

Business and Trade Committee

Oral evidence: Make Work Pay: Employment Rights Bill, HC 370

Tuesday 7 January 2025

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Watch the meeting

Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sonia Kumar; Charlie Maynard; Mr Joshua Reynolds; Matt Western; Rosie Wrighting.

Questions 299 to 331

Witnesses

[III](#): Eleanor Lyons, UK Independent Anti-Slavery Commissioner; and Margaret Beels OBE, Director of Labour Market Enforcement at the Department for Business and Trade.



Examination of witnesses

Witnesses: Eleanor Lyons and Margaret Beels.

Q299 **Chair:** Welcome to the final panel of today's hearing on the Employment Rights Bill and industrial relations in our country. We are very grateful to you both for your patience this afternoon and for joining us to give evidence as we try to light up some of the key issues at stake in this key legislation.

Ms Beels, I will start with you. We have had the opportunity to talk before about some of your views on how the enforcement of labour standards needs to change in our country, but perhaps you could help set the stage for a moment.

Resolution Foundation estimates are that about 400,000 workers are paid below minimum wage, about 900,000 workers are without holiday entitlement and 1.8 million people do not receive a payslip. Why are labour standards so poor in this country right now?

Margaret Beels: There are certainly those who would argue that there is not enough being done to promote those standards. There are two ways of doing it: promoting compliance and dealing with non-compliance. I focused on payslips in the strategy that I have produced for this year because I was getting evidence that workers were not getting payslips and I have gone back to the enforcement bodies and said, "I would like you to look at this and let me know what your experience is". They do not repeat the same to me. They say that payslips is not an issue but I think that needs to be addressed in so far as I am getting evidence from independent sources that payslips are not being given.

There is also the question of how people get notified about pay. If people get electronic payslips, for example, that can mean that if they move from one employer to another, they lose the records of the pay that they have had. I think there is a need for employment practices to step up to how employment is working.

Q300 **Chair:** What do you think is going on in the labour market right now? The picture that we have heard today in Committee, the picture that you have helped paint in the past, is quite shocking. It is also a picture of labour standards getting worse. Can you give us a sense of what is going on in our labour market strategically that creates these conditions?

Margaret Beels: I think there is a fragmentation going on that creates issues in employment relationships. We are getting more and more workers who are being shuffled into what are deemed to be self-employment situations, which I do not believe are appropriate for self-employment. There are various discussions about the status of workers who are getting work through platforms and the degree of control there is over them. Are they properly being designated as self-employed; are they really workers? To my mind, the whole business of employment status needs to be addressed.



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I have said to this Committee before that having the three levels of status for employment and then two levels is confusing and allows people to engage in sharp practice, shifting workers around between those, and it needs to be addressed. It was in Make Work Pay and I would like to see the Government stepping up to do more to address that. I know that there is discussion about having a further consultation. I think you can probably consult until the cows come home on this issue and it about time to do something about it.

Q301 **Chair:** Do you think that this is part of just a wholesale push by businesses to try to reduce costs wherever they can and basically the burden is being shunted on to workers?

Margaret Beels: I think that the whole business about who bears the risk of work being there is shifting so that workers are bearing far more of the risk. You see that through the zero-hours contract models that people go for—if there is no work, they don't get paid—and the idea of a business taking responsibility for its workforce and making sure that it finds the work. There are some interesting examples of businesses that take the responsibility and say, "I have a workforce and I need to make sure my business will provide the work that is needed to sustain that workforce".

Q302 **Chair:** In your time, have you seen that pressure grow substantially?

Margaret Beels: Yes,

Q303 **Chair:** How would you characterise the change in that pressure?

Margaret Beels: I would not expect there to be self-employed, zero-hours contracts in the care sector, adult social care. We know that there are multiple issues in that sector and I can talk about that as well. The idea of domiciliary workers being on zero-hours contracts and not being paid properly for travel time between is a disgrace, in my view.

Q304 **Chair:** Ms Lyons, the last quarter saw the highest number of modern slavery referrals since records began. Alongside the evidence that Ms Beels has just given us, this is a pretty horrifying fact. What do you think explains this?

