Low Pay Britain

2021

Nye Cominetti, Charlie McCurdy & Hannah Slaughter

June 2021

Acknowledgements

This report includes analysis that forms part of the Resolution Foundation's Labour Market Enforcement programme, which is generously supported by Unbound Philanthropy. Any errors remain, of course, the authors' own.

ONS Crown Copyright information

Download

This document is available to download as a free PDF at:

https://www.resolutionfoundation.org/publications/

Citation

If you are using this document in your own writing, our preferred citation is:

N Cominetti, C McCurdy & H Slaughter , *Low Pay Britain: 2021,* Resolution Foundation, June 2021

Permission to share

Contents

Executive Summary

This year's Low Pay Britain report looks at the impact of the Covid-19 crisis on those on low pay and what that might mean for such workers as the economy starts to recover. Workers in lower paid jobs have faced greater health and economic risks than high paid workers. And central to whether this is a recovery that 'builds back better' is whether it is one that benefits low paid workers, which means improvements in both pay and job quality. A key conclusion from our analysis is that policy makers shouldn't assume that minimum wage policy and the reopening of the economy – while hugely beneficial – are sufficient to achieve this. In fact, there are major risks – in the shape of higher unemployment, decreasing job security and infringements of labour market rights. These are the key issues we address in the Resolution Foundation's eleventh annual Low Pay Britain report, in which we monitor the extent and nature of low paid work in the UK, and explore policy issues facing low paid workers.

A fast-rising minimum wage has driven down low pay – this continued in 2020

The run up to the crisis was a positive one for low paid workers, with a fast-rising minimum wage improving the pay of the lowest earners. This was driven by the introduction of the National Living Wage in 2016, since when the adult rate minimum wage has increased in value relative to median pay about three times faster than in its previous 15-year history. A worker working full time on the minimum wage in 2020 would have been paid roughly £1,700 more than if the minimum wage had continued to increase at its pre-2016 pace.

This has had a big impact on the proportion of workers in low pay – defined as earning less than two-thirds of median hourly pay – which has undergone a sustained fall for the first time in four decades. In 2015, 21 per cent of employees in Britain were in low pay, and the proportion of employees had been roughly this level for the previous 20 years. A fast-rising minimum wage since then pushed down the number of workers in low pay to 15 per cent in 2019. This number fell again to 14 per cent in 2020. This looks like further good news but it's not clear how much of the change in 2020 is down to the ongoing impact of the minimum wage – a positive driver of falling low pay – versus the compositional effect of job losses being concentrated among the low paid and thereby pushing up average pay levels (a negative driver of falling low pay).

The UK is not alone in seeing falling low pay driven by a rising minimum wage. Low pay is also falling in several other developed economies, most notably in New Zealand and in South Korea, in both of these countries the proportion of full-time workers in low hourly pay fell by around 5 percentage points in the past few years. This compares to a fall of 2 percentage points in the UK.

Less positively, the proportion of workers in low weekly pay in the UK has not fallen in the same way that the proportion of workers in low hourly pay has. While hourly pay is the best measure of what workers can command for a given amount of work, ultimately it is weekly pay that matters most for living standards. The proportion of workers in low weekly pay (28 per cent) is twice as high as the proportion in low hourly pay (14 per cent) and has only fallen by 2 percentage points since 2015, compared to the 7 percentage point fall in low hourly pay. This shows that the number of hours worked are just as important as the hourly rate of pay. Importantly, the low hourly paid and the low weekly paid are increasingly separate groups. In 2020 just 79 per cent of those in low weekly pay were also in low hourly pay, down from 88 per cent at the start of the century.

Low paid workers continue to bear the brunt of the crisis

Low paid workers have been more adversely affected by the Covid-19 crisis than higher paid workers. This is true of the health impacts, with workers from 'elementary' and caring and leisure service occupations facing death rates from Covid-19 around three times the rate of those in higher paid occupations. But it's been true of the economic fallout too – low paid workers have been three times as likely as higher paid workers to experience a negative impact on their work. In March, the latest month for which data is available, more than one-in-five (21 per cent) workers in the bottom weekly pay quintile had either lost their job or lost hours and pay due to the crisis, or were furloughed, compared to less than one-in-ten (7 per cent) of those in the top earnings quintile.

