

Making work secure: unlocking poverty and building a stronger economy

The second briefing in the economic discussion series - Shaping a recovery that reduces poverty

COVID-19 has highlighted the insecurity pulling many low-paid workers into poverty. Some will argue we cannot tackle this until the economy has recovered. Instead, this briefing argues that delivering security can, and should, play a role in building a more productive economy beyond COVID-19 where work is a reliable route out of poverty.

Rebecca McDonald – Senior Economist

Alina Şandor - Economist

Why delivering security for low-paid workers is a priority now:

- We should continue to be concerned with the current scale and nature of insecurity facing low-paid workers in the UK.
- The costs of insecurity are falling on those least able to bear them and limiting the contribution of a significant group of workers to the labour market.
- There is a strong economic case for providing greater security to low-paid workers.
- As well as raising the living standards of many in poverty, delivering greater security can contribute to building a higher-skilled, higher-productivity economy.
- Momentum was building before COVID-19 to tackle insecurity – it should be maintained as we plan for the economic recovery ahead.

Summary

As COVID-19 hit in early 2020, the UK labour market was characterised by both record successes and significant weaknesses. Despite high employment rates, there was persistent in-work poverty, poor productivity growth, and work was failing to provide security for many workers.

Insecurity is a defining feature of work for many in the UK. For some, this means unpredictable hours and pay that varies from week to week. For others, their job provides few protections or benefits to support them in times of emergency. These experiences are not that rare. At least 7% of the workforce have elements of insecurity built into their contracts and others are exposed too, such as the 2 million low-earning self-employed people, or those not given notice of changing and cancelled shifts.

Less secure work arrangements can play a useful role in the labour market. They help businesses manage fluctuations in demand and provide a temporary stepping-stone for workers on their way to higher paid, more secure roles. **But there is reason to be concerned with the current scale and nature of insecurity facing workers in the UK.**

First, the costs of insecurity are falling on those least able to bear them. The concentration of less secure forms of work in low-wage sectors, such as hospitality, means insecurity is a common experience for workers living in poverty. Not only does this mean tight budgets are even harder to manage, it also traps people in poverty and limits their ability to contribute fully in the workforce.

Second, having a significant number of workers in insecure roles limits the productivity of the UK economy. Employers invest less in the skills of their transient staff and the growing use of these forms of work encourages business models that depend on cheap work. While this may suit individual businesses, at a national level it means a sizeable part of the workforce are missing out on training that could allow them to contribute more productively to the economy.

There is a strong economic case for providing greater security to low-paid workers.

As well as raising the living standards of many in poverty, delivering greater security can contribute to building a higher-skilled, higher-productivity economy. Low-paid workers would be able to access more job opportunities and gain the skills they need to progress to higher-paid roles. Businesses would be incentivised to invest more in their staff and move away from business models relying on cheap labour.

Before COVID-19, momentum was building towards tackling insecurity. The Government had acknowledged the difficulties facing low-paid workers in its responses to the 2017 Taylor Review and committed to a number of reforms, through a planned employment bill. But we are still far from providing adequate security to the workers that need it most.

Delivering security should not be put on hold until the economy has recovered from COVID-19. Some will argue that we cannot afford to consider job quality at a time of rising unemployment. This briefing argues that pausing these reforms is short-sighted. The economic recovery from the last UK recession was characterised by poor

productivity and wage growth. We can and must aim for a stronger recovery this time around. Investing in the security of low-paid work can play a role in this.

All workers should have the offer of stable, secure hours and pay, and a set of rights and benefits to support them in times of crisis. **To provide this, the Government should consider four areas of reform:**

1. Maintain momentum on strengthening security for workers: Government should bring forward their employment bill, and also go further by giving the right to notice of work schedules, compensation for cancelled work, and an extension of sick pay to low earners.
2. Set an example of best practice to influence employer behaviour: direct public sector employment and procurement should adhere to high standards of security. Job creation policies to aid economic recovery from COVID-19 must have secure employment built into their design.
3. Prioritise tackling insecurity in the social care sector: as the Government considers the future of social care, it should consider the social care workforce strategy ensuring that upcoming reforms deliver the security workers deserve and quality of care people expect.
4. Improve the social security system's interaction with less secure work: Universal Credit must be able to handle fluctuating earnings in a way that is both helpful and fair for claimants. Currently it is failing to do this for many people and the Government must look at ways to make this work better for the many workers and self-employed people who have irregular earnings or pay cycles.

Introduction

The COVID-19 crisis has brought many aspects of the UK economy into clearer focus. We've been reminded which roles and industries are most essential to our day-to-day lives. The financial and health inequalities between people are even more obvious than usual.

In the same way, the insecurity faced by many workers has been highlighted. Those in some of the most critical roles – social care, deliveries, warehouses – are those likely to have less secure forms of work, characterised by unpredictable hours and pay and few protections for times of sickness or emergencies. As they became front-of-mind the conditions in which they work were made more widely known. Evidence beginning to emerge of the impact of the crisis on non-critical industries has also contributed to this awareness, showing those with less security were some of the worst hit by pay cuts and unemployment.

Insecurity has always been a defining feature of work for those experiencing poverty. For those with the least, fluctuating incomes and few benefits to rely on in times of crisis causes stress. This means that tight budgets are even harder to manage, and it is much harder to move out of poverty. This crisis has shone a light on an issue which previously could be more easily hidden away.

Greater attention on the insecurity facing many at work is a very good thing. Before COVID-19 hit, this issue had been moving up the agenda, with some policy reforms taking place and momentum building to come up with more comprehensive solutions. Now, there is likely to be a strong argument made to pause this work while we fight the economic damage of this crisis and get businesses and jobs back to normal. Instead, this briefing argues we need to ramp up our focus on labour market insecurity so that the UK labour market that emerges from this crisis can offer a better, more secure normality than before for these workers.

The nature of the UK's economic recovery will have a significant influence on how secure work is for the next decade. It was during the recovery from the 2008 crisis that the recent increases in insecure employment took place. The nature of these jobs likely contributed to the successes of high employment rates but also the failings of poor productivity and wage growth, and persistent in-work poverty.

This economic recovery can and must look different. Labour market policies to aid economic recovery must be designed with security built into them. This will in turn support the return of a more productive and more inclusive UK economy than before COVID-19.

Before COVID-19: labour market successes mask the insecurity facing low-paid workers

A labour market of record highs and lows

The COVID-19 crisis hit the UK labour market at an interesting time. It was, at the same time, being lauded for record successes and criticised for significant failings. Since the post-recession trough of 2010, the employment rate has consistently risen year on year reaching 76% in the first quarter of 2020. At the same time, in-work poverty persists at a significant rate and the UK continues to struggle with poor productivity growth.

