



House of Commons

Business, Innovation and Skills  
Committee

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# Employment practices at Sports Direct

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Third Report of Session 2016–17





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**Third Report of Session 2016–17**

*Report, together with formal minutes  
relating to the report*

*Ordered by the House of Commons  
to be printed 19 July 2016*

## The Business, Innovation and Skills Committee

The Business, Innovation and Skills Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Innovation and Skills.

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/bis](http://www.parliament.uk/bis) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Chris Shaw (Clerk), Martin Adams (Second Clerk), Josephine Willows (Senior Committee Specialist), Duma Langton (Committee Specialist), James McQuade (Senior Committee Assistant), Jonathan Olivier Wright, (Committee Assistant) and Gary Calder (Media Officer).

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## Summary

A spotlight has been shone on the working practices and business model of Sports Direct. What the spotlight revealed was extremely disturbing. Workers at Sports Direct were not being paid the national minimum wage, and were being penalised for matters such as taking a short break to drink water and for taking time off work when ill. Some say they were promised permanent contracts in exchange for sexual favours. Serious health and safety breaches also seem to have occurred. For this to occur in the UK in 2016 is a serious indictment of the management at Sports Direct.

Mike Ashley, the Deputy Executive Chairman, founder of, and majority shareholder in, Sports Direct did not seem to be aware of these practices. He seemed shocked at some of the testimonies from workers that we read out. In response, he told us that he would continue with the review he announced in December 2015 and would stop practices that he acknowledged he would not want his son or daughter to experience. Mr Ashley told us that he is always responsible for Sports Direct, and he values the people who work at the company. It therefore seems incredible to us that the owner, whose name is inextricably linked with the brand of Sports Direct, and who visits the warehouse at least once a week, would have no idea of the working conditions and practices there, when they have been highlighted in the media and in Parliament since 2015.

The workers at Sports Direct's warehouse in Shirebrook are not directly employed by Sports Direct, but are employed by two agencies, The Best Connection and Transline Group. Their representatives appeared before the Committee and gave woefully poor, and in some cases, incorrect, evidence. For Sports Direct to pay £50 million to agencies that do not seem to have a basic understanding of employment law and practices seems irresponsible, if not reckless. Transline also made statements to us about its own practices that have subsequently been shown to be false by the Gangmasters Licensing Authority. We believe that Transline deliberately misled the Committee in their evidence to us. We strongly recommend that Transline clarify any potentially misleading evidence they gave to the Committee as a matter of urgency.

We welcome the commitment by Mr Ashley about being constructively engaged in efforts to improve employment practices at Sports Direct. We look forward to receiving the results of his review and seeing what actions he will take and how he will mitigate the risks of serious problems with such practices recurring. We hope that the review will be fair and independent. The review will not include corporate governance, which we think is a mistake. Mr Ashley admitted that Sports Direct had grown too big for him. This makes the need for a review of the governance structure of the company all the more important and we note that this has been called for by investors.

We thank Mr Ashley for his invitation to visit Shirebrook, which we shall certainly accept. We hope that this will be the start of a constructive dialogue, in which we will receive regular updates on Mr Ashley's review. We hope we share with him a common aim that the outcome of this work will be better terms and conditions for all those working at Sports Direct.

This inquiry has highlighted issues around the business model used by Sports Direct, which we will explore further in our broader inquiries into the future labour market.

# 1 Introduction

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1. Sports Direct International plc is the largest sporting retailer in the United Kingdom, with around 465 stores. Its headquarters and warehouse are in Shirebrook, Derbyshire, where there are 200 permanent employees, and over 3,000 agency workers, employed through two agencies, The Best Connection and Transline Group.

2. Our inquiry began as a result of select committee and media coverage on the working practices at Sports Direct. The Scottish Affairs Committee took evidence on employment practices at Sports Direct and the sale of the clothing company USC in March 2015.<sup>1</sup> In April 2015, the Channel 4 Dispatches documentary claimed that Shirebrook operated as a sweatshop, with Victorian working conditions.<sup>2</sup> The BBC’s “Inside Out” programme on working practices at the Sports Direct warehouse at Shirebrook was broadcast in October 2015, and through a Freedom of Information request, the BBC found that between January 2013 and December 2014, 76 ambulances or paramedic cars were sent to the postcode of Sports Direct’s distribution centre at Shirebrook.<sup>3</sup>

3. The Guardian carried out an investigation in December 2015, describing working practices at Shirebrook, which included: breaches of health and safety safeguards; the penalising of workers for breaking certain minor rules (and dismissing them if they committed six breaches of those rules within six months)—the so-called “six strikes and you’re out” policy; and making workers wait, unpaid, for a security check at the end of shifts, which brought their earnings below the minimum wage (resulting in a rate of about £6.50 an hour against the then minimum rate of £6.70 an hour for workers aged 21 or over).<sup>4</sup>

4. Mr Ashley announced a review of working practices at Sports Direct on 18 December 2015, and stated that he would personally lead the review of all agency staff’s terms and conditions.<sup>5</sup> In January 2016, we decided to hold a one-off oral evidence session on the working practices at Sports Direct, to hear about progress of the review and to listen to evidence ourselves from all sides about conditions in the shops and warehouse at Shirebrook. This we viewed as a precursor to a broader inquiry into the labour market.

5. We heard oral evidence from: Unite the Union; representatives from the two agency companies that provide agency workers to the warehouse; and Mr Ashley. We received written evidence from Unite the Union, the Gangmasters Licensing Authority, Transline Group, and Bolsover District Council, and supplementary evidence from The Best Connection and Mr Ashley.

6. Finally, we heard first-hand about the experiences of past and present workers at the Sports Direct warehouse and shops. We would like to thank all those who helped us with this inquiry, especially those who shared their personal experiences of working for Sports Direct. Michael Ford QC gave us legal advice on agency workers and workers on zero-hours contracts, and we thank him for his expert help.<sup>6</sup>

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1 Scottish Affairs Committee, [Sports Direct: employment practices and the sale of USC inquiry](#) March 2015

2 [Channel 4 Dispatches programme](#), 27 April 2015

3 [BBC Inside Out programme](#), 5 October 2015

4 “Revealed: how Sports Direct effectively pays below minimum wage”, The Guardian, 9 December 2015

5 [“Sports Direct’s Mike Ashley to lead review into working conditions”](#), The Telegraph, 18 December 2015

6 Michael Ford QC, [Old Square Chambers](#), and Professor of Law, University of Bristol Law School

7. Our inquiry was hampered by Mr Ashley’s reluctance to appear before the Committee. We first decided to invite Mr Ashley to give evidence to the Committee in January 2016, and informal discussions took place between staff of the Committee and Sports Direct regarding an evidence session. An invitation was made by Mr Ashley to the Committee to visit him at the Shirebrook site, an invitation that had already been extended to local Members of Parliament.

8. We considered this invitation, but declined it in the interests of our commitment to transparency and in accordance with normal select committee practice of holding evidence sessions in public. Instead, several alternative dates were offered to Mr Ashley for him to give evidence to the Committee. Instead of engaging constructively he chose to engage in lengthy written correspondence regarding the powers of the Committee to secure his attendance.<sup>7</sup> Similarly, the Committee invited representatives of the two agencies to attend (in March 2016), and heard nothing from them until Thursday 2 June 2016, five days before the oral evidence session, when they agreed to give evidence (although Transline’s two CEOs did not attend, but put forward their Managing Director and Finance Officer instead).

9. When Mr Ashley finally decided to appear before the Committee (informing the Committee two days before), we had a very constructive exchange of views, which has resulted in welcome commitments by Mr Ashley to achieve real change. If he had agreed to come when we originally asked him, five months ago, he could have improved the conditions sooner, conditions that he found so abhorrent. Mr Ashley told us that “one of the reasons I agreed to come—whether or not I think I ought to or not is a different subject—is to make a difference”.<sup>8</sup> The delay was unfortunate and unnecessary.