The disproportionate impact on low paid workers reflects the sectoral impact of the pandemic with low paying service sectors – such as hospitality, leisure, and retail – subject to the greatest restrictions on activity during the past year. For example, in the second quarter of 2020, output in the hospitality sector (the lowest paying sector, with median pay across the sector as a whole of just £8.64 in 2019) fell by 85 per cent compared to the end of 2019. Output in leisure and other personal services, another low paying sector, fell 46 per cent.

Crucially, the Job Retention Scheme (JRS) has stopped those contractions in activity turning into wholesale job losses. The JRS has played a particularly important role in those hardest-hit, low paying sectors. Prior to the relaxation of social distancing restrictions in March of this year, the number of workers furloughed in bars and pubs, and hotels, was equivalent to over 80 per cent of pre-crisis employment in those sectors. It's important to note that the JRS has not prevented all job losses, though: employee jobs in hospitality and leisure (including those furloughed) are both down 20 per cent on pre-crisis levels (in April 2021).

There are reasons for positivity as the economy reopens

Just as low paid workers have been worst affected by the restrictions on the sectors they work in, so the reopening of the economy from April onwards should benefit low paid workers the most. Rates of (full or partial) furloughing overall have fallen from 16 per cent at the end of February, to 15 per cent at the end of March, to 12 per cent at the end of April. The fall has been particularly rapid in some lower paying sectors as they began to reopen in April. Rates of (full or partial) furloughing in hospitality fell from 58 per cent at the end of March to 48 per cent at the end of April. Employees in retail, hospitality and leisure – the three largest low-paying sectors of the economy – account for more than half (55 per cent) of the 880,000 fall in furloughed workers during April. In addition, ONS's business survey, which provides more timely estimates of furloughing, suggests furloughing rates continued to fall in May.

Of course, the key question is what is happening to workers as they leave furlough. The hope is that they return to their previous job, or find work elsewhere. Unfortunately, however, we have little data on this so far, other than observing the better-than-expected labour market data: the unemployment rate has fallen since December, with Labour Force Survey data covering the period up to March. Newly available data from March provides some of the first concrete data on the outcomes of furloughed workers as the economy started to reopen, and is encouraging. Overall, just over one-in-three (34 per cent) previously-furloughed workers were still furloughed in March, and 7 per cent were no longer working. Those in the bottom half of the pay distribution were more likely to still be furloughed – likely reflecting the slower opening up of lower-paying sectors such as hospitality and leisure; almost two-in-five (38 per cent) previously-furloughed workers in the bottom pay quintile were still furloughed in March, for example, compared to 17 per cent of the highest paid workers.

Also reassuring is evidence of some furloughed workers moving jobs and sectors. We find that 12 per cent of previously furloughed workers have started a new job, including 7 per cent also in a different sector. Recent reports have suggested the security of furlough is causing labour shortages in growing sectors – this evidence, while not showing that the furlough scheme is having no impact on labour supply, does show that the scheme hasn't prevented some workers moving jobs. Job and sector switching has been more common among low paid furloughed workers; 18 per cent of previously furloughed workers from the bottom pay quintile have started a new job, including 14 per cent in a new sector. It's also reassuring that sector moves among previously furloughed workers have been particularly common among workers in retail, with 12 per cent of previously furloughed workers starting a new job in a different sector (compared to 7 per cent of all previously furloughed workers). This is good news given the long-term trend of falling employment share in retail, which this crisis is likely to have accelerated.

It will only be a recovery which 'builds back better' if it's one that delivers for low paid workers

Because low paid workers have borne the brunt of both the economic and health impacts of this pandemic, this group will be central to whether the recovery from this crisis is one that 'builds back better'. A strong recovery for low paid workers would mean one which sees improvements in both pay and job quality. Policy makers shouldn't assume, however, that a rising minimum wage and reopening the economy will be sufficient to achieve this. While the summer period looks set to be positive for low paid workers as employment rises and furlough numbers fall, there are major risks ahead. The most obvious of those risks is that new variants delay – or even reverse – the path of relaxing social distancing restrictions. But there are further risks beyond a deterioration in the path of the pandemic. The first is of rising unemployment later in the year. The second is that there is no improvement in – or even a deterioration in – their quality of work, and the extent to which the low paid experience violations of labour market rights.