Eleanor Lyons: It is particularly worrying that we now have the highest numbers of potential victims of modern slavery referred into the national referral mechanism, as you mentioned. There is a couple of reasons. First, the fragmented labour market means that workers are more at risk and enforcement bodies in the labour market are often under-resourced to catch lower-level labour violations before they reach a level that we deem to be modern slavery.

Q305 **Chair:** Can you expand on that a little bit? Help us to understand that.

Eleanor Lyons: Using the example of adult social care, we want to make sure that we are able to help support workers who may be at risk of labour market violations before they get so extreme that we deem them



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to be modern slavery cases. For instance, I deem a worker who is not paid to drive in between jobs to be slightly below the level of modern slavery but we want to help those workers before it gets to such an extreme position at the sharpest end of the labour market.

Q306 **Chair:** When you say “fragmentation”, help us to understand what that means. What does fragmentation mean?

Eleanor Lyons: From my perspective, thinking about if you are a victim of labour exploitation, do you understand where you can go for help and support? Is it clear which agency should be providing the care that you should go to if there is a problem with your employer? Is it clear who has responsibility for looking after your needs? Who is there to make sure that you are not in a high-risk position and that you are looked after?

I would go further for a big picture. There is fragmentation across Government as to whose responsibility it is to make sure that we are doing all we can to tackle modern slavery—whether it is a Home Office responsibility or a DBT responsibility. There needs to be a cross-Government approach. We are now 10 years out from the last modern slavery strategy. We need a new invigorated approach to looking at what can be done to make sure that we are stopping the most extreme rights violations and to tackle modern slavery as a whole.

Q307 **Chair:** We have just heard some pretty shocking testimony from Tesco that warns that the UK risks becoming a dumping group for poor labour practice because our neighbours in Europe and in the United States are improving their labour standards, using trade policy and other legislation. Do you fear that we could become a dumping ground if we do not keep pace?

Eleanor Lyons: We need to do two things. We need to make sure that we are introducing new requirements on businesses with what the Employment Rights Bill is doing, across the United Kingdom, and I welcome that.

Q308 **Chair:** Do you think we risk becoming a place where our labour standards are almost a weak link in the western economies?

Eleanor Lyons: That is a risk if we do not introduce mandatory human rights due diligence and we have fallen behind our international partners in that space.

Q309 **Chair:** We have fallen behind them?

Eleanor Lyons: Yes, we have. We were world leading in 2015 and now it is clear, from what we have heard today and in general, that when it comes specifically to transparency in supply chains, businesses are calling for the Government to go further in this space. We are no longer world leading in this space and we should be doing what our international partners are doing.

Q310 **Chair:** You heard testimony from SHEIN, for example. There was not a



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lot of transparency there. Did that lack of transparency worry you? Is it risky when you have opaque supply chains like that?

Eleanor Lyons: Absolutely. I think it is important that businesses are proactively looking in their supply chains for potential risks of modern slavery and that they are also being transparent about what they have found. Particularly on SHEIN, I have raised my concerns with the Department for Business and Trade and the FCA about its potential to list on the London Stock Exchange. We need to be really confident that there are not human rights abuses within its supply chains before we allow it to do that.

Q311 **Chair:** How confident are you about the observation of good human rights standards today? Do you have full confidence in SHEIN's supply chains?

Eleanor Lyons: No, and I do not think SHEIN is being transparent about what is going on in its supply chains. I would want to hear from SHEIN and understand that they are truly looking into potential human rights violations in them. I do not think that they are currently doing that.

Q312 **Antonia Bance:** We have heard on a number of occasions this afternoon about the need for greater resource to be available for labour market enforcement. The spend has been flat since 2010. The ILO benchmark is one labour market inspector per 10,000 workers, and we are only a third of the way there at the moment. If we were to reach that benchmark, what more could be achieved in rooting out the poor practices in our labour market?

