Employment practices review

From:
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To: Employment practices review
Subject: Modern Employment Practices - Fitness Industry

Follow Up Flag: Follow up
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Good Afternoon,

I have been watching the Commons Select Committee hearings into Self Employment and the Gig Economy and felt compelled to submit the following bullet points on the Fitness industry. I have tried to make this as brief as possible and will happily clarify further if needed.

Modern Employment Practices – Fitness Industry

- Historically (although a relatively young industry) Personal Trainer (PTs) had 2 main employment options:

a. Be employed by a gym. The gym would charge clients for Personal Training sessions and the PT would get a percentage of that fee for each session delivered.

b. Be Self Employed. Pay a gym a Rent fee in order to use the gyms facilities to train clients. Make money from charging clients at a rate you decide.

- Approximately 15 years ago a new Personal Training model emerged. Gyms started offering the following options:

a. Rent Self Employed Model: Pay a monthly Rental fee as before in order to use the gyms facilities to train clients.

b. Hours Self Employed Model: Give the gym a certain number (normally 15) man hours per week for free in order to use the gyms facilities to train clients.

- Since then this new Rent or Hours model has become the dominant employment model for PTs in the industry and aided the rapid growth of companies like , and) amongst others. The model has also been adopted by the company the runs most council gyms/leisure centres, GLL.

- The Hours model solved several problems for these gyms namely:

a. Removed the requirement to hire Fitness Instructors to man the gym floor.

b. Removed the requirement to hire Group Exercise Instructors to run gym classes.

c. No requirement to pay NI, Pensions, Sick Pay, Holiday pay and so on.

d. The PT is required to find holiday/shift cover when absent.

e. No requirement to train or insure it's PTs.

In fact many of the gyms only have 2 members of staff on payrol, the General Manager and Assistant General Manger. This offers significant saving in payrol and taxes giving a clear advantage to these gyms in terms of costs over gyms that employ their PTs.

- Gyms will argue that the Hours contract allows a PT to join a gym and avoid paying any Rent while building up their client base which is true. However, if all PTs start on Hours progressing to Rental contracts then these gyms would need to find more PTs to work on the Hours contracts. On basic level this looks great, huge growth but the reality is any gym can only support a certain number of PTs; there need to be enough clients for all the PTs to make a living. A ratio of 1 PT to 400 members as a good planning estimate.

- It could be argued that these gyms actually rely on PTs not being able to pay rent due to low client numbers. These gyms need this free labour, they have not alternative and no employment model to pay for staff. The gyms make their money from memberships, not PT. You maintain high membership by having clean, tidy gyms with lots of classes and for they need the free labour, not successful PTs. For example, 100 members will typically provide the gym with the same revenue as 5 PTs paying Rent.

- Across the industry, globally, most PTs do not tend to last long in the business. PT retention is an issue world wide. There are multiple reasons for this which I will not go into as it is off topic. The point I want to make is the industry should be working to address this issue. Again, I will argue that the gyms using free labour are doing the exact opposite, they are exploiting the causes of high turn over of PTs. The majority of gyms need PTs who have underestimated the various demands of the job and struggle to get clients because they will be drawn to an Hours contract. For example s are manned from 0600-2200 daily (the gyms are open 24 hrs a day, every day) to cover that period they need a minimum of 3 PTs per day so a minimum of 7 PTs on Hours contracts. However, Mon to Thu evenings are peak times so ideally they will aim for 2-3 PTs on shift so realistically the gym needs 10-12 PTs on hours contracts to function. As mentioned before you need approx 4000 members to support that number of PTs let alone any you have on Rent contracts. The numbers just don't add up in most cases, the PTs can not all be successful.

- At this stage it is important to make a clear distinction between the Hours PT model an other industries using Self Employed labour. Amazon customers have to have delivery so drivers are guaranteed business, without delivery drivers Amazon lose their main market. Uber customers want/need taxis so drivers are guaranteed business, without drivers earning fares Uber make no money. Gyms using the Hours model <u>do not</u> need PT revenue to make money, but they do need their gyms manned. These gyms can not guarantee a

PT will gain clients and therefore earn any money at all. I believe this, a huge difference and a difference that allows these gyms to have cheaper membership, often less than £20, and offer more classes (a big factor in membership retention) than their rivals who pay their gym staff.

- The fitness industry has little to no regulation or standards. It desperately needs more regulation, better training for PTs, Group Exercise Instructors and Fitness Instructors and rigid control of what qualifications are needed for PTs to train clients with conditions such as diabetes, hypertension and arthritis. With the majority of PTs being self employed, with many working 15 hours a week for free on top of the time finding/gaining/training clients this isn't going to happen. The biggest gym companies should be the ones investing and improving the industry but they wont because there is no profit in it for them. The big companies make their money from gym memberships, not by having fantastic, well qualified PTs. Why would they invest in people they do not employ?

- Many of these gyms advertise PT positions on jobsites as if they were an actual paid job rather than self employed often stating inflated earning figures. This practise is wrong and misleading.

Summary

Due to the success of the gyms adopting the Hours or Rent model we now have a scenario where the vast majority of PTs will be self employed whether they want to be or not. Thousands of PT are now working with little to no employment rights leaving them open to exploitation from gyms profiting from their free labour. Many of these PTs will fail, it is an global problem in the industry, and will find they are not entitled to income support because the gym was not paying national insurance and most likely the weren't either. Many of the successful PTs probably haven't thought about pensions and will not get the extra top up from their gyms that an employed person would either. Meanwhile, these gyms are thriving and spreading with more companies switching to the model and fresh investment into new gym companies. Lets be 100% clear, these gyms have no systems in place to pay staff. They have no budget to pay staff over and above the 2 managers. These gyms could not operate without this free labour and gain a competitive advantage because of it. These gyms make a tiny fraction of their revenue from PTs paying rent so have no invested interest in PT being successful nor their professional development. Unlike many of the other companies using Self Employed labour a gym can not guarantee a PT will gain clients either. This entire situation is extremely one sided with huge sums of money (Pure Gym was floated for £500million last year) being made from unpaid, unprotected labour and this needs to change.

Regards

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