

# **W**ild **W**est **W**orkplace

**Self-employment in Britain's 'gig economy'**

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September 2016

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# Preface

The Government can take credit for creating the conditions for a marked and continual increase in jobs, despite the difficulties of recovering from the financial crash of 2008. The jobs that have been created, however, are of differing quality. There is no dispute that some people wish to be self-employed as others wish to have zero-hours contracts. What this report to the Prime Minister suggests is that 'freedom' and 'flexibility' of self-employment appear to be interpreted differently on either side of the employment relationship and that, as this report details, the enforcing of self-employment on staff is an abuse of known employment and taxation practices.

In sending this report to the Prime Minister we raise with her a number of issues which appear to us to directly clash with the stated objectives for her government which were so powerfully detailed on the steps of 10 Downing Street after she was asked to form a government. This report looks at the 'Hermesisation' of the economy whereby many workers appear to be forced to become self-employed. In so doing, many of them have reported to us that they enjoy none of the status of self-employment, i.e. where they can choose their hours of work, but bear all the costs of self-employment, such as their National Insurance and pension contributions. Hermes, on whose workforce this report is based, appears to pick up all the advantages of self-employment while treating the workforce as being in its employment.

Hence the serious bullying from some of the middle-men and women who manage the operation for Hermes and who seem to be enforcing an employee contract under the cover of self-employment.

We wrote to the Prime Minister in July detailing some appalling examples of a factory

system that seems reminiscent of Victorian times rather than looking forward into the 21<sup>st</sup> century. The worst examples we cited in the letter to the Prime Minister were of:

- two parents being threatened with a loss of work while sat at their dying little boy's bedside;
- an immediate loss of work for somebody who attended an urgent hospital appointment; and
- a courier who lost their job after their car broke down during a round, and being told by their manager that they should have had a spare car.

We have since been contacted by a courier who lost his job with Hermes while he was caring for his wife who was dying of cancer.

Having been confronted with these examples, Hermes is beginning to set out the bones of a new complaints procedure which couriers can use to register their concerns about the company's working practices. The company is also investing in new technology to help couriers record their deliveries. This should ensure that couriers no longer receive inaccurate payments for their work.

But these recent moves follow years of questionable working practices at Hermes, and this report demonstrates that the company is still a long way from adopting what most of us would call an acceptable working practice for its 10,500 couriers.

The Parliamentary Under Secretary for Business, Energy and Industrial Strategy replied to our letter to the Prime Minister shortly before this report went to press. The reply stated that the Government does not currently have any plans to initiate an inquiry into Hermes' working practices, but that it has invited HMRC to consider doing so.

We have sent the Prime Minister, the Parliamentary Under Secretary for Business, Energy and Industrial Strategy, as well as other ministers whose departments this issue may concern, a copy of this report. This issue cannot be left as it is if the Government is to be taken seriously on the kind of nation it wishes to build.

On the back of the evidence we have received since first writing to the Prime Minister, we are requesting from the Government the following actions:

- Hermes claims that HMRC have reported that the company's self-employment practices are acceptable. Are they? And might the Prime Minister ask in this age of transparency that HMRC now publishes that report which Hermes claims gives it a clean bill of health? Might she also ask HMRC for their comments on this report to judge whether they should begin an investigation into the whole self-employment status and whether it is a simple guise to dump on an employee the legitimate costs of an employer?
- Might the Prime Minister then look at the spread of the 'Hermesisation' of contracts in the private sector? Might she direct that the Government looks for the best practice, but also for

those practices where HMRC will be concerned and may feel the company has moved into a twilight zone of acceptable definitions of self-employment for tax purposes? The report details that none of the couriers have had to submit invoices for the work they undertake for Hermes. Yet this is a standard practice in self-employment.

- As the question around 'bogus' or 'forced' self-employment goes beyond Hermes, might the Prime Minister consider whether it is appropriate for HMRC to issue new guidelines setting out clearly what conditions have to be fulfilled for self-employment for tax purposes? And what conditions ensure that the worker is a company employee?

We are also sending copies of this report to those main retailers who are household names, who rightly pride themselves on the working practices in their firms, asking them to reflect on the Hermes operation and whether they wish to continue using a delivery agent where so much of its workforce is clearly disenchanting.

**Frank Field and Andrew Forsey**  
**September 2016**

# 1. Introduction

## The 'gig economy'

Record numbers of people in the United Kingdom (UK) are in work. Our country's workforce has grown by more than 2.6 million people since the turn of the decade. This is a remarkable economic achievement, as is the dramatic reduction in the number of households in which nobody is working.

But for many of those people who have moved into work since 2010, either from a low benefit income or another low-paid job, getting a new job has not necessarily provided enough of a financial boost to lift themselves and their families free from poverty. Nor has it necessarily provided a secure enough base upon which to live a healthy, happy, and fulfilling life.

Up to half a million working households in this country are without sufficient money to buy food every week. Added to this army of persistently hungry workers are a further quarter of a million working households who cannot afford to buy food every few weeks, and another half a million who find themselves in a similar position every few months.

There is, of course, a myriad of reasons as to why a growing economy creating jobs aplenty is failing simultaneously to deliver rising prosperity for workers at the bottom, as well as those at the top of the pay ladder. Those reasons include low hourly rates of pay, volatile and inadequate hours of work, restrictions imposed upon tax credits and other benefits that are claimed by low-paid workers, and the pressure exerted on wage

packets by particularly high housing, childcare and utility costs.

Likewise, many of the jobs that have been added to our economy since 2010 have not offered the long-term security or stability which many people would naturally wish to gain from their job. Two million people want to work more hours than they are given and a third of people on temporary contracts would prefer a permanent contract. Life for all too many people undertaking those jobs consists of languishing from one short-term arrangement to another, with no certainty over whether any work will be available from one month to the next.

This report explores one particular aspect of the low pay and insecurity that persists in our country's workforce. It is to be found predominantly in the 'gig economy' – a relatively new and expanding industry in which companies hire people to work mainly on a freelance, short-term, temporary basis. Those people are generally required to provide their services 'on demand' to fit around consumer behaviour.

The 'gig economy' is transforming the way we do business with one another, and is providing work for a growing army of people who are deemed to be self-employed.<sup>1</sup> Out of those 2.6 million people who have gained a new job since the turn of the decade, more than a third (900,000) have been classed as self-employed. A substantial number of those new positions will have been linked to the growth of self-employment in the 'gig economy'.

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<sup>1</sup> A person is self-employed if they work, or run their business, for themselves. A self-employed person is not paid through the Pay As You Earn tax system, and they do not have the employment rights (such as holiday pay, sick pay, challenging an unfair dismissal, minimum wage

regulations, and employers' pension contributions) and responsibilities of workers or employees.

Over the past six years since 2010, as more and more goods and services have been bought online, rather than in person from a shop, retailers have been scrambling to recruit legions of foot soldiers who can store gigantic numbers of packages and deliver them safely to people's homes. Today's foot soldiers, of course, have to be mobile. These functions are expected to be completed at rapid speed, within a specific timeframe, and at a low cost to companies and consumers.

The lion's share of this work is not undertaken by the companies with whom consumers place their order, though. It is instead contracted to specialist delivery firms, such as Deliveroo, UberEATS, and Yodel, who pay their own networks of tens of thousands of couriers to deliver goods and services to people's homes. It is those firms that comprise the backbone of the 'gig economy'.

### Focusing on Hermes

One of the UK's biggest delivery firms is Hermes. Hermes delivers 250 million parcels each year for a wide range of high street, catalogue and online retailers in the UK including Next, ASOS, John Lewis, and Debenhams. This report focuses on Hermes for two reasons: not only due to its heavyweight status in the 'gig economy', but also in the light of recent allegations that have been made regarding its working practices.

