



# Central Executive Council Special Report

Insecure: tackling precarious  
work and the gig economy



# Introduction

This report is about the future of work in 21st Century Britain.

The 'gig economy' has become the trendy term for a new form of employment, where people are paid by the 'gig' they do. It's a new term, but one that feeds into an age old issue of insecure work.

Back in the 1900s, workers would turn up at the factory gates to see if they'd be given hours that day. Some would be chosen, some would not. Workers who kept their heads down and didn't make a fuss were inevitably more likely to get work than those who wanted any sort of rights in the workplace. In 2017 we find that trend growing again – but it's not just the so called gig economy.

Work in Britain is becoming increasingly insecure. This is not covered by one neat employment category.

Zero hours contracts, the proliferation of agency work and bogus self-employment combine to form a worrying picture of an increasingly insecure workforce across the UK where people cannot plan for their futures or even their childcare next week.

In such a climate, it is unsurprising that a message of 'take back control' appealed to so many in the EU referendum.

This report attempts to define Insecure Britain, looking at the spectrum of insecure work across the UK to better understand the scale of precarious work and the reality of life as a precarious worker.

But defining the problem isn't enough. GMB has always fought for a better deal for working people, that is what this paper is about.

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# Executive summary

Insecure work in the UK is on the rise.

GMB research suggests that approximately 1 in 3 workers (34%) are employed in insecure work. That is equivalent to 10.2 million workers. That is a staggering figure.

Insecure work impacts on all sectors of our economy, on the day-to-day lives of working people who are working hard but still struggling and society as a whole.

Looking at the proportion of workers in each category of precarious employment individually might make the numbers seem more palatable – because each category is a smaller subset of a wider problem - but the reality is stark when we look at the big picture.

- 906,000 workers are on zero hours contracts
- 866,000 are employed through an agency
- 1,550,000 are temporary workers
- 2,664,000 are underemployed and want more paid hours than are available to them

This does not include the number of people who are fake self-employed, work in the 'gig economy' or have short hours' contracts where there is a shortage of official data. Together these 7 categories make up a picture of insecure work today.

As part of this report, we commissioned the first proper poll of insecure workers to show exactly what life is like. Its findings included:

- 61% of insecure workers have experienced stress or other forms of mental ill-health as a result of their current employment
- 61% of precarious workers have debt and 35% are unable to pay an unexpected £500 bill within a month
- 61% have worked while unwell for fear of losing work
- 55% want to see zero hours contracts banned outright
- Around a quarter (24%) aren't aware of their legal employment rights
- 77% of precarious workers polled would trust trade unions with legal employment advice

That's no surprise to us. When we asked workers – and their families – to share their experiences of the working world, particularly agency work, we received almost 900 responses, with lots of qualitative data in the workers' own words, about what life is like.

When asked, what is your experience of agency work? People said:

*'Awful, constant phone calls on your days off and even when on holiday , constant changes to your rotas , not enough time to travel between clients , always running late meaning elderly are always waiting' – night shift care worker, Hastings*

*'I have worked for an agency and felt like a 2nd class citizen, not knowing if work was available day to day and being expected to do the not so glamorous jobs compared to those on a full time contract' – picker, West Yorkshire*

*'I was sacked and rehired a week later. This is because once you work there for 6 months you are meant to be permanent. This is where they sack you and rehire you. Pay was £6.50 an hour.'*

The global financial crash and technological change have changed how we work with 762,000 more people being classed as self-employed now than in 2008. The role of the Coalition and Conservative Governments has contributed to more precarious work through their inaction. In 2010 there were 168,000 zero hours workers whereas the latest figures from 2016 record 905,000. The number of people who are 'underemployed' and want more hours than are available remains high at 2,664,000 people and exposes how weak the so-called 'recovery' has been.

Elsewhere the recruitment agency sector is finding more and more devious practices to defraud workers and public finances through lost tax. Our exclusive interview with industry whistleblower Adrian Gregory explains the scale of abuse and how it could be outlawed. Temporary work and fixed-term contracts define the work of 1,550,000 workers and will reduce their ability to plan their future with confidence.

The problem for trade unions is that precarious workers are hard to organise. Consistent efforts by government to ensure a 'flexible' labour market has built into the system an endemic flexibility for the employer that keeps the worker in constant insecurity. But while it's not always easy, it can and must be done. This paper includes some of the ways in which GMB are already organising with and making change happen for workers across the precarious work spectrum – from agency workers to those in the Gig Economy.

This paper recommends a series of measures to tackle the growth of insecure work, including:

- Continuing to be the leading union for gig economy workers and tackling precarious work, promoting and shouting about our successes so that precarious workers know a union can make a difference to them
- Pooling best practice from across our regions to build the union. With such a large number of workers employed in insecure work – there is a broad body of workers who would benefit from union representation, and as our case studies show, there are areas where we can practically make a difference through GMB@Work
- Driving forward decent employment standards to be adopted within public procurement that pay the industry union-negotiated rate, values trade unions and provides dignity at work
- Campaigning hard to change the law whether it's banning zero hours contracts, umbrella companies or introducing employment rights from day one
- Ensuring that the law is correctly applied by pressing government and HMRC as well as taking legal cases on behalf of members
- Gathering and sharing people's stories so that the human toll of precarious work is fully understood by the public, politicians and the employers.

# Life as a precarious worker: what workers think

In this report, we look at who precarious workers are, where they work and what sort of contracts, terms and conditions they're on, but something that is often forgotten behind the headlines is that precarious workers are real people with real lives.

Many politicians and policy makers will write about precarious work issues without asking the workers. As a union led by and for members, GMB knows that the best solutions come from speaking to the people who are on the sharp end of policy.

Throughout the last 6 months, GMB has collected survey responses from almost 900 working people about the world of work, particularly about agency and precarious working. Alongside this, we have commissioned an exclusive poll – which is the first of its kind – of 1,000 members of the public who are employed in forms of precarious work including zero and shorts hours contracts, false self-employment, temporary contracts and of workers who are underemployed to get a real picture of insecure work in the 21st Century.

This section looks at the lives of precarious workers and the impact it has on their standard of living, health and financial security.

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## Standard of living

Across all forms of precarious work, we can see the toll insecurity takes.

Almost 7 in 10 (69%) precarious workers that were surveyed said that the cost of living was increasing more quickly than their wages, with that feeling being highest amongst older workers (83% thought so) and for workers in Northern Ireland (87% were of that opinion).

In the Future of Work survey, this was confirmed for us:

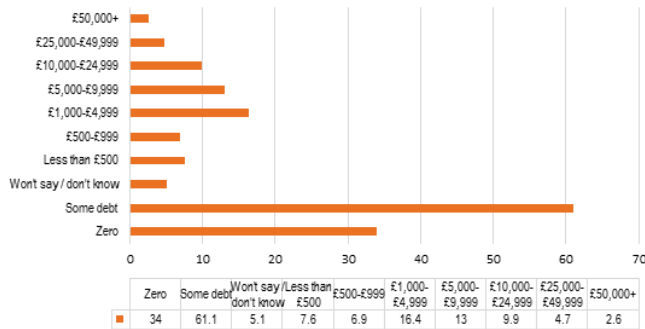
*'Sitting by the phone waiting for a chance to feed your families is not acceptable'* Gavin, Merthyr Tydfil

*'I'm currently an agency worker. We aren't paid in the right pay bracket (we are employed as a level below everyone else) ... we don't receive any recognition for the work we do and are treated very badly'* – Sam, Birmingham, and agency worker in admin

The tight finances of precarious workers are also clear when we look at the cushion people have if they have an unexpected cost – like a car breaking down or needing a new washing machine. 35% of all precarious workers said it would be 'quite difficult' or 'very difficult' to pay an unexpected £500 bill in the next month. This suggests that if these workers lose £500 of income for whatever reason they would find it difficult financially to cope and absorb this loss.

It's no surprise then, that almost 61% of precarious workers polled had some level of debt (outside of mortgages), with worryingly, 2.6% of respondents having over £50,000 of debt.

### Debt level of precarious workers (%)



But it should also be noted that 10% of respondents said that their employment status hindered their ability to access financial goods and services in the last 12 months. This means that not everyone will be able to access credit when they need it.

Given the financial insecurity of precarious work, the fact that the majority of precarious workers have some savings is surprising, but overall, 32% have less than £1,000 in the bank, with women significantly less likely to have savings than their male counterparts.

The good news is precarious workers tend to be able to get a holiday now and then with 65% having been on some sort of holiday within the last 12 months. However, a third of zero hours workers say they've not been on holiday in the last five years.

When it comes to retirement, over a quarter (27%) of precarious workers are not contributing either to a workplace or private sector pension – this is storing up problems for years to come. This rises to almost three quarters (73%) of those who are falsely self-employed – this is a shocking statistic.

One of the main issues raised by precarious workers, especially those on agency or zero hours contracts, was the way they are treated at work and the impact their working arrangements have on their home life. Our survey featured dozens of personal stories from workers who are all trying to get on in life – and working incredibly hard – but are just finding it too difficult to live a decent life on the type of work contract and pay they're on.

*'Husband is an agency worker. Has worked in same location for 2 1/2 years but no security in his post - hours can vary greatly week to week' Worker did not want to be named, Grays*

### Health and wellbeing

The research highlights some of the toll taken on precarious workers. More than 6 in 10 workers surveyed (61%) have or currently experience stress, anxiety or another mental health issue as a result of their current employment and working arrangements. The same proportion (61%) reported that they have worked while sick or unwell for fear of losing pay or risking their job or future work.

While this is a serious issue for individuals concerned, it is also a matter of concern for the health and safety of other colleagues or customers. An unwell worker in food production, a private hire driver with flu or a fork lift truck driver suffering headaches is a risk to others in their immediate working environment.

*'My job is standing in one place, 8 hours a day sometimes 10 hours inducting clothes into an automation system. At the end of each day my feet and legs hurt. No one is allowed to sit unless they are pregnant...Pick targets too high, long hours working with only 1 break for 45 mins, no respect, low wages, bad management...Agency along with contracted staff are not people. We are just numbers that are easily replaced.'* ASOS worker, Barnsley

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## Previous employment

78% of the precarious workers surveyed have had a permanent employment contract in their previous employment. This highlights the scale of the changing labour market. The central point of the defence of precarious working arrangements by employers and the Conservative Government has relied on the argument that the overwhelming majority of these workers want these arrangements and prize their flexibility.