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7 [“Attendance at Select Committee”](#), Mr Wright to Mr Ashley, 26 May 2016 and [“NOTHING TO HIDE”](#), Mr Ashley to Mr Wright, 5 June 2016

8 Q235

## 2 Terms and conditions at Sports Direct

### Introduction

10. Sports Direct's website states the following, under 'Employees':

Our whole people ethos revolves around 'Right Person, Right Place, Right Time' and we are committed to the continued development of our people to meet our future growth plans. Nurturing our people to reach their full potential and promoting internally wherever possible have been tools that have been used by the Group for over the last 30 years and are fundamental to our continuing success.<sup>9</sup>

11. There are different categories of workers at Sports Direct: those working in the Sports Direct shops, who are direct employees of Sports Direct, on zero-hour contracts; those working in the shops and the Shirebrook warehouse on permanent contract; and those working in the warehouse, employed not by Sports Direct, but by the employment agencies, Transline and The Best Connection.

### Agency workers at Shirebrook

12. Shirebrook is the 800,000 square foot warehouse of Sports Direct, which was built on the reclaimed Shirebrook Colliery site (which operated until 1993). At Shirebrook, Sports Direct pays an estimated £50 million per year to two agencies, The Best Connection and Transline, to supply staff to work in the warehouse.<sup>10</sup> Transline is a temporary work agency, founded in 1989, which provides workers to 100 sites in the UK, as well as operations in Ireland, Eastern Europe, Canada, Thailand, and Dubai.<sup>11</sup> The Best Connection started trading in 1991, and provides flexible workforces to industrial, driving, retail and warehouse and distribution sectors.<sup>12</sup> The workers typically paid, just above the minimum wage, are predominantly from Eastern Europe.<sup>13</sup>

13. The employment structure at the warehouse in Shirebrook involves Sports Direct, the agencies, and the agency workers. It is a triangular relationship: the agency worker signs up with one of the agencies, with whom the worker has a contract, and then works for the agencies' client, Sports Direct. Under their contracts, the agency workers agree to certain restrictions relating, for example, to periods of work when no suitable work may be available and the necessity to accept assignments.<sup>14</sup> The majority of agency workers are employed on contracts guaranteeing work for only 336 hours a year (that is, seven weeks' work if the working week is 48 hours). In practice, workers are typically engaged on 40 hours' work a week for nine weeks at the start of the year, and subsequent to this period have no contractual rights to any guaranteed weekly hours and therefore to the associated payment of wages. This arrangement effectively leaves the workers on zero-hour contracts for the vast majority of the year.<sup>15</sup>

9 Sports Direct, '[Employees](#)', accessed 19 July 2016

10 [Unite the Union](#) para 1.2

11 [Transline](#), accessed 19 July 2016

12 The Best Connection, '[About us](#)', accessed 19 July 2016

13 [Unite the Union](#) para 1.2

14 Transline contract, paras 4.2 and 4.7, not published; [Unite the Union](#) para 2.4

15 Q12 [Steve Turner]

14. Although the contracts only guarantee a very low level of annual hours (and therefore pay), they nonetheless place very restrictive requirements on the workers. For example, under the Transline contracts, Transline incurs no liability to each worker should it fail to offer any assignments beyond the guaranteed 336 hours;<sup>16</sup> but the worker enjoys no corresponding freedom because “unless there is good cause”, the worker “must” accept any suitable assignment offered by the Company. The clause goes on to state: “Refusal to accept a suitable assignment without good cause will result in you being deemed not available for work and may constitute gross misconduct. This may result in the termination of employment without notice and without payment in lieu of notice.”<sup>17</sup>

15. When Jenny Hardy, the Finance Officer from Transline, was asked what would constitute “good causes” which would be permissible for people to decline work, she replied, “I would not be able to give an example”.<sup>18</sup> The result is a very unbalanced outcome. The company only guarantees the worker a minimum number of hours, payable at the national minimum wage rate, and undertakes no obligation to pay anything between assignments or while the worker is not working.<sup>19</sup> Yet the worker must remain available to accept “any suitable assignments” or risk being dismissed for gross misconduct. The worker must, in effect, always be available for work which may never materialise. It is hard to see how in these circumstances, for example, the worker could have a job with another employer, since he or she is permanently “on call”.

16. Agency working at Shirebrook is not necessarily a short-term assignment. Assignments can last for several years, exceeding the two-year qualifying service required to bring a claim for unfair dismissal.<sup>20</sup> Such working arrangements give the workers maximum risk and minimum security at work. Although workers can stay at Shirebrook for years, they are unable to plan ahead because they do not know whether they will be working the next week, or even the next day. This has a knock-on impact on workers being able to pay rent. Their hours and hence their pay are within the complete control of their employer, the agencies. According to Steve Turner, Assistant General Secretary at Unite the Union:

It is not just about insecurity. It is also about no guarantee on hours, giving absolute control to the employer [ ... ] There is no process; there is no access to justice. Even though on paper you may be regarded as an employee and able to access, if indeed you can afford it, the employment tribunal system, the reality is, for most zero-hour workers and short-hour workers, you are simply denied work if you raise a grievance or raise a concern with your employer.<sup>21</sup>

17. The power imbalance in the hours and pay at Sports Direct may well contribute to other problems with the employment conditions. As a result of the Committee’s interest in Sports Direct, the Committee received information from former and present workers at the Shirebrook warehouse. The following are extracts or summaries from emails and telephone calls, which support Unite’s evidence:

“unsociable shifts at a poor wage, with little or no breaks”.

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16 Transline contract, para 4.2, not published

17 Transline contract, para 4.7, not published

18 Q105

19 Transline contract, para 6.1, not published

20 Though if there are breaks of a week or more between assignments these may break continuity: see sections 210–212 of the Employment Rights Act 1996.

21 Q12

“I was off sick for a few weeks because of ill health. I was sending in sick notes from the doctor. The day I was due to start back to work I received an email laying me off, with no explanation, just paid off and a pay statement”.

“Whilst I was there, your pick was timed to the second.<sup>22</sup> If your pick was late you got a strike. But when the aisles are full of other pickers, this is impossible to meet. We still had to suffer humiliation over the Tannoy, with your name called out so that everybody knew”.

“When the colliery was closed and the town began to suffer, local people were promised 80% of the jobs, but it came to less than 30%, and the majority of jobs went to Eastern European workers”.<sup>23</sup>

18. Steve Turner summarised the ethos behind the working practices in the warehouse, with “an arrogance and a contempt, actually, at the very highest level of this business. We have it described to us as a gulag, as Victorian, as a workhouse, not a warehouse. We believe that there is no place for these kinds of 19th century working practices in 21st century Britain.”<sup>24</sup>

19. In his evidence to us, Mr Ashley seemed shocked at some of the testimonials we read out to him. We told him of evidence we had received from a woman saying she was promised a permanent contract, as opposed to an agency contract, in return for sexual favours. Mr Ashley responded, “I am 100% unaware of that. Sorry, I am 100% unaware of that”.<sup>25</sup>

## Six strike policy

20. The agencies at Shirebrook operate a “six strikes and you are out” policy. Under the rules, a strike can be given to a worker if they spend too long in the toilet or chatting, or if they take time off when they are ill or when their children are unwell.<sup>26</sup> Luke Primarolo, Regional Officer at Unite, described the policy in the following terms:

This is a system that means those who work through the agency actually do not have any recourse to a disciplinary. They do not have any recourse to defend themselves if they are accused of something they have done wrong. They are given a strike. Strikes can be arbitrary, and there is no come back; there is no arguing about it [ ... ] The problem with this is when you have people under that much fear, they come into work ill. When you get presenteeism in the workplace that creates a significant health and safety risk, because these people are now not only at risk to themselves but they are at risk to those they are working with.<sup>27</sup>

21. Mr Ashley told us that he would look into the “six strikes” policy, to see whether they were fair: “It is not the six strikes themselves. It is getting the group of people together and saying, ‘would you want your son and daughter under that regime?’ It is that simple.

