Taylor Review

Institute of Couriers
Submission May 2017

WELCOME TO THE INSTITUTE of COURIERS

Foreword

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'The Institute of Couriers has prepared this document in response to the Taylor review of modern employment.'

'Three national industry sector surveys, a heads of industry event representing over 50,000 drivers at one table, IOC fellows interviews, industry workshops and many one to one management meetings have created this content.'

'The sector has evolved over the last fifty years from bricks & mortar, traditional business models, the majority of the sector today do not view themselves as part of the Gig economy. Exploding numbers are being driven by e-retail.'

'Our sector has mixed platforms of employment, operators often have PAYE and self-employed drivers, and some drivers engage for more than one company; some drivers may even engage in different status for different companies. Further employment status will bring more complexity. There is need for an Express sector industry wide code of practice for employment.'

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1. Summary of IOC Submission

1. The Express industry is an established and significant sector in the UK economy. **The majority of Express final mile businesses do not regard themselves as part of the 'Gig economy**'. **The Express sector has evolved its business models, formed networks and trading groups.** It has adapted to the challenge of e-retail and on line demand to both business and consumer.

The express sector is evolving with exploding numbers in e-retail home delivery and without exception, all the employers we represent have stated the Express industry evolved from long-established business and employment models (Baden-Fuller C, Mangematin C 2011) and are not part of those 'app-based' new entrants, which have become termed as the 'gig economy'.

2. 80% of Express Logistics service providers (LSPs), have mixed employment status amongst drivers on their delivery fleets. (IOC Survey 2017). Some LSPs operate exclusive PAYE status and some exclusively self-employed. Predominantly LSPs operate a mixed employment status fleet. All LSPs have full time and part time drivers and some subcontracted externally by an agency. These new practices used by the 'gig economy' are disruptive; creating negative and incorrect views about employment in our sector and creating concerns among would-be participants in the sector's labour market.

3. Self-employed status is often a starting point for drivers in express. It is a springboard fostering true entrepreneurialism and progression for those who aspire to develop. There is a strong ethos of micro business in the sector. Drivers can be found to be in a mixture of employment status while operating for different courier companies – part time PAYE for one, self-employed for another, while some self-employed drivers have become company owners themselves employing drivers.

There is limited value to the sector in a third employment status concept of 'worker'. Worker status is still not clear to the sector and remains in the whole, a view of the gig economy. It would be near impossible to calculate holiday-like entitlements for a 'worker driver' who may be absent or choses to turn down a job from circuit, and who may be active on another LSP circuit at the same time. The self-employed model delivers the two-way flexibility for the driver, industry and UK economy.

4. 75% of sector say, 'The rewards for Self-employed and PAYE are comparable but typically a self-employed driver achieves a higher gross income and there is a clear two-way flexibility of earnings. 'The driver has the choice of income earning potential and selects employment that best suits self-interest for that individual. The principles of self-employed are clear and the sector does not impose penalties if the driver doesn't choose to work. The rewards for performance can be maximised as self-employed are often higher earners than a PAYE driver. **There is strong consensus that those entering the sector in self-employment status, choose not to change**.

5. Better Professional development benefits employers and employees in Express, supporting areas from clean air to customer service, fuel efficient driving to delivery satisfaction. LSPs provide apprenticeship funded training to PAYE drivers but contractual status of employment denies this to those deemed in a self-employed status. Similarly, self-employed drivers miss the benefit of large scale vehicle, fuel and insurance deals achieved by LSPs. Drivers who choose self-employment find it difficult to gain formal training, transferable skills, so they have to learn on the job to become more competent. All drivers have pride to wear an identity/brand. They would benefit from investment in them as part of a two-way flexibility of employment. Guidance for Professional development, *re-skill or up-skill, for self-employed drivers without impinging on their employment status is needed to facilitate this.*

6. The Express industry harnesses opportunities for under-represented groups. The Express sector generated the term 'Lifestyle courier' to offer greater flexibility to those seeking part time hours. Groups such as Single parent or carers can choose the hours that fit their life style. A Lifestyle courier is at the forefront of flexibility to provide employment for under-represented groups. LSPs utilise a wide talent pool and employment levels are high representing the older worker. One LSP reported Eight percent of employees have a disability. A national example of best practice is Royal Mail with a Disability Two Tick disability status

7. 92% of sector say Clarity of the self-employment status is needed. To balance control and a true two-way flexibility and a better understanding of appropriate practice is required around uniform, vehicle logos and access to training. Current business models offer great choice for the driver. The exploding numbers of home delivery puts the driver in a seat of employer choice. Operators are working hard to attract a diverse next generation driver.

