's difficult for the actual employer to ensure workers are being paid correctly and are not working under duress.
- Industry reliance on self-regulation, which risks the rules being abused.

- Cost and time pressures, which can push employers into cutting corners.
- Long, complex supply chains, which inhibit transparency and create a culture of disinterest and a lack of accountability.
- Variability in labour demand and associated job insecurity.
- Labour shortages, meaning contractors are working with new suppliers that they have no prior relationship with.
- Lack of due diligence processes, meaning workers are allowed on site with unchecked or fraudulent Construction Skills Certification Scheme (CSCS) cards.
- Language barriers and a lack of translation services on site.
- Informal recruitment practices, with workers often lacking formal terms of employment.

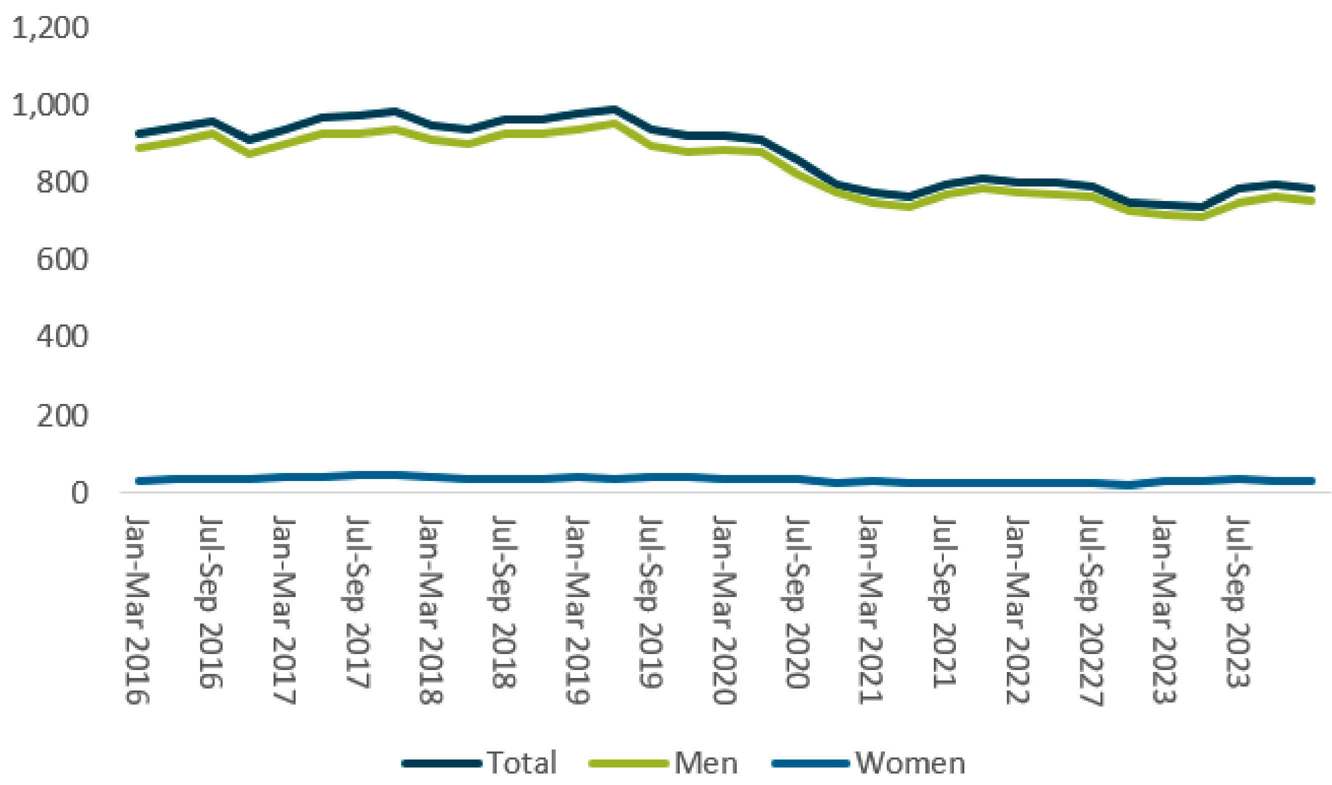
2.4.4.2 Construction workforce

The construction sector has been seen as a driver of growth with, among other things, the focus from the government to increase house building to reduce the housing shortage affecting many areas of the UK.

Total employment of the UK construction sector (as defined by SIC F) was 2,118,000 between October and December 2023, having declined overall over the past decade.

The sector has a high share of self-employed (around 36 per cent), as well as a relatively large proportion of migrant labour. Self-employment in construction has been declining steadily, mostly driven by men leaving the sector (who make up 85 per cent of employment in the sector).

Figure 22: Self-employment in construction (SIC F), by gender, quarterly average from Jan to Mar 2016 to Oct to Dec 2023, (000s)



Office for National Statistics: [EMP14: Employees and self-employed by industry]

2.4.4.3 Construction: final remarks

The construction industry is a key area of concern for the Director and the ODLME is keen to further understand issues in the industry. Currently there are concerns of labour non-compliance, but the data and evidence isn't sufficient to make confident assessments of the scale and nature of non-compliance across the sector nor have the claims of bogus self-employment been tested. Instead, ODLME is focusing on filling evidence gaps by seeking more granular and timelier data for the industry from data producers and encouraging further academic work by researchers in this sector.

2.4.5 Garment manufacturing

Garment manufacturing covers two SIC codes:

- 13 Manufacture of textiles
- 14 Manufacture of wearing apparel

Sector SIC	Description	2023 Impact of non-compliance	Trend	2022 Impact of non-compliance	Notes
13 &14 garment manufacturing	Garment manufacturing	C	Not change	C	

Overall assessment: **No overall change C**

- 13 and 14 garment manufacturing: The majority of the assessed non-compliance is ranked as C, with the remainder at lower severity.

Key reasons for assessment:

- **No overall change –**The sector was previously removed from the list of priority sectors last year because of information gained under the extensive compliance and enforcement activity undertaken in Operation Tacit. The operation found that the level of NMW non-compliance was lower than for other types of manufacturing. While there are still allegations in the media of NMW non-compliance recent worker complaints have been around limited hours and work rather than exploitation.[37] However recent BBC reporting has indicated that previous sharp practices continue which puts pressure on manufacturers to fulfil orders.[38]
- Respondents to the Director's call for evidence (see annex A for a summary of responses) welcomed the Modern Slavery Act (2015) and said the transparency in supply chains clause (TISC) had improved awareness of modern slavery by UK businesses, alongside the prevention efforts of the GLAA. However, they highlighted that this alone is not enough to drive tangible positive systemic change in supply chains and for workers, and therefore needs to go further to include metrics and requirements to take action against modern slavery.
- Campaign group Labour Behind the Label argue that a worker's limited English language skills or issues with their immigration status can make them particularly vulnerable to exploitation. Operation Tacit found little evidence of illegal immigration or illegal working.