22 Pickers are workers who pick items from the warehouse shelves, which they then place into a metal cage.

23 Confidential testimonials sent to the Committee, between March and June 2016, not published.

24 Q29

25 Q198

26 Q25

27 Q25

If the answer is no, what you have put in is wrong. You need to change it. You need to be reasonable. You need to be fair”.<sup>28</sup> He told us that he would endeavour to study the six strikes policy and make appropriate changes within 90 days or he would write to us if it would take longer.<sup>29</sup> He said, “You are not pushing against a closed door with me”.<sup>30</sup>

22. We are unclear where the six strikes policy came from, if not from Mr Ashley and the senior management team. The union asserted that the working practices at the warehouse are predetermined by Sports Direct<sup>31</sup> and Chris Birkby, Managing Director of Transline, said that they had inherited the policy from another agency two years ago, and used the same strikes policy that they had been using.<sup>32</sup> This inheritance gives the impression that the management and culture of the company has been set for some time, and is driven by Sports Direct. But Mr Ashley’s letter of 12 July 2016 sought to blame the agencies for the policy:

Please note that Sports Direct does not operate a strikes policy in our stores nor anywhere else. However as you know, a number of concerns have been identified about the strikes policy operated by our employment agencies who engage workers for our warehouse. These matters are under consideration and in the meantime we are encouraging the agencies to ensure that their appeals procedure (which is open to agency workers in Shirebrook) should be made more transparent as an interim measure. There will be a further update on the strikes policy in the report.<sup>33</sup>

**23. The “six strikes and you’re out” policy is used as a punitive measure, which denigrates the workers at Sports Direct and gives the management unreasonable and excessive powers to discipline or dismiss at will, reinforced by their power to control the hours offered to each worker. Workers are unlikely to challenge strike decisions, because they know if they do, they probably will not be offered any more hours in the future. Mr Ashley told us that he takes responsibility for working practices at Sports Direct. We welcome his commitment to review the strikes policy within 90 days and look forward to hearing the outcome.**

### *Evidence from the two employment agencies*

24. The Managing Director and the Finance Director of Transline, and the Chief Executive Officer of The Best Connection all gave evidence to us. They described the contract with Sports Direct as providing temporary, flexible labour, with Transline’s proportion of turnover from the Sports Direct contract being 10%, or £20 million, and The Best Connection’s proportion being just under 10%.<sup>34</sup> Rates of pay for the workers at the warehouse are set by Sports Direct, according to them, not by the agencies.<sup>35</sup>

25. The agency representatives were asked why they were employed to provide workers for Sports Direct, rather than Sports Direct employing workers directly. They said such

28 Q203

29 In his [Letter 12 July 2016](#) to Mr Wright, Mike Ashley said that he would provide a written update by 23 September 2016.

30 Q205

31 Q29 [Steve Turner]

32 Q110

33 [Letter 12 July 2016](#), Mr Ashley to Mr Wright

34 Qq46–47

35 Qq48–49.

flexibility in the workforce gives greater options to customers,<sup>36</sup> and that “rather than losing staff or laying staff off, they will flex from five days to four days and backwards and forwards”.<sup>37</sup> When asked why the 336-hour contract was given to workers, Jennifer Hardy from Transline told us that it “gives the flexibility that our client needs”<sup>38</sup> and the total of 336 hours is HMRC’s minimum requirement when they have looked at the contractual basis of employees.<sup>39</sup>

26. When Mr Ashley was asked why he did not directly employ workers on permanent contracts at Sports Direct, he said that it would have been impossible to have grown the business in the past 10 years if he had directly employed staff, highlighting the growth of the internet, which had not been envisaged 10 years ago.<sup>40</sup> He told us that the internet:

came out of nowhere, literally nowhere, and it requires 10 times the people that retail does. The sensible thing to do is then to go out to professionals and say, “What is your expertise? You employ people” [ ... ] So why would I not employ them direct? Why would I pay the middle men? Because it would have been physically impossible for us to do it ourselves. They make money out of Sports Direct.<sup>41</sup>

27. Andy Sweeney, CEO of The Best Connection, said that Sports Direct benefited financially from the agencies’ contracts through slimmer overheads “because we are responsible for the recruitment of all of the temporary workers, we are responsible for the payment of them, for the payment of the tax, and, importantly, the national insurance for all of the temporary workers”.<sup>42</sup>

**28. The employer/worker relationship at the Sports Direct warehouse in Shirebrook is not straightforward. Sports Direct pays two agencies approximately £50 million a year to employ workers on site. The oral evidence we received from the two agencies exposed the apparent strong grip that the management of Sports Direct has over the agencies. Yet those employment agencies take on the responsibility of employing the workers, providing them with poor terms and conditions, and paying them rates of pay which at times have fallen below the minimum wage rate.**

**29. Many of the agency workers at the Shirebrook warehouse have been working there for many years. The warehouse at Shirebrook is open 365 days a year, 24 hours a day, and the nature and flow of business activity in the warehouse can be forecast with some accuracy. We heard no convincing reason why Sports Direct engaged the workers through agencies on short-term, temporary contracts, other than to reduce costs and pass responsibility. We do not accept that the advent of the internet is a sufficient reason to use agencies to supply the bulk of the workforce.**

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36 Qq51–52

37 Q53 [Chris Birkby]

38 Q58

39 Q60

40 Q254

41 Q252

42 Q118

## Sports Direct retail shops

30. Sports Direct employs staff on zero-hour contracts for their retail shops. When Keith Hellawell, Chairman of Sports Direct, gave evidence to the Scottish Affairs Committee in March 2015, he justified the use of zero-hour contracts by saying that “it gives us the flexibility of the work force. We have available the staff we need at the times we need them and for the number of hours that we need them”.<sup>43</sup>

31. We received damning testimonies from Sports Direct workers, past and present, about the misuse of the contracts and inadequate working conditions, including the following:

“I’ve witnessed staff being made to clock out so wages aren’t over budget but they were made to keep working, so they weren’t being paid for all the hours they did. I’ve seen staff kept for an hour after their scheduled finish time to tidy the shop, myself included”.

“Working for Sports Direct is a very love/hate relationship. I think you could call it a form of brainwashing. My area manager would send out an email on Monday mornings with a list of total hours worked by each of his store managers the week before. Whoever did the least would get a lecture—not dedicated, not showing commitment etc. This wouldn’t be a one to one lecture, but a full blown rant with everyone else copied into the email to see. If you weren’t doing at least 55 hours a week then you weren’t doing enough”.

Staff on zero-hour contracts were being forced to work a further three hours without pay (and if they refused, they would not be offered any hours the following day);

A female member of staff being forced to talk about her periods publicly (she had been off sick, due to period pains, having regularly worked 12-hour days).

32. When Mr Ashley was told about some of the examples of mistreatment of shop staff, including a worker being told he was selfish wanting to leave work on time, he replied, “That is not correct, is it? What do you want me to say? That’s clearly, clearly, clearly wrong. I cannot control everything all the time. I agree with you that it is wrong”.<sup>44</sup> We also described the experience of somebody working in a Sports Direct shop, of not being offered a contract (of any sort),<sup>45</sup> of being bullied, pushed around, and then being summarily sacked with no explanation. Mr Ashley responded by saying “no, not only is that not kind; it is not acceptable. That should not go on, absolutely not, so let’s deal with it”.<sup>46</sup>

43 Q297 [Keith Hellawell] Scottish Affairs Committee, [Sports Direct: employment practices and the sale of USC inquiry](#) March 2015

44 Q212

45 Which is itself unlawful once an employee has been employed for two months: see s.1 of the Employment Rights Act 1996.

