HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Self-employment and the gig economy, HC 847

Wednesday 22 February 2017

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Ms Karen Buck; James Cartlidge; Richard Graham; Steve McCabe.

Questions 142-254

Witnesses

I: Andrew Byrne, Head of Public Policy, Uber UK, Lesley Smith, Director of Public Policy UK and Ireland, Amazon, Dan Warne, Managing Director UK and Ireland, Deliveroo, and Carole Woodhead, CEO, Hermes UK Ltd.

Written evidence from witnesses:

– Uber

- Amazon

- Deliveroo

- Hermes

Examination of witnesses

Witnesses: Andrew Byrne, Lesley Smith, Dan Warne and Carole Woodhead.

Q142 **Chair:** Welcome. Dan, might you begin by identifying yourself for the sake of the record? Then we will go along and then Karen will open questions.

Dan Warne: I am Daniel Warne. I am the Managing Director for Deliveroo in the UK.

Carole Woodhead: I am Carole Woodhead, Chief Executive of Hermes in the UK.

Lesley Smith: I am Lesley Smith, Director of Public Policy for Amazon in the UK.

Andrew Byrne: Andrew Byrne, Head of Public Policy for Uber.

Chair: Thank you very much.

Q143 **Ms Karen Buck:** I have a relative who is doing some work for Deliveroo, quite happily as it happens. Can I start by asking each of you to very briefly explain to us why you have adopted a business model that is based on your workers being self-employed?

Dan Warne: At Deliveroo we offer well-paid, flexible work to riders across the country who deliver food from restaurants to customers at home. We have 10,000 riders who apply to work with us each week and we have 15,000 riders in the fleet. We adopt a highly flexible model for those riders, which is the reason why we self-employ them. To add some additional context there, with our fee-per-delivery model, riders are paid for each delivery they do and they are allowed to log in whenever they like for whatever duration they like, while at the same time working for other companies, be that a competitor or another third party. They do not have to guarantee that they are going to work a number of hours. They have complete flexibility to work when they wish.

Q144 **Ms Karen Buck:** That explains what you do, but it does not explain why you chose a model that was based on your workers being self-employed. I am just saying this to you in order to guide the other members of the panel as well, but why did you choose a model that is based on classifying the workers as self-employed rather than, for example, having people on a zero-hours contract or having people on a number of base hours with flexibility added? What is it about making your riders and the staff of the other companies self-employed that is attractive to you as a company? I do not think you were set up as a charity.

Dan Warne: Indeed, so I will give a little more context. The business was formed about four years ago and prior to that our CEO, Will Shu, did a lot of research into what the food delivery industry looked like. He worked for several restaurants in order to get an understanding of what being a rider who delivered food would do and what was important to them. He did a lot of research working with other riders, understanding from them that flexibility was extremely important and that a number of these individuals worked a few hours each week, and that is reflected in how Deliveroo riders tend to work. On average they work 15 hours per week. It is not a significant income stream for them relative to what they do elsewhere, so 85% will use it as a supplementary income stream to doing something else.

In that context we decided to scale a model using self-employed riders, knowing that they valued flexibility and knowing that the only way to offer that level of flexibility would be with a self-employed model rather than an employed or worker status model.

Carole Woodhead: The Hermes model has been in existence for some 40 years now. It was born out of the agency catalogue model. The reason why we chose to go down a self-employed model route was that we wanted to use local people who were going to be delivering parcels in their local area and would know the addresses that they were going to be delivering to. They would get to know their customers, and that way we would have a very good quality local doorstep delivery experience that would give a very good customer experience.

In terms of what this does for couriers, they are their own bosses, so they are flexible, they can choose at any point to use other people to provide deliveries, either instead of themselves or as well as themselves. With that flexibility we have had couriers providing services for a long period of time. We have some 1,600 couriers who have been providing services for over 10 years. Indeed, 66% of our couriers have been providing services for over two years and I think that is the best evidence of showing that that flexible working arrangement is working for the couriers.

There are many examples where people are using other people to provide delivery services, whether that is in peak periods of time or it is a business that has taken on multiple rounds and is using other people to supplement its business, or people want to be able to use other people on an ad hoc basis to enable them to deliver parcels around their personal life arrangements.

Lesley Smith: The majority of our employees are permanent employees. We have 19,000 permanent employees and at Christmas we take on an extra 20,000, 3,000 of whom we have just converted to permanent staff. Until 2012 our delivery capacity was largely met by national carriers, so we were reliant on Royal Mail, Hermes, Yodel, DHL and others. At that point, e-commerce was growing for everybody, there was a huge amount of increased demand and we needed extra capacity. We looked around and there were networks of regional small businesses all over the country that we were not tapping into. We wanted to be able to tap into that extra resource, and those businesses are very often family businesses and were already self-employed driver businesses, often owner-drivers, individual units. We created Amazon Logistics, which is now a network of 100 delivery service providers who work in our delivery stations and they are the agents for recruiting local drivers. That structure existed before us.

We then added Amazon Flex much more recently. That only started in October and is in 17 city centres. That is to help us do superfast delivery and again we wanted to tap into the fact that lots of people tell us they want part-time, very flexible opportunities, so they tend to work in blocks of two or four hours, a few days a week and not consistently. People will often fit it in around school hours or other caring. About 40% of those people doing Flex say they already have a full-time job; about 20% have a part-time job; and others are students or they are retired and they want to fit it into that way of working.

Andrew Byrne: Uber broadly follow the rest of the industry in private hire. There are, I believe, 320,000 self-employed taxi and private hire drivers in the UK. Uber operates as a self-employed model in every market that we operate in and it seems to be something that is characteristic of the industry and has been for a long time. That said, we also believe that we offer more control for individuals who use Uber compared with a typical private hire operator, because we do not set shifts, we do not tell people where and when to work and they do not have to do a minimum number of hours per week and things like that. That is the fundamental reason why we believe our drivers are self-employed.

Q145 **Ms Karen Buck:** If they are working on a Uber platform, they can choose whether to switch the app on or not?

Andrew Byrne: There is no requirement at all to switch the app on for a certain number of hours every week. There is no requirement at all to use it even in the course of a month. Typically a private hire company before would have charged a radio fee before the start of a week and a driver would have paid the radio fee and then spent the first part of the week working off that money and then making a profit for the rest of the week. Uber takes a service fee for every trip, which means that people can still make money even if they do one trip, and there is no pressure on an individual to do a certain number of trips a week.

Q146 **Ms Karen Buck:** How many hours on average do the drivers work on the platform?

Andrew Byrne: It is around 30 over the course of a week in the UK.

Q147 **Ms Karen Buck:** So they are pretty close to being full time?

Andrew Byrne: Some 25% do fewer than 10 hours and 25% do around 40 or more, and then there is a large cohort in the middle that is anywhere from 10 to 40.

Q148 **Ms Karen Buck:** Lesley, am I right in saying that two to four hours is the average?

Lesley Smith: For Flex drivers in city centres, I think they do two to four hours in a day, but they will not necessarily work every day.

Q149 **Ms Karen Buck:** I do not think we heard from Carole how many hours on average Hermes couriers worked.

Carole Woodhead: No. If I can give you an average and also some examples of the variability that there is within that. On average a courier is working five hours a day, but some 33% of couriers work less than four hours a day. There are another 25% who are working between four and six hours a day, and the remainder choosing to work over six hours a day. Some 25% of our couriers work on just a Saturday and Sunday to provide service on those days.

Q150 **Ms Karen Buck:** Do all four of you have any idea as to how many of the people who work on your platforms also work in other jobs?

Dan Warne: Yes. According to internal surveys, 85% of our fleet also have another job, so delivery is a supplementary income stream for them, which is reflected in an average of 15 hours a week worked on the platform. We also have a younger demographic than perhaps other industries: 60% of our fleet are under the age of 25.

Carole Woodhead: I would like to point out that our courier model is not based on working on a platform. It originated before the platforms existed. The best example we had of that was a number of years ago when we took over the Redcats courier network and at that point we established that between 30% and 40% of our couriers provided parcel services for Redcats as well as for Parcelnet, as our business was called at that point in time.

