

Report to Cabinet
13 February 2019
Report of Director of regeneration and development
Subject Employment practice research

Item

5

Purpose

To report the main findings of the Employment Practice Research which was commissioned by Norwich City Council as a result of a resolution by full council in 2018.

Recommendation

To:

- (1) note the contents of the report; and
- (2) consider appropriate actions in respect of the research project's policy recommendations especially with regard to encouraging employers to adopt good working practices

Corporate and service priorities

The report helps to meet the corporate priority a fair city

Financial implications

None currently

Ward/s: All Wards

Cabinet member: Councillor Waters - Leader

Contact officers

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Background documents

None

Report

Employment practice research aims and methodology

Background

1. The research was undertaken in response to a resolution in 2018 by full council, to:
 - (1) Note with concern
 - a) the woefully inadequate rates of pay which leave some people financially worse off than had they been unemployed;
 - b) the poor treatment of workers who require time off to see to a family emergency, recover from sickness, or mourn a deceased relative
 - c) the 'grey area' of self-employment in which many of the flexibilities and commonly accepted practices that are associated with this way of working is totally absent
 - d) the confusing and changeable ways in which monthly earnings are calculated; and the ever-present threat of losing work and with it one's sole source of income, with no notice and no right of appeal.
 - (2) ask the cabinet to commission research into the changing nature of work in Norwich with a view to using the findings to promote good employment practices across the city; to include facilitating a public conversation, as part of the Norwich 2040 Vision work, around Universal Basic Income, as one possible response to the ever changing nature of work.
 - (3) ask the Leader of the Council and the cabinet member for resources to write to The Secretary of State for Business, Energy and Industrial Strategy asking him to:
 - a) Ban exploitative zero hours contracts so that every worker gets a guaranteed number of hours each week.
 - b) Give all workers equal rights from day one, whether part-time or full-time, temporary or permanent – so that working conditions are not driven down.
 - c) Shift the burden of proof so that the law assumes a worker is an employee unless the employer can prove otherwise.
 - d) Levy punitive fines on employers not meeting their responsibilities, helping to deter poor practice.
 - e) Involve trade unions in enforcement and set up a Ministry of Labour with the resources to enforce all workers' rights.
 - f) Ban the use of 'umbrella companies' for passing employer tax liabilities on to workers, and extend the remit of the Employment Agency Standards Inspectorate to cover policing umbrella companies to ensure compliance.
 - g) Give employment agencies and end-users joint responsibility for ensuring that the rights of agency workers are enforced.
 - h) Roll out sectoral collective bargaining and strengthening trade union rights, because empowering people to claim their own rights in the

workplace is the most effective means of enforcement and ensuring that workers have greater job security and adequate levels of pay to enjoy a decent quality of life.

(4) Ask the leader of the council to write to the two Norwich MPs to support resolution (3)

2. The research was undertaken as three separate strands:

- a) **Strand A** - The objectives of Strand A are to understand issues relating to zero-hour contracts and the Real Living Wage from the employer perspective. A total of 21 in-depth telephone interviews were undertaken with employers from health & social care, hospitality & leisure, retail and education sectors. Typically, these sectors rely on zero-hour contracts and are low waged. The researchers had difficulty persuading employers to take part in the research and failed to achieve the desired number. This was challenging because of the subject matter; low wages and zero hour contracts are controversial, sensitive and have negative connotations, so many employers did not want to discuss them. The researchers also found it was often impossible to get through to the person making the contractual decisions. This was exacerbated by the fact that such decisions are often made at Head Offices based outside Norwich. However, this does not have a huge impact upon the research findings as it is a piece of qualitative research, a method of observation to gather non-numerical data, rather than quantitative research which captures counts and measures.
- b) **Strand B** - The objective of Strand B is to understand issues relating to hard to fill vacancies that are often caused by lack of skills in certain key sectors. A total of 13 in-depth interviews with employers from manufacturing, construction, personal service (hairdressers etc.) and finance and business services sectors. The researchers had difficulty persuading employers to take part in the research and failed to achieve the desired number, for the reasons stated in Strand A, above. This does not have a huge impact upon the research findings as it is a piece of qualitative research, a method of observation to gather non-numerical data, rather than quantitative research which captures counts and measures.
- c) **Strand C** - The objective of Strand C is to examine issues facing Norwich workers relating to low pay and insecure employment. A total of 20 in-depth face to face interviews were carried out with Norwich residents. Four focus groups were undertaken (one with participants aged below 24 years on zero-hour contracts and minimum wage; one with participants aged 25 years and over on zero hour contracts and minimum wage; one with working families chief wage earners on zero hour contracts; one with working families chief wage earners on minimum wage).

