HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Self-Employment and the Gig Economy, HC 847

Wednesday 29 March 2017

Ordered by the House of Commons to be published on 29 March 2017.

Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; James Cartlidge; Richard Graham; Craig Mackinlay; Steve McCabe; Royston Smith

Questions 351 - 413

Witnesses

I: Matthew Taylor, Chief Executive of the of the RSA and leader of the Department of Business, Energy and Industrial Strategy's independent review on Modern Employment Practices.

II: Damian Hinds MP, Minister for Employment, Department for Work and Pensions, and Pauline Crellin, Deputy Director, Labour Market, Department for Work and Pensions.

Written evidence from witnesses:

– The RSA

- Department for Work and Pensions

Examination of witnesses

Witness: Matthew Taylor.

Q351 **Chair:** Matthew, welcome. Could you identify yourself for the sake of the record?

Matthew Taylor: I am Matthew Taylor, and my day job is Chief Executive of the RSA, but I am also undertaking a review on modern employment for the Prime Minister.

Q352 **Chair:** Welcome. Can I just ask you, Matthew, to set out the terms of reference the Prime Minister gave you? When we were in correspondence with the Prime Minister, she said that she would be setting up an inquiry and you would be doing it, but the letter did not tell us what the scope was that she was giving you.

Matthew Taylor: That is a bit of an embarrassing question because the terms of reference are on the web—they are publicly available—but as a memory test, I am slightly pushed on it. I can talk to you about the work that we are doing. I could do my best to remember the terms of reference, but they are in the public domain is what I would say to you.

Q353 **Chair:** You are in the same position as the Prime Minister. She knows she is going to have an inquiry but not going to—

Matthew Taylor: No. To be fair, the terms of reference are in the public domain. They are on the web. I could try to recall them but I am just not sure it is the most efficient use of your time for me to go and have a memory test when they are publicly available.

Q354 **Chair:** Fine. Tell us about the scope of the work so far, and then we will be on to James.

Matthew Taylor: We are looking at three broad issues. We are looking at exploitation—so, where is there exploitation in the labour market, with a particular focus on non-conventional forms of work and forms of work that seem to be growing—but with a broader interest in where there is exploitation in the labour market. Where is there exploitation, why is there exploitation, and is there something that could be done about it?

Secondly, clarity. The rules and regulations pertaining to employment status and the taxing of employment are very complex. I received an e-mail from a barrister a week after I started the review, to which he attached a 67-page speech, which was a speech about understanding employment status. The really depressing thing was that he sent a message saying that he would apologise for the fact that this was rather a "superficial" account of the law. It is extremely complex. Can we make it less complex, or at least can we make it easier for people to use? I don't understand what goes on under my car bonnet but I know how to use the dashboard. If it has to be a complex system, can we at least make it one that is easier for ordinary folk to use? Complex systems are great for people who can afford lawyers and accountants, not so good for ordinary folk.

The third issue is incentives: what are the incentives in our system of regulation and tax that are driving particular outcomes in the labour market, and if we wanted different outcomes, how might we go about shifting those incentives?

Chair: That is really helpful.

Q355 **James Cartlidge:** Good morning, Matthew.

Matthew Taylor: Good morning.

James Cartlidge: To try to simplify it, if you ask a barrister, they may well be inclined to make it quite a lengthy explanation.

Matthew Taylor: That is true.

James Cartlidge: We have had very interesting evidence so far, and the point that kept coming up, which you have alluded to, was the fact that really we are generalising about some hugely variable employment types and patterns. One of the points we were starting to raise is whether there need to be new categories, notwithstanding any potential complexity, but broad categories. At the moment I understand we have "employed", "self-employed" and "worker". The impression we have been getting is maybe there is another type, some form of permanent, flexible or something, which is the classic gig economy worker, some of whom we heard from.

Matthew Taylor: This is something that we are looking at, and I do not want to pre-empt the review's findings, but my own view is that this third category is a useful category to have. Other countries are looking at it. If we could change its name from "worker", that would be a really great thing because it is really unhelpful to have "worker" meaning something very specific, which is one of three categories, and also being the word that people use generically to describe anyone who is working.

I think it might be more usefully described as "dependent contractor", but a category that exists between full employment rights and self-employment—which captures the fact that people in that category have slightly more control, slightly greater flexibility, and in return they have slightly fewer rights—is a useful thing to have. What we need to look at is what is it that qualifies for that category? What is in that category?

If we did not have the category, the danger is that we create a very steep cliff-edge between employment, and the costs that are associated with employment, and self-employment. I think it is a useful category to have, but we need to work on how we define it and helping people understand whether they are in that category.

Q356 **James Cartlidge:** We heard from someone who worked for Hermes, when we heard from Hermes, that if you did not turn up for work, if you were not able to work, you had to have someone to cover you, which, notwithstanding what any lawyer may say, to me sounded quite unlike just flexible self-employment. It could be you need the category from a legal point of view, but our point is more around, of course, the benefits and pensions and so on that they may receive, which I presume is a large part of what you are looking at as well.

Matthew Taylor: Yes. As I am sure you know, there are a number of criteria that are used to define employment status. Really what work status is, it is the same criteria but a lower pass mark, as it were.

My own view—and this is something that we need to explore—is that the issue of control should be the one that is given greater emphasis. At the moment you are right that substitution, the capacity to substitute, even if it is a rather notional capacity to substitute, is seen to mean that somebody is self-employed. I am not sure that is nearly as important as who it is who controls what goes on in your working relationship. The courts have been tending to emphasise control, and it may be that one of the things we need to explore is how we can make it clear that control is the critical factor here and it is more important than, for example, substitution.

Q357 **Craig Mackinlay:** Nice to see you, Matthew. One of the reasons I would assume that employers would like to see people self-employed that are on their mix of work is that they can avoid national insurance, employers' national insurance particularly, and all of the employment status types of benefits in terms of holidays and all the rest of it. That is quite a given.

Now, in different overseas jurisdictions, say the US, have you looked at the US, where perhaps employment rights and ability to dispense with workers is perhaps a little easier? Has there been a move towards more people being properly employed, and in what I call more draconian-type employment countries, say France, is there a tendency to push even more people toward self-employment? What I am trying to get at: is the balance between having extensive employment rights pushing different countries toward the status of people? Is there a debate to be had there?

Also, you have IR35 and off-payroll working, which is coming into play for personal service companies after 6 April, if you are working for a state-type organisation. That is another area—people who have worked through personal service companies—that is under attack by the Government at the moment. Perhaps concentrating on the draconian-type French system compared to the less heavily touched US system, have you any evidence to draw from there?

Matthew Taylor: I have not seen rigorous evidence that would suggest a direct correlation between the level of employment regulation and the pattern of employment that results from that, but intuitively you would imagine that there would be a connection.

The important point to emphasise from the review's perspective is that it is very important that any attempt to improve the quality of work—and for me what is at the very heart of our review is how we improve the quality of work in the British economy. There are many reasons to want to improve the quality of work in the British economy, to do with the welfare of workers but also to do with productivity and wider public policy goals. Any attempt to improve the quality of work should not be at the expense of what is a pretty good record the country has in terms of quantity of work and flexibility of work. Inasmuch as your question is driving toward a recognition of that trade-off, we are aware of that trade-off and it is not our intention to be proposing measures that improve quality of work but sacrifice quantity of work.

I still believe—I work for a Government that have a work-first philosophy—the most important thing we can do for people to give them opportunities and get them out of poverty is to get a job, but I do not think that is irreconcilable with the emphasis on the quality of work.

When it comes to the issue of personal services companies, one of the issues that is clear to me is that there are legitimate forms of self-employment and legitimate forms of sole trading, and there are inappropriate forms. I was in Belfast the week before last as part of a national tour we are doing. I heard about nursing assistants being asked to set themselves up as sole traders in order to go back and carry on working as a nurse in the hospital. That is not what the system is supposed to be encouraging, so we need to try to find a way to recognise legitimate, genuine self-employment, and those people who represent freelancers and self-employed people are very concerned about the way in which certain unscrupulous agencies and umbrella companies push people toward sole trading simply as a form of tax arbitrage.

Q358 **Royston Smith:** Yes. On that note, part of the reason there are so many people employed now is because of the growth in the gig economy. From your point of view, do people in the gig economy want more security, and would they prefer that even if that meant that they lost some of their flexibility?