The high employment rate is the most celebrated labour market outcome of recent years. When COVID-19 hit in March 2020 the employment rate was at its highest on record after a period of strong job creation following the financial crisis of 2008. This was especially positive because the growth had been focused on people with historically low rates of employment. Single parents, BAME adults, and those with disabilities all experienced faster increases in employment than average between 2008 and 2018 (Clarke and Cominetti, 2019).

The second positive labour market development taking place as the COVID-19 crisis unfolded was the highest ever wage floor set in the UK. As of April 2020, the national living wage is set at 60% of median earnings. This was made particularly significant by the fact it happened at the same time as high employment rates. The wage floor has always been considered a potential risk to employment and set with caution to limit its negative impact. This success had given Government the confidence to promise a further rise to two-thirds median earnings by 2024, with the ambition to 'end low pay'.

This has the potential to make a significant difference to those experiencing poverty. Recent rises contributed to the real pay growth of low earnings after the financial crisis, growth that was not shared by higher earners (Haldane 2019).

Despite these two success stories, the UK labour market also faces significant weaknesses, a fact that can receive less attention than the positives.

Before COVID-19, one in every eight workers were living in poverty. This fact may seem at odds with high employment and a record minimum wage, but hourly pay is just one factor affecting families' living standards. Those on Universal Credit will only keep part of the recent pay rise from the minimum wage, and incomes are also driven by hours worked and the number of earners in a family. Combined with rising housing costs and reductions in benefit levels, these factors have prevented the rising wage floor making progress against in-work poverty.

The second high-profile problem for the UK labour market has been poor productivity. Since the financial crisis there has been a dramatic slowdown in productivity growth from 2% in 2008 to 0.5% in 2019 (ONS, 2019). There is not one simple explanation for this 'productivity problem', but the poor performance of a 'long tail' of less-productive firms and weak city economies are two of the main drivers (Innes and Earwaker, 2020).

Third, there is evidence of underemployment in the labour market. Many workers would like to work more hours, with more in this position than before the last recession (Bell and Blanchflower, 2018).

Combined, poor productivity growth and underemployment have contributed to low wage growth and meant a weak recovery in living standards despite low unemployment (Clarke and Gregg, 2018). As a result, the focus on the high employment rate may be giving the impression the UK labour market is healthier and closer to full employment than it is.

Insecurity is a common feature of the UK labour market

One factor contributing to this mixture of highs and lows is the level of security provided to workers. This affects the costs faced by businesses, the investment in workers skills and training, and the ability of workers to contribute fully and productively in the labour market.

Currently, insecurity is a common experience for many workers in the UK. This mainly takes place through two features of work:

- **Insecure pay:** when uncertainty about hours of work prevent workers having a secure income. This is often experienced as work schedules that fluctuate from week to week or little notice of cancelled work and changes to shift patterns.
- **Weak employment rights and benefits:** when there is little provision for emergencies or changes in circumstances meaning that incomes can drop significantly. This tends to be due to limited entitlements to sick pay, no time off in emergencies, or no protection against unfair dismissal.

It is not straightforward to measure how many workers have these experiences of insecurity. Our method is to consider that those with less security built into their work arrangements are most vulnerable, while being aware this is not always the case: those with guaranteed hours may not always be given notice of cancelled shifts, while those in less secure contracts may have employers that provide additional security.

Our best estimate is that as COVID-19 hit there were at least 2.4 million workers in insecure working arrangements and another 2 million low-earning self-employed people also likely to experience insecurity in their work. This adds up to roughly 13% of the workforce.

This first group of workers with insecure working arrangements are often known as 'atypical' workers, and include:

- Zero-hours contracts (ZHC), with no guaranteed hours of work. These are most used by businesses to manage fluctuations in demand (CIPD 2015). Workers on these contracts are more likely to be young, female and in full-time education than the average worker (Datta et al, 2019). Our estimate is there were at least 770,600 workers with a ZHC in their main job at the end of 2019, but estimates vary and this is likely to be an underestimate.
- Agency workers, who have a contract with an agency and then work temporarily or permanently for a hirer. Over a quarter of agency workers are only in their role

for six months or less, but in recent years it has become a more permanent form of work (Judge and Tomlinson, 2016). We estimate there were 591,100 agency workers in 2019, but again definitions vary. Including agency workers on ZHC or in self-employment will provide a higher estimate.

- Workers on temporary contracts, such as those with a fixed term of employment and casual or seasonal workers, such as fruit pickers.

These workers are often given ‘worker’ rather than employee status, meaning they have more limited entitlement to protections and rights. Time off for emergencies, notice of end of employment and protection against unfair dismissal are not guaranteed.

Table 1: Estimating the use of less secure work arrangements, 2019

	Number of workers	Share of UK workforce
Zero-hours contracts	770,000	2.4%
Agency work	590,000	1.8%
Casual or seasonal	280,000	0.9%
All other temporary	720,000	2.2%
Total	2,360,000	7.2%

Source: JRF analysis of Labour Force Survey (2019, Q4)

Note: The four categories of insecure forms of work are mutually exclusive. We define zero-hours contract as all workers declaring this contract, independent of them being self-employed or a permanent or temporary employee. Definitions of agency workers, casual, seasonal, other temporary and self-employed exclude those on a zero-hours contract.

The second group are the self-employed, who are exposed to various forms of insecurity. While many of the 4.9 million self-employed workers may have built very stable and secure businesses, it is reasonable to assume that the lowest earners are most vulnerable to insecurity as for them, the less secure nature of being self-employed is combined with the financial pressures of low earnings. Two in every five self-employed people are in this position, which when combined with those in less secure work or employment takes the number of workers likely to be facing insecurity to 4.4 million, or 13% of the workforce.

Some self-employed people have working arrangements more closely resembling employment. The costs of employing a worker can incentivise businesses to use this ‘false self-employment’ approach, but it exposes these workers to more insecurity by limiting the rights and benefits they are entitled to. Research in 2015 found that up to 460,000 people were in this ‘false’ self-employment (Citizens Advice, 2015).

