

# Business, Energy and Industrial Strategy Committee

## Oral evidence: The impact of coronavirus on businesses and workers, HC 219

Tuesday 2 February 2021

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Members present: Darren Jones (Chair); Alan Brown; Judith Cummins; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Mark Jenkinson; Charlotte Nichols; Mark Pawsey; Alexander Stafford; Zarah Sultana

Questions 329 - 386

### Witnesses

I: Chris O'Shea, Chief Executive Officer, Centrica; and Justin Bowden, National Officer, GMB Union.

II: Tim Sharp, Senior Employment Rights Officer, Trades Union Congress; Mike Brewer, Chief Economist and Deputy Chief Executive, Resolution Foundation; Rob Joyce, Deputy Director, Institute for Fiscal Studies; and Matthew Taylor, Chair, Good Work Review.



## Examination of witnesses

Witnesses: Chris O'Shea and Justin Bowden.

**Chair:** Welcome to this morning's session of the Business, Energy and Industrial Strategy Select Committee for today's hearing under our ongoing inquiry about the impact of Covid on workers and businesses. Today we have two panels. First, we will be talking to the GMB and Centrica about an ongoing dispute about the use of fire and rehire tactics, and then we will have a second panel looking at the long-term impacts of Covid on the labour market and thinking about what we need to do in the future to support workers to recover from the consequences of Covid on the economy.

Before we get going, I would just like to invite colleagues to declare their relevant interests. I have an interest as the chair of the Institute of Artificial Intelligence, which is a global network of legislators interested in the regulation of AI, related to a question on automation and productivity in the session later today. Other colleagues, would you please declare any interests that you might have?

**Judith Cummins:** I have been a member of the GMB for over 20 years.

**Charlotte Nichols:** I need to declare an interest as a member of the GMB since I was about 16 or so, and I was a former staff member of the GMB before coming into Parliament.

Q329 **Chair:** For the first panel today, we are delighted to welcome Justin Bowden, who is the national officer of the GMB Union, and Chris O'Shea, who is the chief executive officer at Centrica. Good morning to both of you. We have called you today because of the ongoing dispute taking place at Centrica and the trade union's concerns about the use of fire and rehire tactics as part of the round of redundancy negotiations taking place at British Gas, which is, of course, owned by Centrica.

I should say that we will not be able to call all colleagues on the Committee to ask questions today because of time, but there is cross-party and full-Committee concern about where we have ended up in this process, which is why we wrote to you in correspondence a few months ago about the use of fire and rehire.

It is unfortunate that we have ended up today having to call you both for an oral evidence session before the Committee. We are where we are and we are keen to understand, as a Committee, why we are where we are, not least because we have the employment rights Bill coming up soon and there is quite a lot of support across the House of Commons, including, seemingly, from the Secretary of State, that fire and rehire should be used only in the most extreme of circumstances. Increasingly, politicians on a cross-party basis are calling for it to be made illegal.

Having looked at the submissions from both of your organisations, I can



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see that there is a lot of detail. We will not have time to go through all of that detail today, but it seems to me that there are two substantive issues, or issues of dispute, that I would like to understand further today. The first is about the relationship between Centrica and GMB as a recognised trade union, and the second, which we will get into with colleagues' questions, is about some of the outstanding items in the negotiations, which seem to be primarily about the increase in engineers' working time from 37 to 40 hours a week, without, in their view, a commensurate increase in pay for the extra hours they are being asked to work.

I am going to kick off with a question on the relationship between the business and the trade union, before calling colleagues. Mr O'Shea, from a Centrica perspective, I can see from the submissions from both you and the GMB that the announcement of 5,000 redundancies was made on 11 June last year and that the Section 188 notice—the fire and rehire notice—was issued on 15 July, so very soon after the announcement, and that also all of the existing collective bargaining agreements with the union were terminated at the same time. It seems very unusual to do all of that at the beginning of a negotiation around redundancies. Do you have any regrets about how you have managed the relationship with your trade union?

**Chris O'Shea:** First, Chair, I am delighted to be here to be able to contribute to this conversation. It is a matter of regret that we are talking about an ongoing industrial dispute, but it is something that is very important. We announced on 11 June that we wanted to streamline and modernise our company, and we wanted to enter into discussions about terms and conditions.

I have been at Centrica for just over two years and we have lost thousands of jobs in those two years. This has been going on for a number of years and I want to put a stop to that. That might sound odd when the announcement was made of up to 5,000 redundancies—1,000 of those redundancies would have been in the US; we sold that business. In the UK, it would be 4,000, and the vast majority of those redundancies are in the management layers. The idea is that our company is too complicated. We have lost sight of what is important, which is the customer. The job losses that we announced increase the proportion of customer-facing staff from 73% to 85%. It is all about empowering the company and the frontline employees, and taking three layers of management out.

We also wanted to modernise our terms and conditions. We have some that go back to when we were a state-owned company in 1986, with over 7,000 variations. The reason that I wanted to do that was because we have 20,000 well-paid jobs in the UK, and I would rather do everything I can to protect and, ultimately, grow those jobs than to continue going through round after round of redundancy, so we announced that we wanted to modernise our terms and conditions.



As you say, we issued a Section 188 notice on 15 July. My regret is that our interpretation of the law is that, when there is a possibility that there might be terminations or dismissals, you have to notify your recognised trade unions and employee reps upfront in order for there to be a meaningful consultation. I do not think that the way the law is drafted just now helps with negotiations. I understand why Mr Bowden and the GMB feel that that contaminates negotiations. I would feel similar to that, but what we cannot have is companies not being able to make changes to terms and conditions at all. We can—and I hope we do—change where in the process that has to be notified, because the laws, as currently drafted, do not help us in these conversations. That is my big regret: that our interpretation of the law requires us to serve that notice as soon as we think there is a chance that we will not have a negotiated settlement.

Hopefully, I have demonstrated that, by being in negotiations for several months thereafter, I am committed to a negotiated settlement. I have been from the start and I remain committed to that.

**Q330 Chair:** Thank you for that. I would push you a little on the defence that you have made that it is about the interpretation of the law and not the decisions that you made as CEO about how to treat the trade union. The redundancy announcement on 11 June was for 5,000 jobs. You issued the Section 188 to all 20,000 employees, as I understand it. Let me just give you one example. I understand from a submission from the GMB that your chief operating officer, David House, said that you did that because it operated as an insurance policy. I am not clear what the difference is between an insurance policy and a threat to fire everybody. Can you help us understand that?

**Chris O'Shea:** The first thing is that the Section 188 notices were issued to our employee representatives rather than to 20,000 employees. Our interpretation of the law is that, as soon as we think there is a possibility that we will not have a negotiated settlement, we have to issue that notice.

**Q331 Chair:** What made you think there would not be a negotiated settlement at the start of the negotiation?

**Chris O'Shea:** The first meeting that we had with our recognised trade unions was on 8 and 9 July. We laid out the case for change and the areas we wanted to talk about. We then had a joint statement from GMB and UNISON on 10 July, which said that they would fight these changes and would not accept them. Whilst you could argue that you would expect a trade union to do that, our interpretation of the law, and my legal advice, was that that meant it was possible that we would not have a negotiated settlement, and that was the point at which my advice was that we should issue the Section 188 notice.

What I hoped when we did that—and I did challenge that advice—was we would be able to set that aside and go into negotiations, which we did. I also hoped that, given that our unions, to their credit, also came to those



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negotiations, all sides would be able to put that Section 188 notice to one side and negotiate in good faith. The fact that we did not see any industrial action at the point we issued the Section 188 notice gave me some real hope that we could have a negotiated settlement, which was and remains my number one priority.

Q332 **Chair:** Mr Bowden, do you recognise Mr O'Shea's answer there: that in that initial meeting you made it clear that you were not willing to negotiate and that that, therefore, legitimised the Section 188 notice?

**Justin Bowden:** It is useful to put this into a little bit of context very quickly, if I can. GMB has had a very long association with Centrica, British Gas and its various incarnations, which dates back about 130 years to when our union was founded. We have a history of being able to work through change. That is what we do as trade unions. We have very successfully done that for decades and decades with British Gas. In my working experience as a full-time official for over 25 years, I have never had a circumstance where, before we have even begun formal negotiations, the employer has put what our members quite correctly describe as a gun to their head and said, "We will sack and rehire, if necessary, the entire workforce if you do not agree to the changes that we want to make."

You correctly summed it up, Chair, as being an insurance policy. The bulletin to which Mr O'Shea refers was exactly the sort of bulletin that a company like British Gas would be very familiar with from its trade unions. What do they expect us, as unions, to say when we are told that there are going to be 5,000 job losses and changes to 26 terms and conditions, other than to say that we will stick up for our members? That is what we do, unapologetically.

The problem was that, by issuing the fire and rehire in the way that the company chose to do, it effectively poisoned the well, so it created a situation of conflict immediately from the start, whereas the history of our relationship with this company is to find a way forward by negotiation. We have always been able to do that, with the odd skirmish here and there. We have negotiated two successive changes to pensions, to the benefit of the company and to the disbenefit of our members, in only the last couple of years, so it was very regrettable that this is what set the tone and, effectively, leads us in many ways to the position that we are in now, which is a workforce that feels done to rather than worked with, and that does not make for good business.

**Chair:** Thank you, Mr Bowden. I tend to agree that Section 188 is often used as a power play as opposed to trying to seek a negotiation, which is unfortunate.

Q333 **Charlotte Nichols:** Mr O'Shea, to what extent do you acknowledge an additional responsibility to avoid job losses and deteriorating pay during a time of severe economic downturn and a rise in unemployment? I visited the Stockport picket line over the weekend and have had a number of



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emails and social media messages from British Gas engineers who are incredibly distressed at the prospect of finding work outside British Gas if they do not accept these new contracts. As the chief executive, what responsibility do you take for that?

