Department for Business & Trade

National Living Wage and National Minimum Wage

Government evidence on enforcement and compliance in 2023 to 2024

June 2025

Report outline

Introduction

This report outlines the Government's enforcement of the National Minimum Wage (NMW) and the National Living Wage (NLW) during the 2023 to 2024 financial year. It presents key statistics and describes important trends shown in the supplementary data tables, which are referenced throughout.

The Government increased the NLW to £10.42 on 1 April 2023 and to £11.44 on 1 April 2024. The Government has announced a further increase of the NLW to £12.21 from 1 April 2025. The focus of this report is the enforcement activity during the 2023 to 2024 financial year and the rates in place at the time.

The Low Pay Commission (LPC) regularly makes recommendations to the Government on NMW and NLW enforcement. In their 2024 enforcement report[1], the LPC focused on the social care sector and seafarers as well as making several recommendations to improve the evidence base.

In this report, we include the Government's response to those recommendations.

Key results

Box 1: Summary of 2023 to 2024 enforcement results

Enforcement activity in 2023 to 2024 saw an increasing number of cases closed and a significant level of arrears identified.

HMRC closed **4,600 cases** with **almost 900 cases closed with arrears.**

£7.6 million in arrears were identified for **over 52,000 workers.**

HMRC issued **720 penalties** totalling **£5.2 million.**

Targeted enforcement continued to be the primary method of identifying arrears, accounting for **84% of all arrears**.

In 2023 to 2024 HMRC NMW assured that around **1,173,000 workers were being paid National Minimum Wage**.

In 2023 to 2024, HMRC successfully **prosecuted 10 employers for underpaying the minimum wage.**

[1] Low Pay Commission (2024)

Background

The minimum wage rates

The National Minimum Wage (NMW) was introduced in 1999, and the National Living Wage (NLW) was introduced in 2016. The NMW and NLW (together referred to as the minimum wage) provide essential protection for the lowest paid workers, ensuring that they are fairly paid for their contributions to the UK economy.

The minimum wage sets the minimum hourly rate of pay that all employers are legally required to pay to their workers. Almost all UK workers are entitled to be paid at least the relevant minimum wage rate, subject to their age and whether they are an apprentice[2].

Table 1 below shows the minimum wage rates that were applicable across the 2023 to 2024 financial year.

Table 1: Minimum wage hourly rates as of April 2023 and April 2024

<table>
<tr><th>Age Band</th><th>From 1 April 2023</th><th>Age Band</th><th>From 1 April 2024</th></tr>
<tr><td>23 years old and over</td><td>£10.42</td><td rowspan="2">21 years old and over</td><td rowspan="2">£11.44</td></tr>
<tr><td>21 to 22</td><td>£10.18</td></tr>
<tr><td>18 to 20</td><td>£7.49</td><td>18 to 20</td><td>£8.60</td></tr>
<tr><td>Under 18</td><td>£5.28</td><td>Under 18</td><td>£6.40</td></tr>
<tr><td>Apprentice</td><td>£5.28</td><td>Apprentice</td><td>£6.40</td></tr>
</table>

Enforcement of the minimum wage

Anyone entitled to the minimum wage should receive it, and the Government is committed to taking robust enforcement action against employers who fail to pay their staff correctly.

HMRC enforces the minimum wage on behalf of the Government, proactively using a variety of methods to encourage compliance and enforce the minimum wage legislation, based around a ‘Promote, Prevent and Respond’ strategy.

‘Promote’ is based on the idea that some instances of failure to comply with minimum wage legislation are due to insufficient information or understanding, rather than

[2] See HM Government (2023a) for details of the workers entitled to the Minimum Wage and relevant exceptions.

deliberate non-compliance by an employer. The key aim is to improve the information available to employers on the assumption that employers will comply with the law once they understand their obligations. Employers who do not respond to compliance measures will be subject to full enforcement action.

‘Prevent’ is based on the principle that some employers will deliberately underpay, balancing the potential benefits of underpaying workers against the risk of being caught. The prevent strategy aims to alter employers’ behaviour by highlighting the consequences of failing to comply.

‘Respond’ is triggered when HMRC identifies non-compliance, either as a result of a worker complaint, or of their targeted enforcement work that draws on HMRC intelligence and risk analysis.

Where HMRC identifies that an employer has underpaid their workers, action will be taken to ensure workers are repaid the money they are owed. Generally, this will include issuing a Notice of Underpayment (NoU) which requires the employer to pay the arrears back to the corresponding workers within 28 days. In almost all cases where HMRC issues an NoU, the NoU will also impose penalties and pass on details to the Department for Business and Trade (DBT), who may ‘name’ the employer on GOV.UK[3].

In more serious cases where HMRC identifies evidence of a criminal offence, it can seek a labour market enforcement undertaking (LMEU) or order (LMEO)[4][5]. In the most serious cases, HMRC may pursue a criminal prosecution. See ‘Labour market enforcement undertakings and orders’ for further detail.

The budget for minimum wage enforcement and compliance increased from £27.8 million in 2022 to 2023 to £31.2 million in 2023 to 2024. An increased budget allows HMRC to hire and retain more compliance officers to investigate worker complaints, undertake enforcement activity, and promote compliance.

Performance measurement

It is important to ensure that the enforcement budget is spent as effectively as possible. DBT and HMRC regularly monitor enforcement activity and performance to ensure

[3] Employers will only be eligible for Naming if the total value of arrears owed to workers exceeds £500.

[4] LMEUs/LMEOs can be used as an alternative or additional sanction for breaches of certain labour market legislation where a “trigger offence” is identified. This includes an offence under the National Minimum Wage Act 1998. A LMEU is an agreement by the non-compliant person, or business, with HMRC on what that person or business will do to restore and maintain compliance with NMW requirements. Where a person or business does not agree to a LMEU within 14 days HMRC can apply to a court for a LMEO to require the person of business to comply.

[5] Seven LMEUs and LMEOs were issued to employers where serious or persistent breaches of NMW law had been identified and required employers to meet a number of measures which will ensure future compliance.

this. Previously the focus has been on the number of workers identified as being underpaid, a metric which has been falling steadily. We are also now capturing the number of workers assured i.e. workers who HMRC has investigated and found to be paid correctly. This provides a more complete picture of the compliance and enforcement activity. See Focus item: Workers assured for further detail.

Enforcement in 2023 to 2024

In 2023 to 2024, the Government asked HMRC to focus on broadening the reach of its activities, to focus more on helping businesses to comply with the law, and to spend less time on very large employers and more on smaller employers who have less access to specialist services to help them comply. The result of this approach was record highs of cases opened and closed, however a decrease in the overall amount of arrears identified.