Matthew Taylor: A couple of things. The first is to say we should be a little bit careful about thinking that the gig economy is so radically different to what has come before. I am sure you have heard this point, but one of the gig economy companies we talk about most is Uber. Uber has primarily expanded its business at the expense of minicab firms—so, with a very similar basic operating model, which is that they have self-employed drivers and a company who takes a commission. That form of working, with the intermediary and self-employed people working through the intermediary, is not new. What is new are the opportunities provided by technology to grow businesses very, very quickly that do that and to do develop new business models, but the employment relationship is not necessarily that new.

In relation to the question of how we might respond to comment on the gig economy, it is not our review's intention to say, "Company A is fine, Company B is not". What we do want to do is to define where we think the border line should lie between worker status and self-employed status so that businesses can build their business model around a reasonably clear account of what you have to do if you want people to be genuinely self-employed, which for me means that you have to ensure that the worker genuinely has control over their work process.

On your issue of would currently self-employed gig workers like more security, and do they want to trade-off for flexibility, what I have found is that these companies are very good at leading their workers—their self-employed contractors—to think that there is a trade-off between flexibility and employment protection, and there is not. Recently, again when I was in Belfast, one of these companies brought a couple of drivers along—it was Uber, it was in the public domain—and the drivers said, "It is great working for Uber, and we love our flexibility, and we don't want to sacrifice our flexibility. Don't take our flexibility away". I said, "Fine, that is great, but if you could have the flexibility and holiday pay and sick pay, how would that be?" They said, "Oh, that would be great as well". There is no fundamental reason why you cannot both have a flexible form of employment and have worker-based entitlements, so we should recognise that.

Chair: We must check whether they were the two representatives we had from Uber.

Q359 **Heidi Allen:** You spoke when you set the scene to begin with—and I appreciate it is early days in this piece of work for you—about the growth of this new model of working and some incentives perhaps pushing organisations to operate in that way. Do you have any sense of what can be done to, where necessary, rein that growth in because of the pressures that it is then putting on the state to pick up the pieces as a consequence? For example, things like pension auto-enrolment or minimum wage. It feels to me that this economy is growing and the state is going to pick up the pieces. Do you have any sense yet of how you might rebalance that, either from what you do for the organisations around legislation, taxation perhaps, or what the welfare state can do to change?

Matthew Taylor: That is a really important question, and we have to take a twin-track approach to it. We have a system now of employment regulation and taxation, and that system is not going to be pulled up by the roots, and we need to try to adapt that system to make it work in the face of these new business models. The review will have some specific recommendations and, as I say, what we will try to do is to say to entrepreneurs, for example, "These are the rules, and you need to build your business around those rules rather than trying to circumvent those rules".

The thing that is unfair to entrepreneurs is when it feels to them as though the rules change halfway along the line. What we need to do for both entrepreneurs and for workers is to say, "These are the clear rules. If you want to employ people as self-employed, genuinely self-employed people, you will need to enable them to have genuine control over their work process. If you want to control people's work process and work content, then you need to recognise that they are workers and give them the entitlements that come with that. What you cannot do is try to have the best of both worlds".

Your question also identifies a longer-term challenge, and in the review what we intend to do, as well as having specific recommendations, is to have a set of strategic directions, ways in which we think policy needs to evolve over the next five to 10 years, to reflect these deeper changes in the labour market, changes to do with new business models, new public expectations and preferences, and of course the impact of technology.

Under that heading, I think it is likely that two of the strategic shifts that we will advocate are, first, that over time we need to move towards a more consistent way of taxing labour. Over a period of years, we need to get to the position where it does not really matter how you are employed, the system treats you in a very similar kind of way, that it is—

Q360 **Heidi Allen:** Is "you" the person earning or is "you" the organisation?

Matthew Taylor: No. Both sides of the equation. The taxing of labour needs to be more consistent across different employment types. That is a big and complex thing to do, but I think it is the right thing to do. That is an important part of this.

The second part is that we need to improve the support and entitlements we provide to self-employed people in a variety of ways—those two bits together. A more consistent way of taxing labour and better entitlements and support for self-employed people do go together, and they are changes we need to accomplish over the next few years because I think self-employment is likely to grow in a variety of ways. It will not just grow because people become fully self-employed, but it will grow because more and more people combine different forms of employment. They have employment and self-employment, or a number of different self-employment roles, and we need a more flexible system than we have at the moment in that regard.

Those changes will take time. They will be emergent changes. What the review will do is say, "Look, the direction of travel should be a more consistent way of taxing labour and better support entitlements for self-employed people". The Government need to embark on that journey but we cannot define every step of that journey.

Q361 **Heidi Allen:** Given that it might take a while to get to that point and it is an evolving new world, is it not—trying to come up with the rules today is difficult. What pressures is that going to put on the public purse and the welfare state as a consequence? Until we have those clear rules, speaking plainly, if employees, workers, whatever we are going to call them, are being abused by the system, they are going to fall back on to the benefit system. What is your view in terms of how the public purse is going to have to compensate throughout this transition?

Matthew Taylor: That is why I think we need to make recommendations in the short to medium term that address those kinds of challenges, and that is why I was supportive of the measures proposed by the Chancellor in the Budget, because I felt they were a necessary short-term move, not to reflect so much changes in the labour market but to reflect the fact that entitlements for self-employed people have grown, that now self-employed people get I think over 99% of public spending entitlements available to employed people or available to self-employed people, and most welfare entitlements as well.

Q362 **Chair:** Matthew, it would have been sensible to have linked the two together, though, wouldn't it?

Matthew Taylor: Of course. It seems to me that had the expansion of the pension entitlement taken place at the same time as the Chancellor's announcement, then the threshold for those losers would have been much higher and it would have been more politically palatable, but it is not for me to question political decision making.

Q363 **Richard Graham:** Can I come in on that one, Matthew? That gets to the heart of it. We can all buy into the concept of everybody paying similar tax, however they are employed, and improving rights for the self-employed, but of course once you get into the detail of how something like national insurance and indeed pensions in general function, it gets difficult, because who is going to pay what is currently paid for by the employer for the 85% of the workforce who are employed? That is of course where it gets difficult with auto-enrolment. How do you see that moving forward?

Matthew Taylor: There are a number of ideas. There is a general view that we have an issue about national insurance as a tax and the fact that in many ways the rationale for it has eroded over time. I do not think it will be up to the review to define exactly how it is we go on that journey, but you will know that there has been consideration of alternative ways of thinking about how employers could pay some form of employment tax, payroll taxes, those kinds of ideas. I do not think the review will want to get into detail on that.

I recognise the point about the fiscal challenge here, but in the sense there is only so much the review can do, what I am really interested in, as I said at the beginning, is the incentives that drive behaviours. What I want is a situation where businesses choose the business model they have because it is productive, it is innovative and it provides great service to customers, not because it gives them tax advantages or has enabled them to circumvent employment rules.

Q364 **Richard Graham:** Indeed. Quite right. On that specific point that you were discussing, which was the attempt, if you like, to get the self-employed to pay national insurance at a level that was more equitable to people employed, of course, if you are going to then balance it on the other side, which is improving the rights of the self-employed, as you were indicating, then that would include an ability to access something like auto-enrolment. You have to get into the detail there because you have to work out who, if anyone, is going to pay the employer's contribution. That is where it gets difficult because you are then either saying, "Well, the Government are going to pay it", or, "The self-employed person is going to pay it", or, "Nobody is going to pay", so you are not going to have exactly similar rights, if you like, on the pension side.

Matthew Taylor: I agree, but I also think that if you say what the big public policy challenge is when it comes to self-employment and pensions, it is the incredibly low rate of saving among self-employed people, and there seems to me to be a clear public policy goal to increase that rate of saving. That can be done over time through exploring the possibility of providing incentives for self-employed people to opt into auto-enrolment, or there are other ways in which one might encourage and support self-employed people in making pension provision.

I think what we need to do with the self-employed is both—

Q365 **Richard Graham:** Are you talking about the ISAs?

Matthew Taylor: Yes. I think there are a variety of ways in which we could come about this. What the state needs to do for self-employed people is partly to look at entitlements, and the Government are, for example, consulting around paid parental leave for self-employed people. It is also about thinking about how it is we can work with the private sector, the third sector and trade unions to develop ways of self-employed people buying services together, developing insurance policies, for example, which are accessible for self-employed people. There are a variety of ways in which we can encourage self-employed people to provide better for themselves. Some of those—

Q366 **Richard Graham:** Back to the friendly societies, which is indeed what they were created for in the 18th century.

