

Via: [NSmith@TUC.ORG.UK](mailto:NSmith@TUC.ORG.UK)

**Chris Wood**  
Interim Chief  
Executive

**Martin Lewis**  
ACE Corporate  
Strategy

**Corporate Strategy  
Division**

Newham Town Hall  
London E6 2RP  
t: 020 8430 3731  
f: 020 8430 6748 e:  
martin.lewis@newham.go  
v.uk

Date: 24/12/07

Dear Nicola

**Re: Consultation response to ‘Vulnerable Employment’**

Further to your request for feedback on the above consultation I am, delighted to submit a response, on behalf of London Borough of Newham. Please note that we have only responded to the questions which had direct relevance to the organisation.

We believe that when considering the impact of vulnerable employment local agencies need to work in partnership to alleviate malpractice. For instance, although there is national minimum wage legislation in place, in reality some employers are simply getting away with paying below minimum level.

The Mayor of Newham, Sir Robin Wales is currently leading a campaign for local authorities to be given enforcement power for minimum wage. We believe that if most councils had enforcement powers as with trading standards, it would protect residents. We strongly suggest that TUC’s Commission on Vulnerable Employment takes our campaign into their consideration and seeks to lobby the government to devolve the minimum wage enforcement to local authorities.

Please see **Appendix 1** for a copy of Sir Robin’s campaign proposal.

**1.0 Introduction and definitions:** The working definition adopted by the Commission is “*Workers whose participation in the labour market places them at risk of ongoing often extreme suffering, uncertainty and injustice resulting from an imbalance of power in the employer-worker relationship*”. We believe it is a very wide ranging definition which needs a more practical focus to be really effective definition.

There are two areas that the current definition does not consider: links to the minimum wage; and enforcement – using current mechanisms.

**2.0 What is the nature of vulnerable employment?** During our discussions several questions arose which included: What really constitutes vulnerable employment? Do we know how widespread this actually is? Are there statistics on the proportion of jobs below minimum wage?

We believe that vulnerable employment could be linked to the *informal economy* where employees may not be aware of their rights or even in some cases wish to remain undetected. Other contributing factors could be that people with low or no qualifications who enter low-skilled jobs or those from abroad whose first language is not English may enter vulnerable employment. In Newham for instance, there are a lot of taxi drivers whose first language is not English and who may suffer from exploitation. In order to tackle this issue we are currently working closely with the GMB union to support language classes for taxi drivers. However, we believe that it is important that appropriate funding streams are made available for local agencies to put in place such initiatives.

In 2006 the Joseph Rowntree Foundation<sup>1</sup> carried out a study into informal economy which looked at the relationship between poverty and informal work, exploring the experiences of people engaged in low-paid informal work, such as 'cash-in-hand' or working whilst claiming benefits. The study showed that people in some deprived areas work informally in response to poverty – out of need, not greed. It also identified low benefit rates, low wages and rules which limit the hours people can work as the three basic issues that underpin informal work.

**3.0 What are the impacts of vulnerable employment?** The commission may want to consider these points:

- Danger of being trapped in a cycle of vulnerability;
- Impacts on work life balance;
- Possible increase of mental stress and other health issues;
- May not offer career development opportunities;
- There would be a negative impact on health and safety; and
- Low pay may put a downward pressure on salaries.

**5.0 What are the solutions to vulnerable employment?** We believe the services that offer advice and guidance that could potentially get people out of vulnerable employment must be tailored to the service user's needs. For example services such as Workplace (Employment One Stop Shops is a partnership agency offering a gateway to jobs) are only open in office hours. Although these services are making a positive impact, we strongly believe that these type of support services need to be available beyond 9 – 5. However, given the current pressure on local government finance it would be difficult for local authorities to administer services outside of 9 - 5. Therefore, more financial assistance needs to be made available to the relevant agencies if we are to provide more tailored and accessible services.

Although enforcement is vital to eradicating vulnerable employment, it is also essential to educate and support employers and employees to know their rights and responsibilities.

**6.0 Examples of good practice in Newham:** Our political leadership is very committed to tackling unemployment and exploitation of our people. Please see below some examples of initiative taken by the council:

**6.1 Newham Workplace (Employment One Stop Shops):** Workplace in Newham, provides a 21<sup>st</sup> Century employer-focused service to ensure that employers and local people recognise it as *the* place to access services relating to recruitment, jobs, training and business support. Workplace brings together a range of providers in a single location to offer seamless, integrated, readily accessible and user-friendly services to both employers and jobseekers. It connects local people and local businesses with the opportunities available, particularly those which are expected as a result of the regeneration of the borough. Key developments which will create jobs include:

- Stratford City - 37, 000 jobs between now and 2020
- Royal Docks - 16,300 jobs between 2008 and 2016
- Canning Town & Custom House - 5,000 jobs between now and 2025
- Olympics and Paralympics - 12,000 jobs between now and 2012

**Four main client groups serviced by Workplace.**

- Individuals seeking employment
- Individuals seeking to start up their own enterprise
- Businesses seeking advice and information on developing their business
- Businesses seeking to fill a vacancy or vacancies

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<sup>1</sup> <http://www.jrf.org.uk/bookshop/details.asp?pubID=793>

However, for each client group a defined service delivery model has been prepared and proposed as the most efficient and client friendly approach.

