

Business and Trade Committee Call for Evidence on Make Work Pay: Employment Rights Bill

Introduction

Veezu is a national Private Hire Operator, which facilitates private hire services to passengers across England and Wales. We are licensed to operate in 55 local authorities and complete approximately 24 million bookings per year.

Veezu employs almost 600 employees across its national business. In addition to this, we partner with approximately 16,000 licensed private hire drivers in the areas where we are licensed to operate. Private hire drivers are self-employed individuals in business on their own account and for the majority of journeys, Veezu coordinates bookings between passengers and licensed drivers.

While it is not included in the Employment Rights Bill, the Government has set out its intention to consult on the definition of single worker status as part of the next steps of this legislation. We welcome the Government's decision to consult and take further time over this proposal as it is a very complex area that could have significant impacts on the Private Hire sector. Licensed private hire drivers and taxi drivers have been classed as self-employed for decades and the vast majority prefer this status.

The last decade has witnessed a disruption to the way PHV bookings and journeys are managed. While there have been some competitive benefits, the impact on fares has been damaging to the sector. By subsidising low-cost fares, some large ride hailers have reduced driver earnings, leading to a small but growing group of drivers calling for recognition as workers.

Before any changes to the employment status of licensed drivers is legislated for in the PHV sector, we believe that the issue requires further research and consultation. This should establish whether the shift from self-employed to worker is what the majority of licensed drivers want and if they benefit from this shift, not just in terms of earning, but the overall flexibility that their current self-employed status provides them. Additionally, it must consider any increased costs on PHV operators and how that may impact the sustainability of small, medium and large operators, the competition across the sector and the provision of essential services to local communities (particularly those that rely on PHV on a daily basis).

Veezu is very keen to contribute to further discussion and consultation on the Employment Rights Bill, in particular the proposals on the definition of single worker status.

Impact on businesses

What impact will the areas covered by the Employment Rights Bill have on small, medium and large businesses?

While businesses are still establishing the real impact of the Employment Rights Bill, it is important that any proposed changes strike the balance between businesses investing in employees to drive growth and productivity and providing appropriate rights for employees.

Any changes to employment legislation could increase administrative costs on all businesses and will be disproportionately felt by small businesses. These changes come at a time of significant uncertainty for the Private Hire sector. Ongoing legal cases and uncertainty around the VAT treatment of PHV fares, mean that the costs of operating PHV services could increase significantly in the coming years. If Uber is successful in its Supreme Court hearing in July 2025, we could see an increase of 20% VAT on PHV fares.

If left in the current state of flux, the sector will experience:

- Investor caution, meaning slower than necessary decision-making by investment committees to invest in the sector.
- Static business decisions resulting in simply treading water until there is clarity on the way forward.
- Less investment in technology for passenger and driver efficiencies (e.g. the encouragement of drivers to switch to electric vehicles).

Any hasty changes to employment legislation could further exacerbate these issues.

PHV is the only transport option that is available 24/7. We enable people to see their families, access healthcare, and enjoy a range of local leisure and hospitality services (50% of private-hire journeys are for essential 'non-negotiable' journeys like going to work, to school, to hospital, or to the shops), services especially crucial to vulnerable, elderly or disabled people. Market data suggests that only 17% of journeys across the PHV sector are taken for leisure and, in certain rural areas, this is as low as 12%. This is further supported by Veezu's journey data, which shows that 43% of journeys are classed as essential (e.g. health, transport, education) and only 12% are associated with leisure. An increase of 20% Vat on PHV journeys would disproportionately impact vulnerable users and those using PHV for essential travel. Our analysis shows that 62% of all passenger journeys would suffer fare increases of between 14% and 14.5%.

Veezu partners with licensed PHV drivers, who are self-employed. While they are not employed by Veezu, they are impacted by any increase in the day-to-day costs of running the business. If 20% VAT were to be levied on PHV fares and combined with increased administrative costs of overnight changes to employment rights, PHV journeys would become more expensive and reduce demand. In turn, this would reduce the earning potential of self-employed licensed private hire drivers, meaning that they would leave the sector altogether or have to find alternative sources of income.

What impact will these measures have on staff retention, hiring practices, probationary periods and wages?

Any perceived increases in costs of employment will cause employers to consider their employment policies. This includes retention, hiring, probation periods and salaries. We are aware that the Government will consult on the use of statutory probationary periods, with the Government's preference to have a nine-month statutory probationary period in place. The statutory probationary period is intended to provide balance between offering job security for employees and giving employers a greater degree of confidence in making new hires and nine months appears to be a reasonable period of time to support these dual objectives.

Veezu has grown through acquisition of local PHV businesses. Our model is to acquire and grow in local markets. Through this model we employ local teams to run the day-to-day business and partner with local, self-employed licensed drivers. This means that the local economy enjoys the benefits of both employed and self-employed remaining in their local areas and retaining the choice to live and spend their incomes locally. Any increased costs brought around by changes to employment rights may lead us to reconsider and review these practices, with possible rationalisation and centralisation of operations. In turn, this could remove some income and spend from the local economies where we currently operate.