

<b>Title:</b> Requiring more information on the payslips of hourly-paid employees and extending the right to receive a payslip to workers.	<b>Regulatory Impact Assessment (RIA)</b>	
	<b>Date:</b> June 2024	
<b>Lead department or agency:</b> Department for the Economy	<b>Type of measure:</b> Secondary	
	<b>Stage:</b> Initial	
<b>Other departments or agencies:</b>	<b>Source of intervention:</b> Domestic NI	
	<b>Contact details:</b> <a href="mailto:goodjobsconsultation@economy-ni.gov.uk">goodjobsconsultation@economy-ni.gov.uk</a>	

## Summary Intervention and Options

<b>What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)</b> Workers that do not have employee status are not by law entitled to receive a payslip. This right currently only applies to employees, a sub-category of workers. Consequently, there is a lack of transparency for those workers regarding their pay because, in many cases, they are not entitled to receive any of the statutory information required on an itemised pay statement. In addition, for hourly paid staff (employees and workers), employers are not obligated to clearly state the hours the staff are being paid for on payslips. Government intervention is required in both of these areas to enable workers and employers to benefit from the same level of transparency over pay provided by an itemised pay statement, with transparency improved by the compulsory inclusion of hourly information.	
<b>What are the policy objectives and the intended effects? (7 lines maximum)</b> The policy intention of extending the right to receive a payslip to workers is to provide workers with the right to receive an itemised pay statement. This will make it easier for them to can assess whether they have been paid correctly from the information on a payslip, including from the number of hours they are being paid for. The policy intention of requiring the number of hours that employees are being paid for to be stated on their payslip is also designed to increase transparency over whether employees are paid correctly. This aims to support the objective of increasing National Minimum Wage (NMW) compliance.	
<b>What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)</b> Option 1: Do nothing: this would maintain the existing requirements on what should be included on payslips. This would mean that only employees would have the right to receive a payslip and there wouldn't be any requirement to include information on the number of hours paid for. Option 2 (preferred option): extend the right to receive a payslip to all workers to all workers (including those undertaking unmeasured, output, salary and time-work); and require all employers to put the number of hours paid for on payslips for both workers and employees who are paid according to the time they have worked.	
<b>Will the policy be reviewed?</b> It will be reviewed	<b>If applicable, set review date:</b> Month/Year

Cost of Preferred (or more likely) Option		
Total outlay cost for business £	Total net cost to business per year £	Annual cost for implementation by Regulator £
£632,796	£794,638	0

<b>Does Implementation go beyond minimum EU requirements?</b>		<b>YES</b> <input type="checkbox"/>	<b>NO</b> <input checked="" type="checkbox"/>
<b>Is this measure likely to impact on trade and investment?</b>		<b>YES</b> <input type="checkbox"/>	<b>NO</b> <input checked="" type="checkbox"/>
<b>Are any of these organisations in scope?</b>	<b>Micro</b> Yes X No <input type="checkbox"/>	<b>Small</b> Yes X No <input type="checkbox"/>	<b>Medium</b> Yes X No <input type="checkbox"/>
			<b>Large</b> Yes X No <input type="checkbox"/>

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Description:

**ECONOMIC ASSESSMENT (Option )**

Costs (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
<b>Low</b>	<b>£644,390</b>		<b>£445,969</b>	<b>£1,090,359</b>
<b>High</b>	<b>£609,599</b>		<b>£1,491,976</b>	<b>£2,101,575</b>
<b>Best Estimate</b>	<b>£632,796</b>		<b>£794,638</b>	<b>£1,427,434</b>

**Description and scale of key monetised costs by 'main affected groups'** Maximum 5 lines

The total one-off cost to employers is estimated to be £632,796. This includes all employers having to familiarise themselves with the proposals (£275,645), and 12% of employers having to upgrade their payroll software in order to comply with the inclusion of hours proposal<sup>1</sup> (£357,151). There could be ongoing costs (£794,638) for some employers if they only employ workers as they will have to produce a payslip from scratch (£346,210), and then the extra burden of inputting the information on the number of hours worked into their payroll systems (£448,428).

**Other key non-monetised costs by 'main affected groups'** Maximum 5 lines

This proposal may impact the quantity of challenges that employers, HMRC, the LRA and employment tribunals have to deal with. However, provision of extra information should increase the number of well founded, evidence-based challenges. In addition, due to the employees being more informed, it should reduce the number of 'unfounded' challenges. Given the insufficient evidence to support either direction, it has not been possible to monetise the impact. In any case the impacts would be indirect as these rely on behavioural responses.