Matthew Taylor: At the heart of this is that we have two approaches to self-employment. One is that it is marginal, and the other is that it is benign. I think it is neither. It is a core part of work and will always be a core part of work, but it should not be privileged. It is a choice that people make, and we should support people in making that choice. That is the overall shift of policy that I think we need to go on with.

Q367 **Heidi Allen:** I am still not understanding how the benefit system is going to cope in the meantime, but maybe, to be fair, that is not your expertise, Matthew, perhaps, surrounding Universal Credit. Was that very rude?

Chair: No, it is not. It is the Minister's.

Heidi Allen: The welfare state is not just about pensions or paternity rights. It is about the whole piece. If people are not earning properly, they are falling back on benefits, but perhaps that is not your area.

Matthew Taylor: As my last contribution, what I would say is I am deliberately constructing the review in order that we can address the immediate issues we have asked to look at, but also to lay out what I see as being these strategic challenges. I entirely agree with you that if you look over a five to 10-year timeframe we need to be thinking hard about how it is we create a welfare system and an employment tax system, which is resilient in the face of what is likely to be a very radical change in the labour market. What I am saying is I do not think one can define how exactly the steps on that road are going to be taken but I hope that the review will—if the Government supports it—indicate a broad sense of direction and we can get to work thinking about how it is we achieve that change.

Q368 **James Cartlidge:** I was very interested, and I think Richard was picking up on it as well, is that when—and this is certainly my experience, remembering employing people against using freelancers—you picked out the point about the tax paid by the employer. That is very important because it is one thing to say, like we tried in the Budget, "If you are self-employed you might pay a bit more". It is quite another to potentially say that that 12.5% is in some way implemented in a self-employed situation. Are you in any way hinting that there might even be some kind of higher levy or something so when you contract with somebody who is self-employed, whoever you may be, given you are the only equivalent employer that there is that situation, that you are contributing something? Because otherwise I do not see where that very significant price differential can be made up.

Matthew Taylor: The question we have to ask is this: does it make sense, to pick something from the ether, if I employ somebody for three hours to work in my garden and they are self-employed, or if that person works for Lambeth Gardening Services—to invent a company—that the tax system that is attached to those three hours of labour are completely different. I am not sure over the long term that it is. The tax system currently says in a way one of those forms of labour carries a lower tax burden than the other form of labour and makes a smaller contribution to Government.

Q369 **James Cartlidge:** It is a very interesting point—and I do not think it is unreasonable—but it does imply ultimately that the person who uses the service will almost be billed what an employer would pay as the employer's national insurance, which is an interesting idea, which I have not heard of before. But that is kind of your implication.

Matthew Taylor: Yes, one of our strategic shifts is to say we need to explore how it is we move to a more level playing field in relation to how we tax labour. I do not think that is about saying that we simply would pass on employer's national insurance to me, as the person paying for the gardener for three hours— that is, they are self-employed and I now have to pay a labour tax on them. That is an obvious way in which you might do it overnight but it would be difficult to do.

The other thing to say is there was a sense in the debate over the Chancellor's proposal that saying that self-employed people should pay similar labour taxes was somehow saying that we did not support self-employment and entrepreneurship. There are lots of ways in which one can support self-employment entrepreneurship. The tax allowances that people get for investing in their equipment, the ways in which we treat the profits that people generate—there are a variety of ways to encourage entrepreneurship and encourage investments in businesses. I am not sure that a differential tax system is the most effective way for us to encourage self-employment entrepreneurship.

Over time that is what we need to move to, but you are absolutely right to say that if we were told, "Let's do that in the next six months" it would be almost impossible to do. But over time we could aim towards that destination.

Q370 **Steve McCabe:** I just wanted to ask about disabled people and older workers who are often under-represented in the labour market but appear to be quite well represented in terms of the self-employed economy. It is not necessarily by choice in all the circumstances, and I wonder how you thought we could make the self-employed economy work in a fairer way to those groups of workers, maybe with some of the rule changes you were implying.

Matthew Taylor: You are right that for some groups of workers—for workers with disabilities, mental health issues, older workers—the flexibility of self-employment can be very attractive and you see the statistics bear out slightly higher rates. For those people, improvements in basic entitlements are important. Again, I think that ways in which we can use technology to enable those people to access better forms of mutual support would be interesting. I was thinking the other day, for example, it would be great if people who, for reasons to do with health, physical and mental health, might not be able to fill a job or able to work together within a particular locality to support each other, so they could say, "I might not be able to fulfil that job because I am having a challenging time" but there is somebody else in the network of self-employed people who could do that.

There is a whole variety of ways in which Government working with the private sector, the third sector, could enable self-employed people to not be isolated and to be supported.

But there is another issue on this, which is that one of the other strategic recommendations I would like us to explore is the Government providing a much more comprehensive service of supporting people in employment. The emphasis of policy for the last 20 years or so has been entirely on getting people into work—out of unemployment and into work—and that is still very important. But we also need to be better at supporting people in work and progressing people in work.

Looking at these issues, and it is still at the relatively early stages, but it seems to me that one of the most important questions is the very high number of people who drop out of work every year as a result of disability and then become registered as disabled people. We should be able to do much better because it must be the case that it is easier to keep somebody whose health deteriorates in a job by working with their employer to see how their work can be made more flexible, they can be given different duties, than it is to persuade an employer to take somebody on who is disabled who they have had no previous experience of.

I would like to see us thinking about how this Government can become much better at supporting people to stay in work and progress in work. Interestingly, if you look around the world, a very interesting report was produced by the German Government a few weeks ago about this. This idea of the role of Government in supporting and progressing people at work is an idea that is being discussed more widely.

Q371 **Chair:** Matthew, thank you very much for that.

Matthew Taylor: Thank you for inviting me.

Chair: Lifting the curtain very slightly on your report. Do you have a date?

Matthew Taylor: We are still aiming for June. If I do not wrap up by June the trustees of the RSA might get slightly irritated with me because my one day a week is rapidly turning into one day a day.

Chair: Brilliant, thank you very much.

Examination of witnesses

Witnesses: Damian Hinds MP and Pauline Crellin.

Q372 **Chair:** Damian, you are such a good and welcome participant in our proceedings. You know the rules, which is I am going to ask you to identify yourself for the record and we will ask Pauline to do the same, then Heidi will commence.

Damian Hinds: Thank you, Chairman. My name is Damian Hinds and I am the Minister for Employment.

Pauline Crellin: My name is Pauline Crellin. I am the Department for Work and Pensions head of labour market policy.

Q373 **Heidi Allen:** This is literally the last question I put to Matthew, which is much more your bag, Damian, to be fair. Talk to us about how low paid self-employed people compared to just low paid employed people, whether they draw, in your view, more heavily on the welfare state, whether it be Universal Credit, tax credits, and so on, and whether there is a difference in support they are getting?

Damian Hinds: There is a danger in generalisation because people are categorised as either self-employed or employed. There are many other factors by which it segments the population and those factors are as or more likely to drive the extent to which people draw on public funds. But it is true that if you take the self-employed population as a whole you can draw some distinctions in terms of the average compared to employed people. Because pay is, on average, and of course there is a huge scale, lower than in terms of the benefit system. Yes, there is more likelihood of drawing upon Universal Credit or tax credits in the current system.

In terms of ESA it is not possible to say. There is not a significant enough difference to say conclusively but then of course in terms of pensions, and you were talking about this, I know, in the session with Matthew Taylor, then yes, there is a greater likelihood of drawing on additional state support in old age if you have been self-employed because of the lower levels of saving into a private pension.

Q374 **Heidi Allen:** From your point of view then, as the custodian on the welfare state side of things—and perhaps Pauline as well—does it terrify you? Does it feel like a tsunami of an industrial revolution heading at you that the welfare state is going to have to pick up if we are not careful?

Damian Hinds: An important point to make is, of course, it depends what the alternative is. If the alternative to being in low wage, uncertain self-employment is secure well-paid employment, of course I would rather people were in that category. I am sure many of those people would rather they were in that category too. But if the alternative is not being in work at all then I would rather they were in that type of self-employment.

It is a balance. We have seen a growth in self-employment over the last number of years. No doubt we will talk about some of the facts and drivers behind that during the course of the session. Self-employment has long been a reality of our system; there is a big range. What we are focused on trying to do is to make sure as many people as possible who are self-employed can be in meaningful remunerative self-employment providing security for themselves and their families.

Heidi Allen: Pauline, is there anything you want to add to that?