Margaret Beels: It would change the prioritisation. I am concerned, for example, that in exploring national minimum wage violations there is a tendency to go for big employers and small amounts, which multiplied creates a big number, whereas digging deeper for perhaps fewer numbers and less in the total amount recovered—there is a temptation to make those sorts of trade-offs. Additional resources would mean that those trade-offs do not need to be made in the same way.

There are issues such as broadening the scope of investigations that the GLAA might undertake in the modern slavery space. I find it disturbing that we have a whole lot of arrangements that apply if you are investigating modern slavery but we do not have mechanisms to address something that is not quite meeting that threshold. I would like an organisation like the GLAA to be able to look at that and it can't. The construction industry is an area that I am really worried about. Bad practices go on now. The Government have an admirable agenda to build more homes but where will the workforce come from to do that and what additional risks will that pose? Construction is one of the high-risk areas within my strategy but, frankly, the bodies are not doing very much in that space at all because they don't have the capacity.

I think that we will have to find the capacity. I know that the spending review is coming along and that will determine the scale of the resources



for the Fair Work Agency but if anyone thinks that we will raise standards simply by throwing three budgets together and that efficiency savings will mean that more can be done, that is not the case. There needs to be a step change in addressing the resources available to the Fair Work Agency.

Q313 **Antonia Bance:** I absolutely agree with that point. We heard earlier from the British Retail Consortium about the possibility of onshoring some fashion manufacturing but the inability to guarantee labour standards in the UK in clothing manufacturing meant that it was unable to do that. We know where clothing is made.

The predecessor Committees to this one went to Leicester and saw the factories and we know that labour violations there are just routine. I am interested in your thoughts on the improvements that a single enforcement body could bring but also whether there are any risks in bringing together the enforcement bodies.

Margaret Beels: It is a huge enterprise to create the Fair Work Agency and that should not be underestimated. On the different risks associated with it, the first is that eyes are taken off the ball because everybody is caught up in the concept of creating a new body. We need to make sure—and it is part of the remit that I have given myself—that we continue to hold the bodies to account to do what they are doing during the transition period. I accept that that is challenging.

I want there to be a real excitement about the Fair Work Agency. I want people in the three bodies to feel excited that they are going to be part of the Fair Work Agency. That needs strong leadership early on so that there is a real stake planted in the ground that says, “We are making a step change and things will be so much better”. The Government have talked about the Fair Work Agency being the one-stop shop place for people to go. They need to know about it, so there needs to be a whole communications plan and a whole branding plan.

We have this idea that we can take the best of all that they do, put it together and everything will be better. In my experience, when you bring organisations together it is quite hard to do that because they have a pride in what they have done in the past and they believe that what they have done is the best way of doing things.

Q314 **Chair:** Can I ask a provocative question at this point? Wouldn't it be better to keep the agencies apart?

Margaret Beels: I have roundtable sessions with people and what I get is that they contrast the experience they have between whether they have an Employment Agency Standards inspector, a National Minimum Wage inspector or a Gangmasters and Labour Abuse inspector coming to see them. I think that workers have the right for there to be consistency of approach in how things are done.



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The balance between the enforcement approach versus the compliance approach needs to be proportionate. One of the things I have struggled to do in my job is to work out the value for money associated with the different activities of the three bodies because they measure things differently. I don't know whether it would be better to spend another £10 with the Gangmasters or £10 with the National Minimum Wage.

Q315 **Chair:** Hand on heart, do you fear that more will be lost than gained by bringing the agencies together?

Margaret Beels: No, I don't feel that is the case. There is a huge opportunity but it has to be really worked at. The Government have set up this opportunity and I have talked long and hard about wanting a single agency. I am really pleased that it is happening, but there are risks associated with it and they need to be actively managed.

Q316 **Antonia Bance:** One of the things that many of us are pleased about is the idea that some of the enforcement, particularly through the Gangmasters and Labour Abuse Authority, will move from the Home Office to DBT. Making sure that there is clear separation between Home Office functions and labour market enforcement functions is very important. Do you agree that that is a positive? Does Eleanor want to comment from the perspective of modern slavery about how we ensure that we do effective labour market enforcement that is separated, appropriately, from the immigration system?