**Chris O'Shea:** Ultimately, I have responsibility for everything that our company does. The dispute at the moment is primarily with engineers. When we entered into the negotiations—and we have moved substantially in those negotiations—the base case for me was that we would not cut people's pay, because I believe that our colleagues have lifestyles and commitments based on what they earn, but the inescapable fact is that we are between 30% and 50% more expensive than a contractor. Our direct-labour model is more expensive, and what that means is that, if we continue on the path that we are on, we will continue to lose direct-labour colleagues and replace them with contractors, because we are not competitive. This is about being competitive.

The offer that we have made increases, as the Chair said, working hours for two-thirds of our engineers from 37 to 40 hours. One-third of them already work 40 hours or more. Those who work more—they are very few in number—will reduce to 40 hours. The offer that we have made for a gas service engineer is a base salary of just under £40,000, for an installations engineer it is about £36,500, and for a smart engineer it is £29,000. These are good offers. About 20% of our colleagues will have pay rises under this. A substantial number of our colleagues will see more holidays. I know that we are asking a lot of our colleagues to go from 37 to 40 hours per week, but the reality is that we have lost too many jobs over the past several years. When we can see that our direct-labour model is far more expensive than a contractor model, something has to give.

I did not want to cut people's pay and I thought it was reasonable to ask them to work 40 hours a week. I regret that we are in this dispute, and I am responsible for every decision this company makes, but I do not want to stand by and watch more jobs being lost.

One thing I would add, if I may, is that we have under-recruited over the past several years in terms of apprentices, because our terms and conditions are not competitive. In the past 18 months, we have recruited 48 apprentices. Today, we are recruiting and we will create 1,000 new apprentice roles by the end of next year. We already have 5,000 applications. I am excited about that. These jobs will help to deliver net zero, and I know this Committee is looking at that. These are the jobs of the future. I regret the fact that we have people worried for the future, but I am excited about growing jobs and I will do everything I can to maintain and grow the well-paid jobs that we have today.

**Charlotte Nichols:** Mr Bowden, did you want to add something?

**Justin Bowden:** Yes, just very quickly, if I could, please. There are two things. This is an area of the economy where people understand hourly



rates. In simple terms, the current hourly rate is between £14 and £19 per hour, depending on what sort of engineer you are talking about. Under the proposals that we are in dispute over, for the majority of engineers—around 5,000—being asked to move from 37 to 40 hours, there are those additional three hours per week. On top of that, they are being asked to do an extra half-hour at the end and beginning of the day, so that makes between five and a half and eight hours a week of work for free. There is the possibility of earning the three hours back but there are no guarantees over that. That pushes the effective hourly rate to about £15.50, which is pretty much on a par with the wider economy. For members of the public who are familiar with what it costs to get a gas engineer or an electrician out, that rate of pay for providing coverage Monday to Sunday, across weekends and into the evening, is not a king's ransom, by any means.

In terms of profitability—I am taking this straight from the company accounts—in the first six months of 2020 the adjusted operating profit of the Centrica home business, which is where the engineers in dispute work, was £229 million, an increase of 27% on the same period. The recently departed chief financial officer of Centrica, Johnathan Ford, said in July 2020 that “you can see that in the numbers that have come through with the UK Home business up 27%. I think that speaks to a very stable business with high levels of retention and recurring revenue.” He said that “customers are flat to slightly down but profits have increased a little bit... I think this is a service business that can grow its profitability.”

I would just say that, on profitability, we have no problem with the business being profitable—we want that to be the case and that is good for our members—but the deal has to be fair and beneficial to them, and reasonable both in terms of to how they are paid but also on their work-life balance and the time they spend with their families.

**Q334 Charlotte Nichols:** Has Centrica received support from the Government during the pandemic? If so, were they aware of your plans to fire and rehire workers when you received this support?

**Chris O'Shea:** The first thing I would say is that the speed with which the Government put in place the Coronavirus Job Retention Scheme was impressive and appreciated by Centrica and many other companies. When we faced into the first shutdown, nobody knew where this would go, and I did three things in my first three weeks as interim CEO, and one was supported by the job retention scheme. The first one was to cancel an already declared dividend to conserve cash for the company, the second one was to cancel all cash bonuses for all management, and the third one was to guarantee full pay and incentives to all customer-facing staff—all engineers and call-centre operatives. We were able to do that and we said we would do that irrespective of whether they could carry out their duties. We were able to do that because of the support of the Coronavirus Job Retention Scheme.



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We did furlough engineers. We followed Government guidelines and we paid £35 million in total to staff who were furloughed, of which £27 million was made by the Government and passed on to our colleagues. We are very grateful. This scheme did exactly what it was set up to do, which was to preserve jobs, because, at that point, we did not know what was going to happen. At our peak, we had over 6,000 people furloughed, so we have accessed that. The job retention scheme is very different to the ongoing negotiations. It was automatically accessed by us and we are very grateful.

Q335 **Charlotte Nichols:** To clarify, you received £27 million of Government support.

**Chris O'Shea:** The Government made £27 million of a £35 million payment to colleagues who could not perform their duties during coronavirus in the first lockdown.

Q336 **Charlotte Nichols:** Was any other financial support received from the Government over the course of the pandemic?

**Chris O'Shea:** There was no other financial support. We did not access the loan schemes or anything like that. We accessed the furlough scheme.

Q337 **Charlotte Nichols:** As you said, the Government were not aware of your plans to fire and rehire at the point at which you accessed £27 million of taxpayer support.

**Chris O'Shea:** The first time that we furloughed people was in March. The first time we would have claimed that would have been on 19 May for the first two months of March and April. The Government would have been aware of our Section 188 notice, because we are obliged to file an HR1 form at the same time with the Department for Work and Pensions, and that would have been on 15 July.

Q338 **Charlotte Nichols:** Just to come back very quickly on the point about the Section 188 notice, you are required to give 90 days' notice for that. We are far beyond that 90-day period. Why were you unable to do the negotiations first, before issuing that Section 188 notice?

**Chris O'Shea:** I believe the period has been cut from 90 days to 45 days in the legislation as it has been changed. You are right that we are required to give 45 days' notice and, therefore, 45 days after 15 July, we could have proceeded to act on the Section 188 notice, but because we are committed to negotiations, we did not. We parked that.

I know that there is a question over whether you have to give this upfront or not. Ordinarily, companies or Governments would not share the legal advice. However, given that this is such an important point, if it would help the Committee, I would be very happy for Centrica's lawyers and external counsel, GMB's lawyers and external counsel, and the Committee's lawyers and external counsel to meet and exchange the



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legal advice. It has to be done lawyer to lawyer because this point needs to be clarified. I have made that point to Gavin Newlands on the Bill that he is taking through Parliament. I have met with him twice. A clarification in the law would be most helpful. If it would help the Committee, perhaps our lawyers could all meet to share their interpretation and come to a common view.

**Q339 Judith Cummins:** It is fair to say that what we are trying to establish here, Mr O'Shea, is whether Centrica is taking advantage of a Covid pandemic to fire and rehire vast amounts of staff. I have a series of questions to you. They are all very short, so please be concise in your answers so that we can catch up on a bit of time. The GMB said that you had only two days of meetings before fire and rehire. Can you explain this further, please?

**Chris O'Shea:** We made our announcement on 11 June. We then had meetings with the GMB, UNISON and other unions on 8 and 9 July and we had the statement that Mr Bowden referred to: that all unions within British Gas would oppose these changes. Our legal advice stated that that was the point at which it became possible that we would not have a negotiated settlement. That is why we issued the Section 188 notice on 15 July.

**Q340 Judith Cummins:** I am trying to understand the context here, Mr O'Shea, so please bear with me. By issuing a Section 188 notice, did you not realise that this would undermine trust in the negotiations right from the very start? How long have you been chief executive officer?

**Chris O'Shea:** I was appointed on an interim basis in March last year and then permanently in April.

**Q341 Judith Cummins:** Have you been a CEO before?

**Chris O'Shea:** No. I was CFO of Centrica and CFO in a number of companies before that.

**Q342 Judith Cummins:** Can you give us an idea about the last 10 years at Centrica? What have industrial relations been like with GMB in Centrica over the last decade? How many industrial disputes and strike actions have there been? This is just so that we can get some context here.

**Chris O'Shea:** That is useful context. In the last 10 years, we have had one localised industrial action in Merseyside. In that same period, we have lost a million customers in our engineering business.

**Q343 Judith Cummins:** I am asking about industrial relations here, Mr O'Shea. There has been one localised strike and no national strike action in the last 10 years. There have been good industrial relations over the last 10 years; that is a record that I would be proud of if I was chief executive of Centrica. There have been no industrial relations disputes, up until now. Within three months of your appointment as CEO, you have threatened the whole UK workforce with fire and rehire.



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**Chris O'Shea:** Within three months, yes. On 15 July, I had to issue that in order to have a fair process under Section 188.

Q344 **Judith Cummins:** Have you any idea whatsoever what it is like to live with the threat of fire and rehire? Do you know what it is doing to the staff you are responsible for? In terms of firing and rehiring, what is next? Are you going to fire and rehire all your workers?

**Chris O'Shea:** Over 83% of our colleagues have accepted the offer that we have made. I gave you the high level of some of the offers. Mr Bowden and I agree on more than we disagree on, but Mr Bowden has laid out the fact that we are asking people to work extra hours.

Q345 **Judith Cummins:** I have had testimony from your staff. One person said, "I have had chest pains for a few weeks now. Anxiety, body aches, headaches and shortness of breath." This person even took a Covid test because they thought that was the reason, but it was anxiety because of this fire and rehire action that you are taking. Would you care to comment?

**Chris O'Shea:** Undoubtedly, what I am asking people to do is difficult. I would not shy away from that. However, my view is that I would rather do everything in my power to save the 20,000 jobs that we have. I had one colleague tell me the other day they had been with us two years and been through three rounds of redundancy. I know this puts a lot of pressure on people. Only yesterday, my wife and teenage son had a package of excrement delivered to them with a note about fire and rehire. This is something that affects absolutely everybody. I am not immune to this.

