

A new contract for the 'gig economy'

Britain's new self-employed at BCA, DPD and Parcelforce

'The simple fact is this. If you work at the same depot every day, wear a DPD uniform, drive a DPD van, get given a DPD scanner, are told by DPD management what parcels to deliver at what rate, don't work for anyone else, you legally should be protected by the government as being employed [...] you are not allowed to leave the route planned as it is considered a security risk [...] the phone rings all the time and if you do not answer the phone then you will be subject to disciplinary procedures.'

Frank Field and Andrew Forsey

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Executive Summary

- This is the third of our major reports presenting a disturbing trend at the bottom of the labour market that has been disguised within the record levels of employment in the British economy.
- We refer here to the growth of a sub-economy, now known as the ‘gig economy’, in which people are forced into forms of self-employment they have no wish to embrace, that put them at risk of earning less than the National Living Wage, and which are enforced by threats to the worker by fines and fear of losing their job.
- In our first report, addressed to the Prime Minister, we called on the Government to establish an inquiry on the extent and practices of this sub-economy. The Prime Minister responded by establishing the Independent Review of Employment Practices in the Modern Economy.
- In our second report, addressed to Transport for London and the Department for Transport, we published proposals specifically to insert a floor into the private hire industry below which no company should be allowed to operate. The London Assembly voted on a cross-party basis to endorse these proposals.
- The companies we study in this report are Parcellforce, Dynamic Parcel Distribution, and British Car Auctions. The findings in this report, as well as our two previous reports, have been submitted to the Independent Review of Employment Practices in the Modern Economy.
- As with our two previous reports, we find evidence in this report of companies forcing self-employment upon certain sections of their workforce.
- The companies themselves yield great advantages from this arrangement – they do not have to pay employers’ National Insurance or pension contributions, holiday or sick pay, or even the National Living Wage.
- For those members of the workforce who are on the receiving end, though, this arrangement is all too often characterised by poverty wages, chronic insecurity, and appalling treatment. In addition, they do not receive the freedom and flexibility that most of us associate with genuine self-employment. They feel that if they refuse to accept the terms of this arrangement, they will struggle to find adequate work elsewhere.
- We have also seen an extract of a contract in which a company forbids members of its workforce from challenging their employment status.
- The proposals we make on the back of this evidence amount to the introduction of a national minimum standard of fair work in the ‘gig economy’, alongside a new legal test for companies claiming their workforce to be self-employed. We believe such moves are necessary to bring to an end the current free for all whereby an unknown number of workers on low incomes are, in effect, subsidising the companies with whom they work. All of the firms we have studied are ones with surging turnover.
- Each of our proposals is aimed at maintaining a flexible labour market which is not one exclusively paid for by the enforced self-employment of what could be a growing number of working people.

Introduction

This, regrettably, is the third report we have published on the exploitation of workers in Britain's 'gig economy'.

Following the request we made in our initial report on the low pay and appalling working practices suffered by some couriers working with Hermes,¹ the Prime Minister commissioned an Independent Review of Employment Practices in the Modern Economy, under the chairmanship of Matthew Taylor.

As the Review nears its conclusion, we publish this report as a means of adding further to the evidence base showing how bad a hand an unknown number of workers have been dealt by some of the country's largest companies operating in the 'gig economy' who have sought to compete with one another by keeping their labour costs artificially low.

We begin, though, by detailing the first moves that have already been made towards a new deal for those workers, long before the Prime Minister decides on how to act on Mr Taylor's findings.

Two of the campaigns we initiated on the back of our first report are gathering speed. Following our request to the GMB union, an employment tribunal has now been lodged against Hermes on behalf of those couriers who feel the company has wrongly labelled them as self-employed. In addition, HMRC has stepped up its investigation into the company's working practices, to see whether it has wrongly deprived workers of basic protections that include the National Living Wage. Hermes itself, meanwhile, has begun implementing some of the recommendations we made to improve the treatment of its workforce.