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## Flexibility

Our study's findings show more precarious workers would prefer a permanent contract even if the alternative 'flexible' arrangements provided more hours. 44% of people surveyed said they would prefer 'more hours overall, with greater flexibility over which hours you work, but your hours are not fixed and your contract is not permanent'. This compares to 49% who stated they would prefer 'a permanent employment contract with fixed hours, but less flexibility over which hours you worked and fewer hours overall.' This highlights that while some will value flexibility of hours, for most precarious workers the prospect of a permanent contract remains a priority. Politicians and advisors who claim to the contrary should be robustly challenged.

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## Zero hours contracts

The precarious workers want government to act on issues like zero hours contracts with 55% saying they should be banned and fewer than half that figure stating they shouldn't (32%). 13% said they didn't know.

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## Understanding employment rights and trade unions

Employment law is complicated. There are different rights for different groups of workers and exercising those rights can be extremely difficult when you are in precarious work.

As part of our research, we asked precarious workers if they were aware of their employment rights. Over a quarter (24%) did not know about their employment rights. 50% said they were 'quite aware' with only 26% stating they were 'very aware'. 27% of workers polled were a member of a trade union and 34% said there was a trade union representative in their company.

The Citizens Advice Bureau polled most highly when we asked precarious workers who they trust on rights at work (88%), suggesting there is potential for cross working with them, especially during such a time that CAB funding is being cut. The good news for GMB is that the precarious workers we polled, trust trade unions when it comes to employment rights too – 77% trust unions, while 87% trust family and friends and 80% trust colleagues. The figures fall to 65% for the government and 63% for MPs.

We asked this group of workers explicitly 'if a Trade Union offered free employment law advice and support as part of their membership, to what extent would that make you more or less likely to join one?' 51% said they would be more likely. This is bread and butter work for GMB, but this figure shows that we could be pushing at an open door with such tools in our arsenal as skilled, trained reps and Unionline at the end of a phone line.

The positive news is that our research showed that. Whilst tackling precarious work will not be straightforward and we know some employers have a record of union-busting tactics, there is a foundation of membership to build from and more precarious workers are already in a union than may be expected.



**GMB believes:**

- Unscrupulous employers are exploiting legislation to maximise profit by keeping workers in insecure work – this is unacceptable
- Insecure work impacts on all aspects of life, from ability to plan, to health and wellbeing to family finances
- That the union movement has a crucial role to play in organising insecure workers to effect industrial and political change
- That not enough insecure workers join a union

**GMB will:**

- Continue to raise awareness of the impact of insecure work on workers, their families and the economy
- Continue to fight for our members who are in insecure work, helping them to improve their pay, terms, conditions and job security.
- Highlight the human cost of bad behaviour by companies who exploit precarious workers
- Fight for workplace rights that value all workers, and truly reflect life in 21st Century Britain.

# Who are insecure workers in 21st Century Britain?

Most of us know people in insecure work. Be it the brother-in-law on a zero hours contract in a call centre, your friend from the school gates who rushes between care jobs or your grandson who drives for Uber. Insecure work is a fact of life for too many people, it impacts on all of us either directly or indirectly.

Whilst it is widespread, there are certain groups more likely to be employed in precarious work.

Statistical analysis conducted for GMB<sup>1</sup>, shows that young people, older workers and Black and Minority Ethnic workers are more likely to be employed in insecure work. You are also more likely to be in insecure work if you are in an area with an already struggling – or that has a comparatively weaker – labour market. Areas with high unemployment such as the North East, are therefore more likely to have a higher proportion of insecure workers – this suggests that where the supply of available workers is higher, the less likely employers are to offer decent terms and conditions.

# Zero hours contracts

The total number of workers on zero hours contracts is 906,000<sup>2</sup>:

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## What is a zero hours contract?

A zero hours contract is generally understood to be a contract between an employer and a worker where:

- the employer is not obliged to provide any minimum working hours
- the worker is not obliged to accept any work offered

Most zero hours contracts will give staff 'worker' employment status. Zero hours workers have the same employment rights as regular workers, although they may have breaks in their contracts, which affect rights that accrue over time.<sup>3</sup>

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## Why are zero hours contracts a problem?

Whilst, technically, zero hours workers may have the same rights as other workers, if your employer can simply say 'we don't need you next week' if you choose to exert your rights, then in reality you have no rights at all. Zero hours workers get hours at the whim of their employer, where there is high unemployment or a ready supply of labour, zero hours contracts mean zero rights and zero security.

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## What zero hours workers say:

*'I know people on zero hours contracts they can't plan anything it's shocking, none of them choose this they don't have an option.'* Optician, Newcastle

*'Based on my daughter's experience - zero hours contracts are a great way to discriminate between sex, colour, age, disability, gender etc etc. If the employer doesn't "like" you then you get no/less hours. Threat of "No hours" leads to bullying, harassment, coercion etc'* Project manager, Warwickshire

*'When working for a chain on zero hours we would arrive for work and be sent home with no pay after paying bus fares and often turning other work down expecting to be working at the other. There is a set time to clean each room which is too short to do a good job. Then if you've not finished in the set time the extra time worked to complete the task is not paid so not even getting the minimum wage rate due to working over the time scale lauded down. After being forced to work without pay we're told we may not get more work.'* hotel cleaner, Cheshire

*'I would frequently get pressured to work hours I wasn't getting paid for. One day I asked about how the tips were shared out and was told I wouldn't be getting any. Once, I asked if I could give the leftover food at the end of my shift to a nearby homeless shelter and was told not to rock the boat. Any time any worker made any suggestion to make work better, you basically knew you were putting your shifts at risk for the next week.'* Diane, café worker, Sheffield

## Zero hours workers: a national picture

### Where?

The three regions with the highest proportion of workers overall on zero-hours contracts are the North East (3.9%), Yorkshire and the Humber (3.3%), and the East Midlands (3.2%). When we look at young workers, the South East and South West of England also rank highly.

### Percentage of workers on zero hours contracts

North East	3.9%
Yorkshire and the Humber	3.3%
East Midlands	3.2%
South West	3.0%
Scotland	3.0%
North West	2.9%
West Midlands	2.8%
South East	2.8%
Wales	2.6%
London	2.4%
East of England	2.2%
N Ireland	1.3%
Whole of the UK	2.7%

### Characteristics

More women are on zero hours contracts than men (3.1% vs 2.4%) and this is the case in every region except Scotland. You are almost three times as likely than the national average to be on a zero hours contract if you are under 25 (7.8% of young workers). Interestingly, the second most likely age group to be on a zero hours contract (3.1%), are workers aged 65+, the only other age group to rank higher than the national average.

### Percentage of UK employees on zero hours contracts

age 18-24	7.8%
age 25-34	2.5%
age 35-44	1.7%
age 45-54	1.6%
age 55-64	2.6%
age 65+	3.1%

There is a significant and noticeable difference in the proportion of Black and Minority Ethnic (BAME) workers who are employed on zero hours contracts. Black workers (5.1%) are twice as likely to be employed on a zero hours contract than white workers (2.6%). Three parts of the UK have particularly high proportions of black workers employed on zero hours contracts. In Wales (14.3%), the North East of England (13.0%) and Yorkshire and the Humber (11.0%) of black workers are employed on a zero hours contract.

Of the different ethnicities recorded, Asian workers are the least likely to be employed on a zero hours contract (2.5%). Overall, black workers and workers of mixed or "other" ethnicities are more likely to be on zero hours contracts than white or Asian workers. Again there is some variation by region in the patterns; for example in South East England, white workers are most likely to be on zero hours contracts than black and minority ethnic workers.

Across the UK, as a whole, employees who are disabled under the Equality Act definition are more likely to be on zero hours contracts (3.4%) than non-disabled workers (2.7%) but there is substantial variation across the UK.

This analysis of the statistics available throughout 2016 shows that improving work for those employed on zero hours contract will have notable equalities benefits for people in work, including women, BAME and disabled workers. Whilst large numbers of young workers would benefit from improved working arrangements, so would a significant numbers of older workers.

#### Qualifications

Workers on zero hours contracts have a wide range of qualifications. Examining by highest qualification, employees with A-levels as their highest qualification are the most likely to be on zero-hours contracts (3.9%). This is a higher proportion than those with no qualifications at all (3.0%).

A similar proportion (2.9%) of people with GCSEs (grades A-C) as their highest qualification are employed on a zero hours contract. 1.7% of university graduates are employed in this way with the most graduates on zero hours contracts found in the North East (3.1%), Yorkshire and the Humber (2.6%), North West (2.4%) or South West (2.4%) of England.

#### Percentage of UK employees on zero hours contracts with qualifications

Degree or equivalent	1.7%
Other higher education (below degree level)	2.5%
A-Level or equivalent	3.9%
GCSE grades A*-C or equivalent	3.0%
Other qualification	3.5%
No qualifications	2.9%

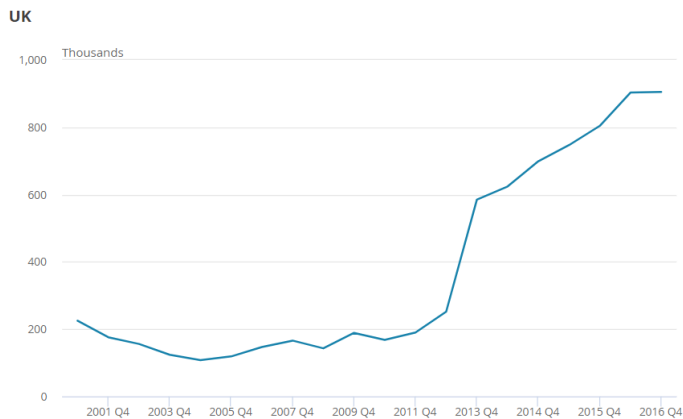
#### The Rapid Rise of Zero Hours

Zero hours contracts have been around for a while – some might say they go back to the days when workers would turn up at the docks to see if any work was on offer that day – but in the last 15 years, they have exploded, increasing in use by 413% since 2001. That is probably why, although just one facet of precarious work, this type of insecure working gets the headlines. There was a big rise after the financial crash and a big increase from 2011–2016.

