

Business, Energy and Industrial Strategy Committee

Oral evidence: Post-pandemic economic growth: UK labour markets, HC 306

Tuesday 29 November 2022

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Members present: Darren Jones (Chair); Alan Brown; Jane Hunt; Mark Jenkinson; Andy McDonald; Mark Pawsey; Alexander Stafford.

Questions 172 - 193

Witnesses

[II:](#) Margaret Beels, Director of Labour Market Enforcement, Department for Business, Energy and Industrial Strategy.



Examination of witness

Witness: Margaret Beels.

Q172 **Chair:** We are now moving quickly on to the second panel. I am delighted to welcome Margaret Beels, who is the director of labour market enforcement, homed within the business Department.

UNISON, the trade union, has written to us and said that there is large-scale non-compliance with basic employment rights across the UK labour market. Do you agree with them?

Margaret Beels: As the director of labour market enforcement, I always widely seek stakeholder views about employment issues, but also have to be very mindful of the things for which I have direct responsibilities. Looking at the UNISON evidence, there was a catalogue of things, not all of which are my responsibility. That said, one of the themes about my tenure, I hope, is going to be better joined-up thinking between different enforcement agencies. One of the problems that we have is how difficult it is, as you will have heard from the evidence that we have been talking about this morning, for workers to know what their rights are.

I have this diagram, which appears in our reports and is a nexus: "These are all the different rights, and these are the different bodies that enforce the rights." Trying to make all that work is something that I feel quite passionate about. I do not like saying, "All the things in my area are fine. It is all the other people's bits that are not working."

I have a responsibility, as the director, to assess the scale and nature of labour exploitation, and we do that in different ways. We look at those sectors where there is greatest risk of labour exploitation. We look a lot at the care sector and at the construction sector. We are forever looking at car washes as a problem area, as well as hospitality, agriculture and cleaning. We have a sectoral approach—"What are the risks associated with the particular sectors and which are the higher-risk sectors?"

We also look at the employment arrangements that create a degree of vulnerability and where, for example, workers are in quite long supply chains, so they are employed by one person, paid by somebody else, and go to work in a particular establishment. Those sorts of things create vulnerability. Within that, you can have what are called umbrella companies. There are some good umbrella companies; there are some that are exploiting workers.

We are looking at other trends, such as online recruitment. When people are recruited through an online process, are they sufficiently clear about what it is that they are going to be asked to do and what their employment rights are going to be? Some of these platforms are overseas, and that makes enforcing rights more difficult. You have bogus self-employment situations. You have the gig economy.



Apart from looking at sectors, we are also looking at employment practices. Then, of course, there is the overall economic situation that we are working in at the moment. We are aware, through representations made to me, of workers who have multiple roles and different statuses in their roles and, therefore, are not so clear on exactly what their status is in any particular job.

You have the recessionary pressures on businesses that may make workers more vulnerable. We have had the increase in the national living wage and the national minimum wage recently. I have a very strong interest in that and in making sure that, as it goes up, there will be enforcement, but I know from what we are told that there are pressures on businesses, which may mean that they are trying to get a little bit of wiggle room there.

We have talked this morning about the UK priding itself in having a flexible labour market. My concern is that what is flexibility to one creates precarious work for other people, because they could be either side of the same coin. That is why I would argue that we need strong regulatory backing and strong enforcement in order to make sure that, where workers want to be flexible, they can be, but, where they are being put at risk, because they are not getting the hours that they expected or thought they were going to get, that is dealt with.

Q173 Alan Brown: Your predecessor, Matthew Taylor, highlighted what he saw as an indifferent or complacent attitude by Ministers to the enforcement of workplace rights. Do you have any evidence to suggest that that attitude has changed for the better?

Margaret Beels: I would love to say that it is getting better, but that is not entirely my experience. The year that I have been in my role has been extraordinary in terms of Government processes. I am accountable both to the Home Office and to the Business Department. In terms of Ministers with whom I have a relationship, I am on to the fourth in both Departments, which does not help with building relationships and getting a clear understanding of the direction of travel.

