Introduction

Since 1997, the Government has, in its own words, “worked hard to achieve a better deal for all working people”, by establishing “a framework of decent workplace standards”. This ‘framework’ has given “people at work essential rights – rights to a National Minimum Wage, rights to trade union recognition, rights for part-time workers, [and] rights to paid holiday”. For the Government recognises that “fairness and enterprise go together” – that is, that individuals work best when they are properly rewarded and able to achieve an effective balance between work, family and leisure.

Millions of workers in the UK are now benefiting from these and other new workplace rights – such as the right to apply for more flexible, ‘family-friendly’ working and the right to paid paternity leave – and indeed from the Government’s enhancement of long established rights, such as those to maternity leave and pay.

However, hundreds of thousands of the most vulnerable and low paid workers in the UK economy, many of them performing unglamorous but essential tasks, have yet to benefit from the Government’s strategy. They are non-unionised, and are working from home or in small workplaces such as care homes, hairdressers, bars, restaurants and hotels, shops and other retail centres, food processing factories, cleaning companies, and other low-skilled or ‘service’ jobs in which, according to many economic analysts, there is likely to be significant growth in coming years.

But they are not the only losers. Good employers are also losing out, by being undercut by unscrupulous competitors offering a cheaper product simply by neglecting their legal obligations to their workforce. And the Government loses out, both financially from the non-payment (by ‘rogue’ employers) of tax and national insurance, and more generally from the frustration of its strategies in respect of workplace rights, work-life balance and managed migration.

This booklet sets out the case for addressing these issues by the establishment of a ‘Fair Employment Commission’ – that is, of a more joined-up system of...
advice, guidance and practical business support for small, low-profitability employers, and a more pro-active approach to compliance and, where necessary, enforcement. It has been written by Citizens Advice, and is endorsed by: Free Representation Unit, Legal Action Group, the National Group on Homeworking, One Parent Families, Oxfam, and the West Midlands Employment & Low Pay Unit.

The problem

Every year, Citizens Advice Bureaux deal with some 500,000 employment-related advice enquiries. Many of these enquiries – made by both workers and employers – relate to the company mergers and other business changes that are inevitable in a dynamic economy operating under the influences of ‘globalisation’ and new technologies. Others reflect the fact that disagreements between workers and their employers will and do happen, just as they do in other areas of life. But we estimate that more than 300,000 of these enquiries are made by a worker who is not receiving – or is being deliberately denied – one or more of his or her statutory workplace rights.

• Tens of thousands are not receiving their full legal entitlement to four weeks’ paid holiday per year, or have been forced or cajoled into ‘opting out’ of the 48-hour limit on weekly working time.

• Many have been (unlawfully) engaged on successive short, fixed-term contracts simply as a device to deny them continuity of employment – and thus other basic rights, such as legal protection from unfair dismissal.

• Tens of thousands of pregnant women have been denied time off for ante-natal care, or are experiencing difficulty in obtaining their full legal entitlement to maternity leave and pay. And a depressingly large number have been unfairly dismissed simply on account of their condition.

• Many have been denied Statutory Sick Pay when forced to take time off due to illness.

• Most have not received a written statement of their terms and conditions, and/or regular, itemised pay slips.

This simply increases the difficulty they face in ensuring that their pay, terms and conditions are in accordance with their statutory rights.

These workers tend to have a poor understanding of their statutory rights, and little if any awareness of how to assert or enforce them. Most are low skilled and low paid, and are employed in small, non-unionised workplaces, or as homeworkers. As a result, they are extremely vulnerable both to deliberate abuse by a ‘rogue’ or criminally exploitative employer, and to inadvertent non-compliance by an overstretched or inadequately informed employer.

Many small employers, especially those in low-profitability sectors of the economy, simply lack the means and resources – specialist, in-house human resources staff, for example – to keep fully abreast of their legal obligations to their workforce. Government-funded research by Kingston University confirms that most small employers are “not confident about their knowledge of individual employment rights”, due both to the common lack of “an in-house personnel function” and to the fact that many such employers deal with employment rights on “a need-to-know basis” only – that is, only when a particular situation arises. In short, the demands of running a small business in an increasingly competitive economic environment all too often lead to inadvertent non-compliance with statutory employment rights.