In a sign of just how rapidly the 'gig economy' has grown, Hermes' turnover has increased year-on-year, from £261 million in 2011-12, to £316 million in 2012-13, to £382 million in 2013-14, and to £442 million in 2014-15. Likewise, its gross profit has increased year-on-year, from £38 million in 2011-12, to £52 million in 2012-13, to £62 million in 2014-15, and to £68 million in 2014-15. Hermes' post-

tax profit for 2014-15 was £28 million, of which £22 million was paid in dividends.

Hermes' 10,500 couriers officially work on a self-employed basis. Many of them will have entered into such an arrangement because they were attracted by the idea of being able to control their hours of work and decide which, and how many, companies they wished to work with. Others will have taken up this work because it matched their skills and expertise, and presented a readily available alternative to unemployment or another low-waged job.

### The Wild West Workplace

Self-employment is commonly associated with freedom, flexibility, and an ability to control one's own working patterns. However, this report has been prompted by concerns voiced by Hermes couriers who, despite being self-employed, do not feel as though they enjoy much freedom, flexibility, or control over their working lives. Quite the opposite, in fact.

The impression given by couriers is that they bear a great amount of uncertainty and insecurity as a result of their self-employment. It would appear as though they take on the risks of self-employment without being able to enjoy its more attractive aspects.

A good number of couriers have reported that, by and large, they take pride in their job as well as the relationships they have nurtured with colleagues and the people to whom they deliver. Hermes itself reports that around a third of its couriers have provided services for more than five years, and many more for at least two years. But the evidence that has been presented suggests that some couriers are being so ground down by certain worrying aspects of their self-employed status, they are

left constantly ‘trying to weigh up if it’s worth it’.

We have received 78 testimonies since we wrote to the Prime Minister with our concerns on this matter.<sup>2</sup> The issues raised in those testimonies around Hermes’ working practices form the basis of this report.

One issue, in particular, is worth raising at this point; for it provides a useful backdrop to the series of concerns covered throughout the report.

From the evidence that has been provided, it appears as though the flexibility of self-employment has been enjoyed almost exclusively by Hermes. As things stand, the company is under no obligation to pay the National Living Wage, employers’ pension contributions or National Insurance contributions for the 10,500 couriers providing services for the company. It is also able to withdraw work from those couriers at very short notice.

On the flipside is the insecurity – both financial and physical – that lingers like a shadow over the lives of couriers and their families. At the extreme end of this insecurity, one courier spoke of practices that, instead of taking our country’s flexible labour market forward, are ‘dragging us back to the Victorian age’. Two couriers providing testimonies confessed that their work with Hermes had driven them to the brink of suicide. One would expect to encounter this sort of thing in the Wild West, rather than a thriving modern economy.

## The structure of this report

The following submissions set the tone for much of the evidence that has been presented:

*‘A good many couriers are mothers who want work to fit in with childcare needs. Some are elderly people trying to supplement their meagre pensions, to keep the wolves from the door. Many of the couriers are vulnerable and desperate people who want to work and stay away from the need to rely on public funds to support them. But some couriers are so poorly paid and treated that they often have to visit food banks, just to feed their families.’*

*‘I’m living below the poverty line because of my crap wages. I’m given two hour bands to meet. What freedom have I got? I feel like I’m in a deep, dark corner.’*

This report attempts to document and analyse the five main sources of insecurity for self-employed couriers that have come up in evidence:

- the woefully inadequate rates of pay which leave some couriers financially worse off than had they been unemployed;
- a gross shortage of basic humanity in the treatment of couriers who require time off to see to a family emergency, recover from sickness, or mourn a deceased relative (one courier reported that they were treated like a ‘second rate citizen’);
- the ‘grey area’ of self-employment in which many of the flexibilities and commonly accepted practices that

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<sup>2</sup> Letter from Frank Field to the Prime Minister, 22 July 2016: <http://www.frankfield.com/latest-news/news.aspx?p=1021303>

- are associated with this way of working are totally absent;
- the confusing and changeable ways in which monthly earnings are calculated; and
  - the ever-present threat of losing work, and with it one's sole source of income, at the drop of a hat, with no notice and no right of appeal.

The report then concludes with a series of recommendations for a common minimum standard to be adopted by companies comprising the 'gig economy'. This minimum standard would guarantee a certain level of income, decency, and security within an industry that looks set to recruit an ever-growing number of workers in the years ahead. The enactment of these recommendations would go some way toward banishing one of the unacceptable faces of capitalism: that of a worker who is persistently on the verge of hunger.

**2. A fair day's work for a fair day's pay?**

## The National Living Wage

Hermes has declared that it embeds ‘the principles of the National Living Wage<sup>3</sup> into our business as the minimum standard for any remuneration agreements with the self-employed couriers we use’.<sup>4</sup> The company has also stated that it chooses to ‘exceed the National Living Wage’ and has ‘set our minimum standard to be the equivalent earning potential of £7.50 per hour as an average of the whole year, taking into account any expenses the couriers may accrue’.

Moreover, Hermes has reported that, ‘on average the couriers we use receive the equivalent of £9.80 per hour [...] taking into account any expenses the couriers may accrue; we use the government set Mileage Allowance Payment rates for this which covers fuel, oil, servicing, insurance, vehicle excise duty, repairs and MOT’. Hermes has therefore concluded that ‘the majority of the self-employed couriers will have earnings potential significantly higher than the minimum threshold we have established’.

Hermes’ self-employed couriers are not legally entitled to receive the National Living Wage. The company’s commitment to pay in excess of the National Living Wage, therefore, is to be welcomed.

However, the evidence submitted by couriers suggests that many are, in fact, paid an hourly rate that is much lower than the National Living Wage. Several couriers provided detailed reports of their recent monthly earnings which, despite accounting for the collection and delivery of thousands of parcels, equated to less than £6.80 an hour; 40p an hour below the National Living Wage.

Likewise, it was reported that:

*‘Quite a few [couriers] are paid below [the National Living Wage]. One round I covered was paid at 67p per parcel. I had 17 to deliver which took two hours due to it being in the countryside. It worked out at £5.69 per hour before expenses. Another courier is making on average £6.75 per hour before expenses.’*

*‘I’ve now been doing [...] a round that is 12 miles away from my home [and] gets around 30-40 parcels per day. This is worth about £15-20. When you take into consideration the travel time, I’m working for about three hours and earning around £6 per hour.’*

In some cases, couriers may even be earning the equivalent of only half the National Living Wage:

*‘A friend of mine worked out that my partner and I are lucky if we get £4 an hour.’*

*‘Because the rounds were rural and semi-rural, the hours we had to work were long [...] pay would work out to less than £3 per hour.’*

Not surprisingly, once their petrol costs have been taken into account, some couriers are financially worse off after a day’s work:

*‘I’m going to work and it’s costing me money to do so.’*

*‘I’ve had to work very hard for very little in the past [...] and I would actually lose money sometimes by spending more [on] petrol than I was earning because it was so rural. But [I] did it just to keep my job.’*

The risk of being paid less than the National Living Wage is particularly high for new couriers who are trying to learn their rounds and others who deliver mainly to rural areas.

<sup>3</sup> The National Living Wage of £7.20 is the legal minimum hourly rate of pay for workers and employees aged 25 and over.

<sup>4</sup> Letter from Carole Woodhead to Frank Field, 19 August 2016

Heavy traffic on a particular route could also dent couriers' earning potential:

*'A courier in the first few weeks on the job would rarely be getting the minimum wage. Personally, in my first two weeks on the job, I would barely be earning £5 per hour until I finally learned the route.'*

*'First day I had 80 parcels to take to an area I don't know, with basically no training whatsoever. I ended up working from 09:00 - 20:00, and after fuel, buying myself a pastime and drink, and countless times getting lost, spending ages looking for homes just to find nobody in etc., I worked out in the end I was £1 down.'*

*'A fellow courier at my sub-depot has a rural area to cover. He gets a higher rate to compensate for the higher mileage he has to do, however he has worked out that he actually earns as little as £4 per hour on one of his small rural rounds on certain days. Another courier has recently been covering a second round as well as his own. He delivered [more than a hundred] parcels one day last week and will only have earned around £70. He arrived at the depot at 8am and worked right up till 8pm, so again, below minimum wage.'*

In response to such reports, Hermes states that it is 'untrue' to say that its couriers are paid less than the National Living Wage. The company has offered to review immediately any individual examples which appear to be below this rate, and to increase any rates as necessary to ensure that 'the minimum earning potential is £7.50'.