Research findings

Strand A

3. The Strand A employers share some of their opinions with residents on the advantages and drawbacks of zero-hour contracts, but they tend to see the

arrangement from a different perspective. The contracts are popular amongst participating employers with over one third employing zero-hours staff. Over half believe that the contracts are integral to their business and indeed one third expect to increase their use of zero-hour contracts. In their opinion, the main advantage to both the employer and the worker is the flexibility that the contracts afford.

4. Strand A employers commented on how zero-hour contracts keep their costs down, an advantage that was also recognised by residents. Employers also feel that the contracts offer workers experience and can be a 'foot in the door' to permanent employment. When asked about the disadvantages of zero-hour contracts, employers tended not to see a downside for either themselves or their workers and this was because as individual employers they feel that they treat their zero-hours staff fairly and equally to those on permanent contracts. Although employers tend to focus on the advantages of zero-hour contracts, they do also see potential issues for businesses (staff cancelling at the last minute and feeling limited loyalty to the employer) and for workers (lack of financial stability).

Strand B

5. The Strand B employers struggle more than the Strand A employers to find quality applicants and this could be because they are advertising entry level positions. There are some common issues experienced by Strand B employers when recruiting entry level applicants: lack of basic skills; lack of understanding of what it takes to be an employee (attitude, teamwork, commitment); applicants will move on quickly to roles with better opportunities to progress.
6. More of the Strand B than Strand A employers taking part in the research experience hard to fill vacancies. They believe that vacancies can be hard to fill either because there are skills shortages relating to the industry or position, or because the hours can be quite unsociable. Strand B employers expect the number of hard to fill vacancies to increase due to a combination of industry changes and the impact of Brexit on staff provision.

Living wage

7. More Strand A than Strand B employers provide the government's Living Wage to staff. Those who have moved from the Minimum Wage to the government's Living Wage have felt a financial impact of the transition, and some have passed part of this to their customers through price increases. Most of the participating employers are aware of the Real Living Wage. More Strand B than Strand A employers have signed up to the Real Living Wage. Those who offer the Real Living Wage rate feel that it motivates staff, helps them to retain talent and is simply fair.

Council support

8. Employers suggested that the Council could offer support to businesses recruiting hard to fill vacancies by:
 - a) Helping to improve the links between local employers and the Jobcentre, local schools and colleges.

- b) Improving transport links to make commuting easier.
- c) Working to attract people to the area.
- d) Offering cost effective advertising opportunities.
- e) Working with schools and colleges to teach young people what will be expected of them when they enter the workforce.

Strand C

9. Residents tended to use zero-hour contracts as a short-term solution used to fit within wider circumstances. These contracts suit younger and older workers especially. Most see zero-hour contracts as offering little security and plan to move to permanent contracts when their situations change. Residents understand the reasoning behind zero-hour contracts and acknowledge that they do suit many people at particular points in their lives. However, there is a strong belief that zero-hour contracts should afford some of the same employee protection as permanent contracts and in their opinion the following steps would go some way to achieving this:
 - a) Providing holiday pay that is accrued over time
 - b) Introduce sick pay and compassionate leave
 - c) Ensuring equal and fair pay
 - d) Equal and fair treatment (by the employer)
 - e) Greater transparency around the laws governing zero-hour contracts
 - f) More information, advice, guidance and support for those on zero-hour contracts
10. Residents generally viewed zero-hour contracts and some of the employers offering the contracts as unethical, accusing them of focussing solely on making profit. It was noted that there is huge variation in the way that zero-hour contract staff are treated –with some left feeling undervalued and demoralised. How well workers are treated not only depends on the employer but also on the individual manager. Many residents on zero-hour contracts (especially the younger ones) have drive and ambition and want to progress through hard work and commitment.
11. This talent will be lost to employers who do not show that they value their workforce. Employers who simply react to statutory salary increases and offer the bare minimum in terms of benefits may find it difficult to attract the best candidates. However, signing up to a voluntary scheme such as the Real Living Wage should set companies apart, improve perceptions and attract a higher number of applicants
12. The research findings are inextricably linked to at least two of the themes of the 2040 Norwich Vision: “a fair city” and “a dynamic city”. Indeed, the issues of low pay and poor working practices are unlikely to be resolved in the short-term.
13. It should be recognised that retail, hospitality & leisure and the care sector are affected by these issues at a national level, as well as locally. The city’s role as a major regional service centre means that it has a higher than average percentage of employment in the retail and hospitality & leisure sectors. Norwich’s position as a low wage economy means that residents working in these sectors are particularly impacted by low pay. Official data sources show

