

## *ALP makes Code of Practice a condition of membership*

*17 November, 2004*

The Association of Labour Providers has made compliance with the Code of Practice drawn up by the Temporary Labour Working group a condition of membership of the Association. However, the Association is warning that the code will be effective only if labour users cease using labour providers who do not comply with the Code and if they are willing to pay rates that allow the code to be complied with.

Speaking at the launch of the Code in the House of Commons today, Mark Boleat, Chairman of the Association of Labour Providers, said:

“The Code of Practice is a huge step forward but is only part of the solution. Labour providers trying to work within the law sometimes find it difficult to get business because some labour users are willing to use illegitimate businesses and refuse to pay a rate that enables legal requirements to be met. Supermarkets and packhouses must ensure that the rates they pay suppliers are sufficient to enable the code to be complied with, and the tax authorities must be more effective in dealing with tax evasion which is the means by which illegitimate labour providers earn their profits. The ALP welcomes their commitment of supermarkets and packhouses to ensure compliance with the Code throughout their supply chains. This will be a major undertaking for them, particularly to ensure that all subcontractors are caught.”

The ALP has played a full role in drawing up the Code. Legitimate labour providers have the greatest interest in having an effective code of practice as this should make it impossible for them to be undercut by illegal operators. In future membership of the association will be an indication that a labour provider is committed to operating within the law and is complying with the Code of Practice. The Association is also helping its members to comply with the Code by give practice advice and making policy representations where appropriate.

The Association was originally established by 18 labour providers. It now has 41 members with a number of other applications for membership in the pipeline.

\*\*\*\*\*

The full text of Mark Boleat’s comments is appended below:

### **Comments by Mark Boleat, Chairman of the Association of Labour Providers, at launch of Code of Practice, 17 November 2004**

Reputable labour providers, more than anyone else, welcome the Code of Practice. The problem they face is competition from labour providers who evade tax and who therefore can undercut them substantially and still make a handsome profit.

Some still regard labour providers as a group to whom things should be done rather than a partner in addressing a major public policy issue. It is only recently that labour providers have had a collective voice. Thanks primarily to the efforts of Zad Padda, Jennifer Francis and Lindsay Harris of Defra, the Association of Labour Providers was established in February this year by 18 labour providers. It now has over 40 members, but its work has benefited all legitimate labour providers. Like all trade associations it suffers from the free rider problem. It has become fully involved in the Code, albeit at a late stage, and equally involved in the legislation.

Any legislation or regulation, including a code of practice, that is developed without fully involving the sector being regulated is doomed to fail. The ALP has worked energetically to make the Code practical and effective and is doing then same in respect of the legislation.

The Association has made compliance with the Code of Practice a condition of membership of the Association. Within a few months all members of the ALP will have been registered and audited under the Code. Labour users will know that a member of the ALP is operating to high standards. Our website [www.labourproviders.org.uk](http://www.labourproviders.org.uk) will enable labour users to find a

reputable labour provider serving their particular market. The Association is also providing its members with high quality information and services to help them comply with the Code in areas such as right to work in the UK, taxation, stakeholder pensions, employer's liability insurance, and contracts of employment. When resources permit the Association intends to provide a business development service to its members.

However, the Code will be effective only if labour users cease using labour providers who do not comply with the Code and if they pay rates that allow the Code to be complied with. The Code of Practice is a huge step forward but is only part of the solution. Labour providers trying to work within the law sometimes find it difficult to get business because some labour users are willing to use illegitimate businesses and refuse to pay a rate that enables legal requirements to be met. Supermarkets and packhouses must ensure that the rates they pay suppliers are sufficient to enable the code to be complied with, and the tax authorities must be more effective in dealing with tax evasion which is the means by which illegitimate labour providers earn their profits. The ALP welcomes their commitment of supermarkets and packhouses to ensure compliance with the Code throughout their supply chains. This will be a major undertaking for them, particularly to ensure that all subcontractors are caught.

Action by the enforcement authorities is also essential to support the Code of Practice. Illegitimate labour providers are in business to make money and they do this primarily through tax evasion. The tax authorities have the information they need through the returns they require, and the powers they need, to take action against those labour providers who evade tax and their customers. Both the Revenue and Customs have recently greatly expanded the resources they are devoting to addressing this problem. While the Code is important partly as the carrot for labour providers, it is the tax authorities who must provide the stick. There is no need to wait for the legislation to come into force to enable this to happen. The tax authorities have the necessary information and can share it with each other.

There is a temptation in Britain to see legislation as the answer to a problem – any problem from dangerous dogs to dangerous food and even dangerous unions and employers. Legislation is never more than a partial answer and sometimes it becomes part of the problem. I believe that the Code of Practice, supported by more effective action by the enforcement authorities, will be capable of making a huge contribution to dealing with the problem of illegal labour providers. Perhaps if this could all have been done a few years ago we may not have needed legislation as well, but we have to recognise that the legislation has been a powerful catalyst for ensuring progress on the Code. I agree with other speakers in saying that the experience with Code must inform the development of the licensing regime and the method of operation of the Licensing Authority. The objective is not to have statutory licensing as such but to deal with appalling labour practices and tax evasion in parts of the industry. Let us never lose sight of this.