Looking ahead, there are four particular aspects that will require Hermes' attention if it is to ensure couriers are able to earn at least the National Living Wage: clarity around the length of the working day; the costs incurred by couriers to refuel and maintain their vehicles; the reliability of the handheld devices

couriers are given to record their parcel deliveries; and its policy on failed deliveries.

### Clarity around the length of the working day

Based on the evidence that has been presented, it seems that an hourly rate in excess of the National Living Wage is only likely to be earned by couriers delivering to certain areas at peak times. It does not represent the average hourly rate across a whole week of deliveries for every courier.

Moreover, it is one thing for couriers to earn the equivalent of the National Living Wage for the time they are out on their round and delivering parcels. But this does not necessarily cover each courier's whole working day. Hence couriers are having to provide unpaid labour at certain intervals during the working week.

The time couriers spend waiting for parcels to arrive at a depot or sub-depot, the work they undertake to load parcels into their car at a depot or sub-depot, and the time taken to programme their handheld device to record each day's collections and deliveries, appears to be unpaid. Couriers are therefore unclear as to when the working day, for which they are paid, should begin.

*'I have a depot slot at [a certain time], so do I start at [that time] or do I start when I deliver the first parcel, some 45 minutes after arriving at the depot, and after scanning, loading, setting an Estimated Time of Arrival (ETA), and driving to my delivery area? I know which way Hermes will argue, but is it right? I also have an afternoon delivery some days and technically have to hang around the patch for at least an hour. Is that work-time related?'*

*'In general terms, I expect to average 15 parcel deliveries per hour. However, Hermes make no provision for the fact that couriers, in the main, are required to report to their local sub-depot*

*at a specified time, scan and load their parcels into their vehicles from a steel cage which is brought out to them by the depot manager, and must then input into their [handheld devices] a delivery time within a two-hour time slot for each parcel.'*

*'As for getting [the National Living Wage] it depends [on] how you work out your rate an hour. If I go on parcels delivered – on a good day twenty per hour – I earn above [the National Living Wage]. If I take into account the time taken to scan parcels in the morning, not so good. Depending on volumes [it] could be 30-45 minutes unpaid. And add to this unpaid waiting time because of late vans, not so good at all.'*

*'£9.80 is about 21 parcels per hour, which is a delivery rate of every parcel being delivered in under three minutes. Okay, so multi-deliveries can help with that figure, but it still doesn't take into account how long it takes to load the van and sort the round out on the [handheld device] [...] that used to take me about 45 minutes.'*

*'On average, I have usually worked for around an hour before I can begin to earn any income at all.'*

*'Hermes' oft cited claim about couriers earning £9.40 per hour is a myth. It does not take into account costs incurred by the courier in terms of running a vehicle and home office. It does not take into account any preparation time, for example, scanning parcels, sorting them into route order and loading them into the vehicle. It also does not take into account waiting for delivery trucks to turn up, which are often hours late.'*

*'My average hourly rate was +/- £9.50 an hour but this is calculated on time spent delivering and does not include time spent scanning or loading (maybe 45 minutes) or travelling to*

*and from my round, another 30 minutes unpaid. Hanging around at the depot because vans are running late, unpaid, eats into this, as well as IT problems with [handheld devices] or wasting time while you reboot them whilst delivering parcels.'*

*'[I] can be waiting [at the depot] for an hour or so, then we have to help sort parcels then sort out the [handheld device].'*

*'There are a few extra payments you get for signatures and heavier parcels but these are counteracted by the time taken to plan out your route, scan the parcels, load your vehicle and input your ETAs. All of this time is unpaid. Also, the truck bringing the parcels from the main depot to the sub-depot is often late, meaning couriers have to wait at the sub-depot unable to do anything until it arrives. The sub closes an hour after the truck leaves so everyone just has to wait, rather than maybe leave to do another job somewhere and pick up the parcels later. Not conducive to true self-employment. Hermes do not count any of this time or the expense of running and insuring a vehicle when calculating the hourly rate of couriers.'*

*'Every single day of the week, Hermes benefit from couriers' unpaid labour and costs. No compensation [is] ever offered for couriers, driving to the depot every day, having to physically drag heavy parcel cages outside to [their] vehicle, in all weathers, unloading parcels from cages, sorting, scanning and loading parcels in delivery order, repairing damaged/torn parcel bags and boxes, setting all delivery time windows (ETA), all done for free.'*

Moreover, should they not have enough room in their vehicles to carry all of the parcels they have been allocated for the day, couriers are expected to make multiple visits to the depot to collect their full allocation. The time spent

making those trips, according to one courier's submission, is unpaid:

*'If couriers cannot fit all of the parcels on a round in their car, Hermes expects them to go home, drop parcels off, then drive back to the depot to pick up the rest. This means having to deliver what is in your car, then go home and pick up the remaining parcels to deliver them [...] We don't get paid an hourly rate, or mileage [...] to drive home and back to the depot [...] means driving in peak hour traffic and this will be a round trip of an hour [...] I may then have the same problem over the next few days where there are too many parcels to fit in my car.'*

### **The costs of refuelling and maintaining vehicles**

Couriers have described just how corrosive an effect the costs of refuelling and maintaining their vehicles can have on their earnings. Couriers are expected to use their own vehicles to carry large numbers of parcels, the collective weight of which can take a heavy toll:

*'I'm sure that I don't always earn minimum wage, especially when like last week I have to pay a garage bill when my car needs a repair (a repair purely because of wear and tear from the job I do).'*

*'After a "good" day I totalled up my profit after fuel, and had made £18 for working ten hours.'*

*'I was paid [less than £300] by Hermes at the beginning of [a recent month]. My expenses including mileage and petrol for [the previous month's work] came to £391.'*

*'[My earnings need to cover] petrol, insurance (top-up plus personal), road tax, MOT, repairs and breakdown cover. Never mind the wear and tear on the vehicles.'*

*'Car repair bill on my car alone was £1,000. New clutch, suspension springs and rear brake pads and discs. £200 fuel, £193 car finance. £1,700 wage for July. As you can see there isn't a lot left. Not forgetting the extra cost to us for business insurance.'*

*'I get paid 45p per parcel. I get an average 60 to 100 parcels a day, so to average that out I get £30 to £50 a day out of which I have to pay finance for my van (which is £190.00 a month), fuel tax, insurance, MOT, maintenance, tyres [...].'*

*'Vehicles used for parcel deliveries do take what can only be described as considerable 'hammer' with the effects of constant starting & stopping and wear & tear to their interiors, and as a result I would not consider using our family car for the task, except of course in an emergency! Thus, the estate is solely for deliveries, and monthly fuel expenditure for relevant periods has been [several hundreds of pounds]. As you will no doubt have observed, I have not included any costings for the regular servicing & repairs which are, inevitably, required.'*

*'Once fuel and other costs are taken off, it leaves you well below the minimum wage.'*

### **Unreliable equipment**

A large proportion of couriers' monthly earnings is calculated using data on the number of parcels they have delivered, and the time they took to deliver those parcels. Couriers record this data on a handheld device, supplied by Hermes, which they take with them on each round.

Several couriers have raised concerns over the reliability of this equipment. Should a device develop a fault and have to be reset during a round, there is a risk that it may lose all of the data that had already been submitted that

day. The end result of such incidents is that couriers do not receive the correct earnings to which they are entitled.