Q346 **Zarah Sultana:** I want to touch on a point that Mr Bowden made earlier about the profitability of the company. Centrica reported an operating profit before exceptional items and tax of £901 million in 2019, and its profitability in terms of operating in the UK home heating business rose by 27% in the first six months of 2020. I have a very simple question: are these redundancies and this tactic of fire and rehire necessary?

**Justin Bowden:** As you would expect we would say, no, they are not. If we had done what is normally the case in this circumstance and the business had entered into negotiations with a view to seeking an agreement without the threat, the tone of the negotiation would have made the possibility of an outcome an awful lot better. If you start off by turning up in this circumstance, you end up with people even more reactive and resistant to change than they would normally be.

This is a workforce that has a history of change. If I put it into an analogous example, it is a little bit like us as a union carrying out a ballot for industrial action and getting a strike mandate, and then sending to the employer our pay and conditions claim and saying, "This is what we want. If you do not agree to it all, we are going on strike." The cart was put very much before the horse.



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On profitability, our view is that the business does have underlying profitability. It also has challenges. That is why, in the course of hundreds of hours of negotiations, we have made a huge number of changes, including, for example, the workforce being prepared to accept a three-year pay freeze. That does not suggest anything other than a degree of sense on the part of the workforce. The business remains in underlying profitability. I will not repeat the points that I put on the record previously but I will say that the business says that underlying operating profitability is one of its fundamental financial measures.

**Chris O'Shea:** The reality is that our underlying adjusted operating profit for 2019 was £901 million. The unadjusted number was a loss of £1.1 billion after tax. The underlying number is what we think is the ongoing performance of the business, but the reality is that in 2019 Centrica lost over £1 billion.

I mentioned earlier that having to issue a Section 188 notice upfront does not help negotiations. Companies have to be able, in some way, to change their terms and conditions, under limited circumstances. Employment rights are incredibly important but companies have to have the right to make changes. As I mentioned, it would be very helpful if, as Mr Bowden said, it does not have to be upfront in the negotiations. I challenged the legal advice that I got, because I did not feel entirely comfortable with it.

I did not underestimate the impact but I also take seriously my responsibility to follow the laws that are in place at the moment. My legal advice was very clear: that, in order to have a meaningful consultation with colleagues, you have to do this upfront. I understand that, in the Asda case, where GMB was involved, bringing it in later in the process caused problems, so I really do hope that, out of this, we can change the timing at which a Section 188 notice has to be served.

Q347 **Zarah Sultana:** Mr Bowden, you have suggested that Centrica has effectively proposed to cut pay by 10% and introduce zero-hours contracts. Centrica has denied that this is either the intention or the impact of its new contracts. Why is there disagreement on this very point? Please be quite quick with your response, if that is possible.

**Justin Bowden:** I will be quick on the first point because I have covered it previously. If you require people on a current hourly rate of between £14 and £19 per hour to do between five and a half and eight hours of extra work a week without paying them, their hourly rate reduces by something between 10% and 18%, depending on the number of hours. It is a simple mathematical calculation. The bulk of the workforce—5,000-plus individuals—are being asked to do an extra three hours, with no guaranteed pay for it, and to do an extra half hour at the beginning and end of the day, bringing them up to eight hours. That is a cut of more than 15% in their hourly rate.



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On zero hours, we have drawn a parallel to this with the reduced control that members have over when they work and the hours of coverage that they have. That is the way in which our members would seek to describe it. If there is not time, I am happy to write to you on this, but I was going to read what one of our single-parent members said on Friday to the Welsh First Minister around this particular point, if appropriate. If time is tight, I can forward that.

**Q348 Zarah Sultana:** Please forward it. I will ask my final question. GMB and Centrica both accuse each other of using regrettable language during the conduct of this dispute, including offensive language. How might both parties go about resolving these issues in a more constructive fashion?

**Chris O'Shea:** As I mentioned, I am committed to working with all of our trade unions. We have good relations with Unite and UNISON. Relations with GMB at the moment are strained, but I am committed to working with Mr Bowden and the rest of his colleagues going forward. We have seen the use of terms that I have not heard for decades, such as a GMB official talking about "scabs". That is an abhorrent term. We have had lists of colleagues who have been working circulated on WhatsApp groups to other engineers, so they can be intimidated. As I told you earlier, my family had a package of excrement delivered. We have had the police involved in people going to some of our executives' homes. The police are involved in the case involving my wife and son.

We have to find a way—and I am committed to finding a way with Mr Bowden—to de-escalate this. We have to move forward. We cannot succeed as a company without our colleagues, and our colleagues have trade unions. We will work together. I hope that GMB can join us, with Unite and UNISON, in a progressive partnership to build this company to help deliver the net-zero-carbon initiatives and to progress on the COP 26 targets that will no doubt come out shortly.

**Justin Bowden:** If I can quickly respond, the way in which the business has sought to respond to the fact that some 7,000 or 8,000 of its workforce rejected the proposals has been to single them out and to suggest that, in some way, they are out of kilter. I have to say that, in my 25 years as an official, I have never seen the level of pressure brought to bear on a workforce at any point. The endless stream of meetings and emails, with leverage applied by managers at all levels within the business, telephoning people within and outside of hours, telling them that, in some way, there was something wrong with them having a different view from that of the company, has been absolutely unprecedented. I have not seen anything like that before and I am not surprised by the outcome, where you push people into that position, nor by the effects that it has had on people's mental health and other wellbeing.

I would be more than happy to have further discussions with Mr O'Shea around this point, but the measures and means employed by the business are not consistent with what normally happens in these



circumstances. Normally, a business sits down and says, "We need to make change for this reason," and we would always engage in that circumstance. If, at the end of that, as a last resort, agreement has not been reached, there may be further changes. Fire and rehire should absolutely be outlawed as a tool that can be employed before discussion has even started.

**Q349 Mark Jenkinson:** I will start by condemning the language suggested by Mr O'Shea, the intimidation and the abuse of anybody's family. That does not help anybody in this dispute at all.

Mr Bowden, I have met with some Centrica employees who still have significant issues around the start times and the additional hours, but also the worry that, despite the company's guarantees, there are, effectively, no guarantees because of contractual clauses enabling the company to change contracts with reasonable notice and the alleged removal of collective bargaining clauses.

One thing that stood out to me was that Centrica put a lot of weight on the additional money that can be earned through the CTAP scheme, but there is a lot of concern that employees can end up in an hours deficit because of this scheme. Mr O'Shea will probably want to comment on this after you. One particular example brought to my attention was that, currently, an engineer is allowed 40 minutes to service an inset gas fire, which can take an hour. Mr O'Shea said this is all about the customer. Right away, that might put an employee in a deficit. Strikingly, he said that a boiler lead, which takes 10 minutes to input into an app, including a couple of photographs, credits them with 42 minutes, which is more than a safety-critical issue such as a gas fire. Do you have any comment on that?

**Justin Bowden:** There is quite a lot within that. For anybody who is not familiar with it, CTAP is the company's new bonus scheme that it wants to introduce. One of the reasons that we ended up in the dispute that we did is that that bonus scheme and how it worked was not a finished article when people were being asked to vote on it.

Mr O'Shea asked people to take a leap of faith, and the difficulty with that was twofold: first, that they already had had the gun placed to their head from fire and rehire; secondly, the business has a history, going back over at least five years, of broken promises and of failing to deliver on all sorts of things, including the apprentices that Mr O'Shea referred to previously and cannot be laid at his door, because they pre-date him. There was a promise made, in return for pensions changes by the workforce, for 450 apprentices. At the point at which we were consulting on this offer, fewer than 50 had been appointed, so the business does not believe the management, because the management does not do what it says it will do.

In terms of the proposal, the expectation is that people will work harder and faster, so that means that there will be less time to carry out certain



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tasks. The way in which things are measured—for example, the credit given for selling, which is what the boiler lead is—is ultimately determined by the business. The problem is that we do not have the clear contractual protections within that that allow people to have certainty about how they work and to not think that, as things move forward, the business will turn up the speed at which the production line operates. If people do manage to perform, they will just move the goalposts around that.

There is an awful lot within that. The workforce ultimately do not trust their management, and that is one of the major obstacles to be overcome in terms of making for a successful business, which is what everybody would like to see happen.

Q350 **Mark Jenkinson:** Mr O'Shea, how do you overcome those issues?

**Chris O'Shea:** Initially, the contracts that we have proposed did have a clause, which I understand to be a fairly standard clause in employment contracts, that said that things could be changed with 28 days' notice. Mr Bowden is right in that trust is not where I would like it to be between our colleagues, and people raised that, so we have removed that clause. That clause is not in our contract. We listened to people and we took it out.

At the moment, people visit, on average, 6.4 or 6.5 customers a day. I was not in anywhere near as many of the negotiations as Mr Bowden, but I did go to the odd meeting. He demonstrated, on a whiteboard, customer productivity. One of the points that he made that really resonated with me was that we have made the company complicated and we, as management, have reduced the productivity of our team. What we are asking for is for people to go back to levels of productivity we saw before. It is right that some of our engineers pride themselves on being great at selling. I have spoken to some of them and they want that protected. I have spoken to others who are worried because they say they could not sell a fire in a cold country, so they do not want to have to rely on that.

Our scheme seeks to reward all of the different types of engineers who we have: those who sell well can be rewarded—they can have time credit or they can have extra money—and those who do not want to sell can get the same credit. Our CTAP scheme is not just about pay. For some of our people, it is not just about money. You can earn up to £11,000 if you visit nine customers a day and you can decide whether to claim overtime or to use CTAP as flexibility. That is a colleague's choice. You can bank up to three days' time off in lieu every month. One of the points that Mr Bowden made, which I completely agree with, is that work-life balance is very important. What we have learned is that, as engineers and other colleagues work through their lives—I suppose this is the same for all of us—what is important changes. For some people who want more time off, they can bank time. For some people who want more money, they can earn more money. It is really up to our colleagues with regard to that.



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We have to rebuild trust. I am committed to doing that with our unions as we move forward, but what we are looking for is productivity to go back to where it was, and that is something that we have to be looking for not just in Centrica but in the country as a whole.