Margaret Beels: I have a lot of worries about the interaction between visa systems and employment and what that can mean. We have heard about adult social care and seasonal worker visa schemes and who is responsible for what. We need to have arrangements in place where workers are not in fear of losing their right to be in this country as a result of putting their hands up about labour exploitation.

I am quite interested in what is happening in Australia at the moment because they have introduced legislative arrangements that mean that if a worker is on a work visa and reports exploitation their right to work status is not something that is factored into them reporting the exploitation. There needs to be an expectation on the part of workers that if they go to an authority to demonstrate that they are being exploited, that will not prejudice their right to be in this country.

Q317 **Chair:** Ms Lyons, what is your view?

Eleanor Lyons: I welcome that GLAA will be moving to the remit of DBT. Whichever Government Department they move to they have to be able to retain their expertise when it comes to tackling modern slavery. I agree with Margaret; I welcome the Government looking into things such as the Workplace Justice visa that Australia is doing where you treat exploitation as the primary concern.

I would also take a step back though. We need to remember the victims of labour exploitation. With the national referral mechanism, we have



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seen an 80% rise between 2020 to 2023 of adults reporting this form of exploitation. That is probably the tip of the iceberg. From speaking to victims, I know that they have a real fear about coming forward if they do not have documentation to remain in this country, particularly given the previous Government's focus on Rwanda. They are operating in a grey economy zone at the moment.

We need to be able to give these victims the confidence that if they do come forward their perpetrators will be held to account and that they will continue to receive the support and care that they need. That is why we need clarity that the Fair Work Agency will be a first responder organisation and will be referring victims into the national referral mechanism if they are victims of modern slavery. This is not just about the separation of moving the GLAA to DBT but about losing that support framework for victims along the way.

Q318 **Chair:** HMRC enforces national minimum wage; is it a good idea to bring that within the Fair Work Agency?

Margaret Beels: Yes. I do not think it is a trivial thing—

Q319 **Chair:** You were in two minds in the past but you have concluded that it is the right thing to do?

Margaret Beels: I think it is important. It is a major part of the resource and, yes, I recommend that it should be part of a single agency.

Chair: Thank you.

Q320 **Mr Joshua Reynolds:** Is the Fair Work Agency a compliance body or an enforcement body and what is the difference between the two?

Margaret Beels: It has to be both. In my view, compliance is about helping people get it right; enforcement is about dealing with it when they get it wrong, and both need to be done.

The approach to compliance should feed off the enforcement experience so when you go in and discover that national minimum wage is not being paid, for example, you dig a little bit below to see whether or not this is something that a better education programme would deal with. I am talking about both educating businesses and educating workers through school programmes, through FE college-type programmes, making sure that workers are better informed about their rights. This is a classic thing. You cannot enforce your way out of non-compliance. You need to try to encourage good behaviour and then deal with the people who are deliberately bad.

Q321 **Mr Joshua Reynolds:** Do you think the same agency can effectively do both? Can they play both good cop and bad cop? If they are compliance and enforcement, would it not be seen that, "The Fair Work Agency is coming with its enforcement hat on" but actually they are there to do compliance? Can they do both? Will expecting them to do both diminish



their work in either?

Margaret Beels: I do not think so. As I said before, I think enforcement informs the understanding of why there is non-compliance, and so compliance can then address those issues in terms of, “We have been exploring these cases, this is what is going wrong, here is a campaign that we could have that targets this sector, for example, or this geographical area”.

One of the things that the national minimum wage people do at present is have a geographical compliance approach. They are trying to learn from that, and that is a mixture of, “We are coming. If you want to know anything, ask us” and, “We are coming. We have not heard from you. You are operating in a sector that we know is a little bit more difficult. You might like to get in touch. At that stage if you sit down with us and you are discovered to be non-compliant, we will not throw the book at you because you have stepped forward”. To the ones who do not come forward at all, you then have to say, “Well, perhaps this is an enforcement case”. There is that continuum, which I think supports the idea of the Fair Work Agency doing both.