In 2023 to 2024, HMRC opened 5,101 cases and closed 4,642. These figures are a significant increase on the previous year when just 3,267 cases were opened and 3,192 closed. Around 900 closed cases resulted in workers being paid arrears, roughly the same as the previous year. The proportion of closed investigations where employers were found to be non-compliant (the 'strike rate') was 20%[6] (compared to 33% in 2022 to 2023). Through its work in 2023 to 2024, HMRC assured minimum wage compliance for 1,173,000 workers, compared with 1,169,000 in the previous year.

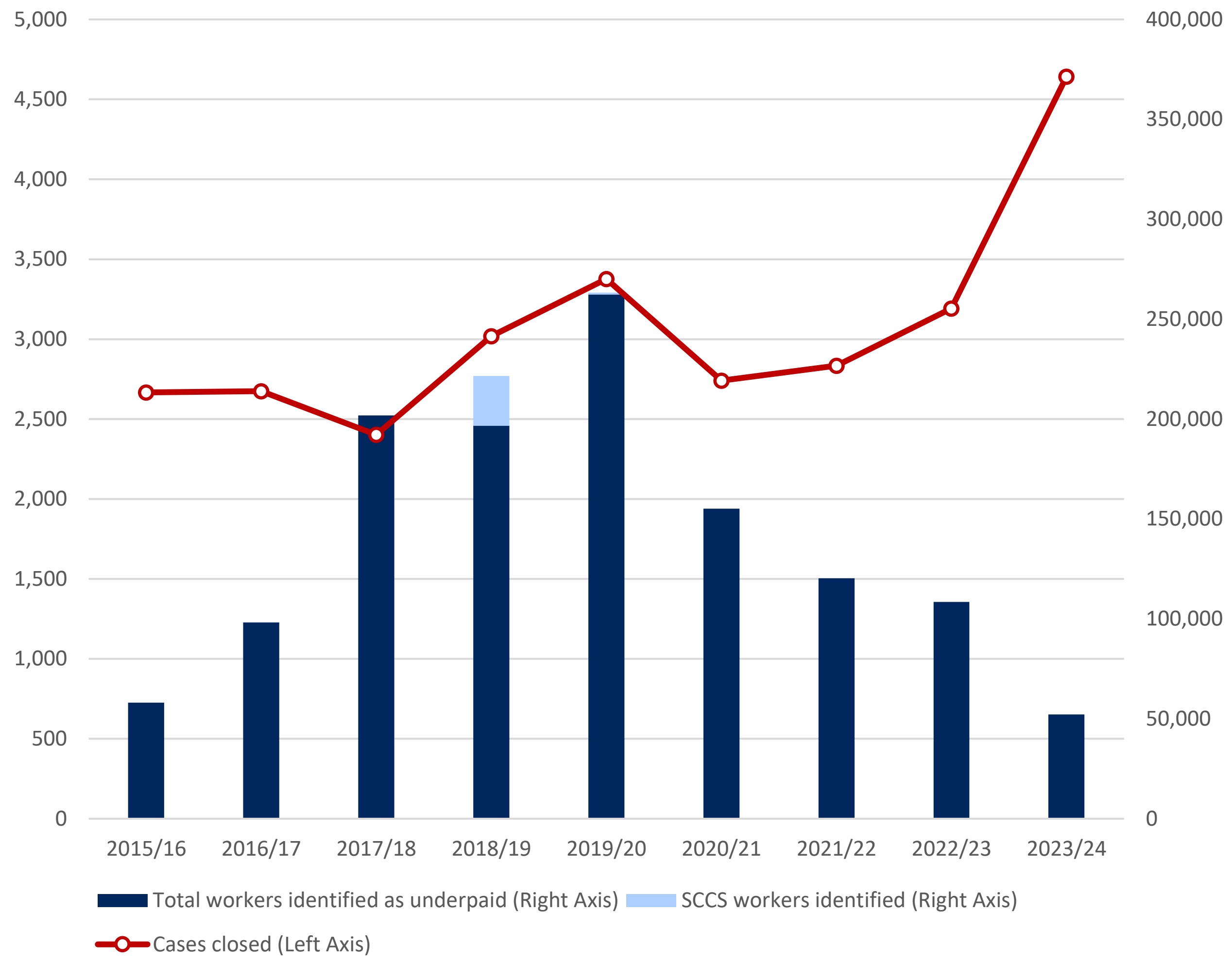
In 2023 to 2024, HMRC identified around £7.6 million in arrears owed to 52,000 workers and issued around 700 penalties totalling £5.2 million to non-compliant employers. By comparison, in 2022 to 2023, HMRC identified £13.7 million in arrears owed to over 109,000 workers and issued 750 penalties totalling £13.7 million to non-compliant employers.

Since the introduction of the NMW in 1999, the Government has overseen the repayment of over £194 million to almost 1.5 million workers, issued over £105 million in financial penalties and completed over 95,000 investigations[7].

[6]The 2023 to 2024 strike rate excludes educational (or compliance) cases which amount to around 1,700 cases. This is because traditional measures of success do not adequately capture the impacts of educational cases. The strike rate comprises of 914 cases with arrears out of 2,743 closed cases. Geographical Compliance Approach (GCA) and targeted enforcement cases are included in the strike rate. GCA targeted enforcement cases aim to test compliance amongst employers who do not engage with HMRC's upstream efforts to support compliance. These cases are opened across the risk spectrum. Although traditional measures of success do not fully capture the aims and impacts of GCA targeted enforcement cases, they are included in the strike rate to reflect the full picture of enforcement activity.

[7]These figures refer to the period from the introduction of the NMW in 1999 up to and including 2023 to 2024.

Figure 1: Minimum wage investigations: number of cases closed, and workers identified as underpaid



Source: DBT / HMRC enforcement data

Note: Worker figures for 2018 to 2019 and 2019 to 2020 include workers identified through the Social Care Compliance Scheme (SCCS), amounting to 24,834 and 1,011 respectively.

Figure 1 shows that the number of cases closed by HMRC has increased in 2023 to 2024 by 45% compared to the previous financial year. However, the number of workers identified as being underpaid has been decreasing since 2019 to 2020 and dropped to its lowest level in 2023 to 2024.