46 Q229

33. When he gave evidence to the Scottish Affairs Committee last year, Keith Hellawell upheld the business model, and said “we sell at a cheap price because we believe that that is the issue—the main thing—for members of the public, which is sometimes forgotten in all of this”.<sup>47</sup> Steve Turner told us that the cheap prices come at a cost:

There is a contempt for employee rights. I do not think it is a lack of understanding, and I do not think it is an issue that they necessarily think is relevant. When you employ people on the sorts of contracts that they are employed on you find yourself viewing the human being as a disposable asset. There is a price to pay. All these cost reductions, cheapest products, constant sales—sales, sales, sales, 90% off—has a price [ ... ] This is just the natural consequence of this constant drive-down in cost.<sup>48</sup>

**34. The way the business model at Sports Direct is operated, in both the warehouse at Shirebrook and in the shops across the country, involves treating workers as commodities rather than as human beings with rights, responsibilities and aspirations. The low-cost products for customers, and the profits generated for the shareholders, come at the cost of maintaining contractual terms and working conditions which fall way below acceptable standards in a modern, civilised economy. There is a risk that this model—which has proved successful for Mr Ashley—will become the norm. We will be considering the full implications of this business model in the context of our broader inquiry into the labour market.**

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47 Q2 [Keith Hellawell] Scottish Affairs Committee, [Sports Direct: employment practices and the sale of USC inquiry](#) March 2015

48 Q32

### 3 National minimum wage, back pay, and deductions from wages

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35. The National Minimum Wage legislation requires, in broad terms, that workers are paid at the rate of the national minimum wage in respect of the hours when they are working.<sup>49</sup> At the end of each shift, workers at the warehouse in Shirebrook are searched, to prevent goods being stolen from the warehouse. We received photographs of queues of workers waiting to be searched, resulting in bottlenecks and delays in leaving the warehouse.<sup>50</sup> Workers did not get paid while they were being searched,<sup>51</sup> which meant that, before Mr Ashley raised their hourly rate, workers were not being paid at the rate of the national minimum wage for their hours of work.

36. The oral evidence session put on record, for the first time, Mr Ashley's admission that there were problems with the security procedures at the warehouse. He told us, "I am a little shocked, for example, at stuff such as bottlenecks at security, to put it mildly. I do not think that that is even slightly acceptable".<sup>52</sup> When we asked Mr Ashley whether he accepted that Sports Direct was effectively paying workers below the minimum wage, he replied, "on that specific point, for that specific bit of time, yes". Mr Ashley said that "when I went to look at things such as bottlenecks, it was unacceptable. I accept that and that is why we have totally changed the process. I accept that there have been instances such as that that absolutely needed to be addressed and I hope have been and are being addressed".<sup>53</sup>

37. The resulting average figure of £6.50 an hour, once account was taken of the time for searches, meant workers were being paid 20p below the then National Minimum Wage.<sup>54</sup> This unlawful deduction was rectified by adding an additional 20p per hour to the hourly rate paid for the future, although the issue of back payments owed to workers—both employees and agency workers—remains unresolved.<sup>55</sup> Mr Ashley could not categorically tell us that back pay had been paid, "Everything that I have said, I personally would like to guarantee. Have I actually checked it, looked at it, ticked the box, and seen the payments gone? Honestly, no".<sup>56</sup> He also told us that Sports Direct was subject to an HMRC investigation.<sup>57</sup>

**38. At our oral evidence session, Mr Ashley put on record, for the first time, that workers had been paid below the minimum wage, as a result of the unpaid, compulsory searching of all workers at the Shirebrook warehouse. Mr Ashley expressed remorse at the extent of the bottlenecks at the security points. There are still questions unanswered over when back pay will be paid, as a result of these bottlenecks, and Mr Ashley told us that Sports Direct was subject to an ongoing HMRC investigation. We await their findings.**

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49 See the National Minimum Wage Regulations 2015.

50 Photographs not published

51 Q17 [Steve Turner]

52 Q221

53 Q277

54 The rate was £6.70 for workers aged 21 or over from 1 October 2015. The new rate following the introduction of the 'Living Wage' on 1 April 2016 is £7.20 an hour.

55 Q10 [Steve Turner]

56 Q223

57 Q225

## Pre-paid debit card and insurance deductions

### *Pre-paid debit cards issued by Transline*

39. Unite’s submission describes workers employed via Transline who do not have a bank account being offered a pre-paid debit card onto which their wages are paid. Workers are charged a £10 one-off fee, a monthly management fee of £10 per month for this facility, 75p for cash withdrawals, 10p for texts to the card holder of any transactions, and £1.50 of a paper statement. Unite estimates that several hundred workers could be using the cards.<sup>58</sup>

40. The pre-paid card is administered by Contis. Its website described the benefit of the pre-paid debit card:

Use our end to end technology platform to develop your own branded, prepaid Visa debit card to drive customer loyalty and boost customer retention. Our white label service allows you to build your own bespoke prepaid debit card programme which is 100% on brand.<sup>59</sup>

41. When questioned on how much money Transline makes from the pre-paid debit cards, Jenny Hardy, the Finance Office of Transline, said that the £10 monthly fee all goes to Contis, and Transline gets a monthly rebate from commercials, “but that is not significant”.<sup>60</sup> However, supplementary evidence from Transline stated that they do receive money from Contis:

Transline’s compliance team manages the application process, physical delivery to the place of work (by hand if urgent) and issue of replacement cards where necessary, as well as the issue of the ‘Perkz’ package which provides lifestyle discounts etc to any cardholder. To cover the cost of this service, Transline receives from Contis the sum of £3.00 per card issue and £1.96 per week for each card user.<sup>61</sup>

42. The fees received by Transline seem disproportionate to the services offered. The effect of this arrangement is to place further financial pressure on workers who are being paid only at the rate of the national minimum wage. It is not clear if this is an unlawful deduction from wages, and the costs incurred by the workers seem totally unjustified.

### *Insurance services*

43. Unite also described a fee for “insurance services”, which is deducted from the wages of workers employed by The Best Connection: “The figure and the frequency of the deductions vary ranging from 45p to £2.45 a week. Unite has spoken to numerous workers who deny giving consent to such deductions or being given a proper explanation of what the deduction covers. Workers tell Unite that Transline operates a similar scheme”.<sup>62</sup> Andy Sweeney, CEO of The Best Connection, described the insurance scheme as “a voluntary scheme where they can avail themselves of personal accident insurance if they wish; some

58 [Unite the Union](#) Paras 2.14 and 2.15

59 Contis, [home](#), accessed 19 July 2016

60 Qq70–71

61 [Transline](#)

62 [Unite the Union](#), para 2.16

do; some do not”.<sup>63</sup> The workers “sign a declaration that they wish to have the insurance and authorise us to deduct the cost, which we transmit to the insurance company”.<sup>64</sup> However, we heard that people do not necessarily know that they have signed up to this insurance, and they do not understand the insurance product and why they pay for it.<sup>65</sup> If the deduction is made direct from wages without being authorised in the worker’s contract or without agreeing in writing to this deduction, it would be an unlawful deduction from wages.<sup>66</sup>

## Salary sacrifice

44. Unite’s written submission describes The Best Connection’s relationship with Bestex Ltd, which provides expenses verification services for temporary workers:

Unite is unclear as to what services Bestex provides, but in addition to deductions from workers for “insurance” and charges for payment cards, is aware of a travel and subsistence salary sacrifice scheme that was operated by The Best Connection and Transline.

