Commissioned by the JIB, this authoritative and compelling report outlines how, over the past two generations, the UK has seen levels of direct employment decline steeply – far more so than in any other comparable economy. The steady growth in non-direct, off-payroll working in the electrical contracting industry and in the construction industry more generally takes various forms which include genuine self-employment, false self-employment, and what this report refers to as ‘false direct employment’ through intermediaries of various kinds.

Comprehensive Study

It is one of the most comprehensive studies which has ever been undertaken and draws on interviews with over 50 experts, industry materials, government reports, and peer-reviewed academic research. It holds up a mirror, not just to the electrical contracting industry, but also to UK construction as a whole.

Authored by Howard Gospel, Emeritus Professor of Management at King’s College London, it analyses the growth in non-direct, off-payroll working in greater detail and the impact this has had on productivity, skills and safety.

Professor Gospel argues convincingly that the UK’s retreat from direct employment cannot be explained away as some sort of ‘natural’ phenomenon or the ‘inevitable’ consequence of increased market competition. Rather, he concludes, it is the result of specific actions and decisions taken over many years by industry clients, contractors, and successive Governments – not least in the key policy areas of procurement, tax, social security, and employment law.

Tipping the Balance

The report acknowledges that subcontracting and self-employment remain essential features of electrical contracting and other parts of construction. Over recent decades, however, the balance has been allowed to tip too far away from direct employment. If the industry’s and the Government’s priorities for this and future decades are to be achieved – for example, in safety, quality, skills, efficiency, and innovation – then a healthier, more sustainable balance now needs to be restored.
Short-Term Convenience

Non-direct working offers firms some short-term conveniences, including freedom to take on and lay off workers at will. There are also cost savings such as the provision of fewer benefits, for example paid holidays, sick pay, and pensions. Above all, there are tax advantages, especially in terms of avoiding employer national insurance contributions. There may also be advantages for individuals through higher take-home pay, but without the benefits or security of employment.

Negative Effects Predominate

On balance, the negative effects of non-direct working predominate, however. Non-direct working reduces industry productivity and resilience. Also, although take-home pay may be higher for some, this is not always the case and it is certainly not the case over a working life.

Negative effects are especially stark for skill formation, where non-direct employment threatens apprentice training, career progression and the industry’s capacity to take up new technologies and techniques. The report also cites research evidence indicating negative effects on health, safety and well-being, and the undermining of industry regulations setting a floor of standards. From a broader societal point of view, non-direct working also reduces the tax receipts which fund public services.

COVID-19 has highlighted some of these negative effects and has exposed the precariousness of false self employment and false direct employment. Moreover, there is a danger that the recovery from the virus will lead to more non-direct working, as employers seek to deal with uncertainty.

“COVID-19 has highlighted the negative effects of non-direct working but also provides opportunities to build back better”

Time to Act

Despite far higher levels of non-direct working in the UK than almost anywhere else in the world, and the well-documented negative effects on (among other things) construction productivity, skills and safety, the leadership and collective will to do something about this issue has long been lacking.

This report therefore calls for a comprehensive and sustained campaign to reverse this trend, as a key part of current efforts to build a better, more productive, higher skilled and sustainable UK construction industry.

Two important measures proposed in the report include:

- Clients and large contractors demonstrating leadership by awarding contracts to firms which directly employ and enforcing direct employment and greater transparency throughout their supply chains.
- Public policy changes, including removing artificial incentives towards false self-employment and false direct employment through the tax system.

Get Involved

For more information and to discuss how you can get involved contact:

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