**Q351 Alan Brown:** Mr Bowden, you have made it clear that fire and rehire should be outlawed. Do you support my colleague Gavin Newlands' Bill on this subject?

**Justin Bowden:** Yes, on both counts. It should absolutely be outlawed. It has no place in modern industrial relations. It is an utterly un-British type of mechanism that can be, as we have seen within British Gas, very wrongly used, with consequences that are, ultimately, of no benefit to anybody. What GMB would like to see is for it to be outlawed and for the process of industrial relations to be able to be carried out as it generally is right across the economy, in a sensible fashion.

**Q352 Alan Brown:** Is there similar employment legislation elsewhere in Europe, where collective bargaining still takes place and where fire and rehire is outlawed?

**Justin Bowden:** It is very unusual. It does exist in one or two other European countries, if I recall correctly, but it is very unusual. In most other European countries, negotiations and changes are carried out by consent in a far more comprehensive and inclusive way than certainly has been the case within British Gas over the last six months.

**Q353 Alan Brown:** Mr O'Shea, you said you want legal clarification of when to serve fire and rehire notices. Does it not go deeper than that? If it can work in other countries in Europe, why do British companies feel the need to keep this insurance policy?

**Chris O'Shea:** Companies have to have the ability, in limited circumstances, to change contracts, rather than just watch—as we have—competitiveness erode and jobs walk out the door. If we do not do this, the jobs will go to the gig economy, which nobody wants. The circumstances have to be limited.

**Q354 Alan Brown:** Is it a wider issue of employment rights? If the jobs are just going to migrate to the gig economy, does that suggest deeper problems than just fire and rehire?

**Chris O'Shea:** It is a problem for legacy companies like ours. We have been going for over 200 years and we have terms and conditions that have been built up over a number of years. The market has changed. Customer needs and wants have changed. We have to change as well. Companies should not have the right to do this under any circumstance at all—employment rights are important—but it is inescapable that our use of contractors and the gig economy has increased substantially over the past several years.



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What I am trying to do is to stop that and to protect the direct-labour employed model that we have. We have the biggest unionised workforce of our kind in the UK and I am proud of that; I want to keep that, but we need to be able to change. That is why I have told your colleague, Gavin Newlands, that we should not lose the ability for companies to make changes, but we should change when the Section 188 notice has to be served. I would argue that it would not be in line with British values to watch strong legacy companies like British Gas and others simply die over time, because, ultimately, that is what we will face.

Q355 **Alan Brown:** Is this not another mixture of language? Mr Bowden was saying that fire and rehire is very un-British, and you are saying it is British values that need to be protected. We are using language that is not really helpful. There is a bigger picture that we need to keep in mind.

**Chris O'Shea:** I agree that there is a bigger picture. For me, it is about saving and growing the 20,000 jobs that we have, and helping the country deliver the net-zero targets that we have.

Q356 **Chair:** Thank you, colleagues, for your questions. I just have one quick follow-up before I bring the session to an end. I was concerned to hear from Mr Bowden about pressure being applied to individual workers as opposed to going through the union negotiation. Mr O'Shea, you have not been calling engineers yourself, have you?

**Chris O'Shea:** I do speak to colleagues. I spoke to an engineer on Saturday who is on strike, because I got a message from him. I called and had a chat. I did not try to pressure him. I listened to him and he gave me some ideas as to how we could move forward. I do speak to colleagues very regularly but I have not called anyone to pressure anyone to sign a contract. I respect people's right to go on strike. I take exception to inflammatory language and intimidation, but I have not done that.

**Chair:** Thanks for that. As I said at the beginning, it is unfortunate that we are having to have this session in public evidence before the Committee, and I sincerely hope, as do colleagues on a cross-party basis on this Committee, that you are able to resolve this, for your workers, for the success of the business in the future and indeed for your customers, who I know are also wanting you to resolve this.

The key issue for us to take away is this issue of the interpretation of the legislation. As it stands, I am not entirely convinced by the argument that you had to issue the fire and rehire so early because of the law, because, if that was the case, every other business going through these redundancy processes at the moment would be doing it. My sense at the end of this hearing is that that was probably your decision, Mr O'Shea, and you might want to reflect on that. From my perspective, it was probably the wrong way of doing it.

We will take up your offer of seeing the legal advice and we will talk in private session with your lawyers and with the trade union as we look to



the employment rights Bill that is going to be coming to the House in due course, to see whether we need to ban fire and rehire as a legal right in the legislation. Thank you, Chris O'Shea, CEO of Centrica, and Justin Bowden, national officer from the GMB, for your time.

## Examination of witnesses

Witnesses: Tim Sharp, Mike Brewer, Rob Joyce and Matthew Taylor.

**Chair:** We are now going to move on to our second panel today. I am delighted to welcome Tim Sharp, senior employment rights officer at the TUC; Mike Brewer, who is the chief economist at the Resolution Foundation; and Rob Joyce, who is the deputy director of the Institute for Fiscal Studies. At approximately 11.30 we will be welcoming Matthew Taylor, who was the chair of the Good Work Review.

I apologise to those watching for having another panel of male witnesses only. It is something we are conscious of as a Committee and we promise to do better in the future.

Q357 **Ms Ghani:** You should not worry too much, Chair; you have lots of powerful females on the Committee. My first question is to Mike and Rob. I do not want to talk about disparities being acceptable; I want to know whether you think the Government have a strategy in place to deal with BAME or minority groups who are over-represented in low-paid and insecure work, and how they can help them post Covid. Secondly, it has taken quite some time for senior management teams to have representations, not only from BAME communities but from working-class people. Has Covid set them back a generation?

**Mike Brewer:** They are two very good questions. I do not have a great answer to the first one, other than to say that the over-representation of black and minority ethnic groups in disadvantaged areas of the labour market is not a particular feature of the labour market. It just represents structural inequalities and structural racism throughout UK society. There is no one easy explanation for why it happens. We know that black and minority ethnic people do well in the education system compared to the white majority, and then when they go on into the labour market, their outcomes become less good.

On your second question, I would hope that the Covid crisis causes us to change how we think about low-paid workers. We have seen the value. We have seen that many key workers are paid perhaps far less than we would like. We know that a very high number of care workers are paid below the living wage, if not below the minimum wage. We know that the delivery drivers we rely on are often forced into self-employment, where they lose employment rights. I hope it is the case that Covid allows us to reassess our view towards disadvantaged groups in the labour market, but I am not yet seeing any evidence that that is happening.



**Rob Joyce:** On the first question, you can think of this from two different broad angles, in terms of the disproportionate representation of ethnic minority groups in low-paid and insecure work. You can think about it in terms of reducing the marginalisation and disadvantage faced by some of these groups, which we absolutely should do. You can also think about it in terms of reducing the large insecure areas of the labour market. Inevitably, more marginalised groups are the ones who disproportionately fall into those areas when you have them. You should definitely be keeping that second category of responses in view, even when the specific focus is on ethnic minorities or, indeed, other groups who are disproportionately likely to end up in that part of the labour market.

Issues around the workings of some of the more informal economy and alternative work arrangements, which we may come on to later in the session, are key here, and success in addressing those issues would disproportionately benefit some ethnic minority groups.

Of course, another general point here, as ever, is that it is really important for the Government to have a good handle on the somewhat different issues facing different ethnic minority groups. There is a lot of variation there.

I would keep both of those broad angles in mind: the disadvantage and marginalisation faced by ethnic minority groups, where a lot of the puzzle or the challenge is, as Mike said, about what happens after education, on entry to the labour market, which is where a lot of those groups tend to fall behind. I would also focus here on the more general issue of insecurity and low pay in the labour market, because that will always disproportionately affect more disadvantaged groups.

Q358 **Ms Ghani:** We are yet to see the full extent of unemployment caused by the pandemic, unfortunately. What can the Government do to ensure job retention and also to help out with self-employment support schemes in a way that minimises further job losses and redundancies?

**Rob Joyce:** The challenge we are going to face at whatever the point is when public health restrictions are significantly eased and, presumably, the support schemes are wound down further is in part very likely to be one of effective reallocation. There are going to be a number of workers at that point who do not have their old job. The issue is going to be how effectively we can get them reallocated into not just other jobs but hopefully other good jobs with good prospects of progression. Of course, this is one of the areas where history is not very encouraging.

We do not know yet exactly what the composition of labour demand is going to be at this point and exactly which sectors are going to bounce back and how quickly. It may well be that, for quite a period of time, the mix of jobs that is going to be demanded in the economy is going to be somewhat different from what it was before the crisis. There are a number of reasons for that. It may be that the crisis itself has quite persistent effects on sectors like retail. Another key issue is that, as we



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recover from the crisis, we are going to see other potentially quite big structural adjustments happening at the same time, which is quite unusual. Disruptive effects of Brexit would be one example; the transition to net zero would be another. There is going to be a lot of structural change potentially.

The big challenge is going to be how we support people when they are out of work and looking for work, and how we get people back into the right jobs. There is a role here for relatively active policy. To start with a small example of the kind of thing I have in mind, can DWP do more to help people get matched up with not just the occupations that they used to do or that they say they want, but those that actually are suitable for their skillsets? We know one issue is that people often tend to look for work just in the occupation they were in last. We may find that, if that happens a lot, it is a real constraint on getting people back into jobs, and good jobs with good prospects of progression. Of course, training and skills policy comes in here in a very key way as well.

One other point is about data. We really are going to want good and quite fine-grained data on where the mismatches are most severe between the skills of people looking for work and the skills required by new vacancies, because that is going to be where we need to work hardest to correct the problem. At the moment, we do not really have a great way of getting a sense of that.

**Mike Brewer:** The first thing the Chancellor has to do is not phase out the job retention scheme too soon. I know he is going to come to this in the Budget. He is currently planning for the end of April. It does not look like the economy is going to be functioning normally as of 1 May, so I think his first decision is to make sure he phases the ending of that scheme perfectly in line with the easing of the restrictions, without gaps either side.