that earnings in Norwich are around 85 per cent of the national wage (94 per cent for part-time workers). Around 20 per cent of Norwich residents who work part-time earn less than the £7.83 per hour; 10 per cent of all employed Norwich residents earn less than £7.83 per hour. Typically, low productivity is cited as the reason for low wages but research by the Joseph Rowntree Trust shows that the UK's productivity performs relatively strongly in some low-wage sectors, such as retail but not in others such as care and hospitality. The reasons for this are manifold and beyond the scope of this report but they include investment in human capital (training) and in physical capital.

14. The retail sector is suffering severe pressure from a number of fronts including online retail, a slowdown in consumer spending and Brexit uncertainties. The sector is already contracting and it is likely that retail employment will fall markedly in the years ahead.
15. The care sector is in crisis, research commissioned by Anchor (a charity) in 2018 found that care work is undervalued and is unlikely to be seen as a career choice. Indeed, by 2037 a shortfall of around one million discriminate social care workers is predicted. The problems of the care industry are well known. Staff turnover is high and pay is low. Many care providers say margins are too small to enable them to pay above the minimum wage. The sector is also highly fragmented with around 8,500 different agencies operating around the country. However, an increasing number of people are self-funding their care, going directly to providers rather than to the local authority and that is changing the model; this is being driven by the introduction of personal care budgets. The use of technology is also likely to change the care model particularly by cutting transaction costs, these savings could then be spent on increasing the quality of the care and on care worker's earnings.
16. As the research has shown, zero hour contracts in themselves are not always a problem and are sometimes the preferred option for residents particularly young people (especially students) and those above the state retirement age. Norwich's relatively young population means that there are lots of students who are happy to work on a zero hours basis because it provides extra income and can fit around tuition and study requirements – this may disadvantage the indigenous working age population because there is a large pool of student labour prepared to accept zero hours even if non students don't want them. Moreover, the main issue seems to lay with the way in which employees on zero hour contracts are treated by employers compared to other workers rather than the contracts themselves. The residents on zero hour contracts are not an homogenous group; some are treated well and others feel they are treated badly. It would seem that it is not zero hour contracts per se that are the problem, rather, it is the way in which employers discriminate against zero hour contract workers in terms of sick pay, holiday pay etc.
17. Further consideration must be given to the long term financial stability and perceived credit worthiness of workers reliant on zero hour contracts and low wages. These workers are highly likely to face difficulty accessing mainstream financial products such as mortgages, bank accounts, loans and other forms of, credit on an ongoing basis. Private sector tenancies may also be difficult to access.

Research policy recommendations

18. Zero-hours contracts are useful in certain circumstances and employers should be allowed to hire workers on this basis. However, zero-hour contracts should not give employers the opportunity to avoid their responsibilities. All staff, regardless of their contract, are entitled to employment rights and should be treated fairly and within the law. The research has shown that zero-hour contracts are open to abuse and measures need to be set in place to ensure that workers' rights are not compromised. Workers on zero-hour contracts are looking for safeguards which should be available to all ages, these include:

- Sick pay and compassionate leave (offered to those meeting certain minimum working hour conditions)
- Equal and fair pay (subject to the same rules as for salaried workers)
- Information and a helpline for those on zero-hour contracts
- Legislation that makes it an offence to use the threat of withdrawing hours to make unreasonable demands on workers

19. Stability is a huge concern for residents and a clear and transparent contract will help individuals to understand their rights and what the implications of such a contract means to them. The Council could encourage employers to provide contracts which include information such as:

- a statement of why a zero-hour contract is necessary
- whether the individual is an employee or worker and what employment rights they are entitled to
- the process by which work will be offered and assurance that they are not obliged to accept work on every occasion if they so wish
- how the individual's contract will be brought to an end
- the number and frequency of the hours that would be offered as part of the role and a clear explanation of what happens if that changes
- when and how work might be cancelled by the employer, and how they try to avoid this, and whether the individual can expect any compensation for costs they may have incurred
- the point at which a zero-hour contract would turn into a salaried contract (e.g. if the worker has been employed for six months on regular hours and this is likely to continue, then the worker should be offered a salaried contract which they are able to decline)