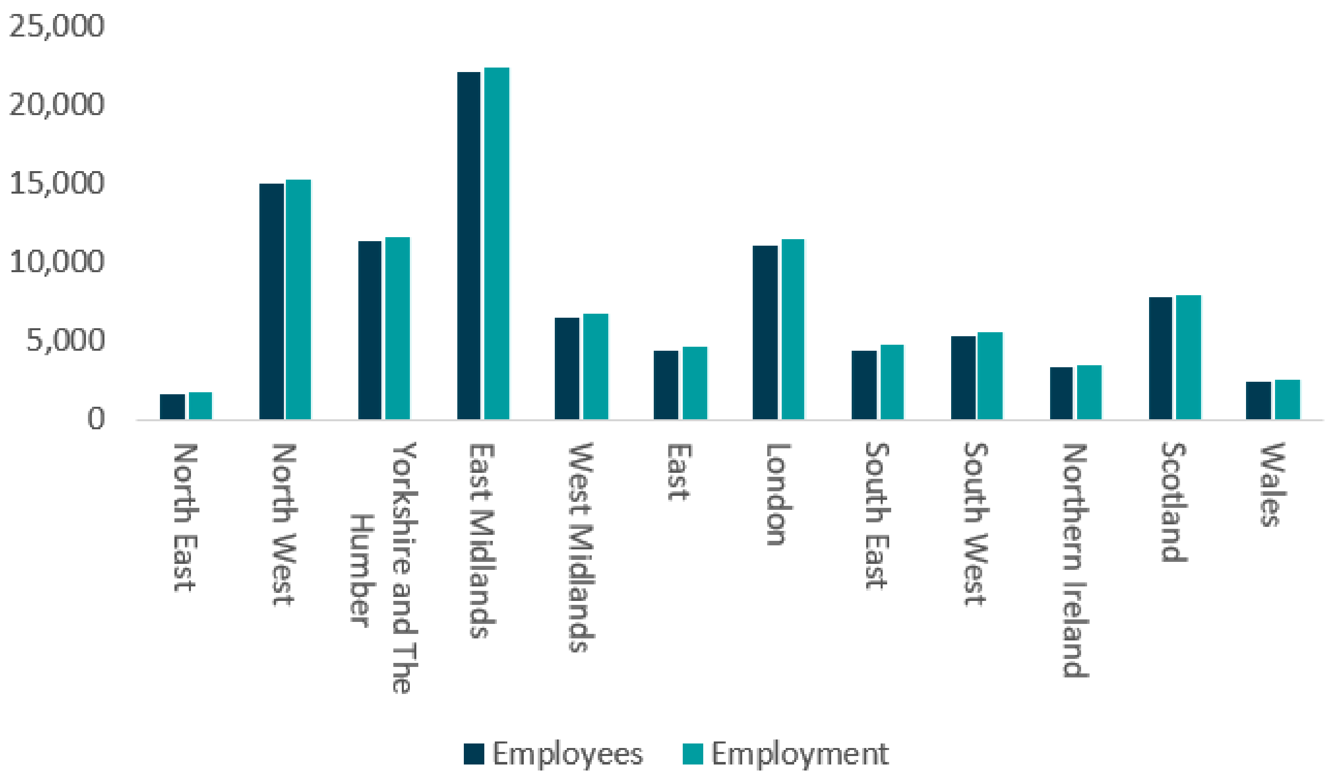
2.4.5.1 Garment manufacturing workforce

The ODLME interest in the garment manufacturing industry has principally focused on Leicester due to the concentration of economic activity in the area. Ad-hoc data from 13 March 2020, shows the estimate of the garment manufacturing workforce by regions of the UK, with a large focus on workers in the East Midlands (Figure 23). The ODLME are unsighted on the impacts of business changes in the industry such as the offshoring of manufacturing to other countries and

37 https://fashionunited.uk/news/business/labour-behind-the-label-stages-rally-for-leicester-garment-workers/2023100271900
38 https://www.bbc.co.uk/news/uk-67218916

requires more timely data to draw any conclusions about what is happening in the UK. The office has identified this as a data gap and hopes to work with the ONS to develop better data once issues with the Labour Force survey have been resolved.

Figure 23: Number of employees and employment for the garment manufacturing sector, 13th March 2020, by UK region



Office for National Statistics: [Ad-hoc Fashion and textile industry, March 2020]

2.4.5.2 Research from the Garment manufacturing sector

Respondents to the DLME call for evidence argued achieving impact can require collaboration between a wider set of stakeholders. The call for evidence responses cited the collaborative initiative between Acas, the TUC, Leicester City Council and a local charity, to encourage reporting on an anonymous basis and trade union access to factories in Leicester garment industry to identify problems. The respondent highlighted the effectiveness of the local community in response to labour exploitation and how they complement and enhance the work of the enforcement agencies.

2.4.5.3 Garment manufacturing industry: final remarks

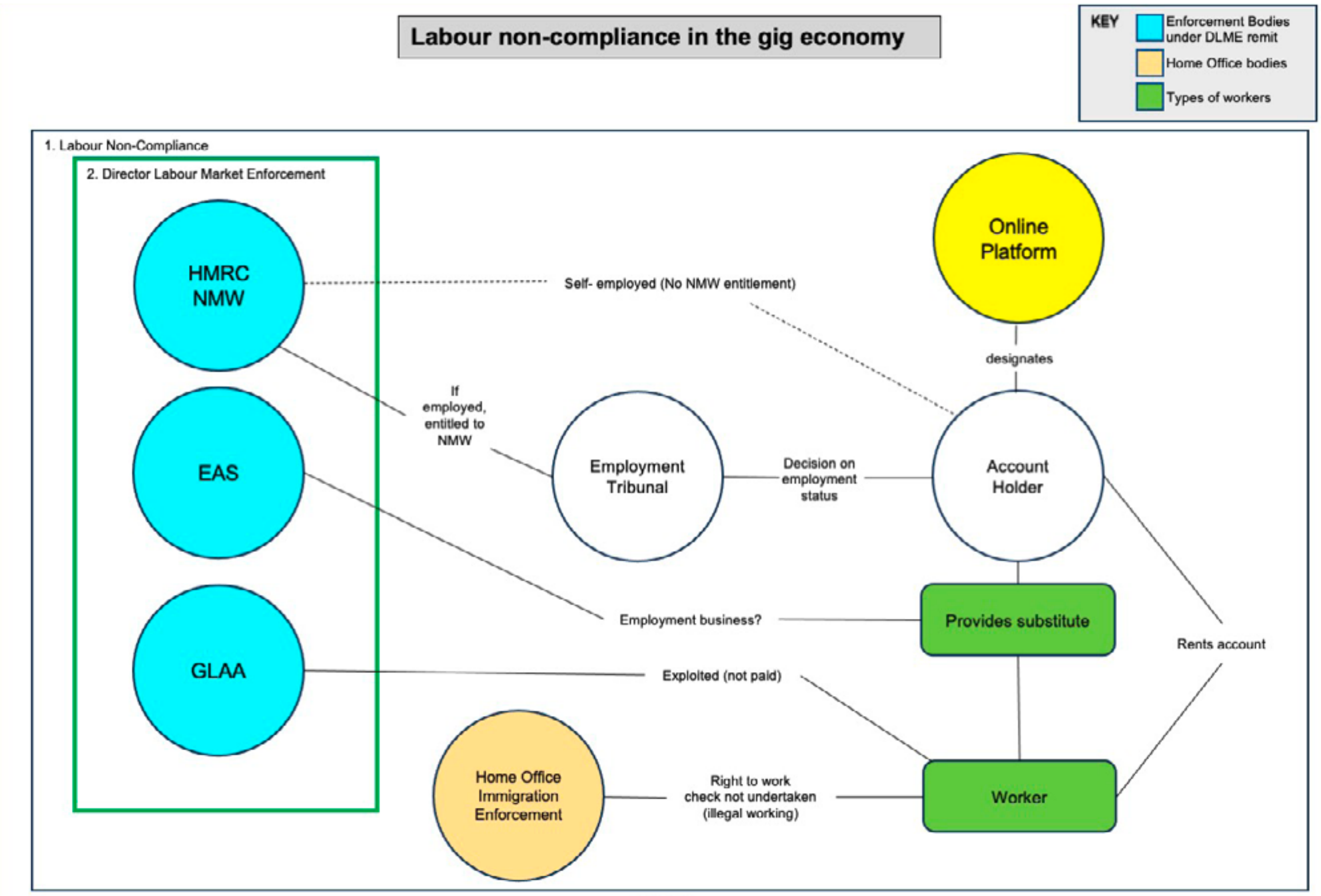
- Operation Tacit represented the largest joint working exercise in relation to labour non-compliance, and the investigations undertaken found that the level of NMW non-compliance broadly in line with manufacturing in general. The industry continues to be of interest and continuing efforts by the industry and its stakeholders to raise standards are welcome. The Director has noted that due to the complex nature of this sector the ODLME requires more information on the hidden economy element on the garment manufacturing industry as well as having up to date and granular data (to SIC 13 and 14) for the workforce in the industry. ODLME continues to monitor this sector closely.

2.4.6 Gig economy

There is no formal agreed definition of what does or does not constitute a gig-economy worker. Consequently, there are no official statistics relating to the number of gig economy workers. Due to the difficulties in defining and quantifying the gig economy, the ODLME cannot make an accurate assessment of the risk of labour market non-compliance in the sector. ODLME have found a data gap exists to assessment the scale and nature of the gig economy.

To the extent that gig economy workers are genuinely self-employed, they fall outside the remit of the ODLME, and they are not entitled to the National Minimum Wage. Whereas gig economy workers who are judged to have *limb(b)* employment status- that is, they are classed as workers – are entitled to NMW. A key consideration in reaching a view about employment status is the right of the individual to delegate delivery of work to a substitute. Concerns have been expressed about whether there are adequate controls over such delegation, whether it amounts to an employment relationship, right to work checks and safeguarding/public protection issues. There are also concerns as regards health and safety issues for gig economy workers.

Figure 24: Flow chart of stakeholders in the gig economy sector, as of December 2023



Source: ODLME

2.4.7 Other sectors

The ODLME risk model assesses the labour non-compliance risk across all two digit SIC identified industries in the UK economy. The flowcharts presented above demonstrate that to a greater or lesser extent some of the non-compliance risk affecting the wider labour market falls outside of my remit. ODLME call for evidence attracts representations from a wide range of stakeholders that may go beyond the Director's statutory brief. That said, within the theme of **joined-up thinking,** the Director seeks to ensure that these issues are not lost and welcomes the continued input from NGOs, charities and other organisations.