The coalition Conservative and Liberal Democrat coalition Government 2010-2015 and the Conservative Government since have refused to take any significant steps to tackle zero hours contract use, despite growing public awareness and opposition to them. On many occasions, Conservative Ministers defending the contracts and the ‘flexibility’ they provided. From GMB’s experience, the ‘flexibility’ overwhelmingly favoured the employer and not the employee who was often unable to plan their lives.

This mode of pernicious work has been allowed to become ‘normal’ in the post-crash UK.

## Number of people in employment reporting they are on a zero hours contract October to December 2016 (thousands)



Source: Office for National Statistics

The rise of zero hours contracts has not been uniform across English regions and devolved nations.

When examining changes to the number of zero hours contracts over the last 12 months, the South East, North East and London have seen the biggest numerical growth. Interestingly the South West, Wales and Scotland have reported decreases. As well as experiencing reductions, it is worth noting that both Scotland and Wales have lower proportions of people employed on zero hours than most English regions. This certainly suggests that the economy and, in particular, the labour market in these two devolved nations is behaving notably different to that of regions in England.



Above: Left: Zero hours workers by proportion of workforce Right: Change in zero hours contracts over last 12 months.

The North East is the zero hours capital of the UK with more than double the proportion of people employed on zero hours than Scotland and the East of England (although the level of insecurity faced by those workers is potentially no less prevalent, they are proportionally just fewer in number in terms of the overall workforce).

There is no straight correlation between unemployment rates and the number of people employed on zero hours contracts. London (6.1%) and the North East (5.9%) both have the highest levels of unemployment in the UK yet a significant difference in the proportion of workers on zero hours contracts. The higher proportion in the North East suggests underlying weakness to the region's economy which London does not share.

### Zero hours contracts: does it have to be this way?

#### Case Study: New Zealand scraps zero hours contracts

From April 2017 there is no such thing as a zero hours contracted employee in New Zealand. As a result of cross-party efforts following union campaigning, the country's parliament

unanimously legislated to outlaw zero hours contracts in April 2016. Unions have spent the last 12 months ensuring that contracts are updated to meet the new law's requirements and ensuring they are at the heart of negotiations.

The campaign was driven by the relatively small Unite trade union (which has no connection to its UK namesake). By campaigning with workers, community organisations and a prominent TV show the union was able to raise the issue up the political agenda until legislative change was achieved.

Workers must now be offered a guaranteed minimum number of hours on a weekly basis and face not any sanctions for refusing additional work at short notice. Already the law has made a big difference and multinational companies such as Burger King, Pizza Hut, Starbucks, KFC and McDonalds are among those having to adapt their business models in New Zealand.

*"Since the legislation was brought in banning zero-hours contracts, corporates realise they can't defend worker exploitation anymore," Gerard Hehir, national secretary of New Zealand's Unite union told The Guardian. He added "If you forget to smile at your boss on their birthday, that's no longer something they can punish you for by withholding shifts. Workers have more stability, more confidence they will not be punished for personal slights – real or imagined."*

Hannah Shelton-Agar, employed on a zero-hour contract at Hoyts cinema in Auckland also told the Guardian, *"This is going to change people's lives. It is such a relief for so many people to know they will no longer risk having zero dollars at the end of the week. It also means workers feel more included in the workplace and valued for their contribution."*<sup>4</sup>

Significantly, New Zealand's parliament ensured that alongside the law banning zero hours contracts were stronger penalties for employers flouting the law and a stronger labour inspection and enforcement regime.

#### **GMB believes:**

- The rapid growth of zero hours contracts is an unwelcome feature of the labour market under the Conservatives
- Zero hours contracts should be banned
- Devolved bodies, councils and public bodies should not use such contracts and ensure their public procurement policies prevent this
- There should be efforts to discourage the cynical use of short hours contracts
- The average hours worked over the past 12 weeks should be deemed to be the contracted hours of work for those currently employed on zero hours, as it already is for maximum hours of work under the Working Time Directive
- Ending zero hours contracts will improve security, improve family life and increase access to goods and services key to a decent and dignified standard of living

#### **GMB will:**

- Continue to press for the outright abolition of zero hour contracts in the UK, both industrially and politically
- Engage with relevant unions politicians in New Zealand to learn good practice that can be applied in similar campaigns in the UK
- Identify multinational employers with a presence in New Zealand and the UK and highlight how if these firms can stop exploiting zero hours contracted workers in another country then they should be able to do so here too

# Agency workers

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## What is an agency worker?

'An agency worker is supplied by a temporary work agency to a client/hirer to work normally for a temporary period.'<sup>5</sup>

Agency workers are classed as 'workers' rather than employees which mean they are entitled to certain employment rights such as the National Minimum Wage, holiday pay and rest breaks. They are not given 'equal treatment' until they have worked in one job for 12 weeks continuously, and then that equal treatment does not extend to redundancy pay, contractual sick pay, and maternity, paternity or adoption pay.

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## Why is agency work a problem?

There is a need for agency work from time to time. Fluctuating demand and people being off sick mean that, on occasion, some employers may need temporary agency workers, but there is a big difference between this periodic demand and the use of agency workers being used as a business model.

In too many places, large employers have substituted an army of agency and temporary workers for their permanent workforce. It is not a case of meeting unexpected demand, but a planned business strategy to maximise profit and minimise the level of workplace protection available for the workforce.

As we will see from case studies and through an employer perspective in this paper, it may not be headline grabbing, the temporary and agency work is having a huge impact on people, families and communities.

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## What agency workers say.

*'Job not secure (temporary agency worker for over 2 years), diminishing workforce with same workload...always feel a step below the permanent employee.'* Building services worker, Cardiff

*'I'm an agency worker and have been in the same "temporary" position for over 2 years. They say their hands are tied and can't take me on as permanent staff.'* Gardener, London

*'I have worked with agency workers, they are kept on till no longer needed, they are treated ok where I work. But when you talk to them and listen to where they have worked before it's horrendous, there is no job security'* machine operative, Liverpool

*'Agency workers expected to shut up and get on if you want to keep in work'* engineer, Barrow

*'Second class citizens and both need banning, especially agency who recruit from EU only, people can't live on zero hours or/and claim benefits, agency staff are treated and communicated by text message each day and don't know if working or not unless they get a text'* refuse worker, Lincolnshire

*'General terms - Zero hours contracts and agency workers used to avoid having to giving workers fair terms. Gimmicks used to avoid even paying minimum wages i.e. deductions from wages for the high of essential work equipment. Unachievable commission targets'* Simon, Newport



## Agency work: the national picture

Across the UK as a whole, 2.7% of workers are permanent employees on agency contracts.

East Midlands (3.6%), the East of England (3.4%) and London (3.4%) have the highest proportion of agency workers, whereas Scotland (1.6%) and Northern Ireland (1.4%) have the fewest.

### Percentage of agency workers

East Midlands	3.6%
East of England	3.4%
London	3.4%
West Midlands	3.3%
North East	2.8%
Wales	2.7%
Yorkshire and the Humber	2.6%
North West	2.5%
South West	2.2%
South East	2.2%
Scotland	1.6%
Northern Ireland	1.4%
Whole of the UK	1.5%

Looking at the statistical detail by gender, there isn't a huge difference at a UK level with 2.8% of male workers employed by an agency and 2.6% of women. However, in the regions and nations there is variation. Men in the East Midlands (4.2%) and East of England (3.8%) are most likely to be agency workers, whereas for women London (3.9%) and the East of England (3.1%) are the two regions with the highest proportions of agency workers.

By age group, workers aged under 44 are more likely to be on agency contracts than workers aged 45 and over. Analysis by highest qualification shows that workers with "other" highest qualification or no qualifications are more likely to be on agency contracts than workers with degree, other HE or A-levels as highest qualifications. This finding holds across most regions. The East Midlands is the region with the highest proportion of unqualified workers employed on agency contracts.

Across the UK, as a whole, black workers are the most likely to be on agency contracts, followed by "other" ethnicities and Asian workers. The proportion of black workers on agency contracts is highest in the East Midlands (13.8%) and the North East (13.2%).

### Percentage of UK agency employees by ethnicity

White	2.4%
Mixed/multiple ethnic groups	2.7%
Asian	3.8%
Black	9.3%
Other	5.0%

The highest proportion of disabled workers on agency contracts is in the West Midlands (3.9%) with the lowest in Scotland (1.3%) and Northern Ireland (1.0%).

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## From precarious to permanent

### Case study: Cranswick Foods

GMB has quadrupled membership at Cranswick Country Foods in Hull, but it's not been easy. At the start of the campaign, in 2011, there were around 150 permanent employees at the factory with over 700 agency workers. The agency workers were employed via the Swedish Derogation and were employed on lower rates of pay and often migrant workers. Some agency workers at the factory had been agency - on the same job - for between 5 - 8 years. The first barrier was that a translator was needed to overcome language barriers. The second barrier was explaining the Swedish Derogation. A number of workers assumed that after 12 weeks they would get equal treatment, GMB has to explain why this was not the case.

GMB@work was the starting point - bread and butter GMB organising around an issue, recruiting members and winning battles. Every tool in the arsenal has been use over a period of 6 years recruiting. From tailored recruitment materials in both English and Polish, to regular site visits and handling individual cases, to getting Channel 4 into film, appearing in the regional press and filming our own GMB videos with subtitles in different languages if needed. Industrial action was also taken, including strike action which is trickier than usual if you're taking the permanent workforce out on strike, but the rest of the workforce are actually employees of a separate company (the agency).

At the start, mapping showed 55 GMB members. Now we're at over 200 with workplaces reps handling cases and management reviewing on a quarterly basis how many staff can be moved from agency to permanent positions.

