**Hand Car Washes Inquiry: Environmental Audit Committee**

**May 2018**

Written Evidence submitted by Professor Ian Clark and Nottingham Civic Exchange

1. **Executive Summary**
   1. This submission builds on research and partnerships developed by Professor Ian Clark from Nottingham Business School supported by Nottingham Civic Exchange
   2. Hand Car Washes (HCW) grew to prominence since 2008
   3. Estimates that across Nottingham and Leicester there are more than 45 HCW across both cities which often employ up to 10 operatives
   4. At least 450 people employed through HCW across Nottingham and Leicester which could be extrapolated to 24,300 operatives across England and Wales
   5. Virtually no work to reduce the environmental impact of many informalised hand car washes exists and there are serious questions about how many hand car washes source water and how they dispose of dirty used water
   6. The effects of working with chemicals used in car cleaning are potentially threatening to health and safety especially in cases of prolonged use and exposure; this is particularly the case in relation to the chemicals used to clean alloy wheels
   7. Drainage of waste water and chemicals is an obvious environmental concern but variation in site location and drainage systems would make regulation difficult. Whilst the best mechanised car washes re-cycle water this was not found in HCWs
   8. Much of the growth of HCWs does not contribute to official figures in terms of GDP growth precisely because much of it is located in the informalised economy making its impact difficult to explore
   9. HCWs are a regression into a lower value added area of work. There is tremendous physical productivity but HCWs are a lower value-added lower productivity solution where cheap labour replaces technology
   10. Hand car washes may represent a form of entrepreneurship, often pioneered by migrants; on the one hand, this is entrepreneurship but on the other kinship and common ethnicity are often shields for clear labour market exploitation. We found that some HCW entrepreneurs aim to become legitimate employers and have an ambition to acquire more legitimate regulated brands such as Imo, Shinny and Waves but this is not always the case
   11. Our research found no extreme cases of forced labour or modern slavery and more over the exploitation of workers at hand car washes started once they arrived in the UK. The majority of hand car washes indulge in some form of labour exploitation but we would suggest that there is not a clear cut link to human trafficking in the same way as there is for workers engaged in cannabis farms, nail bars and the sex work industry
   12. The cost of lost taxation to HMRC is substantial as is the cost of safeguarding vulnerable and precarious labour. The provisions of the modern slavery act have had some effect on HCWs. One national supermarket has banned all independent hand car washes from their car parks and is now in a partnership agreement with Waves which has impacted on other local HCWs
2. **About the authors**
   1. [Professor Ian Clark](https://www.ntu.ac.uk/staff-profiles/business/ian-clark) is a Professor of Work and Employment from Nottingham Business School. Professor Clark has led research projects funded by the ESRC and the Treasury select committee on the business models of US MNCs and those of businesses backed by private equity investors. In both cases the research examined the effects of business models on work and employment. Professor Clark presented oral and written evidence to the Treasury Select Committee during its investigation into private equity in 2007 and to the Department of Work and Pensions’ inquiry in 2014 into the collapse of BHS and more specifically its pension scheme.
   2. Professor Clark has been researching the growth of hand car washes (HCWs) for the past three years. He has published articles in world-leading and internationally recognized academic journals on HCWs. Professor Clark has presented material at a GLAA intelligence workshop held at the University of Warwick and has briefed the director of labour market enforcement, Sir David Metcalf on HCWs at a meeting held at BEIS. He has also worked with the director of strategy, Darryl Dixon, at the GLAA on what a licensing scheme for HCWs might involve. Alongside these activities he has have interviewed all the appropriate stakeholders and with a colleague conducted an empirical study of HCWs in two East Midlands cities. Currently Professor Clark is working on a more extensive ‘tech’ enabled mapping and categorisation of hand car washes throughout the midlands and UK. Professor Clark will be happy to discuss the details of this project at any future meeting of the audit committee
   3. [Nottingham Civic Exchange](http://www.ntu.ac.uk/nce) is Nottingham Trent University’s pioneering civic think tank with a primary focus on issues relating to the city and the region. Nottingham Civic Exchange enables discovery by creating a space where co-produced approaches are developed to tackle entrenched social issues. Nottingham Civic Exchange supports the role of NTU as an anchor institution in the city and the region. Nottingham Trent University holds engagement with communities, public institutions, civic life, business and residents at the core of its mission.
3. **Submission**
   1. This submission responds to the categories of question laid out in the terms of reference for the inquiry published in April.
   2. **Development of the Industry**