8. There is no sector Code of Practice for employment status in Express. Variable employment offers 'self-interest' choice to those who work in the industry, it neither 'controls nor coerces' the individual's choice but supports the variable choice/diversity demanded by those who wish to work in the industry. **85% of sector want a code of practice.** The IOC will lead research into development of a voluntary sector Code of Practice.

2.Employment in the Express Delivery Sector.

1. Institute of Couriers (IOC) welcome the scrutiny of the Taylor Review (and the Work and Pensions Committee) into the operation of the so-called 'gig economy' and employment status of 'worker'.

2. IOC is a professional body for the directors and managers of courier, express delivery and final mile operations, Logistics Service providers (LSPs) across the UK. With over 200 IOC fellows whose companies account for over 100,000 couriers the IOC are well place to help the Review understand employment issues in the express delivery sector. Carl Lomas, Chairman of the IOC is a long-standing fellow of the RSA.

3. The outcome of the Taylor Review is important to the Express Delivery sector. The results should clarify the status of the self-employed and worker definitions and provide more understanding of the sector relationship with the gig economy. The review questions the business models of LSPs in the express sector that have successfully operated for some 50 years or more utilising the principles of employed and self-employed drivers.

4. During 2016/17 IOC held collective and individual meetings with LPS employers from across the UK; ranging from SMEs with 10 couriers to the largest national businesses, generating a wealth of qualitative data. This document is based on those meetings and those surveys and whilst the information is anonymised, the testimony and statistics presented here gives the most accurate and current picture of employment practices ever carried out in our sector.

5. IOC exists to help LSP companies in the sector, understand, develop and share good practice and we support a number of the propositions set out in the Review document;

- **IOC agree there should be protection of income in the sector.**
- **IOC agree that there must be protection against exploitation in the sector.**
- **IOC want to see the best employment options continue to be offered.**
- **There should be a transparent job description for express roles, clear arguments posted for the different employment status opportunities**. A key challenge to the express sector is

recruitment. People value the choice of employment or self-employment offered by the sector and choose to stay, retention is generally high but more clarity, sector wide is a challenge when choosing an employment status.

We have identified three immediate actions which will help the sector become an even better place to work:

- **IOC want to help articulate a Code of Practice relating to employment status across the sector that can fit across the sub sectors of express, same day & next day for all LSPs. This idea is supported by 84% of the (over 100) employers we surveyed**
- **IOC wish to see further refinement of the definition of self-employment status.**
- **IOC ask Government to review the balance of opportunity between those in PAYE and those who are self-employed to gain access to funded training to further encourage professional development.**

3. Introduction to the IOC submission

6. **The majority of the Express/final mile sector is not part of the 'Gig economy**'. All the LSP employers represented have asked IOC to ensure that as a priority, the Review team are clear about the differences between the long-established business and employment models (Baden-Fuller C. and Mangematin V. 2011) operated by their companies and those of 'app-based' new entrants, which have become termed as the 'gig economy'. These new practices are creating negative and incorrect views about employment in our sector and creating concerns among would-be participants in the sector labour market. LSPs have brought the term for new app based service provision as 'disruptors.'

7. However, it is the case that the discussions in the sector stimulated by the Review have usefully focussed attention on the way that sector LSP businesses understand and use mixed models of PAYE employment, self-employment - both full time and part time (including so-called 'lifestyle' work) and agency drivers. There has been a beneficial discussion of the current rights and responsibilities associated with these two forms.

8. As IOC address the six Taylor Review themes, we explain our current business models, the reasons for the ways the sector procures supplier services and share the evidence that these models work to the benefit of all parties and the performance of the national economy. The IOC submission shows that most LSP businesses operate with a mixture of the two forms of employment, enabling them to meet ever more demanding end user requirements – such as timed deliveries, while allowing their suppliers to choose whether they are employed or self-employed.

9. Our reading is that the Taylor Review is underpinned by a proposition that can be summarised as; *Individual suppliers to our businesses would be 'better off' in financial and other terms if their status was changed from self-employment to at least 'worker' status and ideally PAYE employee status.*

10. In this document we explain how this proposition is not true for our sector and that if we were required to identify our self-employed suppliers as 'workers' as currently defined this would have a series of detrimental consequences, primarily for our couriers, and also our businesses, our suppliers and the UK economy.