2.4.7.1 Nail bars

The reference to nail bars, as a subsector in the hair and beauty sector, relates to modern slavery offences for victims trafficked to UK from Southeast Asia and who are forced to pay off debts to exploiters. Exploited workers can also be exposed to dangerous chemicals. Though the risk overlaps with the GLAA remit, principally wider law enforcement continues to act in this area.[39]

2.4.7.2 Warehousing

While respondents report poor and difficult working conditions, the non-compliance assessed by the enforcement bodies is scored as C. The poor working conditions relate to health and safety concerns including the control of temperatures in a warehouse.

2.4.7.3 Supply teachers

In the call for evidence, respondents in the education sector highlighted the unfair practices that supply teachers encounter such as being forced to use umbrella companies, with unfair deductions of pay and reward and insurance schemes that don't exist. There are suggestions that rates of pay is an issue for some.

2.4.7.4 Fishing

There has been recent media coverage of concerns of severe exploitation within the fishing industry,[40] which is already a harsh and difficult work environment. The concerns relate to migrant workers entering the UK with transit visas.

For the enforcement bodies and other regulators these workers have a very small footprint in the UK, when they have entered the UK and waiting for their ship to leave. The worker may have entered the UK but be working in international waters so outside of eligibility for the National Minimum Wage and other UK employment rights.

The enforcement bodies and other regulators lack the capability to actively monitor fishing activities, for example if fishing is occurring in UK waters bringing eligibility for rights but non-compliance with it.

I am keen on industry-led compliance initiatives to address potential exploitation and will follow with interest the Seafood Ethics Action Alliance's (SEA Alliance) partnership[41] with labour rights groups for a two-year pilot to tackle the exploitation of migrant crew on UK fishing boats.

The scheme gives workers a key role in establishing, monitoring, and enforcing their own employment rights. It aims to provide equivalent of UK employment law whilst in international waters.

Of particular interest is the fact that the pilot programme will be based on legally binding agreements between employers and buyers and are audited independently.

2.4.7.5 Overseas domestic workers

Research commissioned by the Modern Slavery Policy and Evidence Centre (UK agriculture and care visas and vulnerability to exploitation) highlights the ongoing abuse of the overseas domestic worker (ODW) visa, with workers told to work in excess of 50 hours a week for little to no pay, facing poor accommodation, high fees and abuse. The fact that private dwellings are excluded from labour inspections (HSE Section 51) and that workers cannot move from the ODW to the

39 https://www.shropshirestar.com/news/crime/2023/01/27/man-admits-modern-slavery-offences-linked-to-enforced-labour-of-teenage-girls-at-nail-bars-in-the-midlands/
40 https://ig.ft.com/filipino-fishermen/
41 https://www.ft.com/content/4b53d445-da20-492b-8ce8-a1f74fae54cd

health care visa (HCW) during their placement, leads many workers with either limited or no options to escape abuse and labour non-compliance. DLME welcomes the fact that following recommendations from the Low Pay Commission, the ‘live-in domestic worker’ exemption to the National Minimum Wage will be removed from 1 April 2024. This removes a loophole that has been used by exploitative employers.

2.4.7.6 Online recruitment fraud

While my remit covers those in work, I continue to support the work of JobsAware in challenging and highlighting the risks and frauds that jobseekers encounter in their search for work. However, this is against a backdrop of increasing levels of fraud, and I repeat my call for a sustainable funding model to have real impact on tackling the perpetrators.

Section 3 – Labour exploitation

As with previous LME strategies, the absence of reliable data and information to undertake an assessment of non-compliance in the labour market means we must rely on a series of proxy measures for each of the three areas under my remit, namely:

- Minimum wage underpayment
- National referral mechanism (modern slavery)
- Employment agencies.

Each is considered in turn below.

3.1 National minimum wage underpayment

An estimated 1.559 million workers were being paid the National Living/Minimum Wage in April 2023 (Table 4) or 5.3 per cent of all employees. This is a substantial decrease of almost 428,000 compared to 2019 figure (1.987). **Coverage** of the minimum wage has likely fallen due to a tight labour market putting pressure on employers to pay above NMW rates, but other economic factors may also contribute to this (high vacancies and inflation). Most of the fall is among older workers aged 25 and over where coverage is down 390,000 between 2019 and 2023. 18–20 year-olds saw the largest drop in the coverage rate, down from 12 per cent to 8.4 per cent. 23–24 year-olds on the other hand saw coverage increase, likely a result of becoming eligible for the NLW in 2021. Please be aware of the current minimum wage figures for April 2023 to March 2024 which covers the period of the analysis below. For those aged 23 and over the rate was £10.42 (up from £9.50 a rise of 9.7 per cent).[42]

42 For 21 to 22 the rate was £10.18 (up from £9.18) for 18 to 20 the rate was £7.49 (up from £6.83) for under 18 the rate was £5.28 (up from £4.81) and for apprentices the rate was £5.28 (up from £4.81).

Table 3: Coverage of the National Minimum Wage by NLW and NMW rate, 2019, 2022, and 2023, UK, ASHE[43]

	2019		2022		2023	
Minimum wage population	Covered (thousands)	Coverage rate (per cent)	Covered (thousands)	Coverage rate (per cent)	Covered (thousands)	Coverage rate (per cent)
AR[a]	31	16.4	33	15.2	26	13.1
16-17	36	12.3	28	8.5	35	10.2
18-20	116	12.0	85	9.5	77	8.4
21-22[b]	98	10.9	84	10.0	91	11.0
23-24[c]	57	5.2	102	9.3	90	8.0
25+[d]	1,649	6.6	1,260	4.9	1,240	4.8
Total	**1,987**	**7.0**	**1,592**	**5.5**	**1,559**	**5.3**

Low Pay Commission: Analysis of ASHE

Measured by the Annual Survey of Hours and Earnings (ASHE), underpayment of the minimum wage has been falling in recent years: from 428,000 in 2019 to 365,000 in 2023 and were 23,000 lower than in 2022 (Table 4. The fall is mostly among those aged 25 and over, where underpayment has fallen by 52,000 across the period, but it should be noted all rates have seen a decline (excluding 21-22). It's important to note that the numbers covered by the NMW/NLW have fallen sharply between 2019 and 2023 (see table 3)

Table 4: Underpayment by NLW and NMW rate, 2019, 2022 and 2023, UK, ASHE

	Underpayment			Coverage			Underpayment as a share of coverage		
MW rate	2019	2022 Thousands	2023	2019	2022 Thousands	2023	2019	2022 Per cent	2023
AR	9	10	7	31	33	26	29.7	31.1	28.3
16-17	3	4	4	36	28	35	9.4	14.2	10.4
18-20	19	16	14	116	85	77	16.3	19.0	18.0
21-22[b]	20	26	26	98	84	91	20.9	30.9	28.3
23-24[c]	12	30	22	57	102	90	21.6	29.2	24.6
25+[d]	364	302	293	1,649	1,260	1,240	21.1	23.9	23.6
Total	**428**	**388**	**365**	**1,987**	**1,592**	**1,559**	**21.5**	**24.4**	**23.4**

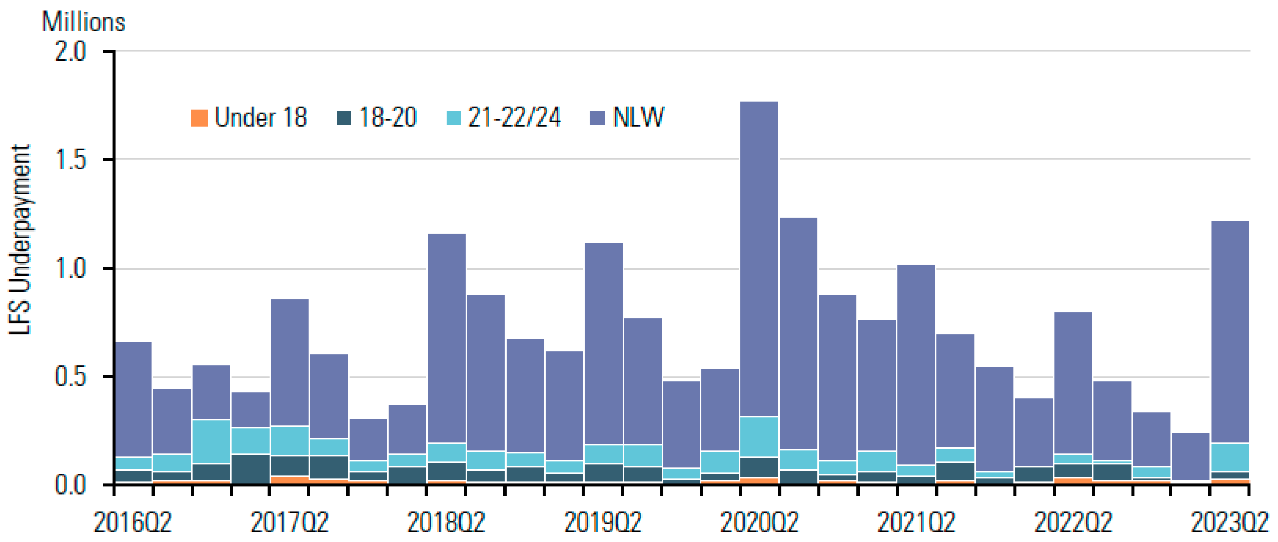
Low Pay Commission: Analysis of ASHE, table 8.1

Minimum wage underpayment tends to be at its highest in the second quarter of each year immediately following the April NMW/NLW up ratings (Figure 25), before reducing in subsequent quarters.