A former Field Manager reported that:

*'Although [the reliability of the handheld device] shouldn't affect the parcel rate, it could affect whether the courier receives their bonus at the end of the month for meeting ETA targets.'*

This problem was expanded upon by the couriers themselves:

*'If we have to reboot the device, we lose our ETA. We lose wages. They are so unreliable.'*

*'Hermes offer a number of bonuses within their pay system, however we get penalised at any opportunity with no leeway for reality. As [an] example of this [...] recently there has been a period of time where our [handheld devices] have been losing signal. Therefore, we have been unable to download manifests, connect to the server, scan parcels, set ETA and prove delivery with accurate information regarding signatures and safe places. [The lost bonus payments resulting from this fault equate to] quite a bit of money to someone who is only earning on average £20 a day just on parcel rate alone.'*

*'The IT system employed is not fit for purpose and often miscalculates the data required to assess eligibility for the bonuses. Even when it is proved that the courier has earned the bonus, there is no official method to appeal the pay department's decision.'*

*'Like the majority of couriers, I never failed my ETA deliveries. Even with daily problems with the Hermes [handheld device] crashing and having to be re-booted, I always delivered on time. But I found nearly every month I was underpaid. At £1.00 a day over six days, I should have received [an additional] £24.00*

*per month, or £30.00 for a five week month. But I was continually underpaid, in some months by as much as half the correct amount. I complained to Hermes on, it seemed, another courier rip-off. I was told that Hermes' system was showing that on certain dates at certain addresses, I had failed the time windows I had set. I was furious. I told them I never failed, and told them of the daily problems with their [handheld devices]. They checked and said no problems with [handheld devices] were recorded on the system for the days I failed, and that I had been paid correctly.'*

Hermes has reportedly invested in new handheld devices which will soon be made available to couriers. The devices should help couriers complete their rounds faster and with improved accuracy. This is a very positive and much needed development. Couriers' earnings should in no way be jeopardised by faulty technology.

### **Failed delivery attempts**

Hermes couriers are required to make three attempts in a single day at delivering a parcel, in the event that nobody is at home to receive the parcel or there is no safe place to leave it. However, couriers are not remunerated for the additional time they have taken to make each attempt. The piece rate that is applied to each parcel is not adapted to reflect the number of attempts that have been made to deliver it. If the piece rate is 45p per parcel, for example, a courier may end up receiving as little as 15p for each attempted delivery if the parcel is not received by the customer until the third attempt. Moreover, should the courier remain unsuccessful after three attempts, they receive no payment at all:

*'Remember you don't get any payment until a parcel is delivered, you must attempt it three*

*times and then you have to return it. No payment is made for this.'*

*'As a so called 'self-employed' courier, one is required to make three calls for 45p, which not only does not cover one's time, but also their fuel.'*

*'You waste ten minutes trying to find the right place, nobody's in, ask a neighbour, they refuse to take it. Move on to next parcel, deliver that one. Nearly half an hour's gone by and you made 45p.'*

*'We must make three attempts to deliver every parcel. We only get paid once. If I finally deliver a "packet" on my third attempt, I still only get 45p - 15p per attempt made.'*

This is concerning for two reasons: it diminishes couriers' earning potential; and there is a danger that it could work against the grain of good customer service. Couriers are incentivised to leave a package in an unsafe place after a first or second failed attempt at delivering it, so they can get on with their round and earn a decent wage.

### **Couriers' living standards**

It is worth noting at this point the impact of low earnings on the lives of couriers and their families.

Among those couriers who have families to support, low earnings may necessitate taking on a second job or moving home:

*'It's soul destroying to work that hard, six days a week and still not have enough to live on. I've had to take a second job to make ends meet. Delivering [so many] parcels a day, six days a week with no time off is hard work. I should be able to make enough to live on, but I don't. I shouldn't need another job and wouldn't need to if Hermes paid me fairly.'*

*'With the [...] crap pay I'm looking for other work. Eventually got a second job with [a supermarket] delivering shopping mainly [in the] evening. So now I'm working 8.00 to 23.00 which is not ideal but bearable short term.'*

*'I have been a courier for [many] years, and [...] was [recently] told I would be getting a pay decrease. This has hit me hard [...] I am now in a situation where after fuel and tax, and wear and tear on my car, I cannot survive and will have to sell my house.'*

The Prime Minister has spoken of her personal commitment to improving the earnings of the lowest paid in our country. An area she will need to look at to achieve this noble objective is the growing band of self-employed couriers.

3. Who are the winners and losers from self-employment in the 'gig economy'?

### The grey area of self-employment

A courier's employment status is crucial to all other aspects of their working life. It can determine whether or not they are legally entitled to receive the National Living Wage, sick pay, holiday pay, and appropriate notice of work being withdrawn, for example.

Likewise, it determines companies' pension and National Insurance obligations, their duty to supply equipment, as well as their rights to instruct couriers how and when to work.

Hermes is 'absolutely confident' that its working practices are 'entirely consistent' with self-employment. HMRC carried out a 'wide-ranging review' of Hermes' working practices in 2011 and confirmed for its own purposes that those practices represented legitimate self-employment.

Couriers do supply their own vehicles and, in theory, can choose whether and when to accept work. But, in many other ways, the employment relationship between Hermes and its couriers seems to resemble the relationship one would expect between a worker and the company they work for.

Referring to their previous line of work before becoming a courier, one person reported that:

*'I was at risk of being classed as not self-employed by HMRC for the following reasons: the type of work I did meant that I had to go to the client's premises, the hours of work were set by the client, the type of work was set by the client etc. This is exactly the same as working for Hermes.'*

The evidence presented to us suggests that Hermes couriers are given a set time to report for work on set days, as well as a series of deadlines that must be met each day. Couriers also report that they face a constant threat of work being taken away from them if they

require time off to see to a family emergency, for example, without arranging their own cover. Moreover, the equipment on which couriers record their deliveries is supplied by Hermes. The company itself also produces invoices at the end of each month, and it now provides uniforms.

From a former Field Manager's perspective:

*'We were told that we were managing the parcels, not the couriers, as the couriers were self-employed. But as a Field Manager you are actually telling the couriers what to do. You give them targets to meet.'*

In practice, therefore, self-employment in the 'gig economy' is a grey area. One courier explored this grey area in detail:

*'I know people who are genuinely self-employed. They set up their business themselves, and either work from home or rent premises. Customers come to them. They do not go to the premises of an international company every day to be given work. Hermes claims that the couriers are self-employed because we pay our own tax and National Insurance and use our own cars to deliver parcels. I disagree that we are self-employed for the following reasons:*

*'I have to go to the depot [...] to pick up parcels [...] when the depot is open. If I am not there by [a certain time] I get phone calls and text messages from Hermes staff asking what time I will be in and if I am coming into work. If I am self-employed, shouldn't it be up to me what time I work? If I am self-employed, why is another company asking me what time I am going to start? Hermes set the opening times for the depot – if I am self-employed why do I have to follow their opening times?*

*'If I am self-employed why do I have to set an ETA? This is dictated to by Hermes.'*

*'The scanners are provided by Hermes [...] If I am self-employed why does Hermes provide me with equipment to do the job?*

*'Parcels have to be delivered by [a certain time]. If I am self-employed, shouldn't it be up to me what time I finish? If I am self-employed, why is Hermes dictating the time that I have to finish work by?*

*'We have to sign out of the scanner by [a certain time]. If I have not signed out by [a certain time] I get phone calls and text messages from Hermes staff asking why I have not signed out. If I am self-employed, shouldn't it be up to me to decide what time I sign out? If I am self-employed, why is another company contacting me to ask why I haven't signed out two hours before the deadline?*

*'Hermes send couriers pay statements every month. To me this is the same as a payslip. If I am self-employed, why is Hermes sending payslips to me?*

*'Hermes also generates courier invoices every month. If I am self-employed, shouldn't I be sending invoices to Hermes, not the other way round?*

*'When we set ETA on the parcels, we are paid a bonus of £2 per day if we pass the ETA. If I am self-employed, why has Hermes decided that I should be paid a bonus? If I fail ETA, I am not paid the bonus. If I am self-employed, why does Hermes have the right to decide not to pay it?*

