

Business in the Community's response to the Taylor Review of Employment Practices in the Modern Economy

Introduction

Business in the Community (BITC) is a business-led, issue-focused charity with more than 30 years' experience of mobilising business. We engage thousands of businesses through our programmes, driven by a core membership of over 730 organisations, from small enterprises to global corporations. Our members work together to tackle a wide range of issues that are essential to building a fairer society and a more sustainable future.

Our work aligns with the scope of the Review of Employment Practices in the Modern Economy in three key areas:

1. We help people overcome disadvantage by **increasing access to good, sustainable employment**. We believe that creating meaningful employment is one of the most significant ways that business contributes to the livelihoods of individuals and communities. Our national Ready for Work programme trains and brokers work placements for people from disadvantaged groups and has supported 4,000 people into employment. We are committed to improving the quality of employment, and in 2015 we ran the Beyond Pay Inquiry into improving low income employment. Beyond Pay identified six key areas for business action to improve low-income employment: pay and security; line management; communication; job design; skill and progression and cost of living support.
2. **In terms of diversity, this submission includes a particular focus on older workers.** Business in the Community's age at work leadership team, led by Andy Briggs of Aviva, is the Government Business Champion for Older Workers. In February 2017 we launched a target for UK business for one million more older people in work by 2022. Business in the Community works with employers in the private, public and voluntary sectors to create inclusive workplaces. Our Workplace campaigns are committed to ensuring that age, gender, race and wellbeing do not limit an employee's engagement and success in the workplace.
3. We work with businesses to **support young people into employment** using our Employment Framework as a basis of action. Our Future Proof campaign helps businesses inspire, hire and grow a sustainable future talent pipeline.

This submission draws on our experience in the above areas, highlighting both what we have learnt and examples of good practice from our members.

How emerging employment practices in the modern economy are developed, regulated and managed has the potential to create further inequality, poverty and social isolation - or to build an economy in which everyone can thrive, increasing productivity and creating an inclusive society. We hope this review will create a roadmap for the latter.

Answers to the questions posed by the inquiry

Security, pay and rights

1. To what extent do emerging business practices put pressure on the trade-off between flexible labour and benefits such as higher pay or greater work availability, so that workers lose out on all dimensions?

Our definition of a 'good job' is one that offers security, rights and a fair income. A good job also offers the opportunity for personal development and progression, and a supportive and inclusive environment in which *all* employees can thrive.

However, the experience of participants on our Ready for Work and other employment programmes is that insecure work is increasing. Workers are often faced with a choice of low-hours or zero-hour contracts and low paid work with no clear progression routes or continued unemployment. Once in work, many experience a lack of flexibility on the part of employers when employees need it most.

To a large extent, we see workers – especially low paid workers – losing out on all fronts. This is a particular concern for older workers whose health and wellbeing suffers with long periods of insecure work.

In addition there are enlightened employers who realise that emphasising the intangibles associated with work including security, flexibility and a responsible position with respect to employment enhance their appeal at low cost at a time of wage restraint and cost control.

Job security and low pay

The increase in 'flexible labour' is characterised by insecure and low paid work, with little autonomy and few employee rights.

Insecure work is on the rise. An ONS business survey quoted in our [Beyond Pay report](#) estimated that almost half of large employers use contracts that do not guarantee working hours. [The TUC](#) estimates one in 10 people are now affected by such precarious flexible labour, such as low-paid self-employment, agency working or zero-hour contracts.

Insecure work is often linked to low pay. Since the recession, workers have seen a fall in real earnings alongside an increase in insecure or short-term contracts. Many low-paid workers are working in multiple

jobs, struggling to secure more hours or finding themselves unable to take up training or secure progression opportunities (Beyond Pay, p.6). Zero-hour workers now earn a third less than average employees, and according to New Economics Foundation, 1 in 3 zero-hour contractors want more hours at work.

According to our Beyond Pay report, six million jobs in the UK are paid less than a living wage. Low-paid work is not always a stepping stone – only 1 in 4 low-paid workers consistently escapes low pay over a 10-year period. When asked what workers would most like to change about their jobs, they invariably focused on better, fairer pay.

Analysis of data from our Ready for Work programme by Bain in 2016 showed us that, of all our programme participants who were in employment for one year following the programme, 90% of those did this with just one job. What this tells us is that temporary jobs do not lead to long term work and that, for the best chance of stable income, people need longer term, and more secure contracts.