Underpayment, measured using the Labour Force Survey data, appears to have jumped steeply to 1.2 million in the second quarter of 2023, up from around 650,000 in the second quarter of 2022. Except for 2020, when the data was affected by the pandemic, this is the highest estimate of underpayment seen. The relatively large NLW increase from £9.50 to £10.42 in April 2023 may have resulted in large numbers of individuals surveyed not being fully aware of the extent of the increase in their hourly rate of pay. However, this uprating also involved a shift from a round number rate to a non-round number – which likely increased the error in responses.

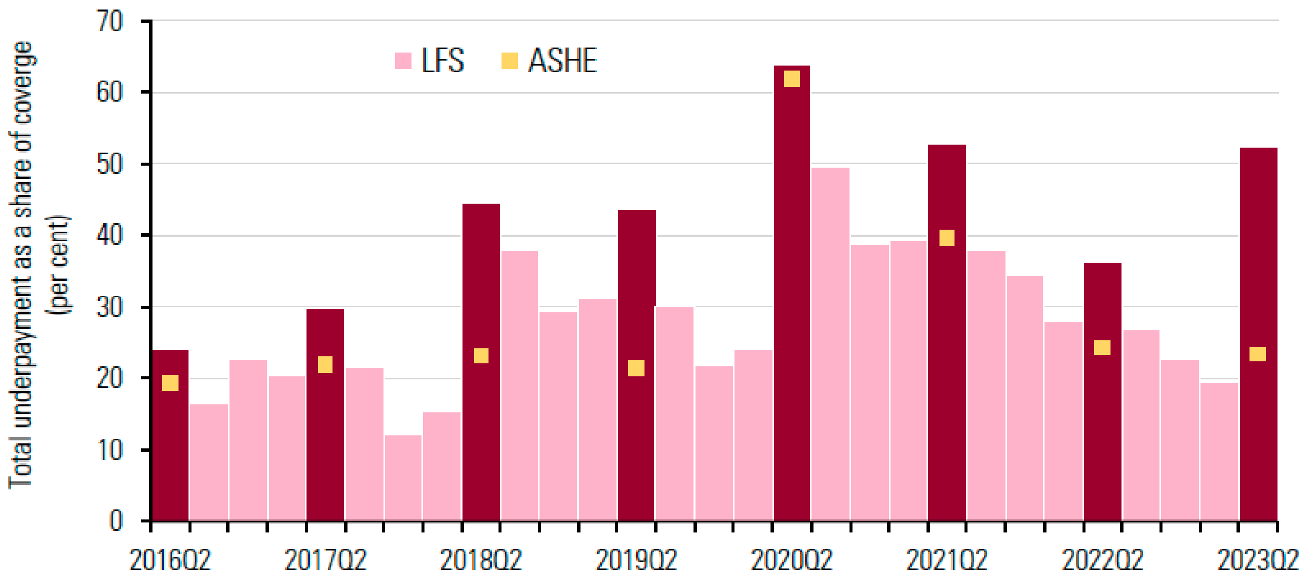
43 AR stands for Apprentice Rate

Figure 25: LFS underpayment totals by rate of population, UK, 2016, 2023



Low Pay Commission: [Analysis of ASHE, figure 8.1]

Figure 26: ASHE and LFS minimum wage coverage, UK, Q2 2016 to Q2 2023



Low Pay Commission: [Analysis of ASHE, figure 8.2]

[Figure 26] from the LPC non-compliance report shows an interesting trend in minimum wage coverage (the number of people paid at minimum wage). We can also look at the share of workers underpaid relative to all those covered by the minimum wage. [Figure 26] compares this measure using both ASHE and LFS data. Excluding the pandemic period, around 1 in 5 of jobs covered are typically underpaid according to ASHE. In 2023 the share was 23.4 per cent, down slightly from 24.4 per cent in 2022. LFS data shows a higher share of underpayment although this proportion fluctuates over time. In 2023 it increased to over 50 per cent of coverage, a substantial increase from 36 per cent in 2022. Though again this likely reflects the shift from the round number £9.50, through the £10 barrier to £10.42, which many workers may round down when asked a survey question about their pay.

3.1.1 Data quality issues – notice of correction

Estimating the key labour market indicators of employment, unemployment and inactivity have proved much more difficult in 2023. Concerns centre around two issues with the LFS: firstly, response rates have fallen sharply in recent times; secondly, there are questions over the population figures that LFS survey data is weighted to. During the COVID-19 pandemic, the ONS boosted the sample size of the LFS alongside other measures to mitigate a fall in response rates. However, despite this, response rates have continued to fall and had dropped to 15 per cent in 2023 Q2, despite being as high as 40 per cent as recently as 2019. ONS removed the C sample boost in July 2023, reverting to pre-pandemic sample sizes which will likely further impact on the attained sample (those households completing the survey). These issues made the LFS less reliable, and its estimates of labour market indicators increasingly diverged from those of other sources.

Discrepancies between the ASHE and LFS data prompted the LPC to highlight concerns over the reliability of the data, pointing to the large number of salaried workers apparently underpaid at the previous NLW rate of £9.50. Upon investigation by the ONS a data issue was identified. Non-hourly paid workers had been miscoded, resulting in this overestimate of minimum wage underpayment. On 18 July 2023, the ONS issued a correction statement and revised the bulletin and associated datasets from its *Low and high pay in the UK: 2022* publication using corrected data from ASHE. The LPC subsequently published revised estimates for the extent of minimum wage underpayment.

3.1.2 HMRC's role in enforcing the minimum wage

The HMRC NMW Enforcement Team enforces the NMW/NLW on behalf of the Department for Business and Trade, through an annual service level agreement. This includes:

- Investigating 100 per cent of complaints made by individuals about their own pay. (Please note that while 100 per cent of complaints are reviewed not all are taken to the investigation stage.)
- Undertaking targeted campaigns in geographical areas.
- Making their own assessments of high risk of non-compliance, using their own risk model, and undertake their own sectoral investigations based on the findings of that model.

HMRC's investigations by sector in 2021/22, the latest year for which they have published data, are summarised below (Figure 27), depicting the number of closed cases against strike rate (i.e. those cases where arrears were identified). The size of the bubbles represents the relative value of arrears identified by sector.

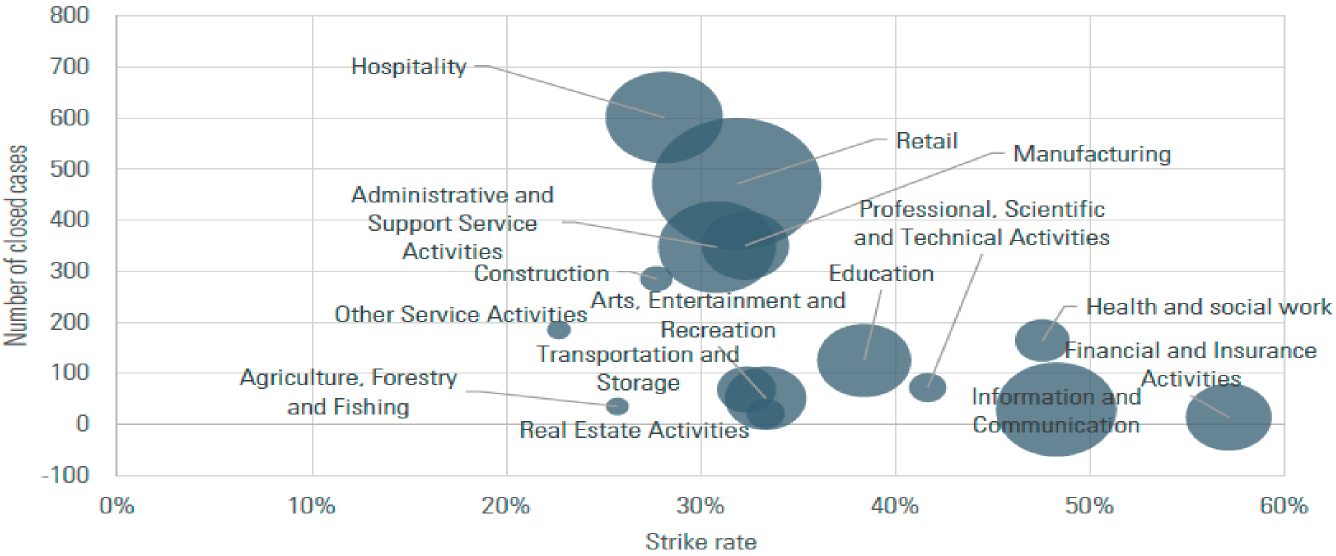
As would be expected, the caseload was concentrated in the sectors with most low-paid workers: **hospitality, retail, and administrative and support service activities (which includes cleaning).** These sectors broadly correlate with sectors of concern highlighted by ODLME's risk model but it's important to recognise that the definition of 'risks' of non-compliance will differ between the enforcement bodies reflecting their statutory remits.