*'At the moment, if couriers work on Sundays, we are paid a £7 top up. As Hermes is now delivering seven days a week they are going to remove this top up. If I am self-employed, why has Hermes decided that I should receive an extra payment for working on Sundays? And if I am self-employed, why do they have the right*

*to remove this payment? Hermes says that couriers are free to negotiate their own rates. I have never been able to do this, and the fact that Hermes is scrapping the Sunday top up payment and can refuse to pay the ETA means that I do not have any rights at all to negotiate payments.*

*'I have never been sent any sort of contract from Hermes as to what my job is. Therefore I have no documents to show what my services are.*

*'I am frequently contacted by Hermes staff querying parcel deliveries on rounds that I have not worked on, simply because I worked on the round in the past. If I am self-employed why are Hermes staff contacting me about work I am not even doing?'*

Several other couriers described the dysfunctional relationship between the theory of self-employment and the reality of working regular hours over an extended period of time with one company:

*'I really fail to see how couriers working for an international company are allowed to be classed as self-employed. We aren't. We get told what to do, we get managers constantly hassling, and we don't send Hermes invoices for our services.'*

*'How can they say, "couriers can choose how many days they work"? When I tried to go down a couple of days, they said, "well, we have someone who wants your round seven days a week". How is that classed as you choosing how many days you work?'*

*'We now have to give an ETA for all parcels. Hermes claim we are still self-employed because the courier sets the time-slots themselves. However, some Next parcels come with time-slots already allocated which couriers have to abide by. This is a perfect*

*example of how couriers are instructed on how and when exactly to deliver parcels, a clear breach of self-employed status. Another breach of self-employed status was the instruction to deliver 10% of bulk catalogues per day over a ten day period earlier this year.'*

*'If you do it full time, then it should not be [classed as] self-employed. It is very restrictive in terms of taking time off etc.'*

*'My issue with Hermes is that the couriers are absolutely, positively workers under direction. The evidence of this is in their own literature that they send to their couriers ... instruction after instruction, "you must do this, don't do that", yet despite treating their couriers as if they were employees with all these instructions, along with a Field Manager appointed to manage the couriers, they take no responsibility in treating these couriers as employees in other ways, when it comes to holidays, sickness absence or any rights whatsoever. I remember one Christmas when I was out attempting to get on with delivering parcels, every few minutes an instruction would pop-up on the [handheld device] with "remember to do this" and "don't do that", and it carried on to the point of personal frustration.'*

*'We are told, not asked, to work the Sundays in December. I think last year that equated to twenty days on the trot. Then we are told, not asked, that we are working Christmas hank holiday. I would like to know how this fits in with being self-employed. We do not, as Hermes say, have the freedom to fit this job in around other things. We are told when we have to be at the sub-depot, we are dictated to by certain clients who have specific time bandings, and we are supposed to be in charge of setting our own ETAs, but are often asked to go after 5pm as the customer is home from work then.'*

## The winners and losers

A major concern stemming from couriers' reports is the way in which the risks and rewards of self-employment are shared between themselves and the company:

*'You cannot work for a company and be truly self-employed. It can never work. They have each courier on a round and if they can't work, the round fails. If that was your own self-employed round, you would just ring your customers and apologise for not being available. But this is a company with work being rolled out to you regardless of whether you can work that day or not. None of the work is in your control, you have no say at all. The only reason they call you self-employed is to get out of paying any National Insurance contributions, holiday pay, sick pay, or pension schemes. Couriers are cheap labour, treated like employees by the companies, but without any of the benefits, and we also don't get any of the benefits of self-employment – freedom to choose how to conduct your business on your own terms – not a chance.'*

*'As 'lifestyle' couriers we are supposed to be able to work around our home commitments. In the past, yes. But not now, although the company still perpetuates this myth. We now have to give a delivery ETA at the beginning of the day. Failure to meet these times incurs the wrath of a compliance manager, the loss of your bonus and even your job. It is impossible to plan anything as you do not know how many parcels you will receive each day. You are expected to attempt to deliver every parcel given to you on the day of receipt, regardless of how many there are.'*

One courier described their working life in the following terms:

*'Poor pay and lack of time off, the constant fear of work withdrawal on the whim of a Field*

*or Compliance Manager, and constantly having to jump through hoops as though we were employees, but on paper being self-employed with no rights or protection.'*

Other current and former couriers reported likewise, that:

*'They treat and provide everything as if we are employees but won't accept us as employees.'*

*'Hermes class you self-employed when it suits them.'*

*'You cannot negotiate your rate. You cannot work when you want. You cannot have any job security.'*

*'If we are self-employed why don't we issue them invoices, state when we want paying, charge extra for bank holidays etc?'*

*'They wash their hands of any liability.'*

*'If you would be unable to perform other work for other clients while waiting for Hermes, then you should be classed as working for them.'*

*'We are basically employed as we have set times in a morning to go and collect parcels and also set times as when to deliver parcels, like morning or afternoon deliveries, so the job is not flexible at all [...] my time slot is 7.30am to collect and manifest parcels and then I have to set my ETAs in two-hour time slots for deliveries. So as you can see we really are treated as employees, not self-employed.'*

*'I had to follow more rules in that job than in any job I had been in as an employee. Pay rate is non-negotiable, they pay you what they decide, couriers have been on the same rate since 1985, even though they have asked for pay increases, time bands to adhere to and ETA [...] they tell you how to deliver, when to deliver, and what to deliver. Sunday work has been introduced; they start it off by saying it's*

*not compulsory as you can find cover to do it, but that's not easy [...] and if you can't find anyone, they make you work the day. [If you] refuse, you get the threat of the round being taken off you.'*

### **Job insecurity**

A major drawback of self-employment for the couriers is a near absence of any job security. Couriers reported that, even after several years of unbroken service, their work could be removed from them with only a few days', hours', or even minutes' notice. It was reported that:

*'[Couriers are] a commodity that can be disposed of at a whim after years of loyal service. Or, as a Field Manager said to me, "I can replace you with an Eastern European tomorrow, so like it or lump it".'*

*'Field Managers have the authority to deprive any courier of his/her livelihood at a moment's notice by implementing a procedure known as "withdrawal of work" and I have seen this happen on more than one occasion.'*

*'Hermes has started giving rounds to other delivery companies, giving the couriers a few days' notice [...] they weren't even given a week's notice that they were losing their jobs [...] one courier had all her rounds taken off her – she is in the process of buying a house.'*

*'Couriers received late phone calls on Monday night telling them they no longer had work because contractors were taking over their rounds from Tuesday morning.'*

*'Just recently a depot's entire compliment of couriers (twenty loyal, committed, hard working men and women) had their work taken away from them, with no notice or consultation and replaced by external contractors. Some were offered positions with*

*the contractor, but were told that they could either accept a twenty per cent pay cut, or leave. They turn up for work in the morning and within an hour they were given this ultimatum. The contractor had already been installed there and then.'*

*'Until last week I worked on [several] rounds when Hermes decided to take them all off me to give to an outside contractor.'*

*'One lady, after twenty years' service, was "sacked" on the spot. Her work had been contracted out to somebody else.'*

*'[A] large number of self-employed couriers working for Hermes are being sacked at a minute's notice. Some of these have worked there for a number of years. The way they are doing it is barbaric.'*

*'No notice at all. First I knew was when I signed in to my [handheld device] on the Monday morning and I had no parcels allocated.'*

*'You turn up in the morning to go to work, and they're waiting for you, to say, "That's it. We don't need you".'*

*'They can get rid of us how they want and when they want. I am just simply appalled by the way they can get away with this. People's lives are being wrecked through no fault of their own; just the greediness of Hermes trying to get cheaper couriers. I feel, as do other couriers, that Hermes treated us as employees but when they wanted to get rid of you they used the loophole of "self-employed". I think they should be held accountable for unfair dismissal. There were no grounds to sack us. We are all hard working couriers, working six days a week. We all enjoyed our jobs [and] the rapport we had with our customers.'*

*'A month before my due date to have my daughter Hermes, without a phone call or letter, took our livelihood away from us.'*

Even in cases where work has not been removed in its entirety, couriers have reported a sudden loss of hours; or at least the threat of having their workload cut:

*'I have had to work hard on my rounds for six years, earning a reasonable wage. Now I had to take on a round I didn't like, for less money, or be without any work.'*

*'Last year, a part of my round was taken off me and put on another round without anyone informing me. This was effectively a form of pay cut for me, and I was not struggling with volumes at that time either.'*

Hermes enjoys almost exclusively the benefits of self-employment, namely, that it is not obliged to pay employers' National Insurance and pension contributions, and is not covered by employment regulations covering the National Living Wage, holiday pay, and sick pay. Yet the couriers themselves are enjoying few, if any, benefits of self-employment.