**Services offered by Workplace, which are:**

- Recruitment (Jobs)
- Training and Skills Development Advice and Signposting
- Career Advice and Guidance
- Business Start Up Support and Business Advice
- Job Brokerage and Vacancy Support

**Partners:** Newham Council; Jobcentre Plus; London Development Agency; Talent Recruitment; Careers Management Futures; Stratford City Developers (Westfield and Bovis); Royal Docks Partnership; Silvertown Quays Developers; Olympic Delivery Agency and Delivery Partners (CLM, Bovis Lendlease, ); Construction Contractors (Murphy's, Nuttalls etc.) and the NHS.

**Job Outcomes:** To date Workplace has placed over 260 people into jobs in a range of sectors including construction, hospitality, retail, customer service, leisure.

Website: [www.newhamworkplace.co.uk](http://www.newhamworkplace.co.uk)

**6.2 Mayor's Employment Pilot (MEP):** This Pilot is primarily designed to offer intensive support for residents who have never worked or who are very long term unemployed.

Top priority clients are residents who fall into the above categories, living in a household where Housing Benefit is claimed. The Pilot can also help residents who have been unemployed for 1 year plus and who have a history of being unable to sustain employment.

The support offered to a resident is shared between the MEP team (Workcoaches, Housing Benefit Protection Officer and Citizen's Advice Bureau Advisor).

**Support offered from Workcoaches:** Action planning/1:1 motivational support; a programme of in-house group workshops developing life skills; supported job search activities; sourcing good quality, relevant unpaid work experience (via Newham volunteers scheme/LBN/partners); and sourcing appropriate childcare.

**Support offered from Housing Benefit Protection Officer and Citizen Advice Bureau Advisor:** Better off in work calculations/in-work scenario planning; Extended Housing Benefit Protection (EHBP) for residents who are worse off in work; Independent, comprehensive in-work benefits advice; exploring financial management/debt problems with clients; and ensuring clients are receiving maximum in work incentives from partners such as JCP (eg free travelcards).

In addition, flexible funding tailored to the individual to cover costs associated with entering work such as: transport costs; childcare support; clothing/shoes/appearance for work etc.

**Evaluation:** We will evaluate the effectiveness of the EHBP and other support offered to clients claiming Housing Benefit, to help motivate residents to look for work, and to sustain employment once in work. We will compare the impact on two groups of beneficiaries:

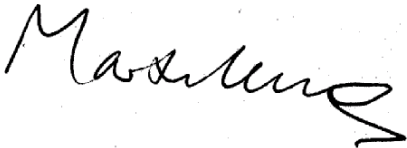
- **First 100** people who move into work and receive EHBP (EHBP offer will be withdrawn after first 100 recipients)
- **Next 100** people who would have been eligible for EHBP but **do not** receive it.

To a certain extent, these groups can be considered matched comparison groups: both share the Housing Benefit barrier to work. As well as this intensive research into those who would be worse off in work,

ongoing quantitative evaluation will present information about beneficiaries' characteristics, the interventions they receive, and the outcomes that are achieved as a result. The evaluation will also establish the average cost of getting a resident who has never worked or been long term unemployed into work.

I hope our response to this very important piece of consultation is useful and should you require further information please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin Lewis', with a stylized flourish at the end.

Martin Lewis  
Assistant Chief Executive

## Appendix 1

### Enforcing the National Minimum Wage at the Local Level

The National Minimum Wage has been one of the government's great successes. Its introduction has benefited the very lowest paid across the country and protected many of our weakest workers from the worst excesses of exploitation. It is a pillar which ensures civilised treatment to everyone who contributes to our economy. The government and the union movement should be justly proud of this achievement.

However, pay abuses still continue and too many still do not benefit from this legal minimum. This is particularly the case in areas with high mobility and a great deal of ethnic diversity. This is the situation in East London. The local economy is disproportionately made up of small to medium sized businesses, often staffed through informal networks of family and friends.

In this context we believe that HMRC, a national agency, lacks the ability to effectively enforce the minimum wage. We believe local authority enforcement would be more effective and would be more likely to deter rogue employers.

The Mayor of Newham and Newham Council would like the ability to enforce minimum wage compliance in the borough. We think it is a useful power for all local authorities. We are not arguing that councils should replace HMRC nor are we arguing for government money to do this. We are simply asking for the legal ability to react to complaints about minimum wage abuse and proactively target those employers who pay below the legal minimum.

#### **Five good reasons for local authority to have the power to enforce the minimum wage:**

**Local knowledge:** Councils and councillors know their areas and where abuses are most likely to occur.

**Chance to be proactive:** NMW enforcement is only reactive at the moment. Local authorities routinely go into work places for a wide variety of regulatory reasons. It would be easy to add a wage check to this work.

**Trust in local institutions:** People already approach councils and councillors wanting to complain about minimum wage abuses. Currently we can only pass them on HMRC. It is unclear how many pursue their complaint, but it would be better if we were able to act directly and quickly on complaints.

**Deliverable as part of existing reforms:** More and more local authority regulation functions are being joined up, with more regulation taking place with fewer interventions. Now is the right time to incorporate this into the work of local authorities that want it.

**Immigration and undercutting:** Many people who are willing to work for less than the minimum wage are those here illegally and the illegally paid jobs they can get make much immigration possible. It also forces down wage rates for British workers and those here legally.