More notable are the bubbles towards the bottom right of the chart: investigations in non-low paying sectors such as finance and ICT yielded above-average strike rates and substantial arrears. However, the volume of investigations in these sectors are comparatively low.

It is notable too that investigations in the health and social work sector gave a relatively high strike rate, but that there were relatively few such investigations and modest arrears. A particular concern around the care sector shows that a failure to pay for travel time has contributed to non-compliance in the sector. A 2022 report from the Low Incomes Tax Reform Group consultation highlighted the "huge cost pressures are effectively being pushed onto private service providers, who in turn must find ways to operate at a lower cost. Care workers are already likely to be at risk of being underpaid the NMW because of non-payment of their travel time and expenses'. Research by the Resolution Foundation (Cominetti 2023)[44] estimates that a typical domiciliary care worker, earning the occupational median of £11.07 per hour, would have an effective hourly rate of £9.20 once travel time was considered. This is 30 pence less than the then prevailing NLW rate of £9.50 in 2022.

HMRC NMW launched an Employer Support Programme in 22/23 to proactively support employers to be compliant. HMRC NMW also has a 4-year care strategy, with a proactive upstream programme, working with organisations such UK Home Care Association, Independent Healthcare Providers Northern Ireland, the Care Quality Commission (CQC) and Skills for Care to support employers to meet their obligations under NMW law.

Figure 27: Number of NMW investigations closed and strike rate, by sector, UK, 2021/22



Department for Business and Trade: National Minimum Wage enforcement compliance report

3.1.3 NMW compliance concluding remarks

The data provided by the LPC and DBT's compliance reports shows that NMW compliance may be improving. The data shows that fewer workers are reporting underpayment, and more cases are being solved in short periods by HMRC. At the same time, it should be noted the number of workers covered by the minimum wage continues to fall. HMRC's operational data highlights sectors, such as retail, where the number of cases remains high, and the strike rate remains relatively low. Showing the need for detailed data to help monitor these high-risk sectors. One area where quality data is needed is for identifying the number of workers on national minimum wage. The LFS has seen significant issues (see section 3.1.1) which has impacted confidence and reliability in the estimate.

3.2 National referral mechanism statistics

The Home Office national referral mechanism statistics (published quarterly) provide the best available measures for trends in modern slavery and, within this, severe labour exploitation. Our assessment of the wider modern slavery threat is based on reports from the National Crime Agency as the threat lead for modern slavery and human trafficking.

44 https://www.resolutionfoundation.org/publications/who-cares/

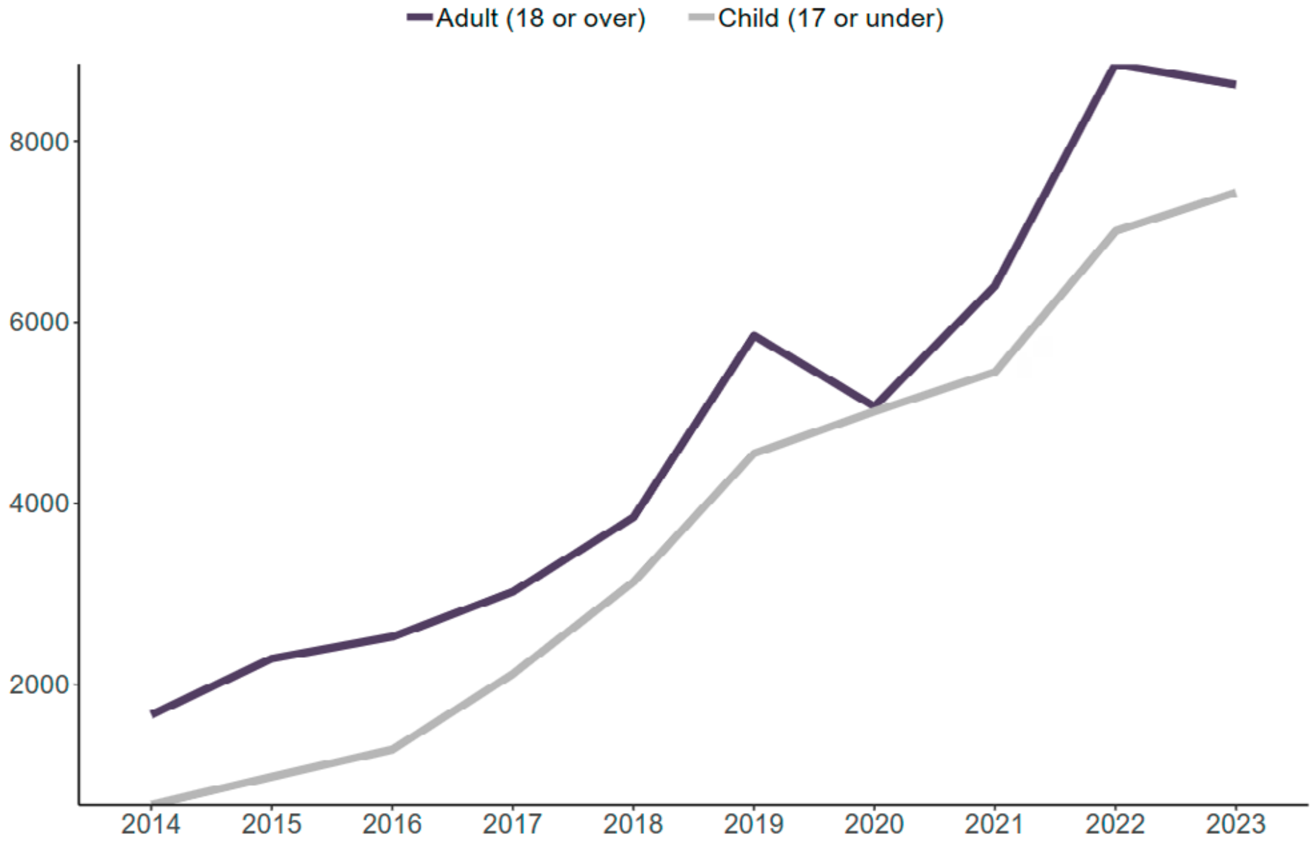
3.2.1 Overall trends in potential victims of modern slavery

The data on modern slavery captured by Home Office is derived from two sources:

- Since 2009 referrals of potential victims from so-called 'first responders' (the police and regional organised crime units, NGOs and third-party organisations, government agencies, and local authorities) into the NRM operated by the Home Office.
- Since 1 November 2015, specific public authorities in England and Wales must notify the Home Office via a duty to notify (DtN) process of suspected adult victims of modern slavery that do not consent to enter the NRM. During this process, first responders do not collect the potential victim's personal details.