Q359 **Alan Brown:** Tim, during the recovery from the previous recession in 2008 and post 2008, there was an increase in low-quality and low-paid jobs, zero-hours contracts and temporary work. Is this likely to be repeated post Covid? If so, is there a way to mitigate that?

**Tim Sharp:** This is definitely something that worries us. We think about one in nine workers were in insecure work ahead of the coronavirus outbreak. We know that left them exposed to big drops in income or potentially unsafe working conditions.

There are worrying signs at the moment. We did a survey that found that one in 10 workers said they had faced fire and rehire tactics to downgrade their conditions. When we talk to unions operating in sectors like hospitality, we worry that there are concerted efforts there to level down pay and conditions, rather than level up.

We need to be thinking really carefully about what sort of economy we want as we come out of the pandemic. There is evidence from people like



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the OECD that decent work is associated with better economic outcomes. It makes sense that if you are committed to your workers you invest more in them.

We are keen to see policy efforts directed towards encouraging decent work. That means good-quality jobs should be protected now. It means making sure that the furlough scheme does not suddenly come to an abrupt end. There should definitely be efforts to raise the floor of employment rights and crack down on the use of zero-hours and short-hours contracts. Also, the Government need to start making an effort to encourage good-quality jobs in emerging industries such as green energy.

Q360 **Alan Brown:** You mentioned fire and rehire there. Has there been a real prevalence of these tactics during the Covid pandemic? Is this likely to continue? We heard in the previous session that the GMB wants to see it outlawed. Is that something the TUC agrees with?

**Tim Sharp:** Yes, absolutely. We are worried about what appears to be the prevalence of it. Some employers are opportunistically taking the opportunity to downgrade terms and conditions at a time when workers are worried about their prospects. It is not a new tactic, but we are seeing quite extensive use of it in hotels and restaurants in particular. We have also seen the more prominent use of it in sectors like aviation. That is a real worry, and there should be action taken to crack down on the use of fire and rehire, so we agree with that.

**Matthew Taylor:** To introduce myself, I am the former director of the Office for Labour Market Enforcement. In response to the question, there is international evidence that, when unemployment rises, you are likely to get both an increase in precarious work and an increase in non-compliant employment; you are going to get an increase in employers who are not ensuring that their workers receive their full entitlements and rights.

It is important that we reflect upon the challenges for labour market enforcement and compliance of a different labour market. The enforcement agencies that I oversaw until Sunday evening had flat budgets last year, and I expect, given the way the spending envelope works and that they are not a protected area, that they will expect to have substantive cuts in their funding in the year ahead, despite the fact that they are facing further challenges and, of course, having to work in the context of Covid.

The Government are commendably committed to doing some things to try to protect precarious workers, but we have been waiting a long time for clarity on these matters. For example, it is getting on for two years since we had a consultation originating from the Low Pay Commission around minimum notice periods for workers on zero-hours contracts, and fines for late cancellations of shifts for people on zero-hours contracts.



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One of the other important measures that would be in an employment Bill, and about which we are waiting for clarity, is around employment status. Of course, many key workers who people have focused on in the last year, in areas like social care and delivery, are workers who can often be mischaracterised as self-employed, when really they ought to be characterised as workers and receiving workers' rights. Because they are classified as self-employed, they have minimal rights, and, of course, less money comes into the Exchequer if they are classified in those ways. We have seen these court cases, like with Uber, rolling on for many years. One of the things that the employment Bill should hopefully be doing is helping us have more clarity.

Finally in that regard, I have come to the conclusion, which is not a conclusion that I put in my review for the previous Prime Minister, which was published in 2017, that we do not need three statuses of workers: employees, limb (b) workers and self-employed. Two statuses are sufficient: self-employed and employees. That would deal with some of the issues around precarious work.

**Q361 Alan Brown:** Do you have a view on whether fire and rehire should be outlawed?

**Matthew Taylor:** That would be going beyond the remit that I have at the enforcement office. One of the questions here is around what the law does and does not cover. There are several issues, such as the treatment of pregnant women, where one is relying primarily on people taking cases to employment tribunal. That system, as we know, is under immense strain. I do not know what the backlog is now, but it is under immense strain.

One of the things that I have been disappointed by in recent months is that there has been very little debate about the Government's commitment to create a single enforcement body. This is an enormous opportunity to bring together the work of HMRC on the national minimum wage, of EAS on employment agencies, and the GLAA. We should be having a bigger debate about the possibilities of a single enforcement body, including whether it might have some role in trying to make the employment tribunal system work more effectively than it does at the moment. It really has severe problems at the moment. That is partly about whether there are some issues that are currently employment tribunal issues—civil issues—that should be brought into the regulatory sphere, but it is also about how to make that system work more effectively than it does at the moment.

**Q362 Alan Brown:** Mr Joyce, we obviously want to protect jobs but there needs to be a rebalancing in the economy. Tim touched on green energy. We need to hit net zero. There is talk of a green recovery, which sounds really good, and I am sure most people would sign up to that aspiration. Are there plans that Government should be putting in place now to allow that restructuring to a green recovery? If they are not doing enough, are there things they should be doing now?



**Rob Joyce:** The main point I would raise there is around making sure we are not on the back foot in terms of the implications of some of the structural change for particular parts of the workforce. There are going to be a lot of similarities with some of the other kinds of structural change we have had in the past. We are going to be creating new kinds of jobs that require a certain set of skills, and other kinds of jobs will probably be negatively affected. At some level, there is a question of reallocating.

One of the worst things that can happen is that the people who lose out are not able to take any of the new jobs created because they do not have the right skills, they are not in the right places, they are not made aware of these jobs or whatever the friction is, or they are not able to take some other good job. When you get a geographical clustering of those kinds of effects, which can often happen when change happens at the level of particular industries or occupations, that can become a real problem for a whole local economy. The Government need to see this in part as a challenge of managing structural change in the economy and stopping that becoming entrenched disadvantage for some of the groups who could lose out if it is not managed well.

Q363 **Alan Brown:** Mike, do you have a view on that structural rebalance? Is there one key issue you recommend the Government need to look at?

**Mike Brewer:** There are an awful lot of challenges facing the UK economy in the next decade. The move to net zero is one of them. We also need to reconfigure our economy in the light of our new trade policy. I am looking for the Chancellor and the Treasury to set out some of that strategy in the next Budget. We were hoping to see some of that perhaps in an autumn Budget, but that was postponed. It is really up to the Chancellor to come forward with those ideas in the March Budget and show us what the country's strategy is for dealing with a formidable set of changes that are facing us, as well as recovering from the pandemic.

Q364 **Alan Brown:** Do you not have any ideas that you would like to see the Chancellor present?

**Mike Brewer:** We need to move towards net zero. That is going to require changes across all parts of our economy and all parts of our society. It is not so much the individual micro-policies that are needed but more about having a coherent strategy for changing our economy, our workforce and the skills. I want to see a coherent strategy. It is not an issue of the individual micro-policies; it is a sense of knowing that Government have a coherent strategy for getting there.

**Matthew Taylor:** It is worth saying that before Covid there was discussion in Whitehall about the fact that we do not have a labour market strategy, and we have not had one for a very long time. A labour market strategy requires a systemic look. It is not just looking at one particular element, like job creation or skills. It is looking at demand; it is looking at supply. Arguably, this is an opportunity for us to do something that we should have done some time ago, which is to bang heads



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together in Whitehall. The labour market falls between Departments: it is a bit of BEIS, a bit of Treasury, a bit of DWP and a bit of the Department for Education. There is a really strong case for encouraging Departments to work together to produce a proper labour market strategy.

Q365 **Alan Brown:** What timeframe would you expect that strategy to be able to be delivered in?

**Matthew Taylor:** The strategy will take some time to develop, and it is not going to deal with the immediate issues that you have been discussing. You need to take immediate steps to address those. In a way, whenever you start a strategy, it is always going to be slower than taking immediate actions, but there is a gap in the middle of the Government's thinking. This might be a good opportunity. Because we have the green economy, the post-Covid shock, the ageing population, et cetera, there is a really strong argument for trying to bring this stuff together and have a coherent, overarching labour market strategy, which other countries have and we do not.

Q366 **Chair:** Matthew, your point about the employment tribunal is important. We will not get to it today, but it is something we may look at in the future, especially for pregnant women and new parents, as you mentioned, many on lower incomes, who cannot afford to be represented at the employment tribunal, so they do not really have access to justice in the first place.

Matthew, you have noted that you are no longer the interim director of the Office for Labour Market Enforcement. I had assumed that in the employment rights Bill we might start to get on to the single enforcement body and that therefore extending your interim directorship until that would have been a sensible thing to do. Do you have any idea why Government have not renewed your position?

**Matthew Taylor:** This is a slightly invidious because it makes me sound a bit pathetic, like I am desperately trying to cling on to my job. I really want to promise you folks that is not the case.

In brief, I was asked to take on this role in the summer of 2019. From the very beginning, when I was asked to take the role on by the Secretary of State, it was assumed that the Office for Labour Market Enforcement would cease to exist when a single enforcement body was created. If the single enforcement body is an arm's length body and has its own board, it does not need another organisation to oversee it. Also, these agencies will be together, and one of the roles of my office is to encourage better co-ordination and collaboration between those bodies.

However, for reasons that are understandable, and for other reasons that are less clear, there has not been a great deal of progress on the single enforcement body. This is, by the way, an unusual policy. It is a high-profile policy that just about every single person supports.



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One of the things I have done in the office, rather pushing the boundaries of our mandate, is to bring people together to talk about the single enforcement body. It raises some very important policy questions. What will its local presence be? How will it work together in having a single risking framework? How will it work with sectors? What will its ethos and image be? These issues are just not being discussed, so I have brought stakeholders together: trade unions, third-sector organisations and business organisations. We have had some very good conversations.

