



THE ADECCO GROUP



The Future's Flexible

The Adecco Group UK & Ireland's
response to the Review of
Employment Practices in the
Modern Economy

2017



Contents

4	Executive summary
6	A tale of two temporary workers
7	The only way is up
8	Brave new world
10	Why temporary work is part of the solution
11	What we're doing to help
12	Regulation and reputation
13	Designed for a different time
14	What we recommend
15	What the Government can do
17	What schools can do
18	What employers can do
19	Definitions

Executive summary

We're The Adecco Group UK & Ireland, leading providers of workforce solutions.

As an employment business, we're acutely aware of the challenges that the modern economy has created, both for workers and our industry.

Part of the reason for these challenges is that current regulation makes it easy to set up (and close down) an employment business in the UK. But too often, news stories focus on the small number of disreputable firms that take advantage of this light-touch regulation to exploit workers.

As well as tainting the reputation of the whole industry, this overlooks the huge number of people and businesses that benefit from flexible work arrangements – and the competitive advantage this gives to UK plc.

At The Adecco Group UK & Ireland, we believe that the Government needs to close loopholes in the legislation so bad practice can no longer seep through. And it needs to update that legislation to reflect the workforce of today.

But for UK plc to remain competitive, the Government needs to review and improve all the elements that feed into our modern economy. And both schools and employers can help.

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Here's a summary of our recommendations – you'll find the full list from page 14.

- 1 -

Take an integrated approach to employment

Build a cross-party working group that looks at everything from education to taxation through the lens of what our economy needs in the future. Make sure any new policies are fair to companies of all sizes.

- 2 -

Rethink regulation

Update (and enforce) the regulation governing general employment, as well as employment agencies, so it reflects and protects the modern workforce – while keeping the labour market flexible.

- 3 -

Develop inclusive policies

Tap into the skills of carers, retirees and people with disabilities by offering incentives to companies that employ these workers, or that equips them to work for others. And extend current transparency obligations.

- 4 -

Close the skills gap

Get young people ready for work by employing teachers who've worked in other sectors, embedding soft skills from a young age and making work experience and internships more widely available.

- 5 -

Change the mindset of employers

Companies should recognise what they stand to gain from taking people on part time, or for short periods – and adjust their HR policies and employer brand to reflect this more flexible approach.

A tale of two temporary workers



Imagine two temporary workers begin contracts on the same day. The first, an agency worker, is entitled to statutory employment rights, such as the National Living Wage, straight away. After 12 weeks, her pay and other benefits come in line with a permanent employee doing the same job in that company. And when she finishes that contract, she's free to take one with another agency.

The second, a care worker, receives less than the National Living Wage. She isn't entitled to any holiday or sick pay, and doesn't know from week to week how many hours' work she'll have. But her contract prevents her from working for anyone else.

Recruitment industry regulation protects the first worker by making sure she's on the agency's payroll. But regulation around direct employment doesn't stop the care home from treating the second worker as self-employed. Which means she loses her basic employment rights.

It's this second scenario that worries unions and the Government. Yet organisations like ours are sometimes seen as part of the same problem.

903,000

people (2.9% of the workforce) are currently employed on a zero hours contract as their main job – up from 747,000 in 2015.

Source: Labour Force Survey (Office for National Statistics, September 2016)

Recruitment industry regulation protects the first worker by making sure she's on the agency's payroll.

The only way is up

Clearly, agency work won't generally offer the protection of a permanent contract. But an economy where everyone is a permanent employee is no longer a realistic prospect. Companies need to be able to flex their workforces up and down in line with demand. Workers need (and choose) to build their skills and experience through agency work. And the only way with both trends is up.

We believe that, with the right efforts, compliant agency work will help plug our skills gaps, grow our economy and keep us competitive. But it will mean changing much more than the way we're regulated.

We've set out how we think government, schools and companies need to change from page 14. Before then, we'll cover:

- how the modern economy is affecting our clients and candidates
- why agency work is part of the solution, not the problem
- the current regulation governing our industry, and its effects – intentional and otherwise.



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Brave new world

At The Adecco Group UK & Ireland, we're in a unique position to talk about the changing world of work.