The salary sacrifice scheme effectively meant that workers were being paid part through wages and part through expenses and enabled agencies to minimise their and the employee’s national insurance contributions. Unite understands that the loophole was closed by HMRC on 6 April 2016.<sup>67</sup>

## Deduction of pay

45. Workers have been deducted 15 minutes’ pay for clocking in just one minute late on arrival or on return from a break. When questioned, Mr Ashley said that the practice was “unacceptable” and that he would not be waiting for the results of a review, but would change it “on the first pass”.<sup>68</sup> He told us that he did not know who had introduced the policy, but he certainly had not: “It was certainly not a policy that I put in, because I actually do not believe it is fair [ ... ] If one of my kids went to work somewhere and they were two minutes late and got fined 15 minutes’ pay, I would not be very impressed by that. It is unreasonable”.<sup>69</sup>

46. Mr Ashley replied with supplementary evidence, on 12 July 2016, with the following explanation of current practice at the warehouse:

Can I be clear for the record as to what we are doing now: the system calibrates by rounding upwards in segments of five minutes. So for example, if a person is four minutes late, they will lose five minutes pay (ie: the four minutes they were late, plus an extra minute by way of rounding up to the five minute mark).

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63 Q73

64 Q74

65 [Unite the Union](#), para 2.15

66 See section 13 of the Employment Rights Act 1996

67 [Unite the Union](#), paras 5.4 to 5.7

68 Q191

69 Q193

This is offset by the fact that all workers are now able to clock off one minute early (as mentioned above)<sup>70</sup> without suffering a wage penalty, thus potentially leaving them in a neutral position overall with regard to lateness.<sup>71</sup>

**47. We are concerned about the legality and fairness of the voluntary schemes, such as the pre-paid debit card and the insurance scheme, to which agency workers at Shirebrook contribute. We recommend that the Gangmasters Licensing Authority look into these practices, once their remit is extended in October 2016, to ensure that such deductions are freely agreed to and are lawful.**

**48. We are pleased to hear that the practice of deducting 15 minutes pay for clocking in just one minute late on arrival at the warehouse, or on return from a break, has been changed. We believe these various schemes are opaque, not well communicated to the workforce and have the effect—deliberately or otherwise—of taking money from the wages of low paid workers. This is unwarranted. The system now rounds up in five-minute segments, rather than 15-minute segments. However, the system of rounding up by 5 minutes, rather than rounding down by 5 minutes, still seems ungenerous. We recommend that Mr Ashley considers rounding down, rather than rounding up, so that a worker who was four or less late would not be penalised, and a worker who was nine to five minutes' late would be docked five minutes' pay.**

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70 Mr Ashley's letter refers to the fact that workers are able to clock off one minute early without suffering a wage penalty, to compensate for delays while queuing to be searched.

71 [Letter 12 July 2016](#), Mr Ashley to Mr Wright

## 4 The Gangmasters Licensing Authority (GLA)

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49. The Gangmasters Licensing Authority (GLA) is a non-departmental public body, established under the Gangmasters (Licensing) Act 2004, which regulates businesses that provide workers to the fresh produce supply chain and horticulture industry, to ensure legal employment standards are upheld. According to its website, it protects “vulnerable workers in UK food and drink processing and packaging, agriculture and shellfish gathering”.<sup>72</sup> The GLA licensing standards cover health and safety, accommodation, pay, transport and training.<sup>73</sup>

50. We heard that part of the Transline Group, Qualitycourse Ltd, which supplied temporary workers to assemble pizzas for the retail sector, had their licence revoked by the Gangmasters Licensing Authority when they operated in the food industry.<sup>74</sup> When questioned, Jennifer Hardy, Finance Director of Transline, told us it had not been revoked, but had lapsed:

We had an administrative error on our side, which led to us having to go through an application process for our licence. We actually only supplied one client, which is 0.8% of our business. During that process we no longer supplied that client.<sup>75</sup>

51. We asked the GLA to confirm this explanation. The GLA’s submission refuted Jenny Hardy’s claim:

This is not true. The company continued to supply workers to their client on various dates between 14 July 2013 and 19 September 2013 thus committing a criminal offence under s12 of the Gangmasters (Licensing) Act 2004. This offence carries a maximum penalty of 10 years imprisonment.

Unlicensed supply took place after the email of 1 August which not only confirmed that Qualitycourse held no valid licence but also warned that it would be an offence to provide labour in the GLA sector. The continued unlicensed trading sparked a criminal enquiry and under GLA published policy this takes precedence over the application process. As a result the application for the licence was suspended and the applicant informed of this by letter on 30 September 2013.

The GLA decided not to pursue this prosecution but the company did receive notification of the offence by way of a formal warning letter on 9 October 2013.<sup>76</sup>

52. In oral evidence, Jenny Hardy, from Transline, repeated her claim that “we removed ourselves from the process”.<sup>77</sup> The GLA responded: “This is also categorically not true. The licence application proceeded to completion and it was refused by the GLA. At no point did Transline withdraw its application and thus [had not] ‘removed themselves from the

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<sup>72</sup> The [Gangmasters Licensing Authority](#), accessed 19 July 2016

<sup>73</sup> As above

<sup>74</sup> Q24 [Steve Turner] Providing workers to perform roles in food processing requires a licence from the GLA.

<sup>75</sup> Qq84–85

<sup>76</sup> [GLA](#), para 2

<sup>77</sup> Q84

process”.<sup>78</sup> Furthermore, the GLA carried out their inspection in September 2013, and Jennifer Hardy, who was in her post of Finance Officer at Transline at the time, was present for part of that inspection process.<sup>79</sup> The GLA decided that it would not be in the public interest to pursue the prosecution but, as stated above, Transline received notification of the offence by a formal letter dated 9 October 2015. The letter states: “On this occasion, the GLA considers that the public interest would be satisfied by the administration of a warning rather than instituting criminal proceedings. Records held within the GLA will be noted in respect of this warning”.<sup>80</sup>

53. Written evidence from Transline, sent after the oral evidence session, reasserted the claim that they “began the process of applying for a new licence but then decided not to pursue it as we only had one client operating in the GLA sector, and were no longer supplying staff to clients in that sector. The decision was a straightforward commercial choice by us and nothing more”.<sup>81</sup> The GLA again refuted this, stating that “this is not true—as stated previously, the reasons for the company not holding a GLA licence are numerous and set out in the decision letter detailing the failed Licensing Standards that resulted in the refusal”.<sup>82</sup> The GLA provided detailed timelines and relevant documents to support their evidence.<sup>83</sup>

54. As a result of the Immigration Act 2016, the Gangmasters Licensing Authority will be reformed, and from October 2016 will become the Gangmasters and Labour Abuse Authority. Along with the change in name, it will have its remit extended and will have the capacity to study cases of labour abuse throughout the UK labour market, including retail. We welcome this change, which will give greater protection to all workers.

**55. In both written and oral evidence, Transline made claims to us which were later refuted by detailed evidence from the Gangmasters Licensing Authority. This casts doubt on the probity of Transline and on the reliability of their witnesses. On the face of it, we believe that Transline deliberately misled the Committee in their evidence to us. In view of the seriousness of this action, which could be considered a contempt of Parliament, we invite Transline to respond, within two weeks of the date of this Report’s publication, to explain how their evidence was not deliberately misleading, before we consider what further steps to take.**

**56. The extended remit of the newly-named Gangmasters and Labour Abuse Authority, in October 2016, will include warehouses such as Shirebrook and retail outlets such as the Sports Direct shops. We recommend that the GLA seriously considers looking into employment practices at Sports Direct, both in the shops and in the warehouse, to ensure that they are compliant with the relevant legislation.**

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78 [GLA](#), para 2

79 [GLA](#) Inspection report, inspection date September 2013, inspection report November 2013

80 [Letter from GLA to Qualitycourse Ltd](#), 9 October 2013.