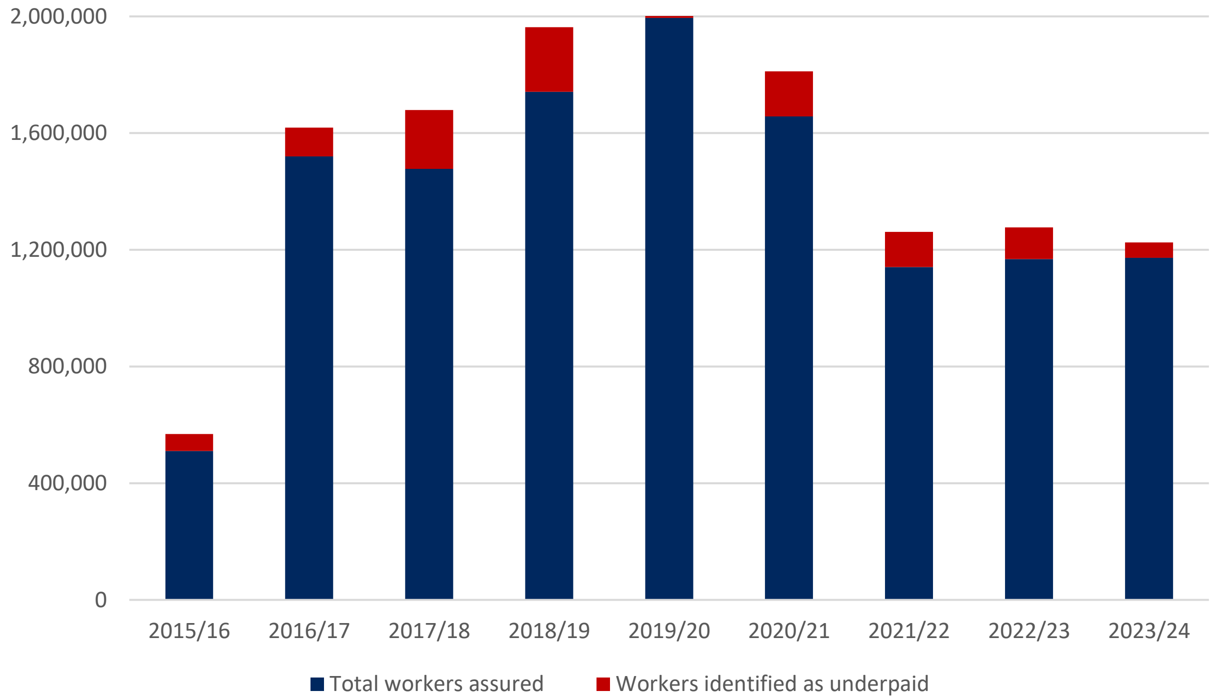
This data should be interpreted with caution as a decrease in the number of workers identified may not necessarily mean that there has been a decrease in the quality of investigations. A decrease in arrears and workers identified as being underpaid may be a result of consistent good quality enforcement activities which has ensured that employers are:

- aware of National Minimum Wage regulations and calculations resulting in fewer underpayments, and/or
- deterred from knowingly violating minimum wage legislation due to a strong HMRC enforcement presence.

Due to the above effects, and due to the previous Government's ask for HMRC to focus more on helping businesses to comply, arrears and penalty figures do not present a complete picture of HMRC's work in this space. Consequentially HMRC have begun evaluating data on the number of workers assured which measures the number of employees that HMRC has either directly or indirectly checked and ensured that they are paid in line with the National Minimum Wage. Figure 2 shows that whilst the number of workers identified as underpaid has more than halved between 2022 to 2023 and 2023 to 2024, the total number of workers assured by HMRC has remained stable.

Another explanation for the decrease in the number of workers identified and arrears in recent years is due to improved compliance amongst larger employers. In previous years HMRC's special enforcement teams (SET) found significant levels of non-compliance in large retail companies, contributing to the high level of workers identified as underpaid. Due to HMRC's successful targeted enforcement activities in this space, these larger cases are less prevalent than in previous years. In recent years SET have also developed new methods of both educating and encouraging compliance alongside active enforcement interventions.

Figure 2: Minimum wage investigations: workers identified as underpaid, and workers assured



Source: DBT and HMRC enforcement data

It should also be noted that whilst total arrears decreased from £13.7 million in 2022 to 2023 to £7.6 million in 2023 to 2024, average arrears per worker increased from £126 to £146. This demonstrated how HMRC have focussed enforcement activities on a smaller number of workers but a greater amount of arrears per worker.

HMRC's Geographical Compliance Approach (GCA)

The GCA was introduced in 2021 to increase enforcement and compliance coverage as the number of workers at risk of NMW underpayment has risen as the NMW/NLW rate increases. It forms part of the previous Government's steer to HMRC to focus more on helping businesses to comply, and less on jumping immediately to hard enforcement action. The primary aim of GCA targeted enforcement cases is to understand if employers who do not engage with HMRC's targeted efforts to support employer compliance are more likely to be non-compliant.

As such, GCA targeted enforcement cases were initially opened into employers across the risk spectrum, including a proportion of those considered at low or medium risk of non-compliance, leading to lower arrears identified per case. In addition to this, GCA activity creates a wider impact beyond direct employer contacts and may induce a ripple effect which influences behavioural change in the surrounding employer population. We believe this will have contributed to greater compliance and improved outcomes for workers as getting paid correctly in the first instance removes the need for a lengthy investigation. However, these positive impacts are not always effectively reflected in the enforcement statistics on arrears and workers identified.

Focus item: Workers assured

In this 'Focus item' Section, we review a specific part of enforcement and compliance activity in more depth. This year's report looks at HMRC's workers assured metric.

Collecting metrics over a long period of time on enforcement can make it difficult to discern positive, neutral or negative outcomes. For example, observing enforcement data would reasonably imply that at the start there should be an increasing number of fines and violations as employers are unfamiliar with the enforcement area or simply disregard it due to a lack of deterrence. Overtime we would expect to see an increase in compliance as people are more familiar with the legislation and the penalties for non-compliance. Some enforcement metrics such as fines or number of violations should therefore be interpreted with caution and not assumed to be a direct impact of the quality of enforcement activities. One way to measure the unobservable effect of changes in employer behaviour is to look at the total number of workers assured.

Furthermore, there is a large volatility in the number of workers assured per case. For example, one investigation could affect only a few employees in a small food vendor and another investigation could relate to a major retailer employing thousands if not tens of thousands of workers. These differences make case level data difficult to compare with other national minimum wage cases.

The workers' assured metric is beneficial as it:

- Makes investigation data more comparable both within the national minimum enforcement space and across the labour market enforcement landscape
- Shows the reach of minimum wage investigations regardless of outcomes.

How the 'workers assured' metric works

A national minimum wage investigation can be initiated either through a complaint or through targeted enforcement. In either case, HMRC's aim is to assure that all employees at the company under investigation are paid the minimum wage. This may not necessarily mean they will check every individual employed at the company, instead they check that everyone who is deemed at risk of being underpaid the minimum wage has been assured. Workers at risk of underpayment are identified through HMRC's risk model. Once the estimated at-risk workers are investigated, HMRC classify workers as either workers who have been identified as underpaid or workers assured i.e. workers who are correctly paid.