Elsewhere in the 'gig economy', the political debate continues over how best to regulate the private hire industry, particularly the business practices deployed by Uber which we detailed in our second report.² Soon after the publication of that report, the London Assembly gave cross-party support to our main proposal for 'adequate working conditions' to be included within the licensing criteria for private hire operators.

Transport for London took a bold step by granting Uber only a short-term licence while it consults on a new regulatory system that strikes a fairer balance between the interests of companies, customers, and drivers in the private hire industry. In our response to that consultation, we have recommended that Transport for London should only grant Uber a longer term licence on the proviso that the company agrees to offer basic protections, such as an income that falls no lower than the National Living Wage, to its fleet of drivers. Likewise we have called for the total number of drivers to be capped, so as to halt the "flooding of the market" which has made it increasingly difficult for existing drivers to earn a decent living.

During a recent Westminster Hall debate secured by one of the authors of this report, the Minister of State for Transport Legislation announced the creation of a working party under an independent chairman within the Department for Transport, to look specifically at the issues we raised in that second report and help devise an appropriate policy response.

Our first two reports were informed by the evidence we received from 78 people working with Hermes and 83 people working with Uber. This third report is based on a smaller sample of 27 current and former drivers working with Parcelforce, Dynamic Parcel Distribution (DPD), and British Car Auctions (BCA). Also included in this sample are people who work with Amazon and Hermes. Their evidence is no less striking than that which we outlined in our previous reports – one driver at Parcelforce, which labels several hundred of its drivers as self-employed, informed us that, 'we are also treated the same way as Hermes workers – if not worse'.

¹ Field, F., and Forsey, A., *Wild West Workplace: self-employment in Britain's 'gig economy'* (London: The Stationery Office, 2016)

² Field, F., and Forsey, A., *Sweated Labour: Uber and the 'gig economy'* (London: The Stationery Office, 2016)

The first section of this report presents evidence of the discrepancy between, on the one hand, what is traditionally thought of as self-employment and, on the other hand, the model of self-employment that has been described to us by drivers working with Parcelforce and DPD. The following two sections then examine the techniques used by those companies – a mixture of threatening behaviour and financial penalties incurred by workers – to maintain their advantageous position over other firms.

The poverty pay – which, in some cases, falls below £3 per hour – meted out to some drivers is the focus of the following section.

We then look at the way in which costs and risks are offloaded by companies onto their workforce, thereby boosting profits at the expense of efficiency, productivity and drivers' incomes.

The report then turns to the strain placed upon the workforce by this state of affairs, as well as the circumstances in which they were pushed into self-employment.

We conclude with a twofold plea to the Government to help bring to an end the grotesque exploitation of workers in the 'gig economy'.

The terms of self-employment

Drivers from Parcelforce and DPD have set out to us in detail the difference between what most people would think of as self-employment and the reality of being ‘self-employed’ with each of those companies. The incentive for each company to label their workforce as self-employed is the reduction in both labour costs as well as tax liabilities. This should, in theory, be balanced by greater flexibility for the workforce. The reality is somewhat different.

As is shown in Box 1 and Box 2, drivers reported to us that they are told almost exactly when, where, and how to deliver parcels and at what rate they will be paid to deliver them. Likewise, in some cases, they are told which uniform to wear, as well as the branding and colour they must have on their vehicle, while they are out on the road. There is neither the flexibility nor negotiation one would expect to see between a company and a self-employed contractor. Rather, what we see here is the degree of control one would expect a company to exercise over its employees, or workers, without the basic protections those employees, or workers, would normally expect to receive in return.

Moreover, those drivers feel trapped by these arrangements. They fear that if they were to refuse to comply with the terms of the job that have been set by the company, they would soon become unemployed. This is a risk that many of the drivers feel they cannot afford to take. One reason for their apprehension is that it seems to have become much more difficult to find delivery work that is not offered on such terms. As we show in a later section of this report, some drivers once belonged to a core group of employees before their company took the decision to push members of its workforce into self-employment.