Pauline Crellin: I am not sure I would quite describe it as a fear of a tsunami but certainly it is featuring very prominently in our policy thinking. We know that people who are self-employed are less likely to make significant provision for their pensions. There is a review of auto-enrolment going on at the moment. We have been asked specifically to take that into consideration. There are also mechanisms that we could possibly look at in the future. For example, we operate a gainful self-employment test for some of the people coming into Universal Credit. It might be possible for us to build something in more formally that asks about pension provision when we do that. Guidance does that already but these are the sorts of questions that we are asking ourselves in the policy development space.

Q375 **Heidi Allen:** How would that manifest itself in terms of the support that you give to those claimants?

Pauline Crellin: It would have a direct impact on the various kinds of support. As Matthew Taylor was saying earlier, this is not an amorphous group of people. They have hugely different requirements. It is not homogenous at all. We would look to use that to differentiate the support directly that we give to those individuals and signpost them to the different degrees of support that they might need.

Q376 **Steve McCabe:** I wanted to ask a bit about Universal Credit and the self-employed. I was particularly interested in this idea that a self-employed person with a start-up business should be earning within 12 months the equivalent of 35 hours per week of the national living wage. I just wonder how realistic you thought that was given that quite a lot of criticism from a number of different organisations suggesting it is probably not how it works.

Damian Hinds: A couple of things to say on that. First, in terms of defining the question, it is not necessarily 35 hours. It depends on what is a reasonable number of hours to expect someone to work.

Steve McCabe: It is based on a roughly equivalent income, isn't it?

Damian Hinds: So somebody of prime age who does not have children, does not have other care and responsibilities, does not have any disability or other significant impairment to work, yes, we would expect them to work 35 hours, which is at the low end of the common definition of what counts as full-time work. Many people define that as 37.5 or 40 hours. But if someone has care and responsibilities, if you have young children, then that number of hours would be adjusted. So the first thing to say is it is not necessarily 35 hours.

The second thing is it is not necessarily only one year because the year is the period from the moment your Universal Credit claim starts. For example, if you have been on the NEA, the new enterprise allowance scheme, that would have predated your Universal—

Steve McCabe: These are people with legacy benefits you mean, but for new people—

Damian Hinds: No, I have not mentioned them yet. I will mention those in a moment as well. So NEA is a current and ongoing programme, which you can start now as somebody starting up in business, and then after the period of your NEA time you then go on to Universal Credit. You are also right, Mr McCabe, that if somebody has been on legacy benefits, on tax credits, if they had been trading for less than a year and then they come over to Universal Credit because of a change of circumstances then a new one-year period would begin for this ramp up.

In terms of the definition it is not necessarily only one year, and it is not necessarily 35 hours. But do we think it is reasonable to expect this ramp up? We are not saying that businesses should reach maturity in that phase. We are talking about reaching the legal minimum pay rate, which is not necessarily your ultimate potential and our objective for people would be to be going on to obviously earn more than that.

It is also worth saying that for a lot of the businesses we are talking about you would have a different ramp up profile than others. So all businesses, all types of self-employment, will have some degree of build-up of business, some degree of requirement of sales and marketing and so on. But there is a distinction to be drawn between a capitalised business in which you are—say you are opening a shop or a café or you are manufacturing something, there is a difference between that and what many of the people who would be on Universal Credit would be doing, which would be a different sort of work. There still could be some ramp up and we will have some people opening shops and cafés, but if you are driving a taxi or being a cleaner there is a different type of ramp-up profile.

Q377 **Steve McCabe:** I have read quite a few things that have queried how realistic this is. Do you have any plans to keep this under review or are you going to dispense with the counter-evidence and persist with the support?

Damian Hinds: Sorry, dispense with what?

Steve McCabe: The counter, the contrary evidence, that suggests that what you are saying is not quite accurate. Are you going to dismiss that and persist with the support?

Damian Hinds: We keep everything under review, as any sensible organisation in public policy would. But this level, the Minimum Income Floor is there for a reason. We want people to be in meaningful remunerative work, which helps to provide for them and their families. If people are doing work that is keeping them below what the economy and society would regard as the minimum acceptable pay for an hour's work then I want them to think about whether that is what they want to be doing or should be doing.

We have 760,000 vacancies in the economy at the present time. We have unemployment at 4.7%, it has not been lower than that since the mid-1970s. The employment market is in good shape and there are opportunities there. It does not work for everybody of course, and we may come on to some of the reasons why people are self-employed. But I do not want people to be stuck in non-remunerative work indefinitely.

Q378 **Steve McCabe:** On a similar vein, obviously the way the Minimum Income Floor is scheduled to work means we are likely to end up in a situation where we have one self-employed person or an employed person earning roughly the same income but getting very different levels of Universal Credit. Is that something you think you will be able to justify in the long term?

Damian Hinds: If the person in employment was earning less than 35 or 25, if that is more appropriate for their personal circumstances, times the national living wage or whatever is the minimum wage for their age group, then, yes, we would be paying them in the immediate term Universal Credit based on that income. But we would also have expected them to get another job or to increase their hours and get up to that level. It would be subject to conditionality.

With the self-employed and the Minimum Income Floor, if you are subject to the Minimum Income Floor you are not subject to that conditionality but there is an alternative, which is if you are not gainfully self-employed then we will help you through the Jobcentre to find additional work. It could be to move into paid employment, it could be to get some paid employment in addition to what you do, you could be getting further self-employed work, a different line of work, and so on.

Q379 **Royston Smith:** I was asking Matthew Taylor earlier about gig workers and flexibility versus security but from a Jobcentre Plus's point of view should gig workers, the ones that are particularly low paid with long hours and unstable income, meet the criteria for gainful self-employment?

Damian Hinds: They may do. Gainful self-employment is about testing out whether work that someone is doing—and Pauline will correct me no doubt on the precise terminology—but it is organised and regular and done in the expectation of the realisation of profits. There are different ways you can do that. You can do that as a start-up one-man or one-woman band on your own with your new concept. You can do it as a franchisee, which is an old form of the platform economy. Or you may do it with one of these newer models or you may do it through some combination of one, two or three of those things. So you could be.

One thing that is important to stress is that in terms of our conditionality system in Jobcentres you cannot be sanctioned on a—I forget the technical term—failure to take employment sanction. You cannot be sanctioned for not taking a self-employment opportunity but we would present some of these opportunities to claimants alongside other things, and for some people they make sense.

Again, I would stress that although a lot of the media and the public discourse has been around these newer internet-enabled new model gig economy operators—franchise licensing, piece work, you name it—there have been versions of platform, gig and sharing economies going on in different ways in our country for quite some time, and some of those can be appropriate for different people depending on their circumstances.

Q380 **Royston Smith:** So Jobcentre Plus encourage people to take those roles even though they are fraught with unsocial hours, short hours, low pay, that sort of thing, and they are encouraged to take those roles?

Damian Hinds: It depends what you mean by "encouraged". When people come through our door we present them with a full range of opportunities. We do want people to get into work and the way the system works is there are rights and responsibilities and there is a reciprocity there. We expect people to be applying for jobs if they are going to be paid benefits, which are ultimately funded by other taxpayers, and if people are not applying for jobs and they are not actively seeking work then they can lose some of their benefit. That does not apply for not taking a self-employment opportunity. But that is not the same thing as saying that we would not present some of these possibilities to people.

What is important with all of these things is that people have their eyes open, that they know what the downsides as well as the earnings potential of any of these models might be, and particularly if there is some commitment that they are making—or some cash commitment in particular—then it is absolutely vital that people are appraised of the downsides and risks as well as the upsides.

Q381 **Royston Smith:** So if they cannot be sanctioned for not taking a self-employed opportunity then something like Uber then they don't have to apply for that?

Damian Hinds: That is correct. Again, I do have to stress this is a greyscale. A lot of the attention has been on individual companies that have been high profile in the media but there is very little that is 100% new in the labour market or in the economy as a whole. So there are other models. For example, renting a seat in a hairdressing salon is a very common way of operating in the hair and beauty business. Same in probably nail bars and so on. There are some similarities between that and some of these newer internet-enabled opportunities. There are upsides and downsides to all sorts of different types of work that you might take on in the Jobcentre. What we are doing is trying to help people to be aware of all the different opportunities that might be out there. But, yes, it is important that people understand that some things have downside risks as well as upsides, but we do not sanction people for not taking a self-employment opportunity—or a zero-hours contract—because there is a recognition that, yes, by definition either self-employment or work that does not have a set number of hours that are in the bag there is obviously less security attached to that.

Q382 **Steve McCabe:** I just wondered on that basis, Minister, if you do not sanction people for taking that lesser opportunity, which I am happy to—

Damian Hinds: For not taking.