On the ground, it has been the product of a lot of hard work. The region emphasise that this has not been easy. It has meant a lot of organiser time, weekend work and evenings speaking to members. Initially it was hard to get people to put their heads about the parapet but closely monitoring the company and changes within the workplace - and acting quickly to mobilise around those issues and win - has slowly built up a level of trust with the workforce that they can change their own situation. This happened at Cranswick Foods when the management wanted to change the pay structure, cut bonuses and reduce pay. Using notice boards and word of mouth throughout the community to promote GMB's message and to organise off site meetings was crucial - especially in migrant worker communities, word of mouth and peer to peer communication is important.

There is a very simple message that can be used when agency work is rife, and that's about equality. Workers working side-by-side on the same job, being paid a different rate. The region continually, for the entire campaign has used that message over and over again.

The union has also engaged directly with the agency, but found - as we have in other places - that ultimately if the company tells the agency they want something, it will happen. Putting pressure on the company to influence the agency works.

The campaign was not just directed at (and with) agency workers, it involved the permanent workforce too where GMB also organises. The level of insecurity of the permanent workforce was increased by there being lots of agency workers to replace them if needed, and it was clear to the permanent workforce that that could be on the cards because agency workers were also cheaper for the company.

This example goes to show that the barriers can be overcome and GMB can bring greater security at work to some of the most precarious workers of all.

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## Temporary and Agency Work as a business model

There is a legitimate argument that sometimes temporary workers are needed, but where employers fall down is when the entire model of their business is structured around the use of agency work.

At ASOS up to 50% of the workforce are agency staff at any given time. The agency, Transline, was asked at the BEIS select committee whether that was because of poor workforce planning - surely such a large proportion of the workforce did not need to be agency? There was no straight answer to the question and a lot of obfuscation.

At ASOS, highlighting of the treatment of ASOS workers and a high profile sustained GMB public campaign against the company led to agency workers being moved to permanent employment in 3 months rather than 6.

Sports Direct are another culprit – but a familiar agency in Transline who also provided agency staff for Amazon – had 90% of its workforce on agency contracts.

This system is a business model set up to make a quick buck on the back of keeping workers in insecure jobs on inferior terms and conditions. GMB believes the reason companies do this is closely linked to exploiting the Swedish Derogation (something we have been and continue to be campaigning to scrap).

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## Temporary and Agency Workers - the Swedish Derogation

The EU Temporary Agency Workers' Directive introduced a range of important rights and protections for agency workers. The Directive enshrined in law equal treatment on pay and many other conditions across the EU. In other EU countries, that's what happens - equal treatment - but the UK sought a derogation (which is an exemption or relaxation of the law) to that for 12 weeks. As we discussed earlier, that means equal treatment of agency workers doesn't apply in the UK until the agency worker has worked for 12 weeks on that job. It's basically a qualifying period.

In the UK this has led to large-scale avoidance of equal treatment rights.

Another derogation (or exemption) was negotiated by Sweden. In Sweden, agency workers are contracted to an agency and when they are not working, they get paid approximately 80% of their previous wage while the agency finds them another assignment. Far from levelling down, the Swedes wanted to protect their system, so negotiated this exemption, which is now known as the Swedish Derogation. Unfortunately, not everyone has used the Swedish Derogation to make pay, terms and conditions better.

In the UK, this derogation has been used to pay agency workers less. Because the derogation exempts the agency from equal pay as long as certain other conditions are met (around workplace, hours nature of work for example), this has become a tool for employers to get cheaper labour - sometimes even for identical work; workers working side by side, doing the same job but one paid differently because they are an agency worker (this was the situation in Cranswick Foods as referenced earlier). It's no wonder Sweden's citizens are furious at having such a negative derogation in the UK in their country's name - it's certainly not what they intended!

This Swedish Derogation has been used across a number of sectors from food production/processing to public service and warehouse jobs in the UK to undermine pay and collective agreements. It is important to understand that this derogation is not a legal requirement at EU level. It is a clause that says member states 'may' introduce this system - the UK government

could scrap the use of this derogation tomorrow. GMB is and will continue to campaign for the derogation to be axed.

Other EU countries like Luxembourg go even further than the regulations when it comes to agency work. Norway puts additional limits on the numbers of temporary workers in any company, with employers limited to 15% temporary staff within their workforce. GMB is calling in this paper for a cap on the proportion of agency workers a company can use at any one time - of course, rights from day one and removing the Swedish Derogation would mean employers are less likely to want to use high numbers of agency workers anyway.

Over the last year, changes in Germany have also seen considerable tightening of legislation on the rights and use of temporary workers. Amendments to the German labour leasing law (AUG) saw many welcome changes which include; restrictions on the hiring time of temporary workers to 18 months, making sure temporary agency workers are counted as staff for determining the number of worker representatives on company boards and it also importantly sets a legal distinction between the status of a worker and a truly self-employed person.

These extensions of temporary worker rights have not negatively affected economies - quite the reverse - these countries have seen better outcomes, with Luxembourg being in the top four fastest growing European economies and Germany continuing to enjoy stronger predicted growth in GDP than the UK over the next year.

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### Agency work: a perspective from inside the business

Adrian Gregory is the Chief Executive of London-based recruitment agency Extraman. He worked there from 1979 before buying the company from its previous owners in 1986 along with business partner Gary Davies.

Adrian has spoken out against the levels of worker exploitation that he has seen from disreputable recruitment agencies and has called for urgent reform of the sector. Earlier this year in March 2017 he gave evidence alongside GMB's, General Secretary, Tim Roache to the House of Commons BEIS Select Committee into the Future of the World of Work.

In this exclusive interview for this report, Adrian exposes the levels of exploitation and tax avoidance in the industry and the importance of unions like GMB in helping expose it. This is a condensed version of the interview, for the full length version please see the appendix.

*“How long have you been in the recruitment agency business and how has it changed during that time?”*

I entered the recruitment industry by chance back in 1979, fresh out of university. I worked for Extraman for seven years, before staging a management buyout, alongside a partner in 1986 and we've been going ever since.

*“You have previously said that less reputable recruitment agencies engage in systematic tax avoidance. How big is the scale of this and how does that take place?”*

Tax avoidance and worker exploitation siphon money from the Exchequer and workers' pockets at an alarming and growing rate.

The former occurs largely by means of Umbrella companies and other payroll services, all of whom offer “solutions” to the vexing problem of paying tax. False self-employment is also growing, while schemes which market the “Employment Allowance Scheme” – where companies split their workforce into hundreds, if not thousands, of small companies, with directors based overseas, in order to claim the annual £3,000 National Insurance exemption for each company – appear to be prospering.

The latter occurs through withholding holiday pay, avoiding the provisions of the Agency Workers regulations, charging workers for “services” such as worthless Personal Accident Insurance schemes and payroll services.

The scale is enormous. Combining the money removed from workers with the money avoided in tax, an educated guess would be that around 15% of the total income of the recruitment industry is misappropriated. This would amount to around £4.5 billion each year. Knowing the mathematically impossible rates at which agencies peddle their staff to end users, I would think this figure is conservative.

*“What would happen to the recruitment agency sector if tax avoidance was completely eradicated?”*

The recruitment industry would contract significantly, but it would be much improved. Agencies are frequently employed simply because they, through illegal and unethical practices, can supply staff cheaper than end users, as well as shielding the latter from employers’ responsibilities. This would no longer be possible if tax avoidance and worker exploitation was eradicated. Agencies would then have to charge a fee for their services, rather than that fee being absorbed within exploitative practices.

If tax avoidance was eradicated, recruitment agencies would then be rewarded by the quality of their service, not the extent of their corruption.

*“Why do you think HMRC and the government doesn’t act to tackle these practices? Surely it’s in their interest to gather as much taxes owed to it as possible?”*

The recruitment industry is largely ignored by both government and HMRC. Those within the industry appear supremely relaxed that there is no-one breathing down their necks. Why this should be so is harder to explain.

The umbrella companies and payroll service companies that market tax avoidance schemes are never around for long. Companies are formed and struck off with alarming speed. Even those peddling schemes often caution that a shelf life of a couple of years is likely, before closing a scheme and migrating to another. Often, such companies employ directors based overseas, the real owners hidden behind a complex web. Almost without exception, umbrella companies marketing the most aggressive schemes never even get as far as filing accounts. I heard only last week of one organisation that had liquidated 182 recently formed companies last year.

Agencies can use an umbrella with confidence that, even if the umbrella ceases to trade, or comes under investigation, they can simply migrate to another. Under the umbrella model, the umbrella is the employer, not the agency. There is no shortage of salesmen promoting new “solutions”; examples saturate my inbox and the recruitment press. It would be hard to overstate just how easy tax avoidance is; an umbrella company salesman who spoke to me recently almost choked when I revealed my company pays “straight” PAYE and has done for 30 years. He found it one of the funniest lines he’d heard.

HMRC must take the blame for much that is wrong within the recruitment industry. For many years, tax avoidance has been richly rewarded while compliance has been heavily penalised. Their disregard of a substantial industry is shameful.

*“What role do you think trade unions have in challenging the exploitation of agency workers?”*

The high profile interventions of GMB at ASOS and Unite at Sports Direct have shown that unions can bring cases of exploitation into the public arena. Agency workers have no voice; any sign of dissent can be handled by instant sacking (or the offer of an unsuitable job in a distant location to achieve the same aim). While agency workers are seldom union members,

increased union representation which highlights their plight may well lead to increased permanent employment, with a consequent increase in membership.

*“To what extent do you think the companies that use unethical recruitment agencies actually know what takes place in terms of eroding workers’ rights or tax avoidance?”*

Large users of labour are often instrumental in driving unethical behaviour. Tenders where price is key, as it almost invariably is, can only result in a disregard of ethical considerations. Workers, and the tax system, become the tools by which agencies can establish a commercial advantage.

Even where they are not instrumental, companies are complicit, their compliance audits asking all the wrong questions and none of the right ones.

The larger agencies, in particular, did not come down in the last shower. They have slick sales teams and stress to willing ears their commitment to compliance and fair treatment of workers. They will have accreditations plastered all over their websites, be leading members of their Chamber of Commerce, and their directors are likely to spend their spare time running half-marathons for charity. There will be rewards schemes, gold stars for temp of the month and smiling pictures of loyal staff. All of which is music to the ears of those companies whose overwhelming desire for cost cutting makes them willing converts to the proposition that compliance and the cheapest price are not incompatible.