Despite forecasters repeatedly marking down their expectations for unemployment, unemployment still looks set to increase further in the coming months. This is because the JRS is expected to end while there the economy has not yet fully recovered. There are two reasons why rising unemployment will particularly affect low paid workers. First, because low paid workers normally face higher unemployment than other workers, particular during downturns. For example, in the aftermath of the financial crisis in 2008 the unemployment rate among workers from 'elementary occupations' rose from 8 to 12 per cent, while the unemployment rate among workers from high paying occupations never reached 3 per cent. Higher unemployment among lower paid workers is driven by both higher rates of job loss and, to a lesser extent, by longer time spent unemployed. And second, because low paid workers' relative unemployment risk is likely to be particularly high after this crisis given the possibility of structural change centred on low paying sectors.

Job quality for low paid workers is unlikely to improve without a tight labour market – and may worsen if unemployment rises

Rising unemployment would be bad in and of itself, but it would also make it unlikely that low paid workers would see any improvement in job quality and in the incidence of labour market rights infringements. If anything, the risk is that these would deteriorate. These must be addressed if it's to be a recovery that delivers for low paid workers.

The security of the jobs on offer to low paid workers was already at unacceptably low levels before the crisis: in 2019, 1 in 5 (20 per cent) low paid workers were in an 'insecure' job, including jobs with a zero hours contract or with a temporary contract where the worker would like a permanent contract. This was more than three times the proportion of non-low paid workers who were in insecure work (6 per cent). To see why insecurity of hours matters, it's worth noting that one-third of workers in the bottom pay quintile report that they are very or fairly anxious about unexpected changes in their hours of work – more than double the rate of hours anxiety observed among high paid workers. On top of already-high levels of insecurity, the concern is that this could worsen if the labour market weakens post-crisis, as happened after the financial crisis (the proportion of low paid workers in insecure work nearly doubled, rising from 13 per cent in 2008 to 24 per cent in 2013).

The other important risk facing low paid workers in a weaker labour market is that from a cessation of improvements in the extent of violations of labour market rights, or, worse, of a deterioration. Before the pandemic, 14 per cent of workers in the lowest pay quintile said they did not receive any paid holiday – compared with 6 per cent of the highest paid workers; and 9 per cent said they did not receive a payslip – compared to 2 per cent of the highest paid workers. As with security, there is some evidence that a weaker labour market is associated with increased rates of labour market violations, particularly for the low paid. The proportion of low paid workers reporting that they received zero paid holiday rose from 8 per cent in 2007 to 12 per cent in 2014 – this compares to an increase from 4 per cent to 5 per cent for all workers over the same period. In theory, low paid workers could use the Employment Tribunal (ET) system to claim against a labour market violation like unpaid holiday. But, despite the fact that the lowest paid are significantly more likely to experience a rights violation, they are significantly less likely than other workers to bring forward ET cases.

Policy must act to secure a strong recovery for the low paid

A clear takeaway from our analysis of the impact of the Covid-19 crisis and past recessions is that policy makers must act to support a recovery for those in low pay as the economy reopens. The Government's first priority should be to minimise the rise in unemployment in the first instance by driving a rapid recovery. This means getting the big decisions right: raising aggregate demand, making the JRS withdrawal contingent on the state of the recovery, and delivering effective employment support programmes. On fiscal policy, the Government appears to be assuming opening up the economy will be sufficient to deliver a full recovery. But there is a high chance that more stimulus is likely to be needed, in particular for households, where the

Government should make permanent the £20 boost to working age benefits which is set to expire in September. Failing to provide such stimulus is taking an unnecessary risk with the recovery.

Moving onto specific employment policies, abolishing low pay by the middle of the decade – through increases in the minimum wage – remains the right policy and would be a major achievement. But, the main argument of this report is that policy makers must look beyond the minimum wage – to job security and labour market regulation – for ways to ensure it's a recovery that benefits low paid workers. The Government has previously talked about introducing an Employment Bill. That would be valuable, and would allow progress on areas the Government has already committed to, such as on enforcement via the creation of a Single Enforcement Body, and on supporting workers falsely classified as self-employed, by clarifying the legal boundary between workers and the genuinely self-employed. Importantly, though, more ambitious measures are also needed.