Benefits (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
<b>Low</b>	<b>Optional</b>		<b>Optional</b>	<b>Optional</b>
<b>High</b>	<b>Optional</b>		<b>Optional</b>	<b>Optional</b>
<b>Best Estimate</b>	<b>Non monetised</b>		<b>Non monetised</b>	<b>Non monetised</b>

**Description and scale of key monetised benefits by 'main affected groups'** Maximum 5 lines

Workers should benefit from receiving a payslip for the first time and both employees and workers should benefit from an increase in the information provided on their payslips, as there is a greater chance they are able to identify a discrepancy or underpayment, which in turn, could lead to identification of arrears. This is expected to be disproportionately beneficial for low paid workers as it is expected this group is most likely to be hourly paid according to time worked rather than salaried.

**Other key non-monetised benefits by 'main affected groups'** Maximum 5 lines

Employers could benefit from more motivated employees leading to an increase in productivity. They may also benefit from higher employee retention rates leading to lower recruitment costs. As mentioned in the section above, the net effect on the quantity of challenges that HMRC, ACAS, employers and employment tribunals would have to deal with is unclear.

**Key Assumptions, Sensitivities, Risks** Maximum 5 lines

1% of workers do not receive a payslip and are employed in small and micro businesses only.  
88% of employers already comply by providing hours on payslips.  
47% of employees are 'timed' employees (paid according to the number of hours they work).  
Payroll frequency of 26 weeks per year (i.e. fortnightly).

**BUSINESS ASSESSMENT (Option )**

Direct Impact on business (Equivalent Annual) £m			
<b>Costs: £1.427m</b>	<b>Benefits:0</b>	<b>Net: £1.427m</b>	

**Cross Border Issues (Option )**

<sup>1</sup> The comparable GB Impact assessment relied on a snap poll conducted by the Chartered Institute of Payroll Professionals (CIPP) that went out to employers. 88% of employers already put the number of hours an hourly-paid employee is paid for on the employee's payslips. Hence the proxy of 12% of employers who do not provide hours on payslips.

**How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 lines

The extension of a right to payslips to workers and additional information being required on payslips were measures introduced in the UK with effect from 6<sup>th</sup> April 2019.

In the Republic of Ireland, there is only a single category of employment status – i.e. an employee. Employees are entitled to a payslip.

## Evidence Base

There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing), with reference to the evidence base to support the option selection;
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business;
- Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE)

## Problem under consideration

One of the most fundamental employment conditions is the right to be paid, and to be paid correctly, for work done. Given that there can be significant variations in gross pay compared to net pay because of deductions such as tax, national insurance and/or pension contributions, whether someone has been paid correctly is not always immediately apparent. To enable a worker to know that they have been paid correctly, it is important that they know the reasons for, and amount of, any deduction made.

## Current position

Employers are only legally obliged to provide an itemised pay statement (usually called a payslip or wage slip) to employees. Employers are not obliged to provide payslips to workers.

That is, payslips do not need to be provided to:

- *Non employees, for example (contractors, freelancers or 'workers')*
- *members of the police service<sup>2</sup>.*

For those who are entitled to a pay statement, every pay statement must contain the following information:

- amount of wages before any deductions (gross wages)
- individual amount of any fixed deductions (such as trade union subscriptions) or the total amount of these deductions if the employee is given a 'standing statement of fixed deductions'<sup>3</sup>
- individual amount of any variable deductions (for example, tax)
- net amount of wages (this is the total after deductions)
- amount and method for any part-payment of wages (such as separate figures of a cash payment and the balance credited to a bank account).

An employer might include additional information which they are not required to provide, such as:

- National Insurance number
- tax codes
- pay rate (either annual or hourly)

<sup>2</sup> There are some further limited exclusions in respect of merchant seamen and share fishing arrangements which are not within the scope of any of these proposed amendments.

<sup>3</sup> If an employer does not set out any fixed deductions in employees pay slips, they must provide a standing statement of fixed deductions every 12 months. This must be in writing and include: the amount and intervals at which the deduction is made; and contain the purpose or description of the deduction. It must be given to employees before their first payslip with the fixed deductions.

- additional payments like overtime, tips or bonuses, which might be shown separately.