It is also clear that, in the words of the General Secretary of the TUC, Brendan Barber, “there are still too many bad employers who exploit their workers and offer the worst pay and conditions they can get away with”. Such deliberate non-compliance with statutory employment rights may well be the exception rather than the rule, but the number of workers affected is substantial. And the power of the market place can all too easily lead to a rapid downward spiral of wages, conditions, and workplace safety. This is especially true when the workers concerned are migrants – as the tragic deaths of 21 Chinese cockle-pickers in Morecambe Bay in February 2004 so dramatically illustrate. The Work and Pensions Committee of MPs has recently noted that “migrant
workers are particularly vulnerable, often being unaware of their rights at work, are less likely to be unionised than indigenous employees, and are less likely to be in a position to stand up for themselves". 8

But it is not only workers who are losing out from this situation. Good employers suffer if their competitiveness is undercut by the bad, and especially so if ‘rogue’ competitors can exploit their workers with impunity. As the former Cabinet minister, Nick Brown MP, has noted, “there is nothing more galling for an honest employer than finding that they are being undercut by others who are not obeying the law and, worse, finding that the law is not being enforced”. 9

Focus groups of small businesses convened by MORI for the Small Business Service have indicated that many small businesses feel particularly disadvantaged by having to compete with ‘rogue’ or unscrupulous employers in the ‘informal economy’, where many of those who seek employment-related advice from a CAB are working. 10

Similarly, the Government loses out from the non-payment (by ‘rogue’ employers) of tax and national insurance contributions, and from the frustration of its wider policy goals of enhanced rights and a better work-life balance for all workers. And the increasingly widespread exploitation of migrant workers, associated as it so often is with the facilitation of illegal entry and employment, threatens to undermine the Government’s ‘managed migration’ strategy of opening new routes for the legal migration of labour whilst tackling illegal migration and illegal working.

**Enforcement of workplace rights – Employment Tribunals**

Citizens Advice Bureaux and other advice agencies work hard to increase both workers’ awareness of their statutory (and contractual) workplace rights, and employers’ understanding of their legal obligations to their workforce – for example, by distributing copies of the DTI’s authoritative booklets and leaflets on statutory employment rights. 11 And they can assist workers who are not receiving one or more of their statutory workplace rights to approach and – where necessary – negotiate with their employer, with a view to reaching an amicably agreed improvement in the worker’s pay, terms or conditions.

However, where the employer proves to be uncaring or intransigent, the principal (and in most cases only) means of enforcement available to non-unionised workers is the making of a claim to an Employment Tribunal. Again, bureaux and other free sources of advice, such as community law centres, can and do provide advice on and assistance with the making of such a claim, and in some cases can provide representation at the Tribunal hearing itself. But the process is unduly legalistic and increasingly adversarial, and thus extremely daunting – especially to pregnant women, new and lone parents, young workers, people with mental health problems, and other vulnerable individuals. Every year, about one-third of all ET claims are withdrawn by the claimant, with the most common reason given for such withdrawal being the “stress” involved in continuing. 12 And unpublished research by the Department for Constitutional Affairs indicates that, after relationship breakdown, the resolution of an employment problem is the ‘justiciable event’ with the greatest personal (i.e. non-economic) impact on the individual concerned. 13

For most low paid workers, the cost of legal representation at an Employment Tribunal hearing is prohibitive – there is no ‘legal aid’, and the resources of Citizens Advice Bureaux and other sources of free representation are extremely limited. Increasingly, claimants face intimidation from some employers’ legal representatives, in the form of unjustified threats of an application for ‘costs’ of up to £10,000. 14 And, even where a claim is successfully pursued to its conclusion, a favourable ruling and the making of a financial award by the Tribunal may prove to be a hollow victory. Too many employers simply fail to pay the award – which Employment Tribunals themselves have no power to enforce – and the legal and financial obstacles to enforcement through the civil courts are immense. 15

Moreover, the experience of bureaux indicates that, for many non-unionised workers, the legal protection supposedly offered by the Employment
Pro-active enforcement of workplace rights

In fact, in relation to one key statutory employment right – the right to the National Minimum Wage – such an accessible and pro-active enforcement mechanism already exists.

The introduction of the National Minimum Wage (NMW), in 1999, was accompanied by the establishment of a dedicated NMW enforcement agency within the Inland Revenue. The agency operates a national NMW Helpline, investigates complaints (including anonymous complaints) from both individual workers and third parties, and conducts on-site inspections of carefully targeted employers about whom no complaints have been made to check that they are meeting their obligations under the minimum wage.

The Government has stated that it established this accessible and pro-active approach to compliance with the NMW because it did not want workers “to have to rely on taking action against their employer themselves, as intimidation or fear of losing their job could prevent a worker from making a complaint”. And, despite its very limited brief and resources, there is broad support for the Government’s view that the work of the Inland Revenue enforcement agency in enforcing the NMW has been “a great success”. Since 1999, the enforcement agency has dealt with more than 13,000 complaints, has revealed non-compliance with the NMW by more than 9,000 employers, and has identified more than £15 million in arrears of wages.