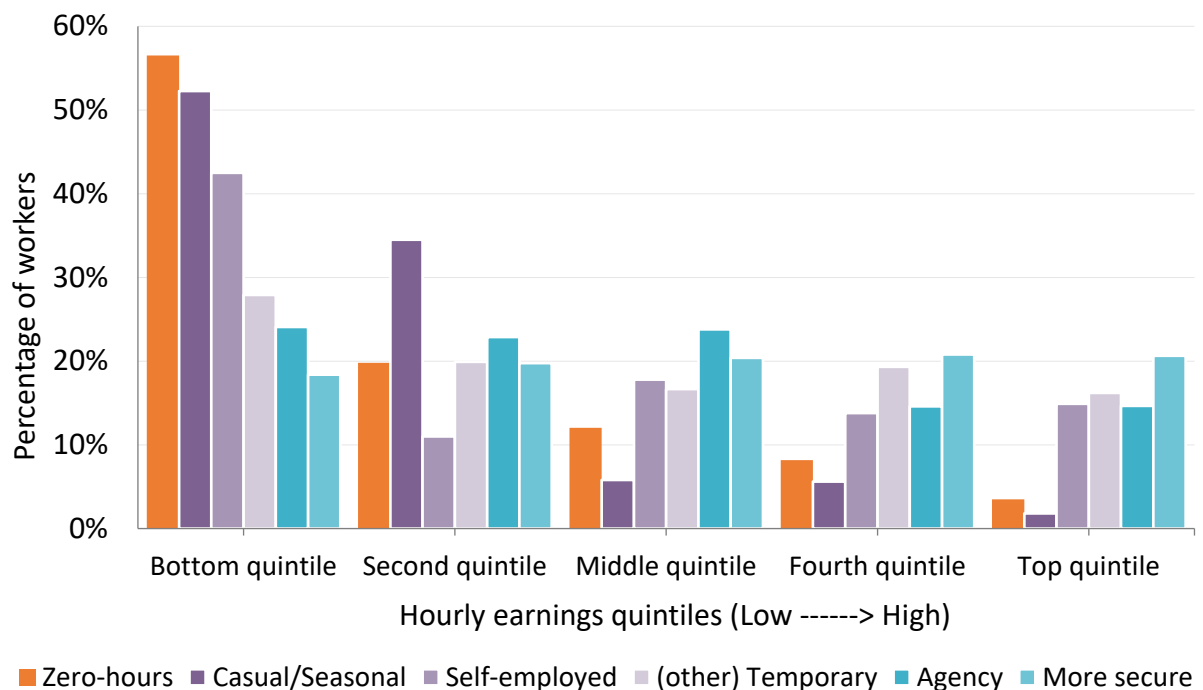
The prevalence of several of these forms of less secure work has grown in recent years. Zero-hours contracts have become more common, increasing from 0.4% to 2.4% of employment since 2008, though some of this growth is due to greater recognition of the term. The use of agency work has also grown, especially as many are on ZHC (Judge and Tomlinson, 2016). Self-employment rose from 13% to 15% of the workforce across the same period.

Less secure work arrangements tend to be low paid

Those in less secure work arrangements are more likely to be low paid than those with more security. The chart below shows how all types of less secure work are bunched at the bottom of the earnings distribution while all the remaining employment (defined here as more secure) is spread evenly across the quintiles.

Half of those in casual or seasonal work are in the lowest fifth of earners and the vast majority are in the bottom two quartiles. Workers with zero-hours contracts are similarly bunched towards the bottom, with 57% in the bottom quintile. While the pattern for agency workers is less extreme, they are still more common for those with lower earnings.

Figure 1: Distribution of different work arrangements by earnings

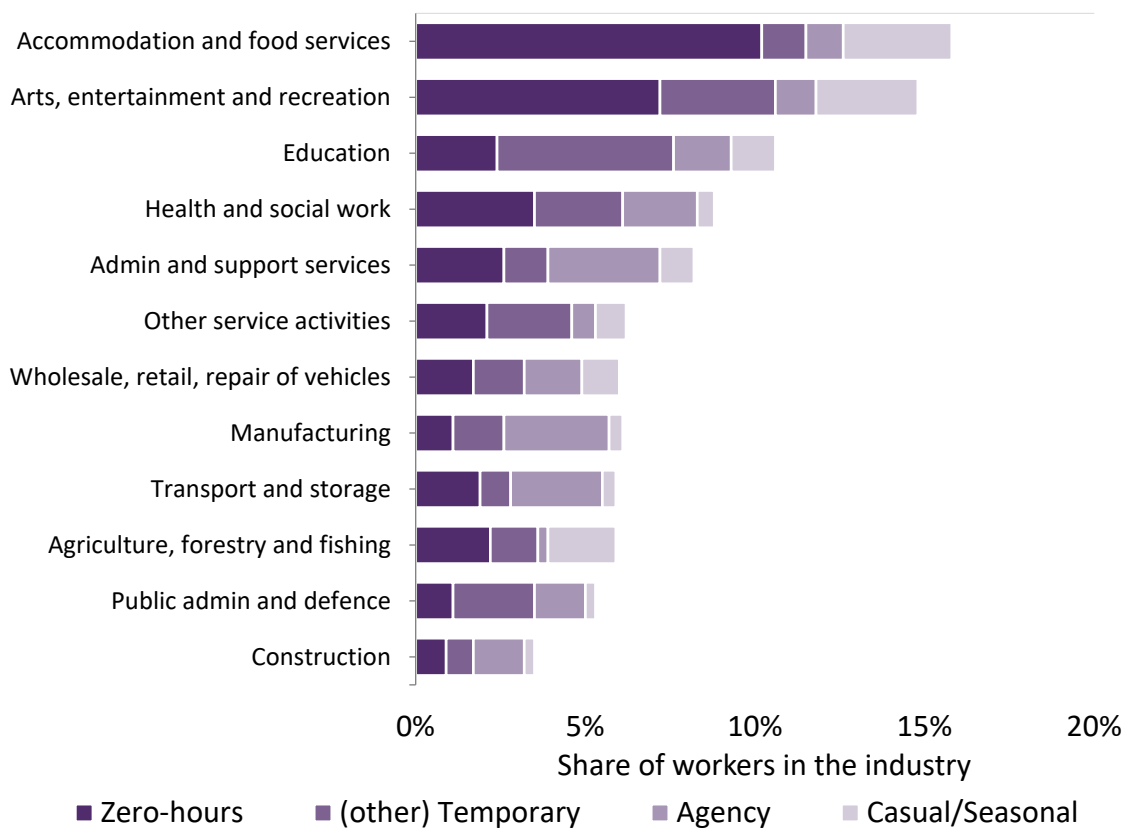


Source: JRF analysis of Labour Force Survey (2019, Q4) and Family Resources Survey (2018/2019)

This is partly because these work arrangements are most significantly used in low-wage sectors such as hospitality, accounting for 16% of all employment in accommodation and food and 15% in arts and entertainment. Both are sectors with a many low-paid workers, especially accommodation and food where the majority of workers are low paid (Forth and Aznar, 2018).