### **Issues with current position:**

- Workers (who are not employees) do not have the statutory right to an itemised pay statement and associated enforcement provisions. A lack of a pay statement is likely to make it difficult for a worker to know if they have been paid correctly, as they may not be given any information about deductions and the reason for them.
- Employees or workers whose pay varies because of time worked do not have the statutory right to receive information regarding the number of paid hours worked in an itemised pay statement. Not being provided with a breakdown of how pay has been calculated for variable hours worked makes it difficult for workers to determine whether they have been paid correctly for the actual hours worked.

This impact assessment will look at two specific measures introduced in Britain: the extension of the right to receive a payslip to workers; and requiring the number of hours employees are being paid for to be stated on their payslip. This impact assessment is, in large part, drawn from the detailed impact assessment undertaken by the UK Government in preparation for these same measures in Britain<sup>4</sup>. The costs and benefits below reflect assumptions made in that assessment if similar provisions to those in Britain were introduced here.

### ***Extending the Right to Receive a Payslip to Workers***

In Britain, since 6<sup>th</sup> April 2019, all workers and employees there have had the statutory right to receive an itemised payslip. This right was introduced following a recommendation in the ‘Good work: the Taylor review of modern working practices’<sup>5</sup>. This measure was specifically aimed at addressing the fact that the lack of this information made enforcing rights more difficult for workers.

Currently in Northern Ireland, workers – as distinct from employees – are not by law entitled to receive a payslip. The consequence of not receiving a payslip is that it can be difficult for a worker to be certain if they are being paid the correct amount for the work that they have undertaken. Consequently workers here are in a less advantageous position than workers in Britain.

While it is understood that some workers do currently receive a payslip; particularly those workers who work alongside employees (since individual employers do not typically differentiate between the two), there remains a minority of the workforce have no right to receive and payslip and do not receive a payslip. It is estimated that this is approximately 4630 people<sup>6</sup>. These workers lack the information required to provide transparency over their pay.

In particular these people have no right to any document stipulating the following information:

- gross amount of the wages or salary;
- the amounts of any variable and fixed deductions from that gross amount and the purposes for which they are made;
- the net amount of wages or salary payable; and
- where different parts of the net amount are paid in different ways, the amount and method of payment of each part-payment.

Under the National Minimum Wage Act, employers are currently required to keep a record of information sufficient to establish that the employer is remunerating the worker at a rate at least equal

<sup>4</sup> [The Employment Rights Act 1996 \(Itemised Pay Statement\) \(Amendment\) \(No. 2\) Order 2018 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

<sup>5</sup> [Good work: the Taylor review of modern working practices \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk)

<sup>6</sup> This figure is based on 1% of the Business Population Estimate of the total number of private sector workers in the north of Ireland (currently 463000). The 1% proxy used based on a CIPD survey cited in the comparable GB impact assessment attached at footnote 3. It assumes the 1% of the workforce who are workers and do not receive a payslip. The further assumption applied is that these workers are employed in small and micro sized businesses (fewer than 50 employees).

to the National Minimum Wage (NMW). A worker only has a right to access this information upon request. This right is also qualified: the worker can only access the information to determine whether they are being paid the NMW when they reasonably believe they are not. As a result, workers that are paid according to their time worked may not have sufficient information to identify whether the hours that the employer is using to calculate their gross pay is commensurate with their own understanding.

### ***Requiring the number of hours employees are being paid for to be stated on their payslip***

Currently in Northern Ireland neither workers nor employees, where they are hourly paid, are entitled to a payslip that provides the breakdown or details of the hours they are being paid for.

Again since 6<sup>th</sup> April 2019, workers and employees in Britain have had a statutory right this information following measures introduced by the UK Government. The action taken by that government was in response to the 2016 Spring report<sup>7</sup>, in which the Low Pay Commission (LPC) identified uncertainty regarding the number of hours for which employees and workers are being paid was a cross-cutting problem impeding workers bringing cases of non-compliance to HMRC and ACAS, and preventing HMRC from enforcing the minimum wage. It made a non-rate recommendation that the UK Government should consider introducing a requirement that payslips of hourly-paid staff clearly state the hours they are being paid for.

### **Rationale for intervention**

For employees and workers who are paid according to the time they have worked, if their hours worked vary across different pay reference periods, their pay also varies. If there is no payslip for workers, or the payslip is not transparent for employees, such that the number of hours paid for is not clearly set out, employees are less likely to know whether the hours paid for is correct. This lack of information could mask any inaccuracies or unintentional mistakes in relation to the number of hours and, in turn, make it difficult for workers to identify an issue. In addition, it presents unscrupulous employers with the opportunity to use this non-transparency as a tool to underpay employees knowing that it is difficult for them to challenge without having the information needed to instigate a challenge.

