FACT SERVICE

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Gig economy comes under scrutiny

The government has announced a consultation on the gig economy, which will be headed Matthew Taylor, chief executive of the Royal Society of Arts.

The review will consider the implications of new forms of work, driven by digital platforms, for employee rights and responsibilities, employer freedoms and obligations, and our existing regulatory framework surrounding employment.

With 15% of those working in the UK's labour market now self-employed, there has been a rise in the number of people doing "gig" work — short-term, casual work that is increasingly sought by people through mobile phone apps when they want to work. These roles can include driving, delivering items and DIY tasks.

The explosion of "disruptive" businesses — where new ways of working and technology come together to create new products and services to better meet consumer demand — is also leading to a change in working practices.

The review will address six key themes:

- **Security, pay and rights** To what extent do emerging business practices put pressure on the trade-off between flexible labour and benefits such as higher pay or greater work availability, so that workers lose out on all dimensions?
To what extent does the growth in non-standard forms of employment undermine the reach of policies like the National Living Wage, maternity and paternity rights, pensions auto-enrolment, sick pay, and holiday pay?
- **Progression and training** How can we facilitate and encourage professional development within the modern economy to the benefit of both employers and employees?
- **Balance of rights and responsibilities** Do current definitions of employment status need to be updated to reflect new forms of working created by emerging business models, such as on-demand platforms?
- **Representation** Could we learn lessons from alternative forms of representation around the world?
- **Opportunities for under-represented groups** How can we harness modern employment to create opportunities for groups currently underrepresented in the labour market (the elderly, those with disabilities or care responsibilities)?
- **New business models** How can government — nationally or locally — support a diverse ecology of business models enhancing the choices available to investors, consumers and workers?

The Department for Business, Energy and Industrial Strategy is also to launch a research project into the scale of the gig economy – the first piece of government-commissioned research into the practice. The project will also look at the motivations of people engaging in "gig" work.

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Business minister Margot James said: "The Taylor review is a hugely important step towards us ensuring fairness for everyone in work. Helping us to understand what impact modern employment practices have on workers will inform our forthcoming industrial strategy and also help us ensure our labour market and wider economy works for everyone.

"But it is also crucial that workers receive a decent wage and that people working in all sorts of jobs are able to benefit from the right balance of flexibility, rights, and protections."

Unions welcomed the move. TUC general secretary Frances O'Grady said: "Far too many people are now stuck in insecure jobs, with low pay and no voice at work.

"The Taylor review is an opportunity to bring the rules protecting workers into the 21st century, and to improve rights for millions of working people.

"As we have recently seen at Uber and Sports Direct, strong unions are key to exposing bad bosses and winning a better deal for working people."

www.gov.uk/government/news/taylor-review-on-modern-employment-practices-launches

www.gov.uk/government/groups/employment-practices-in-the-modern-economy

UK economy — 0.5% growth confirmed

The latest estimate for growth in the UK economy, as measured by gross domestic product (GDP), was unchanged at 0.5% for the third quarter

The service sector — with an unchanged estimate of 0.8% growth between the second and third quarter — was the only one of the the four main output industrial groupings within GDP to post an increase. And all four of the components within the services industries showed an increase between second and third quarter.

Meanwhile, agriculture, forestry and fishing, construction, and production showed decreases in this period. Within production, three of the four components decreased, which resulted in overall negative growth in total production.

Production output decreased by 0.5% in third quarter compared with the second quarter of the year, 2016, a revision downwards of 0.1 percentage points from the previously published estimate. Within the production sub-industries, output from mining and quarrying (including oil and gas extraction) increased by 4.3%; manufacturing (the largest component of production) decreased by 0.9% and electricity, gas, steam and air conditioning supply industries decreased by 4.3%. Water supply and sewerage decreased by 0.5%.

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/secondestimateofgdp/quarter3julytosept2016

Executive pay and corporate governance

Companies will need to justify high levels of executive pay under plans outlined in a government green paper.