81 [Transline](#)

82 [GLA](#)

83 [GLA](#)

## 5 Health and safety issues

57. The Health and Safety at Work Act 1974, and associated regulations, imposes duties on employers to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all their employees. In addition, the Act requires employers to conduct their undertaking so as to ensure, so far as is reasonably practicable, that persons not in their employment are not exposed to risks to their health and safety. The net result is that both the agencies and Sports Direct owe duties to the workers who work in Shirebrook.<sup>84</sup> We heard disturbing evidence on health and safety conditions at the Shirebrook warehouse and at the Sports Direct shops. The following extract is from a Freedom of Information request by Unite to East Midlands Ambulance Service:

A total of 110 ambulances or paramedic cars were dispatched to the Shirebrook warehouse's postcode between 1 January 2013 and 19 April 2016 with 50 cases classified as "life-threatening", including chest pain, breathing problems, convulsions, fitting and strokes, and five calls from women suffering pregnancy difficulties, including one woman who gave birth in the toilet in the warehouse.<sup>85</sup>

58. The following information was obtained from a Freedom of Information request by Unite to Bolsover District Council:

There were 115 incidents from 1 January 2010 to 19 April 2016, including an amputation of a finger, a fractured neck, a crushed hand, and hand, wrist, back and head injuries. Twelve of the incidents were listed as "major" injuries, with 79 injuries leading to absences from work of over seven days.<sup>86</sup>

59. RIDDOR stands for Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, which puts duties on employers, the self-employed and people in control of work premises to report certain serious workplace accidents and near misses.<sup>87</sup> Steve Turner told us about the large number and extent of RIDDOR cases at Shirebrook, citing over 80 statutory incidents reported to the local authority, which required workers to be off work for over seven days. He said:

Where there are issues here is the crossover between the Health and Safety Executive and the local authority reporting mechanisms, and enforcement and visitation. You get very few inspections, and this is more about cuts to local services and the way in which the environmental health services are responsible for warehouses, as opposed to the Health and Safety Executive, so something that we may want to look at would be a closer liaison between the Health and Safety Executive and its resources and the environmental health officers in warehouse operations. Because 80 incidents, over a defined period of time, some of which are very serious and cause people to be off for long periods of time, should be raising concern.<sup>88</sup>

<sup>84</sup> Agency workers are supposed to have the same level of health and safety protection as direct employees as a result of the Temporary Workers Directive, 91/383/EC.

<sup>85</sup> Unite written evidence, not published

<sup>86</sup> Unite written evidence, not published

<sup>87</sup> [HSE](#), accessed 19 July 2016

<sup>88</sup> Q40

60. When asked to respond to the points made above, Pam Brown, the Chief Executive and Partnership Manager at Bolsover District Council, wrote:

The Council from an Environmental Health perspective and under their Health and Safety legislation would be involved regarding the number of RIDDOR cases across the district of Bolsover and have shared information to date via the Freedom of Information requests. This would mean liaison with the HSE in terms of reporting.<sup>89</sup>

This response is inadequate, in our view, as it does not comment on the high number of reported RIDDOR cases, nor does it give any reassurances about the preventative steps that Bolsover District Council is taking to reduce the number of these cases.

**61. We are concerned at the number of RIDDOR cases, the number and frequency of ambulance visits to Shirebrook warehouse, and the personal testimonies recounting health and safety breaches. We invite Mr Ashley and the agencies to review the health and safety provisions in the warehouse, to ensure that workers' health and safety are not put at risk as a result of working for Sports Direct, and to report back to us with their findings. We also encourage Bolsover District Council and the Health and Safety Executive to take a more active role in overseeing that health and safety provisions are being correctly adhered to.**

## 6 Engagement with Trade Unions

62. Unite the Union has had recognition rights to represent directly-employed warehouse workers at Shirebrook since September 2008. Yet, according to their written evidence, only limited negotiations had taken place, with no meaningful negotiations despite requests for meetings since 2012.<sup>90</sup> Mr Ashley admitted that he could not be aware of every problem relating to his workforce at Sports Direct<sup>91</sup> but when asked about engaging with Unite, replied “Sports Direct can do a better job for the employees at Sports Direct than Unite”.<sup>92</sup> When it was later put to him that if his employees had independent workplace representation and if they had employment terms that gave them a fair opportunity to raise a grievance, not only would these problems not occur, but they would not be able to occur, Mr Ashley replied “a good point”.<sup>93</sup>

63. We are also pleased that, following our oral evidence session, Mr Ashley has contacted Unite “with a view to opening a constructive dialogue” and that he and members of the team at Sports Direct had recently met with a Unite representative. We hope that this will be the start of meaningful exchanges of ideas and proposals for the future, and proper negotiations with the trade union.<sup>94</sup>

64. When we contacted the Bolsover District Council’s Chief Executive and Partnership Manager, Pam Brown, about the council’s involvement at the Sports Direct warehouse, she confirmed that, for the first time the Regional Officer of Unite had been invited to the NG20 meeting on 12 July 2016.<sup>95</sup>

**65. Unite the Union has worked hard to look after the interests of workers at Sports Direct and has collated a convincing body of evidence detailing unacceptable treatment. We are pleased that, following our oral evidence session, Sports Direct has started to engage with Unite in a positive manner, and we hope that this will extend to proper negotiations over workplace terms, conditions and pay.**

**66. We are pleased to hear from Bolsover District Council that the Unite regional officer, whose union has collective bargaining rights for Shirebrook’s directly-employed workers and has members who are agency workers, had been invited to attend its community-led committee meeting in July 2016. We hope that this is the start of a more inclusive working relationship that both the council and Sports Direct will be having with Unite the Union, and that a tangible result of this involvement will mean a reduction in Sports Direct workplace accidents, near misses, and other health and safety incidents.**

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90 [Unite the Union](#) para 1.4

91 Q276

92 Q183

93 Q276

94 [Letter 12 July 2016](#), Mr Ashley to Mr Wright

95 The NG20 is a community-led committee, involving the council, police, church leaders, and Sports Direct.

## 7 Mr Ashley's review of Sports Direct

67. Mr Ashley announced a review of working practices at Sports Direct on 18 December 2015, and stated that he would personally lead the review of all agency staff's terms and conditions. Sports Direct made the following statement:

Sports Direct always seeks to improve and do things better, listens to criticism and acts where appropriate. With that in mind, the board has agreed that Mr Ashley shall personally oversee a review of all agency worker terms and conditions to ensure the company does not just meet its legal obligations, but also provides a good environment for the entire workforce. We expect him to start that work in the New Year.<sup>96</sup>

68. Effective and positive industrial relations can not only improve terms and conditions of employees, it can improve the competitiveness, productivity and ultimately the profitability of companies. When we asked Mr Ashley in June 2016, six months after the announcement, about the current status of the review, he told us that he had discovered and addressed some issues, and that it was “work in progress”, it was “an ongoing progress”, which would never be completed.<sup>97</sup> He admitted that he might not be the right person to lead the review as he was not an expert in every area of employment.<sup>98</sup>

69. In the course of our oral evidence session, Mr Ashley promised to look into several practices at Sports Direct's warehouse and shops. We listed these points in a letter from the Chair to Mr Ashley, dated 25 June 2016, and he responded on 12 July 2016, telling us he had started work on the review, and had appointed “Sports Direct's independent legal advisors” to compile a Working Practices Report.<sup>99</sup> The Report will set out details of progress within 90 days of our letter's date of 25 June 2015.<sup>100</sup> There has obviously been some progress, both in terms of consultation and a willingness to tackle working practices, and we welcome the positive approach of Mr Ashley in this regard, but we will continue to press these issues in a constructive way with Mr Ashley.

