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Your ref:

1st March 2014

Dear Stephen,

Thank you for your letter of 14 February regarding your concerns about the enforcement of the National Minimum Wage (NMW) and for enclosing the London Assembly Economy Committee report on low pay and how to make the Living Wage the norm in the capital.

As you are aware, our primary policy for the low paid is the NMW which is carefully set at a level that maximises help for the low paid, without damaging their employment prospects by setting it too high. The Government supports businesses that choose to pay the Living Wage, however, decisions on what wages to set, above the national minimum wage, are for employers and workers.

I would like to add that the Government recognises that these are tough times and is doing everything they can to help the low paid with the cost of living. From April 2014, increases to the personal tax allowance will have increased take home pay for basic rate tax payers by £700 each year and taken 2.7 million out of tax altogether.

You also raised the issue of a recent report, from Centre for London and Trust for London, regarding partially devolving the enforcement of the NMW to local authorities. HMRC enforce the NMW across the UK, tackling non-compliance ranging from national retailers to local hairdressers. HMRC investigates every complaint made to the Pay and Work Rights helpline. In addition, HMRC conducts risk-based enforcement in sectors or areas where there is a higher risk of workers not getting paid the legal minimum wage.

Our compliance and enforcement action is making an impact. In 2012/13 HMRC identified £3.9m in arrears of wages for over 26,500 workers. This represents an increase of over 30% in the number of workers that HMRC were able to help compared to 2009/10. Also the average arrears per case identified increased by over 90% in 2012/13, compared to 2009/10.

I am pleased to see the local authorities thinking about NMW compliance and being keen to work with HMRC to improve compliance. HMRC have worked previously with other London Boroughs in multi-agency operations to extend the reach and penetration of the various enforcement initiatives that HMRC undertake on behalf of BIS.

This has included several multi-agency operations with Newham, working with the Police in a street sweep in Thornton Heath, work with the City of London and the Security Industry Association, targeting nightclubs. We will also be shortly commencing a series of targeted enforcement multi-agency visits with Hackney.

Whilst there are clear advantages to making better use of 'local intelligence', I am not attracted to the idea of shifting responsibility for NMW enforcement away from central Government as this is likely to lead to inconsistencies in the approach to NMW enforcement.

Delegating power to enforce the NMW to local authorities would also require new information-sharing gateways to allow information obtained in the course of inspections to be exchanged with other enforcers. Whilst these obstacles are not insurmountable, I firmly believe that a productive working relationship which ensures that individuals who are entitled to the national minimum wage receive it could be achieved by less radical means, such as the joint working initiatives. This would enable BIS to retain HMRC's expertise, brand advantages, and links to the wider tax enforcement activity whilst making best use of local knowledge and intelligence.

Thank you for your letter and I hope the information provided is helpful.

Yours,

A handwritten signature in blue ink, appearing to read 'Jenny'.

JENNY WILLOTT MP