At the other end of the scale, less than 4% of workers in construction and only 5% in public administration and defence are in these forms of work. Clearly, the nature of each industry and the business models within it make a huge difference to the usefulness of these types of work.

Figure 2: Use of less secure forms of work by industry



Source: JRF analysis of Labour Force Survey (2019, Q4)

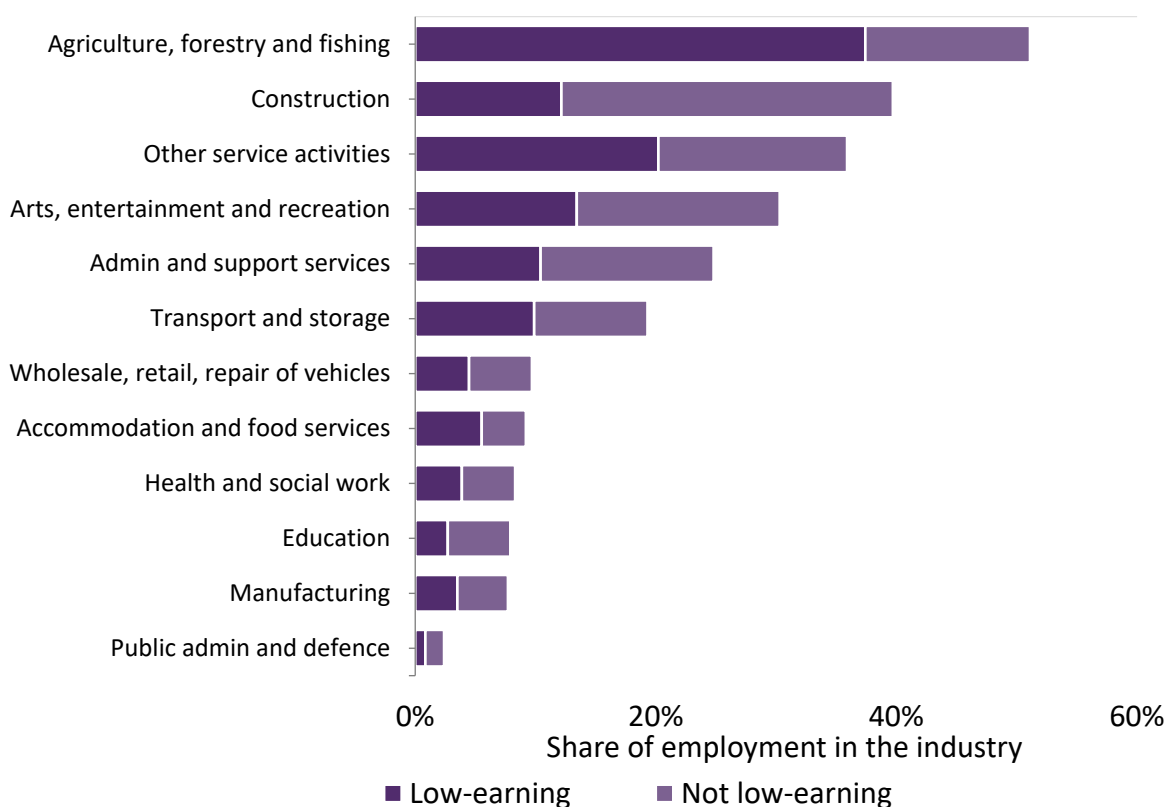
Within the industries highlighted, the form of this insecure work differs a lot. Zero-hours contracts are more significant forms of work in accommodation and food than in the arts, where other forms of temporary contract are more heavily used. Agency work is more common in health and social work.

This means that the experience of insecurity will vary by industry. Workers in hospitality are most likely to face fluctuating hours and earnings. For those working for agencies in health and social work their entitlements to rights and protections, and how clear these are, are likely to be a key concern.

These less secure forms of work account for just 6% of employment in agricultural sectors, but that does not mean work is necessarily more secure. Half of all workers in these sectors are self-employed and the vast majority are low earners (less than two thirds of UK median hourly pay). In contrast, while self-employment accounts for a similarly large 40% of construction work, it is much better paid with just 30% with low pay.

The prevalence of self-employment also varies significantly by sector. While agriculture and construction hire only a small proportion of their workers using temporary and atypical contacts, self-employment is very common. In agriculture half of all workers are self-employed, and nearly 40% in construction. But the chance of experiencing insecurity is likely higher in agriculture as the majority of the self-employed are low paid.

Figure 3: Self-employment by industry



Source: JRF analysis of Labour Force Survey (2019, Q4) and Family

Part of the reason why insecure work is so often low paid is that there is a pay penalty for working in these less secure roles. Workers employed on temporary contracts have been found to be paid noticeably less than those employed on a permanent basis, even if they have the same characteristics and skills. Instead of being compensated for the additional risks of insecurity, workers are instead facing lower pay. In the UK those on zero-hours contracts are paid approximately 7% less than non-ZHC workers in similar roles, while agency workers face a penalty of 2% (Gardiner, 2016).

These penalties may reflect some workers' decisions to accept lower wages with the expectation that the role is a stepping-stone towards a more stable, higher-paid career, combined with employers having few incentives to offer competitive wages to workers employed to cover temporary fluctuations in demand or a short-term staff absence. This may also be why the penalties are largest for those on low pay. Those on higher wages often have the financial security to turn down poorly paid temporary roles, meaning that employers are incentivised to offer more competitive wages and compensate workers for the risks they are bearing.

A significant proportion of workers want more security

Security is a highly prized feature of work for many. Datta (2019) shows that workers in the UK are willing to give up, on average, approximately 55% of their hourly earnings to secure a permanent contract or 37% for a one-year contract. Another highly valued job attribute is holiday and sick pay, with workers willing to give up around 35% of their hourly wage for these entitlements.

But the importance of a secure income with strong rights and benefits varies from worker to worker. Some choose less secure jobs because they suit their preferences and the insecurity is outweighed by other benefits. For example, a highly-paid consultant may choose a temporary contract because the higher wage compensates sufficiently for additional risk, or an older worker who has retired from their permanent employment may be happy with a ZHC as it provides a small number of flexible hours without much commitment.

For others, the costs outweigh the benefits and they are facing insecurity because they must rather than out of choice. Unfortunately, this is the case for a significant number of workers.