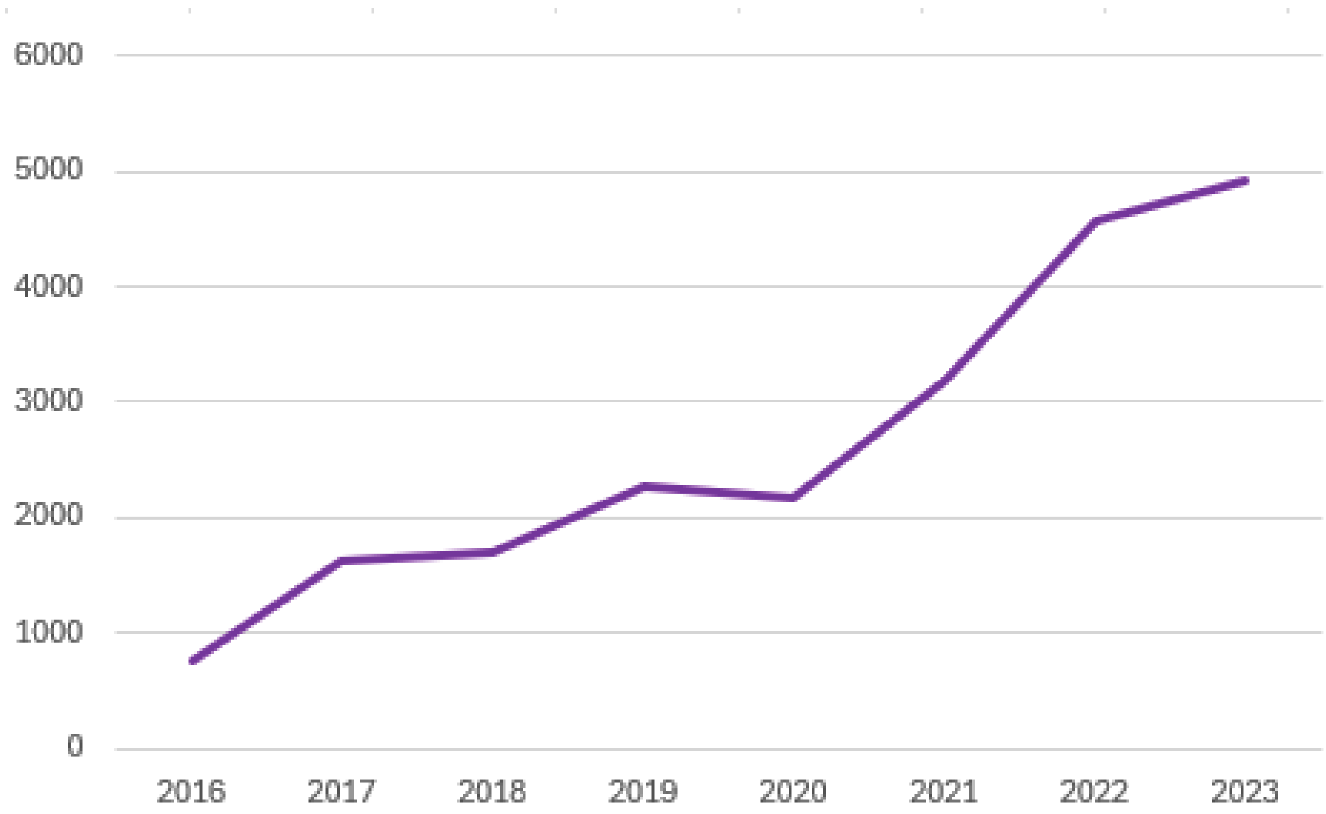
On both these measures 2023 was a record year for identifying potential victims of modern slavery: there were 17,004 NRM referrals and 4,929 DtN reports in 2023, up from 16,921 and 4,580 in the preceding year (Figure 28 and Figure 29).

Figure 28: NRM referrals by age, UK, 2014 to 2023



Home Office: National Referral Mechanism statistics

Figure 29: DtN referrals, 2016 to 2023



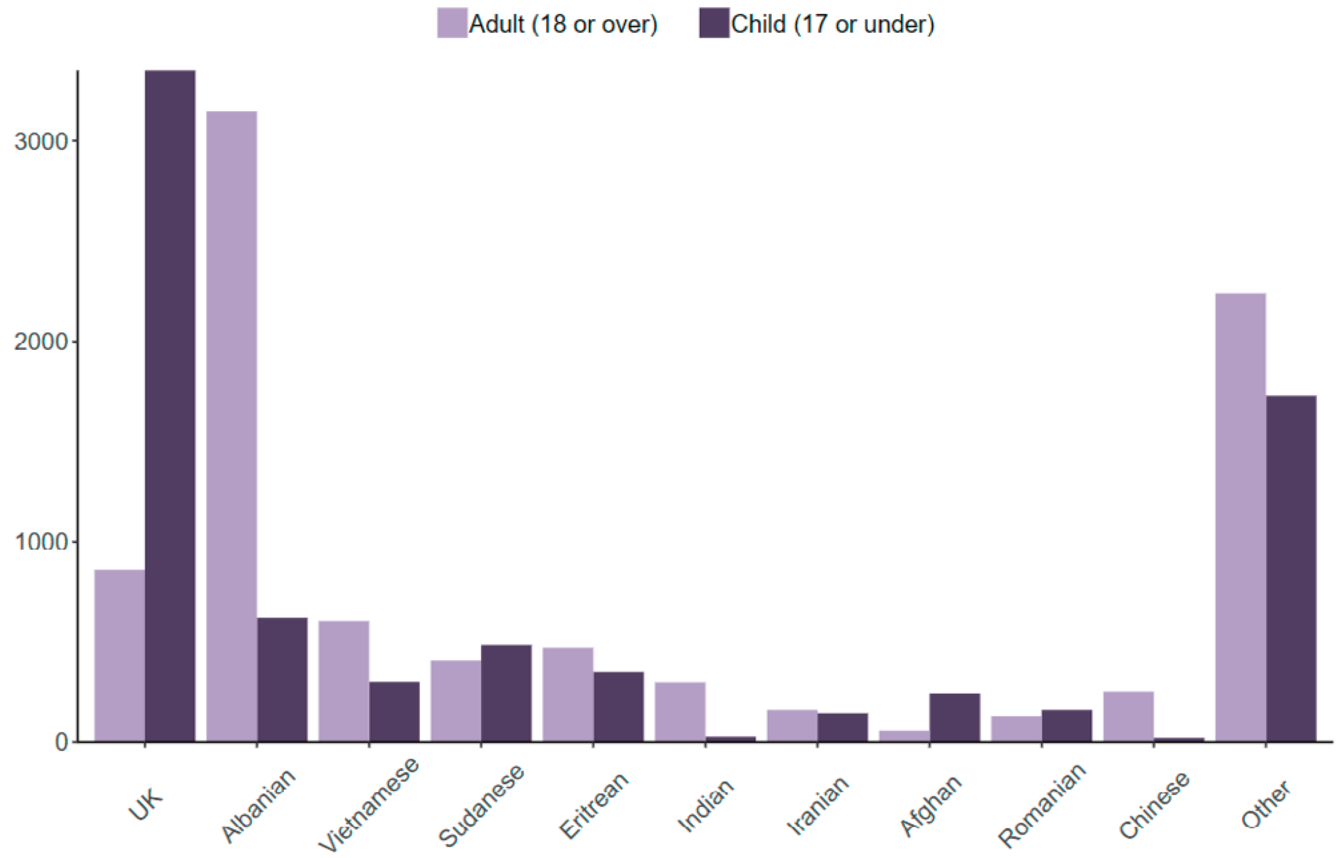
Home Office National Referral Mechanism statistics

The characteristics of potential victims referred into the NRM in 2023 was as follows:

- Three quarters of referrals were for men (76 per cent; 12,903) which saw a fall from the previous year. Referrals for females (24 per cent; 4,088) were at their highest on record.
- Adults make up just over half of potential victims referred (51 per cent; 8,622), down on 2022. Referrals for child potential victims (44 per cent; 7,432) were at their highest on record. In 6 per cent of cases age was not identified.
- The most common nationality referred was UK (25 per cent; 4,299), whose numbers were at their highest for any year since the NRM began; the second most commonly referred nationality was Albanian (24 per cent; 4,052) and third was Vietnamese (6 per cent; 991)
- Overall, 49 per cent (8,377) of potential victims claimed that they were exploited in the UK only, compared to 47 per cent in the previous year, and the highest annual number since the NRM began. A further 36 per cent (6,163) claimed that they were exploited overseas only, compared to 40 per cent in the previous year.

Personal characteristics such as age and gender are not captured for DtN reports. The most commonly notified nationalities were Albanian (16 per cent; 764), Eritrean (12 per cent; 580) and Sudanese (11 per cent; 538).

Figure 30: Number of NRM referrals for the most common nationalities of potential victims, by age group at exploitation, 2023



Home Office: National Referral Mechanism report

Labour exploitation

There are a variety of ways potential victims can be exploited as set out in the modern slavery statutory guidance. From October 2019, the recording categories were changed, to include more types and combinations of exploitation. Statistics prior to this should therefore not be compared, and more information can be found in the 'revisions' section.

For adult potential victims, **labour exploitation was the most reported type of exploitation** (34 per cent; 2,902), whereas child potential victims were most often referred for criminal exploitation (42 per cent; 3,123).