Other examples of this pro-active model of enforcement include the work of the Employment Agency Standards Inspectorate of the Department for Trade & Industry (DTI), and that of the Health & Safety Executive (HSE). The Employment Agency Standards Inspectorate operates a national helpline, investigates complaints (including anonymous complaints) from both individual workers and third parties, and conducts routine inspections of carefully targeted employers about whom no complaints have been made to check that they are meeting their obligations under the minimum wage.

The Government has stated that it established this accessible and pro-active approach to compliance with the NMW because it did not want workers “to have to rely on taking action against their employer themselves, as intimidation or fear of losing their job could prevent a worker from making a complaint”.

And, despite its very limited brief and resources, there is broad support for the Government’s view that the work of the Inland Revenue enforcement agency in enforcing the NMW has been “a great success”. Since 1999, the enforcement agency has dealt with more than 13,000 complaints, has revealed non-compliance with the NMW by more than 9,000 employers, and has identified more than £15 million in arrears of wages.

Other examples of this pro-active model of enforcement include the work of the Employment Agency Standards Inspectorate of the Department for Trade & Industry (DTI), and that of the Health & Safety Executive (HSE). The Employment Agency Standards Inspectorate operates a national helpline, investigates complaints (including anonymous complaints) from both individual workers and third parties, and conducts on-site inspections of carefully targeted employers about whom no complaints have been made to check that they are meeting their obligations under the minimum wage.

The Government has stated that it established this accessible and pro-active approach to compliance with the NMW because it did not want workers “to have to rely on taking action against their employer themselves, as intimidation or fear of losing their job could prevent a worker from making a complaint”. And, despite its very limited brief and resources, there is broad support for the Government’s view that the work of the Inland Revenue enforcement agency in enforcing the NMW has been “a great success”. Since 1999, the enforcement agency has dealt with more than 13,000 complaints, has revealed non-compliance with the NMW by more than 9,000 employers, and has identified more than £15 million in arrears of wages.
employers without individual workers having to put their job at risk by taking action themselves. For example, since 1999, about 60 per cent of all the NMW enforcement agency’s investigations have been instigated on the basis of tax credit information gathered by the Inland Revenue or other ‘risk assessment’ analysis, rather than as the result of a complaint from a worker or third party.24

Another key benefit is that, acting at the level of the employer rather than the individual worker, pro-active enforcement is capable of improving the lot of every worker in a workplace, rather than just the one who happens to complain. In the experience of Citizens Advice Bureaux, a worker who is not receiving his or her full legal entitlement to paid holiday, for example, is also likely not to have received a written statement of his or her terms and conditions. And it is likely that many if not all of his or her co-workers are being similarly treated.

But perhaps the most important lesson that can be drawn from the experience of such pro-active enforcement mechanisms is that, because much non-compliance by employers is inadvertent, rather than deliberately exploitative, the mere intervention of an enforcement agency is in most cases sufficient to achieve full and willing compliance. In relation to the work of the Health & Safety Executive (HSE), for example, the Work and Pensions Committee of MPs has recently concluded that “the evidence supports the view that it is inspection, backed by enforcement, that is most effective in motivating [employers] to comply with their responsibilities under health and safety law”. In reaching this conclusion, the Committee noted evidence from the HSE itself that “enforcement [by inspection] is an effective way of securing compliance. It creates an incentive for self-compliance and a fear of adverse business impacts, such as reputational damage … there is some evidence that advice and information are less effective in the absence of the possibility of [pro-active] enforcement”.25

Citizens Advice has consistently argued that such an accessible and pro-active approach to compliance should be adopted in relation to some of the other key statutory workplace rights, including the basic ‘work-life balance’ rights introduced or enhanced since 1997. Equipped with appropriate powers of investigation, inspection and enforcement, a ‘Fair Employment Commission’ – whether it be a single, overarching body or a number of separate bodies working together in a co-ordinated, joined-up way – could work to maximise employer compliance, eliminate the exploitation and intimidation of the most vulnerable workers, and thus ensure that many more workers are both properly rewarded for their work and able to achieve an effective work-life balance.26

For, as Dr Howard Stoate MP has noted, “improving the quality of work experience of the working population of this country is a goal every bit as important as the goal of full employment”.27

The role of a Fair Employment Commission

We suggest that the key functions of the ‘Fair Employment Commission’ would be to:

• investigate complaints (including anonymous complaints) from both workers and third parties about non-compliance with certain statutory employment rights (see below)
• conduct on-site inspections of carefully selected employers, targeted on the basis of ‘risk assessment’ analysis of tax, national insurance, tax credit or other information. In this context, local knowledge of employers and the labour market is crucial – and so inspectors would need to be locally-based. For, as HM Treasury has noted, “well targeted inspection programmes are vital, not only to deliver the outcomes society demands, but also to minimise costs borne by compliant firms”28
• provide guidance and, where necessary, practical assistance to non-compliant employers on how to change their practice to ensure compliance. The implementation of such guidance and assistance should be monitored by return visits
• where necessary, undertake effective enforcement action. This might include, as
appropriate, the imposition of financial penalties, the referral of a case or cases to an Employment Tribunal, and/or the imposition of some kind of ‘stop now’ order preventing the employer from trading his or her business. Such enforcement, which would generally be necessary only in the case of deliberately exploitative employers, could be undertaken by separate teams of officials to those making initial visits to workplaces.

We believe that the remit of the ‘Fair Employment Commission’ should, at the very least, cover the following core, statutory employment rights:

- the right to a written statement of one’s terms and conditions, and to regular, itemised pay slips
- a weekly working-time limit of 48 hours, unless agreed otherwise
- four weeks’ paid holiday, and Statutory Sick Pay
- maternity leave and pay, and time off for ante-natal care
- adoption and paternity leave and pay
- unpaid parental leave, and time off for emergencies
- the right (of working parents) to request a change to working hours (i.e. flexible, ‘family-friendly’ working); and
- equality between part-timers and full-timers, and between fixed-term and permanent workers.

As noted above, much non-compliance stems from a basic lack of awareness of the statutory employment provisions. The work of the ‘Fair Employment Commission’ could therefore include the undertaking of publicity campaigns aimed at increasing both employers’ awareness of their statutory duties and workers’ awareness of their rights and entitlements. And it could include the provision of information, ‘good practice’ guidance and advice to both workers and employers through written material, videos/DVDs, telephone helplines, interactive CD Roms, and Internet websites.

In doing so, the ‘Fair Employment Commission’ would ‘join up’ the wide-ranging work of this nature currently undertaken by the Department of Trade & Industry, the Inland Revenue, the Advisory, Conciliation and Arbitration Service (ACAS), the Small Business Service, the Health & Safety Executive (HSE), the Home Office, the various equality commissions, and others. As noted above, the ‘Fair Employment Commission’ need not be a single, overarching body. It could well be a partnership of new and existing bodies, working together in a co-ordinated, joined-up way.

In this context, Citizens Advice warmly welcomes the launch, in May 2004, of the one-stop Business Link website, providing employers with a single ‘gateway’ to government information and support for business.

As well as providing access to government grants, loans and consultancy support, the site provides easy-to-use guidance on the basic statutory employment regulations and how to comply with them, to the mutual benefit of the business and its workforce.

But the ‘Fair Employment Commission’ would also ‘join up’ the regulatory and enforcement work of the above (and other) agencies. In September 2003, in a report of its inquiry into the illegal activities of ‘gangmasters’ and related employers, the Environment, Food and Rural Affairs Committee of MPs noted the “complexity of the relevant legislation and the range of government agencies involved in enforcing it”. The Better Regulation Task Force has repeatedly drawn attention to the large number of governmental agencies and other regulatory bodies with which employers may have to interact. And HM Treasury has noted that “the enforcement activity of regulatory bodies is a significant driver of business costs”. By ensuring better co-ordination and targeting of such regulatory and enforcement work, the ‘Fair Employment Commission’ could improve its value for money and reduce the associated costs borne by compliant employers.

In considering the role, functions and remit of the ‘Fair Employment Commission’, it is probably worth noting that the ‘Commission’ could not cover all statutory employment rights (let alone contractual rights), and that it would sit alongside – and so complement rather than replace – the Employment Tribunal system.
For, whilst the pro-active approach to compliance of the ‘Fair Employment Commission’ would provide an alternative remedy for especially vulnerable workers who are unwilling or afraid to ‘go to law’, or even to raise the matter with their employer, it would still be necessary and appropriate for many disputed cases – for example, those involving alleged breaches of contractual as well as statutory rights, or allegations of discrimination – to be resolved by an Employment Tribunal (or, in some cases, the civil courts). But with the basic statutory rights, at least, the Employment Tribunal system could become a genuine remedy of last resort, with the ‘Fair Employment Commission’ providing the first line of (light touch) enforcement.

Nor do we suggest that a ‘Fair Employment Commission’ could identify and inspect every non-compliant small employer in the UK – clearly, given the realities of public expenditure, it could not. But that is not an argument for doing nothing. And, as already noted above, the available evidence suggests that the very existence of a pro-active enforcement mechanism considerably strengthens the incentive for self-compliance.