Job and pay insecurity stems from employers wanting to minimise risk, by employing people on contracts that offer the *employer* flexibility. A 2016 report by TUC outlines how the key risks associated with work have been increasingly transferred to working people, while financial rewards from labour flexibility have accrued to employers. This is the crux of the problem: the power balance between employers and employees has become imbalanced – and employees are losing out.

Self-employment

Self-employment is also growing and research suggests self-employed workers are not necessarily more financially secure or empowered. Today, they have earnings 40% lower than those of employees, compared to 28% lower a decade ago. One in three self-employed households earn less than £200 a week, equating to over 1.2 million families.

Our second report in the Missing Million series draws attention to the significant number of older people who are self-employed, but who would prefer to have a job. Self-employment is taken up by 1 in 3 people aged 50-64 who leave work inactivity. This compares to over a quarter (26%) of those aged 30-49 and only 8.6% of those aged 16-29. We are concerned that many older people are forced into self-employment when they fail to find alternative paid positions.

The benefits of self-employment may have a particular draw for some older people who wish to re-enter work; it is most likely that these qualities relate to having greater autonomy and control, or better flexibility for combining work and care, or to accommodate a long-term health issue.

Rights

According to our research for the Beyond Pay report, other incentives most helpful for increasing income security are: paying workers for *all* their working time, sick pay and help with childcare.

In the context of an ageing society, the [Fuller Working Lives Evidence Base 2017](#) suggests there is high demand for more flexible work among older employees (p.24); it enables them to manage caring responsibilities, health issues or a phased retirement. Employees have the right to request flexible working, however, recent research has shown that employers tend to think of younger workers as the primary beneficiaries of flexible working arrangements, particularly those with parenting and childcare responsibilities. Employers are key to enabling flexible working, but Government has a role in supporting public health, workplace safety, and social care services.

The business benefits from flexible working are not fully understood and there are rarely frameworks that encourage employees to request alternative working patterns. As a result leadership are often reluctant to promote flexible working and may tolerate requests, resulting in inconsistent practice.

Recommendations to business

1. As we state in our report [A Brave New World](#), businesses need to balance their desire for a more liquid workforce with the provision of appropriate employee protection.
2. Emerging business practices can provide more opportunities for flexible working (with job security) due to their agile business models. Employers must actively encourage flexible working opportunities to *all* employees and encourage a culture of autonomy, trust and inclusiveness. Core to this is the recognition that flexibility brings significant business benefits arising from, amongst other things, a more engaged workforce.
3. Employers should move workers from zero-hour and minimum hour contracts onto more secure contract types whenever resourcing demand is consistent.
4. Our [Beyond Pay report](#) identifies six key areas for employers to improve low-income employment:
 - Pay and security – both direct and through procurement; contract types & lengths as well as pay
 - Job design – effective structure & content of roles & responsibilities
 - Skills and progression – training & skills provision to perform & develop in role
 - Cost of living support – support with house, childcare, transport, debt etc. through employee benefits and advice
 - Line management – facilitating access to support and opportunities
 - Communication – increasing take-up of support and opportunities

Some examples from businesses taking part in our Beyond Pay inquiry have uncovered good practice around pay and security that we believe can be adopted more widely:

- Brewing company Adnams used zero-hour contracts to accommodate the seasonal nature of the business. However, through involvement in the Beyond Pay inquiry, they recognised how this contributed to employees experiencing in-work poverty. They moved all their existing staff onto contracts that guaranteed a minimum number of hours a week. To tackle low pay, they reduced and redistributed bonuses paid to their senior team. (Read the full case study [here](#).)
- Outsourcing and facilities management company Mitie found creative ways to offer higher pay rates and other benefits, despite a difficult market. They do not set wage rates, their clients do,

however they offer two bids for any tender – one set at the higher voluntary Living Wage and the other at market rate. They also implement, where possible, the National Living Wage to under 25's which is above and beyond statutory requirements. Read the full case study [here](#).