Box 1 – Evidence from drivers working with Parcelforce

‘We have absolutely no flexibility. We are told at all times what to do and where to be. We are treated exactly the same as their employed drivers. The only difference being that we provide a van, fuel, no holidays, no sick pay etc.’

‘I should have the flexibility to work as I want but in reality I am doing exactly the same job as the employed staff without any sick pay, holiday pay and no pension scheme or other benefits that they are entitled to [...] for self-employment to work in this industry I should be able to turn work down if I feel it cannot be done and not to work Saturdays if I choose not to.’

‘I cannot see if you are told how, when and what to do you can be truly self-employed. If [you] say “no” to them you are threatened with contract cancellation and if you question them then you are told that you can always leave as someone else can take [your] place. I cannot really just leave as I have no wish or desire to be out of work and you cannot really go to another company doing the same job as all companies are going down the self-employed route.’

‘I have to have a red van, wear uniform, [and] wear a company ID badge with my photo on.’

‘They insist on collection times. I have [lots of] calls between 3pm and 5pm. If I really was self-employed I would determine the times and also whether I wanted to do the [deliveries] at all, but I cannot even pick my children up from school because if I didn’t do my collections I would be [fined] and soon out of a job.’

‘[They] term us as self-employed when we are clearly not, as there is no flexibility for us. We are told where to be and what to do [for] six days a week.’

‘Even though they claim I am self-employed I am unable to turn down work, if I walk into the depot and there is more than a day’s work they insist it is my responsibility to do it [...] I also have to turn up for work six days a week whether I want to or not.’

‘My contract states I have to do collections from customers of an afternoon, these times are determined by Parcelforce meaning as a self-employed person I am not in control of when I go home.’

‘At first it appeared to offer a good package but it slowly dawned on me that I wasn’t truly self-employed as I have no flexibility or choice over my working hours/times.’

Box 2 – Evidence from drivers working with DPD

‘Although we are classed as self-employed we are not treated as such. We have no control over our work, we can only work for DPD, have to wear their uniform and have their livery on our vans.’

‘The simple fact is this. If you work at the same depot every day, wear a DPD uniform, drive a DPD van, get given a DPD scanner, are told by DPD management what parcels to deliver at what rate, don’t work for anyone else, you legally should be protected by the government as being employed [...] you are not allowed to leave the route planned as it is considered a security risk [...] the phone rings all the time and if you do not answer the phone then you will be subject to disciplinary procedures [...] drivers are given set times they must get in by and be parked in the loading bay to load the van. Blueprints are given to each driver for the route they are meant to be on [...] this is meant to form the basis of the amount paid per parcel based on predicted parcel volumes. This does not reflect reality and again is all set by DPD.’

‘Drivers are not allowed to leave to deliver parcels until they have been signed out by one of the numerous managers and they are not allowed home again until they have been signed out.’

‘If we were truly self-employed and owned a franchise then how come we can make no decisions on [our] workload? It has now got to the point where on any given morning DPD can send you home or stand [you] down, as they call it, if there isn’t enough work for their employed drivers. Again how can they legally do this when we have invested our money into supposedly buying a franchise? Again we have no voice.’

‘The rates paid are set by DPD and the delivery area is also set. Also, a driver is not able to leave the depot without being signed out by a manager and not able to leave the depot on return to go home before unloading their parcels for free and being debriefed and signed off again.’

This evidence adds further weight to the case for the Government to forge a new settlement between companies and workers in the ‘gig economy’.

A first, emergency intervention, as we show in later sections of this report, is required to ensure that everyone working in the ‘gig economy’, regardless of their employment status, is guaranteed a minimum income, as well as minimum levels of safety, decency, stability, and transparency.