On enforcement, while recent increases to enforcement budgets have been very welcome, fines for minimum wage underpayment still remain too low, meaning underpayment is painfully common with almost one-in-four of those entitled to the minimum wage underpaid. HMRC should increase fines for underpayments of the minimum wage to strengthen the incentive to comply. When created, the new Single Enforcement Body will also need sufficient resources to bear down on the infringement of what should be basic rights including holiday pay entitlement and enrolments on pension schemes.

On job security, the Employment Bill should introduce a right to regular hours that reflects workers' normal hours worked, and minimum notice periods of the shifts or the hours they will work, along with compensation for late changes. These rights seem much less outlandish when we compare the UK with other advanced countries. For example, in 2019 the Republic of Ireland introduced legislation which gave workers on low hours contracts the right to hours that reflect their actual hours and minimum payments to compensate workers sent home with no work. Similarly, the issue of late shift changes has seen New York City and the State of Oregon introduce legislation for low-paying employers to book shifts two weeks in advance. And, giving workers greater security needn't be costly. Nordic labour markets tend to be heavily regulated but this doesn't appear to have a bearing on (high) pre-Covid-19 employment rates, which were similar in Finland (73 per cent), Norway (75 per cent) and Sweden (76 per cent) to the UK (76 per cent). Other countries show that such protections are consistent with both high employment and labour market flexibility.

The current crisis has shone a light on the low-paid workforce – as key workers facing the biggest health risks and as workers in sectors with the tightest restrictions. Now is the time for the UK Government to make concrete proposals to improve their pay and working conditions. This will provide the dignity and respect those workers and their families deserve.

Section 1

Introduction

This is the Resolution Foundation’s eleventh annual ‘Low Pay Britain’ report, in which we monitor the extent of low paid work in the UK and explore issues affecting the working lives of low paid workers. The current context for low paid workers is dominated by the impact of the Covid-19 pandemic and that will be the focus of this report.

In last year’s report we focused on the immediate impacts of the crisis, showing that low paid workers were significantly worse affected than those on higher pay in terms of job loss, furloughing, and the impact on earnings. The crisis is far from over, and so this year we again take stock of the impact on the low paid. As with last year, it’s low paid workers that are bearing the economic brunt of the crisis. But with three quarters of the adult population now vaccinated, and with the reopening of the economy nearing completion, a recovery is now in prospect. So we also look ahead to what that might mean for low paid workers. A key conclusion from our analysis is that, beyond what should be a positive reopening period, where workers will leave furlough in large numbers, there are risks in the shape of rising unemployment and the likelihood that this will prevent any increase in – or, worse, even lead to a deterioration in – job quality. A key lesson from our analysis of the impact of the crisis for the low paid is that there is a strong case for policy makers to act.

The rest of the report is organised as follows:

- Section 2 sets the scene for our discussion of the impact of the crisis by looking at trends in the run up to it. We discuss the success a rising minimum wage has had in driving down low pay.
- Section 3 provides an update on the impact of the Covid-19 crisis on low paid workers, and provides early evidence on the outcomes of previously-furloughed workers as the economy has started to reopen.
- Section 4 looks ahead to the recovery period and argues that there are risks facing paid workers, including of higher unemployment, but also of a deterioration in job quality.

- Section 5 sets out the case for policy makers to act to secure a strong recovery for low paid workers, including introducing an employment bill and giving low paid workers greater security, for example through a right to a contract that reflects their hours and advance notice of shifts.
- Section 6 concludes.

Section 2

Recent trends in low pay

Developments prior to the Covid-19 pandemic were positive for low paid workers. The proportion of employees in low hourly pay has fallen in a sustained way for the first time in four decades. This reflects an acceleration in increases in the National Living Wage (NLW). In 2020, 14 per cent of employees were in low hourly pay – defined as earning less than two thirds of the median – down from 21 per cent in 2015. Someone working full-time on the minimum wage in 2020 would have earned £2,000 more than if the minimum wage had increased at its pre-NLW pace. The UK's story isn't unique, other countries such as South Korea and New Zealand have also experienced falling low pay through a rising minimum wage. But there has been less progress when it comes to the proportion of workers in low weekly pay, a group increasingly distinct from those in low hourly pay. Here the main issue is insufficiency of hours rather than low rates of hourly pay.