Steve McCabe: Not taking, thank you. How is it okay then when somebody does take that opportunity, they take your invitation to get into work, how is it okay to financially penalise them because they do not quite make as much? How do you reconcile those two positions? It seems to me in one situation you are saying people should work, which I think we all agree with. You are saying, "But if it is not a good enough job we will not sanction you but if you take a chance in a way and you do not make sufficient money you will be penalised." I am not quite sure I understand how you reconcile that.

Damian Hinds: You are quite right, we do, as you do, think that there is inherent value in work in providing for oneself. The point about whether you sanction or not is that because there is less security attached to certain types of work then we think it is right not to apply the sanction in that case.

On the question that you went on to about the Minimum Income Floor, I am not sure I quite saw the read across that you were making. We have the Minimum Income Floor set simply at the level of the legal minimum that you can pay somebody, multiplied by the number of hours that for that person's circumstance it is reasonable for them to work. In terms of the alternative, they would be in employment working that number of hours and legally they would have to be paid at least the national living wage. So we do not want somebody to be stuck indefinitely in work that pays less than that minimum.

The background to this, Mr McCabe, is that there are some people who have been in the tax credit system for quite some time and we do have a record level of percentage employment, we have unemployment at its 12-year low. It has not been lower since Derby County were the top of the first division. We have 760,000 vacancies in the economy. There are opportunities out there and we want to present those opportunities to people.

Q383 **Chair:** Is this part also of the Government trying to control fraud? Because when you used to publish—you no longer publish—the groups who claimed the highest percentage of the group claiming tax credit, taxi drivers were at the top, which might suggest that there are some people whose income could be so adjusted for tax credit purposes that they were doing rather well and drawing tax credits. Is this move that you and Steve have been talking about also not only for the welfare of the individual that you should be moving on, if there is genuine work to do, but a limit to when people could be fiddling?

Damian Hinds: I do not have a comment to make about any particular group of people to suggest there might be any particular issue in any part of the economy, but yes, there is also a fraud and under-reporting—whether deliberately or inadvertently—angle to this. Yes, of course.

Q384 **James Cartlidge:** I was intrigued by this similar point about whether you sanction people who do not take self-employment, which I can understand historically, but perhaps it brings us back to one of the key points we have been discussing about different categories of people. Because as I understand it Jobcentre Plus does not formally talk about the third type of workers, which is—I call them permaflex. Whatever you want to call them. People who are permanently self-employed in some way, shape or form. Because I think in principle to the public if they knew someone was presenting at Jobcentre Plus and that there was a big advert saying, "Uber and other companies have thousands of hours available for you to work", and there was no obligation to do that, perhaps one sort of way into that is to say that, if it's of that type of work in this third category where, by definition, there is a fairly good chance you are going to have a significantly reliable number of hours—whatever legally that really should be—in that circumstance that person should have a stronger obligation to pursue that opportunity and you should have the powers to ensure that they do.

Damian Hinds: We are in a period of change at the moment. It is a term—I mean it is a technical term "worker". In some ways, as you rightly say, it is not a particularly helpful term because we use the word "worker" of course in all sorts of other contexts, and so there is a danger of conflation. But there is this category that sits between employed and self-employed and has been around for some time. With the current tribunal judgments that are coming out, the number of people who are in that category may be increasing. We have to wait for the conclusion of the tribunal process, repeals and so on, to know what the true picture is, but it does appear that there may be a growth in this category, and it is a category that, frankly, none of us are as used to as we are to employed people and self-employed people.

This is something that all of us—the Jobcentre Plus system and more widely—are going to have to respond to over time, because there are more rights to being a worker than there are to being self-employed but there are still fewer rights to being a worker than there are to being employed.

Q385 **James Cartlidge:** Sorry, Damian, in principle, on this point, if that work is clearly available in significant quantity that someone should be able to not have to get it and stay on benefits, which is the point that was—

Damian Hinds: Sorry, someone should?

James Cartlidge: It is still the point about sanctioning, which is if that work is very clearly available in a significant quantity, which that sort of work usually is. It is not usually the odd few hours. Once you become one of these sorts of cab drivers or delivery people that, therefore, you should have some power with people to say, "Hold on a minute, whether it is sanctioning, you should be taking those opportunities". That is basically what I am saying.

Damian Hinds: I don't have an announcement to make on that today. That is an important point to stress.

James Cartlidge: We are chancing our arm here.

Damian Hinds: This is an emerging area and it is something that obviously requires thought.

Pauline Crellin: I was just going to add that this is very dependent on the conditionality and the individual circumstances that are set for that individual, and so we are not saying we are not allowed to ever place requirements on that individual but in, reasonable circumstances, we have not yet to date done that.

Chair: Royston, do want to come back in?

Q386 **Royston Smith:** I want to clarify that if a private hire job is advertised at Jobcentre Plus, and there is a requirement and an obligation to take that, then why is there not the same obligation to take an Uber job? That does not seem to make sense.

Damian Hinds: We are using the term "job", but a private hire job would often actually be a self-employed opportunity; very often.

Royston Smith: Yes, I understand that. I am just not entirely sure that people should still be obliged—

Heidi Allen: Almost a delivery driver as opposed to a Hermes delivery driver.

Royston Smith: Yes, but the obligation should be the same in my opinion.

Damian Hinds: You raise important questions. I think it is an important role for the Committee, where you have these grey areas and sort of borderline cases, to be probing and testing. As I say, we are in a period of change at the moment. We have very recent tribunal cases categorising people working for or with—however you define it—different organisations, and some of those tribunal processes are not even yet complete. These are clearly all things that we do have to give very good thought to.

Q387 **Heidi Allen:** Just a final point on that. It is a slightly awkward position, isn't it? If we do anything and the Matthew Taylor review comes up with some new guidance and some new ways of operating these organisations, I am just seeing *The Daily Mail* headline: Jobcentre forces people to take jobs with Uber. Uber's profits. "Tax dodging"—I am using slogans. Yes, it is just an uncomfortable kind of position.

Let's talk a little bit more about the practicalities of Jobcentre and how they support people who have chosen to be self-employed. It is a bit of an old drum I keep banging, but let's keep going. My worry—and I think our worry—about work coaches, in this new brave world of Universal Credit, is how they can be the perfect support to whichever claimant sits in front of them. So talk to us about how skilled work coaches are to be able to support self-employed people and, to pick a statistic out of the air, do you know how many work coaches actually have experience of having run their own business? Because I have run my own business and it is a different world from being employed.

Damian Hinds: No. To be honest, the last question is, no, we don't. I would not imagine it is a particularly high proportion. On the general question of the expertise of work coaches, in this Committee we have had discussions before about the relative merits and demerits of having specialists versus generalists, having your own particular sort of segment, caseload versus having a mixed caseload, and you genuinely can argue both ways. There is no perfect answer. We have gone in general for a mixed caseload approach, which means you can see the same individual through as they change their circumstances; they change their benefits, as they move into work and so on. It also means you can do some cross-learning from the different types of cases that you have. We think it is also good for job content and for career development and so on for our people. So there are advantages but I am the first to admit that there are also drawbacks to having that mixed approach, but that is the one that we have taken.

On self-employment, you are quite right, there are of course different things to know about different skills, different disciplines in helping people who are self-employed. Just as, by the way, for the work coach there is a different set of skills and things to think about when working with people in work, in employment with in work progression, which is another new development for us. We recognise we need to have more of that skill development done on self-employed. We have a couple of external advisers who we have now brought in to advise on how we should do that people development.

For new work coach training, as we roll out the full service, every work coach will get a small amount of self-employment knowledge training. Then there will be in each Jobcentre at least one person who will have self-employment as a speciality. In a small Jobcentre that might be one of their specialities and they may have others as well. In a very large Jobcentre you might have more than one person whose entire work life is about self-employment, so we are developing in that way.

I do want to stress that we are still the Jobcentre and we are still work coaches. There is no pretence that we are a business school. There is no pretence that we are the Chamber of Commerce. The work coach needs to know sufficient to be able to do the gainful self-employment evaluation effectively and well, and to give the right sort of support to the bulk of people who would come through our doors and on to Universal Credit who are self-employed—the sort of help that that bulk of people would need. But they can also then refer people on to outside sources.