4. The Express Delivery Sector

11. **Express, courier, final mile delivery is an established, evolving and significant sector in the UK economy**. Emerging from a convergence of urban motor-cycle couriers of legal documents and packages, the activities of multi-national companies, national postal services and parcel delivery companies, this is the most dynamic and innovative part of the UK logistics sector.

12. The sector is critical to the internet-based home shopping industry which is now a key element in the UK economy. '*Online retail marketing has revolutionised the product purchase behaviour and service expectations of consumers*' (Fernie J, Sparks L, McKinnon A. 2010). Trusted data from the Interactive Media in Retail Group (IMRG 2016) reported 26% of retail value was home delivered in 2016. Nick Langdon, boss of Royal Mail commented (Q1, 2016) '*Express is exploding'*. The volume and value of UK online sales has seen sustained growth. The number of parcels sent in the UK each year is estimated to grow to three billion by 2020 and value of sales continues to rise.

The value of online sales in the UK (IMRG)

	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Online sales	**130bn**	**114bn**	**104bn**	**91bn**	**78bn**	**68bn**

13. "*Today's consumer wants it sooner rather than later, doesn't want to pay 'anything more' than before and is also asking for a greater choice of flexibility*" (IOC 2016). Ian Wainwright, (then TFL Head of Freight) spoke passionately in 2016, '*My legacy would be recognition that delivery is not free'*. The UK has the highest rate of online shopping in Europe. Richard Lowe, Head of Retail & Wholesale at Barclays, commented: "*Not only is the online purchasing and delivery market growing, it is also having to evolve quicker.*" (Barclays 2014 report PWC).

14. The sector is now key to UK economic performance and quality of life. We make the 24/7, internet-based economy happen. Represented around the IOC table in recent weeks have been medical couriers, food delivery, two-man home delivery, next day and same day express companies.

15. **There are two types of delivery – 'same day' and 'next day'. The different requirements of these two types are a major influence of the way delivery workers are employed. Both types are client chain driven.**

Same Day -a driver on a same day circuit (collections or deliveries requested immediately by a client for immediate delivery. Collection and destination may be unknown until the time of booking) covers sporadic jobs, every day is different. If any driver is missing from that circuit, the workload is spread across other drivers and possibly delays are generated. Driver availability to match customer service is like stock on a supermarket shelf, when it runs out there is a delay.

Next day – a driver on a next day circuit (routes pre-set with variable number of drops or collection) will have a regular route but drops on the route will vary; predominantly that route becomes familiar to that driver. The most intense next day routes depend on intricate knowledge of the drops on that route to maximise profit. When a regular next day driver is absent it is a greater challenge to profitably cover that route for both the driver and operator.

16. Most Express Delivery companies operate with a mixed employment status fleet to match the need of same day and next day deliveries. Those companies that delivery a single type of service may

choose one type of employment status that suits their business model. Pure self-employment status models are more common in same day LSPs.

17. Many companies in the sector are Multi-national, operating national, regional and local platforms. Established some 40 or 50 years they have substantial assets in terms of sortation hubs, delivery centres, management and administration buildings and vehicle fleets. We are not the gig economy – the gig economy is app based without fixed assets.

18. As well as traditional postal delivery, goods are delivered business to business, business to consumer and consumer to consumer with home delivery growing with e-retail.

Composition of the sector

19. The IOC survey asked companies, Logistics service providers, LSPs to define the term 'Express' as applied to deliveries. Responses included; *courier, final mile, rush & home delivery.* Terms related to goods delivered included; *e-retail, online shopping, multi-channel shopping delivery and delivery solutions for businesses, manufacturers and legal services.*

20. The largest organisations in the sector are those involved in the delivery of letters and parcels. Specialist, general smaller businesses specialise in geographic regions and or in certain types of goods – food, medical or certain types of delivery, such as delivery and installation of white goods. Geographic hot spots for express include locations such as Heathrow & East Midlands where understandably, LEPS have identified priority areas supporting Transport and Logistics (LLEP Logistics & Distribution Action Plan, 2015)

21. Although the Royal Mail continue to make the clear majority of postal deliveries, an increasing amount of business to consumer and business to business mail is handled by commercial organisations such as DPD, Hermes and Whistl who sort mail into postcode areas and often deliver it to Royal Mail depots for 'final mile' delivery.

22. Most internet-based home shopping sourced from 'high street' brands is delivered by express delivery companies.

Composition of the workforce

23. The workforce of most LSP express delivery sector companies comprises a management, planning and administration team who oversee the activities of, first sortation and second, deliveries. Those engaged in sortation and delivery activities are typically active in regional hubs. The majority of the workforce is engaged in delivery activities. Those involved in delivery are typically drivers, comprise a mixture of lorry drivers, van drivers and riders of motor and pedal cycles. In addition some workers may use private cars to deliver goods, generally to domestic premises. Walkers are captured in the term 'delivery' and may use trolleys to enhance load capacity carried.