I have a statutory responsibility to produce a strategy every year and I have to produce it the year before it applies. In March, I have to submit a strategy covering from April to the following March. Those strategies have to be approved by the two Departments in order to be published, and there has been a pattern of delay in that happening.

For example, when I arrived in post, which was in November of last year, there were two outstanding strategies from Matthew Taylor that had not yet been published. It had been 19 months since he had submitted the 2020-2021 strategy, and 10 months since he had submitted the 2021-2022 strategy, before they were published. Those two strategies were published in December of last year, and I had the challenge of having to produce the next strategy by March.

What I did was to say, "I will look at what is in those strategies and try to look at the things about them that are most relevant to the way that the



labour market is working at the moment". I had groups of stakeholders come and talk to me. My strategy for the 2022-2023 financial year was substantially based on what had already been approved by the Government, and I was really hoping that that would mean that it would sail through quite quickly and get the necessary Government approval, but that has turned out not to be the case. I got the nod from BEIS in May or June of this year and from the Home Office yesterday, so I would like to thank the Committee for meeting today, because that may have helped me get the approval yesterday.

My strategy is important. I would think that, because I am passionate about this. There are four themes in that strategy, about which it is important to get the word out there. First, the enforcement bodies get intelligence and information from all sources. Are they making the best use of it? Are they getting the best quality information to guide what it is that they are doing? What could they do more of? Where could they get better quality information? That was my theme 1, and some of the recommendations relate to that.

The second theme is about value for money. We may come to the level of resources and whether they are sufficient, but I am very conscious that we are spending public money, and we have to make sure that every pound that is spent with any enforcement agency is as well spent as it can be. My question to the bodies is, "Do you have all the processes in place to test value for money, to make sure that you are prioritising in the best possible way? Are you learning from what you have done in the past to guide your operations going forward?" That was theme 2.

Theme 3 was about working with business and with workers in relation to compliance, because, as has been said earlier this morning, the earlier that compliance is built into the worker experience, the better. What are the schemes that businesses run that help promote compliance? How can we, as enforcement bodies, work as well as possible with those schemes and get the best outcomes as early as possible? For example, there is a responsible car wash scheme to promote standards in hand car washes. Are we making the best use of all those good business schemes?

The other side is workers knowing what their rights are, because, again, if a worker is aware of what their rights are and goes to their employer saying, "I have not been paid properly for this holiday pay," or, "I am entitled to sick leave in relation to that," that can result in the matter being resolved straightaway. It is not the whole answer and I do not pretend that it is, but it is very important. The Gangmasters and Labour Abuse Authority has been very helpfully promoting a level 1 qualification in workers' rights that every young person should have before they enter the workplace. Theme 3 was about making sure that businesses and workers do what they can to promote compliance.

The fourth theme was what I call joined-up thinking. The bodies for which I have responsibility, which are the gangmasters, the national minimum wage team and the Employment Agency Standards Inspectorate, do joint operations, but, for me, joined-up thinking goes further than that,



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because people who are trying to exploit workers know about the gaps between the different bits of statutory legislation. We have touched upon some of the issues around simply trying to enforce things. Where are the gaps? When you go into a situation where there are multiple problems, who could be involved in helping to ensure that the worker gets what they need?

Q174 Alan Brown: If we go back to my opening question, which was about Government attitude to employment rights, you have talked about getting your enforcement strategy published, having seen huge delays, which you think is coincidental before you appear at Committee. Is there any indication that more ministerial importance is going to be put on this, especially if you are saying that there are existing gaps? These gaps need tackling, as well as retaining EU law, which was spoken about in the previous session. Is there enough of a Government drive on these matters?

Margaret Beels: I had a very helpful meeting with Minister Hollinrake at the Business Department last week. He has asked me to write to him setting out my views about how things might work better, and that is certainly an offer that I will take up very readily, because there is more that can be done and there needs to be a higher ministerial profile in all of this.