In order to calculate pay for their hourly-paid staff, businesses already need to know how many hours individuals have worked. So this is about sharing the basis of the calculation more explicitly than at present, thus increasing transparency. It does not require employers to collect new information that they do not already collect, but rather requires them to make it available to workers. This provides a key piece of information for the worker to help reconcile hours and pay. The proposal builds upon the existing requirement for employers to maintain records for NMW purposes.

As noted above workers and employees in Northern Ireland are at a disadvantage than those in Britain who have had different statutory rights since April 2019. This impact assessment is, in large part, drawn from the detailed impact assessment undertaken by the UK Government in preparation for the extending the rights to payslips to workers and requiring all employers to put the number of hours paid for on payslips for both workers and employees who are paid according to the time they have worked.

### **Policy objectives**

#### ***Extending the Right to Receive a Payslip to Workers***

This policy aims to provide workers with transparency regarding their pay, through the extension of the existing legal entitlement to an itemised pay statement as outlined in paragraph one above, and the number of hours they are being paid for (part two of proposal). This information will help workers assess whether they have been paid correctly, and in turn empower them to challenge their employer or, contact the LRA, ACAS or HMRC if they disagree with the information provided. Ultimately, a

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<sup>7</sup> [GOV.UK website - NMW Low Pay Commission Report 2016](#)

higher number of cases of underpayment may be identified and reconciled, ensuring that a higher number of workers are paid correctly.

### ***Requiring the number of hours employees and workers are being paid for to be stated on their payslip***

The policy intention here is to increase the transparency and the information provided to employees on the number of hours their employer is paying them for. This should help employees identify at the point of reading a payslip, whether the hours the employer has paid for is correct. Subsequently, could empower them to challenge their employer or, contact the LRA, ACAS or HMRC if they disagree with the figure. Without this evidence, the employee may be reluctant to challenge the employer if they think there has been a miscalculation leading to underpayment.

For employees that are paid the same rate of pay for all the different types of hours they have worked (i.e. overtime and travel hours) and do not receive additional payments (e.g. bonuses) or deductions, employees would be able to identify NMW non-compliance by dividing their gross pay with this number of hours stated. Therefore, as an additional benefit of this proposal, for those employees with relatively straight-forward pay arrangements, we expect underpayment and the percentage of NMW non-compliance to decrease. This will not be the case for all employees and, where pay arrangements are more complex, further interpretation would be required in order to determine NMW compliance. However, the provision of additional information relating to hours will still be beneficial in raising transparency and could empower employees to challenge their employer, or contact ACAS or HMRC (who have more technical expertise to see whether the employer is NMW compliant).

Equally, the added transparency may also prevent confusion and some employees may see from their payslip that they are being paid correctly where previously they may have thought they were not, leading to a reduction in the number of 'non-founded' cases, meaning more HMRC resources are focused on high quality, legitimate cases.

### **Description of options considered (including status-quo)**

#### Option 1: Do nothing

Currently, as there is no requirement for employers to state the number of hours the gross pay relates to, this can lead to employees being unaware of whether the number of hours the employer is paying for is commensurate with their own understanding of what they have worked in that period. Furthermore, there is no requirement for employers to provide a payslip to workers. In turn, this may deter workers and employees from challenging the employer or contacting the LRA if they think the pay is incorrect.

#### Option 2 (preferred option)

##### *A. Extend the right to receive a payslip to all workers*

Under this proposal, the right to receive a payslip will be extended to all workers (including those undertaking unmeasured, output, salary and time-work), along with the revised information that needs to be stated on a payslip, according to part B of this proposal, i.e. time-paid workers will also receive the number of hours they are being paid for on their payslip.

For workers who undertake both salary and time work, only the number of hours paid for according to time, would be needed to be recorded on the payslip. Employers, who do not comply with the proposal's requirement to provide the hourly information on a payslip, could be sanctioned by an industrial tribunal issuing a declaration against them.

