

## Missing In Action: how the demise of the Employment Bill will expose vulnerable workers to even greater risk of exploitation

Policy Brief November 2022 – Angela Rayner, Deputy Leader the Labour Party

The absence of an Employment Bill (a manifesto commitment) from the government legislative programme together with the provision for a Single Enforcement Body for labour market enforcement is deeply concerning for us. The nature of enforcement is fragmented because various enforcement agencies operate under separate remits which risks workers falling through the regulatory gaps and being left unprotected.

Regulatory action is needed to facilitate the creation of jobs that pay workers fairly in accordance with the National Minimum Wage (NMW). We believe urgent legislative change is necessary to support workers and empower enforcement agencies to root out unlawful practices. Non-compliant and informal working practices include wage theft, coercion, no breaks or holiday/sick leave, long undeclared hours, poor health and safety standards, poor staff facilities and many others.

Our research with the **Responsible Car Wash Scheme (RCWS)** for a Home Office funded project this year found wage theft, lack of PPE and poor working environments across most of the 36 hand car wash sites we sampled.

**Example:** we observed a hand car wash in Slough which charged £2.50 per car washed with five workers on site resulting in a rate of 50p per worker per car washed. It would require 18 cars every hour to meet the NMW, which is unlikely given the small size of the site and quiet location. This is just one of many examples of the flouting of laws put in place to protect workers, the community and environment.

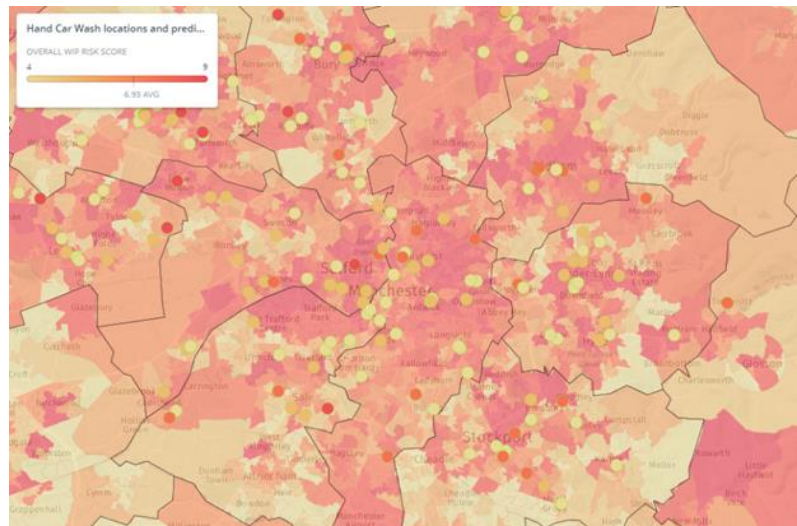


Figure 1: Mapped locations of hand car wash sites with risk scores on a scale of 1-10 within Greater Manchester and surrounding areas.

### Labour Exploitation

The current cost of living crisis creates an opportunity for unethical employers to exploit employees, particularly the lowest paid, who cannot afford to leave. The financial schemes offered this year to help with rising living costs may not reach those in need if unscrupulous employers and criminally exploitative employers abuse the schemes as was the case during the Covid-19 pandemic whereby enormous sums of taxpayer money were claimed by employers and withheld from workers. Exploitative employers, gangmasters and organised criminal networks prey on vulnerable workers and exhibit high level competence in evading detection by the authorities. The longer that coercive and exploitative employers remain under the radar of the labour market enforcement bodies, the greater the number of workers who will fall victim to them.

## Informal Economy Index

The WIP Research Centre developed the Informal Economy Index (IEI) to predict which neighbourhoods have a higher risk of developing informal workplaces. The index is a valuable tool for policymakers, employment regulators and enforcement bodies to target scarce resources and time on the areas most at risk. Based on our findings, **our recommendation** is to take a geographical approach to target informal economy hotspots as seen in the map of Manchester.

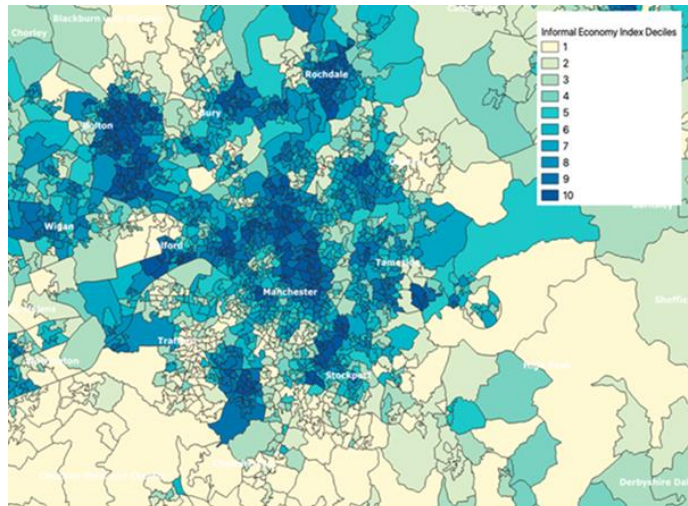


Figure 2: Predicted employment in the informal economy within Greater Manchester and surrounding areas based upon the IEI

## Recommendations

- Re-launch the development of the Single Enforcement Body (SEB):
  - Increase legal powers to disrupt unlawful activities and trading on premises.
  - Promote intelligence and resource sharing between enforcement agencies.
  - Support collaboration toward shared goals alongside individual remits.
  - Devise a long-term strategy focused on geographical hotspots to raise business compliance concerning employment rights, H&S, planning and building regulation, tax, trading standards, water and chemical usage.
- Labour exploitation can be a precursor to modern slavery and the relationship between the two issues needs to be emphasised, without sidelining labour exploitation which is a far more prevalent crime.
- Re-develop Companies House and business registration processes to help tackle phoenixing and phantom company creation.
  - Informal businesses evade the scrutiny of HMRC simply by changing the company name on Companies House.
  - Businesses which register and dissolve in quick succession are indicative of phoenixing to halt investigations into the company under its previous name.
- Adoption of EU Business and Human Rights Law.
- Awareness-raising to educate workers on wage theft to prevent them from falling into exploitative work, and to encourage the public to report suspicious business activities.
- Engage with at-risk workers and develop alternative employment opportunities.

## About Us

The **Work Informalisation and Place (WIP)** Research Centre at Nottingham Trent University examines UK employment sectors known to have a high prevalence of informalised working practices including hand car washes, nail bars and small garment manufacturers.

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