The green paper seeks views on three areas where we want to consider options for updating our corporate governance framework:

- on shareholder influence on executive pay, which has grown much faster over the last two decades than pay generally and faster than typical corporate performance;
- on whether there are measures that could increase the connection between boards of directors and other groups with an interest in corporate performance such as employees and small suppliers; and
- whether some of the features of corporate governance that have served listed companies well should be extended to the largest privately-held companies at a time in which different types of ownership are more common.

Prime minister Theresa May said she wanted to ensure "everybody plays by the same rules". "We have seen an irresponsible minority of privately-held companies acting carelessly — leaving employees, customers and pension fund beneficiaries to suffer when things go wrong," she said.

Charles Cotton, pay and reward adviser at the CIPD, said the HR professional body welcomed the announcement.

"The publication of pay ratios is a welcome first step in addressing the broken system of executive pay," he said. "Alongside the presence of employees on remuneration committees, they will help build greater transparency over executive salaries and bonuses, and should encourage organisations to ensure there is a clearer link between overall top pay levels, organisational performance and the rewards of the wider workforce.

"This is not about naming and shaming companies, but instead encouraging open conversations about what's being rewarded and recognised at each grade, how, when and why. This is a win-win for business, as CIPD research shows that disproportionate levels of [chief executive] pay is a huge issue for employees, with 59% citing it as a reason they are demotivated at work."

There was, however, disappointment in union circles. TUC general secretary Frances O'Grady said: "This is not what Theresa May promised.... and will not do enough to shake-up corporate Britain. We need the voice of elected workers in the boardroom, rather than on advisory panels.

"The prime minister vowed to govern for working people. She should let them have a say where it really matters."

The green paper on a voice for employees is as limp as day-old lettuce. The green paper points out that there is nothing in UK company law that prevents the appointment of employee representatives to company boards — individual companies have the final decision on board composition - but the practice has not been generally adopted.

As the TUC has already pointed out, some companies have well-developed mechanisms for listening to their employees' views, such as works councils, trade unions and consultative bodies. However, only a small number of companies have also chosen to appoint employee representatives to their boards, First Group plc being the most well-known example.

The range of options set out in the green paper for strengthening the voice of employees, customers and other interested parties at boardroom level looks at a number of options.

Company boards could create stakeholder advisory panels for directors to hear directly from their key stakeholders and amplify voices with different backgrounds and perspectives to those more commonly found in the boardroom.

Secondly, there will typically already be executive board members with responsibilities for human resources or customer or supplier relations. However, designating existing non-executive directors (NEDs) to provide an independent and clear voice for key interested groups as a formal part of the board structure would be a means of directly inputting that voice into boardroom discussions and would not add to boardroom size.

The designated NED might also be a member of the remuneration committee, to help ensure that wider workforce considerations are brought to bear on decisions about executive pay.

Thirdly, those in favour of employee representatives on boards argue that businesses may wish to appoint individual representatives to company boards.

However some point to limits on how much impact a single employee director could have in practice, and that there is a risk of tokenism, unless steps to improve employee engagement are fostered at every level in the business.

Finally, the green paper queries whether the existing (weak) reporting requirements relating to shareholder engagement should be strengthened.

In its submission the consultation, the High Pay Centre (HPC) said "We need employee representatives on remuneration committees (and probably on full boards as well). The 'shopfloor' perspective in the pay discussion would bring a much-needed reality check."

As is stands, "boards are not diverse enough. There are not enough women in executive roles, and not enough people from ethnic minorities. Directors are drawn from too narrow a social circle," the HPC said.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/573438/beis-16-56-corporate-governance-reform-green-paper-final.pdf

www.tuc.org.uk/economic-issues/workplace-issues/tuc-hits-out-%E2%80%9Cdisappointing%E2%80%9D-plans-tackle-corporate-misbehaviour

Minimum wage rises from next April

The Low Pay Commission, which recommends rise in the statutory minimum wage rates, has had its recommendations for rates from 1 April 2017 accepted by the government.

