



**Low Incomes  
Tax Reform  
Group.**

A voice for the unrepresented

4 Jan 2023

Office of Director of Labour Market  
By email

Dear Sir or Madam

**DLME additional submission**

We welcome the opportunity to provide a short update to reflect some developments we have become aware of in the labour market since our submission to the 2023/24 call for evidence in May 2022<sup>1</sup>.

In our original submission, we commented on two main issues that we see as impacting negatively on workers in the labour market: umbrella companies and false self-employment, particularly in the care sector. We would now like to highlight some further considerations in these areas. The fact there have been significant developments during the few months since May 2022 shows how rapidly the labour market is evolving and how important it is to keep abreast of changes.

*Umbrella companies*

The umbrella company marketplace is constantly changing. Since our submission in May 2022, there have been a number of high profile incidents involving certain umbrella companies, including an accusation of salary 'skimming' against a very well-known and established business<sup>2</sup>.

The skimming came to light after payslips were audited by SafeRec<sup>3</sup>. Firstly, if the Director is not already in touch with SafeRec, we would recommend speaking with them. The insight and intelligence SafeRec is likely to have from their payslip tool (in general terms) could help build the

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<sup>1</sup> <https://www.litrg.org.uk/latest-news/submissions/220527-labour-market-enforcement-strategy-2023-2024-call-evidence>

<sup>2</sup> Skimming is explained here:  
[https://www.contractoruk.com/umbrella\\_company/what\\_salary\\_skimming\\_and\\_how\\_does\\_it\\_hit\\_umbrella\\_company\\_contractors.html](https://www.contractoruk.com/umbrella_company/what_salary_skimming_and_how_does_it_hit_umbrella_company_contractors.html)

<sup>3</sup> <https://iwork.co.uk/wp-content/uploads/2022/11/CV-legal-re-OG.pdf>

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evidence base around umbrella companies and would give the Director a better idea of the nature and scale of various issues, to feed into her strategy for 2023/24.

The main point we would like to make is around guidance. While HMRC have issued some guidance to help workers navigate umbrella companies, the content is heavily skewed towards disguised remuneration<sup>4</sup>. However, as demonstrated by the skimming situation, issues with umbrellas go beyond that and people need help understanding all manner of other things, including:

Preferred supplier lists	Pay uplifting	Holiday pay
Cloning	Cyber-attacks	Non-payment of wages
Margins	Mini-umbrellas	Missing auto-enrolment
Non provision of payslips	Growth share schemes	Expenses

Our own material on umbrella companies<sup>5</sup> fulfils much of this brief, however, undoubtedly there will be people who are not finding their way to our help. It is available freely and we do our best to publicise it; however, we are a small charity with limited resources and we recognise our reach may be somewhat limited.

Another not for profit venture, JobsAware<sup>6</sup>, are attempting to move into the umbrella company guidance space; however this work is moving slowly and there are problems with the website, so this does not offer a complete solution as yet<sup>7</sup>. Indeed, because of this, we think the umbrella company partnership<sup>8</sup>, whereby umbrella companies who agree to some basic principles of good practice are allowed to promote the JobsAware logo, carries some potential risks for workers<sup>9</sup>.

As such, we would urge the Director to carefully consider if there is anything more she or the three enforcement bodies can do to help fill this guidance gap or to at least influence other stakeholders to make improvements to their content.

### *False self-employment*

False self-employment, where employees are treated as self-employed when actually they should be treated as employees, is an insidious problem in our labour market, that has spread to the care sector.

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<sup>4</sup> A list of recent HMRC publications on umbrella companies can be found here:

<https://www.litrg.org.uk/latest-news/news/221107-finding-good-umbrella-company#toc-hmrc-publications>

<sup>5</sup> As summarised in our recent news article <https://www.litrg.org.uk/latest-news/news/221107-finding-good-umbrella-company>

<sup>6</sup> Jobs Aware are a community interest company (CIC) rather than a charity

<sup>7</sup> For example see under 'U' for umbrella company - <https://www.jobsaware.co.uk/worker-help>

<sup>8</sup> <https://www.jobsaware.co.uk/umbrella-company-partnerships>

<sup>9</sup> We understand that there is a fairly light touch approach to policing the use of the logo because the initiative is not about 'accrediting' umbrella companies. However, whatever the intention behind the logo, in reality workers will assume it means approval and/or unscrupulous umbrellas will use it as evidence of official endorsement of their services (we see this again and again with tax refund companies). This, coupled with the issues with the website guidance alluded to above, could mean that workers are actually in a worse position as a consequence of the initiative.

In many ways this is understandable as self-employment reduces the costs and obligations of taking someone on. As a result, it helps with the administrative burdens facing disabled people who want to assert choice and control by taking on their own carer; and makes their money go further.

But self-employed arrangements without any of the safeguards or framework that go with employment, carry inherent risks – for both the worker and the engager – and not just in terms of tax non-compliance. The recent announcement of a significant increase in the minimum wage, without any clear picture of where the extra money is going to come from for those who use government funding to pay their carers (in most of the UK<sup>10</sup>), may fuel the false self-employment of carers further<sup>11</sup>.


Introductory agencies (who, as we raised in our original submission, are sometimes not only making an introduction but may well actually be ‘employment businesses’ under EAS Regulations), who purport to introduce self-employed carers to disabled people, are facilitating the growth in self-employed carers. Self-employed carers are now becoming such a widely accepted notion that there are new initiatives being bolted on, for instance, an accreditation scheme for self-employed carers<sup>12</sup>.

We are very concerned that we will soon reach a stage where this problem has been allowed to drift for such a long time, that simply enforcing the law would be very difficult; with a range of consequences. At the same time, allowing the situation to continue to develop unchecked is not desirable for many reasons.

We think it is vital that the Director of Labour Market thinks creatively about the practical steps that can be taken by her own enforcement bodies, but also in conjunction with other government bodies like HMRC and the DHSC to get a grip on the situation – perhaps by focussing ‘upstream’ - on the role of the introductory agencies, for example.

Best wishes

Yours sincerely



Victoria Todd  
Head of LITRG Team

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<sup>10</sup> We can only find an announcement for Wales that direct payment recipients will receive an uplift: <https://www.gov.wales/social-care-workers-in-wales-to-receive-real-living-wage-uplift>

<sup>11</sup> See our press release here: <https://www.litrg.org.uk/latest-news/news/221117-press-release-national-living-wage-rise-risks-fuelling-growth-false-self>

<sup>12</sup> See for instance the Quality Care Approval Scheme. Their website focuses on using self-employed PA's (and they appear to have connections to introductory agencies) without any information/guidance on employment status checks: <https://qcas.org.uk/how-it-works>