Recommendations to Government

1. Whilst employers can take a leading role on job security, pay and rights, Government must encourage greater action by employers. It should work with employers, the public and third sectors to understand the unintended consequences of policy changes, which may make life harder for low-paid employees.
 2. The Government should ensure that Universal Credit is highly flexible in practice and that payments are made promptly to people moving in and out of short term work to ensure that they are not made destitute through a benefits system which does not respond fast enough to changing needs.
 3. The Government should strengthen the Social Value Act and refine procurement processes to place greater value on quality of service and creation of quality jobs.
 4. The Government should consider approaches to updating legislation, to extend greater protections to those categorised as “workers” and the self-employed. Such protections should include security, job protection and employee benefits.
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2. **To what extent does the growth in non-standard forms of employment undermine the reach of policies like the National Living Wage, maternity and paternity rights, pensions auto-enrolment, sick pay, and holiday pay?**

We recognise that the growth in non-standard forms of employment is a result of globalisation, and to ensure a high-cost market like the UK can remain competitive in a globalising world. In other words, without non-standard employment more jobs could be off-shored or automated. However, we do not believe that this is predetermined or inevitable – and employees/workers must always be protected under the law.

Other relevant information is covered in the other answers.

Progression and training

3. **How can we facilitate and encourage professional development within the modern economy to the benefit of both employers and employees?**

Digital transformation will create a huge shift in terms of the jobs that are available and the skills required to do them. As Olly Benzecry, Managing Director of Accenture UK said in our report, *A Brave New World*, as the economy and the workplace digitise, it is “*crucial for UK businesses to work together, with Government and the non-profit sector, to tackle head-on the technology skills gaps that 72 per cent of large companies and 49 per cent of UK SMEs are currently suffering from.*”

Government and employers must ensure all workers - particularly those at the bottom end of the pay scale, women, BAME people, young people and older people are equipped with the skills needed now and for the future.

One of Business in the Communities' four priorities for responsible business in the digital age is to embrace the changing nature of work, preparing employees with digital skills and lifelong learning to create an adaptable workforce. The Brave New World report (page 17) highlights several leading practices that employers are using to enable the rapid transition of employees from traditional jobs to the high-quality jobs of the future:

1. Enhancing accreditation of non-traditional forms of education
2. Providing agile, on-the-job training to ensure skills remain relevant
3. Creating opportunities to widen access to the digital economy and create new pathways into employment.

Apprenticeships can be hugely valuable for older workers as well as young people. With a million over-50s who are not working saying they would like to return to employment, an apprenticeship could be a crucial route to beginning a new career. Many employers have started their own apprenticeship schemes aimed at older workers, including Barclays and National Express, whilst a third of current British Gas apprentices are over 30. Barclays' Bolder Apprenticeships offer a second chance to people who have faced barriers to work, and a new employment route for older people – more than a third of those recruited are over 50.

EE introduced two training modules for all call centre apprentices, relevant to the two key skills all applicants need for permanent roles - customer service experience and digital expertise. Apprentices can then look at a much wider range of job vacancies across the whole company, giving them more progression opportunities. As result, 60% of call centre apprentices have progressed into a full-time role with EE to date.

Livin Housing has achieved an 80% retention rate of their apprentices after they completed their training, by focusing on creating a highly attractive workplace for young people. They pay apprentices the living wage, invest significantly in learning and development, encourage apprentices to represent the company as ambassadors and give them all the same employment terms and conditions as other staff.

The Apprenticeship Levy provides a significant opportunity for employers to invest in the training and progression of their employees. However, to fully take ownership of skills development, employers need to be able to deploy the funding in a way that is more aligned to business needs, including for pre-employment training. The current restrictions on the use of the Levy may be limiting its positive impact and we would like to see Government do more to build flexibility into the model.

Good quality training and development opportunities must be available to all employees, however evidence suggests that this is not presently the case:

- Training leads to low-paid workers being twice as likely to progress, however those on low pay are less likely to receive, be offered, and take up training than those on higher pay.

- Our research and the Government's Fuller Working Lives Evidence Base 2017 both found that people over 50 are also less likely to receive work-related training than their younger colleagues, and those over 60 significantly less. Just 11% of men and women over 60 received work-related training in the last year, compared to 27-30% of those under 50. Furthermore, of those that received training, older workers tend to receive fewer hours compared with younger workers.
- Employees in larger organisations are more likely to be offered formal training, however older workers are disproportionately found in small and medium enterprises. Research has also shown that training for older workers tends to have a narrower focus towards the employees' current role rather than wider development needs.
- According to our Race at Work survey, interest in taking part in a fast track programme is significantly higher among BAME groups – only 18% of white employees would take part, compared to 40% of BAME employees. However, this is not reflected by greater access to fast track management programmes or inclusion in succession planning for all ethnic minority groups.