The evidence contained in Box 1 and Box 2 points to the need for a second, longer term intervention. The Government must clarify the difference in law, as well as the enforcement of that law, between what most of us would think of as self-employment and the forced self-employment that has emerged in the ‘gig economy’. The law should then place the onus on companies to prove their workforce is comprised of ‘self-employed contractors’. If they fail to do so, the legal assumption must be that the workforce is comprised of ‘workers’ who operate under the company’s control. Policy guided by this assumption will then deliver to those workers basic protections including the National Living Wage.

The next section shows how, under the present regulatory framework in which almost anything goes in the absence of minimum standards, the ‘gig economy’ can represent a threatening and hostile workplace for some people. Those who wish to challenge their employment status are seemingly held to ransom by the companies with whom they work.

Threats and insecurity

A most troubling piece of evidence brought to our attention is an extract of the contract Parcelforce has required its 'self-employed' drivers to sign before they undertake any work. The extract shown in Box 3 reveals how the company has, in effect, tied each driver's hands behind their back – drivers are prevented from challenging their employment status regardless of the company's behaviour.

Box 3 – Extract of a contract between Parcelforce and a 'self-employed' driver

Parcelforce Worldwide and the Owner Driver acknowledge and agree that nothing in this Agreement, nor the performance of any of the Services, shall result in the Owner Driver or anyone else becoming employees of Parcelforce Worldwide.

The Owner Driver shall indemnify Parcelforce Worldwide against all claims, actions and proceedings (and all costs and expenses incurred in relation thereto, which shall include any monies paid by Parcelforce Worldwide on the advice of its legal advisors), relating to taxation, National Insurance contributions, pensions, or otherwise concerning the Owner Driver's relationship with Parcelforce Worldwide (including the Designated Drivers engage by the Owner Driver to perform the Services).

Earlier this year, a similar clause was found to exist in the contract Deliveroo required its fleet of delivery riders to sign. Following this discovery, and the public debate that followed, the company took the welcome step of removing this clause from its contract. We strongly urge Parcelforce, and any other company which currently uses similar tactics, to take this step.

Sadly, this clause does not operate in isolation. Rather, it is symptomatic of the threatening and hostile environment in which some people are required to work. Two Parcelforce drivers recorded how, 'we are frequently warned we could lose our jobs if we don't do as we're told', and, 'my contract can be cancelled at a moment's notice', while a DPD driver noted how, 'conditions of employment are precarious to say the least. The communication received from DPD always has a threatening edge to it as they know people worry about their jobs'.

We heard from another DPD driver that, 'we must provide a full day's service at the weekend and they will pick what day we work, it could be Saturday or Sunday [...] we have been told [that] if we refuse to work one of these days on three occasions then we will be terminated from our contracts'. It was reported likewise that, 'fear is often what companies rely on to pressurise individuals', and that DPD, is 'putting normal decent hardworking people in a corner, threatening their income to manipulate them'.

Elsewhere, a courier reported how, 'I was badgered by phone calls from Next and Hermes to do what I was told – morning, midday and afternoon deliveries – and if not done [I would be] penalised for it, badgering from compliance officers about parcels I had sent back to the depot because they were not in my area, that I should have delivered them as they were next day, forced to deliver hundreds of Next catalogues weighing 7.2kg each when I didn't want to, and not being able to take any sort of time off for fear of losing my round.'

We look in the next section at the penalties some companies apply to prevent their workforce from taking time off.

Paying the penalty

It was reported to us that some drivers are coming to work with broken bones, to avoid being fined by the company with whom they work.

Three Parcelforce drivers reported that, 'we get no holidays, pension or pay and if we are off sick we get charged up to £400 per day for not turning up', 'if I am sick and don't turn up or send my contingency driver in they will then bill me for covering my route which is expensive [...] this is usually £400 per day so I work whatever illness I have', and, 'I have been fined over £400 for being too sick to get to work for just one day and once I had to pay for a company employee's overtime to come out on [the] route with me whilst I sat next to him with a bucket in case I was sick.'