Dissatisfaction with insecurity varies by work arrangement. Many temporary workers would rather have a permanent position. Just over half of those in zero-hours contracts say this is their choice of work arrangement. Of the 43% who did not choose this form of work, the vast majority would rather have a permanent contract, without the unpredictable nature of these contracts (Datta et al, 2019). Our analysis suggests this is similar for temporary agency workers, with nearly half being in their role because a permanent job was not available. This was less common for those in casual or seasonal work, but still the case for nearly one in five workers.

Satisfaction with less secure work may be overestimated. For example, a worker may choose an agency contract because they need flexibility to work around their caring responsibilities. Compared with other jobs on offer, this has the best potential to be flexible. But it is possible for a job to offer both flexibility and security, so it is the lack of these roles which make insecure work a favourable option, rather than the quality of the roles themselves.

So while the flexibility suits some workers, it is clear that for a significant number of those in less secure forms of work the benefits do not outweigh the costs of insecurity and they only take these roles because permanent roles or jobs with more stable hours are not available.

The economic case for greater security for low-paid workers

Less secure work arrangements play a useful role in the labour market and can benefit both businesses and workers. Both the 2017 Taylor Review and the Government's subsequent responses acknowledged this, and this briefing agrees they serve a purpose.

However, there is reason to be concerned about the current scale and nature of insecurity experienced by workers in the UK, especially those on low pay. Firstly, for many in poverty the difficulties of managing insecurity mean the costs of these forms of work far outweigh the benefits. This has a negative impact on both their living standards and their ability to contribute productively to the labour market. Secondly, the scale of use of insecure working arrangements may be contributing to some of the UK's current economic weaknesses, particularly its poor productivity performance.

As a result, this section argues there is a strong economic case for providing more security to low-paid workers. It can contribute both to reducing the number of people trapped in poverty and to the UK's ambition to have a higher-productivity, higher-wage economy.

Security at work provides a more reliable route out of poverty

Workers in atypical work, such as temporary contracts, zero-hours contracts and agency work, have a higher risk of poverty than those in more standard forms of employment (Horemans, 2018). This is driven by a combination of the pay penalty in many of these roles and time spent out of employment between transient jobs.

This is a problem because the costs of insecurity are falling on those least able to bear them. Both income insecurity and weak employment rights and benefits are incredibly difficult to bear for those with few or no savings and little excess spending that can be cut when earnings fall.

Firstly, having unpredictable hours, and therefore earnings, that vary from week to week puts a strain on the mental wellbeing of workers and families. It also makes budgeting more difficult and can lead to the need to borrow. Planning for childcare and transport around work is both more difficult and expensive and can in turn restrict available hours or locations for work.

Secondly, the limited entitlement to rights and benefits of those with 'worker' status means that in times of emergency or situations where they cannot work (such as sickness or parental leave) they may find themselves with no earnings at all.

Experiences of insecurity from those in poverty

“Sometimes it’s all right, but like I’ve had to give my shifts away for next week because they’ve given me shifts that I can’t do, so I’ve got no shifts next week and I’m only on, like, two shifts a week at the minute ... I think if I had a job with a steadier income it would be a lot easier to save and know what I could put away each week.”

Lone parent, working part-time

“I don’t feel comfortable with my debt and I feel quite precarious and I am on a fixed-term contract at work as well, which finishes in November. I’ve no idea what I will do after that.”

“My contract is four hours a week but I do 30 hours a week ... They can’t offer me more than four hours even though I’m guaranteed 30 hours a week. So I don’t get a pension, and when I went on maternity leave I couldn’t take my full leave because of my four hour contract.”

Female, retail worker, Slough

“I am a waiter. Some weeks I will have one or two shifts the next I can have four or five ... Can’t make plans in advance due to unsure working days and can be cancelled even an hour before work starts.”

Source: Hill et al. (2016)

An additional challenge for many in poverty is the way the social security system interacts with the insecure nature of their work, especially since the introduction of Universal Credit (UC).

For some people in insecure work, the single benefit nature of UC can help smooth the transition between periods of unemployment and employment. However, for others who may be in more continuous employment but with volatile earnings the monthly variability in UC entitlements can accentuate fluctuations in earnings rather than acting to dampen them or provide a more reliable component of income for those in need of stability.

The system can penalise those with variable earnings. A worker with consistent pay each month will often receive more than a worker with fluctuating earnings even if their annual pay is the same. This is because the person on fluctuating earnings loses all or some of the benefit of their monthly work allowance in the months where they earn little or nothing, which is not made up for symmetrically in the months where they earn a lot more than average. In addition, UC can be particularly unfair to self-employed claimants with fluctuating earnings due to a similar effect arising from the monthly operation of the ‘Minimum Income Floor’.

These costs do not just lower living standards, they also can make it much harder for workers to move out of poverty. Workers with temporary or atypical contracts are often working fewer hours than their counterparts. The usual weekly hours of a worker

on a zero-hours contract (as their main job) is considerably lower than the average worker, at 25.2 hours a week compared with 36.4 hours (ONS, 2018). One reason for this is that the unpredictable nature of a worker's hours and schedules affects their ability to find additional work (TUC, 2014). For example, applying for a second job is more difficult without clear and predictable availability.

This downwards pressure on working hours, combined with the low pay in many of these roles, significantly influences a worker's chance of escaping from poverty's grip. Hick and Lanau (2018) examined the events that triggered being pulled into, and breaking free from, working poverty in the UK and found that around a fifth of the people escaping were associated with an increase in hours worked and about 30% with hourly earnings increases. A reduction in earnings, either through reduced hours or lower pay, accounted for 30% of the people being pulled into in-work poverty. This highlights how the guarantee of a stable number of hours is just as important as fair pay for reducing in-work poverty.

In addition, the non-permanent nature of insecure work increases the risk of experiencing spells of unemployment between jobs. Going in and out of employment regularly increases a worker's likelihood of being pushed into poverty. Hallerod et al (2015) shows that in-work poverty is driven by intermittent participation in the labour market, and highlight that the lack of stable employment and underemployment should be not be ignored as possible mechanisms by which in-work poverty can occur.

A labour market with less poverty is a stronger labour market. A workforce where one in eight workers live in poverty is not a workforce that is performing at its best. Poverty limits workers' ability to access jobs, focus on work and ultimately be productive members of the labour market. We can and should aim for a labour market where fewer workers live in poverty, and providing greater security to those in low-paid roles is a vital step towards this.