Employers need to make training and development opportunities more accessible by making changes to practical logistics such as type, length, timing and location of training. Access to training can be particularly limited for shift workers, especially night shift workers. Employers also need to proactively communicate their offer and the benefits to employees at all levels. Where possible, training should enable incremental progression opportunities, with smaller steps upwards for employees who undertake training or increase skills.

BITC member Interserve conducts regular bite-size training sessions on a range of different themes, delivered by supervisors. While some focus on practical topics such as health and safety, others will focus on available training and development opportunities. A booklet mapping out training and careers opportunities at Interserve is also available, helping to make front-line staff aware of the progression routes on offer.

Leisure and hospitality giant Whitbread uses a 'balanced scorecard' approach to assess managers on retention and training, not just profits, driving a focus on people-related success and encouraging managers to provide broad support and progression opportunities for their direct reports.

In addition, we expect that responsible employers will want to invest more in learning and development to equip employees moving from roles that will be no longer needed to 'new roles' in a digitized economy. If employers do not do this, the state will need to respond to the increasing number of people who will be socially excluded and unemployed – indeed, we expect those who are currently socially excluded to become more so. The Government must explore measures to incentivise companies to be proactive rather than reactive.

Recommendations to Government:

1. The Government should explore ways to encourage employers to provide training and progression opportunities that are relevant and accessible to low-paid workers, to ensure the most disadvantaged have the skills they need to progress. Particular consideration should be given to ensure that shift

workers, especially night-shift workers, have equal access to training and development opportunities. All workers and employees should be paid for work-related training undertaken.

2. As the population – and therefore the workforce – continues to age, and the Government works to enable fuller working lives, it should support the development and practical implementation of a Midlife MOT, as recommended in the Cridland Review.
3. To encourage employers to continue to upskill and invest in the training and progression of their employees we would ask the Government to build more flexibility into the current Apprenticeship Levy. We would also advise the Government to explore how to validate new forms of micro-certification in education to encourage lifelong learning and the development of new skills.
4. IT and digital skills training specifically aimed at those over 50 is needed to increase productivity and fill skills gaps as the population ages, and it should therefore be funded and made accessible by the Government. The Advanced Learner Loans may encourage some older people to retrain or upskill, but many older workers (and workers in lower paid work) may not be able to repay a loan while also trying to save for a pension.
5. Implement a cross-Government national skills strategy for older workers and younger people, including apprenticeships, IT skills training and adult learning support.
6. To prevent those workers who are likely to lose out as work continues to automate, the Government must explore measures to incentivise companies to be proactive in retraining and reskilling, rather than reactive.

The balance of rights and responsibilities

- 4. Do current definitions of employment status need to be updated to reflect new forms of working created by emerging business models, such as on-demand platforms?**

The rise of flexible labour sees a shift of power from the employee to the employer, and a shift of risk from the employer to the employee. The Government and businesses will need to balance the desire for a more liquid workforce with the provision of appropriate employee protection. To ensure existing and new protections will apply in the new economy, the definition of employment needs to extend to all forms of working.

We are keen to hear more about this issue.

Representation

- 5. Could we learn lessons from alternative forms of representation around the world?**

This is not something we could provide expertise on, however we are interested in learning more.

Opportunities for under-represented groups

6. How can we harness modern employment to create opportunities for groups currently underrepresented in the labour market (the elderly, those with disabilities or care responsibilities)?

Business in the Community works directly with people facing multiple barriers to work. We do this through our Ready for Work and employment programmes, in which we support employers to remove barriers, increase employability of, and directly employ people from excluded groups, including ex-offenders and ex-military personnel. Through our four Workplace campaigns, we work with employers across sectors, to ensure that age, gender, race and wellbeing do not limit an employee's engagement and opportunities in the workplace.

Modern employment practices must provide good quality, secure work for *all* employees. From our experience of working with underrepresented groups, 'good work' is characterised by the following values:

- Stability to know they can pay their bills and support their family
- Opportunity to develop skills and build towards a positive future
- Flexibility to care for ones loved ones and respond to any unexpected challenges
- Pride in their work and support to succeed and feel valued

Flexible working opportunities, with control and autonomy, present a huge opportunity for groups currently excluded from the workplace, due to insecure housing, disability or caring responsibilities, to work in patterns that fit around their needs and commitments. We believe that agile or flexible working should be offered to all employees, to truly embed and to normalise a culture of flexibility, autonomy and trust.