Table 2 below shows the number of workers assured and workers assured in cases with arrears between 2019 to 2020 and 2023 to 2024. In 2023 to 2024 HMRC NMW assured that around 1,173,000 workers were being paid National Minimum Wage. From this they identified arrears for over 52,000 underpaid workers. The number of total workers assured has remained relatively constant between 2021 to 2022 and 2023 to 2024, however, is significantly lower than previous years.

As discussed above, a lower level of workers identified and workers assured is not necessarily a reflection of the effectiveness of HMRC's investigations. One explanation for this could be the effectiveness of HMRC's educational activity which mean employers are better informed about NMW rules and calculations, therefore reducing underpayment. Employers may also have been deterred from knowingly violating NMW legislation due to HMRC's enforcement presence.

Table 2: Workers assured and identified as underpaid between 2019 to 2020 and 2023 to 2024

	All workers assured	All workers assured in cases with arrears	Workers identified as underpaid
2019/20	1,995,000	1,097,000	263,000
2020/21	1,657,000	1,041,000	155,000
2021/22	1,141,000	725,000	120,000
2022/23	1,169,000	746,000	109,000
2023/24	1,173,000	493,000	52,000
Total	**7,134,000**	**4,102,000**	**700,000**

Source: DBT and HMRC enforcement data

Enforcement challenges

HMRC faces several challenges when enforcing NMW, including a lack of employee reporting. The LPC's 2024 report found that workers are not always confident in reporting underpayment due to fear of repercussions such as losing their jobs. The report also highlighted a lack of awareness amongst employees on how to raise a complaint when one arises as well as the lack of safe reporting channels for migrant workers. Another challenge is the lack of understanding amongst some employers on NMW guidance and rules which can lead to accidental non-compliance by employers who are confused about the correct practices.

To address these challenges, HMRC has continued its robust targeted enforcement programmes for businesses most at risk of underpayment as well as placing greater emphasis on supporting employer compliance with NMW legislation through large scale educational activity.

Targeted and complaint-led enforcement

Non-compliance with the minimum wage is identified through two routes. Firstly, a worker can raise a complaint via the Acas helpline or via HMRC's online complaint form. This is referred to as 'complaint-led' or 'reactive' enforcement. HMRC consider every complaint made by a worker, either to HMRC or referred via Acas, and use a risk-based triage to determine the most appropriate course of action.

As with previous years, the majority of complaint-led cases in 2023 to 2024 were received via HMRC's online complaint form (3,606), the Acas helpline (350) or 'other' sources (22). For more information, see Table 8b in the supplementary data.

There are a number of interventions that HMRC can use to pursue a complaint-led case. These interventions include:

- 'nudge' letters
- telephone contact with employers and workers
- face-to-face meetings with employers and workers[8]

These are proportionate to the level of risk of non-compliance and are designed to ensure that workers understand their legal entitlements and receive any arrears owed.

The risk of being the subject of targeted enforcement provides a valuable deterrent to employers and supports workers who may be unaware they are being underpaid or who are unwilling to raise a complaint. Targeted enforcement is therefore an essential means to reach at-risk workers who may not otherwise come forward to make a complaint.

Targeted enforcement is informed by HMRC's risk model, which uses data from a range of sources, including PAYE[9], other labour market enforcement bodies, NMW intelligence, and complaints data, to identify workers most at risk of NMW underpayment. The risk model continues to yield positive results and accurately identify businesses with a high risk of underpayment. For further information about the volume of targeted enforcement cases broken down by source, see Table 7b in the supplementary data.

In 2023 to 2024, targeted enforcement continued to form an important part of enforcement activity, with the largest number of targeted enforcement closed cases ever. HMRC closed over 2,100 targeted enforcement cases and almost 1,700 educational (or compliance) cases, with 24% of targeted enforcement cases closing with arrears, down from 29% last year. This year shows an almost 4-time increase in the quantity of compliance cases suggesting a move towards more preventative activities.

Educational cases are excluded from calculation of the strike rate for targeted enforcement. This is because the success of these cases is generally measured through the positive impacts on employers' behaviours rather than identifying arrears.

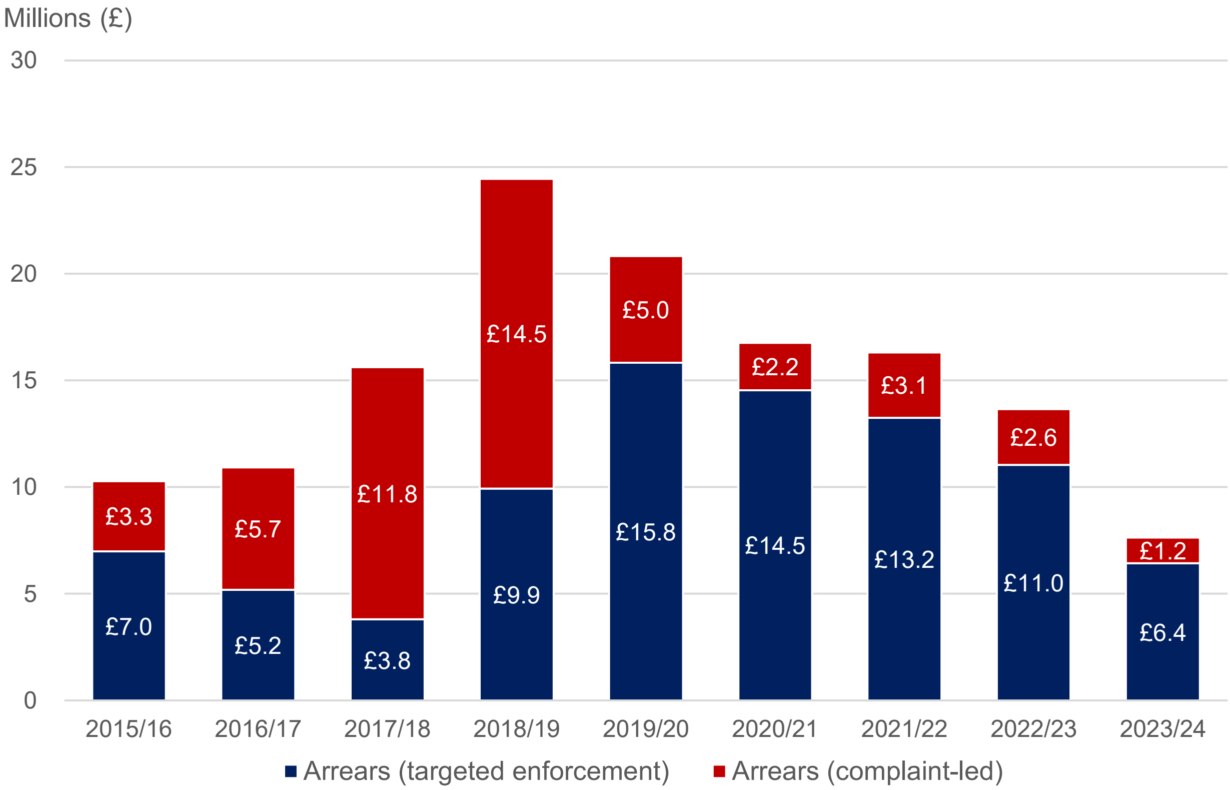
GCA targeted enforcement cases differ from educational cases as they aim to understand and evaluate whether employers who do not engage with HMRC's educational activities are compliant or non-compliant. These cases are included in the strike rate as they form a key part of targeted enforcement activity, but it is important

