

“Why the FM industry should fear Labour’s proposed employment law revolution”

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A piece from Dominic Ponniah, CEO and Co-Founder of Cleanology

At this stage of the election cycle, there are now two questions to be asking:

1. How big will the Labour majority be?
2. Who will be the main opposition party?

The answer to the first question seems to be anything from a small working majority to nearly 300 seats, depending on which opinion poll you read! What is clear, however, is that Labour is almost certain to be forming the next UK government.

As a former Conservative Party candidate myself in 2005, for the Leeds East constituency, I have been beyond disappointed with how the Conservatives have squandered their electoral mandate of 2019. I can still remember the excitement of that December victory, and even had a Christmas card from Boris Johnson with a photo of his dog in front of 10 Downing Street on my mantelpiece. After all the chaos of the coalition government, the Brexit vote and the Theresa May years, I thought we finally had a solid and stable government again in the UK, not really seen since the Blair years with those sizeable majorities. But no!

Of course, the pandemic and war in Ukraine could not have been forecast, but the Partygate scandal and other dramas over the past few years have taken their toll, not just on the Conservative Party, but on the country. Politics is a cyclical process, and so now the nation’s attention turns to the party who is set to form the next government.

Today's Labour Party is a very different party to the one that Tony Blair led. They unashamedly want to tax wealth – non-doms, private schools and hedge funds. It was the former Labour Business Secretary, Peter Mandelson, who famously said in 1998 that Labour were “intensely relaxed about people becoming filthy rich”!

But it's the proposed employment law changes that have, in particular, caught my attention and have seemingly gone largely unnoticed by the public and the media.

Angela Rayner, the Shadow Deputy Prime Minister, has published a 70-point dossier containing some of the most radical employment law reforms this country has ever seen. And that is the watered-down version following conversations with 'big' business (I'll get on to that further below). If they become law, it will have a profound effect on the cleaning and FM industry and businesses across the UK.

The British Cleaning Council (BCC) has found that employees in the cleaning, hygiene, and waste disposal sector continue to make up 5% of the UK's entire workforce – [1.47 million](#) people in total. According to their most recent [2022 report](#), this includes those working in non-core cleaning services, such as cabin crew or hospitality staff, who clean as part of their job.

The BCC has also found that the UK cleaning industry directly employed over 941,000 individuals in 2022 coming fifth globally in terms of numbers of employees working as cleaners, and resulting in it being a '[top ten](#)' employer. And the sector continues to grow, with [69,005](#) cleaning businesses operating in 2021 – up from 66,420 in 2020.

The UK cleaning industry especially depends on a flexible labour market so the result of these proposed new laws will be profound in terms of stifling that flexibility and ultimately will push up costs for employers, and in turn, our clients.

I mentioned 'big' business above, by which I mean multi-national conglomerates who are members of the CBI and who are well resourced. It's clear the Labour Party hasn't spoken enough to the SME businesses that make up 90% of the UK economy, because if they had, they would not be putting forward these proposals. Let's take a closer look at some of them.

Full employment rights from day one. That includes full and enhanced sick pay with no minimum earnings threshold, and given the nature of our industry, that will be a direct increased cash cost to every cleaning business which will have to be passed on to customers. Given the wafer-thin profit margins the industry operates under, these increased costs cannot be absorbed. Cleaning is certainly not the only industry that will suffer.

Unfair dismissal rights from day one. This concept is almost unimaginable. In an industry with such a dynamic workforce, there is always a small percentage of employees who churn, it's inevitable even in the businesses who enjoy high retention rates such as ours. Every employee will now have to go through a lengthy and expensive disciplinary process to be able to 'fairly' dismiss them. At least the HR industry will see a boom! This is neither good for employees nor employers. A probationary or trial period at the start of someone's employment is an essential tool for both the employer and the employee to get to know each other and understand if the fit is mutually right.

If you thought employment tribunals were busy now, it's nothing compared to what they will be. Labour wants to extend the deadline for issuing a claim. An already overstretched system, made worse by the fact

that the claimant does not have to pay a fee to issue a claim, will result in thousands of new (and spurious) claims. The employment tribunal rules were briefly changed by the David Cameron government after they brought in fees to issue employment tribunal claims, but later reversed back to no fee after the fee they introduced was deemed to be too high.

A large portion of Labour's proposed changes centre on enhanced powers for trade unions. Currently, most private sector FM contracts (at least in my experience) don't have much involvement with traditional trade unions, such as Unison or the RMT. We could see the unorthodox militant unions such as UVW (United Voices of the World) and CAIWU (Cleaners & Allied Independent Workers Union), have an increased role in private sector contracts. There is also a proposed new obligation on employers to inform all employees how to join a trade union, in a similar way to enrolling employees into a pension scheme, which could increase dramatically union involvement across all aspects of FM businesses. Given we are such a people-heavy industry, the impact of this new legislation could be profound.

And then there is what we don't know! The bigger the Labour majority, the bolder and more radical they will be. Inevitably there will be winners and losers. There will be some good ideas that emerge. But the FM industry, and indeed all UK businesses (especially SMEs), should be aware and be prepared for increased costs, less flexibility and some very difficult conversations with clients.

"We want to work hand-in-hand with business" Labour says, and their priority is "to grow the economy", but at the same time they want to stifle our flexible labour market and force more costs on to businesses. The two are not compatible and they should urgently re-think.

Given two years of back-to-back 10% price hikes, the last thing our clients will want next year is a further significant price increase due these proposed changes. But I fear it's coming regardless.

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