A combination of financial penalties and a loss of work are the penalties reported by three DPD drivers, who noted that, 'there is no say over what days and times a driver wants to work including needing to finish early or start late etc., then there is no choice you will be fined if you don't show, even for a doctor's appointment', 'an annual DNA video must be watched unpaid at a local cinema on a Saturday in the Spring/Summer. If you do not go for the morning then you will be taken off the road for a day as punishment', and, 'if [the driver] insists he needs to be off they will fine him £150 so actually he loses a day's pay and gets fined which causes considerable stress and anxiety as [the driver has] a young family.'

Poverty pay

We have received evidence to suggest that some drivers working with Parcelforce and others with BCA, whose evidence is outlined in Box 4, take home less than the National Living Wage.

One Parcelforce driver reported that, 'I earn on average £900 a week, from this I have to take out £150 for van lease, £100 for fuel, £150 for VAT, £100 tax, £50 for insurance, leaving £350 for a 55 hour week ... well below the minimum wage!'. This was expanded upon by another Parcelforce driver: '[I] haven't had a single rise on that rate in the last 10 years even though fuel and vehicle costs have risen greatly, not to mention the cost of living. I just have to do more and more hours to make it up. Currently I work 60 plus hours per week.'

Box 4 – Evidence from drivers working with BCA

'I, along with all other self-employed drivers, have been paid as little as £2.22 per hour. £3/£4/£5 per hour is not unusual and is probably the norm [...] BCA will argue that we are self-employed and paid per car, but does that give them the right to pay third world wages? If I leave my house at 6am and don't return until 6pm and earn £60 then I've been paid £5 an hour.'

'The hourly rates are shameful. My own record shows that in a typical 5-day period [earlier this year I earned less than £5.50 per hour]. Had we not [used our initiative] it would have been [less than £5 per hour]'

'After expenses, I realistically receive £4 per hour [and] I do not receive any sick pay or holiday pay. BCA has approximately one thousand self-employed drivers. There are a further two hundred employed drivers. The employed drivers are paid £7.20 per hour. In addition they receive all expenses, plus sick pay and holiday pay. We all do exactly the same job. Surely there is a huge disparity here which is neither reasonable nor fair.'

Both the evidence from BCA, as well as the following comment from a DPD driver, demonstrate the existence within the 'gig economy' of a two-tier labour market: 'Some drivers do earn a very good wage for six or seven days a week, twelve hours a day, but most drivers are not earning anything like those amounts.'

Clearly there are some people for whom the 'gig economy' provides a necessary degree of flexibility and an adequate, or supplementary income. For many others, though, a life of poverty pay and ceaseless toil has become the norm.

One of the main reasons for this poverty pay is explored in the next section.

Who carries the burden of costs, charges, and risk?

The evidence in Box 5 suggests that the costs of acquiring and maintaining a vehicle sometimes outweigh, or at least erode heavily, the earnings drivers can expect to make from their delivery rounds.

Box 5 – Evidence from drivers working with DPD

‘[Some rounds] actually can end up costing you more money to deliver ‘their’ parcels than the money you will get paid from doing it’

‘A guy at DPD earned £2,100 in four weeks, by the time they charged him van rental, excess mileage for delivering ‘their’ parcels, insurance, diesel [...] fines because he was too poorly to drive the van [...] [in total] they charged him £2,800.’

‘We initially invest between £15-20k on a van and a further £1300 on uniform and a handheld scanning device, we pay approximately £3k a year on insurances specific to courier work and obviously all fuel and repair costs are met by ourselves. So as you can see it’s quite a large expenditure to be a driver at DPD.’

‘Once the van costs and fuel are paid for it is possible to run at a loss, not even taking into account a wage.’

‘We have 2 weeks service break per year which DPD will cover our route, although we don’t earn any money we still have to pay for our van and insurances, and we can’t book individual days off it has to be in week blocks. If we require any further time off we have to either employ our own cover driver or hire a driver from someone else which costs range from £130-£190 per day regardless of how many deliveries they complete.’

We have also received evidence suggesting that companies are offloading as much of the risk as possible onto their workforce so they can either undercut their competitors on the grounds of cost, offer to meet new demands from customers, or both.