We employ 3,000 permanent staff and 35,000 agency and contract workers. And we're part of a global organisation that provides career opportunities, guidance and insights to more than 1 million people around the world each year.

We supply a variety of workers, from an office agency worker doing emergency cover, to 100s of pickers and packers for a short-term contract or an entire managed service. We also supply highly skilled workers, such as IT contractors. And, of course, we supply candidates for permanent roles at all levels, right up to board-level executives.

As a result, we have exposure to lots of different sectors and employers, at a local, national and international level. This gives us a bird's eye view of how the modern economy is affecting clients and candidates, as well as our own business.

We've seen three trends that are relevant to this review:

1. At the non-specialist end of the scale, automation has downgraded some jobs and made others redundant. For example, picking and packing plants now rely on machinery more than people, while automated telephony and iPads have started to replace receptionists.
2. Internet connectivity has changed the way people think, as well as how they network and get jobs. The first place people look for work is online.
3. The gig economy has made the concept of a job for life disappear for young people: Rohit Talwar, CEO of Fast Future, recently predicted that children starting secondary school today could have 40 jobs in their lifetime. This thinking is seeping into all generations, with 60-somethings choosing to job-hop to build their skills, and a huge increase in the number of personal service companies we deal with.

The market for agricultural robotics will be worth

£13 billion

by 2020.

Source: Agricultural Robots: Market Shares, Strategies, and Forecasts, Worldwide, 2014 to 2020 (WinterGreen Research, 2014)

1.3 million

people are in casual part-time jobs without guaranteed hours, and won't earn if they're sick. 63% believe they should be legally entitled to the basic rights enjoyed by employees.

Source: Zero-hours and Short-hours Contracts in the UK: Employer and Employee Perspectives (CIPD, December 2015)

As with every revolution, there are winners and losers.

The winners are the specialist contractors who are paid handsomely for their skills. People whose knowledge and skills are in short supply, such as maths, science and engineering graduates, are also at an advantage.

The losers are older, digitally excluded people, along with people with disabilities or care responsibilities. Large swathes of young people, including NEETs and graduates with degrees in social or media studies, also fall behind. Even Generation X and baby boomers can struggle if they've only ever worked for one or two companies and shy away from online networks.

Digital skills gap costs the UK economy an estimated £63 billion a year.

12.6 million adults lack basic digital skills, and 5.8 million have never used the internet.

Source: Digital Skills Crisis (House of Commons Science and Technology Committee, second report of 2016-17 session, June 2016)

90%

of all jobs in the EU require some level of digital skills.

Source: Digital Single Market: Digital Skills and Jobs (European Commission, April 2016)

826,000

young people in the UK aren't in education, employment or training.

Source: Office for National Statistics, February 2017

Why temporary work is part of the solution

In our view, rather than being part of the problem, compliant temporary work can help to solve it.

That's because the smart economy is all about people moving around. If contingent workers (other than specialist contractors) choose to do this through reputable agencies like ours, they'll have the benefits of being employed on a PAYE basis. They'll also have the flexibility to build skills and confidence over a series of short-term contracts. This will put them in a better position when (or if) they decide to find a permanent job.

The benefits cut both ways. As we said before, companies need agency workers to fulfil orders at busy times. And they can't afford to keep those people on when demand disappears. Agency workers give them the flexibility they need to control their employment costs, get access to the right skills and compete in their market.

A mobile workforce brings another advantage. The more people move around and gain new skills, the bigger the pool of well-qualified candidates employers can fish in. Which is good news for the UK economy, too.

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What we're doing to help

As the UK's largest recruitment organisation, we have an important role to play in creating this more agile and highly skilled workforce – now and in the future.

We already advise clients on changes that affect them, such as the Apprenticeship Levy and how to manage a diverse workforce. We work hard for candidates, too: we're currently thinking about how we can continue to improve their career pathways. And we channel our knowledge and data into thought leadership that champions the candidate, as well as helps clients make better decisions. (Our partnership with the CIPD on the quarterly Labour Market Outlook is one example).