[8] For more information about this activity, please see the 2018 to 2019 report on minimum wage enforcement and compliance (Department for Business, Energy and Industrial Strategy, 2020a).
[9] PAYE is HMRC's system to collect Income Tax and National Insurance from employment.

to note that the wider impacts of GCA targeted enforcement on employer compliance are not fully captured by traditional case measures.

In total, targeted enforcement cases returned over £6.4 million in arrears to over 47,000 workers. Figure and Figure below show that 84% of arrears and 91% of workers identified were found through targeted enforcement - the arrears and workers figures are both significantly lower than 2022 to 2023. For more information, see Table 7a in the supplementary data.

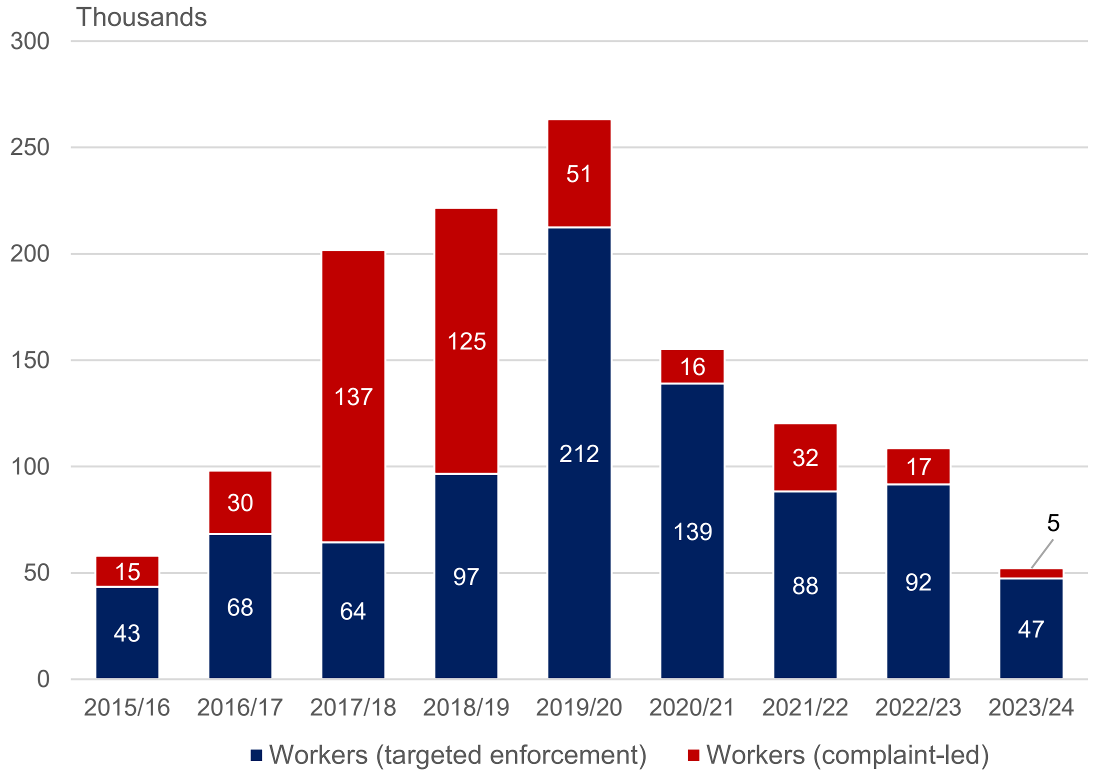
Figure 3: Arrears identified through targeted and complaint-led enforcement



Source: DBT and HMRC enforcement data

Note: Arrears figures for 2018 to 2019 and 2019 to 2020 include arrears identified via the Social Care Compliance Scheme, amounting to £6,075,912 and £255,356, respectively.

Figure 4: Workers identified as underpaid through targeted and complaint-led enforcement



Source: DBT and HMRC enforcement data

Note: Worker figures for 2018 to 2019 and 2019 to 2020 include workers identified through the SCCS, amounting to 24,834 and 1,011 in 2018 to 2019 and 2019 to 2020 respectively.

Tables 7a and 8a in the accompanying supplementary data show that the proportion of cases closed with arrears for targeted enforcement cases is lower than in complaint-led cases (24%, as opposed to 43%). The former has fallen by 5 percentage points since 2022 to 2023 - the strike rate for targeted enforcement cases tends to fluctuate dependent on different levels of risk across sectors and factors affecting HMRC's investigations.

The strike rate for complaint-led cases has increased by 1 percentage point on last year. These cases are helped by having a complainant worker who can provide their concerns and HMRC were at a minimum able to establish contact with the relevant worker.

Promoting compliance activity

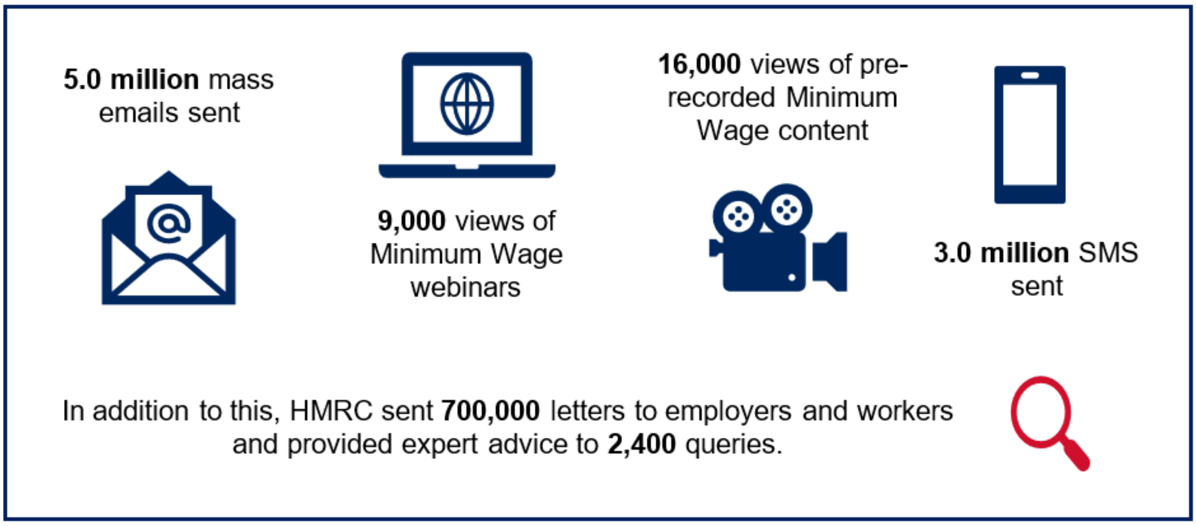
'Promote' activity aims to prevent non-compliance by changing the behaviour of employers and workers. The overall aim is to drive innovative interventions that help employers understand their obligations, providing them with the capability, opportunity and motivation to comply, as well as help workers better understand their entitlement and routes of redress. Both DBT and HMRC carry out communications activity to raise awareness of the minimum wage regulations and encourage compliance.

