

Evidence on Gangmasters to EFRA Select Committee

11 March 2004

Summary

1. The Environment, Food and Rural Affairs Committee of the House of Commons published a report on gangmasters in September 2003. The Committee is following up this report by monitoring the action taken by government and assessing whether there is a need for further action. The Committee has invited written evidence by 12 March 2004.
2. The Association of Labour Providers is the newly established trade association for labour providers - "gangmasters". This evidence is based on the practical experience of members.
3. The main developments since September 2003 are:
 - No strengthening of enforcement action against disreputable gangmasters and no visible evidence of a more joined-up approach.
 - Progress in establishing a code of practice for labour providers.
 - The establishment of a trade association to represent the interest of labour providers.
 - The beginning of the process to establish a statutory licensing regime.

The ALP

4. The Association of Labour Providers was established in February, initially by 18 companies that wish to help improve standards in the industry further and also to have a voice in the many public policy discussions about their industry. Currently the Association has 23 members. While there is considerable interest in the Association is not proving easy to sell the concept of a trade association to this group of organisations.

Enforcement of existing legislation

5. The activities of labour providers which cause public concern are illegal under present legislation. The tragic incident at Morecambe Bill has served to highlight the issues. However, Morecambe Bay also illustrates the problem of addressing the issues. In this case the workers appear to have been working for the person selling the cockles and who therefore was not a "gangmaster" but rather a farmer or fisherman. Clearly, there was a breach of the law but little progress seems to have been made in bringing the perpetrators to justice.
6. Regulatory bodies tend to pursue regulated institutions and the formal parts of the economy and are not well placed to tackle the major abuses, particularly where there is no fixed place of work. Dealing with unscrupulous labour providers requires multi-agency, intelligence-driven and innovative approaches to enforcement rather than the traditional "inspection" approach by individual government departments.
7. Members of the ALP can see no evidence of any change in the government approach since last September. Indeed, in some respect enforcement activity has diminished because of lack of resources. Generally, the resources available to tackle the problems are hopelessly inadequate, and individual enforcement agencies are not inclined to make resources available for initiatives from other bits of government. Members also report that enforcement agencies are more inclined to go after "soft" targets rather than major problems.

8. Members continue to be squeezed, on the one hand through supply chain attempts to drive prices down, and on the other by being undercut by labour providers who operate illegally. A labour provider evading VAT and income tax and paying less than the minimum wage can easily have a 40% price advantage over a legitimate operator. Combined action by the Inland Revenue and Customs and Excise against tax evasion is essential if the illegal gangmasters are to be put out of business. The reputable labour providers have the greatest interest in driving disreputable operators out of the industry.

Code of practice

9. Work continues to establish a code of practice under the auspices of the Ethical Trading Initiative. This will be a voluntary arrangement. However, if packhouses, farmers and supermarkets ensure that they and their suppliers use only labour providers that subscribe to the code then this should help drive the unscrupulous labour providers out of business.

10. It is important that this initiative is not slowed down by the prospect of legislation. It will take at least two years to introduce a statutory licensing regime if the usual standards apply, and the problems must be tackled in the meantime. The experience with the code should also help to inform the details of the licensing regime when this is introduced.

11. Members of the ALP agree to be bound by the terms of any code of practice endorsed by the Executive Committee; it is the intention to endorse the code being drawn up under the auspices of the ETI. In the meantime the Association is considering introducing a basic version of the code, sufficient to help ensure that the legal requirements are being met. The Committee will be kept informed of progress on this.

Legislation

12. The Gangmasters Licensing Bill has now been taken over by the government and will be enacted. The legislation can be justified only if it facilitates the enforcement of existing legislation by the existing enforcement agencies. This requires additional resources and inter-agency co-operation. These cannot be secured through the gangmaster legislation. Unless this is addressed the legislation will achieve nothing and will draw attention away from the real issues.