More secure work can contribute to a higher-productivity economy

While the link between productivity and pay has been extensively studied, until recently less attention was given to its relationship with other aspects of work quality, such as security. Changes in the labour markets, such as the rise in some forms of less secure work and persistently low productivity growth, have prompted more of an interest in the consequences of poor job quality on productivity.

There is now a body of evidence suggesting that less secure work arrangements can have a negative impact on productivity (Lisi and Malo, 2017) and the insecure nature of many low-paid jobs has been linked to the poor productivity of the UK economy in recent years (RSA, 2020).

Providing workers with more stable and secure employment can have a positive effect on productivity. Previous JRF research (Innes, 2018) found that one of the key drivers of the weak national productivity performance was the nature of work on offer to those in low-wage sectors. Temporary contracts were found to increase anxiety, reduce morale, and limit the build-up of human capital which in turn reduced worker productivity (Bryson, 2013).

This was a greater determinant of low productivity in these sectors than the lack of capital investment or workers' formal skills, though both of these also contributed. Reducing the share of workers on temporary contracts was recommended to raise productivity in these low-wage sectors, such as retail and hospitality.

Greater employee satisfaction has also been found to be positively related to productivity and lower staff turnover (Krekel et al, 2019). Given the sizeable group of low-paid workers dissatisfied with the insecurity they face, there are likely to be benefits to be gained from providing more security to these workers.

Businesses have stronger incentives to invest in staff with more secure contracts. An employer's decision of how much to invest in the skills of their workers depends on a number of factors: the cost of the worker, how long they are expected to work in the role, and how much the business expects to gain from the investment. The longer the worker stays with the firm, the more they can profit from their investment.

The transient nature of less secure work arrangements can disincentivise firms from investing in the skills of their workforce. For temporary staff in particular, there is little guarantee the business will recoup the cost of their investment in productivity gains. In the case of agency work there is the addition of a complex triangular relationship between agency, agency worker and hiring company that dilutes the responsibility to provide training. In these situations, workers can therefore end up trapped in the insecure positions with low levels of training, few opportunities for progression and lower employability levels.

With very low incentives for businesses to train their workforce, training is often self-financed by workers in their own time or provided by the Government. For example, research has found that workers on temporary and zero-hours contracts are less likely to receive training and more likely to pay for their own training than those with more typical contracts (UKCES, 2014). In contrast, a permanent employee with income security has a much stronger attachment to their employer which increases their expected job tenure and provides much more of an incentive for the business to invest in their training and skills development.

The result is that those with less security at work are likely to be provided with fewer training opportunities. This restricts their ability to improve their skills and develop new ones, both vital factors in becoming more productive workers; this costs the business in lost productivity gains, but also has a knock-on impact on the worker who is not building the skills they need to progress to higher-skilled, higher-paid roles.

Overuse of less secure work arrangements may be weakening the UK's productivity performance. In moderation these forms of work play an important role in the labour market, providing flexibility for both workers and businesses. They enable businesses to adapt to fluctuations in demand and can serve as a bridge to more standard employment for jobseekers.

However, when a significant proportion of the workforce are in this position then there are wider economic consequences. For an individual business, the benefits of having a flexible and cheap group of workers may outweigh the lost productivity gains of not

investing in their skills. But at an aggregate level the trade-off between benefits and costs can differ.

Having a sizeable minority of the country's workforce receiving little or no investment in their skills limits the productivity performance of the economy. This is especially problematic when this group of workers are those trapped in poverty and most in need of investment to enable them to progress to higher-skilled, higher-paid roles. Given this, it is important that insecure forms of work are used only where necessary. When used unnecessarily, the business is benefiting at the expense of the worker and the wider economy.

Greater security for workers can contribute to achieving a stronger economy beyond COVID-19

The prevalence of insecure work has likely contributed to the mixture of highs and lows that have characterised the UK labour market in recent years. There is some evidence to suggest the use of less secure work arrangements may have contributed to high employment rates. But given the links between insecurity, in-work poverty and productivity explored above, it is also likely to have contributed to the weak productivity and wage growth of the labour market in recent years.

Delivering security for low-paid workers will incentivise more investment in the skills of the workforce and can contribute to achieving a more productive economy.

It is also essential to ensure the success of other labour market policies, for example the use of the national living wage to end 'low pay'. While the rising wage floor did not lead to greater unemployment, it may have led businesses to cut labour costs in other ways. There is some evidence to suggest it contributed to the growth in the use of zero-hours contracts in some low-wage sectors, such as social care (Datta et al, 2019).

If this is the case, the gains to workers of higher hourly pay will have been limited as firms cut costs by exposing workers to more insecurity. Ending low pay is not enough if firms simply turn to other practices that also trap workers in poverty. To effectively tackle in-work poverty fair pay and secure work need to come hand in hand. Given many workers value security so highly, providing security is a key part of ensuring they feel the benefits of economic growth.

Of course, delivering security will not be cost-free. Some business models that rely on cheap, temporary work will struggle to adapt. But this does not mean it should not be done. In the long-term there is a strong case that the economic benefits will outweigh these costs by building an economy with less in-work poverty and a higher-skilled, higher-productivity workforce.

Providing security should be viewed as a long-term investment in achieving a more productive UK labour market that provides workers with a reliable route out of poverty. It should be approached with the same caution and rigour as raising the wage floor, using research to inform policy design, limit unintended consequences and support businesses to move to more sustainable business models.

Why now is the right time to address insecurity

Momentum for change was building before COVID-19

In the years before COVID-19 hit, progress had been made towards providing workers with more security. The rise in some less secure forms of work since the 2008 financial crisis raised concerns about whether employment rights and labour market policies were keeping up with the evolving nature of the workforce.

This led to the 2017 Taylor Review of Modern Working Practices and set of subsequent Government responses and consultations. The scope of these discussions was wider than security, focusing on the broader concept of 'Good Work', but tackling insecurity was a core component.

As a result of the Taylor Review, the Government committed to adopting several important reforms to tackle insecurity at work which came into effect in April 2020, including:

- Ensuring agency staff have the right to equal pay with directly hired staff.
- Extending the right to a written employment statement to those with 'worker' status, not just employees, so they have clarity over their contract.

In the 2019 Queen's speech, the Government also promised an employment bill which would give workers on zero-hours contracts the right to request a contract better reflecting the hours they work, once they have been in post for 12 months. Unfortunately, no further update on the date or contents of this bill has been given since the start of the COVID-19 crisis.