One Parcelforce driver, for example, reported that, ‘the contracts Parcelforce now undertake include oversize parcels and bulk delivered. As I only get paid once per drop and 10% for any subsequent items I am increasingly finding my van is full with not much paid work.’ Likewise, another commented that, ‘[Parcelforce] brought in a practice of sending a time window for some of our parcels. If we miss this time window they do not pay us for delivery of the parcel, even though they have been paid themselves for delivering the parcel and the customer has the parcel.’

It was also reported that additional charges levied by Parcelforce on its customers for the purposes of carrying out certain tasks are not passed on to the drivers fulfilling those tasks: ‘they put a surcharge on oversized parcels for extra work involved in the delivery process, which is not passed on to us. Likewise when fuel prices rise they add a fuel surcharge and again do not pass on to us’. Another driver commented that Parcelforce, ‘do not pay me if I cannot deliver a parcel due to a customer being out’.

Elsewhere, a DPD driver described how, ‘since the summer 2016 DPD now offer additional services, including a Precise service, as well as morning and afternoon delivery slots, i.e. before 10.30, before 12 and after 12. The Precise service enables a customer to select a one-hour delivery window of their choice. Again, the driver is made to deliver within this one-hour window and is not allowed to refuse. In reality this can mean driving miles out of the way for a parcel, driving round in circles to deliver them and also having to wait out unpaid for hours for the delivery to be made. And all at the expense of the driver. I am confident in saying that if the drivers were employed these would not be services that the company would be prepared or able to offer.’

Another added that, ‘due to the way some towns and rural areas are laid out it will never be possible to be able to cover such sparsely populated areas and offer this service, unless someone else other than DPD are

bearing the brunt of the costs. They are quick to brag about how much profit the company makes, but this is at the expense of not treating its drivers properly.'

This led a third DPD driver to comment that, 'while profits soar we as drivers get exploited, underpaid and taken for granted.'

In addition, a driver who works with BCA noted that, 'up to the end of last year drivers were paid an hourly rate of £7.40, clock in/clock out. Not very good, but at least it was fair. In January 2017 a new system was introduced whereby drivers are offered jobs at a flat rate. If they collect and drive a return vehicle they are paid an extra £15.75. If they return as a passenger, or drive a hire car, they receive nothing. As a consequence, the drivers take all the risk of traffic delays, and cock-ups by the back office – wrong addresses, extra running around, washing vehicles, waiting for country buses, pick-ups etc.'

Meanwhile, a warehouse worker at Amazon described how, 'the characteristics of this type of job will at some point soon be a risk towards someone's health and safety and make them very likely towards the risk of serious mental illness and physical illness. There are always going to be menial jobs, but we can make them better or worse. And it seems to me the demands of efficiency at the cost of individual's health and wellbeing - it's got to be balanced'.

Feeling the strain

The effects of these arrangements on workers in the 'gig economy' were set out by several drivers.

Four DPD drivers reported respectively that, 'we are being forced to work longer because they have introduced an overtime ban for their employed staff', 'there is no choice in the hours worked or the work done. I have missed family funerals and weddings as a result', 'never have I been treated so badly or worked in an environment with so little morale', and, 'it has become increasingly difficult to earn decent money or even live a comfortable home life.'

Another DPD driver expanded on how difficult it has become to earn a decent living: 'to top it off DPD have now introduced a system called Quantum which predetermines our route before we enter the depot (supposedly lowering spent time in depot) however we are still having to reroute as the system does not work (all this time we are not earning money), Quantum is actually raising our time on the road and our mileage adding more costs to us. When we arrive at the depot 6-6.30am the sort is usually still running and the loader on the bay generally leaves at 7am, drivers are then expected to sort the bays out themselves once again earning no money as we don't earn until the first parcel is delivered.'