Lesley Smith: Flex is quite new. We did a survey of Flex, but it is pretty new. That survey told us that some 40% were doing a full-time job and 20% were doing a part-time job. Flex is really top-up money. The Amazon Logistics people are drivers and they are in a network where the primary contact for them is the delivery service partner, not us, so we do not have that degree of knowledge. A lot of the people were professional drivers long before we came along and may well be driving with their delivery service partner for us and for other organisations.

Andrew Byrne: It is a similar story. There is no exclusivity on Uber. You can work for other private hire operators or do other things. We think that certainly above 25% do other things and have another income stream. We also know we have quite a lot of people who work seasonally—students, for instance, who work over summer and things like that—and a significant number who work for another private hire operator.

Q151 **James Cartlidge:** You have 75% of your drivers who are only driving for

Uber. Of those, how many are doing more than 40 hours?

Andrew Byrne: About 25% over 40 hours.

James Cartlidge: Of all of them?

Andrew Byrne: Yes.

Q152 **James Cartlidge:** What about of the ones who only drive for you?

Andrew Byrne: I am afraid I do not know the specific answer to that.

Q153 **James Cartlidge:** Could one assume that if they were doing more than 40 hours they probably only drive for you?

Andrew Byrne: Yes, reasonably so, although being logged into the app is not a perfect proxy for someone who is working. If you are logged into the app you could also be using a different app at the same time.

Q154 **James Cartlidge:** Certainly the evidence we have had from people who worked for your companies was that they were only working for your company, and I think that is an important point. Can I just clarify, Carole, I did not get the statistic of whether you had measured what percentage of your staff only deliver for you.

Carole Woodhead: The example that I gave was a number of years ago when we acquired another courier network. At that point we had a list of our couriers and their couriers, and 40% of those names were common between the two. That is one other company, as an example. That was several years ago. They would clearly be couriers who provide services for other parcel delivery companies and, as you have heard evidence last week from one of our drivers, people who do things that are completely separate to parcel delivery.

Q155 **James Cartlidge:** At the moment you do not know how many of your drivers only drive for your company?

Carole Woodhead: I cannot give you a precise figure, no.

Q156 **James Cartlidge:** Okay. Just to be clear, the reason this is important to us is that we are trying to establish the extent to which these individuals have the appearance of self-employment flexibility but in reality are looking pretty much like they are working for one company, often for 40 hours a week, and to what extent, therefore, they have any expectations such as other benefits that you would have if you were an employee.

Can I ask about the amount they earn? Can you state what wages your drivers and couriers earn on average, both before and after costs such as vehicle maintenance and before and after time spent loading or unloading their vehicles?

Andrew Byrne: We have a much better idea and a precise idea of people before costs, because costs vary depending on the driver, but the average across the UK is £15 an hour. After costs, we broadly split that into three different cohorts of people who are owners, owner-financers and renters and they typically have different cost profiles. Someone who owns a car would typically take home around £9.50, over £9, the financer is around £9 and then renter, which is the most expensive cost model, is around £8, just over £8.

Q157 **James Cartlidge:** Okay, because the evidence we heard is that the issue seems to be the cost. They are encouraged to purchase a car and obviously that debt was a significant cost for them to cover.

Andrew Byrne: Yes. Our estimates are very conservative in that sense. For an owner, we are taking on the whole cost of someone buying, typically, a Toyota Prius, which is a relatively expensive car, more expensive than you would necessarily need to have, and taking on the entire cost of that over the course of 150,000 miles, for example. Those costs are also based on 47 weeks a year and they are also based on approximately someone—

Q158 **James Cartlidge:** On average, after all costs your drivers are earning £9 an hour?

Andrew Byrne: If you are an owner, yes. It is owner, owner-financer and renter.

Q159 **James Cartlidge:** If you are not an owner?

Andrew Byrne: An owner is around over £9, a financer is around £9 and a renter is above £8.

Q160 **Chair:** When we had workers, or whatever one wants to call them, from Uber, they were saying there were periods of time turning up, docking in their parcels, trying to get them delivered and also making statements at the end of the day. When you are giving us that average hourly figure that takes them above quite a bit of welfare, are you saying all that time is involved in seeing whether they meet the Government's national living wage?

Andrew Byrne: For Uber we are taking it literally from the moment you switch the app on to the moment you switch the app off. In the course of someone working, there again we would say that someone switching the app on and off is not necessarily the exact same as the amount of time they spend working, typically because people use the app to look at the changing prices in the market. They might also keep the app on when they are at lunch. There is no upper time, and in fact I think it is the most generous estimate of working time we could do.

Q161 **Chair:** I want to come back to Carole and then back to James, but are you saying that all your workers do take home the living wage, the national living wage?

Andrew Byrne: Bearing in mind what we heard from the Committee before, there is a reason we launched two weeks ago a new earnings advice service, where we proactively approach all of our drivers to check that they are happy with their earnings and to provide more advice and training. That is a relatively new thing. Certainly drivers tell us they are very happy with their earnings and they are above minimum wage, some of them significantly above minimum wage, but I think we will have a clearer picture and we have a responsibility to make sure that we are finding out and helping drivers who feel they are not earning enough.

Carole Woodhead: Yes, I am confident that every courier can earn above the national living wage.

Q162 **Chair:** They can, but there is a difference between "is" and "ought", "can" or "does", isn't there, Carole?

Carole Woodhead: Yes, so if I could give you some average figures to support my argument. The average gross earnings for a courier is £11.40 per hour. We use the HMRC guidelines for the expenses, so we are using 45p per mile, which is on the conservative side, to deduct their full expenses, which includes all their vehicle expenses. The average after those expenses is £9.90 per hour, which is 37% above the national living wage. We have also, I think importantly, set a minimum payment level that currently stands at £7.80 an hour and from 1 April this year that will increase to £8.50 per hour.

Q163 **Chair:** If we don't think about averages, because they can sometimes deceive us, Carole, what about the lowest paid workers?

Carole Woodhead: The lowest paid workers at the moment would be receiving £7.80 per hour.

Q164 **James Cartlidge:** I may be stating the obvious, but that £9 is after your cut?

Andrew Byrne: Yes, sorry: the £15 is after our cut as well, so that is what we would pay out in the statement.

Lesley Smith: We do a slightly different scheme. Flex is the newer one, which is the superfast in town. That is a rate of £12 to £15 per hourly block and out of that you would take insurance, your vehicle costs, because everybody owns their own vehicle. They come to us and provided they have their own vehicle, which could be a scooter or a car, and an Android phone, then they are good to go. Currently there is a free offer on insurance—again since we are relatively new—from Zurich and we will have a third party who will do a £1 or £2 per block insurance that people can buy as a pay-as-you-go. It will be introduced in the summer but we are keeping the free offer going until then. That is Amazon Flex.

Amazon Logistics is slightly different, because that is paid through the delivery service providers on a day rate, but the day rate we insist is worked out on the basis that people have to be clearing the national living wage at the very least after deductions. Many of them hire their vehicles, so after any deductions for vehicle hire and insurance they should be at least clearing national living wage. They claim back petrol on a mileage basis.

Q165 **Chair:** You say "should", Lesley. Do they?

Lesley Smith: Yes, because we do pay audits with all the delivery service partners.

Q166 **Chair:** If the Chancellor was standing here asking you, "Are you implementing my policy on the national living wage?" all of you could say that every employee is covered?

Lesley Smith: They are not employees. They are self-employed, but anyway we ensure that the day rate is set and you monitor at the audits the level of deductions. They do vary around the country because insurance and the cost of a vehicle varies, but the day rate has to be set at a level that ensures that everybody can get the national living wage and we also pay for what we call "under the roof time". In Amazon Flex in town the average under the roof time is 13 minutes, coming in and coming out. We allow 15 minutes and that is paid, because they are much shorter rounds in city centres and much shorter distances. In Amazon Logistics, which is longer rounds, the time allowance is longer but that is also calculated as being paid time.

Q167 **Ms Karen Buck:** If Lesley has finished, I just want to ask Dan a question: I believe that you have been doing the pilot areas for the £3.75 per delivery as opposed to the hourly rate?

Dan Warne: We have, yes.

Q168 **Ms Karen Buck:** Are you monitoring whether people who are on that pilot are meeting the living wage, or indeed the minimum wage, at all hours in which they are doing shifts?