On top of that, we publish respected reports, such as the Global Talent Competitiveness Index. And, of course, we share our views in consultations like this one.

But the administrative burden from things like real-time reporting on National Insurance takes up a lot of resource. And tight regulation in some areas of our industry, and next-to-none in others, makes it increasingly hard for us to compete.

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Third in the world for talent

The Global Talent Competitiveness Index (GTCI) is produced annually by The Adecco Group, together with the international business school INSEAD and the Human Capital Leadership Institute.

In the 2017 GTCI, the UK ranks third in the world for talent competitiveness, measured as our ability to attract, retain and grow good people. Only Switzerland and Singapore outperform us. It's the highest ranking the UK has received since the index launched in 2013.

The UK's performance is boosted by our flexible labour markets and external openness. It's undermined by lower performance in areas such as women's equality, internal openness and vocational and technical skills.

Read the report: <http://www.gtci2017.com/>

Regulation and reputation

It's very easy to set up a recruitment agency in the UK compared to other countries. You don't need a licence, or savings in the bank. But once you're in business, strict regulations govern what you do.

We're subject to the Conduct of Employment Agencies and Employment Businesses Regulations 2003. These are designed to make sure the industry acts responsibly and in the interests of both clients and candidates. We also comply with the Agency Workers Regulations 2010, which give equal treatment to agency workers after 12 continuous weeks on an assignment.

These regulations, along with existing statutory provision, have helped to raise the status of agency work in the UK. Agency workers generally know what they're entitled to, so the cash-in-hand economy has shrunk. And companies know they're employing someone who's been vetted by an agency first.

But this two-way protection means little if the Department of Business, Energy and Industrial Strategy (BEIS) doesn't actively enforce it. And if it's easy to start an agency, it's just as easy to shut one down.

As a result, unscrupulous agencies can choose to break the law by, for example, using undocumented workers, treating people as self-employed or charging a fee to register. They can also avoid being held to account by closing and re-opening under a new name.

This dark side of our industry has only one winner. Candidates receive low pay and no benefits. Clients have unhappy, disengaged workers. The Government loses out on tax receipts. And law-abiding agencies lose out on business, as well as suffering unwarranted damage to their reputation by being "tarred with the same brush". Meanwhile, the person who actually broke the law can move on and do the whole thing again.

5,110
recruitment agencies were created in 2015, compared to 2,092 in 2010.

Source: Companies House

68%
of recruitment agencies employ fewer than five people while under 2% employ more than 250. And the imbalance is growing.

Source: The Structure of the UK Staffing Market 2017 (Staffing Industry Analysts, March 2017)

Designed for a different time

There's another issue with the legislation as it stands. A generation has passed since the Conduct Regulations came into force.

Back then, the aim was to protect agency workers at high street recruitment agencies, such as office and factory workers. Now, we also deal with large numbers of professional contractors, for whom the regulations can be cumbersome.

For example, it makes sense to ask a factory manager to confirm the work site's health and safety provisions before we send over candidate CVs. But imagine a client who needs an IT systems architect to start tomorrow in an office-based environment. They'll be irritated at best if you ask them to fill in a health and safety questionnaire before you even start sourcing suitable candidates.

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What we recommend

This review is a great opportunity to revisit the regulation governing employment agencies. But it shouldn't happen in isolation.

For UK plc to stay competitive, the Government needs to review and improve all the elements that feed into our modern economy.

Here are our recommendations for how it can do this – and how schools and employers can help.

What the Government can do

1. Take an integrated approach to employment

For too long, party politics have governed the way the UK thinks about employment. This has resulted in a fragmented approach and policies that disappear as quickly as they appear. Any new approach will need broad input and support if it's to succeed.

HOW?