The following comments also revealed much about the impact of DPD's working arrangements on its workforce: 'multi-drop delivery is a high-stress job ordinarily, but for self-employed drivers being pushed by an automated system to deliver within a specific window or risk a penalty, it is more so [...] now that Amazon, one of DPD's customers, have introduced a one-hour delivery (from ordering to receiving your order), this will undoubtedly push some drivers to burnout.'

'They are paid per delivery, and this naturally creates an incentive to deliver all the parcels on their van, but the reality is they are faced with traffic, roadworks, customers not being home, poor communication, and unrealistic delivery targets. All of these pressures create anxiety for the driver, which sometimes leads to poor driving, mistakes and bad behaviour'.

Likewise, at Amazon, '[workers'] rest and lunch breaks disappear because Amazon's warehouses are so big it takes several minutes of walking to get to and from your work-station to said break room – 5 minutes to break room 5 min to eat or drink including to go to toilet and 5 min to go back. [...] Almost everyone here is thinking the same that is this prison? The comparisons are somewhat obvious. I felt like asking anyone sitting by me or standing in line next to me "so, what are you in for?" It would have been a completely appropriate question yet if we talk to one another even to say "hello" or "thank you" we are reprimanded for speaking out of order'.

Meanwhile, at Parcelforce, 'they refuse to provide any holiday cover, resulting in a colleague of mine working for four years without a holiday. Parcelforce couriers regularly work in excess of 12 hour shifts without a break'.

An exasperated DPD driver commented that, 'in the year 2017 one would expect living and working conditions to have improved over the years and not regressed to those of Victorian times.'

False promises?

Several drivers reported to us that they entered into their present working arrangements having been promised higher earnings and greater flexibility over their work. They reported also that, despite signs of promise in the early stages, neither of these advantages had stood the test of time.

A BCA driver reported that, 'at the interview I was promised £400 a week and that I'd very rarely use public transport between jobs. I very, very, very rarely get paid £400 a week and use public transport on an almost daily basis'.

Further reports along these lines are outlined in Box 6 and Box 7.

Box 6 – Evidence from drivers working with Parcelforce

'We were duped into becoming falsely self-employed [...] reinstate us as employed drivers and recompense us for all our losses, i.e. pensions, holidays etc.'

'Most people who are self-employed have much higher earnings and flexibility to work when they want which is exactly what Parcelforce said to entice me and my colleagues to leave direct employment with them to become owner drivers. The reality is far different [...] I am earning less than I did 10 years ago but I am treated exactly the same as their employed drivers, if not worse [...] employed staff have an option to work Saturday mornings for higher overtime rates whereas owner drivers are forced to work/supply a driver every Saturday for the same rate as during the week but the parcels are premium "Saturday delivery" items so each round only have a few so we go to work early for 2-3 hours for £8-£15 before fuel etc.'

'[We] were heavily persuaded to leave long-term employment with all the benefits that go with it to be treated as an employee (in fact worse) but with no holiday or sick pay, no security and no pension.'

'They [...] exploit me and treat me as an employee but without any of the employment benefits that come with it.'

Box 7 – Evidence from drivers working with DPD

'We did earn a good living, until recently. At our annual meeting in 2015 we were encouraged to take on another van/route which some did with the promise of even better earnings and potential. In 2016 they introduced ODF Light – smaller vans [...] and most significantly cheaper rates per stop/drop. This now means that we no longer receive and distribute all the parcels on our supposed franchised route, but DPD sort out what they want us to deliver after they have serviced the DPD lights.'

'We have a blueprint to earn so much per year which is made up by the company but how much I earned and paid out in costs was nowhere near what I was promised'.

'As I understand it, would-be drivers are tempted into the business with suggested weekly earnings of £500-£600, but are self-employed and responsible for the upkeep of their vans, including insurance and petrol. Given the wear and tear on their vehicles, I suspect most drivers, on average, take home little more than £350 per week'.

Inefficient, unproductive, and unfair

The practices that have been described to us seem to represent a misallocation of resources by each of the companies involved. Those companies are, as a result, operating at sub-optimal levels of efficiency.