24. 80% of Express delivery operators have mixed employment status amongst drivers on their delivery fleets (IOC Survey 2017). Of those companies surveyed 100% have self-employed drivers and 76% PAYE fleets. 68% of fleets also use part-time/lifestyle drivers, but only 36% use agency drivers. 68% of Self-employed drivers use their own vehicle. Drivers can be found to be in a mixture of employment status while operating for different courier companies – part time PAYE for one, self-employed for another, whilst some self-employed drivers have become company owners themselves employing drivers.

25. IOC surveyed employers and asked them to rank the attitudes and qualities they want to bring into their operations and how they use PAYE and Self-employment to achieve the mix of qualities they need. From PAYE drivers, 100% of companies see reliability as key, 79% competence and 58% loyalty. From Self Employed drivers, 80% of companies see reliability as key, 60% competence and 54% loyalty.

26. Significantly, 68% of LSPs said that drivers very rarely change their employment status. SME's are more likely to use a mixed fleet as this model allows greater control over service delivery of PAYE drivers to meet client demand. Those LSPs operating same day activity are more likely to be predominant in self-employment status. The flexibility of the sector offers greater support to those who foster true entrepreneurialism and aspire to develop, while at the same time giving opportunities for under-represented groups to gain employment. The sector has a strong ethos of micro-business with two-way flexibility in all employment statuses.

5. IOC Response to Taylor Review questions

Theme 1 - Security, pay and rights

To what extent do emerging business practices put pressure on the trade-off between flexible labour and benefits such as higher pay or greater work availability, so that workers lose out on all dimensions?

To what extent does the growth in non-standard forms of employment undermine the reach of policies like the National Living Wage, maternity and paternity rights, pension auto-enrolment, sick pay, and holiday pay?

IOC Response Summary

- Workers do not lose out. Express drivers today have more choice as more work drives operators to offer more choice. Operators work hard at recruitment and retention in all employment status. Drivers in the traditional express firms should not be measured alongside Gig-economy technology deliveries.
- The Express sector has a diverse ecology of conventional business models which do not undermine National Living Wage. 80% of Express Logistics service providers (LSPs), have mixed employment status amongst drivers on their delivery fleets. (IOC Survey 2017). Some LSPs operate exclusive PAYE status and some exclusively self-employed. Predominantly LSPs operate a mixed employment status fleet. All LSPs have full time and part time drivers and some subcontracted externally by an agency.
- The rewards for Self-employed and PAYE are comparable but typically a self-employed driver achieves a higher gross income above NLW and there is a clear two way flexibility of earnings. The driver has the choice of income earning potential and selects employment that best suits self-interest for that individual. There is strong consensus that those entering the sector in self-employment status, do not choose to change from that status.
- Self-employed status is often a starting point in employment in express. It is a springboard fostering true entrepreneurialism and progression for those who aspire to develop. There is a strong ethos of micro business in the sector. Those who start in self-employment are able to change to PAYE in many cases.

IOC Response

27. The emerging business practices employed by the new 'gig economy' companies put pressure on our flexible labour system as they try to instill control but claim that couriers are self-employed. Express drivers in the majority, are not in the gig economy, they are working in a traditional and conventional sector that is evolving with e-retail and experiencing high growth as a factor of the gig economy.

28. **Why is the majority of express not in the GIG economy?** Our models are well established (Dunbar C. 1982) and have evolved to maximise our ability to recruit and retain the drivers we need.

29. Employers need a mix of skills and behaviours. **The express delivery industry through existing business models have always offered choice**, the (IOC 2017) survey results show that a mixed fleet – mixed employment status - is and always has been available. The exploding growth of e-retail and the subsequent growth of express delivery offers a greater choice of self-interest, greater flexibility and sustainability to a diverse workforce, consumer and investor.

The Express sector has a diverse ecology of business models. 80% of Express Logistics service providers (LSPs), have mixed employment status amongst drivers on their delivery fleets. (IOC Survey 2017). Some LSPs operate exclusive PAYE status and some exclusively self-employed. Predominantly LSPs operate a mixed employment status fleet. All LSPs have full time and part time drivers and some subcontracted externally by an agency.