We may be coming to the single enforcement body, so I do not want to launch into that straightaway, but we hear a lot about different growth strategies, and we need to hear Ministers saying how important it is that there is a fair deal for workers.

Q175 Mark Pawsey: You spoke about the single enforcement body. This is your opportunity to tell us why that would help. Perhaps the question going through my mind is whether, given the complexity that we have right now, and the need to apply some of the existing legislation, the principle of setting up a separate body would add to the confusion in this area.

Margaret Beels: I would hope that it would be the opposite, because, at present, looking at this diagram, you almost have to be an employment lawyer to know which body to go to. It does not put everybody together, by any means, because it would be the employment agency standards, the GLAA and the national minimum wage.

The Government's response on the single enforcement body, which was published in June of last year, said that they would look to the single enforcement body to also cover regulations around umbrella companies, to enforce holiday pay and to give more support to workers in terms of enforcing statutory sick pay and employment tribunal awards.

Q176 Mark Pawsey: To fill those gaps, do we need to have this root and branch reform?

Margaret Beels: The single enforcement body would draw the three existing bodies together and be given some additional responsibilities



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within that. At present, the employment agency standards people do look at umbrella companies, but their powers are limited.

- Q177 **Mark Pawsey:** Is the benefit of these separate bodies that each has an individual focus to look at, but that, in a larger, more bureaucratic organisation, some of that focus might be lost?

Margaret Beels: Each have their own assessment of risk. They each have their own processes. That said, they are getting better at working together. For example, the three bodies have joint webinars that different people speak at, and I welcome that, but there are also elements of gaps and of duplication where bringing them together would be helpful.

That said, I am aware, because I have heard Ministers say it several times, that there is an issue around parliamentary time for legislation. I have said that, if there is going to be no time for the legislation, I could, in my office, do more to make the pulling together effective within the existing framework.

- Q178 **Mark Pawsey:** You said that you met with Minister Hollinrake and you were going to write to him to tell him how things might work better. Can you give us a flavour of what is going to be in your letter?

Margaret Beels: Yes. For example, there is a board that I chair, which has representatives from the bodies. It has been a little bit of an exchange of ideas sort of thing, and I would give it a stronger governance role, in the way that a board would have if there were a single enforcement body. I would like it to be a more senior representation of the organisations, holding all three bodies to account for how they are spending public money.

- Q179 **Mark Pawsey:** This is assuming that you do not get your single enforcement body.

Margaret Beels: Yes. If you had a single enforcement body, there would be a board. What I am looking at is how much of what a board would do in a single enforcement body we could do without having the single enforcement body, but through them coming together and agreeing that that is how they are going to perform.

There is stuff about how to share information, which is always tricky. I understand, if you are talking to HMRC, what strong regulations and rules there are around its data, but how can we make the best use of information coming into one body to share with the other, so that enforcement action is more effective?

- Q180 **Chair:** You mentioned that the single enforcement body would be bringing only the three agencies together that you currently have oversight of, but that there are other agencies doing work in this space. Why would the single enforcement body not just bring together everybody trying to enforce labour rights across the economy?



Margaret Beels: We need to have a little bit more of an incremental approach. There is always a risk that, if you create a new body, you lose energy and lose focus on what the bodies are there to do by virtue of assembling them together, because, needless to say, the people who work there have different terms and conditions, and all that sort of thing. It ought to be a journey, and you start by bringing the three together, but you do not rule out that there will be opportunities for further amalgamation. By having a strong platform so that employers and workers know where to go to for advice, and having a strong brand, it will tend to draw other bodies to it, because they can see that it will be more effective.

Q181 **Andy McDonald:** If I could continue with that theme around the enforcement body, you talked about joint ops, and the Chair has pointed out the potential gaps around the HSE, for example. In other jurisdictions, such as the United States, France, Spain and Japan, there is a Ministry of Labour, with a real focus and heft behind it. Is that the incremental journey that we should be going on, or should we be doing that much more dramatically?