Eleanor Lyons: I can add to that. As an agency, it also has to be able to focus on prevention and I do not think that is being discussed enough at the moment. It is one of the key learnings from the space in modern slavery that intelligence gathering and data sharing needs to be in place for the Fair Work Agency to be able to highlight best practice among businesses, to be able to identify where stuff is going wrong and to be able to gather data about where there is high risk and prevent it happening in the first place. If we focus on when things have already gone wrong—whether it is compliance or enforcement—we are not helping victims before it reaches that stage, and that is my particular concern.

Chair: Thank you.

Q322 **Rosie Wrighting:** I go back to an earlier comment from the Chair. We heard a quote from Ms Lorains from Tesco that she feels the UK is at risk of becoming a dumping ground. That was one of the many shocking things that we have heard today. Will labour substitution, offshoring, subcontracting, franchising and a rise in self-employment defeat the good intentions of the Employment Rights Bill?

Margaret Beels: That is why I think employment status is such a priority issue to be addressed. I was talking to some people yesterday about the chain associated with engaging workers, which ends up with that worker being self-employed. The client goes to an agency that goes through an agent and it cascades down. These things need to be called out. That is not what I think self-employment was meant to be about; businesses sloughing off their responsibilities to what I would regard as employees, even if the law is that it cannot be demonstrated as such.



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Q323 **Rosie Wrighting:** Thank you. Ms Lyons, do you agree?

Eleanor Lyons: I think the Fair Work Agency should be looking to protect all workers across the board.

I am here to speak about victims of modern slavery. Quite often they are not covered by being hired by legitimate businesses and I do not think the Employment Rights Bill currently introduces any new powers to help protect them in that space.

Q324 **Chair:** I want to nail this because we will be looking at substitution risks next week. Before Christmas, we heard some bad stories about companies abusing self-employment rules, using apps to try to get gig economy workers who clearly were not self-employed workers. Would you counsel the Government to crack on with getting this definition sorted out?

Margaret Beels: Absolutely. It is—

Q325 **Chair:** Are you worried that the timetable might be slipping?

Margaret Beels: Yes. To give a straight answer to a straight question.

Chair: Thank you. Yes, I know where we stand.

Q326 **Matt Western:** A question for you, Ms Lyons. This afternoon we have heard about the importance of supply chain and where there is opportunity for exploitation because of how opaque the supply chains are. The proposed Fair Work Agency will be responsible for enforcing the Modern Slavery Act but does not propose any amendments relating to the supply chain side in the legislation. Do you think the Modern Slavery Act is still fit for purpose?

Eleanor Lyons: I think the Modern Slavery Act is fit for purpose. The difficulty, as you say, has come from how it is enforced and operationalised. The bodies that are responsible need to have the resourcing and the funding to be able to properly investigate modern slavery cases and being able to refer them to the police is an important relationship so we can go after the perpetrators of this crime.

If the Fair Work Agency was independent from the Government, I would say that it should have more responsibility around transparency and supply chains, but at the moment it is proposed to be an executive agency, which I do not think will have the ability, powers and gravitas to be able to hold transparency and supply-chain powers if we were to put them in there.

We do need to bump up Section 54 of the Modern Slavery Act. That is the one part of the Modern Slavery Act that I would improve with new legislation. I would make mandatory human rights due diligence legislation come into place and I think this Government needs to do that, but that probably needs to sit at Secretary of State level or within an independent body that can hold businesses to account. I do not think the



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proposed Fair Work Agency as just an executive agency is able to do that.

Q327 Matt Western: In your view, are we in deficit with our Modern Slavery Act compared to other nations such as the US, or to groups such as the European Union so that we absolutely need to tighten it and make it more comprehensive?