Dan Warne: Yes, so a couple of points of clarity. Our riders earn on average across all of the UK £9.50. Those who move to the new pilot earn on average £10.60. The reason we moved to that scheme is that we knew that not only could we afford greater flexibility but we could pay greater fees. With that model—fee-per-delivery—there is a basic incompatibility between the flexibility we offer and guaranteeing the national living wage for every hour worked, and I can explain that. There are two reasons for it. First, you have the flexibility to work for not only us but someone else in that same hour. We know that many of our couriers will work on a delivery for us in an hour and then they will do a delivery for a competitor in the same hour, so there would be a question mark over who pays that guaranteed hourly wage for that period of work.

Q169 **Ms Karen Buck:** How many people does that apply to?

Dan Warne: That applies to about 40% of our fleet, so we have been very careful with rolling this out. As you say, we piloted it initially to ensure that we could get feedback from the riders who were impacted by the new scheme to ensure that it was something that they wanted. Nine out of 10 preferred it to an hourly paid scheme and to ensure that they were earning significantly greater fees than what they were earning on the hourly scheme, which was indeed the case. As I say, it is £10.60 per hour on average, up from £9.50 across the entire fleet and £8.60 on the hourly fee scheme.

The second reason that there is an incompatibility is that we offer these guys the ability to log in whenever they like for whatever duration they like. If you think of a typical hourly model, you would cap the number of workers working in a given hour to ensure that you do not have too much labour for the amount of demand that you have. That is highly restrictive for individuals in our fleet who are using this to supplement additional income streams and additional lifestyle. For example, my brother does this. He works for a start-up. He likes to earn a little bit of extra money in the evening and being able to log in when he chooses is an ideal opportunity to do that.

When you do that, if you were to guarantee an hourly wage for everyone you would obviously risk lots of people logging in at the same time and there being a cost that means that model would not work for you and you would need to then cap the number of individuals who can work in given hours. Not only that, you would need to cap the earning capacity at peak. At peak they earn significantly greater money, which you would need to cap out in order to then blend that rate across the whole day.

Q170 **Ms Karen Buck:** Anything that requires that level of explanation probably requires a written note so we can see some of the workings-out.

Dan Warne: Of course. I am very happy to do that.

Q171 **James Cartlidge:** I understand we have your net figure. Can I just clarify: is that £9.50 net or gross?

Dan Warne: Of the £9.50, 80% of our couriers are cyclists, so the costs are not substantial. You need to buy a bike and that is it. There is then a £150 deposit that we ask for kit, which is fully refundable when that kit is returned. We pay the petrol for the 20% who are motorcycle couriers, and if you do not mind I will just get the calculation on that. We take the straight-line distance for every delivery they do. We multiply that by 1.5, and then, on the fuel usage, we pay £1.50 per litre, assuming 5.5 litres per 100 kilometres. I will write to you with this information so you can take a look, but we believe that is more than the amount they would spend for petrol.

Q172 **Ms Karen Buck:** Sorry, just to clarify—and I may not have understood this properly—you are arguing that within a given hour a rider will do a delivery for your company and a delivery for another company?

Dan Warne: On the fee-per-delivery model, absolutely, and encourage that—

Chair: They could do. They will not do necessarily, will they? They might do.

Q173 **Ms Karen Buck:** They take off your kit and put on somebody else's kit within the hour, and do a delivery for a different company?

Dan Warne: They are perfectly within their rights to use—

Q174 **Ms Karen Buck:** That is a different point. Do they do it?

Dan Warne: Yes, they do do that.

Q175 **Ms Karen Buck:** Do 40% of them do it? That was the figure that I think you gave.

Dan Warne: I could not tell you. I can give you a figure that 85% have other jobs.

Q176 **Ms Karen Buck:** That is a totally different thing. I accept that, but it is a totally different thing.

Dan Warne: Of course. It is very challenging for me to give you a figure now on how many work for other companies simultaneously. We would require them to provide that information to us, but that is something we can write to the Committee with, if that is of assistance.

Q177 **Ms Karen Buck:** If this is the basis for you saying to us that the hourly rate and whether that would guarantee the minimum wage or the living wage is difficult for you to do because a sufficiently large number of your riders will deliver for two companies within a given hour, presumably you have data that confirm that that is significantly large to change your model.

Dan Warne: Forgive me. That is one of two arguments. The primary argument, which was the second argument, is that if you are to allow someone to log in whenever they choose, then it is very challenging to offer the minimum wage without capping the number of individuals who can log in at that time. If you think about conventional industries like the restaurant industry, they would set a shift and say, "We have X number of people to work at lunchtime and at dinnertime", whereas we are offering, based on what our riders have told us they want, the flexibility to log in whenever they choose. As such, we do not have the control to stipulate how many are logging in at given times.

Q178 **Ms Karen Buck:** I think this is going to the heart of some of the questions that we are interested in about the model of how people are employed. If the design of the scheme—this is also true of Uber—is that an unlimited number of people can work for a given amount of business, then inevitably the pressure is going to ratchet down on wages. That is part of what our concern is.

Dan Warne: I would argue, respectfully, that the opportunity is then on the rider, which is what we are seeing with these average fees. The fact that these riders are earning more money at £10.60 an hour shows that through their understanding of the market. Not only that: we provide, through our technology, the times when they can expect to earn more money. Through that technology and their own insight they are able to maximise their fees by working at the times when they know they can make much more money. Those times, unsurprisingly for a food delivery company, will be at lunch and dinner. Between the hours of 6 pm and 9 pm, you can expect to make, on average, more than £12 an hour. In that period you can make as much as £21 an hour. There is no upward cap on your earnings there, which we believe is reflected with the self-employed model.

Q179 **James Cartlidge:** The point that Karen was making about simultaneous delivery is very important because, having said that, you must have some sense of how much they are working. Otherwise, if you are simply saying it is physically possible, it is kind of meaningless. One concern, as you are aware, is the extent to which people are, in effect, solely operating on behalf of one company.

Dan Warne: Of course.

James Cartlidge: Therefore, for you to say something as important as that, you really have to be able to substantiate it. It would be good if you could do that following this meeting.

Dan Warne: Absolutely. Two points. On the point you made about ensuring they are working for other companies, we know they work for other companies—85% do so.

James Cartlidge: There is a difference.

Dan Warne: Working simultaneously, however, is where I will go away and ensure we have some data points for you to review. I am aware those exist in the business. I apologise I do not have them today, but I will write to the Committee with that, if it is of assistance.

Q180 **Chair:** Dan, you are saying that you know that 40% of your employees work for another company, but you cannot tell us yet how many within an hour work for another company. Karen's point is, do they, within the hour, take off your uniform and then start delivering parcels for other people? Do you expect that to happen?

Dan Warne: There is no requirement to change uniform, as long as you meet standards for safety such as having a highly reflective jacket.

Q181 **Chair:** You would not mind if they started having Hermes parcels and Uber parcels in your food package at the back?

Dan Warne: To put this in context, we can get information not only from our riders but from restaurants, because it is a frustration for restaurants that riders show up for Deliveroo deliveries in UberEATS outfits and vice versa. Anecdotally, we know this happens all the time. I appreciate we should get some data on it, which I will endeavour to do post this meeting and provide to you, but this is very frequently done. It is because of the nature of the industry. If they want to maximise earnings, they know how to work for multiple players simultaneously. I respect I do not have that data today, and I will get that for you.

Q182 **Chair:** Carole, Lesley and Andrew, do you mind your goods being delivered by Deliveroo people in their uniforms? Does it trouble you at all?

Carole Woodhead: Hermes couriers are not obliged to wear a uniform. What is important to us is that the deliveries take place in the right manner and that they are delivered on the day in which the courier receives the parcels, but the courier has the flexibility to decide the number of rounds they have, the order in which they deliver their parcels and the time of day at which they choose to make deliveries.

Q183 **Chair:** You are not troubled?

Carole Woodhead: As I say, Hermes couriers are not obliged to wear a uniform. We have tested that with our customers. They are ambivalent as to whether a uniform is worn or not.

Q184 **Chair:** Lesley, what about you?