We have good links through our partnership managers with various business organisations, training providers and so on and, in addition to that, we are also looking to develop our suite of off-the-shelf support, which would be more kind of low unit cost, high volume things that you can put people towards to help them, books, videos, online applications, all that sort of thing. So there is a whole blend of support but it will be underpinned and administered by, as I say, all work coaches having a layer of self-employment knowledge and then these work coaches who develop the speciality in self-employment having that further knowledge and skills base.

Q388 **Heidi Allen:** Given that self-employment is a massive, massive growth area, and is responsible for an awful lot of the employment statistics, and why the country has such good statistics, do you not think that rather than just that small amount of training for work coaches that there is some possible benefit of having a dedicated person in each Jobcentre?

Damian Hinds: Well, in a large Jobcentre there would be. Obviously, the way that the economies of scale work, if you only have a very small number of work coaches I mean you can't have one person specialising entirely in self-employment and another person specialising in—some of the things we have talked about in previous sessions, particularly vulnerable people, victims of domestic—

Q389 **Heidi Allen:** Except that I would argue somebody who is knowledgeable about self-employment could, by default, help somebody in regular employment but not the other way round.

Damian Hinds: Sorry, say that again.

Heidi Allen: I would say—sorry, my cold—I would argue that somebody who is knowledgeable about self-employment could help somebody in general employment terms but not the other way round. As a self-employed person myself, I could very easily help somebody go into regular employment but, if I only ever had enjoyed employment, I am not sure I would have the skills the other way round.

Damian Hinds: I take that point. We also have the—

Q390 **Chair:** How are you going to act on it, Damian? You say you take the point.

Damian Hinds: Well, I did not say that I necessarily agreed, though. I mean I accept that.

Chair: Right.

Damian Hinds: I accept that viewpoint. I think there are the skills that some of our work coaches—all of our work coaches—have to help people towards work. I would not say that somebody necessarily, just as a result of having been self-employed, I don't think people would automatically have that skillset. We do a great deal to equip our work coaches with the skills to be able to do that. Sometimes that is about moving people over the line to get into work, but sometimes it is about starting kind of way back and helping people towards the workforce. That does involve some very in-depth specialist skills. I totally accept that there are particular skills and experiences that one picks up through being self-employed. I am guessing that a number of people on the Committee—and myself—have been self-employed. Of course I understand all those points.

Chairman, I was just coming on to say of course we also have the new Enterprise Allowance, which—

Heidi Allen: That was going to be my final question.

Chair: Why don't you ask it then?

Q391 **Heidi Allen:** Yes, just very much on that. Great minds think alike and all that. That was going to be my final question. That is an excellent tool that the Jobcentre has available. I was going to just ask you in general terms, is it oversubscribed? Do you have people in a backlog waiting? Given the rise in self-employment, how many people are using that service and are we able to meet the need?

Damian Hinds: We have effectively three versions of the new Enterprise Allowance going on at the moment. There is the NEA for new business start-ups. But then we also have the NEA now available. I say "now", actually it is from about a fortnight's time, in April. It will be available to people with existing businesses who are in receipt of Universal Credit. We also have a small scale pilot going on with some existing tax credits recipients to be able to offer extra support to them. In terms of the NEA for new start-ups, that is a good programme. It is successful and Pauline may have the figures in front of her. I don't right now.

Pauline Crellin: Yes, I do.

Damian Hinds: Go on.

Pauline Crellin: Okay. In the year we have just seen there were 102,000 starts to the NEA, which is obviously an impressive number, and we have seen a significant amount of positive feedback on the business mentoring in particular, which I think speaks to the point that you were making earlier about expertise in self-employment. From our perspective, that is a really positive aspect of it and we will expect that to keep growing, as you say, as interest in self-employment grows.

Q392 **Heidi Allen:** Is there more capacity available or how—

Pauline Crellin: Yes.

Q393 **Heidi Allen:** What percentage of the total available capacity did that use up?

Pauline Crellin: Last year we saw 1,820 individuals come through the process. I think next year we have capacity for up to 4,000 or 5,000.

Damian Hinds: It is also worth saying the take up on the NEA and so on will also have some relationship to the overall labour market, and of course we do now have—not to sound too repetitive—a record rate of employment, a rate of unemployment that is at a 12-year low and hasn't been lower since the 1970s. There are a lot of vacancies and there are opportunities for people to go into. Of course, we also have this big growth going on in the apprenticeship programme, which is very encouraging and is high profile, and for—I was going to say for young people but actually people of all ages, including for younger people, it is a very attractive prospect.

The NEA for people who are already trading and on Universal Credit that is only just coming in, but we are confident that in the immediate term we have an ample number of places to accommodate demand. If it turned out there was a great deal more demand then of course we would look at that again. But we do think this is an important new initiative, alongside what we are starting to do on in-work progression, about practical ways that we can help to support people to grow their earnings and to improve the security for them and their family.

Q394 **Richard Graham:** Minister, can I tackle you on two things? One is the Apprenticeship Levy and the relevance of this to the debate and the second point will then be on the pension side. On the Apprenticeship Levy, my strong impression is that very few of us in Parliament have any idea of how revolutionary this is going to be in terms of its impact. The particular bit of it that I think is hugely underestimated is going to be the impact on apprenticeships for older people. Because in places like hospitals and so on—if you take my hospital the Apprenticeship Levy will be the equivalent of £1.55 million. Clearly, they are going to double the number of their existing young apprentices but they are also going to upskill people who are already working there. They are also going to be looking at taking on people who are looking at a change of job or career much later in life. What do you think the impact of this will be on the unemployment of older people?

Damian Hinds: I should say the apprentices and the Apprenticeship Levy are not our policy area, but clearly we are very supportive of the overall programme. It is a huge opportunity not only for employment but of course for upskilling and for general improvement in productivity and earnings potential in the economy. It is huge.

Q395 **Richard Graham:** We are all agreed on that. I was just wondering what studies the DWP had done to try to estimate what the impact could be, for example, on older workers and how you might promote this as something.

Damian Hinds: I am glad you asked that because we have a current piece of work: we recently produced a report called "Fuller Working Lives", which looked at the full range of opportunities for people who are later on in their careers. We have a record rate of participation in the labour force among older people, but it is still true that people are leaving the labour force on average earlier than they did in 1950. You may ask mathematically how that can be true. I will just assume you asked mathematically how that can be true.

Heidi Allen: How mathematically can that be true?

Damian Hinds: Ms Allen, thank you for asking me that. It is of course because of male and female participation rates, so we have many more women working in the economy now than there were many years ago. As I say, we have opportunities to help more people back into work, and that can be people have a disability, long-term sickness, quite often caring responsibilities is a very important part of it, but also people for whom it may not be realistic to continue in a career that they have done for 20 or 30 years.

Q396 **Richard Graham:** So how will the DWP get the message out there that apprenticeships are for older people as well, and then what will the impact be on Universal Credit and so on, because some of the salaries involved with apprenticeships of course may be under the minimum income.

Damian Hinds: The apprenticeship wage will be the minimum that you could pay. You don't have to be paying that—

Richard Graham: No, indeed, no, most employers I am sure will be paying considerably more.

Damian Hinds: If you are doing career development for people who are on your books, then I think typically often you would not be. Essentially, how will we get this message out there? Being candid, we see people most often when they are not in work, so through our Jobcentre network we have the largest number of opportunities to talk to people about apprenticeship opportunities. Also, as we get into more and more of the in work progression work, there is some opportunity to prompt people to think about that and, with the work we do with employers, in particular, through our partnership managers—at a national level and through our national account management structure but also locally—we are at every turn promoting the apprenticeship opportunity, and also trying to help everybody to understand how the levy can be used and the range of opportunities that are there.

Q397 **Richard Graham:** Can I just offer the thought that—particularly with the NHS, which does not have a marketing budget and, therefore, only advertises its opportunities on its websites or on notice boards in the hospitals and so on—there is a real opportunity for Jobcentre Pluses to go and sit down and work with the recruitment teams and the apprenticeship teams, particularly in hospitals but in all parts of the NHS, and look at ways together of maybe structuring apprenticeships for older people who have possibly been unemployed for two or three years, for whatever reason? Perhaps they are no longer physically capable of working on construction sites but they might actually be very good at re-skilling and being in customer services roles. But also to look at—maybe for Pauline—what the impact of that would be on Universal Credit and the Minimum Income Floor and so on. I just don't know myself. I don't think the Committee really does. Chairman, I think it would be a very useful thing for the DWP to look at, because it could have quite a big impact on some of the older unemployment figures.

Chair: It would be quite good for us, as MPs, to be asking all our employers how they are using the levy and, in fact, whether they are—particularly if they are paying it. I think you would change the balance because if I was paying it I would be wanting to get something back.