HMRC's Promote team carries out a variety of work to achieve this, working with employers to put them in a position to be compliant, encouraging workers to check their pay in line with the minimum wage legislation and signposting routes to make a complaint if necessary.

Quantifying the impact of promotional activities is difficult, however, it is hypothesised that it carries significant benefits in the form of informal dispute resolutions. This could take the form of workers talking to employers about their wages and employers agreeing to internal audits which would assure workers but would not be recorded by HMRC's metrics.

Self-correction data is available in Table 10 of the supplementary data tables. It shows that total self-corrected arrears amounted to around £3.7m, equivalent to almost half of all identified arrears in 2023 to 2024.

Box 2: Summary of 2023 to 2024 educational activity



Box 2 demonstrates the significant work the Promote team has done to inform workers of their rights and employers of their obligations, ensuring future compliance with legislation. These figures underline how employers and workers are making use of the information and are actively seeking to educate themselves.

Compared to the previous year, HMRC have significantly increased the number of letters and SMS sent. In 2022 to 2023, HMRC sent 550,000 SMS and 463,000 letters compared to 3.0 million SMS and 700,000 letters in 2023 to 2024.

Penalties, the minimum wage Naming Scheme, undertakings and prosecutions

HMRC continues to respond strongly in cases where workers have been underpaid the minimum wage, using a mixture of civil penalties, Labour Market Enforcement Undertakings and Orders, and criminal prosecutions. In addition, the DBT National Minimum Wage Naming Scheme acts as a deterrent to employers from underpaying their workers.

Civil penalties

One of the Government's aims is to ensure that, as a result of enforcement action, workers receive the money they are owed as quickly as possible. In the vast majority of cases, HMRC pursues the civil enforcement route, the quickest way of ensuring workers receive their arrears. The civil route involves HMRC conducting an investigation, identifying if workers have been underpaid, calculating the value of any arrears, and instructing employers to repay the arrears as quickly as possible. A penalty of 200% of the total underpayment for all workers specified on the NoU is also imposed, with the incentive of a reduction to 100% if all the unpaid wages and the penalty are paid within 14 days. HMRC can also take further enforcement action via the civil courts if employers fail to repay arrears to workers.

723 penalties were issued to non-compliant employers in 2023 to 2024 totalling £5.2 million. Both the number and total value of penalties decreased compared to 2022 to 2023, from 750 penalties and £13.7 million respectively. See Table 1 in the supplementary data for data going back to 2015 to 2016.

Naming Scheme

The National Minimum Wage Naming Scheme remains a key deterrent to employers breaking minimum wage law. The Naming Scheme highlights non-compliant employers by publicly exposing their breaches and promoting their future compliance to deter other businesses from underpaying the minimum wage. The Naming Scheme also aims to increase compliance by publishing an educational bulletin tailored to the areas of non-compliance for that particular round. During the 2023 to 2024 financial year 524 employers were named for £15.8 million in arrears to 172,000 workers. Up to and including Round 21, which took place in May 2025, around 3,700 employers have been named and repaid over £49 million in arrears to over 520,000 workers.

Labour Market Enforcement Undertakings and Orders

The regime of Labour Market Enforcement Undertakings (LMEUs) and Orders (LMEOs) is specifically targeted at those employers where serious or persistent breaches of NMW law have been identified, and action is needed to prevent further offences. Where HMRC identifies an employer in this category, they may ask them to agree to enter an Undertaking with a number of measures which will ensure future compliance. If the employer refuses to enter an Undertaking or fails to comply with an Undertaking, a magistrates' or, more seldom, a Crown court (or similar in devolved administrations) will have the power to impose an LMEO requiring the employer to take action to avoid further offences. Failure to comply with an LMEO can result in a two-year custodial penalty and/or unlimited fine. There were 24 LMEUs open at the end of 2023 to 2024 (compared to 43 LMEUs at the end of 2022 to 23).

Criminal prosecutions

For the most serious non-compliance offences, HMRC can refer cases for criminal investigation and prosecution. Criminal prosecutions are significantly more costly than civil cases, involve much longer timescales and, therefore, delay securing of arrears and do not guarantee that the full value of arrears is repaid to workers. Therefore, further enforcement may be required to secure all arrears.

HMRC's Serious Non-Compliance teams undertake a programme of employer-specific investigations and multi-agency operations to identify deliberate and persistent offenders and take action to bring these employers into compliance. As a result of this, HMRC may also identify criminal offences to refer for criminal investigation by HMRC's Fraud Investigation Service (FIS). FIS will decide if there is sufficient evidence to prosecute the employer and will then refer cases to the Crown Prosecution Service, which will ultimately decide whether to bring a case for criminal prosecution.

Between 2007 to 2008 and 2023 to 2024, 31 employers have been successfully prosecuted for underpaying the minimum wage with an additional case accepting a caution; this is an increase on last year's figure (21). For more information about these prosecutions, see Table 12 in the supplementary data.

Measuring minimum wage non-compliance

The Government uses several information sources to assess the scale and nature of minimum wage non-compliance, which in turn informs our enforcement approach. These include:

- the Acas helpline
- HMRC's online complaint form
- HMRC risk modelling
- HMRC's Intelligence Bureau for sanitised third-party intelligence

In addition, estimates of non-compliance can be made using the Office for National Statistics' (ONS) Annual Survey of Hours and Earnings (ASHE), a survey of employees completed by employers.

ASHE provides information about the levels, distribution and make-up of employees' earnings and hours paid[10]. ASHE data enables an estimate of the number of jobs paid below the minimum wage at a particular point in time (April 2024). These estimates can be broken down by sex, age, region, sector, and full-time and part-time working.