*“In the current climate is it possible to run a commercially viable and ethical recruitment agency that treats workers properly and doesn’t avoid tax?”*

It is possible, but rare.

My own agency is London based and we are viable because there is an almost unlimited pool of potential customers. We partner with organisations that share our approach, who realise that a well-treated and properly rewarded workforce is more productive than an exploited one, who see temporary employment as often being a pathway to permanent employment and who use agencies for the “right” reasons, i.e. to cover seasonal uplifts, holidays, specific projects and other genuinely short-term requirements. They appreciate that we provide expertise and a professional service and are prepared to pay for that service. However, I believe we are denied access to between half and three quarters of our target market.

Outside the big cities, for an agency to survive, while treating workers properly and not avoiding tax would be hard, verging on impossible.

The CEO of the Association of Labour Providers claimed at the Select Committee that agencies can be split into four categories; criminal, dodgy, compliant and leading. When pressed, he would not commit to relative percentages. My own estimate would be that 80/90% within our sector (the unskilled or semi-skilled portion of the recruitment industry) are criminal/dodgy, while 10%/20% are compliant. I have yet to encounter an agency I would consider “leading”.

To give just one example of what “leading” might include, an agency should print on every payslip a column for accrued holiday pay. My agency does that and it means that every worker knows exactly what he or she is entitled to and can check that it is correct. I have never seen another agency that does this. A simple and basic right, yet it proves beyond our industry.

*“If you were Prime Minister and wanted to tackle exploitation and tax avoidance in the recruitment agency sector, what would you do?”*

I would outlaw the Swedish Derogation.

I would tighten, enforce and publicise holiday pay legislation; industry estimates suggest that



70% of holiday pay, totalling nearly £3 billion per annum, is never paid.

I would either abolish umbrella companies or strictly regulate them.

I would legislate that agencies cannot offer insurance services or other products from which they or their directors profit.

I would set up a specialist HMRC unit to investigate the industry. The unit would be staffed by experts and properly funded. The funding would be paid for many hundreds of times over by the results it would achieve.

I would put the fear of God into the industry by announcing that reform of the recruitment industry is squarely on the radar of the government and that no stone would be left unturned in pursuing the criminals that populate it. This, of course, would need to be followed by action, in contrast to HMRC's present approach of making definitive statements condemning malpractice but doing nothing.

*“Do you expect the growth in the number of people employed through recruitment agencies to continue at the same rate and do you have any advice for trade unions like GMB looking to respond to this recent trend?”*

The recruitment industry is growing at almost 10% per annum, astonishing for a mature industry.

I have long believed that the industry may eat itself, by which I mean that it will gorge so greedily and become so bloated with the fruits of its rampant exploitation that government will be forced to take notice and legislate it into submission; current growth rates may hasten that as more and more money is extracted from the economy.

As increasing numbers of employers seek to avoid the rising costs of employing those on lower salaries, the use of those agencies who are prepared to supply labour at prices which cannot be achieved through direct employment can only grow if left unchecked. Both major parties have committed in their manifestos to increased rights for workers and purges on tax avoidance; the recruitment industry will be a good indicator of how those pledges unfold.

My advice for unions such as GMB would be that they should identify more sites with large numbers of agency workers to focus upon and bring reputational risk to the fore where companies are playing the agency game. Union involvement has been a crucial element in exposing workplace practices relating to recruitment agencies, along with the media coverage that has followed. The more light that can be shone on the abuses endemic within the recruitment industry, the better the hope of change.

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### **Tackling abuse of agency workers: morally right, and delivering for our members**

#### **Case Study: SITA Sembcorp UK and undercutting at Wilton International, Teesside**

Even if workers don't have their contracts changed, their position can become more precarious through the undercutting of industry-wide agreed pay rates and standards by agency workers. The situation at SITA Sembcorp on Teesside shows exactly why it is imperative that unions tackle the abuse of agency workers, for the individual workers that are being exploited, but also for our current members who are forced to take pay cuts or not have a job at all.

#### **What happened at SITA Sembcorp**

In the construction of an Energy from Waste facility on Teesside, SITA Semcorp – instead of recruiting local workers on blue book rates have exploited overseas agency labour from 18 different countries through umbrella companies. This has resulted in wage drops as big as £5 per hour for workers on site.

This is blatant undercutting and exploitation. It is one of the reasons why we find ourselves leaving the EU.

With a large local UK workforce facing the deterioration of job prospects and falling wages, GMB Northern Region has been protesting and lobbying against this. As well as the erosion of agreed wage rates and lack of local job recruitment, GMB has also highlighted serious concerns around health and safety.

GMB Northern Region public meetings and protests have focussed on the practices of the employer – in some instances protesting at the SITA site, which has gained widespread media coverage in the region. Northern Region has campaigned publicly on all fronts – with MPs and MEPs – in the press, in Parliament and in Brussels to show that this isn't acceptable practice in 21st Century Britain.

While the employer being targeted has not met all our union's expectations and demands, there have been other positive outcomes such as the agreement to host local recruitment fairs to increase the job opportunities for local people.

A major positive outcome has been that other employers moving into the area have seen the protests, campaigning and opposition to what is happening at SITA and have agreed to pay the industry's blue book rates for the job. GMB's campaign has practically made a difference for our members in construction, and for those who companies would otherwise seek to exploit.

GMB Northern believe that this would not have happened if unions have not challenged so robustly the exploitation taking place at SITA.

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## Action on Umbrella Companies

### Case Study: Welsh government

GMB, alongside other unions, has worked closely with the Welsh Labour Party and Assembly Members to highlight the importance of tackling 'umbrella companies' in Wales' economy. Umbrella companies involve unfair and exploitative practices and lower employer tax contributions. Many workers engaged through umbrella companies are even charged for the processing of their pay. Their growth has been prolific in the construction sector and have previously been used in many publicly funded projects.

The legislation has had the effect of either ensuring public money isn't contributing to the profit margins of the most exploitative firms, or led to changing their behaviour by employers and has seen workers back to more orthodox forms of PAYE. Labour in Wales has used its devolved powers in government to set higher employment standards than at Westminster and has shown how the power of procurement can change corporate behaviour.

This code of practice for 'Ethical Employment in Supply Chains' ensures that workers in public sector supply chains are paid the independent living wage and not exploited through:

- Modern slavery and human rights abuses
- Blacklisting
- False self-employment
- Unfair use of umbrella schemes and zero hours contracts



**GMB believes:**

- That some companies use agency workers as a business model to avoid paying proper wages and allowing decent employment rights
- That the agency work sector is exploiting workers in the name of profit, the sector must be regulated to prevent unscrupulous agencies from driving down wages and treating workers unfairly
- Umbrella companies should be abolished, there is no reason for them to exist other than to exploit workers and avoid transparent dealings
- The Swedish Derogation should be outlawed
- There should be a legal cap on the proportion of agency workers any company can employ as happens in Norway.

**GMB will:**

- Continue to lead campaigns to 'pay the rate' wages negotiated with unions
- Engage with MPs to ensure that the new government understands the serious social and economic implications of this issue and to fight for better regulation, especially in light of Brexit
- Push public bodies including local and devolved government to adopt ethical public procurement policies and decent employment standards that prevent undercutting of industry rates and use of umbrella companies
- Campaign for equal rights from day one for all workers
- Continue to campaign to abolish the Swedish Derogation and to limit the number of agency workers a company can employ
- Continue to name and shame companies who exploit the use of agency workers.
- Continue to campaign against the exploitative practices of umbrella companies and seek their ban by law
- Use the positive examples in Wales to demonstrate to other public bodies of what is possible and necessary to ensure that public money does not contribute to exploitation on such a large scale
- Ensure that the prohibition of umbrella companies feature in higher employment standards as part of our union's agenda for devolution and local government

# Fixed term contract workers (Temporary workers)

## What is a fixed term contract?

'People on a fixed term contract can be either an employee or worker, a fixed term employee may be a seasonal or casual person who has been taken on for a peak period, a specialist employee taken on for a project or covering for maternity leave' according to ACAS. However, there is potential for fixed term contracts to be exploited.

## Why are fixed term contracts a problem?

Fixed term contracts can be a good way to cover during staff sickness or maternity leave, but that's when they are used properly. Fixed term contracts that are constantly renewed instead of the employee being given a permanent contract, keep workers in a constant state of insecurity where they can't raise concerns if they're treated poorly because that contract simply will not be renewed at the end of the 'fixed term'.

Currently employment law states that fixed term workers cannot be let go at the end of their fixed term if they have been on the contract for 2 years or more, without a 'fair' reason being given. This is obviously open to abuse. After 4 years on a fixed term contract, employees are classed as permanent.

## Temporary work: a national and regional picture

There are 1,550,000 temporary workers without a permanent contract in the UK with London and the North East possessing the most.

Workers on temporary contract by region	Percentage of workforce	Number
London	7.1%	257,000
North East	6.8%	71,000
N Ireland	6.5%	45,000
Wales	6.5%	79,000
North West	6.1%	177,000
East Midlands	5.8%	111,000
Yorkshire and the Humber	5.6%	119,000
Scotland	5.5%	125,000
South West	5.5%	121,000
East of England	5.4%	137,000
West Midlands	5.3%	121,000
South East	5.1%	187,000
Whole of the UK	5.9%	1,559,000

Further statistics show women in work (6.4%) are more likely to be in temporary work than men (5.4%). 10.7% of black workers are on temporary contracts almost double the proportion of workers who are white (5.5%). Again this highlights the strong equalities dimension in tackling precarious work.

**GMB believes:**

- There is a legitimate use for fixed term contracts, but employers must not be allowed to exploit them
- Workers should automatically be entitled to a permanent position after 2 years on a fixed term contract, and that an employer should not be allowed to renew a fixed term contract more than once

**GMB will:**

- Continue to monitor the use of fixed term contracts and highlight politically and in the press where they are being abused

# Gig economy and fake self-employment

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## What is the gig economy and fake self-employment?

The gig economy is characterised by short term, piecework employment where workers are paid by the job. Uber workers are gig economy workers, as are Deliveroo drivers and couriers with firms like Hermes.

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## Why is the gig economy and fake self-employment a problem?