20. Workers on zero-hour contracts are asking for the introduction of benefits that they are already able to access, implying that they do not know that they are entitled to statutory employment rights. The Council needs to raise awareness amongst workers that they are entitled to annual leave and protection from discrimination. Employers should be forced to be open and transparent with workers regarding their statutory rights. Employers should consider whether a zero hours contract is the best type of contract for their business need depending on the nature of the work to be offered and the specific circumstances. Depending on the business need, alternatives might include:

- offering overtime to permanent staff
- recruiting a part time employee or someone on a fixed term contract

- offering annualised hours contracts if peaks in demand are known across a year

21. Workers on zero-hour contracts should be made aware of their rights and, along with employers, encouraged to:

- Establish an effective weekly tracking system of hours worked to ensure annual leave entitlement is accurately accrued
- Use monitoring systems to review hours worked over a number of weeks. If the shifts or number of hours worked is consistent over a period of time, these could be argued to be contractual through custom and practice and could be used as a prompt to move to a permanent contract

22. Employers who do not want the risk of developing a permanent staff from what is intended to be a flexible pool should vary shift patterns and the amount of work offered throughout the pool of workers. Employers should be encouraged to act ethically and ensure they have a sufficient core workforce on permanent contracts, offering such permanent opportunities to zero hours workers seeking permanent contracts in the first instance. Employers should also ensure that managers are adequately trained.

23. Low pay has a damaging effect on family life and the emotional health of workers. The impacts of low wages financially, emotionally and socially are extremely high. Often employees do not know how they will be able to pay their bills and this leads to constant stress and anxiety. The impact is also felt by their families with parents on low salaries believing that they are failing their children as they are not able to adequately provide for their needs. Employees are less likely to demonstrate loyalty to employers offering low wages and more likely to move to other employment.

24. The Real Living Wage is welcomed by residents who believe that it will motivate and retain talent and help with recruitment. Costs of the Living Wage are often passed on to customers - relatively painlessly. Therefore employers should be encouraged to volunteer to the Real Living Wage. Residents believe that employers who volunteer to the scheme demonstrate commitment to their employees – this could be shared with employers to encourage them to sign up.

25. It should be noted that many of the researcher's suggested policy recommendations are not within the delivery capacity of a district council, even if it had infinite resources.

26. However, the council could lobby central government and employer organisations with regard to encouraging good working practices. The council is already involved in the local Living Wage campaign and this should continue. A piece of work could be undertaken by the council's community engagement team, alongside unions, around ensuring that workers are advised of their rights. Maintaining and increasing the stock of social housing will, to an extent, provide an important safeguard for workers who are effectively denied access to mortgages and private sector rented accommodation.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Report author to complete

Committee:	Cabinet
Committee date:	13/02/19
Director / Head of service	Dave Moorcroft
Report subject:	Employment practice research
Date assessed:	28/01/19

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no implications on value for money. If the council decides to undertake policy decisions based on the research findings this may well have implications but they are not considered within the scope of this report.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no implications on value for money. If the council decides to undertake policy decisions based on the research findings this may well have implications but they are not considered within the scope of this report.
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no implications on value for money. If the council decides to undertake policy decisions based on the research findings this may well have implications but they are not considered within the scope of this report.
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no implications on value for money. If the council decides to undertake policy decisions based on the research findings this may well have implications but they are not considered within the scope of this report.
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no implications on value for money. If the council decides to undertake policy decisions based on the research findings this may well have implications but they are not considered within the scope of this report.

	Impact			
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no social impact
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no social impact
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no social impact
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no social impact
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no impact upon equality and diversity
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no impact upon equality and diversity
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no impact upon equality and diversity
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no environmental impact
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no environmental impact

	Impact			
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no environmental impact
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no environmental impact
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no environmental impact
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The research in itself has no environmental impact
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The research may have a negative impact upon how the council is viewed by businesses which use the employment practices investigated within the research project.

Recommendations from impact assessment

Positive

The research has provided clarification of the impact of zero hour contracts and low wages in Norwich and has suggested possible actions in to support affected residents

Negative

The council should carefully manage actions undertaken in relation to the research recommendations and ensure that it continues to maintain a positive relationship with local employers.

Neutral

The report has no financial, environmental, equality and diversity or social implications for the council, it is for information only.

Issues

The council should carefully manage actions undertaken in relation to the research recommendations and ensure that it continues to maintain a positive dialogue with local employers.