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96 [London Stock Exchange](#), accessed 12 July 2016

97 Qq152–155.

98 Q158

99 [Letter 12 July 2016](#), from Mr Ashley to Mr Wright

100 [Letter 12 July 2016](#), from Mr Ashley to Mr Wright

70. The letter answered our questions, which are set out in the following table:

Questions asked of Mr Ashley, 25 June 2016	Answers from Mr Ashley, 12 July 2016
The use of the Tannoy <sup>101</sup>	The Tannoy is used only for logistical purposes. A Tannoy Policy for managers is being written (details will be included in the report)
The number and frequency of ambulance call-outs <sup>102</sup>	Emergency calls will be looked at in the report. Sports Direct is working closely with Bolsover District Council, in its NG20 committee.
Moving the location of the clocking-in stations to after the security check, so that workers are paid for the time that they wait to clock in and out of the warehouse <sup>103</sup>	Mr Ashley has looked into moving the stations, but “my initial assessment is that it will not be practical”. Their current policy is that all workers can clock off one minute early without suffering a wage penalty.
The strike policy. <sup>104</sup>	The agencies operate the strike policy. These matters are under consideration and in the meantime we are encouraging the agencies to ensure that their appeals procedure are made more transparent, as an interim measure. There will be a further update on the strikes policy in the report.
Whether overtime is paid for late clocking off. <sup>105</sup>	This will be included in the report
Managers’ treatment of shop workers, such as telling them to work for no pay and completing training on an unpaid basis. <sup>106</sup>	There will be an update on this in the Report
The payment of back pay due to workers (both directly-employed workers and agency workers). <sup>107</sup>	This related to a confidential HMRC matter, and Mr Ashley confirmed that an investigation was on-going. <sup>108</sup>
Issues of bullying, working with no contract, physical intimidation, dismissed with no explanation. <sup>109</sup>	“We are looking into the allegations and we will update on the findings in the report”.
Whether the balance between directly-employed workers and agency workers at Shirebrook was appropriate. <sup>110</sup>	“This questions falls into the area of our wider business strategy and will take longer than 90 days to consider.”

101 Q205

102 Q195

103 Q198

104 Q205

105 Q194

106 Q207

107 Q223

108 Q225

109 Qq229 and 233

110 Qq245–246

Questions asked of Mr Ashley, 25 June 2016	Answers from Mr Ashley, 12 July 2016
Statistics on the proportion of workers who have moved from temporary agency work to permanent contracts with Sports Direct in the past five years. <sup>111</sup>	"This information, where available, will be in the report."
What assessment you have made of the additional costs to the business of employing staff directly at Shirebrook, rather than paying agencies to provide agency workers. What assessment has been carried out of any advantages to workers and to the business of employing staff on a permanent basis. <sup>112</sup>	"This question falls into the area of our wider business strategy and will take longer than 90 days to consider."
The corporate governance of Sports Direct, including the possibility of reviewing and implementing a new management structure for the organisations <sup>113</sup>	"We will, of course, continue to consider corporate governance on an on-going basis. However it is a subject outside of working practices and will therefore not be included in the report".

71. We were pleased that Mr Ashley promised to study specific problems connected with employment practices in the Sports Direct warehouse and shops, and we thank him for his letter of 12 July 2016, setting out in detail the measures he is taking. This is a positive step forward, and we will follow up on his progress in due course, requesting interim updates and we will call him back to appear before the Committee should the results be unsatisfactory.

### Corporate governance

72. In the Chair's letter to Mr Ashley he was asked about the corporate governance of Sports Direct, including the possibility of reviewing and implementing a new management structure for the organisation. He replied that the issue would not be included in his review or in the independent report. Corporate governance of Sports Direct goes to the heart of the issues that have been raised in our inquiry. Mr Ashley admitted that the company had grown exponentially:

It is like going out one day and you have got a tiny little inflatable and you are in control, then you wake up one morning and you are an oil tanker. You cannot be all over that oil tanker. If there is a problem on that oil tanker, you are still responsible. Ultimately I am always responsible for Sports Direct. I am aware of that.<sup>114</sup>

111 Q249

112 Qq238–239

113 Qq245–246

114 Q176

73. When asked how he was going to improve the corporate governance of Sports Direct, Mr Ashley said, “I can only do my best and my best may not be good enough, as you say, but my best is all you can have”.<sup>115</sup> According to press coverage, some shareholders said that Mr Ashley needed a strong chairman to challenge him on his strategy and expansion plans, and criticised the lack of experience in the current Chairman, Keith Hellawell.<sup>116</sup> If Mr Ashley was unaware of the working practices at Shirebrook, in spite of all the evidence, it indicates that there were serious failings in the corporate governance of the company.

**74. Corporate governance is there to ensure that in running companies, boards balance the interests of the many different stakeholders, including the employees and workers. In a well-run company, widespread evidence of poor working practices would be detected at an early stage, reported to the board and properly addressed. This did not happen. We recommend that Mr Ashley should complement his working practices review with an independent review of his corporate governance arrangements. We believe that such a review would improve the running, and hence performance of his company, as well improving the reputation of Sports Direct amongst stakeholders and investors.**

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115 Q238

116 [“Sports Direct chairman under pressure to go”](#) The Guardian, 2 September 2015.

## 8 Conclusion

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75. Sports Direct is the country's largest sports retail outlet, but that size and success is founded on a business model that enables the majority of workers in both the warehouse at Shirebrook and at the shops around the UK to be treated without dignity or respect. Mr Ashley agreed that we could visit Shirebrook unannounced, but conceded that any such visit would reveal things that were wrong: "I am telling you will find things wrong, but let us do it then constructively and move forward".<sup>117</sup> We look forward to engaging with this constructive, forward-thinking approach to changing conditions for Sports Direct workers.

76. Although Sports Direct is a particularly bad example of a business that exploits its workers in order to maximise its profits, it is unlikely that it is the only organisation that operates in such a way. We will be holding Mr Ashley's feet to the fire, so as to see what progress he has made on improving working conditions for workers at his premises. We will also be studying the business model in general when we look at the labour market. Evidence of poor working practices reflects badly on the corporate governance arrangements at Sports Direct; we call on Mr Ashley to establish an independent review of existing arrangements in order to demonstrate good faith and improve investor confidence.

**77. Mr Ashley told us that, ultimately, he is always responsible for Sports Direct. We welcome and thank him for his openness and willingness to engage with us when he—finally—appeared before us. However, he must be held accountable for some appalling working practices at both the Sports Direct shops and warehouses, either for not knowing about them, or for turning a blind eye to such practices in the interests of maximising the revenue of Sports Direct.**

# Conclusions

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## Six strike policy

1. The “six strikes and you’re out” policy is used as a punitive measure, which denigrates the workers at Sports Direct and gives the management unreasonable and excessive powers to discipline or dismiss at will, reinforced by their power to control the hours offered to each worker. Workers are unlikely to challenge strike decisions, because they know if they do, they probably will not be offered any more hours in the future. Mr Ashley told us that he takes responsibility for working practices at Sports Direct. We welcome his commitment to review the strikes policy within 90 days and look forward to hearing the outcome. (Paragraph 23)

## Evidence from the two employment agencies

2. The employer/worker relationship at the Sports Direct warehouse in Shirebrook is not straightforward. Sports Direct pays two agencies approximately £50 million a year to employ workers on site. The oral evidence we received from the two agencies exposed the apparent strong grip that the management of Sports Direct has over the agencies. Yet those employment agencies take on the responsibility of employing the workers, providing them with poor terms and conditions, and paying them rates of pay which at times have fallen below the minimum wage rate. (Paragraph 28)
3. Many of the agency workers at the Shirebrook warehouse have been working there for many years. The warehouse at Shirebrook is open 365 days a year, 24 hours a day, and the nature and flow of business activity in the warehouse can be forecast with some accuracy. We heard no convincing reason why Sports Direct engaged the workers through agencies on short-term, temporary contracts, other than to reduce costs and pass responsibility. We do not accept that the advent of the internet is a sufficient reason to use agencies to supply the bulk of the workforce. (Paragraph 29)