Many Gig Economy employers refuse to accept that they are just that, employers. As you will see from our case study on Uber, the 'sharing economy' or 'platform economy' quite often means that companies take responsibility for dishing out assignments, often require a certain uniform, way of working and set the rate of pay for the job, but they refuse to give the employment rights that go along with that.

Fake self-employment is not new, it's been seen in industries such as construction for years, but it is on the rise thanks to gig economy employers who want to make profit on the backs of their workers, but not to pay them the minimum wage, holiday pay or for rest breaks.

This is also a problem for the Treasury, with the Citizen's Advice Bureau putting the potential figure of lost NICs contributions at £300 million. GMB believes this figure could be even higher.

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## What fake self-employed workers say

*'My son works in a Bar/Restaurant/Venue in Glasgow and is treated appallingly. He is classed, by his employer, as "Self Employed" which he clearly is not but, as such, gets no annual leave pay nor any guarantee of hours of any kind! This should be illegal.'* – James, Glasgow

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## Gig economy and bogus self-employment: a national picture

A survey by CIPD earlier this year placed the number of people working in the gig economy at 1.3 million. Citizen's Advice put the figure on fake self-employment at 460,000, but it is impossible to set a definitive figure.

Government monitoring of employment has not kept up with the changing world of work. The UK Government has no clue about the state of work in 2017.

We can, however, look at where there has been a higher than average growth in self-employment. There is, for example, no obvious explanation why self-employment should have grown by 7,200 in Stockport between 2010 and 2016 when it fell by 500 in neighbouring Oldham and only increased by 2,800 in Manchester during the same time. The government should be seeking to find out what is happening in these hotspots and why.

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## Tackling the bogus self-employment in the Gig Economy

### Case study: Uber

GMB has led the way in representing workers in the Gig Economy.

Our landmark case against Uber has hit headlines time and again, as the first case of its kind in the UK to tackle a gig economy employer head on and win.

Uber contends that it is not an employer. It maintains that it is an app. GMB knows Uber drivers are treated as employed, whether Uber wants to recognise its responsibilities or not.

GMB found that a member working exclusively for Uber received just £5.03 per hour after costs and fees were taken into account, significantly below the national minimum wage/national living wage of £7.20. Lawyers for the drivers also claimed that Uber acts unlawfully by frequently deducting sums from drivers' pay, often without informing the drivers in advance, including when customers make complaints.

GMB want Uber should conform to employment law as follows:

- Uber should ensure that its drivers are paid the national minimum wage and that they receive their statutory entitlement to paid holiday. Currently Uber does not ensure these rights for its drivers
- Uber should address serious health and safety issues. Currently Uber does not ensure its drivers take rest breaks or work a maximum number of hours per week. GMB content that this provides a substantial risk to all road users given that, according to Uber's CEO, there were 42,000 Uber drivers in London in 2016.
- Uber should adhere to legal standards on discipline and grievances. Currently drivers have being suspended or deactivated by Uber after having made complaints about unlawful treatment, without being given any opportunity to challenge this.

The union took a case to the Central London Employment Tribunal on behalf of our members.

The tribunal who ruled on the case summed it up in a perfect manner, calling the entire situation 'faintly ridiculous'.

*'The notion that Uber in London is a mosaic of 30,000 small businesses linked by a common 'platform' is to our minds faintly ridiculous. In each case, the 'business' consists of a man with a car seeking to make a living by driving it. Ms Bertram [Uber] spoke of Uber assisting the drivers to "grow" their businesses, but no driver is in a position to do anything of the kind, unless growing his business simply means spending more hours at the wheel. Nor can Uber's function sensibly be characterised as supplying drivers with "leads". That suggests that the driver is put into contact with a possible passenger with whom he has the opportunity to negotiate and strike a bargain. But drivers do not and cannot negotiate with passengers (except to agree a reduction of the fare set by Uber). They are offered and accept trips strictly on Uber's terms.'*

The ruling against Uber found that Uber does employ its drivers and that they fall under 'worker' classification. That means they are entitled to such rights as holiday pay, paid rest breaks and the National Minimum Wage. They are not self-employed.

Uber is now appealing this case, refusing to accept their responsibilities.

The union now has further cases of this nature pending, with courier firms Hermes and DX – an industry where bogus self-employment is rife.

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## Uber: Enforcement and HMRC

Not only does fake self-employment rip off workers, it fiddles the taxpayer too. Uber should be paying employers' National Insurance contributions for its drivers.

HMRC has a responsibility to investigate all companies suspected of using precarious forms of employment or bogus self-employment to avoid paying the correct level of tax whether through income tax, employer's Insurance or V.A.T. As we've shown throughout this report, the number of self-employed workers is growing, with an estimated 460,000 workers being fake self-employed (which is the only estimate available – the government doesn't even know what figures it's working with). This has a huge impact on public finances, CAB estimates put the amount at £300 million per year. The public are on our side with this.

In March 2017 pollsters Survation asked the public the following question on behalf of GMB.

'HM Revenue and Customs has the responsibility for enforcing the legal requirement that employers pay the National Minimum Wage, pay the correct amount of taxes including V.A.T. as well as pay National Insurance contributions. To what extent do you think it's important that the government ensures these requirements are fully enforced, or do you not think it' at all important?'

65% said full enforcement was 'very important', 27% said it was 'somewhat important' resulting in a more than 9 in 10 adults (92%) believing it was important to act.

GMB will continue to hold employers to account to make sure they pay their way in all aspects of our economy.

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## The 'worker' debate

One of the main topics of discussion around fake self-employment, is how those workers should be classed. The employers maintain they are self-employed, GMB believes they are workers – because of that belief, we do not buy into the emerging narrative that somehow there should be another classification of worker. It isn't needed, enforcement is.

The existence of a contract of employment is the key to most employment protection and rights. This requires one or more of certain key elements:

- Personal service by the individual
- Control by the employer over the individual's work
- Mutuality of Obligation – the employer must be under a duty to offer work over a period of time and the employee must be under a duty to accept the work if it is offered

From the 1970s onwards, there was emerging a class of individual who was economically dependent on the employer but lacked access to most statutory protections. In the late 1990s the Government acted to address this by defining a separate category of the 'worker' which included individuals who contracted to supply their personal services in a situation of economic dependence but who did not have sufficient stability or regulatory of work to be able to demonstrate employee status.

Workers have access to limited rights including:

- Minimum wage
- Working time
- Health and safety protections

- Some collective rights relating to freedom of association

If there are to be any changes on worker classification, GMB believe that should be to provide greater protections for 'workers' as opposed to creating a new employment category with potentially inferior rights.

### Self-employment – a regional analysis

Little work has been done to look at the growth of self-employment since the 2008 economic crash. It is not a straightforward picture, and few statistics are recorded to monitor the impact of self-employment or where that self-employment is genuine.

GMB firmly believes that the growth we see in some areas of the country is directly linked to the increase in fake self-employment. No data exists to explain why there is such a changing picture in some labour markets. If the government is seeking to ensure the appropriate tax revenue is raised, HMRC should – quite frankly – be all over this change in the labour market and the proliferation of bogus self-employment because it is costing the Treasury hundreds of millions of pounds. This will only continue to mount up if the trend continues unchecked.

GMB organises self-employed workers, we do so in the Gig Economy, private hire drivers and in areas such as foster care. The data below show areas where there is potential to make a union offer to self-employed workers – or to map out potential recruitment targets - should that be a priority of the region.



### Scotland

It isn't a surprise to see that Glasgow has the biggest increase in self-employment in Scotland however the scale of the increase is very large. 12,000 additional self-employed workers in Glasgow between 2010 and 2016 contrasts with a more modest increase of 2,800 in Edinburgh. This suggests significant changes to the local labour market over those six years. While Aberdeenshire has seen a notable reduction of 4,100, neighbouring Aberdeen City has seen an increase of 3,300 self-employed people which could be directly linked. The vast majority of other parts of Scotland have had modest increases, North Lanarkshire, Fife and South Lanarkshire stand out for providing increases between

## North East

County Durham has experienced, by far, the biggest increase in self-employed workers in the North East of England with an additional 4,300 between 2010 and 2016. This is higher than the total increases in Newcastle and Sunderland added together.

Self-employment has increased more in the south of the region with Tees Valley experiencing a rise of 7,700 these workers. This certainly suggests significant changes across this labour market and is worthy of greater investigation.



## North West

Surprisingly the main cities of Manchester and Liverpool do not boast the biggest increases in self-employment in the North West between 2010 and 2016. Instead Stockport (+7,200) and Bolton (+6,500) have large increases which stand out in comparison to the rest of the region. Something has happened to the labour market during this time in these areas that has caused considerable increases which should raise concerns of false self-employment.

## Yorkshire and the Humber

The most surprising feature of the statistics for Yorkshire is the reduction of self-employed workers in Leeds by 8,100. This is in contrast to neighbouring areas significantly increasing in number within West Yorkshire. Between them Bradford, Kirklees and Wakefield have seen a rise of 17,300 self-employed workers between 2010-16.

Sheffield has a sizeable increase of 10,100 which is the largest in the region. More rural areas in the north of the region have seen reductions of self-employed in Craven, Richmondshire and Hambleton which may reveal a contraction in one part of their labour market.

## East Midlands

The growth in self-employment in East Midlands is more evenly spread than in other regions. Ashfield (+5,900), Northampton (+5,900), Nottingham (+5,100), West Lindsey (4,600) and Leicester (+4,500) provide the biggest increases. Further investigation is needed here. There are clusters of reductions which suggest changes are taking place in some localised sectors.

## West Midlands

Birmingham has seen, by far, the biggest increase of the region with 11,700 more self-employed workers. Given the size of the city this is not surprising but it is something to be very mindful of in investigating false self-employment. The increases in Dudley (5,200) and Warwick (+4,500) are perhaps more notable. The big reduction 6,500 in Lichfield suggests something fundamental has changed in that labour market.



## East of England

There have been significant increases in levels of self-employment in half of the areas of the East of England region. While East Cambridgeshire (6,000), Epping Forest (+5,800) and Basildon (5,500) have seen the biggest rises, 11 other areas in the region are not far behind. This suggests any campaigns attracting self-employed workers or seeking to explore false self-employment would find fertile economic ground in much of this region.