30. Self-employed status is often a starting point for in express. It is a springboard fostering true entrepreneurialism and progression for those who aspire to develop. There is a strong ethos of micro business in the sector. Drivers can be found to be in a mixture of employment status while operating for different courier companies – part time PAYE for one, self-employed for another, while some self-employed drivers have become company owners themselves employing drivers.

31. Drivers choose an employment status that best fits them. The mixed model offers 'self-interest' choice to those who work in the industry. It neither controls nor coerces the individual's choice, but supports the variable choice demanded by those who wish to work in the industry. Drivers who want to choose when to work and what work to do, choose self-employment. Those with less flexibility or demands of their time choose PAYE and fixed hours. All logistics service providers (LSPs) reported few or no complaints related to income value from their self-employment drivers. Retention is good in the sector among both PAYE and Self-employed drivers (IOC Survey 2017).

32. **The rewards for Self-employed and PAYE are comparable but typically a self-employed driver achieves a higher gross income above NLW and there is a clear two way flexibility of earnings.** The driver has the choice of income earning potential and selects employment that best suits self-interest for that individual. The principles of self-employed are clear and the sector does not impose penalties if the driver does not choose not to work. The rewards for performance can be maximised as self-employed and are often higher than a PAYE driver. **There is strong consensus that those entering the sector in self-employment status, do not choose to change**. Drivers in the sector are above National Living Wage and often significantly above. PAYE drivers typically get a salary plus pension and paid holidays and work within the rules set out in a staff handbook. Self-employed drivers are paid an amount that enables them to choose to buy the benefits which suit their family circumstances such as a personal pension, income insurance and the ability to choose when they work, enabling them to take family holidays or longer breaks when they choose. It was observed that some people don't want the obligations and responsibilities of PAYE employment – being paid for 25 day's holiday doesn't compensate for the feeling of being tied to one employer.

33. Companies reported use of Codes of Conduct to set standards for the whole business and which apply equally to PAYE and self-employed members of the team/family. There is no industry wide code of conduct for employment status.

34**. There is a strong consensus that those entering the sector began in self-employment status and choose not to change**. There is a status factor for drivers entering self-employment in Express, they are at the top of their game and there by choice. Lifestyle in Express today- The best drivers want to be self-employed.

35. Drivers and riders – both PAYE and self-employed can be seen. This is not because of imposition LSPs, but because some self-employed drivers are reported to prefer to wear livery as it provides professional status. Indeed on the City streets, cycle commuters can be found wearing clothing that closely mimics that of professional couriers, this is status to 'be seen as' a professional rider.

36. One of the criticisms of the 'gig economy' is that drivers are pressured into accepting self-employment rather than PAYE. We addressed that question directly in our LSP operator meetings and their view was **that the most competent and motivated drivers ask for self-employment** rather than PAYE. Typical comments being; '*Our strength is the mix of employment models we use'*, and '*We don't think our system is broken and we support people who work with us*'. The strength is that drivers can move across employment status if they choose.

37**. LSP employers identified that the sector needs to make further efforts to explain the opportunities the sector gives people – of all backgrounds and status, and make clear how this differs from the model offered by 'gig economy' companies.** The sector can offer all types of employment at all levels. Choosing self-employed status is a self-interest choice that allows individual choice of; specific hours or days, length of working hours, sporadic time periods, number of holidays taken and when, job sharing and inter-generational working. A personal choose of individual/family cover for pensions, insurance or health benefits. A choice that meets their lifestyle needs and recompenses them well. Likewise, the PAYE status will offer regularity of hours and income.

Theme 2 - Progression and training

How can we facilitate and encourage professional development within the modern economy to the benefit of both employers and employees?

IOC Response Summary

- Better professional development benefits employers and employees in Express, supporting areas such as clean air to customer service, fuel efficient driving to delivery satisfaction.
- LSPs provide apprenticeship funded training to PAYE drivers but contractual status of employment denies this to those deemed in a self-employed status.
- This is in contrast to the reality that most drivers enter the sector as self-employed.
- Guidance for Professional development, re-skill or up-skill, for self-employed drivers without impinging on their employment status is needed to facilitate this.
- Similarly self-employed drivers miss the benefit of large scale vehicle, fuel and insurance deals achieved by LSPs. Drivers who choose self-employment find it difficult to gain formal training, transferable skills- they have to learn on the job to become more competent. All drivers have pride to wear an identity/brand. Benefit from investment in them as part of a two-way flexibility of employment.