I was appointed for a year; I was asked last year to carry on for another six months, which I said I would happily do. Then, in November, I was told that the post would be advertised. That was fine, but I did point out, when I was told that, that I thought it was unlikely they would have anybody in place by the end of January, and so I offered to continue on a week-by-week basis, if necessary unpaid, if that would make any difference to it. At the moment I get paid but then the RSA, my main employer, stops my wages, so I do not earn anything from it but there is a transfer of money between the Government and my main employer. If necessary I would do it unpaid, week to week, until they brought in a new director.

The reason this is important is that, when there was an interregnum between me and my predecessor, officials in my office asked BEIS what they were allowed to do, and they are not allowed, basically, to do anything without a director. They are not allowed to speak publicly, to engage stakeholders, publish reports or submit reports. They basically cannot do anything without a director.

It has now become clear that the process for choosing my successor has not progressed. I put my name in, without much hope of being chosen, to be honest, just to see what was happening. I got an email yesterday saying the process has been reopened and people can apply until the end of February. Even if the process of interviewing and selection only lasts a month, which is pretty unlikely, and somebody is chosen who can start work within a month, which is also unlikely, we are talking about three months' gap in terms of overseeing that office, all of which is completely unnecessary because it was all entirely predictable and I was very happy to carry on on a week-by-week basis.

The other thing to say—I will shut up after this, and I am sorry it is such a long story—is that my team worked incredibly hard to submit our 2021-22 strategy over the weekend. That was supposed to be submitted in March, but, because they are not allowed to do it without a director, they worked incredibly hard—I want to commend them—to submit that strategy, in my name, on Saturday evening.

It was very important to do that because it covers some incredibly pressing issues, not just on the single enforcement body but also the impact of higher unemployment, which we have just been talking about, and also the potential impact of the new immigration regime, which is



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going to impact particularly on some of the high-risk sectors that we do our greatest work in. It is really important that that strategy gets out. It is really important the recommendations get out.

My worry is that, if I tell you that the 2020-21 strategy was submitted in March 2020 and the Department has not yet published it, you will understand why I am slightly gloomy about whether the strategy that is submitted for 2021-22—submitted on Saturday, two months early—with lots of time-sensitive recommendations, will see the light of day. The danger is that we will not see that strategy until many of the issues it is describing have passed or moved on.

I am afraid it is a pretty sorry tale. It is not a tale I want to tell, and it is certainly not about me trying to hold on to a job. I have another job. We just have a really good team of people doing a really important job, and it is pretty inexcusable that they are now unable to do it, despite the fact that this circumstance was entirely predictable.

**Chair:** I agree it is unfortunate that we seem to have an Office for Labour Market Enforcement that actually in practice does not exist at the moment. The publication of the documents is maybe something that I will pick up with the Department in my capacity as Chair.

Q367 **Paul Howell:** It would be appropriate to get some opinions from Matthew. You did the 2017 Good Work Review. I would like you to talk about the impact of Covid since then and whether there is anything in that review that you now think has additional importance or has changed in emphasis, or whether you think it all just stands as it is.

**Matthew Taylor:** The critical point is that, in my appointment by the then Prime Minister, Theresa May, there was a recognition that the public was concerned about new types of work, particularly precarious work—gig work and zero-hours work—and they wanted to know that the system of labour market regulation was up-to-date and addressed those concerns.

If anything, that public concern for the dignity of work at the bottom end of the labour market has increased. That is particularly because of the incredible recognition we had of the importance of a variety of workers, many of whom are in high-risk groups. That unpublished strategy for 2020-21 focused on high-risk groups, and that included, for example, care workers and agricultural workers. If anything, the public's desire to see a system that protects those workers is even stronger.

Then there are specific elements. The Government are to be commended for commissioning the report and implementing things that I recommended that could be done through secondary legislation in the very early stages. Some of those things were done: the abolition of the Swedish derogation, ensuring workers had a day-one statement of their rights. All those things that require primary legislation are stuck now because we are still waiting for details around the employment Bill.



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More protection for zero-hours workers, recommended by the Low Pay Commission, is very important. Clarity around employment status is also extremely important, because that is an issue that particularly affects some of the sectors that I have described.

There are a range of other steps. For example, I would like to see a right for workers on variable-hours contracts to request fixed-hours contracts after a certain amount of time, and that companies have to publish how many requests they have had and how many they have acceded to.

**Q368 Paul Howell:** On that point specifically, does the right to request go far enough?

**Matthew Taylor:** My view, which trade union colleagues will not agree with, which is fine, is that if the employer has to publish how many requests they have had and how many they have acceded to, and therefore we can expose companies that are simply refusing as a matter of course, it is an important step forward. Whether or not it proves to be enough is something we can look at again. I am an incrementalist by nature, and I think that is an important first step.

We know from surveys that quite a lot of workers on variable-hours contracts do not want fixed-hours contracts. Some companies have surveyed their workers and found this too, so we should not assume that all zero or variable-hours contracts are bad. Again, there is a difference between me and trade union colleagues on that. There is exploitation, and I called in my report for two-way flexibility. Certainly, the Low Pay Commission's recommendations would go some way towards two-way flexibility, as would the right to request.

**Q369 Paul Howell:** I did interrupt you there; you were talking about platform-based working and how that needs to be protected in a better way.

**Matthew Taylor:** It is not just in this country, by the way. It is worth knowing that in almost every labour market in a developed economy there are complex issues around employment status. This is a big issue all around the world.

Without getting too technical, we have three criteria used currently to determine someone's employment status. One of those criteria should be the predominant one, and that is the issue of supervision and control. If you are subject to ongoing control in your work, you should be deemed to be an employee. The fact that you can, for example, substitute your shift with somebody else should not be a material factor. That has been used by some employers to circumvent the spirit of the law.

We should say that control and supervision is the predominant determinant of whether or not you are an employee and have employee rights. The Government have expressed support for that in principle, but have not yet codified it.



This was not in my report, but I have also come to believe we do not need three categories of workers. In fact, I argue that we should have basically the same division in employment law that we have in relation to HMRC. HMRC has only two categories—self-employed and employees—and I believe it should be the same for employment law, and more or less the same boundary, though there will be some weird exceptions. That would make things simpler for businesses, amongst other things.

**Q370 Paul Howell:** A lot of what you said has not been affected by Covid and the changes it has driven. It is just something that was right to do, in your opinion, before and after. There has been no change in emphasis through Covid; it was there beforehand.

**Matthew Taylor:** The reality is that we do not know an enormous amount about the impact of Covid. We know the massive effect, which is the number of people on furlough, et cetera. The agencies have done their best to work virtually, but have also carried on, as far as they possibly can, doing visits. There is not really a great deal of intelligence that we have about the impact of Covid on the labour market. We will learn more as time passes. We reported on some of that in our strategy. I think you are right: Covid does not fundamentally change the argument, except that it has underlined the public's concern about precarious work.

**Q371 Paul Howell:** It has exposed situations and enhanced the visibility of them, rather than changing them. It is probably fair that I give some of your trade union colleagues the opportunity to come back on the earlier points as well, in terms of the right to request.

**Tim Sharp:** A right to request a contract reflecting your normal hours underplays the power dynamics in a workplace. If you are reliant on the whims of your manager for your next shift, workers are going to be afraid that any request could lead to work drying up. We know from our work that most workers on zero-hours contracts want guaranteed hours, and the same probably applies to those on short-hours contracts.

Zero-hours contracts cause all sorts of problems around budgeting, putting in place childcare and having a decent balance between work life and private life, if you are always hanging on for the offer of a shift. We are concerned that employers intent on using the cheapest option are going to have little regard to a request for such a contract. We already know that one in three requests for flexible working are turned down. We think it should be a harder right: workers should have the right to a contract reflecting their normal hours of work after a certain period in the job.

**Q372 Paul Howell:** Coming back to the need to reform rights for parental leave and caring responsibilities, could I ask Matthew to comment?

**Matthew Taylor:** That does not currently fall under the remit of the enforcement bodies that I oversee. I would emphasise again really strongly to the Committee, if I may, that the single enforcement body is



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an opportunity to do things differently. It is a commendable and ambitious policy, but we need to have a proper policy debate about what that single enforcement body will do and what areas it will cover.

My own view is that it should start with the agencies we have now, because it is a big enough task bringing them together, but there should be a plan for it to look at how it might expand its remit. There is a whole variety of questions. We have seen some very important work in Leicester around the garment industry. That has exposed some of the issues around whether a single enforcement body needs a local presence. How does it work with local authorities? How does it work with agencies that fall outside the single enforcement body, like the Health and Safety Executive, for example?

These are big policy questions. My worry is, inasmuch as there is a discussion within Whitehall about the SEB, it is a kind of logistical, organisational conversation about how you thrust three agencies together. These are big policy questions, and I would encourage the Committee to encourage Government to have an open debate. The great irony here is that you have an exciting policy and an exciting opportunity to do something really impressive in this space, yet we are not having the debate and the discussion. It would be a pity if we created something that is merely the merger of three things and not an opportunity to do things differently.

**Q373 Charlotte Nichols:** Matthew, should limb (b) workers be entitled to greater protections from detriment and dismissal? If so, what should those protections look like?

**Matthew Taylor:** This refers to the point I made earlier, which is the fact that we have three employment statuses: employee, limb (b) worker and self-employed. My view is that we should not have three statuses; we should have two statuses. There are issues raised by how you do that. Again, disagreeing with union colleagues, I do not think we should be abolishing the possibility for people to do casual and variable-hours work. There are points in people's lifecycle where that is relevant and useful work, such as if you are a student working in your summer holidays. I do not want to move to a situation where it is not possible to have casual or variable-hours work, because it can work for both sides.

How you do that is a challenge, but we do not need to have three employment statuses. I would get rid of the limb (b) worker category, so that all workers have the full protection of rights. It is, after all, already the case that, for example, in relation to employment tribunals and claims of unfair dismissal, you have to have had a working period anyway. It is not as if, if you got rid of limb (b) workers, you are in a situation where a casual worker working one day would suddenly have the right to claim unfair dismissal. That is already dealt with in the law. I would get rid of that category and move to two statuses.