In addition, several of the recommendations made in the Taylor Review are still being considered by the Government and may be introduced in the future, such as:

- Giving agency workers the right to request a direct contract with their hirer, with the aim of improving the security of their work and allowing them to gain full employee rights and protections.
- Clarifying and simplifying the different employment statuses to give workers clarity over their rights and enable more effective enforcement.

As a result, before COVID-19 some momentum had built towards offering more security to workers and it seemed there was political will for further reforms. But this progress is just a fraction of what is needed to fully provide low-paid workers with security and there is a significant risk that the pandemic derails further reform.

Timeline of recent events related to providing greater security to workers

July 2017: The Taylor Review is published

Security is one of the six key themes of focus for the Review. It concludes that ‘insecure and exploitative work is bad for health and wellbeing and generates a cost to society’ and that ‘improving the quality of work is important to improving productivity’. It recommended 53 policies, several of which were directly aimed at providing more security for workers, such as:

- Introduce a ‘right to request a direct contract of employment for agency workers who have been placed with the same hirer for 12 months.’
- Create a ‘right to request a contract that guarantees hours for those on zero-hour contracts who have been in post for 12 months which better reflects the hours worked.’

February 2018: The Government publishes its response

The Government responds, acknowledging many of the issues raised in the Review and committing to considering many of the proposed reforms. It also launched four consultations:

- agency workers,
- employment status,
- enforcement of employment rights,
- increasing transparency in the labour market.

December 2018: The Good Work Plan is published

The Government accepts 51 of the 53 recommendations in the Taylor Review, and the Employment Rights (Employment Particulars and Paid Annual Leave) (Amendment) Regulations 2018 commits to several coming into effect in April 2020.

March 2019: Legislation gives effect to more of the recommendations

Three more pieces of secondary legislation commit to more of the Review’s recommendations – including reform for agency workers – which will mostly come into effect on 6 April 2020.

July 2019

The Government launches three further consultations, one of which is to consider ‘One-sided flexibility: addressing unfair flexible working practices.’

December 2019

The Queen’s speech announces the Johnson Government’s commitment to the Good Work Plan and its proposals. It also signals an upcoming Employment Bill which will implement further reforms.

April 2020

Promised reforms come into place.

COVID-19 has highlighted the need to do more to address insecurity

During this pandemic, the insecurity faced by many workers has become more visible. Some of the most visible key workers have been in industries where less secure forms of work are commonly used.

While the NHS has received the most attention, the work of those caring for people in their homes has been high profile because of the higher risk of infection with COVID-19. This has raised awareness of the low-paid and insecure nature of this work.

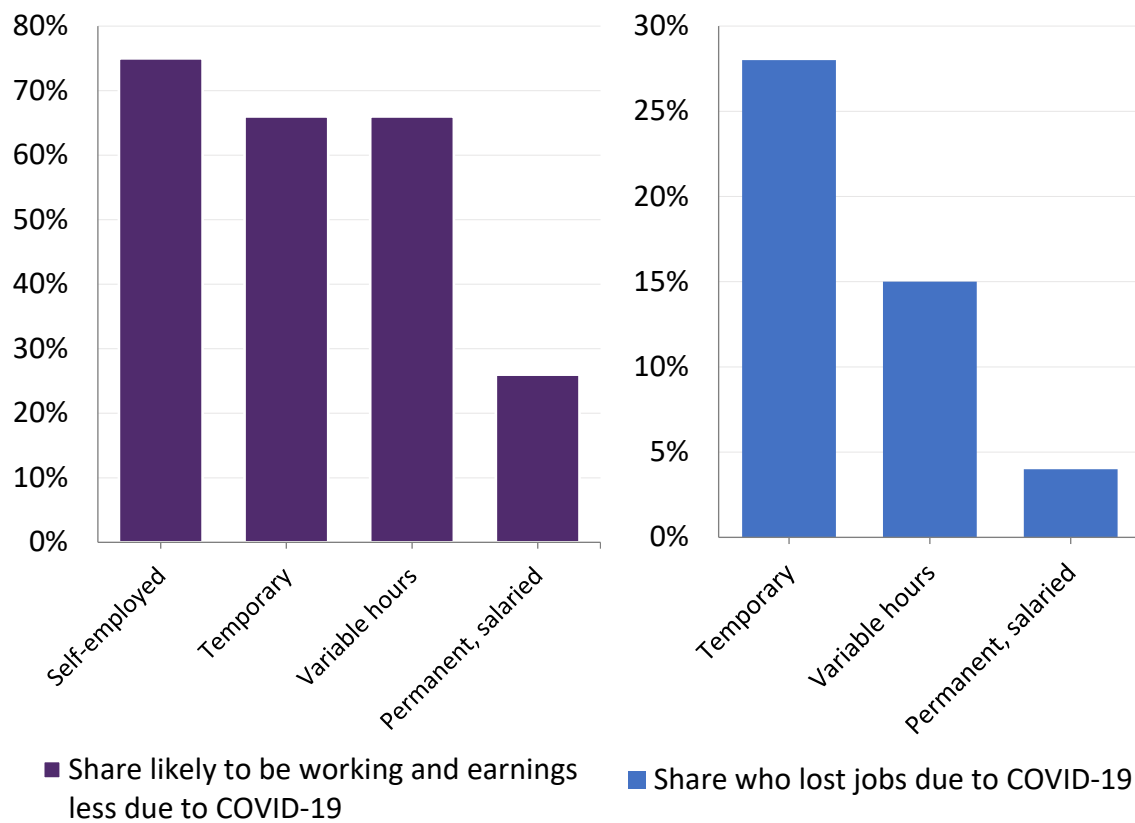
Approximately one in ten social care workers are on zero-hours contracts, and they are three times more likely than other workers to be hired by an agency (Cominetti et al, 2020).

Delivery drivers have also been more visible as they transport medicines, food, and other essentials to those unable to go to shops and pharmacies. In these industries the use of 'false' self-employment is common and so the benefits and costs of this work arrangement are again being debated.

The economic crisis has hit workers with less security particularly hard. One of the emerging findings of the impact of the COVID-19 crisis is that earnings losses and unemployment have been more likely to affect those with less secure work arrangements in non-critical industries.

Those with variable hours, such as zero-hours contracts, have been more likely to see a drop in hours and earnings during the crisis and also to have lost their job due to COVID-19 (Adams-Prassl et al, 2020). While a quarter of permanent, salaried staff were working and earning less, two-thirds of temporary workers and those with variable schedules, and three-quarters of self-employed workers, were in this position. The difference in unemployment was also large, as the chart below shows.