However, a number of methodological issues, including the proximity of the survey to the annual minimum wage uprating and the fact that the survey only measures underpayment in the formal economy, mean that ASHE does not offer a perfect measure of the level and distribution of minimum wage non-compliance. Government takes these limitations into consideration when using ASHE to inform enforcement, however, concludes that it is the best available estimate of minimum wage non-compliance.

Analysis of workers with pay below the NLW/NMW

DBT analysis of ASHE finds that approximately 371,000 workers were paid below the relevant minimum wage in April 2024, as shown in Table 3 and Figure 5 below. Compared to last year[11], this represents an increase in underpayment levels of 20,000, however, the proportion of employee jobs underpaid out of all jobs remains the same at 1.3%. It should also be noted that the LPC estimate that the large increase in the minimum wage also brought around 387,000 jobs within the scope of NMW[12].

Analysis from the LPC[13] of the Labour Force Survey (LFS) provides an alternative measure of underpayment. The LFS has some advantages over ASHE: for example,

---

[10] Office for National Statistics (2016).

[11] Since the publishing of our 2021/22 Enforcement and Compliance report, the ONS have revised ASHE and DBT estimates for workers paid below the relevant minimum wage rate in April 2022 have decreased from 507,000 (as previously reported) to 388,000. More information is available from Low and high pay in the UK:2023 (ONS).

[12] Low Pay Commission (2024).

[13] Low Pay Commission (2024).

LFS data offers consistent quarterly time series that allows for the identification of within-year patterns. However, the LFS is based on employee responses and therefore usually shows higher levels of underpayment than ASHE because of error and rounding in individual's responses to survey questions on pay. As a result, LFS estimates of underpayment tend to be much lower in years where the NLW is a round number (e.g., £9.50 in 2022) as respondents are more likely to accurately record their pay. Furthermore, the response rate for the LFS has been steadily declining, a challenge which was exacerbated by Covid-19. These long-standing response rate challenges with the LFS have resulted in the removal of its status as accredited official statistics[14].

Table 3: Estimates of minimum wage non-compliance by minimum wage rate, April 2024

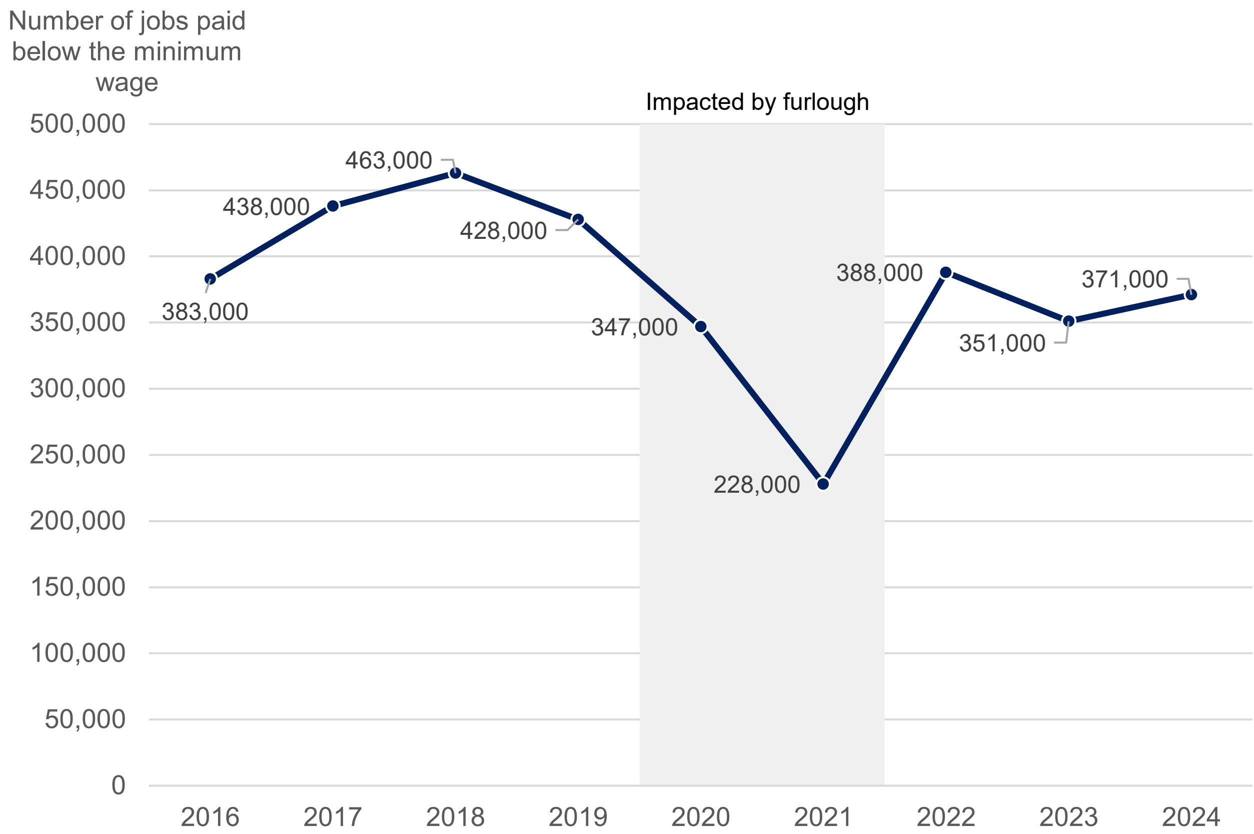
Minimum wage rate	April 2024
21 years and older (NLW)	344,000
18 to 20 years old (Development)	14,000
16 to 17 years old (Youth)	4,000
Apprentice	8,000
Total	**371,000**

Source: DBT analysis of ASHE 2024 (ONS)

Note: ASHE estimates of jobs paid below the NMW/NLW have been rounded to the nearest thousand. As a result, figures may not always tally to the total.

[14] See the ONS website for more information on the LFS.

Figure 5: Minimum wage underpayment over time, 2016 to 2024



Notes:

1. Figures up to 2019 are chain-linked to make figures comparable to 2022 and 2023. These chain-linked figures take into account the impact of changes to the Standard Occupational Classification (SOC) used in ASHE 2021. More information on chain-linking ASHE estimates is available in the 2023 LPC NMW report.

2. Figures for 2020 and 2021 exclude furloughed workers and are not directly comparable to other data points. See the 2020 to 2021 and 2021 to 2022 edition of this report for further information on the impact of furlough on measuring underpayment.

3. Figures are rounded to the nearest thousand and show underpayment across all minimum wage rates.

Responding to the Low Pay Commission's enforcement recommendations

Background

In their 2024 enforcement report, the Low Pay Commission highlighted the following recommendations for DBT and HMRC:

1. Ensure adequate information is available for employees to know where and how to complain about underpayment.

2. Look at improving the guidance on work type and the differences in calculating working time between salaried and unmeasured work.