**Q374 Charlotte Nichols:** As someone who spent my whole working life on



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zero-hours contracts before working for a trade union who treated me pretty well, funnily enough, I disagree of your assessment of zero-hours contracts being in the benefit of student workers, for example. I definitely would have liked to not be going between working zero hours one week and 60 the next when trying to do my coursework, but thank you very much for your insight there.

My next question was a little broader. How has the pandemic changed how we should think about low-paid and essential workers, and employment conditions and protections for people in insecure work? I am very conscious of the fact that most of the people we have all been relying on throughout the course of this pandemic are people who are in very low-paid work, whether frontline retail staff or people working in distribution centres who are keeping us all in our nonsense deliveries of things to keep our spirits up during lockdown and so on. Perhaps Tim might want to start on that question.

**Tim Sharp:** It was striking in lockdown that a lot of workers who perhaps had been invisible previously were seen to be central to keeping society running. Those are the sort of people you touched on, such as delivery drivers, retail workers and carers. A lot of people were shocked to discover that they were often in low-paid and such insecure work.

The issue of insecure work came to the fore in Leicester as well, when we saw that workers with few rights found it very hard to insist on safe working conditions. We have also seen insecure workers bear the brunt of job losses in sectors like hospitality, which so often relied on people on insecure contracts who could be let go or just not be given any hours at the drop of a hat.

We have stopped clapping for carers, but most people have not forgotten about that. It is really important that we now take this opportunity to think about the sort of labour market we want to see, coming out of the pandemic. Decent work should be part of that, so we should see action on things like zero-hours contracts and enabling people to work flexibly in a way that allows them dignity at work.

**Mike Brewer:** I would agree violently with that. I do not think there is anything special about the coronavirus crisis in the way it has affected insecure or atypical workers. It is exposing, I hope, how much we rely on people who are low-paid and at the bottom end of the labour market, whether it be care workers, delivery drivers or retail workers. It is now up to us as a country to try to recognise that by giving them, ideally, higher wages and a better time in the workplace.

**Charlotte Nichols:** I could not agree more on that point.

**Rob Joyce:** Thinking about insecure workers generally, rather than specifically about who is and is not essential, do not forget the tax issue here. There is a subset of people in self-employed forms of work who are essentially there because of a labelling exercise, at least in part in order



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to get tax advantages. In order to do that, jobs and contracts have to be reshaped in a way that removes certain employment rights. That is certainly a part of what is going on in terms of some people ending up in those forms of work. Indeed, if you look across countries, we have one of the highest rates of self-employment in Europe, and the other countries that have something similar all have similar tax differentials. That is an issue that we should not forget, and it does relate to this in part.

In terms of what has happened during the crisis, a big issue has been the patchiness of support for people in some of these forms of work. A lot of that is genuinely difficult to deal with, given the data the Government actually collect on the incomes of the self-employed, for example, and the obvious challenges in applying something like the furlough scheme to people on zero-hours contracts. There are some specific policy choices that have been made, though—for example, to exclude people who get just less than half of their income from self-employment from the self-employment support scheme. They did not have to make that choice. Quite a few people in self-employment are balancing it with another job or some other form of income if they are semi-retired, for example.

Finally, longer term, one thing that the pandemic has highlighted is how much we have struggled to integrate properly these forms of work into our welfare safety net. That requires some serious work on policy design going forward.

**Matthew Taylor:** I am not supposed to be here, but I cannot resist commenting on this as it is such an important issue. I will be very brief and then I will go away; as the Government are finding out, I am hard to get rid of. Rob is absolutely right in what he says. If we were being bold, we would recognise that there is no rationale for taxing labour at different levels depending on the form in which it is provided.

Let us imagine I had a huge garden. If I employ somebody who is employed by Lambeth gardening services, I will have to pay indirectly for the employee's national insurance for that work. If someone tidies the garden who is self-employed, I will not have to pay that. There is no rationale for that. If you want self-employed people to pay less tax or you want to give them tax breaks for investment that is all fine, but there is no rationale for the hirer to pay a different tax rate.

If you were simplifying the tax system, and also wanting to close what is a fiscal black hole, as Robert implied, you would move to a situation where you tax labour, where the hirers of labour pay the same tax regardless of where the labour came from. At a stroke, you would remove the incentive for bogus self-employment. As Robert said, one of the knock-on consequences is that those who are bogusly described as self-employed, because the hirer wants to save tax, as a consequence do not have any employment protection and rights.

That is something the IFS has argued for for some years. If the Chancellor is thinking big in a post-Covid economy, moving to a uniform



way of taxing the hiring of labour would be an entirely rational and commendable thing to do. It would remove perils in the labour market, it would raise some money for the Exchequer and it would address something that is a historical anomaly.

**Q375 Chair:** Mike, earlier you mentioned the decisions around ending or tapering furlough, and the link to redundancy figures. The Committee has seen the graphs, and it looks pretty obvious that when the furlough date was announced you saw this huge spike in redundancies, anticipating the end of that support. What advice would you have for us in terms of recommendations to the Ministers about how best to manage that transition? You cannot just extend furlough forever more, so how best can you bring that to an end without triggering enormous numbers of redundancies?

**Mike Brewer:** It is very hard. There will always be some redundancies and a rise in unemployment when the job retention scheme ends. Robert referred to this earlier. We have now had furlough for so long that we have really gummed up part of the labour market. We have not had the usual churn of workers moving between firms and firms naturally going out of business. This will have been going on for over a year. Inevitably, there will be some kind of shake-out when the job retention scheme comes to an end, reflecting pent-up natural turnover that we put a stop to with the job retention scheme. It is nothing to do with coronavirus, but the idea that employers, rather than having to fire people, have just put them on the job retention scheme for non-Covid-related reasons. There will undoubtedly be a small rise in unemployment and an increase in people losing their jobs when the job retention scheme runs out, for non-Covid reasons.

What the Chancellor has to do, which he did not really get right in the autumn, is think about how to align the phasing out of the job retention scheme with the easing off of the health restrictions. That is easy to say in principle and maybe harder to do in practice. We certainly do not want to see what we had in the autumn, which was the Chancellor repeatedly changing his mind about what would happen after the end of October. It caused huge uncertainty for business and employers. It was good when, in late November, he decided to continue it through to the end of March. We now have one more month, to the end of April. This has to be a joint health and economic decision, and not just an economic decision.

Speaking practically, if it is still the case that we are in tier 4 or tier 3, where we cannot fully reopen hospitality, then of course the job retention scheme should carry on existing. That is the absolute minimum as far as we are concerned. It might be good if the Chancellor could say something like that, to give firms in those sectors some confidence.

A long time ago we recommended that a sector-specific job retention scheme might be a good idea, because, as the crisis goes on, it is only certain sectors that need it. We will not need an economy-wide job retention scheme as we are phasing out restrictions. It is clear that the



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Government are not in favour of that, but it would help them solve this problem because it could focus the job retention scheme just on those sectors that are directly affected by whatever remaining restrictions we have.

Q376 **Chair:** Your hope is that they are aligned to sectors and/or geographies based on tiering restrictions, so that it actually meets the real, lived experience of people.

**Mike Brewer:** That would seem to make the Chancellor's job a little bit simpler, yes.

**Rob Joyce:** I broadly agree with the comments. The other thing to think at alongside this is that, if you take some of the examples of people in hospitality who have been on furlough for much of the past year, they might have only been in their job for a few months before the crisis. In normal times they might well have moved on to another job by now anyway. There is a risk for some of these people that the best use of their time is not to have sat doing any paperwork for the past year.

Yes, there is a real risk in pulling the rug from under their feet, because we cannot precisely target the rug. There are some people who we do want to keep supporting, because they have a lot of job-specific knowledge that we do not want to waste. For other people, who might be better served by finding another job, we really want to think about trying to facilitate those people, if they want to, to find other work that is appropriate to their skills. The sweet spot is hard to pull off: we want to provide support for those who really need it and who should be holding on to their old job, because they have a lot of valuable experience in that job, for example, but we also do not want to be clogging up the labour market more than we need to. We want to help people progress their careers where there is a way of doing that.

Q377 **Chair:** A kind of jobs programme that allows all of those agenda items together.

**Tim Sharp:** We are very conscious that there were spikes in unemployment towards the scheduled endings of the previous furloughs. Government should not be going up to the wire again, because people lose their jobs as a consequence. The Government should be extending the scheme to the end of the year. We know that firms stop using furlough when they do not need it. We have seen that in construction; there is a far lower use of furlough in construction in this lockdown where those firms are able to work. There should be a longer-term scheme to the end of the year, as we are seeing in other countries.

Q378 **Chair:** We talked earlier about the impact on pregnant women and parents with childcare responsibilities. Have you seen any evidence from the TUC's perspective about how they are being disproportionately affected compared to people who are not pregnant or do not have children?



**Tim Sharp:** Yes, our survey work has shown there is a massive burden landing on women in various different ways during the crisis. Our latest survey of around 50,000 people showed that a quarter of mothers are worried they will lose their job. They might be singled out for redundancy, sacked or denied hours. We know that a lot of pregnant women have been treated badly. If it is not safe for them to work in the workplace, we know they should be suspended on full pay, and many are not; instead, many are being put on sick pay or selected for redundancy or furlough, and suffering hardship as a result. Unions like USDAW had to fight for those sort of rights for workers in Tesco.

The Government could have done a lot more to safeguard the rights of pregnant women during the crisis. We should be extending pregnancy and maternity redundancy protections to six months after a new mum has returned to work, to ensure that new mothers are not targeted for redundancy when they come back to work.

We also have to think more about the parental rights that people have or do not have. A lot of parents have really struggled, particularly with this partial closure of schools. It has laid bare how few rights parents have. There is no right to paid time off for emergencies at the moment. That puts a real pressure on parents. Parental leave is unpaid for most people, and it requires a long notice period. We need to think about that. We need to think about flexible working—real flexible working, not working from your kitchen table with your kids around your feet. Many people have shown they can work in different ways and patterns and be just as productive as they were in the office. We have an opportunity as we come out of this pandemic to put in a proper, day-one right to flexible working for parents, to allow them to balance paid work, their private lives and their responsibilities.