Figure 4: Unemployment, loss of hours and earnings by contract type



Source: Adams-Prassl et al 2020

Source: Adams-Prassl et al 2020

Use of the Coronavirus Job Retention Scheme (CJRS) also seems to have been higher for those in less secure work. A quarter of those on zero-hour contracts were furloughed, as well as 28% of those with variable hours, while for workers on more traditional contracts this figure was 12% (Gardiner et al, 2020). Interestingly, use of the scheme was no higher for agency workers, but this is likely because they were instead much more likely to have lost their jobs.

This impact will have been driven to some extent by the frequent use of these contracts in the industries worst affected by the lockdown. A large proportion of workers in accommodation, food, and entertainment are hired in temporary and atypical working arrangements, as shown above, and these are also industries which have suffered badly from closures and restrictions put in place by the Government to stem the spread of COVID-19.

But the nature of these work arrangements may have also contributed. It is possible that because starting and ending these work arrangements is easier and cheaper than more traditional, permanent contracts, businesses may have been quicker to let go of staff. There is not yet enough data to know if this is the case or not, but as more becomes available the extent of this will be more clearly known.

On the one hand the use of the CJRS is very positive, as it has been able to prevent (or at least postpone) unemployment for these workers. But it is also a warning that as support comes to an end, these workers are likely to be the first to feel the impact. The nature of these jobs means that as the economy picks up again workers may be easier

to re-hire, but in the meantime there may be many months of unemployment and reliance on the social security system.

Insecurity has also disrupted the effectiveness of the Government's COVID-19 response, as those with fewer rights and benefits have found it more difficult to comply with guidance. Workers without access to sick pay were significantly more likely to work with COVID-19 symptoms than those with sick pay, 43% compared with 31% (Adams-Prassl et al, 2020). This was particularly dangerous given that those in this position are more likely to work in close contact with others, because of the prevalence of insecure work in some key industries like care.

More security for workers can contribute to a strong economic recovery

We are now in the middle of an economic crisis caused by COVID-19. Given the current downturn and the likelihood of many more job losses on the horizon, this might not seem the right time to be concerned with improving the quality of work.

Some will argue reforms begun before COVID-19 should now be paused to focus solely on raising the number of people in employment. This stems from the serious concern that raising the cost of labour to provide workers with security could have a detrimental impact on employment. But there are also significant risks to not acting which need to be considered.

The economic recovery from the last UK recession in 2008 was characterised by poor productivity and wage growth. While there were many factors that contributed to this, the common use of less secure working arrangements likely played a role in limiting productivity growth and trapping many workers in poverty. By maintaining current conditions for workers, the UK is at risk of repeating the same errors this time around.

The recovery from the COVID-19 recession can and must be stronger. The UK needs a growing, productive economy beyond this crisis to pay for the very significant spending on emergency measures, and to ensure living standards recover. Providing greater security to low-paid workers can play a role in achieving this. Rather than stall progress, now is the right time to push on with reforms.

How to deliver security for low-paid workers

All workers should have access to a job with stable, secure hours and pay and a set of rights and benefits to support them. Delivering this security will require a collection of reforms, as set out in this section.

1. Maintain momentum on strengthening security for workers

The Government should urgently bring forward the employment bill it committed to in the 2019 Queen's Speech and use it as an opportunity to strengthen the security that workers are entitled to. The Bill is expected to give workers the right to request a contract with more stable hours. This is an important first step towards providing income security to all who want it, but more is needed. A package of measures that would give workers sufficient security should include:

- All workers should have a right to reasonable notice of work schedules. Government should work with sector bodies to develop appropriate standards. The Living Wage Foundation's Living Hours Accreditation scheme sets out a framework for best practice: four weeks' notice of shifts and a minimum 16-hour contract (unless the employee opts out).
- Employers should cover the costs of last-minute cancellation of work. Compensation should be guaranteed when cancellations are made within the notice period.
- Statutory Sick Pay should be extended to low earners by removing the current weekly earnings threshold of £120, making it available to almost 2 million additional workers. In the longer-term the level of SSP should be increased.
- These rights need to be supported through a well-funded and easily navigable enforcement system. Government's commitment to delivering a single enforcement body recognises the importance of coordinated, well-funded enforcement to a fair labour market with the right powers to protect workers and ensure high levels of business compliance.
- The Government should consider how it can rebalance the costs to businesses of using different work arrangements. Currently, the relative costs of employing workers versus the self-employed is likely inflating the use of less secure arrangements beyond what is necessary to provide businesses with flexibility. The Government should rectify this by rebalancing the costs, for example the tax burden, of using employees and self-employed workers. This would weaken the incentives for businesses to overuse less secure work arrangements.

2. Set an example of best practice to influence employer behaviour

The Government, at both national and local levels, should use its role as an employer to influence private sector employers by making the following commitments:

- Ensure that all direct public sector employment provides workers with a high standard of security. One benchmark of best practice that could be used is that proposed by the Living Wage Foundation in their Living Hours campaign. This commits employers to providing workers with at least four weeks' notice of shifts, a contract accurately reflecting hours worked, and a contract with a minimum of 16 hours a week.
- Public procurement should utilise social value tools to secure improvements in job quality and security for workers in public sector supply chains.

The Government should ensure security for workers is built into the job creation policies it designs to aid economic recovery from COVID-19:

- Jobs provided through intervention schemes supported by public money, such as apprenticeships and kickstart jobs, should provide a high level of security.
- Investment intended to level up the economy and support local economies worst hit by unemployment should also be designed to ensure secure employment, right through the supply chains.

3. Tackle insecurity in the social care sector

Given the common experience of insecurity for care workers, highlighted throughout the COVID-19 pandemic, the Government should prioritise reform in this sector. There has been a commitment to address issues in the social care system in upcoming reforms.

The Government should urgently put in place a workforce strategy that delivers both the security social care workers deserve, and the quality of care people expect, and provides sufficient funding to do so.

4. Improve the social security system's interaction with less secure work

The social security system should enhance stability rather than amplify insecurity, and support people to manage their budgets in a way that works with their working patterns. Given the common use of less secure forms of work, it must be able to handle fluctuating earnings in a way that is both helpful and fair for claimants.

Currently Universal Credit is failing to do this for many people. The Government must look at ways to make Universal Credit work better for the many workers and self-employed people who have irregular earnings or pay cycles. One route would be to explore ways to average earnings across multiple monthly assessment periods.

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About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

All research published by JRF, including publications in the references, is available to download from www.jrf.org.uk

To meet one of our experts to discuss the points raised please contact:
Rebecca McDonald: Senior Economist
Rebecca.mcdonald@jrf.org.uk