Lesley Smith: We do not yet have bicycle couriers. We will in due course. Ours on Flex are either car or scooter at the moment, but if they are wearing a Deliveroo outfit, I do not think we would feel strongly about it.

Andrew Byrne: No, it does not trouble us. Our view is that we want to be the best place to do it and that is an element of competition that should drive up standards. It is very common in the States. There is a very large competitor called LIFT, where you would typically see people having two apps on their phone. They would even have two signs on the car. It is not as common in the UK for simultaneous, within-the-hour working. It also slightly depends on the licensing regulation in the different town or city that you are in. Some local authorities will not allow individuals to work for more than one private hire operator.

Q185 **Richard Graham:** Can I come in very briefly? It seems to me that what we are hearing is two slightly different ways of doing the business if you are a courier. One is that you are working for a whole number of different organisations, a minimum of two, and maximising how to earn your cash from looking at the geography of the deliveries you can do for different people in the same area, which does seem to me effectively freelancing. The other is where you are working quite long hours exclusively for one company. I am wondering, Chairman, whether there is not a difference between the two. At some stage, as this whole sector expands, more operators come in, more ways of disintermediating methods of getting goods from place to customer come in, there is going to have to be a separation of the two. It will be a combination of how the businesses set the revenue power of the two against the individual's entrepreneurial flair and desire for stability that really determines how many people work in each sector. I am offering that as a sort of thought. Are there any comments from the panellists? Is that a likely development?

Andrew Byrne: For our part, it is certainly possible. We are currently involved in an employment tribunal that would apply, if things happened, probably to all drivers, and I don't believe there would be a differentiation in that way. That would only be the case from far later in this process, and it would require other individual claimants to join.

It is an interesting idea. We are interested in making sure that people are happy in the system. When we asked them, 94% of people said that the thing they like most about working for Uber is the freedom to choose their own hours, and that is something that is difficult to hold on to in a market where you have different requirements and a different working model. We would typically, in a worker model for example, look to at least circumscribe some of the freedom for individuals in terms of where and when they work and how many trips they confirm over the course of their working period and things like that.

Q186 **Richard Graham:** I appreciate you have the tribunal. Nonetheless, if you had two models that are offering then you would see where the real interests of the individuals were because they would be able to choose between being an employee and being a freelancer. Dan, your model seems even more relevant because you already have quite a high percentage of your people who are working for others as well. Is that a development that you can see happening?

Dan Warne: The developments we would like to see are greater support for our riders through potentially some benefits that employees might have. That is not for us to determine. It is for Government to determine that legislation, but certainly we are very supportive of the idea that if you have certain riders who work longer hours perhaps they should be entitled to benefits that riders who work fewer hours do not get.

Q187 **Heidi Allen:** Sorry, can I just interrupt on that? I am sitting on my hands here and zipping it. I am sorry but, no, and I have been busting to say this for a while. If any of you are employing people who are approaching 30 hours, and you are talking about national living wage, it is not the national living wage, because these people are not getting sick pay, maternity/paternity pay, holiday pay—everything. Building on Richard's very gracious point—I will put it a little less graciously—you all have a good handle on the numbers of hours that your people typically work. One by one, please, can you tell me: never mind waiting for the Government, when are you going to start paying people properly when they are doing, on a regular basis, something that is approaching full time?

Dan Warne: An individual who is working 30 to 40 hours still has a significant degree of flexibility. The way that it works is they provide to us their availability, which we then match to the hours that we have available according to consumer demand. That can fluctuate—

Q188 **Chair:** Heidi was not asking about their flexibility.

Heidi Allen: It is not about flexibility.

Chair: It is about your duties.

Dan Warne: I understand, but it is because of that flexibility that they are self-employed, and within the confines of—

Heidi Allen: It is because of your choice of your business model.

Dan Warne: If they were not self-employed, we could not offer them the same degree of flexibility that we do, even working 30 to 40 hours in a week. If we were to make them employees, we would have to restrict that flexibility, which we know that they value. If we were to make them employees, then we are restricted from providing some of the benefits that we would, as a business, like to provide. As we go through the next few months, that is hopefully something that the Government will consider looking at and we hope there may be legislation that will change.

Q189 **Heidi Allen:** That is not my question. What I am interested in is if you have employees—and you can all get underneath the data to understand whether they are working for somebody else or not—and if they are predominantly working full-time hours for you, then in my view you need to look at their wages properly. They are employed by you; they are no longer self-employed.

Chair: And pay national insurance.

Dan Warne: I understand. As I said before, there is significant flexibility even for those who work significant hours, 40 to 50 hours in a week, and thus we do maintain a self-employed model for those individuals, which we think is appropriate.

Chair: We are going to go down the row with the whole discussion, but, Dan, there does not seem to be any flexibility at all except on your side. You are not paying national insurance. You are not covering other costs, which taxpayers will have to pick up. It is a marvellous model if you can get away with it, isn't?

Q190 **Richard Graham:** Heidi was right. I was coming at this from a slightly different angle, but what I was surprised by was that you were saying there is a development that suggests you are going to have two types of workers: those who have extreme flexibility in deciding when they work and whom they work for, who are going to be self-employed, genuinely so, and others who are really working quite long hours exclusively for one company, who are going to be employees. I was hoping that one of you might say, "Yes, this is something we are looking at, and we want to work at a model where we can effectively offer two types of things, for the self-employed and for the employed". Your answer suggested that you were really just going to wait and see what the Government came up with. I was feeling that this is a business opportunity to develop a model.

Dan Warne: If I may answer that question, what we would like to do is offer benefits to the entire fleet in order to protect them when they are out on the road. It is not for us, as I say, to stipulate what that looks like, and with a self-employed model we cannot offer those by the current letter of the law. Legislation would need to change. If the Government wanted to ask us our thoughts on that, of course we would welcome that, but we want to offer provisions.

What I mentioned previously about the national living wage, particularly in light of such a high number using the fee-per-delivery scheme with Deliveroo, is we cannot offer that amount of flexibility to those riders if we are forced to pay a given wage and a given hour to every single rider. We would have to restrict, as I said before, the number of riders who log in. We would have to restrict their earning capacity during peak, which does not tie into the flexibility we know that they want.

Q191 **Chair:** You are prevented because of people's wishes not to be employed by you, you say, and also because they have freely opted for self-employment.

Dan Warne: They have freely opted for self-employment, usually because they are doing this alongside something else. 85% have an ancillary income stream; they have other commitments. Deliveroo is ideal to build some extra money around those other commitments.

Q192 **Richard Graham:** Chairman, there is a point there, which is that if Dan and others are saying under the current definition of self-employed it is very hard to offer some of these things, and there is a gap in the law that does not allow for a model that can be both self-employed and have some of these benefits that we associate with employment, then I think we would welcome thoughts on where the gaps are and how they need to be plugged.

Dan Warne: That is exactly our position. If we were to offer some of the benefits that an employee would have, these riders would look like employees, and thus we run the risk of their being reclassified. That is why we would like the change in the legislation.

Q193 **Chair:** If we go back to Heidi's question, there is, from the evidence we have, a two-tier labour market that all of you work in. One is people who work in fact full time, and then there are others who work part time and log on when they want to do it. We have had people working for Sainsbury's and also working for you, Dan. It works very well if they just want to top up their pay from Sainsbury's. Other people depend on the wage they get from you for everything. What Heidi and what all of us have been after is what is stopping you accepting that there are two tiers. There are those who are in full employment; you treat them as your employees; they turn up every week and do roughly the same amount of work, do they not, in the figures you have given us? There is another group that clearly takes the strain of the business. When you want some extra work, you hire them, or they take the risk of not being hired because they are not prepared to give you that loyalty that others give you. What is wrong with that model, Dan?

Dan Warne: For those individuals who work 30 to 40 hours a week, even if there is a somewhat consistent pattern of work, they still do very regularly change their hours, potentially on the day when they should be working. We also do not mandate that they show up to shifts, and they enjoy that flexibility. If they have a commitment that comes in on a Sunday night and that evening they cannot work, then they cannot work, in the same way—

Q194 **Chair:** Nobody is penalised, Dan, for not turning up when you would like them to turn up?