## Sports Direct retail shops

4. The way the business model at Sports Direct is operated, in both the warehouse at Shirebrook and in the shops across the country, involves treating workers as commodities rather than as human beings with rights, responsibilities and aspirations. The low-cost products for customers, and the profits generated for the shareholders, come at the cost of maintaining contractual terms and working conditions which fall way below acceptable standards in a modern, civilised economy. There is a risk that this model—which has proved successful for Mr Ashley—will become the norm. We will be considering the full implications of this business model in the context of our broader inquiry into the labour market. (Paragraph 34)

## National minimum wage, back pay and deductions from wages

5. At our oral evidence session, Mr Ashley put on record, for the first time, that workers had been paid below the minimum wage, as a result of the unpaid, compulsory searching of all workers at the Shirebrook warehouse. Mr Ashley expressed remorse

at the extent of the bottlenecks at the security points. There are still questions unanswered over when back pay will be paid, as a result of these bottlenecks, and Mr Ashley told us that Sports Direct was subject to an ongoing HMRC investigation. We await their findings. (Paragraph 38)

### Deduction of pay

6. We are concerned about the legality and fairness of the voluntary schemes, such as the pre-paid debit card and the insurance scheme, to which agency workers at Shirebrook contribute. We recommend that the Gangmasters Licensing Authority look into these practices, once their remit is extended in October 2016, to ensure that such deductions are freely agreed to and are lawful. (Paragraph 47)
7. We are pleased to hear that the practice of deducting 15 minutes pay for clocking in just one minute late on arrival at the warehouse, or on return from a break, has been changed. We believe these various schemes are opaque, not well communicated to the workforce and have the effect—deliberately or otherwise—of taking money from the wages of low paid workers. This is unwarranted. The system now rounds up in five-minute segments, rather than 15-minute segments. However, the system of rounding up by 5 minutes, rather than rounding down by 5 minutes, still seems ungenerous. We recommend that Mr Ashley considers rounding down, rather than rounding up, so that a worker who was four or less late would not be penalised, and a worker who was nine to five minutes' late would be docked five minutes' pay. (Paragraph 48)

### The Gangmasters Licensing Authority (GLA)

8. In both written and oral evidence, Transline made claims to us which were later refuted by detailed evidence from the Gangmasters Licensing Authority. This casts doubt on the probity of Transline and on the reliability of their witnesses. On the face of it, we believe that Transline deliberately misled the Committee in their evidence to us. In view of the seriousness of this action, which could be considered a contempt of Parliament, we invite Transline to respond, within two weeks of the date of this Report's publication, to explain how their evidence was not deliberately misleading, before we consider what further steps to take. (Paragraph 55)
9. The extended remit of the newly-named Gangmasters and Labour Abuse Authority, in October 2016, will include warehouses such as Shirebrook and retail outlets such as the Sports Direct shops. We recommend that the GLA seriously considers looking into employment practices at Sports Direct, both in the shops and in the warehouse, to ensure that they are compliant with the relevant legislation. (Paragraph 56)

### Health and safety

10. We are concerned at the number of RIDDOR cases, the number and frequency of ambulance visits to Shirebrook warehouse, and the personal testimonies recounting health and safety breaches. We invite Mr Ashley and the agencies to review the health and safety provisions in the warehouse, to ensure that workers' health and safety are not put at risk as a result of working for Sports Direct, and to report

back to us with their findings. We also encourage Bolsover District Council and the Health and Safety Executive to take a more active role in overseeing that health and safety provisions are being correctly adhered to. (Paragraph 61)

### Engagement with Trade Unions

11. Unite the Union has worked hard to look after the interests of workers at Sports Direct and has collated a convincing body of evidence detailing unacceptable treatment. We are pleased that, following our oral evidence session, Sports Direct has started to engage with Unite in a positive manner, and we hope that this will extend to proper negotiations over workplace terms, conditions and pay. (Paragraph 65)
12. We are pleased to hear from Bolsover District Council that the Unite regional officer, whose union has collective bargaining rights for Shirebrook's directly-employed workers and has members who are agency workers, had been invited to attend its community-led committee meeting in July 2016. We hope that this is the start of a more inclusive working relationship that both the council and Sports Direct will be having with Unite the Union, and that a tangible result of this involvement will mean a reduction in Sports Direct workplace accidents, near misses, and other health and safety incidents. (Paragraph 66)

### Mr Ashley's review of Sports Direct

13. We were pleased that Mr Ashley promised to study specific problems connected with employment practices in the Sports Direct warehouse and shops, and we thank him for his letter of 12 July 2016, setting out in detail the measures he is taking. This is a positive step forward, and we will follow up on his progress in due course, requesting interim updates and we will call him back to appear before the Committee should the results be unsatisfactory. (Paragraph 71)
14. Corporate governance is there to ensure that in running companies, boards balance the interests of the many different stakeholders, including the employees and workers. In a well-run company, widespread evidence of poor working practices would be detected at an early stage, reported to the board and properly addressed. This did not happen. We recommend that Mr Ashley should complement his working practices review with an independent review of his corporate governance arrangements. We believe that such a review would improve the running, and hence performance of his company, as well improving the reputation of Sports Direct amongst stakeholders and investors. (Paragraph 74)

### Conclusion

15. Mr Ashley told us that, ultimately, he is always responsible for Sports Direct. We welcome and thank him for his openness and willingness to engage with us when he—finally—appeared before us. However, he must be held accountable for some appalling working practices at both the Sports Direct shops and warehouses, either for not knowing about them, or for turning a blind eye to such practices in the interests of maximising the revenue of Sports Direct. (Paragraph 77)

# Formal Minutes

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**Tuesday 19 July 2016**

Members present:

Mr Iain Wright, in the Chair

Paul Blomfield	Amanda Solloway
Richard Fuller	Michelle Thomson
Peter Kyle	Kelly Tolhurst
Amanda Milling	Craig Tracey
Jonathan Reynolds	Chris White

Draft Report (*Employment practices at Sports Direct*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 77 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for publishing with the Report (in addition to that ordered to be reported for publishing on 28 June and 12 July).

[Adjourned till Wednesday 20 July at 10.00 am

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Tuesday 7 June 2016

*Question number*

<b>Steven Turner</b> , Assistant General Secretary, Unite the Union, and <b>Luke Primarolo</b> , Regional Officer, Unite the Union	<a href="#">Q1–41</a>
<b>Chris Birkby</b> , Managing Director, Transline Group, <b>Jennifer Hardy</b> , Finance Director, Transline Group, <b>Andy Sweeney</b> , CEO, The Best Connection Group Ltd	<a href="#">Q42–148</a>
<b>Mike Ashley</b> , Executive Deputy Chairman, Sports Direct International, and <b>Keith Bishop</b> , Keith Bishop Associates	<a href="#">Q149–285</a>

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

WSD numbers are generated by the evidence processing system and so may not be complete.

- 1 Best Connection ([WSD0005](#))
- 2 Bolsover District Council ([WSD0004](#))
- 3 Gangmasters Licensing Authority ([WSD0007](#))
- 4 Transline ([WSD0002](#))
- 5 Unite the Union ([WSD0001](#))
- 6 Unite the Union ([WSD0003](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2015–16

First Report	The UK steel industry	HC 546
Second Report	The Government's Productivity Plan	HC 466
Third Report of Session 2015–16	The Teaching Excellence Framework: Assessing quality in Higher Education	HC 572
First Special Report	Competition in the postal services sector and the Universal Service Obligation: Responses to the Committee's Ninth Report of Session 2014–15	HC 476
Second Special Report/First Joint Special Report	Education, skills and productivity: commissioned research	HC 565
Third Special Report	The UK steel industry: Government Response to the crisis: Response to the Committee's First Report of Session 2015–16	HC 861

### Session 2016–17

First Report	Careers education, information, advice and guidance	HC 205
Second Report	The Digital Economy	HC 87