IOC Response

38. Companies want to enable self-employed drivers to benefit from the same training provided to their PAYE counterparts. Express delivery companies provide apprenticeship funded training to PAYE drivers but the contractual status of employment denies this to those deemed in a self-employed

status. In a traditional business model employees are offered training and one to one guidance, the express industry seeks to offer this to all drivers whatever the employment status.

39. Companies want to enable apprenticeship engagement for self-employed, notably to provide access to the new apprenticeships for Express Delivery Operative and Express Delivery Manager. This links to work in the sector to articulate a professional stairway – from operative L2 to Level 6/7 and includes progression routes for self-employed drivers.

Other additional areas to consider in the context that 15% of UK workforce are self-employed and an instrumental part of UK company and business growth that;

- Identify 'core skills' requirement for successful self-employment such as enterprise, finance , business planning and enable this to be captured with nationally recognised and endorsed training programmes
- Propose there should be recognised 'Self Employed ' sector routeways that incorporates recognised knowledge / skills/ behaviours for Self-employment and are supported by local agencies such as JCP to support people into these areas of work
- Ensure that national careers service and careers advisors understand opportunities for young people to enter self-employment and routes i.e. Prince Trust that can support in these areas

It has proved difficult to understand where Self Employment fits within the Sainsbury review and the technical route ways for the express sector.

42. The provision of tax or business advice should be available to all employment statuses.

43. Branded workwear, including personal protective clothing should be available to all, regardless of employment status and made a choice for self-employment status.

44. Insurance deals in block should be made available to all, without detriment to employment status. Why should a self-employed driver working alongside a fleet PAYE drive not benefit from an insurance policy available to the LSP?

45. Assistance with vehicle purchase/leasing and or group discount should follow the same line without detriment to the choice of a driver's employment status. Operators reported that when they have made this available to the self-employed courier it has resulted in challenge from HMRC about employment status. As a result, some drivers then miss the opportunity to develop and progress their earning capacity.

46. It was noted that many of the PAYE drivers are those who drive the larger vehicles – those requiring a Category C (lorry) licence – with the self-employed being those driving a van on a Category B (car) licence. The lorry drivers therefore tend to be older drivers with 'grandfather rights' to drive all vehicles over 3.5 tonnes.

Theme 3 - The balance of rights and responsibilities

Do current definitions of employment status need to be updated to reflect new forms of working created by emerging business models, such as on-demand platforms?

IOC Response Summary

- The understanding of the definition of self-employment status for Express needs updating. New consumer demands include expectation by the consumer for uniform and corporate identity when packages are received. Corporate identity on vehicles relate to business branding and consumer identity at delivery, vehicles may be operated by self-employed drivers and so clarification in the judgement of employment status is needed.

- The two statuses, PAYE and an updated self-employment definition would give the sector what it needs.
- There is limited value to the sector in the employment status concept of 'worker'. Worker status is still not clear to the sector and remains in the whole, a view of the gig economy which is not where the traditional express sector lies. It would be near impossible to calculate holiday like entitlements for a self-employed courier who may be absent or chosen to turn down a job from circuit, and who may be active on another LSP circuit at the same time.

IOC Response

47. The current self-employed model used in the sector is supported by Logistics service providers LSPs and drivers. It provides choice that reflects self-interest, diversity, flexibility to both parties but the status of self-employment needs updating.

48. Self-employment status for Express needs updating. New forms of working include more expectancy by the consumer for uniform and corporate identity when packages are received. Corporate identity on vehicles relate to business branding and consumer identity at delivery, vehicles may be operated by self-employed drivers and clarification in the judgement of employment status is needed.

Self-employment is less clear as the issues of company handbooks, company livery, training and large purchase benefits such as insurance and vehicles muddy the 'employment status' water. What is needed is an understanding that offering these collective benefits to self-employed service providers is not an attempt to control, coerce or place obligations on them.

49. A drivers' employment status can change over time. Continued service to just one LSP muddies the status of self-employment. A further level of complexity arrives when the driver engages with a further LSPs.

50. Companies reported that PAYE, is clearly defined and understood by employers and employees.

51. Companies would like to provide training to self-employed drivers but are fearful of it creating problems with employment status. The right to obtain re-skilling or up-skilling is denied those who are of self-employed status from the industry they work in for fear of compromising their employment status. These are ways in which the express delivery company and the self-employed driver can enjoy two-way flexibility to improve the efficiency and effectiveness of the service they offer – to their benefit and that of the wider economy

52. There is no value to the sector in the complexity of a 'worker'. Worker status is still not clear to the sector and remains in the whole a view of the gig economy which is not the business model of traditional express. It would be near impossible to calculate holiday like entitlements for a driver who may be absent, absent by choice to turn down a job, absent by geographic location, absent by choice of not wishing to work, absent due to illness or caring for a relative. The driver may further be absent to cover a delivery for a different LSP and may work for several LSP's. Such absences would be near impossible to measure.