Margaret Beels: I do not know that we need to have a Ministry of Labour as such. I know that they have that in other countries. I just think we need a strong ministerial voice for workers' rights.

Q182 **Andy McDonald:** Moving on a little, you have said that the current capacity of the three enforcement bodies is well below the ILO's recommended levels, so are we looking at more inspectors? Going back to the HSE, I know that we lost several hundred there but, in the areas that you are responsible for, are we looking to recruit? How are their workloads being managed?

Margaret Beels: The ILO would throw into the mix the HSE inspectors as well, but you are right that the level per 100,000 employees is not within what the ILO guidance should be. I have heard no suggestions that there is going to be additional money put the way of the enforcement bodies. In some ways, that was what drove the second theme of my strategy—to make sure that we are making the best possible use of the resources we have. Prioritisation is always going to be an issue, and that is why this business about getting the best intelligence available to them is so important, because that helps the prioritisation process.

Q183 **Andy McDonald:** Switching now to the issue of employment status, the Government published their guidance on employment status and employment rights, as well as their response to the consultation. It told us of two tax statuses and three employment statuses, and said that the benefits of creating a new framework outweighed the downsides. It does not impose any legal obligations or change the law, and it does not apply to tax status, which is entirely different. Is this helping regularise the misclassification of employment statuses? Is it of assistance?



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Margaret Beels: I had to have a few goes at reading through the Government's response to the consultation on employment status. It is pretty heavy going. Even the guidance to workers is quite tricky to follow. There are some helpful tables, but you almost have to have your fingers in three places at once. That is why guidance is so important, so that there are places for workers to go to cut through some of that.

It is too soon to say that the guidance has been of no benefit, because it came out only in July, but, for me, it is about the worker having clarity in there about "what my rights are". The three employment statuses versus the two tax statuses are unhelpful and create gaps in which unscrupulous businesses can operate.

Q184 **Andy McDonald:** How can a worker be better informed, given that you say that you have so many fingers trying to track the different statuses? What could be done to improve the awareness for a worker as to his or her status?

Margaret Beels: There are documents. An agency worker, for example, is entitled to a key information document, which sets out very clearly what their rights are. We need to make sure that they all get them and that they are written in language that the worker understands. There are ways in which you can create obligations on employers to explain the situation clearly to the worker. You would have hoped that it was also in an employer's interest to have that degree of clarity, but I know that that may be the triumph of hope over experience.

Acas provides lots of good guidance, and that is part of the single enforcement body that I would see as being another vehicle for helping to produce guidance. The complexity of the whole thing is part of the problem, to be honest, because, when you are a statutory body producing guidance, you have to make sure that it is absolutely 100% correct, and the only things that are absolutely 100% correct are the original regulations that you are trying to explain. I found some of the case study stuff in that guidance quite helpful. There are various tools, but we also get back to making sure that workers have a really good grounding in what their rights are.

Q185 **Andy McDonald:** Would trade union membership not fill that deficit?

Margaret Beels: Trade union membership can do that, but there are other things that can be done. I have been doing some work in relation to the garment industry in Leicester. I went up and there was a community centre there. A couple of workers based in the community centre were helping to fulfil the role of bridging the gap to help workers with their rights, in some cases working with the unions as well. There are different tools.

Q186 **Chair:** You heard in the previous panel the concern around backlogs at the employment tribunal, and some suggestion that you need to try to help resolve disputes elsewhere in the system, before they get to the



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employment tribunal. We have just discussed how trade unions can sometimes help with that, where there is recognition of their right to do so. Is there more that the single enforcement body, when it is created, could do to help with the employment tribunal backlog?