3. Take forward the LPC's 2018 recommendations on one-sided flexibility.

4. Ensure more regular naming rounds to create momentum and increase coverage.

5. Expand the data HMRC collects on its caseload, in particular:
    - whether underpayment is formal or informal
    - the characteristics of underpaid workers involved
    - the working arrangements of underpaid workers

6. Improve and promote third-party complaint protocols.

Recommendation 1 – promote activities

The Department of Business and Trade is working closely with HMRC to optimise the scope of promote activities to both workers and employers.

The overall aim is to help employers understand their obligations, as well as helping workers better understand their entitlement and routes of address.

Box 2 in the 'promoting compliance activity' chapter demonstrates the significant work the promote team has done to inform workers and employers of their rights.

Recommendation 2 – improving guidance

The Government's 'Calculating the minimum wage' guidance[15] was published in 2021 and updated in 2024. However, we agree with the LPC that it is imperative that both workers and employers are clear on who is entitled and what work is measured in wage calculations. As such, we will be reviewing the minimum wage guidance in 2025 to 2026 and will take the Commission's views into account as we consider how the guidance can be improved in this area.

Recommendation 3 – one-sided flexibility

[15] DBT (2021) Calculating the minimum wage

The flexibility offered by zero hours contracts, zero hours arrangements and low hours contracts can benefit both workers and employers but without proper safeguards this flexibility can become one-sided, with workers bearing all the financial risk. As such the Government is committed to ending one-sided flexibility, ensuring that all jobs provide a baseline of security and predictability so workers can better plan their lives and finances. This includes ending exploitative zero hours contracts. There are approximately 1 million workers on zero hours contracts in the UK, representing around 3% of all people in employment. Growth in zero hours contracts has stabilized following significant growth between 2010 and 2016; albeit part of this is likely to reflect the growing awareness of such contracts in addition to genuine increase in their use. However, these issues are not just limited to zero hours contracts: analysis suggests that up to 2.4 million workers could be eligible for these new rights (those on zero hours contracts, zero-hour arrangements, low hour contracts and agency workers on these contracts).

We will deliver this commitment through two measures:

i) A right to guaranteed hours, where the number of hours offered reflects the hours worked by the worker during a reference period. This initial reference period will be specified in regulations and is anticipated to be 12 weeks.

ii) New rights to reasonable notice of shifts, with proportionate payment for shifts cancelled, moved or curtailed at short notice.

Tackling insecure work is vital if we are to boost incomes, raise living standards and increase productivity. This will create the right conditions for sustained economic growth. On these measures, the Government has sought to balance the interests of business and workers. Jobs that provide greater security and predictability are good for workers, who will have more control over their lives and be able to plan better for the future. Furthermore, employers who already provide this security and predictability for their workers will benefit from a level playing field. This will help drive up standards and eliminate undercutting, allowing businesses to compete in a race to the top. This will ensure that workers do not bear all the financial risk of shift allocation and cancellation, and compel employers to give reasonable notice.

Recommendation 4 - naming rounds

The purpose of the Naming Scheme is to increase awareness of the rules, and to act as a deterrent to the minority of employers who may be tempted to underpay their workers.

We most recently published Naming Round 21 on 29 May 2025, naming 518 employers for failing to pay the minimum wage. This continues the approach piloted in Round 20 (published on 20 February 2024) to expand the number of employers named in line with LPC recommendations. Previously we named around 200 employers at each round, but in Naming Round 20 we increased that to name more than 500 employers.

This means that, to date, we have named around 3,700 employers who have repaid a total of over £49 million in arrears to over 526,000 workers.

Recommendation 5 – expanding HMRC data

The Government acknowledges that collecting such data would be informative. A balance though needs to be struck between the value of any additional data collected and:

- the additional burden this would place on workers, employers and HMRC National Minimum Wage: 2022 to 2023 Enforcement and Compliance Statistics
- the potential risk that asking for too much information could discourage workers from coming forward
- practical data-collection and legal considerations

HMRC already provides the data on formal and informal assessment but classified as assessed arrears (via a Notice of Underpayment) and additional arrears (via self-correction). This is published in the annual Government evidence on NMW Enforcement and Compliance data tables.

NMW powers restrict the information that HMRC can ask for including protected characteristics. Protected characteristics are not relevant for enforcement purposes where HMRC seek to identify if a worker has been paid below the NMW. There is currently nowhere to store this information on HMRCs case management system, and HMRC cannot proactively practically collect, especially across large workforces.

The working arrangements of workers will be discussed during an investigation to establish what happens in practice.

The Department for Business and Trade continuously monitors and evaluates how to make best use of data HMRC collects, and any other data sets which may be informative for policy purposes. The Department will also consider how data collection requirements can be improved under the new Fair Work Agency (FWA).

Recommendation 6 - promote third-party complaint protocols

HMRC has a strong record on liaising with external stakeholders and providing upstream education to employers, workers and intermediaries on how to complain or provide information. This includes a call to action to third parties to report concerns. With appropriate authority third parties can act on behalf of a worker. HMRC NMW continue to provide clear direction on HMRC disclosure policy but accept this may not be helpful to some stakeholders who would like to be informed how their information has been pursued. HMRC is bound by Section 18 Commissioners for Revenue and Customs Act 2005 in the information HMRC can confirm all third-party information is considered. Data shows that HMRC complaint volumes increased by 14% in 2023 to 2024.

References

Department for Business and Trade (2023). '[National Living Wage and National Minimum Wage: Government evidence on compliance and enforcement, 2023]'

Department for Business and Trade (2024). '[National Minimum Wage: policy on enforcement, prosecutions and naming employers who break National Minimum Wage law']

Department for Business, Energy and Industrial Strategy (2020a). '[National Living Wage and National Minimum Wage: Government evidence on compliance and enforcement 2018/19']

UK Government (2023). ['The National Minimum Wage and Living Wage: Who gets the minimum wage']

Low Pay Commission (2023a). '[Compliance and enforcement of the National Minimum Wage']

Low Pay Commission (2023b). ['Low Pay Commission Report 2022']

Low Pay Commission (2024). ['Low Pay Commission 2023 report']

Low Pay Commission (2025). ['Low Pay Commission 2024 report']

Office for National Statistics (2016). ['Annual Survey of Hours and Earnings (ASHE) methodology and guidance']

Office for National Statistics (2024). ['Low and high pay in the UK: 2024']

Department for Business and Trade

The Department for Business and Trade is an economic growth department. We ensure fair, competitive markets at home, secure access to new markets abroad and support businesses to invest, export and grow. Our priorities are the industrial strategy, make work pay, trade and the plan for small business.

Published by
Department for Business and Trade

3 July 2025