At present, the unlimited availability of labour and the absence of any obligation to pay for that labour, or negotiate the terms on which labour is supplied, damages both the level and efficiency of each company's output, as well as workers' incomes. It seems as though there is no need for companies to improve their organisational or managerial methods, as they can continually exploit an unlimited pool of labour.

One example of this inefficiency, reported to us by a Hermes courier, was of the company ringing every one of its couriers from a particular depot to 'cajole' them into covering a weekend round. The company 'tried pressurising' one courier halfway through their round to drive dozens of miles to another depot to pick up another large delivery round in a different area with which they were totally unfamiliar. Such stories are not uncommon in the evidence we have received, as is shown in Box 8.

Box 8 – Evidence from drivers working with DPD

'DPD have now integrated a new delivery system called Precise, this allows consumers to choose their own one-hour delivery slot from 8am-8pm. The drivers are expected to stay out to deliver these parcels even if they have finished their route by 2pm. So potentially earning no money for six hours until that one Precise delivery is made.'

'What about the DPD driver that has finished their route at, say, 2pm and they have been forced to take a Precise delivery on their route that the customer has asked for it to be delivered between 4pm and 5pm. We have to sit in our vans for two hours waiting just to deliver this one parcel and all we get is £2 for this as this is what an average driver receives for one delivery. We are supposed to be self-employed and we don't get paid by the hour but we are forced to do this. If we refuse to take a Precise on our route that is going to make us wait 1-3 hours before we can deliver it, then we are told to empty our vans and leave the site and we are charged £150 for this.'

'Drivers are being made to sit around unpaid for hours waiting to complete collections. [Today I had] a three-hour wait for a collection without earning any money. If we refuse to make the collection we are threatened with termination of our contract.'

Conclusion

Companies in the 'gig economy' operate in a fiercely competitive environment. One way in which they try to gain an advantage over their competitors, or to remain competitive, is to seek new ways of offering a quicker service at a lower cost.

We have seen, both in this report and the two previous ones we have published on this topic, that one of the techniques companies use is to keep their labour costs artificially low and keep pushing them lower still. In the 'gig economy', this has tended to take the form of companies classing their workforce as self-employed, gradually lowering the piece rates offered for their work, and refusing to accept responsibility for the charges and risks incurred by their workforce. Each of our reports again has shown how such business models carry damaging consequences for the workers who keep the 'gig economy' moving.

In the absence of minimum standards, companies are free to offload all of the risk, and associated costs, onto their workforce. The poverty pay and appalling treatment meted out to workers against this backdrop is typified in the following submission we received from a Parcelforce driver:

'I receive no holiday pay or leave from work and I am expected to work six days a week. I have no company pension and have not had a pay increase for 10 years. I am expected to work anything up to 13 hours a day without a break to clear my route. Finding holiday cover is almost impossible and I normally have to pay two people to cover for me. If I fail to turn up to work I can get fined up to £400 a day. I recently had to go into work after sitting up all night with my mother until she died and then do a 12-hour day.'

It was no surprise, therefore, to hear from a DPD driver of, 'the complete and utter helplessness we as drivers feel having no control or say in what is supposed to be our own franchise.'

In our submission to the Independent Review of Employment Practices in the Modern Economy, we have called on the Government to introduce a national minimum standard of fair work in the 'gig economy' alongside a new legal test for companies claiming their workforce to be self-employed – the law needs to be turned on its head so it is for companies to prove their workforce is self-employed, rather than for workers to prove they are not self-employed. We believe such moves are necessary to bring to an end the current free for all whereby an unknown number of workers on low incomes are, in effect, subsidising the companies with whom they work.

We conclude this report with a plea from one driver working with DPD: 'This isn't self-employment, or employment either. It's a living hell, a nightmare scenario and the Government needs to bring in legislation to stop these crooks from ripping off vulnerable people.'

This report was published on 6 July 2017. The document can be accessed online at www.frankfield.co.uk.

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