Margaret Beels: There are really quite interesting and helpful initiatives going on with the national minimum wage team, which is running some campaigns within geographical areas, where they write to employers and workers in an area and say, "We are here to enforce the national minimum wage. Do you want any help? Do you need any guidance? Are there any issues that you have?" They try to raise their profile in order to address issues further up the chain. They write to workers on things like the webinars. The earlier you can get the guidance to people, the better, and the national minimum wage team is doing some really interesting work in that area.

Q187 **Alan Brown:** You have been in post for a year now, so I just wondered if you could explain what development in the labour market concerns you the most and, for balance, any positive developments that you have seen.

Margaret Beels: I worry about care workers a lot, specifically thinking about some who have been recruited and come in from overseas. I worry a lot about the agricultural sector, where, again, workers are recruited overseas, some having paid fees that they perhaps should not have paid, so coming in under debt bondage. Those are two sectoral worries. I worry about offshore recruitment. I worry about these long supply chains.

Q188 **Alan Brown:** When you say "debt bondage", are we are talking, effectively, about modern slavery?

Margaret Beels: I have learned not to use "slavery" lightly as a term. In debt bondage, the debts are very often owed not to the employer in this country but to somebody overseas, and that makes it more difficult. To my mind, the importance is for those who bring them. In the case of agricultural workers, the operators of the seasonal worker scheme should do more due diligence up the supply chain to check that debts are not being incurred higher up.

When I last did a count last summer, there were 53 countries from which we were recruiting agricultural workers. Part of the trouble, which goes back to Government, is that the numbers of workers engaged in that scheme were announced quite late on, and so the operators went far and wide to attract workers in. There needs to be a better regulated system, such that the operators have time to do the due diligence that they should be doing.

Q189 **Alan Brown:** Do you have any idea of what the scale of this problem is in terms of debt bondage? Do you have any idea of the number of people who could be affected?



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Margaret Beels: Again, it is not strictly my area, because the Home Office is responsible for the administration of the seasonal workers scheme, but I do know that GLAA inspectors are coming across it.

Q190 **Alan Brown:** Does there need to be more enforcement? Are there enough inspectors? Is there enough Government priority on this?

Margaret Beels: No. More inspectors could be deployed, without a doubt. The issue, of course, is budgets. There is a lot of good stuff being done and, when I talk to the enforcement bodies, I always ask them, "If you had five more people, what would you do with them and how would you decide?" because that seems an important question for me to be asking them. I do not have operational responsibility for them, but it is good to ask, "How do you take those decisions? How do you decide how to use existing resources?"

You asked about what is going well. There is some really excellent work being done jointly in the care sector between the enforcement bodies, and that is to the benefit of the workers in those industries.

Q191 **Alan Brown:** Going back to debt bondage, it really is quite concerning. Assuming that you are going to have a good working relationship with Kevin Hollinrake, is this something that you are going to be discussing with him?

Margaret Beels: The problem can be that the debt is incurred in another country. Nepal has been in the press as an example of that, but it is only one, where the debt was incurred privately and it is quite difficult for the UK Government to intervene in relation to a debt that was incurred in Nepal. That said, the UK Government can devise a scheme whereby the operators of the scheme have enough time to make sure that workers are being recruited responsibly—and there are all sorts of responsible recruitment arrangements—and those debts are not being incurred.

Q192 **Alan Brown:** Presumably, companies are still paying a fee to whoever is taking money off somebody to find them a job, and that person is incurring a debt.

Margaret Beels: The question is how far down the chain the operators go in terms of their own due diligence. They will say, "We make sure that the agency that we are using is a responsible agency and does not do that", but these supply chains are quite lengthy.

Q193 **Chair:** I am afraid we have timed out for today. We have BEIS questions on the Floor of the House. Thank you, Margaret, for coming in and giving evidence. If there is anything that you have not had the chance to say to us today that you think we should know, please feel free to write to us.

Margaret Beels: Similarly, if there are other things that you would welcome my help in, please do ask.

Chair: That is very kind of you. Thank you. I will now bring this session to an end.