The National Living Wage (NLW) — effectively an enhanced National Minimum Wage for workers aged 25 and over — will rise by 4.2% to £7.50 and hour from £7.20.

However, the 30p increase means that the NLW is still 95p less than the voluntary UK Living Wage of £8.45 an hour set by the Living Wage Foundation, which is calculated on basis of what people need to live. And it's £2.25 less than the voluntary London rate of £9.75 an hour.

The National Minimum Wage for 21 to 24-year-olds will increase by 1.4% or 10p an hour from £6.95 to £7.05, while the development rate covering 18- to 20-year-olds only rise by 0.9% or 5p an hour from £5.55 to £5.60.

The rate for 16- and 17-year-olds rises by 1.3% or 5p an hour from £4.00 to £4.05.

The apprentice rate increases by 2.9% or 10p an hour from £3.40 to £3.50. This rate is payable to apprentices aged under 19 or anyone in their first year of an apprenticeship unless the firms providing apprenticeships pay more.

Finally, the accommodation offset increases by 40p to £6.40 a day.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/571392/beis-16-45-national-minimum-living-wage-government-response-to-lpc-autumn-2016-report.pdf

Gender pay gap in London's public sector

The Greater London Authority (GLA) has a gender pay gap of 4.6%, according to the authority's latest gender pay audit.

Full-time male employees at the GLA are paid £22.44 an hour on average, and full-time female staff are paid £21.40 an hour. The 4.6% gender pay gap figure is calculated according to the median average pay for full-time male and female employees as of the end of March 2016.

The *Gender pay gap report: March 2016 data* found that the mean hourly pay gap across all staff at the GLA is 8.3%, with women earning £22.97 an hour compared to £25.04 an hour for men. The median hourly pay gap for all staff is 4.8%.

The GLA has published its gender pay data ahead of the finalised regulations for mandatory gender pay gap reporting in the public sector.

The current timeline for mandatory gender pay gap reporting requires employers to capture data on 5 April 2017 and then publish findings no later than 4 April 2018, with this cycle continuing on a yearly basis.

Gender pay gap data has also been published for other GLA organisations up to March 2016. The largest recorded gender pay gap can be found in the London Legacy Development Corporation (35%), Transport for London (19.2%), and Metropolitan Police Service (11.6%).

The London Fire Brigade had no gender pay gap as of March 2016, with both men and women earning £16.17 an hour on average.

The Mayor's Office for Crime and Policing, London and Partners, and the Old Oak and Park Royal Development Corporation recorded gender pay gaps of 3.3%, 3.0% and 1.5% respectively.

https://www.employeebenefits.co.uk/issues/november-online-2016/greater-london-authority-has-a-4-6-gender-pay-gap/

https://www.london.gov.uk/about-us/governance-and-spending/spending-money-wisely/gender-pay-gap-report-march-2016-data

Suspended prison sentences over safety

The director of a Port Talbot furniture factory and three of its managers/shareholders have received suspended prison sentences for ongoing health and safety failings.

Swansea Crown Court heard how the factory of Margam Hall Upholstery Limited in Henshaw Street, Port Talbot was included in the Health and Safety Executive's (HSE) programme of visits to woodworking premises, which are considered a high risk industry because of dangerous machines and hazardous substances including wood dust and glues.

The visit highlighted a number of health and safety concerns at the factory in early 2015 including poor control of wood dust, no maintenance of work equipment including fume and dust extraction and noisy conditions. There were inadequate toilet and washing facilities.

Ten Improvement Notices were served on the company in February 2015, and despite ongoing intervention by the HSE, there was little progress and conditions remained poor. Seven of the Improvement Notices were not complied with.

Judge Geraint Walters said: ""The operation the four of you were engaged in was nothing short of a ticking time bomb in relation to the health and safety of employees."

All four were given 10-month suspended prison sentences, fined £2,500 each and disqualified from being a company director for five years.

http://press.hse.gov.uk/2016/four-receive-suspended-jail-sentences-for-health-and-safety-failings/

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