In the light of recent reports to this effect, Hermes expects that, in future, couriers 'do absolutely have all the benefits that they can expect to receive from self-employment in terms of flexibility. If any undue pressure is applied to provide services then we have the complaints system in place which would lead immediately to an investigation'.

Further action, though, is required. As some of the practices which militate against what most of us would call self-employment are now so deeply entrenched, the Government should consider publishing a self-employment code governing the distribution of risks and rewards, and clearly distinguishing between different modes of employment, in the 'gig economy'.

As a first necessary step, we call on HMRC to investigate companies' use of self-employment and, in particular, whether this

mode of employment is an accurate reflection of the reality of their working practices.

4. No cover? No holiday, no sickness, and  
no mourning

A major attraction of self-employment for many people is the prospect of being able to set one's own working patterns. Although the self-employed cannot expect to be paid when they take time off work for a short break or to recover from sickness, they are nonetheless free, in theory, to take off as much or as little time as they need.

Hermes states that it allows couriers to work the days and hours they choose to fit their lifestyle, and that its Field Managers 'support our network of self-employed couriers by recruiting self-employed couriers to provide cover service in areas that cannot be serviced by a permanent courier for whatever reason'.

However, a weight of evidence suggests that when couriers require a day off – to attend an urgent hospital appointment, care for a relative who is seriously ill, mourn, or even if their own delivery vehicle has broken down – they are threatened with the loss of work unless they arrange for somebody else to cover their round. If cover has been arranged, but then goes awry while they are away, couriers are summoned back to work.

### The working sick

Several couriers described how they were frightened to take any time off work, even when they were very ill. A courier reported that on one occasion they had turned up to work with a broken arm.

This fear among couriers even extended to the very thought of themselves or their loved ones developing an illness or sustaining any kind of injury which might necessitate time off work:

*'I used to live in fear of ever being ill. God help you if you broke an arm or leg, or needed to stay in hospital. You would lose your round without a doubt'.*

*'The thought of your work being withdrawn keeps you going even if you're half dead. You dare not have a day off. I've missed weddings, funerals, and weekends away with friends, because no one could do my job for me at the time. How does that make me self-employed?'*

*'[I remember] having to work whilst ill, even having to take a bucket in car, in case of the sickness bug. Again, I was in fear of having work withdrawn and also being hounded by Field Managers to come to work.'*

*'In the worst cases, they bully you and threaten to withdraw your work. They are unhelpful if you want time off for an urgent medical. "Rearrange it", is what I've been told.'*

*'The tales of couriers working when seriously ill are numerous, as are those of mothers having to bring sick children to work or risk losing their rounds.'*

*'The Field Manager telephoned me while I sat in my bathroom extremely unwell and said in view of the rounds failing [they] would be looking to recruit for one of my rounds, halving my work and my income. With what has happened to some of the other couriers across the country I'm probably a lucky one to be at least left with one round as these other people have been left with nothing.'*

*'I broke a bone in my foot, rang up my [Field Manager] from A&E to explain what had happened, and [they] responded, 'if you're unable to work or find cover I'll withdraw your work on [your rounds].'*

*'When my little girl was in hospital, I was being chased about when I was going to do my rounds.'*

*'I can't tell you how scared I have been about losing my job when my car has broken down or my mum has gone into hospital.'*

*'When a colleague's husband was having their chemotherapy, we all mucked in to cover her. We knew that if we didn't, she would lose her job.'*

*'A friend had an accident. She was on the operating theatre table. Her husband was outside the theatre with Hermes on the phone saying, "you'd better find her some cover, hadn't you?"'*

*'We had one where a father was at his son's bed side in hospital. A Field Manager asked him to find someone else to sit with him, just so he could come in and do his parcels.'*

### **The working bereaved**

Similar treatment was evident among couriers who had suffered a recent bereavement:

*'When my mum passed away, I still had to work. When my husband had a heart attack and had two heart operations, I still had to do my parcels or lose my round.'*

*'I lost my [close family member that evening], but my husband and I both had to go into work [the following morning] as there was no cover for our depot at such short notice.'*

*'I had to work before and after my [close family member's] funeral recently because I couldn't find cover.'*

*'The worst treatment I've seen [is] a courier whose husband died, being told that if she didn't find someone to do her round she would lose her job. Couriers rallied round and covered her work but she still had one of her rounds removed when she returned, for no reason.'*

### **The working stranded**

Likewise, it was reported that couriers could lose work if their vehicle had broken down during a round:

*'If your car breaks down, you stand a very good chance of losing your job. You may end up hiring a car that costs you more than you would earn in a day, to save your job. If you can't get to the depot before it closes, you might lose your job anyway.'*

### **The working holiday**

Some couriers reported that they had not taken a holiday since they started working with Hermes. As with the cases that have already been cited, those couriers wishing to take a short break are left to agonise over the prospect of having no work upon their return.

*'All I would like is a week or two off each year, with no fear of work withdrawal.'*

*'I was told yesterday that I'd better not have too much time off when said I was having a week off soon because "they now have a load of Poles lined up that want work".'*

*'They dictated to me one bank holiday that, in effect, we had to work. They said, "if you don't cover that day, we'll give your work to somebody else".'*

Other couriers reported that when they had taken a holiday, they were summoned back to work halfway through their break as their cover had fallen through while they were away. One courier was about to check-in to their flight when they received a call from their Field Manager asking them to advise on alternative cover arrangements.

In a similar vein, it was reported that:

*'I've seen Field Managers tell couriers to come back [from holiday] or lose their round because they have offered your cover a full-time post with an immediate start.'*

*'When on holiday, if your cover fails to provide the service they have said they will, you are*

*expected to find new cover or run the risk of losing your round when you get home. Hardly makes for a relaxing holiday does it?’*

The following submission was typical of the sentiment among couriers:

*‘A self-employed courier should be able to take a holiday whenever they wish. All Hermes couriers have to arrange cover for their rounds if on holiday or sick. If they are unable or the cover doesn't turn up, we are all at risk of losing our jobs. Many Hermes couriers haven't had a proper holiday in years. To attract a reliable person to cover for you, many couriers have to pay them rates well above their own, costing them more money. Hermes treat us as employed when it suits them, but as self-employed when it comes to holiday/sick pay.’*

Hermes states that ‘in no way’ would it condone the treatment that has been reported in some of the cases mentioned here, and that it has been attempting to investigate and remedy some of the cases.

Clearly, though, a sea change is required in the treatment of couriers’ requests for time off to grieve, care for a loved one, recover from their own illness, or take a short break.

The role of Field Managers, in this respect, should be totally reformed. One of their responsibilities should be to grant couriers the flexibility that is meant to come with being self-employed.

Upon receiving couriers’ requests for time off, it should be the job of each Field Manager to arrange for suitable cover to be provided. Couriers should be advised of certain ‘peak’ times at which time off for holidays is discouraged, but a certain degree of discretion needs to be allowed for personal or family emergencies, such as an illness or bereavement, as well as a broken down

vehicle. Personal or family emergencies should not automatically bring into play the threat of repercussions.