- Build a cross-party working group that starts with the question: what kind of economy do we have and what skills will it need in the next 5-10 years? For example, the Welsh Assembly has identified biotech and pharmaceuticals as its growth areas and is looking at how to equip people to meet demand.
- Consider everything that has to change to produce the people our economy needs – from how we teach and get young people work-ready to how we train, pay and tax our workforce. (The much-admired Finnish education system has shifted from subjects to topics that are grounded in the real world, such as 'the human body' or 'the European Union'.)
- Find a balance between providing a safety net and helping people into work (a concept the Danes call 'flexicurity'). Often hailed as a shining example of government policy in this area, flexicurity combines flexible labour laws with active labour market policies to make it easier for people to find work if they've become unemployed. Measures include (re-)training, benefits conditional upon looking for work and help navigating the labour market for sectors with staff shortages.
- Make sure new policies are thought-through and fair to companies of all sizes. We fully support the idea of apprenticeships, for example. But we pay the Apprentice Levy for our own workforce, as well as for our 35,000 agency workers. And the vast majority of the second group won't be in the kind of work that carries an apprenticeship standard for long enough to benefit. And while we agree we need a National Minimum Wage, having to pay it for young interns makes companies less likely to take them on.

2. Rethink regulation

We agree that workers need protecting against exploitation. But loopholes in the current legislation allow bad practice to seep through. And both current and imminent legislation risk making UK plc less competitive.

HOW?

- Carry out a root-and-branch review of the regulation governing general employment as well as employment agencies. This should close up loopholes so workers are protected, while keeping the labour market flexible. It should also reflect the workforce as it is now.
- BEIS should actively enforce current and future legislation, not just investigate complaints. And companies that employ workers direct should come under the same level of scrutiny as agencies.
- To a certain extent, it makes sense that regulation should even out inequalities. But it shouldn't dissuade people from working freelance altogether, which the current IR35 review could do.

3. Develop inclusive policies

As an economy, we currently miss out on the skills, flexibility and willingness to work of carers, retirees and people with disabilities. Tapping into this talent pool would benefit companies and the wider economy as much as the workers themselves.

HOW?

- Offer incentives, such as tax breaks, for companies that employ these workers, or that equip them to work for others. (Digital Mums, which trains stay-at-home mums to become social media managers, is one example.)
- Think about whether we could extend transparency obligations, like gender pay reporting, to cover the number of part-time or retirement-age people in a company. External scrutiny could be the push companies need to change their mindset.

What schools can do

We know there's a skills gap in areas like STEM, which the Government is working to close. But clients tell us that young people starting in jobs lack far more basic soft skills, like punctuality and the ability to work in a team. These are the skills they'll need throughout their working lives – however our economy evolves.

HOW?

- Employ teachers who've had some experience in another industry and understand what modern employers need. This may mean being more flexible about pay to attract the right people.
- Embed soft skills and the concept of work into education from a young age. By their teens, pupils would then understand what the world of work will expect of them, and be able to tackle it with confidence when the time comes.
- Make work experience and internships more widely available. Schools should invite local businesses to set up relevant schemes and form partnerships with youth and voluntary organisations. One example is the Careers & Enterprise Company, which connects schools and local businesses to create work-ready and ambitious school leavers.

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What employers can do

Employers usually understand that flexibility is a two-way street. But we've seen some struggle to reconcile things like part-time work with the demands of the business. And many are unwilling to take on people who might only stay for a few months. For the modern economy to work for everyone, employers need to change their mindset.

HOW?

- Companies should shift their focus from 'How can this person help me right now?' to 'How can I help them on a longer journey?' Organisations that use this approach would strengthen their employer brand, attract better candidates and help to expand the skills of UK plc.
- They could bring in HR policies that make it easier for people to come and go. For example, an 'umbrella' contract could allow employees to leave and come back an agreed number of times. And employees could join up to meet a business need - for example, two part-time people offering to do a job-share.
- Finally, employers should find ways to make job-hopping work for everyone by capturing the knowledge of each person while they're in the job. An example could be making it part of someone's role to supply a guide and a sustainability plan when they leave.



For the modern economy to work for everyone, employers need to change their mindset.

Definitions

Contingent worker

Someone on a temporary contract, either with a recruitment agency or as a contractor (either self-employed or employed by an umbrella company)

Agency worker

Someone on a temporary contract for a recruitment agency

Contractor



Someone in a specialist role and either self-employed or employed by an umbrella company





THE ADECCO GROUP

Want to discuss any of the points
we've raised in this report?

If so, get in touch with 


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