##### *B. Require all employers to put the number of hours paid for on payslips for both workers and employees who are paid according to the time they have worked*

This option implements the proposal by requiring that employers must, on the payslips of all ‘timed’ employees<sup>8</sup>, provide the number of hours that they are being paid for. This can either be aggregated so that the total hours paid for are shown, or it can be separated by different types of work or different rates of pay. Therefore, those employers that are already providing a breakdown of the number of hours by different rates or type of work would not have to change their current transparent practices.

If workers are not provided with a right to receive a payslip, this proposal will only apply to employees. For employees who undertake both salary and time work, only the hours paid for according to time, would need to be recorded on the payslip. Employers who do not comply with the proposal’s requirement to provide the hourly information on a payslip could be sanctioned by an industrial tribunal issuing a declaration against them.

### Monetised and non-monetised costs and benefits

As stated above, this impact assessment is, in large part, drawn from the detailed impact assessment undertaken by the UK Government in preparation for the extending the rights to payslips to workers and requiring all employers to put the number of hours paid for on payslips for both workers and employees who are paid according to the time they have worked. The costs and benefits which are set out in the tables below, reflect the assumptions used in the comparable UK Government impact assessment. This can be accessed via the following link: [The Employment Rights Act 1996 \(Itemised Pay Statement\) \(Amendment\) \(No. 2\) Order 2018 \(legislation.gov.uk\)](https://legislation.gov.uk/ukpga/1996/18/pdfs/ukpga-1996-18.pdf)

#### Extending the right to workers to receive a payslip

			Costs (£)	Benefits (£ million)	Methodology (including assumption where relevant)
Employers	One-off	Familiarisation	£5,808	-	<ul style="list-style-type: none"> <li>-1% proxy used based on a CIPD survey.</li> <li>-assume the 1% of the workforce who are workers and do not receive a payslip are employed in small and micro sized businesses (fewer than 50 employees).</li> <li>- assume the 1% of workers who do not receive a payslip are spread according to the firm density of small and micro businesses (between one and 49 employees).</li> <li>-assume it would take 30 minutes for a member of staff to familiarise themselves with the changes.</li> <li>- assume a manager, director or senior official will carry out this task. To estimate the opportunity cost of the director’s time, use the relevant Annual Survey of Hours and Earnings (ASHE) data<sup>9</sup>.</li> </ul> <p>Figure to be used: <b>ASHE hourly</b></p>

<sup>8</sup> For the purposes of this impact assessment, a timed employee is defined as someone who is paid according to the time they have worked

<sup>9</sup> ‘Manager/Director/Senior Official’[0001] Table 15 (NI).6a Hourly pay - Excluding overtime (£) - For full-time employee jobs in Northern Ireland, 2023 – Median -£24.98 uplifted by 17.95% for non-labour costs = £30.49

					<b>rate i.e. £30.49 /2 x number of small and micro businesses in NI i.e. 38045/100.</b>
	Ongoing	Payroll software	£346,210	-	<p>- Assuming the 1% of workers who do not receive a payslip are spread according to the firm density of small and micro businesses (between one and 49 employees) – use ONS Business Population Estimates to determine figure in NI) i.e. <b>38045/100 = 3805</b>.</p> <p>- assume those with less than 20 employees will have a lower cost (based on comparable GB impact assessment analysis of software costs). [<b>£86<sup>10</sup></b>].</p> <p>[Calculate number using BPE figures for NI and software charging list].</p> <p>94.2%<sup>11</sup> of 3805 x <b>£86</b> = <b>£308,251</b></p> <p>Those who employ 20 or over will have higher software costs (based on comparable GB impact assessment analysis of software costs). <b>£172<sup>12</sup></b></p> <p>[Calculate number using BPE figures for NI and software charging list.]</p> <p>5.8% of 3805 x £172 = <b>£37,959</b></p>

<sup>10</sup> [Moneysoft website](#) £86 is price as at May 2024

<sup>11</sup> Of the 38045 businesses who have between 1 employee and 49, 35845 (i.e 94.2%) of these have less than 20 employees (BPE NI)

<sup>12</sup> [Moneysoft website](#) £172 is price as at May 2024



		Admin burden of payroll	£351,128	Non-monetised	<p>The production of payslips for individual employees.</p> <p>-1% proxy used based on CIPD survey did not receive a pay slip.</p> <p>Number of workers not getting a payslip x (11 minutes of median wage of a payroll manager or wage clerk)<sup>13</sup> x 26 payroll runs in a year.</p> <p>1% of 463,000 = 4630</p> <p>4630 x (£15.91 x 11/60) x 26</p> <p>= <u>£351,128</u></p>
Workers			-	Non-monetised	