Dan Warne: Nobody is penalised for not turning up when we would like them to turn up. There is no exertion of control on those individuals, and that is highly valuable to them, even when they are working significant hours week to week.

Q195 **Chair:** Is that true for you? Nobody is penalised if they do not turn up, because they are genuinely self-employed?

Carole Woodhead: Within the genuine self-employment, our couriers have an unfettered right to substitution, which means that at any point and at no notice they can replace themselves with another person to provide those services. It is a matter entirely for them who they make arrangements with and there is no risk to their work with Hermes by their doing that.

Chair: That is a totally different set-up, isn't it?

Q196 **James Cartlidge:** Are you saying that they have to replace themselves? They cannot just not present themselves?

Carole Woodhead: A Hermes courier takes on a round, to provide services on a round, and at any point they are able to put somebody else into that round to carry out services on their behalf, yes.

Q197 **James Cartlidge:** That is interesting. That is slightly different from what Dan is saying.

Dan Warne: We also have the right of substitution, but likewise we do not penalise individuals who do not show up.

Q198 **James Cartlidge:** If someone simply does not turn up for their shift and does not find someone else to cover it, you do not penalise that?

Dan Warne: No.

Carole Woodhead: Our expectation is that if somebody is not able to turn up to deliver parcels, they will make arrangements for somebody else to do that. If they have a family emergency at short notice, for example, then they would make their field manager aware of that matter. We would ask them if they have a cover already. If the answer to that is no, then we will provide the cover so that they can tend to their family emergency and come back when they are ready, with no risk to that round and their working.

James Cartlidge: That seems to me a pretty important point. The hour of the unit labour they are delivering has to be filled. This is not an option. Someone has to do it. Someone is covering for them or they are doing it themselves. That sounds to me—

Q199 **Chair:** Most people are on DL Committees, which is delegated legislation. Most of us, if we were in work in a traditional workplace, would not expect to have to substitute somebody else if we could not turn up as part of our contract, if we were sick for example.

Carole Woodhead: To support this functionality, Hermes has 4,500 cover couriers, who are recruited and trained by Hermes and are there on standby or, if you like, on a waiting list so that when a round is free they may apply to take it over.

Q200 **James Cartlidge:** Do you know the average number of hours for these substitutes?

Carole Woodhead: I do not have that to hand. I can seek to get it for you, if you would like me to get that.

James Cartlidge: This is so important, because you are talking about two different tiers, and you already have your substitutes, who presumably are less—

Q201 **Chair:** Full-time pay, the substitutes? Are the substitutes paid just to stand around waiting to fill?

Carole Woodhead: The substitutes are paid by the courier. The courier receives our code of conduct that makes it expressly clear that they are required to pay their substitutes at least the national living wage. Our couriers, our covers, are paid directly by Hermes and they are paid the average of the round, and our average is £9.90 an hour.

Chair: It is a very strange self-employment, isn't it?

Q202 **James Cartlidge:** Can I make a general point here, Frank? I run my own business. I entirely understand the profit-making motive, which you are welcome to say, although you have not so far, is one of the reasons you do this. I do not have a problem with that. We need successful, flexible businesses. We have a flexible labour market, so I always think that is a very good thing. We all see that once you stray into the area of expectations of being available or having a substitute, you are asking people effectively to commit to your company, and yet you are not committing to them with things like statutory sick pay that would come with an employee. In other words, you are pushing the boundary pretty thin there and that is what is concerning us. This is the Work and Pensions Committee. Work and Pensions pays out many billions of pounds in benefits to people who have to fall on the state. What concerns us is that if you do not take up your responsibilities for people who are effectively employed, the state will have to do so. Do you understand why we are concerned about that, Carole?

Carole Woodhead: I do, and we take our responsibilities seriously, which is why we have been benchmarking for a period of time above the national living wage. We do pay our couriers £9.90 an hour on average, and from 1 April that will go up to £10.30. We do take our responsibilities seriously. Those couriers have the ability to flex, to place other people in for themselves. I would add factually that the HMRC assessed the status of our model back in 2011 and it determined that our model was genuinely self-employed.

There has also been a recent employment tribunal case in 2014—and we can provide you with the information for that—where the employment tribunal considered whether a particular courier was either a worker or an employee or a self-employed person, and that judgment was categorically that the person was a genuine self-employed person.

Q203 **Chair:** Carole, might you give us the judgment the Inland Revenue gave you some years ago on the status of your workers? It is looking at you again, isn't it?

Carole Woodhead: As a large company paying our taxes in the UK with no fancy offshore structures or anything else, I am proud to say that we pay our VAT and our corporation tax in the UK and, therefore, we do have an ongoing dialogue with the HMRC.

Q204 **Chair:** Yes, but I am asking specifically about the ruling it gave whether people were self-employed or not, and we understand the Revenue is looking at you again. Is that right?

Carole Woodhead: We had our last meeting with HMRC in December of last year, where they asked us for information on our courier employment status and our national minimum wage payments across the business.

Q205 **James Cartlidge:** You are still being investigated?

Carole Woodhead: We have provided them with that information and we are waiting to hear from them.

Q206 **Chair:** What about the previous document that you have depended on so much? The Revenue said we should ask you, so I am asking you. Can we have it, please?

Carole Woodhead: That document makes it very clear that the HMRC ruled—

Q207 **Chair:** No, never mind about that. We would just like to read it, Carole. Can we have it?

Carole Woodhead: Yes, you can have it, and I am just confirming that the outcome of that was that they said it was absolutely, categorically self-employed for the courier model, and we have had no substantial changes since.

Q208 **Chair:** We know what you say it said. Being doubting Thomases, we want to put our fingers within the text. Is that all right?

Carole Woodhead: Yes.

Q209 **James Cartlidge:** Just asking Andrew and Lesley as well, particularly Andrew, do you understand where we are coming from here, the anxiety that is broadly out there? Our Department spends the best part of £300 billion or something, a huge benefit bill, and the more that people are in this pseudo-employment, the more we will feel that the state is being asked to pick up that which you should be starting to think more reasonably about taking up. Do you accept that principle point?

Andrew Byrne: Yes, we do. We recognise that there is a ton more that we can do. I cannot remember exactly who, but another member of the panel referred to the idea that there is very little clarity in employment law, so it is very difficult to know where the line ends. That can be an issue for businesses because you do not know what you can offer; you do not know what you can and cannot do under different statuses. The principal thing that we would love to see is more of a clear dividing line between different things so we could do more.

That said, we totally recognise that we can do a lot more for people, and doing it in ways where it is appropriate and we are doing it for individual drivers. Last week we announced that we are about to start offering drivers a really frictionless way to start savings and pensions. If we can do that in the app it will be really interesting, because I think often individuals find that the hassle of setting things up or the difficulty is one of the problems. Doing that really simply, at a better than market rate, that is something we can do.

Q210 **Richard Graham:** I am just interested because, of course, you are all providing above the national living wage to the extent that you can control it, which is not complete.

Chair: On average they are.

Richard Graham: Yes, on average. Another aspect of it is the whole business of savings and pensions and what happens to people who have been working, whether they are self-employed or working for you, and I do believe that what we are talking about are two different types of contracts. In either event, they are all going to stop working at some point. As James was hinting, it is not just the welfare side. It is also the savings and pension side. Is there anything as far as you are concerned that prevents you from having an auto-enrolment scheme that you can also provide for all the people who are working, let's say, a minimum number of hours for you? You presumably all have those schemes already anyway for your actual employees. Can we just whiz down the line? Andrew, what is your take on this?

Andrew Byrne: My understanding—and bear in mind I am absolutely not an employment lawyer, so by far not an expert—is that that would be difficult under the current regime. I think that would change if the Government were able to say, "This is something we would like to offer and it does not compromise self-employment". That is probably a very literal understanding of the way employment law works, but that is something that would give us comfort.

Q211 **Richard Graham:** If it were available for those people who at some point are genuinely defined as self-employed, through you, without compromising that definition, then you would be interested in it?

Andrew Byrne: Yes. What we are currently doing now is a savings and pensions scheme. We have used scale to negotiate a really good deal and can make it very easy to sign up. That is not something we can offer ourselves at the moment. It is something that we have to refer to a third party.

Q212 **Richard Graham:** You have an auto-enrolment scheme for your actual employees?