Theme 4 - Representation

Could we learn lessons from alternative forms of representation around the world?

IOC Summary Response

- Best practice in the UK influences express delivery around the World.

IOC Response

53. Best practice in the UK influences express delivery around the World. Many of the largest UK operators in Express are world-wide companies. Best practice around the World has filtered into these models in the UK. The UK leads Europe in e-retail and best practice in UK express delivery is indeed filtering back, influencing practice around the World.

Theme 5 - Opportunities for under-represented groups

> How can we harness modern employment to create opportunities for groups currently underrepresented in the labour market (the elderly, those with disabilities or care responsibilities)?

IOC Summary Response

The term ‘lifestyle courier’ is a modern term created in the Express Sector, there is a proven track record of creating flexible employment opportunities for individuals. One of the strengths of the sector is that the flexible work opportunities are ones that are attractive to many groups under-represented in other sectors. Flexible working as described below enables single parents, individuals with disabilities, older workers and the growing number of individuals with care responsibilities to find work. Without those opportunities many of these individuals would be both benefit dependent and potentially socially isolated due to their circumstances.

IOC Response

54. The Express sector has generated the term ‘Lifestyle courier’. Lifestyle courier is at the forefront of flexibility to provide employment for underrepresented groups. The Express sector is rich in opportunity for choice of employment status. A lifestyle courier could work in either employment status. This choice drives flexibility. Express is a sector giving great opportunity to groups underrepresented in other sectors because of the breadth of choice of employment status.

55. **Single Parents.** Within the Express sector it is difficult to argue that women are an unrepresented group. Express employers provide employment opportunities outside mainstream hours. As an example 50% of one of the largest Express national platforms work less than 5 hours per day. That company recognises that childcare or caring responsibilities are important drivers of a need for flexibility in working arrangements. Such flexible working practices allow single parents to work.

56. **People with Disabilities.** Almost a third of working-age people in the UK have a long-term health condition and roughly 1 in 5 has a mental health condition. A recent UK report on the Rights of Persons with Disabilities notes:

- widespread ignorance of the rights of disabled people, which is something the sector itself will need to address and
- the failure of government policy to address many of the barriers to employment

The impact of this is that we have an under utilised talent pool which can contribute to the economy. The courier sector can and does harness this under utilised talent pool. In the express sector, eight percent of Royal Mail employees have a disability. Many individuals with no or small adjustments to working practices could work in the sector. Royal Mail is a Disability Two Ticks Employer and has supported Remploy by employing 2000 of their trainees since 2006.

57. **Older Workers.** Ensuring they have inclusive recruitment practices

- Improving the capability of line managers to manage an age-diverse workforce
- Supporting employee health and well-being across demographics

- Embracing the talent attraction and retention benefits of flexible working

The courier sector has proven track record of employing older workers and meeting the first four of these components.

58. **Employing those with Care Responsibilities. One national express operator reported 50% of the workforce working less than 5 hours per day, this provides a well matched platform for individuals with care responsibilities.** One in 8 adults (6.5 million) are carers. Carers can claim a taxable allowance of around £62 if they are caring for someone over 35 hours a week. This benefit is not payable if a carer earns £116 after deductions. This makes part time flexible work an attractive option for carers.

59. The Express sector is well placed to continue to create opportunities for groups currently under represented in the labour market as detailed in paragraphs above. To continue to do so the existing ability to offer flexible working practices in the sector needs to be retained. For these groups flexible working practices are attractive and in some cases the only way in which they can engage in paid jobs.

Theme 6 - New business models

How can government – nationally or locally – support a diverse ecology of business models enhancing the choices available to investors, consumers and workers?

IOC Summary Response

The Express industry is an established and significant sector in the UK economy.

Government has engaged through the LEPs, particularly LLEP & D2N2 who have detailed reports identifying transport and logistics as strategic sectors for growth. This helped the evolution of diverse ecology but more needs to be done. TFL & TFGM have recognised freight and express in the creation of dedicated strategy groups, these actions need to follow across the UK.

The Express sector has evolved its business models, formed networks and trading groups. It has adapted to the challenge of e-retail and on line demand to both business and consumer. 80% of Express Logistics service providers (LSPs), have mixed employment status delivery fleets (IOC Survey 2017) to adopt to evolving practice for value creation.