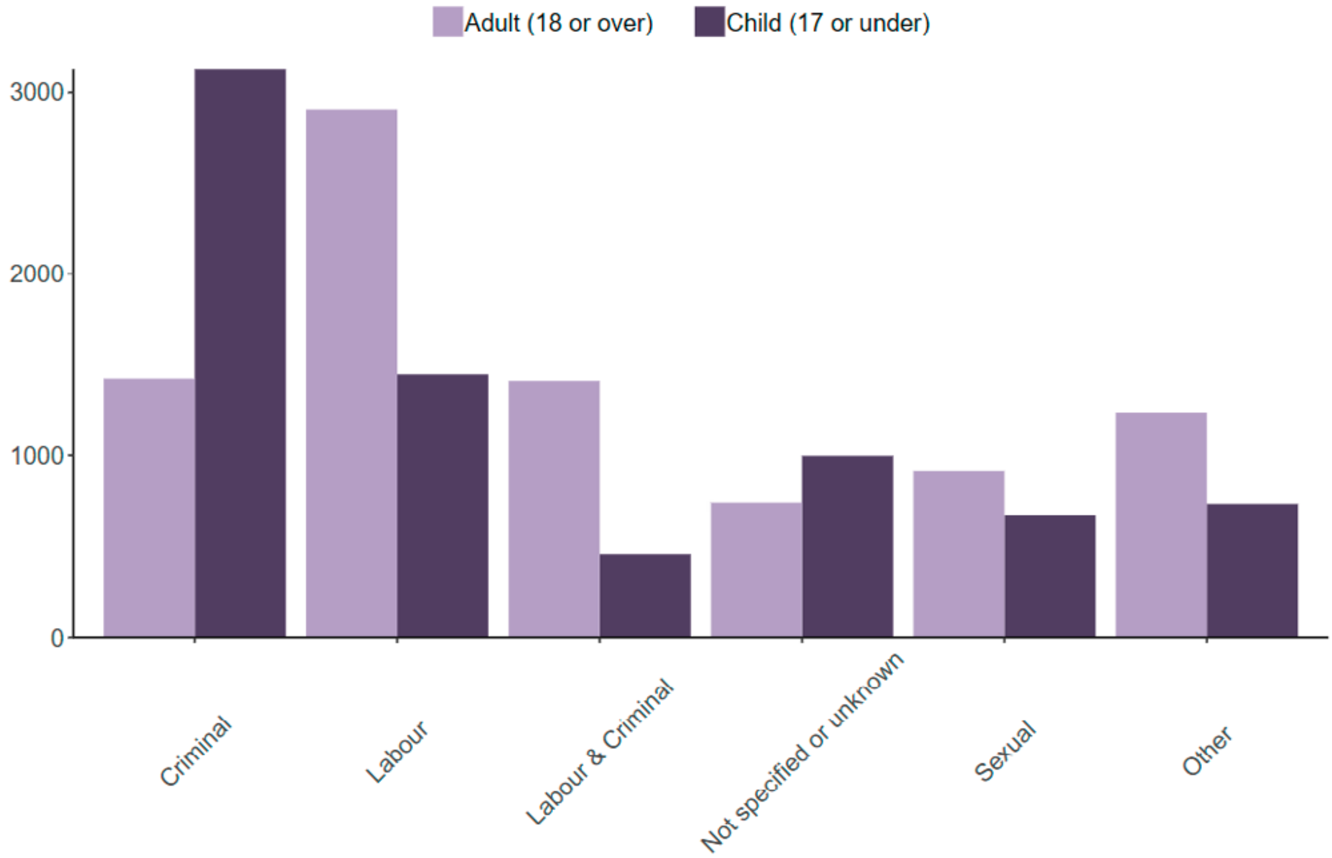
Exploitation types typically have gendered patterns. For example, in 2023, adult and child males most often reported criminal (34 per cent; 4,382) or labour exploitation (33 per cent; 4,255), whereas females most often reported sexual exploitation (36 per cent; 1,470) (Figure 31).

From DtN reports the most notified exploitation type was again labour (37 per cent; 1,821).

More so than for other types of modern slavery, labour exploitation of adults is more likely to happen overseas. Over the period 2021 to 2023 some 57 per cent of labour exploitation occurred overseas, compared with 32 per cent for other forms of modern slavery. Less than a third (30 per cent) of labour exploitation happens only in the UK, while 13 per cent happens in both the UK and overseas.[45]

45 ODLME analysis of UKDS NRM dataset

Figure 31: Number of NRM referrals, by exploitation type and age group, 2023



[Home Office: National Referral Mechanism statistics](#)

The data on **labour exploitation** by nationality also shows that adults from Albania, Sudan, Eritrea, Vietnam and India are most likely to be referred to the national referral mechanism.

Table 5: Reported adult potential victims of labour exploitation by nationality by country across UK, 2023

England	Scotland	Wales	Northern Ireland
Albanian – 756	Vietnamese – 49	Albanian – 9	Eritrean – 69
Sudanese – 306	Albanian – 20	Indian – 6	Somali – 43
Eritrean – 242	Eritrean – 218	Sudanese – 5	Sudanese – 28
Indian – 149	Sudanese – 11	Eritrean – 4	Syrian – 11
Vietnamese – 129	Chinese, Tanzanian – 8	Others – 13	Yemeni – 10

[Home Office National Referral Mechanism statistics](#)

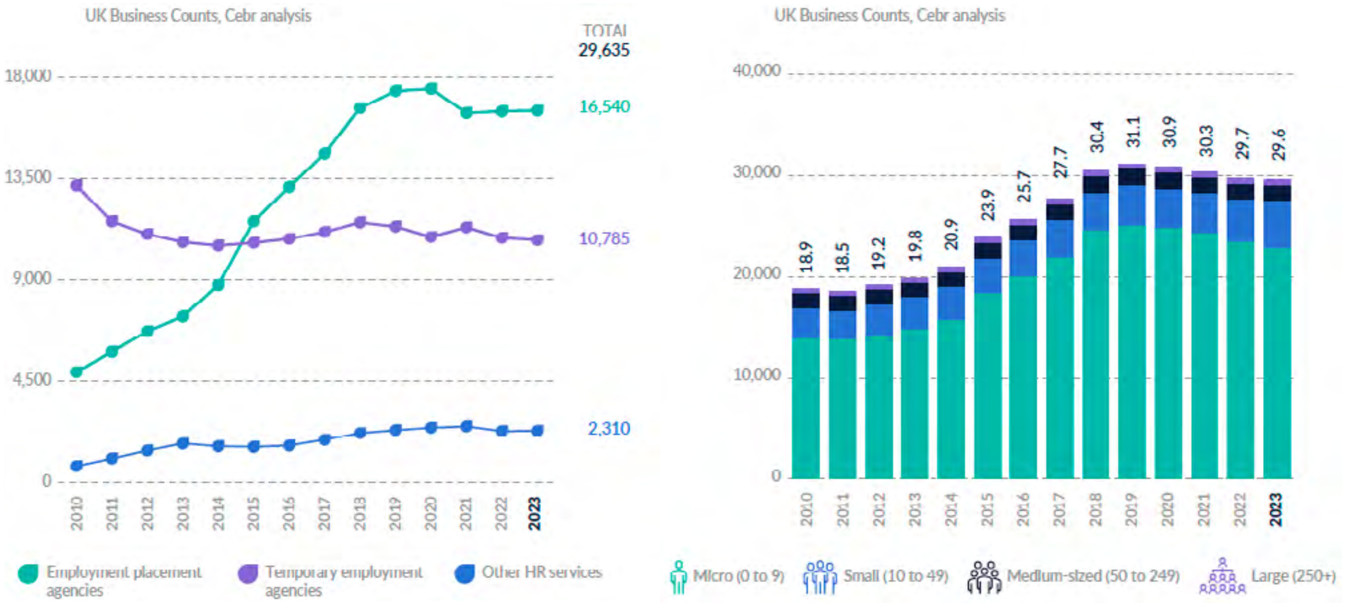
3.3 Employment agencies

The latest KPMG and Recruitment and Employment Confederation (REC), UK Report on Jobs survey, compiled by S&P Global, indicated that recruitment activity continued to be dampened by economic uncertainty in October.

Movements in the recruitment sector – especially comparing trends between permanent and temporary hiring – can serve as a helpful barometer of the overall direction of the labour market. For instance, businesses may be more inclined to use temporary workers in a more uncertain economic climate.

Around a third of recruitment enterprises operate as temporary employment agencies, but the temporary agencies accounts for 82 per cent (£33.9 billion) of the estimated £41.3 billion contribution the recruitment sector makes to the UK economy. Temporary employment agencies undertook 25.7 million temporary/contract placements in 2022. This compares to 702,950 made by permanent placement enterprises.

Figure 32: Number of enterprises in the recruitment sector by total and business size



Recruitment and Employment Federation: December report

The number of permanent-centric employment enterprises increased on the year, while the number of temporary-centric enterprises declined. Micro businesses (0 to 9 employees) made up the majority of recruitment enterprises accounting for 77.3 per cent of all businesses in 2023, however this was 2.7 per cent less than in 2022 and continues the decline in micro businesses in the sector since 2019.

REC's latest survey[46] of the sector (based on responses in October 2023) indicates that:

- Recruitment in the temporary and permanent recruitment market are weak, brought on by poor economic conditions.
- The number of permanent placements is still falling, continuing a contraction that began in October 2022.
- Half of the 10 monitored employment categories registered stronger demand for permanent workers at the start of the fourth quarter, led by nursing/medical/care. The construction and retail sectors meanwhile saw the fastest drops in permanent staff vacancies.
- Temporary staff vacancies expanded in six of the ten monitored employment sectors during October. The hotel and catering and, nursing/medical/care categories saw the strongest rates of growth. The sharpest reduction in demand was meanwhile seen for temporary retail staff.

46 https://www.rec.uk.com/our-view/news/press-releases/report-jobs-caution-around-permanent-staff-hiring-persists-october-amid-economic-uncertainty

3.4 Concluding comments

Section 3 presented proxy data on the three types of labour exploitation over which the Director has a remit, namely National Minimum Wage (NMW) compliance, modern slavery and employment agencies.