## South East

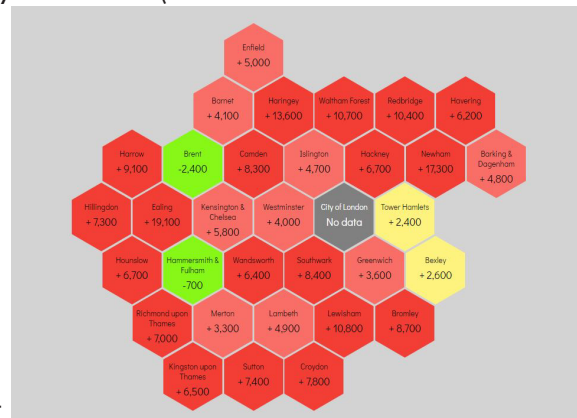
The Isle of Wight provides one of the more clearly defined local labour markets and has seen a significant increase of 5,200 self-employed workers between 2010 and 2016. Canterbury (+8,800) Oxford (+8,300) provide the biggest increases with Brighton and Hove (+7,600), Thanet (+6,700) and Chiltern (+6,500) witnessing large rises too. All these areas are worthy of greater investigation.

## South West

As the largest economic driver and city in the South West it isn't a surprise that Bristol has seen the largest increase in the region with an additional 18,000 self-employed workers between 2010 and 2016. However, this is the biggest rise outside of London and the second highest of any local authority area of the UK. The rise in self-employed in Bristol is almost three times higher than the second highest in the South West region which is Wiltshire (+5,100). An investigation into the changes in self-employed work in Bristol would be worthwhile.

## London

London is the self-employment hotspot of the UK. Only one area (Hammersmith and Fulham -700) has seen a reduction in the time between 2010 and 2016. Almost every other area has seen increases as big as some of the biggest growth levels in every other region. Ealing has the biggest increase in the UK (+19,100), with Newham (+17,300) close behind. The levels of increase in self-employment across London are without parallel in the UK and highlight how different the capital's labour market operates to elsewhere. London is the home of the 'gig economy' and if anywhere is in need of greater investigation, regulation and changes it is here. Whilst there will be growth in genuine self-employment in the capital, the scale of increases highlights just how employment is changing on an industrial scale.



### GMB believes that:

- The current employment rights system is not fit for a 21st Century workforce. Employment rights have not kept pace with the changing nature of the working world, particularly in relation to fake self-employment and the gig economy
- There is a growing category of worker who is currently classed as self-employed but who should be covered by workers status – this could extend across the economy from foster carers to couriers
- That all workers should be paid a Living Wage but at the very minimum employers must be forced to pay the Minimum Wage

- The changing nature of work and growth in self employment means that the Government must look at what a modern social security system needs to accomplish
- All too often the 'flexibility' of the so-called 'gig economy' is in the interest of the employer and in practice has a profoundly negative impact on the lives of workers
- There are considerable numbers of falsely self-employed people who should be regarded in the 'worker category'
- There is no convincing case for a new employment category – the issue is enforcement of the categories we currently have
- A much stronger inspection regime is required. Trade unions are part of the solution with workplace reps who can ensure laws are enforced and to help improve pay and working conditions. Workers should therefore have the right to invite unions to access workplaces to inform them of rights, laws and to represent and collectively bargain for them as well as ensuring employment law is correctly applied
- HMRC has a responsibility to investigate companies suspected of using precarious forms of employment or bogus self-employment to avoid paying the correct level of tax. The current lack of transparency and willingness to investigate and pursue employers further incentivises exploitative behaviour

**GMB will:**

- Continue to take the fight to employers who refuse to accept their responsibilities on every front – legally, politically and publicly
- Press HMRC to take action in the interests of fake self-employed workers, the Treasury and the taxpayer, arguing for enforcement of current laws rather than new definitions of workers
- Develop recruitment materials for self-employed members for regions to use where they see organising potential

# Conclusion: tackling precarious work in the 21st Century

As we have seen throughout this paper, insecure work impacts on all workers, not just those immediately on insecure contracts. It impacts on people, families, communities, the economy and public finances.

This report shows the scale of insecure working in the UK in a way that has not been illustrated in such detail before. It shows that almost 30% of our workforce is in insecure work. That is a staggering figure.

What is also clear is that it does not need to be this way.

GMB campaigns to highlight the issue of precarious work, have recruited members and delivered practical change – we only have to look at ASOS where workers move from agency to permanent contracts in half the time they used to, to Northern Region where companies are thinking twice about using agency workers to undercut pay rates because of our campaign at SITA Semcorp, and to Midland and East Coast where strides are being made to move agency workers onto the books as permanent employees.

In the Gig Economy we are recruiting private hire and delivery drivers who are for all intents and purposes – and in the case of Uber the courts say – employed, but where the employer refuses to accept it.

We can organise industrially and practically to impact on precarious work, and we can grow our union through it.

Political action can also make a difference. Banning zero hours contracts as has been done in New Zealand shows that multi-national companies can play by new rules, if new rules are set.

Our work must be a combination of industrial and political pressure, backed up by 21st Century communications and campaigns techniques.

Taking on exploitation and insecurity at work has been at the core of trade unionism since our inception, as part of efforts to improve the living standards of working people. GMB will continue to take the fight to employers who exploit insecure workers, and seek to organise working people to make practical change.

## **GMB believes that:**

- Driving down employment standards doesn't just harm the individuals employed but also risks undermining the prospects of those working for employers who pay the agreed rate of pay, respect decent working conditions and fulfil their tax obligations
- The increasing numbers of insecure workers on precarious contracts is a challenge but is also an organising opportunity
- The process of achieving greater job security should work alongside the GMB@Work approach maximising member engagement and ownership of campaigns to grow and strengthen the union
- That exploitation in the gig economy and fake self-employment will continue to exist and grow if workers in those sectors are not organised, and that employers refusing to class themselves as such, opens up new avenues for organised activity as employment law does not apply if officially the employee is not an employee

**GMB will:**

- Work at all levels of government, lobbying and fighting for policies that end the proliferation of insecure work
- Continue to be the union for Gig Economy workers by identifying sectors where workers can be organised around the issue of employment status
- Build on national and regional best practice - also looking at what has not worked in the past - to develop materials around 'what works in organising precarious workers'; looking at recruitment of members, recruitment of reps, what changes we have practically been made for members in their workplaces and the cost/benefit to the union
- Continue to name and shame employers and agencies who use an unnecessary over-reliance on agency workers in place of a permanent workforce in order to bolster their profit margin but at the expense of workers' rights, lives and communities
- Tell the real stories of those in insecure work so that the public and politicians see the human impact of bad business practices
- Monitor the success of different organising methods and campaigns in recruiting precarious workers and making change happen on the ground, so we can see across the union what works and what doesn't
- Produce recruitment materials - that can be adapted to regional needs - that are specifically aimed at precarious workers about the benefits of joining a trade union
- Highlight good practice by employers to show that there is an alternative business model to profiting from insecurity
- Hold a summit on insecure work to bring together workers, employers, politicians and GMB members
- Monitor and research the impact of automation on insecure work and GMB sectors, especially for professional drivers as more companies seek to expand into driverless technology, and develop campaigns to protect the jobs of GMB members as the world of work changes
- Call on the ONS and government to collect and publish much more detailed analysis of the state of the Labour market on a regular basis. It is unacceptable that our own government does not know what the state of play is in the UK labour market

# Methodological summary

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## Poll of precarious workers

Sample size: 1,003

Fieldwork dates: 21st - 25th May 2017

The opinion poll of precarious workers was conducted online by Survation. The survey captured responses from a weighted nationally representative panel of workers with questions designed to identify GMB's designated categories of workers. Questions designed by GMB and Survation. Survation is a member of the British Polling Council.

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## Labour market data collection

Data source: Office of National Statistics Labour Force Survey, 2016 (April-June and October-December quarters only)

This data capture was of largely unpublished data of the Labour Force Survey by Landman Economics for GMB

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## GMB Future of Work survey

Sample size: 866

Fieldwork dates: 24th November – 9th December 2016

An online qualitative survey of primarily GMB members and postholders into their current experiences of work.

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## Hexmaps and localised changes in self-employment and zero hours

Data visualisation of ONS data from Annual Population Survey and Labour Force Survey by Open Data Institute (Leeds) using latest available data gathered in May 2017.

## Appendix – Interview with Adrian Gregory of Extraman

Adrian Gregory is the Chief Executive of London-based recruitment agency Extraman. He worked there from 1979 before buying the company from its previous owners in 1986 along with business partner Gary Davies.

Adrian has spoken out against the levels of worker exploitation that he has seen from disreputable recruitment agencies and has called for urgent reform of the sector. Earlier this year in March 2017 he gave evidence alongside GMB's Tim Roache to the House of Commons BEIS Select Committee into the Future of the World at Work.

In this exclusive interview for this report, Adrian exposes the levels of exploitation and tax avoidance in the industry and the importance of unions like GMB in challenging it.

*“How long have you been in the recruitment agency business and how has it changed during that time?”*

I entered the recruitment industry by chance back in 1979, fresh out of university. I worked for Extraman for seven years, before staging a management buyout, alongside a partner in 1986 and we've been going ever since.

The industry has, in theory, become more regulated in recent years. However, as regulation has been ineffective, ambiguous and unenforced, corruption has increased.

Before 1999, there was no Minimum Wage. Recruitment agencies could, therefore, undercut competitors simply by offering lower wages; there was no real need to further exploit workers or the tax system. While the Minimum Wage was, of course, a positive move, it was also the catalyst for the recruitment industry to explore its unlimited capacity for deviousness and disregard for the rights of the people who represent it.

*“You have previously said that less reputable recruitment agencies engage in systematic tax avoidance. How big is the scale of this and how does that take place?”*

Tax avoidance and worker exploitation siphon money from the Exchequer and workers' pockets at an alarming and growing rate.