Andrew Byrne: For employees, indeed, so it is the dividing line there that is crucial.

Q213 **Richard Graham:** Yes. Lesley, how about you?

Lesley Smith: Just to go back, we do offer lots of flexible ways of working with Amazon, and we still have lots of our deliveries handled by Royal Mail and DHL. There are lots of drivers who probably deliver our parcels who are not self-employed, who are in an employed model. There are also—

Q214 **Richard Graham:** Yes, and they are on an auto-enrolment pension scheme, are they?

Lesley Smith: I would assume so if they work for Royal Mail or DHL or whatever. Many of the others were already running self-employed businesses, so we went to them and said, "We want you to be able to drive for us as well". They did not say, "We want to be taken over" or "I want to abandon my business". They already had successful businesses. Some of those businesses, 20 of our delivery service providers, the agents who manage the businesses, started off as drivers themselves and built up to be those agents.

Q215 **Richard Graham:** It is not really getting to the heart of the question, which was: do you have your own auto-enrolment pension scheme for your own employees?

Lesley Smith: Yes, we do.

Q216 **Richard Graham:** If it were possible legally to roll this out to people who you regard as self-employed but who are effectively working for you, without compromising that status, would you be interested in doing so?

Lesley Smith: I think they work for us and a number of other people. If you looked again at the Flex people, 40% of them are working in a full-time job, so they are already presumably auto-enrolled with that full-time job. There is no reason why we should not be able to do that.

Richard Graham: I think you are avoiding the question.

Lesley Smith: If you were allowed to do so and if they wanted to do that, I don’t see why one should not be able to do it. I am not an employment lawyer, either.

Q217 **Richard Graham:** Okay, that is sort of an answer, thank you. Carole?

Carole Woodhead: The simple answer to your question would be yes. If this was something that the Government wished to do that did not compromise the self-employed status, then we would be happy to work with the relevant Department to make those facilities available for couriers.

Dan Warne: A similar answer to Carole’s. The one difference there is that we would make that a choice for our riders. Bearing in mind that 60% are under the age of 25, that may not be the most relevant protection.

Q218 **Richard Graham:** Auto-enrolment is a choice. You are opted in but you can—

Dan Warne: I see. We are not currently able to offer it as far as I understand it within the existing confines of the law but we are very open to changing that over time as legislation changes.

Q219 **Heidi Allen:** I have a quick question for each of you first, if I may, and then I will come to Lesley on a specific one. I don’t think any of us felt like we got an answer, really. I had a sense of, “It is the Government, it is the Government”, so my next version of the direct question to each of you is: will you as an organisation start to look at this two-tier idea that Frank has described so well? Your employees are people, not numbers. I am hearing a lot of percentages this and numbers that; these are people who get sick like employed or unemployed people. Will you as an organisation start to proactively look how you can develop a two-tier system to properly give a safety net to those who are essentially full-time employees for you and nobody else or will you wait for the Government to do it? If you will wait for the Government to do it, will you give us some proposals? Dan, that question to you first.

Dan Warne: Yes, certainly it is something we will look at. I don’t think you necessarily need to divide the tiers. This is something we believe we can offer to all riders. The issue today is that to preserve the self-employed status we cannot do that. That is why I am saying that future legislation needs to come into effect in order to allow us to do that. But if Government wanted to ask us to help with that, we certainly could.

Heidi Allen: We are asking you.

Q220 **Chair:** Dan, you have made the claim now that they are self-employed, but to every decent person listening they are working a full week for you. They may be doing other hours or bits and pieces elsewhere. You all have core employees here and that is quite clear from your answers. The question is: why should taxpayers pick up the bill for core employees when you are employing them, in effect, full time? Why should you steal a march on every other employer by claiming that you are special, they are self-employed?

Dan Warne: Respectfully, I contest that, in that even the individuals working significant hours week to week still have flexibility that you wouldn't have as an employee and that flexibility is a major reason why they choose to work with us. I can't speak for others but if you don't show up to work then there is no repercussion for that.

Heidi Allen: So that is the price to pay?

Q221 **Chair:** There is nothing in your contracts, Dan, that says that people should be free to dispute your ruling that they are self-employed, nothing that you make people sign?

Dan Warne: Within the contract there is a stipulation that reflects the understanding that they are self-employed and that there is a mutual obligation within that contract.

Q222 **Chair:** They are free to dispute that if they wish to?

Dan Warne: In practice, as you would have seen through various riders speaking out in the press and so on, they are free to do as they wish within the contract. However, it restates the obligation that they understand that they are self-employed.

Chair: We are going to go down the line on this but, Heidi, might you want to cite the evidence we have?

Q223 **Heidi Allen:** This was going to be my question for Dan later, but as we are chatting to you I will come to you now. We have an extract from your contract here and, yes, there is a lot in there about not being an employee and so on, but there is also one particular clause in section 2 on status: 2.2 says that that the person or anyone acting on their behalf cannot go to an employment tribunal or any civil court over this issue of whether they are an employee or a worker.

Chair: You forbid them to do so, Dan.

Heidi Allen: Can you explain that to us?

Chair: You have this wonderful model that people want to opt into and yet you are frightened of them saying, "By God, this isn't self-employment; this is employment". You stipulate that they shouldn't be free to dispute your ruling?

Dan Warne: I am not an employment lawyer, not that that is an excuse.

Heidi Allen: No, but it is your contract.

Dan Warne: Of course, and I will answer the question. It is in the contract to restate their understanding that they are self-employed and the obligation in the contract to us that they understand that. In practice this is not something that we enforce.

James Cartlidge: But that is a waiver. You are asking them to waive their rights on that point.

Q224 **Chair:** To work for you they must say, "I won't have tested that I work for Dan for 40 hours a week and I think I am fully employed". You actually forbid that before you give them work; is that right?

Dan Warne: It is recognition that they understand they are self-employed. In practice, if they wish to contest that status then they can do so and we would not challenge them on that.

Q225 **Heidi Allen:** But in this contract, "You further warrant that neither you nor anyone acting on your behalf will present any claim in the employment tribunal or any civil court in which it is contended that you are either an employee or a worker". You are not allowing them to debate their status through the courts. You are telling them how—

Dan Warne: As I say, in practice if they wish to debate that, that is fine.

Q226 **Heidi Allen:** So why have that clause there?

Dan Warne: Bear in mind that we are a comparatively young business, we have been operating for about four years and over time we have evolved the contract with our greater understanding of employment law and the need to ensure that we button things up in the right way. Do we need to make some revisions in this contract? Yes. Will those revisions be made in the next couple of weeks? Certainly, yes. This is not something that is enforced so there is no need to have it in there.

Q227 **Chair:** You are not waiting for the Government this time; you are going to do it yourself?

Dan Warne: We will do that ourselves, yes.

Q228 **Chair:** So that is going to disappear?

Dan Warne: That will disappear, yes.

Q229 **Chair:** Could we now go down the line and put Heidi's question to all of you? Do any of you have similar entries in the contract that people freely signed to remain self-employed that they must not contest in the courts?

Carole Woodhead: No, I am not aware of any such obligations. We have a very clear self-employment contract that we provided to the panel.

Q230 **Chair:** You would, therefore, expect that, if necessary, to be contested in the tribunals and in the courts?

Carole Woodhead: Indeed. As I mentioned earlier, the last time there was a contest of this point in 2014 the employment tribunal ruled assertively that the courier was a self-employed person and was absolutely not either a worker or an employee. Yes, that is the case and we have evidence of that.

Q231 **Chair:** But that is a slightly different answer, isn't it? You could still have it in the contract and someone could disobey you and go and test whether it is true or not.

Carole Woodhead: Our contract is a very clear contract. Indeed, I think the judge on that occasion complimented Hermes for the clarity of its contract and the fact that it is written in everyday speak rather than legalese, which helps both parties understand the obligations and the expectations of each other.

Q232 **Chair:** That would help us if we read it. Could we have a copy if it is in ordinary English?

Carole Woodhead: Yes, absolutely. I do believe one has been sent in with our written submission but we will make sure you have it.