      1. The number of hand car washes in the UK is difficult to calculate for the following reasons. Firstly, the material published by the hand car wash association, now known as the car wash advisory service relates only to England and Wales because Scotland has its own car wash regulations and approaches to enforcement. A second reason for the difficulty in calculating the number of HCWs is that that there are different types of HCW with different degrees of visibility, presence and longevity in England and Wales; for example, there are pop-up washes, washes present on supermarket car parks and in city centre car parks. Other HCWs occupy abandoned spaces on former petrol station forecourts, former pub car parks or pub spaces, which have now been demolished. Similarly, some HCWs occupy spaces, which were previously car dealerships, tyre replacement outlets, or road-side garages. Together with a colleague, Professor Clark has produced a detailed study of these different types and estimated the distribution among the different HCW formats. We also suggested that there could be up to 20,000 HCWs; but that not all of these are permanent and that there are varying degrees of informalisation. For a fuller view, we suggest you explore two articles written with Colling from 2016 and 2017 that explore i[nformal migrant employment in car washes](http://bit.ly/2jNPfkH) and r[oad side hand car washes in the informal economy.](http://bit.ly/2Idwfqq)
      2. In the studies, we conducted in Leicester and Nottingham we found that individual HCWs had as many at 10 operatives working at any one time. However an on-going study conducted with my colleague Huw Fearnall-Williams has also identified ‘one person bucket’ operations operating out of porta cabins or small caravans. Across Leicester and Nottingham in our published studies we reported on **45** HCWs; there were more than this number as we were frequently denied access to HCWs located in city centre car parks and sometimes those occupying space on national brand supermarket car parks. For Leicester and Nottingham we therefore estimate around **450** workers employed in hand car washes; assuming there are around 54 cities in England and Wales if these numbers were replicated there could be around **24,300** workers engaged in this sector. There is though a definitional and self-identification question because not all those who work at HCWs see themselves as workers and neither do they see themselves as being exploited. We were also aware of some workers responding to interview via ‘scripted speech’, which denies any trafficking and or modern slavery offences.
      3. The consensus is that hand car washes began to diffuse as a widespread presence around 2008. The effect on the legitimate hand car wash sector and the use of roll-over and drive through jet washes has been devastating. Throughout my established empirical studies and our current studies we found mechanical car washes to be abandoned or utilized in some form by hand car wash businesses but not as drive-through car washes.
   3. **Environmental Impact**
      1. The work we conducted is primarily focussed on employment relations and regulation issues but environmental issues do feature in this work. Anecdotally we would say that there is virtually no work to reduce the environmental impact of many informalised hand car washes and there are serious questions, which need answers about how many hand car washes source water and how they dispose of dirty used water. The effects of working with chemicals used in car cleaning are potentially threatening to health and safety especially in cases of prolonged use and exposure; this is particularly the case in relation to the chemicals used to clean alloy wheels. At many HCWs operatives do not wear protective gloves or appropriate footwear, although it should be stated that the use of protective gear is variable both in and across HCW formats.
      2. Regulations wise a key issue is the presence of appropriate drains; at HCWs located on former or still open petrol stations this is less of a problem as many road-side petrol stations have appropriate heavier drainage systems. HCWs located on other abandoned spaces do not and there is clear evidence of degrading and damage to tarmac and around storm drains where chemical concentration eventually breaks down brick and tarmac. In terms of owner, landlord and regulator responsibilities our research found a confused and permissive picture where many blind eyes were turned. Professor Clark is happy to discuss these issues in more detail confidentially. As part of the research ethics process at the University of Leicester (where Professor Clark was employed during the beginning of this research) and at Nottingham Trent University it is necessary for us to enforce confidentiality because in some cases those who own HCWs and those who work on them admitted to us that that they were breaking laws. (e.g. on environmental and employment regulations.) Some regulators and supermarket landlords terminated our research engagement with them once we began to pose more difficult questions about regulatory compliance and sub-contractors.
      3. In respect of sustainable water use water, re-cycling is one obvious candidate but this is unlikely as most used water runs off into regular storm drains; interestingly the best mechanized car washes do re-cycle water. We spoke to one of the key suppliers of equipment and chemical solutions to the sector who suggested to us that part of the problem is that many informalised but large scale HCWs dilute solutions and fail to use others in appropriate mixes.
   4. **Sustainable Employment Practices** 
      1. Sustainable development goal ambitions and ‘decent work’ cover a variety of issues and we summarise each of them in respect of HCWs. Much of the growth of HCWs does not contribute to official figures in terms of GDP growth precisely because much of it is located in the informalised economy; estimates suggest that up to 12% of UK GDP is accounted for by informalised activity, an economy, which supports up to two million workers. In terms of productivity, HCWs are a regression into a lower value added area of work. There is tremendous physical productivity but HCWs are a lower value-added lower productivity solution where cheap labour replaces technology; these points were presented to the Taylor Review and the Watson Review of modern work practices and the future of work.