Finally, it is probably worth noting that the establishment of a ‘Fair Employment Commission’ would in no way involve the imposition of more so-called red tape on business. Fully compliant employers could expect to have no unwanted dealings with the Commission. For the pro-active investigative work of the Commission would be carefully targeted at those (mostly small) employers considered, on the basis of ‘risk assessment’ analysis of tax, national insurance, tax credit and other information, most likely to be breaching their statutory obligations to their workforce. And only those employers that are clearly in breach of their legal obligations, and yet do not respond positively to the intervention of the Commission, would have any reason to fear enforcement action.

In short, the work of the Commission would follow the ‘Principles of Good Regulation’ identified by the Better Regulation Task Force: 33

- **Proportionality** (and in particular the principle that enforcers should consider an educational, rather than a punitive approach where possible)
- **Accountability**
- **Consistency**
- **Transparency** (and in particular the principles that those being regulated should be made aware of their obligations, and should be given the time and support to comply); and
- **Targeting** (and in particular the principle that enforcers should focus primarily on those whose activities give rise to the most serious risks).

**The challenge, and the prize**

The creation of such a ‘Fair Employment Commission’ – whether in the form of a single, over-arching body with a range of complementary functions, or as a network of new and existing bodies working together in a co-ordinated, joined-up way – would clearly be a significant and long-term undertaking. As a first step, therefore, we recommend that the Government establish a Task Force on Fair Employment, led by a senior Minister with specific responsibility for both employment rights and business support. The Task Force should then oversee consultation on the precise role, remit, functions and structure of a ‘Fair Employment Commission’.

We recognise that this represents a major challenge for Government. The necessary funding is unlikely to be found within one departmental budget – so, ultimately, the Government will need to commit new resources. But the potential prize – for workers, employers, trade unions and government alike – is great: making the current compliance and best practice of most employers the standard practice of many more.

Workers – and especially low paid workers in small, non-unionised workplaces – would benefit from enhanced access to their statutory employment rights, and thus from a better ‘work-life balance’. Employers – large and small – would benefit from the creation of a more level playing field, with less risk of being unfairly undercut by an unscrupulous or criminally exploitative competitor, and...
from the availability of more practical, and better co-ordinated, business support services.

As recognised by some leading trade unionists, the trade union movement would benefit from the extension of a culture of enforceable rights, in which trade union membership is more likely to flourish, to many of the currently non-unionised workplaces.\textsuperscript{34} The Government would benefit from the resultant reduction in the potential burden on the Employment Tribunal system, and from increased tax and national insurance revenue. And society as a whole would benefit from the more likely success of the Government’s strategies in respect of workplace rights, work-life balance, and managed migration.

1 Know your rights: employment relations information for workers, DTI, 2003.
4 Less than one in five private sector workers in the UK are members of a trade union, and in two out of three private sector workplaces there is no trade union presence. Source: Trade union membership 2003, National Statistics/DTI, July 2004.
5 Blackburn, R. & Hart, M. (2002) Small firms’ awareness and knowledge of individual employment rights, Employment Relations Research Series No 14, DTI, August 2002. The researchers defined a ‘small employer’ as one employing less than 50 workers.
7 For further information, see: Nowhere to turn: CAB evidence on the exploitation of migrant workers, Citizens Advice, March 2004.
11 Sadly, the DTI has recently ceased hard copy production of most of these booklets and leaflets, in favour of the texts being available via the Internet only. For further information, see: “The paperless waiting room” in evidence, Citizens Advice, April 2004.
14 For further information, see: Employment Tribunals: the intimidatory use of cost threats by employers’ legal representatives, Citizens Advice, March 2004.
15 For further information, see: Empty justice: the non-payment of Employment Tribunal awards, Citizens Advice, September 2004.
19 See, for example: Wish you were here: a CAB evidence report on the paid holiday provisions of the Working Time Regulations 1998,
Somewhere to turn


22 Source: Hansard, House of Commons, 1 April 2004, col. 1593-4w.

23 Health and safety law is mainly enforced by the HSE. However, local authorities are largely responsible for workplaces such as offices and shops, retail and wholesale distribution centres, and leisure, hotel and catering outlets. Some other discrete areas, such as aviation, are covered by other bodies.


26 Many employers who have implemented ‘flexible’ working practices to support their workers’ work-life balance choices report clear benefits to their business, such as improved staff morale, lower absenteeism and staff turnover, and reduced recruitment costs. See, for example: Balancing work and family life: enhancing choice and support for parents, HM Treasury/DTI, January 2003.


29 www.businesslink.gov.uk