Q233 **Heidi Allen:** Sorry, Frank, could I just push back on my first part as well? Will you look at a different level of employee recognition for those employees of yours who are regularly doing what is essentially full-time hours or are you going to wait for Government to tell you to do that as well?

Carole Woodhead: Our crews are working on average five hours a day, five days a week, so that is 25 hours. That gives them the flexibility to choose to either fit their parcels around other commitments in their life or to do other work around that.

Heidi Allen: Twenty-five is quite a lot of hours.

Carole Woodhead: Yes, but we also pay substantially above the national living wage, that 37% increment, which is giving people the opportunity then to budget for themselves for things like health insurance, pensions and so on. What we are looking to do is to improve the signposting and the access that we give to our courier population, providing it doesn't risk that self-employment status, by making it easier for people to have access to cost effective schemes for insurance for cars and so on.

Q234 **Chair:** Our question, Carole, is not about you shoving it on to them. What are your duties? We keep having this average: on average it is 25 hours a week, which is quite a long time for some people. That means other people within that average will be working what people would understand as full time. Heidi's question is: will you consider behaving properly like an employer for people who work full time, to give them full-time cover.

Carole Woodhead: I believe we do behave properly today, that we are paying above the national living wage, that people can use that headroom above the living wage to budget and to take account of—

Q235 **James Cartlidge:** Do they get a pension with it?

Carole Woodhead: That is what I am saying, that the increment above the national living wage enables them to take up a private pension scheme. Indeed Graham Baines, who attested to the Committee last week, was an example of that.

Q236 **Chair:** The problem is, Carole, could these practices have spread so far that when the Chancellor goes up to give his autumn statement there will be this whacking huge hole of £3 billion because of the extraordinary growth of self-employment? Maybe the Chancellor thinks there is something else going on here. Here is an opening for you and you have all seized it. It is just whether we should blow the whistle on parts of your practices where you are acting unfairly both to other employees and to the state, the taxpayers, all of us, in pursuing this business model. If we can have figures from you, Carole, on how many are working full time among those averages, that would be great. Lesley, let's have your answer to Heidi's question, please.

Lesley Smith: We have lots of different ways of working with Amazon already. There are directly employed people in our fulfilment centres and all over the country in different roles but there are also many drivers who again I would emphasise were running their self-employed businesses before we came along. They are professional drivers. Those people have a contract with the delivery service provider in the region, so they don't have a contract with us directly. That delivery service provider will be providing routes to us but may also be providing routes to other organisations. The contract with the drivers they organise are directly with them. We have a contract with the delivery service provider and we stipulate in that they have to pay at least this amount. They have to ensure that they are at least getting the equivalent of the national living wage after these deductions. We are happy to take another look at that.

Q237 **Chair:** The commitment is different from the answer, Lesley, but thanks. Andrew?

Andrew Byrne: On the first point, no, we don't make drivers sign a waiver or anything like that and, of course, we are actively being challenged in the courts right now. On the second point, yes, that is something we are actively looking at right now as well. Some of that is related to the tribunal, as you would typically expect. Other examples are things that we do in other places around the world. That includes looking at different things like pension provision. Skills training is another thing.

Q238 **James Cartlidge:** In which country are you looking at pension provision?

Andrew Byrne: Pension provision in the UK, so offering enrolment in pension. The biggest and probably best example of other things that we do elsewhere are per-trip fees that provide vehicle replacement insurance and things like that, which we do in New York. Again, it comes back to the certainty and clarity of employment law, I think, and looking at exactly what we can and cannot do and getting feedback on that.

Q239 **James Cartlidge:** Hold on, this isn't just the responsibility of Government. I want to be clear on one point. Going back to what Carole just said, these people are working 25 hours all the time, which many people would regard as a permanent, near full-time job. In another company down the road, which is traditional, those people would have auto-enrolment and they would have other benefits to give them greater security. I think the concern is you may not do that because you have basically a top-level employment law firm advising you and you have a very well structured contract and all the rest of it. There is much to be said for flexibility and all the rest of it, but we are trying to push at those thousands of people you all have who are effectively working full time for one company and yet do not have the security and benefits that other people in other companies have. Do you accept, Carole, first of all, that you have an obligation to those people who are in that position and effectively loyal to you?

Carole Woodhead: I would answer it slightly differently, which is the vast majority of people who choose to take on courier services are doing so because they value the flexibility that it provides them and that is critical to them.

Q240 **James Cartlidge:** So none of them wants more security?

Carole Woodhead: There may be a minority of people who would want more security but I would assert that if you asked the vast majority of couriers, their position would be that they value the flexibility that comes with the self-employed courier model more than they would value a greater increase in security.

Q241 **Richard Graham:** Can I come in on that? I am sure you are right that there are huge numbers of people who do value that. I am in absolutely no doubt about that, but the question is there are almost certainly two types of people out there. I am interested that so far all of you are slightly putting the emphasis on Government changing legislation to allow for a slightly more flexible type of contract than you have, rather than recognising enthusiastically that you almost need a core of some people who are committed and who are your employees and then you need probably a larger number who are more flexible and who are self-employed. All of you are quite reluctant to say that out loud, but you all must see this as a growing part of the economy. There are going to be more and more companies like you employing more and more people in this way. Do none of you feel that there is an opportunity to be seized by having two types of people working for you—those who are employees and those who are self-employed with different features from that—so that you do have that responsibility to people who are effectively working full time? Anyone going to volunteer?

Ms Karen Buck: Could I just add a supplementary to that? I agree with that totally, but I think the other thing is that we are getting a little bit hooked on—from our side as well—the question of it being full-time employment, which is important but is not really the point. There is such a thing as part-time employment. There is nothing wrong with part-time employment, but there is a world of difference between employing people part time, even for those small number of hours, and people who are self-employed. It does seem to me that one of the characteristics, but not the only one, of self-employment is exactly the point where people can turn up to work or not without any requirement to substitute, which is what you would do if you were working for yourself at home and you would decide how many hours you were going to work. As a supplement to Richard’s point, why is it impossible to run most of your business models on the basis of part-time employment, if not full-time employment?

Chair: Also others opting in to help you with your flexibility.

Dan Warne: I don’t believe it is impossible. Certainly you could do that, as you could guarantee minimum wages and given hours, but in so doing you would inherently restrict the amount of flexibility and thus restrict the number of people who could work in this kind of environment. As I said before, at Deliveroo we have about 10,000 applications each week to work with us and we are able to get to that kind of volume because of the level of flexibility we have.

Q242 **Ms Karen Buck:** Right, but I think one of the trade-offs that we are trying to explore here is you have described a set of trade-offs from your point of view and your business model. From our point of view as the Work and Pensions Committee, there is also a set of trade-offs, which is particularly those that impact on the state and the taxpayer of sick pay, holiday entitlement, living wage, whether people are making national insurance contributions, VAT liability and so forth, where some of the costs that are saved for you as a company are passed elsewhere?

Dan Warne: Understood. Forgive me, but the trade-off is not just for us; the trade-off is for the majority of the 15,000 riders who work with us who want to work highly flexibly alongside something else. You would not be able to do that if we restrict flexibility, and then there are the 8,000 restaurants down the high street, down the country, who rely on us for the additional trade. The trade-off is not simply for us as a business. The trade-off is in our ability to drive the economy in an industry that I also think is probably worth noting historically had not been legitimised.

If you look at what food delivery was prior to Deliveroo and other companies, I think it is quite hard to say who a food delivery individual was for a kebab shop. Probably not someone paying taxes; possibly not somebody being paid the minimum wage, being paid well or given any protection. We have legitimised that industry to some degree—not just us but others in the space—and we believe we have helped build an entirely incremental subset of the economy that we are very proud of. I believe you compromise that if you move to a model that does not allow us to offer the flexibility that we know our riders really want.

Ms Karen Buck: I think that is fair and we are not coming at this from the point of view of saying that there are new models in the economy that you want to block and stop. It is a question of exactly where the lines are drawn of effective responsibility.

Q243 **Chair:** Carole, would you like to come in on that?

Carole Woodhead: I would. I would like to make a couple of points. One is that, for clarity, Hermes operates two types of labour model. In our delivery solution the entirety of that model is self-employed but we also have 2,500 people who are employed by Hermes in our warehouses, our contact centre and head office. There are the opportunities if somebody starts with the organisation in a courier delivery role and they aspire to have a full-time, permanent employment role; indeed, many of our field managers were couriers previously. There are routes from the self-employed model into the employed model.