Q379 **Mark Jenkinson:** I am going to talk about the B-word—Brexit. We have left the transition period now. What opportunities or risks does that present for reforming workers' rights?

**Tim Sharp:** Brexit should not be seen as an opportunity to whittle away at workers' rights. It is really disappointing that the early whisperings were all about eroding rights, particularly as they affect insecure workers, whether that is agency workers' rights or whittling away the current rights, including normal overtime and holiday pay.

It is notable that the trade agreement says that each party shall continue to strive to increase the respective labour and social levels of protection. We were told the Government would use this opportunity to strengthen rights, particularly for insecure workers, particularly around flexible working. They should pay particular heed to obligations on enforcement. It is noticeable that the trade deal involves a commitment that both parties will have an effective system of labour inspections. It is very clear that, thanks to the cuts in resourcing, we do not have that today. There is an opportunity for Government to step up and put in place a decent system of inspections of working conditions and worker protection.



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Q380 **Mark Jenkinson:** To return to your first point, you talked about “whisperings”. That is all they were and there was no basis to it, but membership of the European Union neither alters nor changes that at all, does it? Let us move on to Mike. Do you have any views on that?

**Mike Brewer:** The Government now have more ability to change workers’ rights. We hope that it does not lead to any weakening for those rights, particularly at the bottom end of the labour market. We also noted before Christmas that there is a new challenge for the rights of those migrants that continue to be in this country. Evidence suggests that when you close off legal rights of migration to a country you get an increase in illegal forms of migration to a country. A new phenomenon may be an increased amount of illegal migration—workers illegally in the country, who are also employed by employers who are not following labour market law. They are having their rights as workers infringed, but because they are in the country illegally it makes it much harder for them to enforce those rights. That is a new challenge coming the way of the single enforcement body.

**Rob Joyce:** That is a potentially important point that Mike just raised, but I do not have anything else to add.

Q381 **Mark Jenkinson:** What opportunity does the upcoming employment Bill present? We have discussed a number of different ways it can do some things going forward, but what minimum standards and protections should be maintained?

**Tim Sharp:** The Government’s first suggestion of this Bill in the Queen’s Speech was that it would deal with insecure work and rights around flexible working. That is a good place to start. This Bill should be used to effectively ban zero-hours contracts. As we discussed in depth, they hamper workers’ abilities to provide for their families, to budget and to plan their lives.

Q382 **Mark Jenkinson:** Just to interject, that is a sweeping generalisation. While there is an element of that at the bottom end of the labour market, before Parliament I had a zero-hours contract. That was my choice, but it was very well paid. I chose to do as much work, or not, as my family needed. It does suit some people, regardless of some of the rhetoric around it.

**Tim Sharp:** The right to a normal-hours contract is an important way of doing that. We are particularly concerned about those workers with very little power in the labour market. We think there needs to be action on zero-hours contracts. We have talked about the parental rights; we have seen the challenges parents have had during the pandemic, so rights to time off for emergencies would be important. A right to flexible working from day one would be another important step forward.

At the beginning of this session, we talked about the position of black workers. The Government have also previously consulted on this. It is



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important to bring in ethnic minority pay gap reporting as well, so we can start challenging some of the structural inequalities.

The last thing we would highlight would be that we have seen during the pandemic how constructively unions have worked with Government and employers in different sectors to put in place safe working, and that should be something that should be built on. We would like to see unions given the rights you get in New Zealand to access workplaces to talk to workers about what unions can do for them. Those are the five areas that we would highlight.

**Mike Brewer:** We are very supportive of the right to request a contract that reflects the actual hours they work. Waiting 26 weeks might be a little problematic, as zero-hours contracts often do not last that long, so waiting 26 weeks is a bit late. I agree with Matthew's idea that companies should have to publish their acceptance rate.

We would also love to see zero-hours contracts have a right to advanced notice of their work schedules and a right to compensation when there is cancel without reasonable notice. Those might be alternative ways of getting at the problems of people having zero-hours contracts. I agree with what a number of Members have said about the benefits of flexibility sometimes, but we need to make that flexibility not entirely one-sided and not working just in the employer's favour. Perhaps advanced notice and the right to compensation when schedules are cancelled at the last minute would also help.

More generally, we are keen to see the single enforcement body properly funded, and more alive to geography. What we have noticed from some of our qualitative research is that the strength of the local labour market is incredibly important in determining whether workers are treated well and what recourse they have in that event. In deprived areas, if you are treated badly by your employer then you may have no choice but to stay put. We really want the single enforcement body, although it is a national body, to be very alive to local geography.

Q383 **Mark Jenkinson:** That is a really important point. We have to shift the narrative on zero-hours contracts to abuses of zero-hours contracts and abuses of the one-sided nature of some of them at the bottom end.

**Rob Joyce:** Yes. I was going to emphasise exactly the point that you just did. This would be a good opportunity to try to take the edge off some of the abuses and aspects of these kinds of contracts that very much work against the employee side of the market. That would be a very good focus. A couple of the practical suggestions that Mike just made would be good.

Q384 **Chair:** We have not talked a lot today about the impact on young people entering the labour market. The IFS produced a report this week or last week about this. Could you update the Committee on your findings?



**Rob Joyce:** We have done a lot of work on this in the past, and relatively recently. For some time this has been known to be a real issue after recessions; young people are a group who are often hard hit, both initially but also persistently thereafter. One element of this comes back to the mismatch issue. Even where young people do find work during these times, they find different kinds of work from what they would have found in normal times. It is work that offers less good prospects of progression. It may just be work that is less well-matched with their skillsets but they were forced to take because of the lack of available options. This hinders their progression and their progress up the jobs ladder thereafter.

That is clearly a risk this time. It is going to be a lot easier, frankly, to get a fair chunk of young people into some form of work than it is to get them into the kind of work that they would have been in in the absence of this crisis. You can see that with the design of some of the specific policies, which have quite a “work first” flavour to them, “any work first”, which is not necessarily inappropriate—there is only so much the Government can do—but if you take something like the Kickstart scheme aimed at young people, the incentives it provides are sharpest for employers providing temporary, low-paid, low-hours work. We absolutely want people to have some work rather than nothing, but matching people up with the best work we can is going to be really key. We know that things like part-time work and some of the more insecure forms of work often lead to very, very little progression.

One specific point to add is on apprenticeships. They can be a useful tool where they work well. One constraint of them is that they are reliant on there being some demand for labour, because you need employers to want to provide these things. A collapse in labour demand or a continued weakness in demand can itself be a constraint on how effectively we can use apprenticeships to help young people. Something that is worth keeping a very close eye on as we emerge from the crisis is how those are actually being used, and the extent to which they are providing the help that we might hope for.

Q385 **Chair:** How the Government links its education, further education, skills and retraining policies alongside economic incentives to create work opportunities is obviously going to be important there.

**Rob Joyce:** Absolutely, yes.

Q386 **Paul Howell:** What opportunities has the pandemic presented for encouraging innovation and productivity improvements? We have talked about the risks to young people in terms of the gap in the education year that therefore leads into things going forward. Is there a particular emphasis in the skills space as to how we get that to work going forward? This is the last question, so if you have any wrap-up points or things you particularly want to get out there, this is your shot.



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**Mike Brewer:** That is a good challenge to perhaps end on an optimistic note, although I do not have too much to say. My general take on the pandemic is that it is accelerating ongoing structural changes that are already in the economy. The high street was already in decline. Home-working was already on the rise. The pandemic has accelerated those, not caused those—evolution, not revolution.

**Rob Joyce:** Anecdotally, automation and innovation have certainly happened a fair bit during this pandemic. There are some obvious reasons why forced innovation of the kind we have recently had quite a bit of can have longer-term benefits for productivity. Innovation can either be dropped if it did not work out or retained if it led to something good. As ever with innovation, there is a big difference, depending on the kind of innovation it is, in terms of the impacts on different kinds of workers and whether the new innovations are complementary to particular people's skills or a substitute for them.

I would also mention a countervailing potential risk that is worth keeping an eye on when it comes to innovation and productivity, which is market concentration. One thing we see some signs of happening is more market concentration, basically because smaller firms find it harder to survive in a crisis like this. You can think of some obvious examples like Amazon benefitting from that, but there are probably a broader set of examples like that going on. One risk of a lot of market concentration could be to inhibit innovation.

The other point I would raise—and again, this is something to keep an eye on rather than a concrete suggestion—is that you have probably recently seen estimates of losing something like a million non-UK-born people who appear to have left the country during the crisis. That could have the direct effect of creating some labour shortages in some sectors if it is a long-term thing. It could also have an effect on investment, and hence productivity, because of potential labour shortages. Again, that could go either way depending on what kind of investment it is and how it fits with different people's skills. There is a lot of scope here for a fair bit of change due to technological changes or changes in the use of technology. That is something that could cause a lot of disruption as we emerge from the crisis.

**Tim Sharp:** We would like the Government to have a bit more ambition on the issues of skills and training. There was a recent White Paper, "Skills for Jobs", that we thought underplayed the need for the role of unions in working with employers and setting standards. It is inexplicable that the Government is planning to cut the Union Learning Fund at the very time that we need as much investment in skills as possible. I would also highlight that we are concerned about the slow rollout of Kickstart; we would like to see more urgency there to support young workers in particular in the labour market.

**Chair:** Thank you to all of our witnesses. That was a very useful canter



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through some very significant policy dilemmas for the Government, both in terms of responding to the impact of Covid and trying to stimulate our economic growth, but also thinking about future policies around the impacts of automation, labour market strategy, reforms to employment laws and how we bring together skills, retraining and training policies alongside employment generation. We are going to take that away as a Committee and think about whether we can do something fuller on that in the coming months to contribute towards Government thinking.

Thank you to Tim Sharp from the TUC, Mike Brewer from the Resolution Foundation, Rob Joyce from the Institute for Fiscal Studies and Matthew Taylor of the Good Work Review for your help and contributions today. Thank you also to all my colleagues on the Committee.