*Requiring the number of hours employees are being paid for to be stated on their payslip*

		Costs (£)		Benefits (£)	Assumptions relied on
Employers	One-off	Familiarisation	£269,837	-	<p>-BPE figure of number of business who have any employees (minus figure calculated above re employers who only have workers).</p> <p>- assume a manager, director or senior official will carry out this task and it will take 15 minutes. To estimate the opportunity cost of the directors time, use the relevant Annual Survey of Hours and Earnings (ASHE) data.</p> <p>- ASHE hourly rate/4 x (number of NI businesses who have employees minus number of small and micro businesses from above table).</p> <p>39,205 – 3805 = 35,400</p> <p>X £30.49/4</p> <p>= <u>£269,837</u></p>
		Implementation	£357,151	-	- 12% of micro employers (1-9 employees/workers) would be required to change their

<sup>13</sup> Book-keepers, payroll managers and wages clerks [4122] – Median - £13.49 uplifted by 17.95% for non-labour costs = £15.91

				<p>specific payslip template.</p> <p>-assume it would take a maximum of an hour, for a director to make this adjustment.</p> <p>ASHE hourly rate x 12% of micro employers.</p> <p><math>30.49 \times (32120 \times 12\%) =</math> <u>£198,646</u></p> <p>-12% of employers with more than 10 employees would be required to change their specific payslip template (97% of these use paid payroll software 3% use bespoke software).</p> <p><math>7085 \times 12\% = 850</math></p> <p>-£172 for median pay roll provider</p> <p><math>850 \times 97\% = 825</math></p> <p><math>825 \times £172 =</math> <u>£141,900</u></p> <p>For those with a bespoke package conservatively assume it would take 8 hours of an IT professional's time. Using ASHE data to identify the median hourly wage of an IT director<sup>14</sup> x by 8 x 12% of (12% of employers with more than 10 employees).</p> <p><math>£79.83 \times 8 = £638.64</math></p> <p><math>850 \times 3\% = 26</math></p> <p><math>26 \times £638.64 =</math> <u>£16,605</u></p> <p>*add three amounts in underlined together for implementation costs.</p>
Ongoing	Inputting of hours	£97,300	Non-monetised	<p>12% of private sector do not provide hours on their employee's payslip<sup>15</sup> i.e. <math>39205 \times 12 = 4705</math>.</p> <p>Half of these employers would</p>

<sup>14</sup> Information technology directors [1137] - Mean (as Median unavailable) - £67.68 uplifted by 17.95% for non-labour costs = £79.83

<sup>15</sup> The GB Impact assessment relied on a snap poll conducted by the Chartered Institute of Payroll Professionals (CIPP) that went out to employers. 88% of employers already put the number of hours an hourly-paid employee is paid for on the employee's payslips. Hence the proxy of 12% of employers who do not provide hours on payslips.

					<p>now have to submit the hours alongside the pay through their payroll system<sup>16</sup>.</p> <p>4705/2 =2353</p> <p>The average number of employees per an employer is calculated by dividing the total number of employees by the total number of employers.</p> <p>463000/39205 =12</p> <p>12 x 2353 = 28226</p> <p>(0.5/60 x £15.91) x 28226 x 26 = £97,300</p>
Employees			-	Non-monetised	

Both proposals combined

		Costs (£)		Benefits (£)
Employers	One-off	Familiarisation	£275,645	-
		Implementation	£357,151	-
	Ongoing	Software	£346,210	-
		Payroll admin	£448,428	Non-monetised
Employees/workers			-	Non-monetised

**Benefits**

***Employees & workers***

*Extending the right to workers to receive a payslip.*

Existing employment legislation does not require employers to give workers a payslip. This is one example of where employment rights for workers are less than employees. This proposal will allow workers to derive the same benefits from an itemised pay statement as employees currently do. Specifically, workers will be able to receive all of the elements of Article 40 of the Employment Rights Order 1996:

- Gross amount of wages
- Deductions; e.g. income tax, NICs, pension, student loan contribution
- Net amount of wages
- Method by which different parts of the net amount are paid (if applicable)
- Number of hours paid for (time paid workers only; subject to the other part of this proposal being passed)

<sup>16</sup> Half was a conservative estimate.