The other point we need to bear in mind about why we have chosen to make the delivery model different is that if we change it to be an employed model then we would be providing the assets, the delivery vehicles through which the parcels would be delivered, and that would necessitate that we get the most economic use out of those assets, which would, in the likelihood, force us down the full-time route. My concern there is that would remove the opportunity for thousands of people across the UK who can currently have access to work through the self-employment flexible opportunity. It may not be there if we went down that employed route.

Q244 **Chair:** Well, you could leave the vehicles in the depot and somebody else pop in when they have popped out, couldn't you?

Carole Woodhead: It isn't really about the vehicles being on the road—

Chair: What you have managed to do, Carole—I am not blaming you, because you are first in the field and I am going to come back to this at the end—is you have hit on a model in which you escape most taxation that your competitors, other people have to pay. That is gone because none of the poor souls earn £85,000 a year and you are not responsible for it. You are not responsible for national insurance so we just pile it on other people who are in full employment. You are not responsible for ensuring that they pay their proper income tax because you don't deduct it. Maybe you will be thinking about pensions with auto-enrolment, all of this, and this is the reason why the Prime Minister set up this inquiry. If she was sitting with us today she would be probably thinking, "Goodness gracious, I have put all this political capital into an inquiry into this area and we have these wonderful four witnesses who are telling us it is all hunky dory and no problems at all".

Carole Woodhead: You made a lot of points there, if I may respond to a few of them at least?

Chair: Yes.

Carole Woodhead: The reason the model was set up in the first place was to provide great service in the local communities in which parcels are being delivered. That does have a benefit for customers.

Q245 **Chair:** That is what factories do. Factories normally draw their people from the surrounding area so it is not different from any other model, is it, Carole?

Carole Woodhead: The difference there is that Hermes has 27 regional sites across the country, so if our vehicles were all being deployed out of those sites there would be a circle around those depots, local to those sites, where we would take the bulk of our drivers from. It would not extend as comprehensively as it does today across the length and breadth of the UK and across all these areas. I would also say that we would be happy to support a deduct-at-source model if that was the view of the Government, if they wanted to add that into the system, and we do pay all our taxes that are due.

Q246 **Chair:** I am not disputing that, Carole. I am just saying you have hit on a model that minimises the taxes that you pay compared with other people.

Carole Woodhead: It is also a model that works for the people who operate within it. Some 12% of our couriers have been providing services for over 10 years. They have the choice to do something else if that doesn't work for them. I think that is where it is important that we also listen to the voice of the majority for whom the flexibility in this model does work.

Q247 **James Cartlidge:** That means that you have people working with you who have been there for several years and are doing either part-time work or full-time work, who have accrued no benefits or rewards for that loyalty, effectively, and who maybe don't realistically have another choice. I accept many of the points that have been made about flexibility, the nature of your business models, but we keep coming back to the point that you clearly have thousands of people who have been with you for a significant period of time, who work what we would call part-time or full-time hours, who do not have the security that people have at other companies.

Can I ask on the pensions, were the Chancellor to bring forward an auto-enrolment scheme for what we might call these pseudo-employed gig type staff, the people we are talking about, the longer-term working at your companies, would you be prepared to pay that?

Andrew Byrne: Yes. The only thing I would say about our business model is that Uber is not different from the rest of the sector that we operate in, in the sense that pretty much everyone in the taxi environment is self-employed. We are definitely up for doing interesting stuff. In Estonia we collect tax at source and drivers can pay it through the app and things like that. We are interested in all of that sort of stuff.

Lesley Smith: Again, I would say the same as Andrew. When we created Amazon Logistics it was because there was a regional network of independent couriers that we couldn't access at that point. We didn't have the mechanics to do that. We needed to get extra capacity because, basically, we couldn't get more capacity. There was a lot of competition to get more capacity from Royal Mail, DHL and so on, so we went to drivers who were already there. That wasn't a new model, in that those drivers were there. If there was an auto-enrolment scheme set up for those people, we would certainly look at that.

Carole Woodhead: The simple answer would be yes. If an auto-enrolment scheme was brought in then we would look at how we could operate that.

Dan Warne: Yes, we are already in the process of setting up a private pension for them. We have an initiative called Perkbox where riders can log in and get discounts and various different things that help them do their job, including insurance. It is certainly something we would look at.

Q248 **James Cartlidge:** You are not going to contribute to that, though?

Dan Warne: We would contribute to it as long as it does not compromise the status of our riders.

Q249 **Steve McCabe:** Can I apologise for arriving late? I have been at another meeting in the Commons.

It sounds to me as if my colleagues are in danger of trying to shame you into changing your business model because it doesn't sound too attractive. I don't know whether it is attractive or not, to be honest, but what I want to ask is: would any of you close your business if the Government introduced legislation that forced you to make changes? If the definition of self-employment changed, if auto-enrolment was enforced, would you simply adjust your business model or would you close it down?

Dan Warne: We would not have to close it down but it would be a significant hit for the majority of our riders who work highly flexibly with us. As I mentioned earlier, my brother does this. He has a full-time job and then plugs in and uses Deliveroo when he has time to make some additional income. That kind of worker, which is the majority—and bear in mind the majority are also under the age of 25—is not likely to want to work with us if we cannot offer the flexibility that only a self-employed model can offer. We would be able to continue but it would be a hit for those riders who you spoke with two weeks ago. I believe Cain Jones addressed the Committee. This is one of our riders who works full time with Sainsbury's and then on the side has the opportunity to earn additional income with us. He is another casualty, if you like, of having to introduce employee status for all these riders.

Q250 **Steve McCabe:** I do not doubt that things would change, but what I am asking is: if the Government concludes that your present model is not acceptable and says it has to change, would you adapt your business?

Dan Warne: Absolutely. We would be concerned about the impact both on them and on the high street—the restaurants would be impacted, too.

Q251 **Steve McCabe:** Is that the same for everybody else?

Lesley Smith: We would work in with whatever framework the Government sets, obviously.

Andrew Byrne: Yes, we would change our business model to comply. Our only sense is that Uber is one of 14,500 in the country and as long as it is a level playing field with them, then that is fine.

Carole Woodhead: Yes, we would still continue to operate as a business. We would substantially change the nature of the operating model, so I think instead of having 15,000 couriers it might be more like 6,000 full-time drivers. But the simple answer to your question is yes, we would still operate as a business.

Q252 **Chair:** Could I ask you one other question, which is troubling lots of businesses at the present time and you have shown quite a strange ability to develop a model that is successful? I am not being silly about that: you clearly are leaders in an area. We have quite a lot of representation from our business community about how rates are hitting them. Are the new increases in council tax going to affect your business model or have you somehow also come up with a winner on that and you are going to be net gainers in this change?

Dan Warne: We are a British company, pay our taxes in the UK, generate revenues in the UK, so there is no reason to think that we would somehow subvert any changes in council tax. We would absorb any impact from that as a business. It would not change any of our operating model.

Carole Woodhead: We have 32 large sites across the UK where we pay rates. That will continue and we will pay whatever the change brings in those areas.

Q253 **Richard Graham:** Are you a beneficiary or a loser on the proposed changes?

Carole Woodhead: I don't have that personal information but I would be very happy to provide it to the panel.

Q254 **Chair:** Dan is going to pay anyway, aren't you, because you will? That is just going to be part of the—

Dan Warne: Yes. We have a very different model as well. We don't have warehouses. We have an HQ and a couple of other offices, so council tax doesn't meaningfully affect us.

Lesley Smith: We have 60-something sites across the country. There has been quite a lot of coverage suggesting we only have nine. We have 65-plus and we expect, like everybody else, business rates will go up, particularly in city centres, and our rateable value is currently forecast to rise slightly.

Andrew Byrne: We have just under 80 offices around the country in every local authority area where we are licensed. There will be an impact, although I shouldn’t overstate that. We are fundamentally an app so it will be relatively small.

Chair: Very good. Thank you very much. You promised us quite a lot of information so, if we may, we will remind you of your promises in a letter. Thank you very much.