Eleanor Lyons: I think the Modern Slavery Act is still fit for purpose. It was a world leader when it was passed in 2015. Where we have fallen behind is specifically in that transparency and supply chains part of the Modern Slavery Act. That is the area where we say we do not do as well as America or the EU. We do need new legislation in that space. We need there to be mandatory human rights due diligence. We need to catch up with international partners. We need to make sure that we are levelling the playing field across all businesses so that they are encouraged to be clear and transparent about what they are doing to tackle modern slavery in their supply chains.

Q328 Matt Western: We heard earlier about jurisdictions where they can prevent goods coming into a country because they do not comply with the legislation of that country, and so contravene the equivalent of a Modern Slavery Act. Would you welcome that kind of legislation here in the UK?

Eleanor Lyons: Are you speaking specifically about import bans or the US?

Matt Western: Import bans.

Eleanor Lyons: I think the priority areas for this country are to make sure that we are properly enforcing the Modern Slavery Act 2015, then we do need to bump up the transparency and supply chains legislation. Alongside that I think it is right that this Government consider whether import bans would work but that is kind of a third part of the puzzle. You need the right labour market enforcement systems in the UK. You need there to be clear transparency and supply chains legislation across all businesses in the UK. Then you can consider whether import bans work too. Until we have those first two things lined up, I do not think import bans are the right thing to focus on quite yet.

Q329 Matt Western: The most recent USMCA trade deal allows the US to go into Mexico or wherever at factory level to undertake checks. Is that something you think we should be doing?

Eleanor Lyons: I think it is right that we use trade—

Matt Western: Trade deals.

Eleanor Lyons: Yes, I think it is right that we use trade deals to ensure that at a bare minimum our partners we are doing the deals with are including labour standards across the board. This Government should



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look at whether things such as plant level inspections as part of the USMCA work. This is an area where we should be learning from international partners and we should be working closely with them to make sure that we have the right enforcement mechanisms in this country.

Q330 Matt Western: A final question: do you think there are any unintended consequences of the UK adopting a much more robust approach to those businesses using supply chains where there is known to be forced labour present in those factories?

Eleanor Lyons: I think we need to think about the unintended consequences of not introducing this legislation. As long as it is done in collaboration with businesses, working with those businesses who are trying to lead the way in this space, making sure it is not a tick-box exercise, and also ensuring that there are clear frameworks in place and accountability frameworks, there is no need for there to be unintended consequences. We should be encouraging businesses to look for that modern slavery within their supply chains, be clear and transparent about where it is, and what they are doing to address it and fix it. That is absolutely something that this Government should be doing.

Q331 Chair: Ms Beels, anything to add to that?

Margaret Beels: I will reflect a little bit backwards on what Eleanor was saying about the Fair Work Agency and it being an executive agency, which means it is in essence part of the Department.

To my mind it is important that we reflect on the role of the advisory board. The advisory board is a tripartite board with business unions and independent experts. The Bill requires the Secretary of State to consult about the three-year strategy for the agency and about the annual report. It also gives the advisory board the remit to advise the Secretary of State if he asks them for advice. I want to see a strong and effective agency and I think that means a role for the advisory board. This could be captured within something like a framework agreement between the Secretary of State and the advisory board where there is a stronger voice for the advisory board.

I do not see the point of setting up this tripartite arrangement and not using it; creating a voice that is talking about some of the issues that you have been raising, is it as good as it needs to be, are we using the money as well as we might. There needs to be much more transparency about what it is doing. It should have some sort of dashboard that it accounts to Parliament and all the stakeholders about because it is important that people have confidence in what it is doing. I see the board having some of the role that you might expect more of an arm's length body board, but being there to support the Secretary of State. The Secretary of State is a busy person doing lots of things; the advisory board should be supporting him and that should be set out in a formal document that is presented to Parliament so that everybody knows how it will work.



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Chair: Super. That was an extremely helpful wrap-up to our sessions today. Thank you very much. Your evidence has been both candid and compelling, in sharp contrast to a lot of the evidence that we have heard this afternoon. Thank you for your evidence today, thank you for what you are doing, and thank you again for taking time out of your leave to join us and give evidence to our session today. That concludes this panel and concludes this session.