5. Giving with one hand and taking with the other?

### Unclear invoices

Couriers have expressed major concerns around the confusing methods used to calculate and present their monthly earnings. Unlike many other self-employed workers, Hermes couriers do not invoice the company for their work. They instead receive a statement at the end of each month which, according to the couriers, consists of a series of opaque calculations that fail to set out clearly how much work has been undertaken, and how much has been paid for this work.

The following reports demonstrate the uncertainty around Hermes' calculations:

*'We are kept in the dark about what we are being paid and how it is broken down.'*

*'[Monthly statements] are confusing and difficult to determine what we are actually getting for what. Just gives totals and they are usually wrong.'*

*'I don't know how the invoices are calculated. Very few of the couriers can work out how they're calculated.'*

*'Hermes invoices are self-produced and are very confusing so the couriers find it hard to check and they are often wrong in some way, which when questioned is never sorted out.'*

### The shifting sands of piece rates

The bulk of couriers' monthly earnings is based upon the piece rate attached to each parcel or package. 'Parcel' deliveries generally attract a higher piece rate than 'packets/packages', as they tend to be larger in size.

Couriers described in evidence a series of repricing exercises that have taken place in recent years, in which certain types of delivery have been reclassified and subsequently repriced. Some couriers now find themselves delivering many more 'packets/packages' than

'parcels', despite many of today's 'packets/packages' being the same size as the 'parcels' of before.

Several couriers reported that, as a result of these exercises, the piece rate they received for most of their deliveries had been reduced by 20p; from 65p to 45p. A further piece rate reduction was introduced for couriers who live within five miles of their nearest depot.

The end result of these exercises has left some couriers feeling as though 'we suffer from pay cuts on an ongoing basis, rather than pay rises', and that many more deliveries now need to be completed just to earn the same amount of money as before.

It was reported that:

*'[Hermes] penny pinch from us all the time, meaning you need to do more deliveries to keep earning around the same wages. [They] make reductions to parcel rates as and when it suits them, [and] there are no negotiations.'*

*'Hermes [...] moved the goal posts to their advantage, of course, because they had changed the size and weight on the packets so now we were delivering big boxes which we would have got a standard rate for. [But] now we were getting just the packet rate.'*

*'I had a rate of 65p a parcel, but then Hermes brought in packet rate at 45p. At least half of my round each day was banded at packet rate, so in effect [it was] a massive pay cut which I had no say in.'*

*'I was told that my round was 69p per parcel and now I am only paid 59p; that's a ten pence decrease.'*

*'Couriers received two different parcel rates – a standard parcel was paid at the highest rate of 55p/65p and a packet was paid at a lower rate of 45p. On average, couriers received 60%*

*standard parcels to 40% packets on a daily basis for delivery. At the beginning of the year, Hermes changed more parcels to packet rate. Now couriers receive more than 70% packets to 30% standard parcels daily for delivery.'*

*'A packet should go through a letterbox. But we've received big parcels from Toys R Us down as a "packet". Shoeboxes are "packets" too!'*

*'I think that's what really annoyed all of the couriers; we felt cheated [when] the parcel volume increased but our wages decreased.'*

*'The claims of a "pay rise" are untrue. We were initially all on 50p per parcel. [Hermes] then took 3p off everybody. If you live under five miles away from the depot, you've had another 2p taken off.'*

*'In March, we were told that if you live fewer than six miles from the depot, you will have 3p cut per parcel.'*

*'You have your standard parcel rate and then you have a packet rate. [There are] more and more packets and packets are supposed to be small. But Hermes sneak in big boxes that come through as packet rates, and you need to chase them up to pay you the correct rate. It is utterly ridiculous. It is a scandal that Hermes get away with this sort of stuff in this day and age: the pay rates, no pay rises, the bullying [etc].'*

*'Ten years of service, never had a parcel rate increase. Had plenty of cuts with the introduction of packets and we all know what size these are – not the letterbox size as they implied. Not to mention 50p for delivering a parcel up to 17 kilos.'*

*'My pay has dropped by over 10% in the last year despite my parcel rate remaining the same. This is a result of Hermes removing a 3p per parcel payment for travelling to sub-*

*depots, a £2 payment if a second trip was needed to collect all parcels, and other extras like Saturday bonuses for Next parcels.'*

### **The shifting sands of bonuses**

Another consequence of the repricing exercises is the payment of a considerable and growing proportion of couriers' monthly earnings in the form of 'bonus' payments for timeliness and customer satisfaction. These bonuses are linked to specific service offers such as guaranteed morning or afternoon deliveries, or for obtaining signatures for specified items, and for achieving a certain 'success' rate on each day's deliveries.

While it was reported that Hermes has increased the cash value of each performance-related bonus – a welcome move in itself – couriers expressed concerns around the difficulty of achieving the necessary targets and the ease with which the bonuses could be withdrawn. It seems that if two customers call up within a single day to query their deliveries, the courier in question stands to lose a whole month's worth of a particular bonus payment. One courier referred to Hermes' 'continual underhand methods of withdrawing bonuses from couriers.' Among the concerns raised were:

*'Apparently, when a customer rings [Hermes] to say that their parcel has not been received, even after a courier has delivered and left it in a safe place – in most cases at the request of customer – Hermes consider this parcel missing/stolen, and hold the courier responsible by withdrawing their bonus.'*

*'Hermes have made it much more difficult and time-consuming to achieve the full bonus.'*

*'Hermes give £2 for each day we hit our ETAs, £1 for speed of service, and £1 for customer satisfaction. As far as I can tell, Hermes see this as the so-called "pay rise" as they increased*

*the ETA bonus from £1. Also, all of these payments are not guaranteed as they have high target rates which makes it very hard to get.'*

*'If customers call Hermes for any reason, it goes against the courier and if they get more than approximately two calls they lose the £1-a-day for the whole month. Also, if we don't receipt, scan, deliver, or collect 98.5% of the month's parcels we lose the £1 a day service payment. This is also the case if we can't use the [handheld devices] due to malfunctions. It's very much give with one, but take with the other.'*

*'[Hermes] withdraw bonuses if a courier carries too many parcels forward from [one day to the next]. These are parcels where delivery has been attempted but [the] customer [is] not at home, and [there is] no safe place to leave [the parcels].*

*'There is a one-off payment from Next for completing all their deliveries within their required parameters. However, should one delivery be failed, the payment is withdrawn in totality.'*

*'Other areas where we are penalised, meaning they can take money from us, is regarding parcel enquires. We are allowed up to 0.5% [of deliveries attracting an enquiry] before they take our money from us. One enquiry [on a typical round] equates to 0.35% [of our deliveries]. We often have customers call who haven't read the cards given and haven't looked in the places stipulated before calling. Once that call is made, even though they have probably found the parcel after being prompted to read the card by the enquiry team, this [still] goes down as an enquiry. Parcels that have been sent back to the depot after three attempts at delivery go down as an enquiry. Parcels that are missing and haven't even come through the cages go down as an*

*enquiry. I have had nine enquiries this month; six of those for a missing parcel to an address where the barcode is wrong and that address hadn't ordered anything and it was the addresses on the parcel that needed the delivery, all of which were delivered to the appropriate addresses.'*

*'The claimed 2.5% pay increase is related to a bonus scheme, whose parameters are often varied, without notice or clarification and comes on the back of pay cuts. A courier could be working in compliance with the rules of the bonus scheme, to be told at the end of the month that the scheme changed before the start of (or even sometimes during) that pay period.'*

*'They say they have given us a pay rise, but that was in way of a bonus that is nearly impossible to get.'*

*'[The ETA bonus system] is just a way for Hermes to pay us less money, as they decide that ETA has failed if a customer queries the delivery, even if it was delivered within the correct time slot. We set a two-hour time slot for deliveries (this is the only option on the scanners) but the customers get completely different information. One customer mentioned that she received an email advising that her parcel would be delivered between Middy and 4pm. I had set the ETA as 1-3pm.'*

### **The shifting sands of sub-depot controllers' payments**

Couriers are not alone in their uncertainty over how much they will be paid, and how their earnings will be calculated.