      2. Hand car washes may represent a form of entrepreneurship, often pioneered by migrants; on the one hand this is entrepreneurship but on the other kinship and common ethnicity are often shields for clear labour market exploitation. We found that some HCW entrepreneurs aim to become legitimate employers and have an ambition to acquire more legitimate regulated brands such as Imo, Shinny and Waves. Clearly, regulation must be appropriately followed and more importantly existing regulations in particular those relating to employment and the environment must be enforced which for a variety of reasons they are not. Essentially entrepreneurial activity, both collective and individual at HCWs is largely unregulated. Forced labour and modern slavery are complex issues. In our research, we found no extreme cases of forced labour or modern slavery and moreover we found that the exploitation of workers at hand car washes started once they arrived in the UK; indeed many flew here on low-cost airlines such as EasyJet and Ryanair. Modern slavery may be present in the HCW sector in the form of labour bondage, which is often gentrified in the term payment to intermediaries for job or accommodation placement.
      3. The research we conducted found various degrees of informalisation in work and employment; the national minimum wage and the living wage were not enforced, neither were holiday pay arrangements and other aspects of employment protection. We found wage theft against the then national minimum wage of 15% which accords with much of the research in the United States where there is a longer history of unregulated HCWs. Another issue which our research found was that within the HCW sector there are some subsistence operations where those who work do not consider themselves as employees but part of a kinship based collective - we need though to be sceptical of scripted speech where the speech shields more severe forms of exploitation.
      4. The majority of hand car washes indulge in some form of labour exploitation but we would also suggest that there is not a clear cut link to human trafficking in the same way as there is for workers engaged in cannabis farms, nail bars and the sex work industry. Unregulated hand car washes do not exist in the same way as in the UK and Ireland in other EU nations. In German and Austria, this is the case because of a strong adherence to bio issues and the green lobby. Academic colleagues at conferences suggest that these operations would be closed down within days in Germany and moreover the public would not use them in the same numbers as in the UK; the latter point may or may not be true. In summary in many northern European EU nations there is better enforcement of regulations of all types. Darryl Dixon, head of strategy at the GLAA has acquired some recent comparative data from European colleagues, which does suggest the embryonic diffusion of hand car washes in some European nations.
      5. The cost of lost taxation to HMRC is substantial as is the cost of safeguarding vulnerable and precarious labour. The provisions of the modern slavery act have had some effect on HCWs. One national supermarket has banned all independent hand car washes from their car parks and is now in a partnership agreement with Waves, a hand car wash franchise business, which provides Tesco hand car washes. One effect of this is that informalised hand car washes in the vicinity of Tesco stores are beginning to be out-competed by a legitimate provider.
4. **Recommendations**
   1. A licensing scheme should be piloted in a particular region or City and regulatory compliance could be something that local authorities, in partnership with the GLAA and other enforcement bodies are more firmly charged with enforcing. In the case of a city like Nottingham, this may align with the aspiration to become a ‘good work city’ and a slave free city.
   2. ‘Nudge theory’ needs to be applied to the public; there is a reason why you can get a BMW 3 Series washed in 10 minutes better than you could ever do it yourself; it is because a host of regulations are at a systematic level breached, disregarded or ignored. Moreover, your car could be damaged due to grit and small stones in cleaning ‘shammy’ leathers.
   3. Vicarious business and employer responsibilities could be monitored more closely, for example, insurances and displays of such. Addressing these responsibilities can be taken forward in a deterrence approach or a compliance approach to regulation.
   4. Publicity campaigns can be used to highlight the downside of using HCWs where permissiveness is not just that, that is turning a blind eye but a practice that legitimises exploitation- this is the situation in the United States where eventual compliance activity found that many unregulated unlicensed hand car washes had been operational for in excess of ten years.
   5. As our research, reports many HCWs may well be compliant in all areas other than aspects of employment regulation and environmental regulation. The task is how to bring them all into regulation; there are various options – do nothing other than regulate for extreme exploitation in the form of trafficking; seek to outlaw all hand car washes or encourage hand car washes to improve self-regulation in combination with enforcement action by the IASC and the GLAA.
   6. Professor Ian Clark is happy to speak to committee members confidentially about aspects or our research that can’t be made open to the public; He is also happy to present oral evidence to the committee or individual committee members.

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**Current research collaborators**

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Dr Ben Reynolds, contract researcher engaged by Clark and Fearnall-Williams. Dr Reynolds provides fieldwork research assistance.