The former occurs largely by means of umbrella companies and other payroll services, all of whom offer “solutions” to the vexing problem of paying tax. False self-employment is also growing, while schemes which market the “Employment Allowance Scheme” – where companies split their workforce into hundreds, if not thousands, of small companies, with directors based overseas, in order to claim the annual £3,000 National Insurance exemption for each company – appear to be prospering.

The latter occurs through withholding holiday pay, avoiding the provisions of the Agency Workers regulations, charging workers for “services” such as worthless Personal Accident Insurance schemes and payroll services.

The scale is enormous. Combining the money removed from workers with the money avoided in tax, an educated guess would be that around 15% of the total income of the recruitment industry is misappropriated. This would amount to around £4.5 billion each year. Knowing the mathematically impossible rates at which agencies peddle their staff to end users, I would think this figure is conservative.

*“What would happen to the recruitment agency sector if tax avoidance was completely eradicated?”*

The recruitment industry would contract significantly, but it would be much improved. Agencies are frequently employed simply because they, through illegal and unethical practices, can supply staff cheaper than end users, as well as shielding the latter from employers' responsibilities. This would no longer be possible if tax avoidance and worker exploitation was eradicated. Agencies would then have to charge a fee for their services, rather than that fee being absorbed within exploitative practices.

Sports Direct, for example, would no longer employ 8,000 temporary workers throughout the year; figures produced during that company's Select Committee enquiry believe the volatility that was claimed to be the reason for the vast army of temporary workers. Permanent work would result, with all the associated benefits for individuals and society.

If tax avoidance was eradicated, recruitment agencies would then be rewarded by the quality of their service, not the extent of their corruption.

*“Why do you think HMRC and the government doesn't act to tackle these practices? Surely it's in their interest to gather as much taxes owed to it as possible?”*

The recruitment industry is largely ignored by both government and HMRC. Those within the industry appear supremely relaxed that there is no-one breathing down their necks. Why this should be so is harder to explain.

The Umbrella companies and payroll service companies that market tax avoidance schemes are never around for long. Companies are formed and struck off with alarming speed. Even those peddling schemes often caution that a shelf life of a couple of years is likely, before closing a scheme and migrating to another. Often, such companies employ directors based overseas, the real owners hidden behind a complex web. Almost without exception, umbrella companies marketing the most aggressive schemes never even get as far as filing accounts. I heard only last week of one organisation that had liquidated 182 recently formed companies last year.

Agencies can use an umbrella with confidence that, even if the umbrella ceases to trade, or comes under investigation, they can simply migrate to another. Under the umbrella model, the umbrella is the employer, not the agency. There is no shortage of salesmen promoting new “solutions”; examples saturate my inbox and the recruitment press. It would be hard to overstate just how easy tax avoidance is; an Umbrella company salesman who spoke to me recently almost choked when I revealed my company pays “straight” PAYE and has done for 30 years. He found it one of the funniest lines he'd heard.

It could be that government is beginning to take an interest. The aforementioned Select Committee (if re-convened once a new parliament is formed) and the forthcoming Taylor report could curb some of the exploitation of workers in the recruitment industry, if they make recommendations that are acted upon.

HMRC must take the blame for much that is wrong within the recruitment industry. For many years, tax avoidance has been richly rewarded while compliance has been heavily penalised. Their disregard of a substantial industry is shameful.

*“What role do you think trade unions have in challenging the exploitation of agency workers?”*

There has historically been a distant relationship between unions and recruitment agency workers. Few agency workers will become union members. Many undertake temporary work for short periods, many move between jobs on a regular basis and many, particularly those from overseas, will have no knowledge of unions.



The high profile interventions of GMB at ASOS and Unite at Sports Direct have shown that unions can bring cases of exploitation into the public arena. Agency workers have no voice; any sign of dissent can be handled by instant sacking (or the offer of an unsuitable job in a distant location to achieve the same aim). While agency workers are seldom union members, increased union representation which highlights their plight may well lead to increased permanent employment, with a consequent increase in membership.

I have spoken with Tim Roache about the possibility of GMB (and other unions, by extension) endorsing recruitment agencies that are able to prove full compliance, and this is an area I am keen to develop. With catching the villains seemingly beyond the powers that be, championing the compliant would be, at least, some comfort.

*“To what extent do you think the companies that use unethical recruitment agencies actually know what takes place in terms of eroding workers’ rights or tax avoidance?”*

Large users of labour are often instrumental in driving unethical behaviour. Tenders where price is key, as it almost invariably is, can only result in a disregard of ethical considerations. Workers, and the tax system, become the tools by which agencies can establish a commercial advantage.

Even where they are not instrumental, companies are complicit, their compliance audits asking all the wrong questions and none of the right ones.

The larger agencies, in particular, did not come down in the last shower. They have slick sales teams and stress, to willing ears, their commitment to compliance and fair treatment of workers. They will have accreditations plastered all over their websites, be leading members of their Chamber of Commerce, and their directors are likely to spend their spare time running half-marathons for charity. There will be rewards schemes, gold stars for temp of the month and smiling pictures of loyal staff. All of which is music to the ears of those companies whose overwhelming desire for cost cutting makes them willing converts to the proposition that compliance and the cheapest price are not incompatible.

*“In the current climate is it possible to run a commercially viable and ethical recruitment agency that treats workers properly and doesn’t avoid tax?”*

It is possible, but rare.

My own agency is London based and we are viable because there is an almost unlimited pool of potential customers. We partner with organisations that share our approach, who realise that a well-treated and properly rewarded workforce is more productive than an exploited one, who see temporary employment as often being a pathway to permanent employment and who use agencies for the “right” reasons, i.e. to cover seasonal uplifts, holidays, specific projects and other genuinely short term requirements. They appreciate that we provide expertise and a professional service and are prepared to pay for that service. However, I believe we are denied access to between half and three quarters of our target market.

Outside the big cities, for an agency to survive while treating workers properly and not avoiding tax would be hard, verging on impossible.

The CEO of the Association of Labour Providers claimed at the Select Committee that agencies can be split into four categories; criminal, dodgy, compliant and leading. When pressed, he would not commit to relative percentages. My own estimate would be that 80/90% within our sector (the unskilled or semi-skilled portion of the recruitment industry) are criminal/dodgy, while 10%/20% are compliant. I have yet to encounter an agency I would consider “leading”.

To give just one example of what “leading” might include, an agency should print on every



payslip a column for accrued holiday pay. My agency does that and it means that every worker knows exactly what he or she is entitled to and can check that it is correct. I have never seen another agency that does this. A simple and basic right, yet it proves beyond our industry.

*“How does the state of UK’s employment agency sector compare with other countries you are familiar with?”*

I have little experience of the sector overseas. I do know that the UK’s recruitment sector dwarfs that of any other European country. The Agency Workers Regulations were an EU directive and its aims were commendable; to give agency workers the same pay and basic rights as if they were permanent workers once they have completed 12 weeks at a single site. Tragically, the UK opted for the Swedish derogation as an option allowed into the legislation which undermined the entire thrust of the Regulations and enabled those who wished to exploit their workforce to do so. Why remains a mystery.

*“If you were Prime Minister and wanted to tackle exploitation and tax avoidance in the recruitment agency sector, what would you do?”*

I would outlaw the Swedish derogation.

I would tighten, enforce and publicise holiday pay legislation; industry estimates suggest that 70% of holiday pay, totalling nearly £3 billion per annum, is never paid.

I would either abolish umbrella companies or strictly regulate them.

I would legislate that agencies cannot offer insurance services or other products from which they or their directors profit.

I would set up a specialist HMRC unit to investigate the industry. The unit would be staffed by experts and properly funded. The funding would be paid for many hundreds of times over by the results it would achieve.

I would put the fear of God into the industry by announcing that reform of the recruitment industry is squarely on the radar of the government and that no stone would be left unturned in pursuing the criminals that populate it. This, of course, would need to be followed by action, in contrast to HMRC’s present approach of making definitive statements condemning malpractice but doing nothing.

*“Do you expect the growth in the number of people employed through recruitment agencies to continue at the same rate and do you have any advice for trade unions like GMB looking to respond to this recent trend?”*

The recruitment industry is growing at almost 10% per annum, astonishing for a mature industry.

I have long believed that the industry may eat itself, by which I mean that it will gorge so greedily and become so bloated with the fruits of its rampant exploitation that government will be forced to take notice and legislate it into submission; current growth rates may hasten that as more and more money is extracted from the economy.

As increasing numbers of employers seek to avoid the rising costs of employing those on lower salaries, the use of those agencies who are prepared to supply labour at prices which cannot be achieved through direct employment can only grow if left unchecked. Both major parties have committed in their manifestos to increased rights for workers and purges on tax avoidance; the recruitment industry will be a good indicator of how those pledges unfold.

My advice for unions such as GMB would be that they should identify more sites with large numbers of agency workers to focus upon and bring reputational risk to the fore where

companies are playing the agency game. Union involvement has been a crucial element in exposing workplace practices relating to recruitment agencies, along with the media coverage that has followed. The more light that can be shone on the abuses endemic within the recruitment industry, the better the hope of change.

The depth of agency corruption has barely been mined, despite the well-known examples. A warehouse site I know well (a household name) employed my agency several years ago; when we were involved the permanent workforce numbered around 450, while the agency workforce flexed between 100 to 250, depending on season. Unite represented the permanent workforce. We were replaced by an agency and have heard that the permanent workforce has now shrunk to insignificance while the temporary workforce has expanded significantly. The Swedish derogation is used exclusively; every manner of worker exploitation occurs. The wage bill per head for the company has diminished substantially.

Such developments will become the norm if sustained action is not taken. GMB and other unions can play a major role in demonstrating that the examples already in the public domain are far from unique and that the rapid growth in the recruitment industry casts an ever growing shadow over the future world of work.

# Endnotes

1. Research conducted by Landman Economics, see Appendix 1
2. Office of National Statistics, Labour Force Survey published May 17 2017
3. Acas, Zero Hours Contracts, <http://www.acas.org.uk/index.aspx?articleid=4468>
4. <https://www.theguardian.com/world/2016/mar/11/zero-hour-contracts-banned-in-new-zealand>
5. <http://www.acas.org.uk/index.aspx?articleid=1873>
6. <http://www.acas.org.uk/index.aspx?articleid=4587>

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