Underrepresented or disadvantaged groups

Our research, conducted in partnership with the International Longevity Centre, found a missing million workers over 50 who are out of work, but who want to work. Employment isn't working for many people over 50. While some older people can choose to retire, too many people are pushed out of work involuntarily, through redundancy, ill health, or caring responsibilities – each of which may require a sudden change to working patterns. If individuals want to maintain living standards over their lifetime, each of these three groups will want to continue to work after the initial shock has occurred: those made redundant will look for other jobs, while those in poor health or with caring responsibilities may seek greater flexibility.

Furthermore, the changes that come with population ageing will leave some groups of older workers at a particular disadvantage: the low paid with few pension savings, and manual workers whose job is harder to do as they age.

Flexible working is key to enabling fuller working lives. The flexibility and agility that modern employment offers can be harnessed to create work opportunities for the older workers who are currently underemployed, since they offer flexibility and opportunities for phased retirement.

Making use of technological developments to enable agile working would make more work opportunities accessible for many older workers, and help prevent both underemployment, in which older workers are over qualified, over-experienced or working too few hours, as well as overemployment.

As the Government Business Champion for Older Workers, we are working with businesses and the Government to enable fuller working lives. Our report, '[Age in the Workplace: Retain, Retrain, Recruit](#)', sets out the barriers and obstacles to fulfilling work in later life, and describes the opportunities to drive change.

Recommendations to Government

1. The Government can facilitate the normalisation of flexible working by legislating for flexible working from day one, so that employees have the right to request flexible working from the start of the job application process, rather than waiting 26 weeks. They should also actively communicate the business case for flexible working, and provide advice and support where take up of flexible working opportunities is slower.
2. As it stands, too many employers do not have any provision in place to support carers. The Government should introduce 5-10 days of paid care leave from paid employment, and review the potential of tax breaks to support families, to bring statutory support for carers on a par with that for parents.
3. To enable those with long-term health conditions to stay in the labour market, the Government should better integrate health and social care services with employers and employment support services, which alongside enhanced statutory flexible working, will enable people to remain healthy in work for longer and later in life. The Government should also create public services around the needs of the individual – join up health, social care and employment support services in local areas.
4. To prevent older people disproportionately facing redundancies, the Government should explore the viability of wage subsidies/tax incentives to support and reward businesses for retaining older employees. For example, reducing the social security contributions payable by employers for older workers.
5. Many of the groups we work with face discrimination, biases and stereotyping in recruitment and promotions. Modern employment increasingly uses technology and automation in its recruitment practices, and this can be harnessed to bias-proof recruitment processes – as long as the algorithms themselves are free from 'human bias'. The Government should consider various software that can reduce bias in recruitment decisions and publicise it to employers.
6. This will also involve rethinking current outdated recruitment criteria, particularly for entry level roles, such as the requirement for previous experience or the over reliance on formal academic qualifications such as degrees. We would also encourage companies to look at new methods of recruitment such as behaviour based assessment.

As modern business models and new employment practices expand, the Government needs to ensure older, self-employed or gig economy workers have the flexibility, support and protections they need.

New business models

7. How can Government – nationally or locally – support a diverse ecology of business models enhancing the choices available to investors, consumers and workers?

Modern employment practices in the 'gig economy' are extreme examples of broader labour market trends. However, such work opportunities absolutely must offer rights and protections to workers, and include access to appropriate protections.

Business in the Community wants to see employers' responsibility extended to provide security, job protection and benefits for the growing 'gig' economy workforce.

Research shows that local businesses are the UK's main source of employment, training and economic growth.

Social enterprises are an increasingly important part of this and large businesses should be encouraged to work with them and procure from them, sharing expertise and innovation to create bigger, better businesses and jobs for local communities.

Government also has a role to play in removing barriers to small and medium-sized enterprises, helping them grow and create jobs leading to sustainable local economies and vibrant communities.

Thanks

We would like to thank Peter Boreham and David Wreford from Mercer for their contributions to this response, as part of Mercer's position on the Age at Work leadership team.

Contact

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