Damian Hinds: Exactly. Yes.

Chair: I would be wanting to know the opportunities that are not age limited. I think that would be very important to go over. Pauline.

Pauline Crellin: Yes, absolutely, and one of the things it is worth me mentioning at this point is that what you have said ties in very beautifully with some work that we have going on at the moment on our employer strategy. Traditionally we have been quite operationally focused in the way that we work with employers, but one of the things we are looking at now is what we can do at a national level with some of the huge players in the employment sector—the NHS is right at the top of that list—to look at the variety of opportunities they have on offer, apprenticeships is one of them, and then to look at what sort of claimants/candidates we might encourage to look at those and in what way.

Apprenticeships for older people are part of our "Fuller Working Lives" strategy; there are lots of wrinkly issues around that. For example, apprenticeships as a concept are often not very attractive to older workers, so we are doing some work to look at that.

Richard Graham: I think we all need to get out this message that apprenticeships are not just for young people.

Pauline Crellin: Absolutely, yes.

Q398 **Richard Graham:** Thank you. On the pension side, Minister have you had a chance to look at the written contribution from the RSA? Because there is an interesting, in a sense, contradiction in the messages that they have left us. On the one hand they are saying that, "We believe the Lifetime ISA could present a valuable opportunity to help the self-employed prepare for retirement". Then they go on to say but actually there are all sorts of restrictions in the Lifetime ISA that don't make it so attractive. You will know that my concern about the ISAs—and in particular the Lifetime ISA—is that they are actually an entirely inappropriate vehicle for savings for after retirement and that, therefore, the Treasury may be incentivised by the RSA recommendations to try to use the Lifetime ISA as the tool for self-employed and take away all the restrictions and open it up, at which point it will become, effectively, a competitive product for auto-enrolment. Now, you could take the view that all choice is a good thing and that it is up to the individual to decide what is best for them, or you could decide that having created auto-enrolment, and effectively funded an organisation to provide it, we should be doing all we can to make it available for everyone, if need be, changing its rules slightly. So where does the DWP stand on this issue?

Damian Hinds: Can I first say, I acknowledge the challenge around savings, particularly retirement savings for self-employed people? We talked much earlier about the relative rates and that is an acknowledged issue. On savings products, Mr Graham, you mention the Lifetime ISA. There are also, of course, regular ISAs, which now have a much higher annual contribution limit than they used to. There is also the help to save product, which for some lower income people can be very relevant.

On pension saving in general, I cannot comment much at the moment because, as you will know, there is a review currently on auto-enrolment, and I know that some of these questions around self-employment obviously form part of the thinking in that review, and some of the ideas and so on that have come from different organisations no doubt will be of use. We met the researcher from the RSA in the last couple of days and talked about some of their thoughts. I know this Committee may have thoughts as well, which is the whole sort of nudgeology discipline these days, but thinking about the different ways of promoting, say, one of the correct points to try to insert that message.

Q399 **Richard Graham:** Yes. Nudgeology is one thing but, quite rightly, in the DWP's written evidence you have said, "The framework in place for auto-enrolment is not suitable for the self-employed because the employer and the worker are the same person", and clearly the idea of opting people in—

Damian Hinds: The opting out, yes, doesn't—

Richard Graham: Yes, absolutely so. It would need a different approach. There would need to have to be a special category, effectively, for the self-employed. But the alternative approach would simply be to say, "Well, auto-enrolment is for people who are employed. We don't think that is appropriate for the self-employed. Let the Treasury carry on developing their own products and alter them as they may", even if you recognise that that will then change the Lifetime ISA into something that would become a potential pension option for those who are currently going into auto-enrolment. It just seems to me there is a real danger here of two different Departments going down different tracks with ultimately competitive products, and that is not very satisfactory for a world where we want to try to give people simplicity.

Damian Hinds: Yes. Mr Graham, your own personal expertise in these matters is widely acknowledged. I cannot comment on the subject because there is a review and I know these things are being taken into consideration. It would be wrong of me to pre-empt that.

Q400 **Chair:** Could I come in on that? Damian, couldn't you actually offer to the self-employed that they can come into auto-enrolment if they pay the employer's contribution as well, so they are on a level plane. That also—if they are also getting Universal Credit—might tell you something about how honest some of the other applications that you receive are or how accurate, let's say.

Damian Hinds: At the risk of sounding evasive, I am not trying to be—

Chair: No, sure.

Damian Hinds: But no doubt this is among the sorts of ideas that will be mused upon and taken into account in the review.

Chair: It would be the easiest way, wouldn't it, of achieving the objective for which Richard has been pushing for a long time? There you have the Treasury pushing one model, which is undermining what we, as a Committee, regard as a real success of DWP, which is auto-enrolment. It is not just in fact for the self-employed but if you have this other product, which is so attractive then the idea that people are going to build on the minimum contribution becomes less. It is just sort of messy beyond belief.

Richard Graham: I guess at this stage, Chairman, to be fair—

Chair: He doesn't want to.

Richard Graham: The messages are hopefully being logged.

Chair: Yes, I hope.

Q401 **Richard Graham:** Can I give the Minister an easier question? Would that be all right? It may be easier anyway. The RSA papers made a series of quite specific recommendations. Interestingly, Matthew Taylor was talking about laying out a broad strategy, not wanting to get into the detail too much of his review, but in fact in his written evidence on Universal Credit he was very specific on a whole number of quite detailed points to do with Universal Credit, which impacts employment. Have you had a chance to go through this? Pauline is nodding. Would you like to—

Pauline Crellin: We met the RSA yesterday just to talk through—

Richard Graham: To go through things?

Pauline Crellin: To talk through. It wasn't a very detailed meeting but we agreed to meet up with them and we followed that up last evening.

Q402 **Richard Graham:** Right. He did come up with a list of half a dozen very specific sorts of recommendations.

Damian Hinds: Mr Graham, when you refer to "he" to which individual—

Richard Graham: Well, I am sorry—

Chair: Well, "he" is the Chief Executive.

Richard Graham: At the RSA.

Damian Hinds: This would be the RSA evidence?

Richard Graham: The written evidence from the RSA, which you obviously had a meeting yesterday to run through with them.

Pauline Crellin: Yes.

Richard Graham: Would you like to share with us some of your thoughts on their specific recommendations?

Pauline Crellin: It was an introductory to their recommendations yesterday to go through them, so we don't have any responses at the moment.

Q403 **Chair:** But when you have your follow-up meeting, given what Richard is saying, and look how detailed the recommendations were from the RSA, might you come back to us in a letter with how you conclude it?

Pauline Crellin: Absolutely, we would be very happy to.

Chair: All right.

Q404 **James Cartlidge:** Coming to the thing that has changed since we started this review, obviously, which is the Budget—it has cast the whole issue of self-employment into the national spotlight, up to a point. When he made his Budget speech, the Chancellor was effectively saying that the state pension will be more favourable to the self-employed and, therefore, in recognition of that and partly to pay for it, they will have an increase in their national insurance contributions. Now since then obviously there was a recalibration of government policy, shall we say—otherwise known as a sort of handbrake turn around—and from our point of view, the issue here is about fairness. Is it fair to the employed that the state pension has been extended in that way without any obvious change in the way the self-employed will be expected to pay towards it?

Damian Hinds: Mr Cartlidge, you are correct to identify that the new state pension works much better for people who are self-employed. There are other changes as well, so, for example, on childcare, there is greater availability of childcare and tax free childcare is available to self-employed people in a way that, by definition, the employer voucher scheme that was did not. Yes, there has been a narrowing in the applicability of these benefits. As for the general question you raise, the Committee will make its own mathematical observations, I have no doubt. But the fiscal situation is as it is, and if there are any tax and spending decisions to be made they are always made by the Chancellor at fiscal events.

James Cartlidge: But fairness is not a mathematical question, with respect.

Chair: Yes, I think you have politely said you're not going to answer.

Damian Hinds: Sorry?

Chair: I thought you were politely saying you are not going to answer.

Damian Hinds: I totally accept the point that the entitlement to benefits and to public goods has narrowed and the tax regime hasn't.

Q405 **Richard Graham:** Chairman, on that one—because the Minister has previous experience in the Treasury—there is of course going to be a question of where the, roughly, £2 billion, which would have been coming to the Treasury from the changes in national insurance over time, will now come from. It has always been tempting over the last seven years for the Treasury to turn to DWP and try to find the money there in different ways. What are your concerns about changes that could be asked of you, and if we are not going to make any changes on the welfare side, because of commitments already made, what do you think are the implications on the pension side?