IOC Response

60. Government has engaged through the LEPs, particularly LLEP & D2N2 who have detailed reports identifying transport and logistics as strategic sectors of growth. More needs to be done. Indeed, the Express trailblazers were born in the inspirational postcodes of D2N2 East Midlands logistics hot spot. More engagement is needed to develop a full stairway of qualifications for the sector. TFL & TFGM have recognised freight and express in the creation of dedicated strategy groups, these actions need to follow across the UK.

61. **UK economy is driven by the Express sector**. Exploding growth (IMRG 16% in 2016) of online consumers of e-retail. Enhancing choice of employment for drivers, the growth is delivered by a mixed employment status, enabling the industry to respond to increasingly high peaks and to increasing customer demand on conventional and fast delivery. Through investment of LSP's in tangible assets (i.e. warehouse and regional distribution sheds), this continues to drive the UK economy to be ahead of Europe in e-retail.

62. The Express industry is an established and significant sector in the UK economy. **The majority of the Express final mile sector is not part of the 'Gig economy**'. The express sector is evolving with exploding numbers in e-retail home delivery and without exception, all the employers engaged have stated the Express industry evolved from long-established business and employment models (Baden-Fuller C, Mangematin C 2011) and are not part of those 'app-based' new entrants, which have become termed as the 'gig economy'(whatis.techtarget.com/definition/gig-economy). These new practices are disrupters, creating negative and incorrect views about employment in our sector and creating concerns among would-be participants in the sector labour market.

63**. Express delivery is a traditional business model.** The majority of LSP express operators attracting investment are long time traditional business evolved from the transport industry (C Dunbar 1982). Without exception, all the employers we represent have asked us to ensure that as a priority, the Review team are clear about the differences between the long-established business and employment models operated by their companies and those of 'app-based' new entrants, which have become termed as the 'gig economy'. Defining a new business model comes from the innovation of a completely new business (Teece 2010) bringing a new way of capturing value and profit. It is widely accepted that a new business model is born out of new innovative business such as Airbnb, Deliveroo, and Uber. Existing businesses adapt and reform an existing business model to capture better or greater value but do not create new business models within an existing business (C. Baden-Fuller, V. Mangematin 2011).

64. **The express logistics industry has long been established with bricks and mortar, investment of vehicles and communication systems** from the emergence of the modern express delivery service in the late 60's when drivers started and returned to a building (bricks and mortar) for each job. A traditional transport 'hub and spoke' business model of collecting and delivery packages is still used today. (Waner M., Zapfel G., 2004)

65. Research carried out (Teece, 2010) based on traditional business models of which express delivery is one, describes how traditional industries have gone through a process of selecting, adjusting and/or improving business models rather than creating new innovative business models.

66. The Express business model evolved due to communications technology. Long before mobile phones, internet or the Gig economy. Crystal set radios such as the Pye Westminster in the seventies provided the first sensible mobile radio communications for couriers. Such a device would fill the whole top box of a motorcycle courier but panniers were still available for the packages and this brought communication between jobs, no more stopping for a red box landline phone or asking clients for use of their phone when a pager went off. Digital radio brought reliability to communications and included band 3 networks, this provided a step towards present mobile communications and an evolving business model for express delivery to meet 'consumer expectations' of today.

6. What do the self-employed status drivers in express say about their jobs?

67. Excellence and best practice is recognised each year at the National Courier Awards hosted by the IOC at the IOD Pall Mall. The silver C National Courier awards are inspired by excellence and awarded to courier drivers from across the UK, from National networks to regional and SME specialist express companies. That best practice is well reported, but what do the drivers themselves say about the job of express final mile in a self-employed status?

> '*The company provides me with a fantastic lifestyle. It is probably the best company that I have worked for. I love the work and how the company is run overall. The business is going from strength to strength and I love it.'*
>
> Long server: *'I have worked over the past 5 years for the same operator because I get job satisfaction whilst also being well rewarded. So much so, I have convinced my wife to come on board as a part time lifestyle. We are both looking forward to the even greater rewards from this. '*
>
> 5 years in Express. *'After working in retail management for years, the courier company provided me with the opportunity to take on a new challenge which I thoroughly enjoy and I also find it financially rewarding. I now have a much better work/home life balance. '*
>
> Long server *'I'm my own boss and I love the freedom of being on the road. The company is great and rewards are good.'*
>
> New starter to Express. *'It's great money, but was really hard initially with a lot to learn, but once this had been completed I found it fabulous. I have a great relationship with the team at the depot, and I love being on the road.'*

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