



## **PRESS RELEASE**

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### **Unlawful Practices by Employers**

The Government warmly welcomes the debate, initiated by the Union Unite, and now joined by the Chamber of Commerce and the Federation of Small Businesses highlighting unlawful practices by some employers and businesses. It appears that such practices are unacceptable in equal measure to everyone.

### **The Problem**

The Government entirely agrees with and supports the campaign to eradicate all such unlawful practices, of which Government Revenue loss is the principal victim. These unlawful practices include failure by employers to:-

- (1) Deduct and forward PAYE, promptly (or at all).
- (2) Deduct and forward Social Insurance Contributions, promptly (or at all).
- (3) Register employees for tax, social insurance and employment purposes.
- (4) Comply with the Statutory Minimum wage.

All of these unacceptable and illegal practices are incurred in by both many cross border as well as locally established traders and employers.

### **The Objectives**

The Government welcomes the help and support of any organisation that will enable it to:-

- (a) Ensure that low paid workers are not exploited, and receive at the very least, the statutory Minimum Wage as the law requires. The Government would remind employers that it is an offence to pay a worker less than the Statutory Minimum Wage.
- (b) Ensure that employers and employees alike pay the correct tax, PAYE, Social Insurance Contributions etc to the Government.
- (c) Ensure that a commercial "level playing field" exists to ensure that non-compliant employers/traders, who are violating the law, do not thereby obtain a commercial advantage over law abiding employers/traders.

### **The Solution**

It is not realistic to suppose that the problem can be eradicated by the over simplistic suggestion that the Government employs more inspectors.

Inspectors already carry out many random checks and catch many offenders. But adversely affected traders (i.e competitors) know when other traders are “cutting corners” and not complying. It is important that these are reported to the Employment Service, Chamber of Commerce or GFSB, whereupon the latter two should report same to the Employment Service, who will act, as it always does.

Similarly, employees know when they are being cheated by their employers by being paid less than the minimum wage, or by being registered under a “14.75 hour contract” when they are in fact working full time, and are thus being cheated of social benefits. Employers should be aware that this practice constitutes a serious offence. Such employees should similarly report the matter to the Employment Service, or to a Trade Union, which should then similarly report cases to the Employment Service, who will take the appropriate action.

The Employment Service has not received such reports from employer organisations, trade unions, competitor traders or employees in relation to the recent allegations. Such reports would greatly enhance the enforcement effort of the Labour Inspectors. However, the Government does not rule out the employment of more inspectors in the future, as part of a concerted plan.

#### The way forward

It is not true that the Labour Advisory Board no longer meets. It did so on 15 October 2009. However, the Government wishes to harness the constructive interest shown by all concerned in these matters, to which the Government also attaches great importance. In consequence, the Government will convene a high level conference of Government and Employer and Trade Union organisations to discuss these issues and co-ordinate an effective way forward to eradicate these unlawful practices which all parties find unacceptable.