The benefit for workers of having physical evidence of what they are being paid will increase transparency and should increase their confidence to raise a dispute with their employer if this is not commensurate with what they believe they should be paid. Since some workers are low paid and all workers are legally entitled to the NMW, this could increase the number of cases referred to HMRC, ACAS, the LRA or an industrial tribunal relating to underpayment of the NMW. This may result in compensation for workers and could ultimately lead to reduced non-compliance of the NMW.

Given that we cannot anticipate how many workers would feel empowered to challenge their employer or take up a case with the relevant bodies, and how many would actually be found to have been underpaid, we have not quantified the potential monetary benefits. In any case, given that the increases in benefits are indirect (as they rely on behavioural responses); we do not think it is proportionate to estimate these benefits.

#### *Requiring the number of hours employees are being paid for to be stated on their payslip*

Currently, as employers are not obliged to provide any information on how many hours the gross pay relates to, it may not be clear to an employee how many hours they are being paid for. Although some employees may have sufficient knowledge to check whether the gross pay is calculated correctly, many employees, may not have the technical skills to understand how their pay is calculated and, therefore, may assume their gross pay is correct. For both sets of employees, this proposal would provide that level of transparency and allow the employee to see whether the calculated hours are commensurate with their own understanding. If the employee feels the employer has understated the number of hours and, therefore, underpaid them, they would now have written evidence to challenge their employer.

There is also the potential for distributional impacts among low paid workers: as these proposals affect time paid employees, if we assume time paid is a proxy for low paid, then correcting underpayment of wages as a result of this proposal will benefit the low paid disproportionately more than higher paid workers. This has benefits in terms of equity and also longer term implications from the possibility of lowering inequality.

#### **Employers**

Having greater transparency by providing detailed pay related information can reassure employees and workers that employers are paying them for the correct time. Under some circumstances, this could lead to a more motivated and productive workforce for employers in the long term. It can also increase employer's ability to retain employees, as it may remove any negative perception that an employee may have of the employer. This would save them on recruitment and organisational costs.

Moreover, there is the possibility that providing payslip to workers, and including hours on payslips, may increase accuracy for employers and provide them with the reassurance that they are paying their staff correctly. This may be particularly beneficial as anecdotal evidence relied on the comparable GB Impact assessment indicates that businesses are keen to ensure they are complying with NMW regulations and to avoid being 'named and shamed' as part of DBT's naming scheme, whereby employers with more than £100 in NMW arrears are publicly named which can harm their reputation. The greater accuracy from the employer will in turn benefit the worker as they are subsequently paid what they are entitled too.

As we cannot predict how many employees and workers would become more productive as a result, to what extent their productivity would improve, nor quantify improved retention; we have not monetised the benefits to employees.

#### *Sensitivity analysis*

The GB Impact assessment applied a sensitivity analysis around the 1% of workers who do not receive a payslip, by adjusting this to 0.5% and 2%. Applying the same sensitivity analysis here, creates a range of the number of workers affected of between 2315 and 9260, consequently altering the number

of impacted employers to around 1903 – 7610. This sensitivity analysis has implications for transition costs (creating a range of £644,390 – £609,599), as well as ongoing costs (£445,969– £1,491,976).

## **Small and Micro Business Assessment**

### *Extending the right to workers to receive a payslip*

Since we have assumed that all workers who do not currently receive a payslip are employed in small and micro businesses (employers with less than 50 employees) – impacting 3805 employers with fewer than 50 employees, we do expect small and micro businesses to be disproportionately affected from this proposal.

However, the benefits of this legislation are to increase transparency and, indirectly, to reduce NMW/NLW non-compliance; evidence from the LPC indicates that low paid workers are more likely to be underpaid by micro businesses than businesses with 10 or more employees. Therefore, exempting micro businesses from this proposal would eliminate a significant proportion of the benefits that the proposal seeks to achieve. Moreover, the ERO does not exempt smaller employers from the existing payslip requirement for employees. All employers are required to abide by the same regulations with regard to payslips, as with other employment legislation. Any exemption for smaller employers would mean that employees working for these smaller employers would be disadvantaged compared to others.

Consequently, given we want to maximise the benefits of the proposal and treat all workers equally, there is no justification for making small and micro businesses exempt from this policy proposal.

### *Requiring the number of hours employees are being paid for to be stated on their payslip*

As stated above, the ERO does not exempt smaller employers from the existing payslip information; all employers are required to abide by the same regulations for an itemised pay statement. Given the above, we have decided not to exempt small or micro businesses from the proposal to provide number of hours on payslips.