Damian Hinds: We have a very good relationship with the Treasury who are very supportive of what DWP does, and a manifestation of that is that at the moment we are recruiting work coaches. We expect to have more frontline staff working with jobseekers and indeed people in work, helping them with their in-work progression, and the self-employed people who we have talked about today—more work coaches in every nation and region of the UK in a year's time than we have today. As I say, I think that is a reflection of the effectiveness of what DWP and the Jobcentre network do and the quality and dedication of our work coaches.

As for any decision about taxing and spending, those decisions as you know do come at fiscal events and they are made by the Chancellor and I cannot pre-empt either way.

Q406 **Chair:** But Damian Green when he came in to begin his stewardship made very clear that—apart from those already announced—there would be no new welfare cuts in this Parliament.

Damian Hinds: Indeed.

Chair: So presumably the Treasury is going to abide by that, aren't they?

Damian Hinds: There is a clear commitment. We have had to make some difficult decisions. Those are being implemented and there are no plans for any further reductions indeed.

Q407 **James Cartlidge:** Just to come back to the issue of the Budget, because personally I thought it was the right policy—I think a lot of people did not—and I think anyone observing this, having seen what happened with the Budget, would be slightly mystified at the gulf between Matthew Taylor, who is sitting there looking at this as impartially as possible. He was even mentioning the fact that there would be a levelling of tax on all forms of employment, including in fact employers' national insurance, which would imply that, for example, people who used self-employed would pay something to them on top of their invoice, whatever, because it would have to come from somewhere.

While we are talking about that—and we all know the mathematics of this, as you keep saying—the maths says that we are getting less revenue because of changing employment but more liabilities accruing for the future because of more generous state pension and so on. That tells us mathematically there is only one way you go, which is having to raise more revenue. You can see the contrast between what happened in the Budget, where we withdrew on that, and someone sitting in front of us who was doing a very detailed review of the fundamental structural change and he's telling us, "You need to go much further". Somewhere that is going to have to give, and you may say these are fiscal events for the Chancellor but this is the biggest spending Department by a very long distance. Surely the Department has to set out its view on where it thinks these things are going to be going.

Damian Hinds: We, like you, look forward to Matthew's review. I think he confirmed again today that the expectation is that it will come out in June and he will make his recommendations. I am not going to try to pre-empt or second guess what those recommendations may be.

Q408 **Chair:** Have you submitted evidence as a Department to him?

Damian Hinds: We have met. Yes, we—

Pauline Crellin: We have worked very closely with Matthew Taylor, absolutely.

Damian Hinds: Yes, as indeed he has of course with BEIS. So that review will come out and the Government will respond. On the overall question, I don't think I can add to what the Chancellor said. He explained the position and why things are as they are.

Q409 **James Cartlidge:** But you can observe, as we all do, that there is a massive top level change going on here, which is that frankly since 2008 we have had pressure on greater equality—whatever you want to call it—for the National Minimum Wage, and a lot of on-costs now on employment, which incentivise people and firms to look at ways of making themselves more competitive in the marketplace through IR35, through setting up as companies, given the low level of corporation tax, and of course through self-employment. So you have a pressing structural issue, in terms of change in the labour market and the tax revenue that generates, and a pressure from all quarters for that to be done in a fair way. I take your point. You are probably not going to add anymore here. Can you at least confirm that the Department recognises that the financial and fiscal pressure, which comes from the changing labour market, will have to be addressed sooner rather than later?

Damian Hinds: Tax matters are for Her Majesty's Treasury and Her Majesty's Revenue and Customs.

James Cartlidge: Yes, the labour market is—

Damian Hinds: In the Budget you will have heard the Chancellor talk about the fiscal effects of the changing structure of the economy and labour market, and that is recognised both in terms of self-employment and the trend towards incorporation.

Q410 **Craig Mackinlay:** I want to put on record my concern about the self-employed not building up a pension. We did recommend in one of our previous reports that perhaps the giving up of a bit of Class 4 NIC by the Treasury could be almost the employers' bit that we are seeing in normal employment, where the self-employed put their bit into an auto-enrolment type scheme and the Government gives up a bit of NI as almost like the employer's equivalent. But we are again trying to raid a narrow national insurance pot and I appreciate that. But I do want to put on record there is a howling tax problem or difference that really needs solving. If you are an auto-enrolled person below the tax threshold, you effectively get no tax relief at all because all you are doing is reducing the gross salary, and the gross salary was below the tax threshold and it is still below the tax threshold. If you are a self-employed person putting towards a personal pension scheme you get that given up or added to your pension pot by the Treasury. Now that is a whole difference that I think needs solving and I know the problem with DWP and Treasury is you don't always mesh together in what you are doing, but I want to put on record that is something that needs looking at. That if you are self-employed with the same income you get a bit added to your pension pot by the Treasury. If you are employed under auto-enrolment, low salary, you don't and I don't understand the problem or why that hasn't been solved, and I would just like you to think about that.

Damian Hinds: Again, the Pensions Minister is undertaking a review of auto-enrolment and no doubt that will be a welcome contribution.

Q411 **Chair:** As a last question, Damian, could I ask: what do you see as the drivers of self-employment and what are the policy implications? Because you hinted about this at the very beginning of our session, so it is over to you.

Damian Hinds: There are a number of different drivers. For some people self-employment may effectively be the only option—for a small group of people there really is no prospect of being employed for various reasons. For others, self-employment can be a very positive choice. There can be obviously the self-fulfilment, self-actualisation, motivation of working for yourself. I think that is something that has always been there. Also, for some people it fits around childcare responsibilities, it fits around elder care responsibilities or other caring, and of course over time we have a higher female participation rate in the labour market. As society ages you have more people who are caring in both directions, both for children and parents, and with the ageing society you have a greater incidence of chronic conditions, so all these things can have a changing effect. With the—

Q412 **Chair:** What, to unemployment? This would be one of the reasons that Heidi was talking about, this massive increase in self-employment.

Damian Hinds: I suppose, what I am saying on that is that we would like more employment also to be more flexible. That is one of the reasons we have increased the right to request flexible working. We want to encourage employers when they are advertising jobs to basically say, "Ask me about flexibility". I cannot guarantee necessarily how it will work but let's have that conversation to widen the net of people who might be able to take that opportunity. That is good for both sides. We want more flexibility in employment too, but some people do see self-employment as a way of being able to flex up and down the work they do and to work the hours that work around their other responsibilities. So to the extent there is a growing change in female participation and greater instance, as I say, of elder care and so on, you may see some increase as a result of that.

With these newer models of the so-called gig economy or platform economy or sharing economy, as I was saying earlier, a lot of those have been around in various forms for quite some time but there are wider factors that then accelerate them. In particular, technology enables certain types of work, in terms of the administration of it, much more easily than would have been the case in the past, and also indirectly technology has driven home delivery. That happens to be a part of the economy that has a lot of self-employment attached to it. Then of course also—we were just talking about it, I don't think there is any secret—for some people the different tax treatments could have an effect as well, so a lot of different factors.

Q413 **Chair:** Damian, those factors are very much negative ones, aren't they? I just wonder whether you saw this continued rise in self-employment also part of the changing culture in this country. That more people are driven by entrepreneurial zeal rather than you know, "I want to look after my mum, so the best way of doing that is to become self-employed". That is in a sense reactive. Do you not see positive forces of changing our culture? It is really respectable to be a wealth creator and this is—

Damian Hinds: Oh, sure, and there is lots to be positive about and lots to welcome. I am really qualified to talk about the difference in attitudes of millennials versus other people. What I would say on your point about entrepreneurship is there is a big overlap between entrepreneurship and self-employment but they are not always necessarily exactly the same thing.

Chair: No.

Damian Hinds: If you think of entrepreneurship as risk capital and eventually seeking to grow an enterprise, where eventually you will employ other people and all the rest of it, that is clearly a part of the self-employment market but, in terms of the people that we would interact with, mostly through Universal Credit and through the Jobcentres network, that is not the bulk of them.

To come right back to the start, and where we began, self-employment isn't right or wrong. It is just right for some people. It can work well for some people and work well with the other things going on in their lives. What we are about is trying to make sure that, for those people for whom it can be right, it is possible to do meaningful remunerative self-employment that is going to bolster security for them and their family.

Chair: Very good. Damian and Pauline, thank you very much for your evidence.

Damian Hinds: Thank you.

Pauline Crellin: Thank you.

Chair: It was very good.