On minimum wage underpayment. The data provided by the LPC and DBT's compliance reports would appear to suggest that NMW compliance is improving. Fewer workers are estimated to be subject to underpayment between 2022 and 2023, and more cases are being solved in short periods by HMRC. While in part due to the coverage of the national minimum wage falling this decrease in non-compliance shows progress by the enforcement bodies. However, recent information from the LPC's 2023 report suggests that agricultural and social care migrant workers face risk of NMW exploitation as concerns around losing their visas means they are less likely to report violations. While those who do report violations often see enforcement undertaken once they have left the UK. In retail and hospitality increasing 'short-term' non-compliance, whereby workers would be underpaid for overtime for example, but have this corrected in the next pay packet appears to be increasing. This illustrates the need for ODLME to continue to focus on the sectoral approach to continue to highlight these high-risk areas.

On modern slavery, both NRM and DtN data highlights the exploitation around modern slavery is still rising. Labour exploitation remains a major concern, especially among adult males. Certain nationalities are more at risk that others, which reinforces the case for more work in this space to tackle modern slavery.

On employment agencies, the ability to assess agency workers and agencies is hampered by a significant lack of data, particularly on the number, type, or sector that agency workers existed in, as well as the number of operational agencies or umbrellas. Of the three areas within my remit, the dearth of data on the extent of non-compliance in the employment agency sector is a major challenge.

Firstly, ODLME has a concern that official data is not capturing all workers who are covered by the minimum wage, seen by the disparity between LFS and ASHE. The office continues to support the case from LPC and other government departments to improve the quality of the data on labour statistics and enforcement activities.

Secondly, the ODLME analysis of modern slavery would greatly benefit from sectoral breakdowns from the NRM referral mechanism to make similar assessments for the construction, agriculture, the care sector and other high-risk sectors.

Finally, the lack of available, official, and timely employment agency data means the director lacks a good understanding of the scale and nature of the sector. Where data exists, this is often sensitive and cannot be discussed in a public setting. The director would encourage all bodies who hold management information data on enforcement activities to take steps to make that data, public, where possible, to add to the debate on enforcement performance.

Section 4: Improving estimates of labour market non-compliance

The previous sections have drawn on available data and intelligence to help us assess the priority areas for tackling labour market non-compliance. Section 3 concluded that there continue to be data and information gaps. This section will cover work the ODLME and partners are undertaking to improve the evidence of the scale and nature of labour market exploitation in the UK. This section will also cover areas of improve that ODLME are unable to undertake but would like to see from data producers and researchers.

4.1 The scale and nature of UK labour market non-compliance: improving the evidence base

Under the *Immigration Act 2016* the Director has a statutory obligation to provide an assessment of the scale and nature of labour market non-compliance in the UK.

Achieving reliable estimates of the degree on non-compliance, is challenging, especially in the labour market where the population most at risk can be hidden. To date, the ODLME has relied on a series of proxy measures (see Section 1: Economic and Labour Market Outlook) as a stopgap to fill some of the information gap.

Following preparatory work carried out in 2019 and 2020, a methodological approach was identified by ODLME to undertake research in this area.

Co-funding was then secured from the Economic and Social Research Council (ESRC) and the Department for Business and Trade (formerly the Department for Business, Energy, and Industrial Strategy (BEIS)) for ODLME to run an invitation to tender in December 2021 to commission a large-scale research study into the scale and nature of labour market non-compliance in the UK.

A consortium led by University College London, involving a multidisciplinary research team from UCL and the University of Gloucestershire, supported by FLEX (Focus on Labour Exploitation) launched the new study in June 2022.

The project is an innovative mixed-methods study **focusing primarily on people in precarious work**, making up an estimated 9.7 per cent of the UK workforce (5.4 per cent of the UK population) and are widely thought to be at particular high risk of labour market abuse.

The cornerstone of the project is a large-scale, representative survey, which will be administered by Verian (formerly KANTAR) as an associated study to the Understanding Society Survey: the largest household survey in the world. The survey results will then inform complementary in-depth interviews with people in precarious work and focus groups with workers and employers.

Labour market non-compliance and related labour market abuse are complex and wide-ranging phenomena. The first half of the project has therefore involved extensive survey development, focusing on survey conceptualisation and operationalisation.

The project benefits from the involvement of diverse stakeholders who have been consulted in-depth through six project advisory groups comprised of: legal experts; labour rights academics; policymakers and practitioners; worker rights representatives; employer representatives; and – crucially – people in precarious work themselves. Their input has been crucial to produce a viable survey instrument that accurately reflects the complex legal and social realities of labour market non-compliance.

At the current time (March 2024) the draft survey is undergoing testing by Verian and will then be refined and translated into multiple languages ahead of a forthcoming pilot in spring 2024.

In the meantime, the research team have concluded a quantitative longitudinal analysis of precarious working, based on existing Understanding Society Survey data, which will inform the sample for the final survey.[47] The results of the longitudinal analysis will be combined with additional analysis from the Understanding Society Survey, a qualitative piece of the UK's legal landscape and a defined sampling framework for precarious workers. ODLME and UCL hope to post a joint initial paper of findings by summer 2024 which will be available on gov.uk and UCL's homepage.

4.2 2024/2025 work programme to improve evidence base

In addition to the work outlined above, ODLME continues to seek more and better data to help build a stronger evidence base around labour market non-compliance. The requests for additional data below come to some extent from the limitations identified throughout this document.

4.2.1 Improved microdata on personal characteristic: The Labour Force Survey

The ODLME's risk model has identified high-risk areas where labour exploitation may be occurring. The Director wishes to go further and identify whether **protected personal characteristics** (as defined by the Equality Act 2010) increase the risk of a worker being exploited.

As well as the Director's recommendation 2 in the 2024/25 strategy calling for the enforcement bodies to collect more data on protected characteristics as part of their case data, ODLME would like to undertake further work to explore microdata on hourly wages by protected characteristics as well as data on long term sickness, and the number of workers with protected characteristics in the workforce. The ODLME is happy to see work from the Office for National Statistics (ONS) to reintroduce Labour Force Survey as official on 12 February 2024. The ODLME is also supportive and interested in the worker undertaken on the Wage and Employment Dynamics (WED) project which aims to fill some of these gaps with protected characteristics.

4.2.2 National referral mechanism statistics

This strategy, and previous strategies, makes use of the national referral mechanism (NRM) to present statistics on the number of people referred to the Home Office for suspected violations of the Modern Slavery Act 2015.The statistics are only used to analyse instances of modern slavery and do not touch on National Minimum Wage issues. The statistics provide a good breakdown by gender, age (child and adult) and ethnicity/nationality. However, the Director's assessment would be enhanced by having data of **labour exploitation referrals to NRM by sector** and would

47 For more information on this project, please see this blogpost on the LSE Business Review https://blogs.lse.ac.uk/businessreview/2022/06/15/precarious-work-and-labour-market-abuses-mapping-the-uk-landscape/ or the project webpage. https://www.ucl.ac.uk/jill-dando-institute/research/assessment-scale-and-nature-labour-market-non-compliance-uk

request data producers at Home Office to investigate the feasibility of producing such statistics. As the ODLME risk model has a sectoral approach this would greatly benefit the assessment of each sector's modern slavery risk.

4.2.3 Employment agencies and umbrella companies' data

The Director's remit covers the Employment Agency Standards Inspectorate (EAS) who's responsibility covers employment agencies and agency workers. The Director relies on information and intelligence provided by EASI to improve her assessment of the risk faced to workers in different sectors. However, the **number of agency workers and firms is largely unknown** with official statistics produced from the ONS often being unreliable, out of date or not mirroring what the intelligence picture presents. The ODLME would like to request improved information from data producers on the number, type and size of employment agencies and would like to see data on the number of agency workers. The ODLME hopes to work with the ONS and DBT to see this data produced.

The ODLME also welcomes efforts by EAS to define what an umbrella company is after the most recent consultation. The ODLME hope these developments will allow for better data on the number, type, and size of umbrella companies.

4.2.4 Hand car washes statistics

Hand Car Washes (HCWs) are a high-risk sector for the ODLME as discussed in Section 2 and present a risk of serious labour exploitation and modern slavery as well as National Minimum Wage non-compliance. Currently, there is **no reliable data on the number of hand car washes** in England, Scotland, Wales, and Northern Ireland and this risks the Director's ability to make an assessment on the scale of the risk. The ODLME is asking for data to investigate, produce and publish information on the number of operational car washes through the transformational labour force survey and will be working with data producers to push this work forward.

4.2.5 Construction statistics

The fluid and varied nature of work opportunities within construction make calculating the size of workforces within occupations difficult. The extent of self-employment and sub-contracting compounds this. The ODLME would like information on worker populations (and amount of self-employment) within construction subsectors and related occupations.

ODLME continue to seek new opportunities to deepen understanding in construction such as the NCA's Operation Aidant activity in summer 2023 and other data supplied by the industry. Of particular interest is being able to profile industry behaviour to plan mitigating activity.

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