Several sub-depot controllers, who are also classed as self-employed, reported that:

*'We received a pay cut towards the end of the month, and were then told the pay cut would*

*be backdated by three weeks. So we lost hundreds of pounds.'*

*'I'm on less money now than when I started. They are now making us work most Sundays without any extra monies.'*

*'Hermes have deducted bank holiday rent monies so we now have to pay out of our own pocket to work [i.e. keep the sub-depot open, or risk losing future work].'*

*'I have now been informed that [a large amount of money] will be deducted from payments when there is a bank holiday, although I have to pay my rent on these days.'*

*'Last year my payments were reduced by [hundreds of pounds] a month, although the hours they requested I worked were increased [...] the growth of their business has increased while I see my earnings decrease.'*

A simple and effective means of improving this situation would be to make the calculation of monthly earnings much clearer and more transparent. As a first move, Hermes may wish to consult with couriers on the presentation of its monthly earnings statements.

In addition, the terms of each courier's service, including piece rates and bonus payments, as well as the services provided by sub-depot controllers, should be put into a clear written contract which is binding until a set of renegotiated terms has been agreed upon by both parties.

## 6. Conclusion and recommendations

This report has exposed some of the most unjust pillars upon which a rapidly growing sector of our country's economy has been built.

That some people have been hounded to return to work while sitting at their loved one's bedside in hospital, while others have felt the need to have a bucket by their side at all times to avoid taking any time off sick, is appalling. As is the fear that has been instilled in people who know they could instantly lose their sole source of income at the drop of a hat and through no fault of their own.

Likewise, it is totally unacceptable that people are being paid poverty wages which, again, are subject to sudden cuts, in return for a full day's work in which they incur hefty costs for refuelling and maintaining their own vehicle.

These findings, as well as many others that have been set out in this report, pose some awkward questions over the future direction of the 'gig economy' – in particular the wellbeing of its army of self-employed couriers who serve millions of customers every day. Where might the answers come from?

The profits recorded by Hermes and other companies in the 'gig economy' have ballooned since the turn of the decade, and look set to increase further by the turn of the next decade. The armies of people helping to deliver those profits should now be given the chance to share in the rising prosperity they have worked so hard to generate. To date, while companies have recorded large and growing profits, couriers have found it increasingly difficult to earn a decent wage.

A first place to look for answers, therefore, is the 'gig economy' itself. That being said, both the Government and the retail sector as a whole will need to play an important role in shaping the next chapter in the life of the 'gig economy'.

Following our recent letter to the Prime Minister, Hermes has 'completely overhauled' its internal processes to ensure couriers' complaints are heard, investigated and receive an appropriate response. Hermes reports that it has also 'taken action to ensure that throughout the network there is a very clear expectation of decency and consideration with which staff, service providers and customers should be treated'.

In addition, Hermes has, or will soon, put in place the following measures:

- An internal Service Provider Complaints Panel that is independent of the operational part of the business and is concerned with the management of the services provided by couriers. The Panel will decide on matters that are referred to it by couriers.
- A Code of Conduct making clear that Hermes' employees, customers, suppliers and service providers can expect it to comply with the law, observe ethical standards and act as a fair business partner.
- An external independent Ombudsman service that would be able to make an independent decision on matters that are referred to it. Hermes has committed itself to accept each decision.

Hermes' willingness to act upon some of the horrifying reports that have surfaced around couriers' wellbeing is a very encouraging first step. But this initial willingness to act must be developed into a more robust set of minimum standards in the 'gig economy', to ensure the very people helping to deliver its growing profits are able to share in its prosperity. It is with this in mind that we make the following recommendations.

### An adequate minimum wage below which no courier is allowed to earn

1. Companies comprising the 'gig economy' should guarantee minimum daily and weekly rates of pay to couriers. They should begin immediately by reviewing the adequacy of couriers' piece rates, as well as the size of each courier's daily allocation of deliveries.
2. Companies may wish to consult with the Independent Workers Union of Great Britain to set their guaranteed minimum rates at the appropriate levels.
3. Companies should clarify the length of the working day and adjust their earnings calculations to account for the time it takes couriers to prepare and execute their rounds each day.

Part of Hermes' response to recent concerns around its pay structures has been to reiterate couriers' freedom to negotiate their own pay rates. However, there appears to be scant evidence of this:

*'Due to the risk of losing our rounds, if we try to negotiate a parcel rate we just put up with what we get paid although some have asked for an increase but been denied.'*

*'Negotiating the pay is harder than French kissing a cobra!'*

*'I asked my Field Manager to see if I can negotiate my parcel rate today and he said no courier can negotiate their parcel rate.'*

*'There is no negotiation on your parcel rate. I was told by my manager during the interview that my round was a 50p round and that was it. I asked for confirmation in writing of my*

*parcel rates and this was refused by Head Office. They will tell you verbally over the phone but refuse to put anything in writing.'*

4. Couriers should be given a genuine opportunity to negotiate their workload and rates of pay.
5. Field Managers should be given the responsibility of inviting couriers to add their name to a register of those wishing to work more hours. Those couriers should then be invited to take on any extra deliveries stemming from an additional number of parcels at peak times, those carried over from a previous day, and others that cannot be loaded onto vehicles during an initial collection. Couriers should be given every chance to extend their hours, although this should not come at the expense of other couriers who do not wish for their own hours to be cut.

### A minimum standard of human decency

Inhumane treatment and intimidation are by no means universal in the 'gig economy'. But reports of both have come up far too frequently to be written off as isolated incidents.

A sea change is required in the treatment of couriers' requests for time off to grieve, care for a loved one, recover from their own illness, or take a short break.

The role of Field Managers, in this respect, needs to be reformed. One of their responsibilities should be to grant couriers the flexibility that is meant to come with being self-employed.

6. Upon receiving couriers' requests for time off, it should be the job of each Field Manager to arrange for suitable

cover to be provided. Couriers should be advised of certain 'peak' times at which time off for holidays is discouraged, but a certain degree of discretion needs to be allowed for personal or family emergencies, such as an illness or bereavement, as well as a broken down vehicle. Personal or family emergencies should not automatically bring into play the threat of repercussions.

#### A minimum notice period ahead of any changes to couriers' working patterns

Couriers should not have to live their lives in fear of having their sole source of income instantly taken away from them, or cut to a fraction of its previous level.

7. Companies comprising the 'gig economy' should ensure that couriers are given adequate notice – at least a month – of their intention to change rates of pay or working patterns. Where possible, they should work with couriers to mitigate any adverse changes.

#### A minimum of complexity and confusion in the calculation of earnings

8. Companies comprising the 'gig economy' should put into a written contract the terms, including piece rates and bonus payments, that have been agreed with couriers and other people providing their services to the company.
9. These terms should be binding until a renegotiated set has been agreed by both parties.
10. Monthly earnings statements need to be made much clearer and more transparent.
11. The handheld devices on which couriers' deliveries are recorded must

be reliable enough to ensure the correct earnings are paid.

#### A self-employment code for the 'gig economy'

12. The retailers who contract their delivery functions to companies comprising the 'gig economy' should insist upon this set of minimum standards being in place before they enter into an agreement.
13. The Government should publish a self-employment code for the 'gig economy' which clarifies the terms on which couriers are classed either as 'self-employed', 'workers' or 'employees', as well as the distribution of risks and rewards between companies and couriers. This grey area of self-employment needs to be addressed as a matter of urgency.
14. The Government should consult on the automatic accrual of certain rights (to the National Living Wage, holiday pay, sick pay, employers' pension contributions, and challenging an unfair dismissal, for example) once somebody has been working exclusively for an extended period of time with one particular company.

The 'gig economy' is transforming the way millions of us buy and sell goods. A further transformation along the lines set out in this concluding chapter is now required to ensure the sizeable rewards being generated by the 'gig economy' are shared fairly with the armies of people helping to deliver this rising prosperity.

This report was published on 12 September 2016. The document can be accessed online at [www.frankfield.co.uk](http://www.frankfield.co.uk).

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