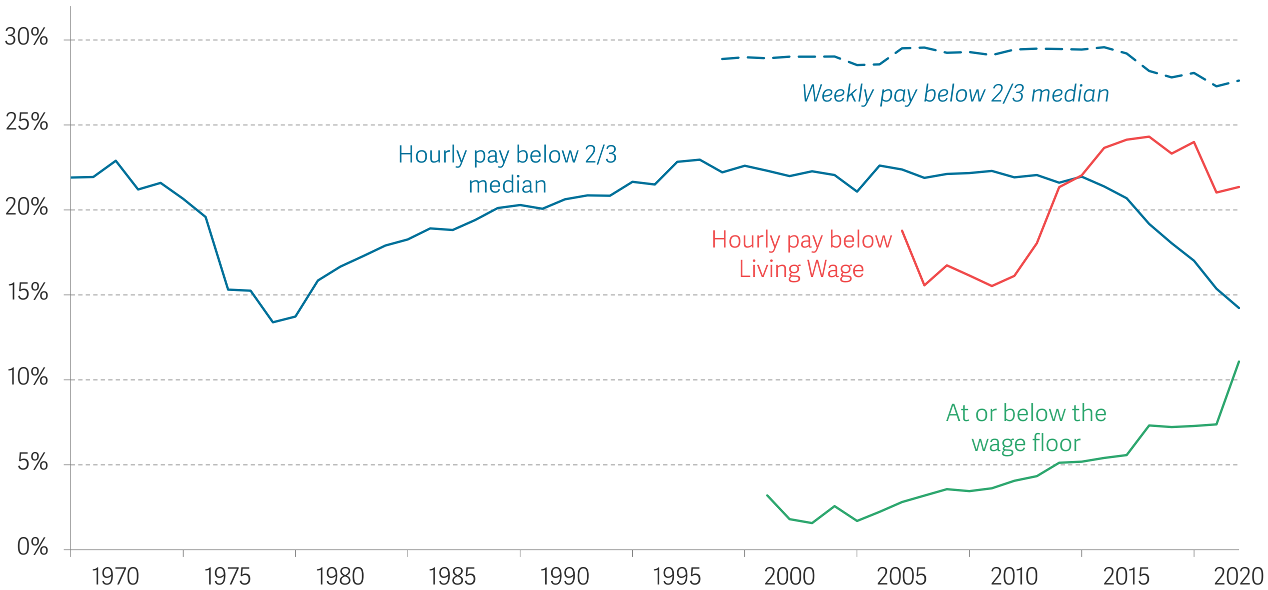
The proportion of workers in low hourly pay continues to fall

The backdrop to the Covid-19 pandemic was one of falling low pay. When using the standard definition of hourly pay – that is, pay that is below two thirds of the median – the proportion of workers in low pay has been falling consistently since 2015, coinciding with the introduction of the 'National Living Wage' (a higher minimum wage rate for those aged 25 and above – since lowered to age 23 and above) in 2016 and the period following. This is shown in the solid blue line in Figure 1. Between 2015 and 2020, the proportion of workers in low hourly pay fell by 7 percentage points, from 21 per cent to 14 per cent, while the number of workers in low hourly pay fell by 1.6 million, from 5.5 million in 2015 to 3.9 million in 2020.[1] The fact that low pay continued to fall in 2020 (when many workers on furlough, especially low paid workers, experienced a pay reduction) is on one level encouraging, but it may partly reflect a compositional effect given low paid workers were more likely to lose work during the crisis.

1 Note that furloughed workers are included in the 2020 figures. This may have affected the low pay figures since furloughed workers whose employers did not 'top up' their pay will have experienced a loss pay of up to 20 per cent. This, combined with a smaller sample size in 2020, means the 2020 data should be treated with caution.

FIGURE 1: **A rising minimum wage has made inroads into low hourly pay**

Proportion of employees in low pay, on different measures: GB



Note: ONS approach to filtering ASHE dataset followed. In 2020, observations are excluded if experienced loss of pay due to absence apart from those on furlough, who are included. In previous years all workers experiencing loss of pay through absence are excluded. The hourly pay measure used excludes overtime and shift premiums.
SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

The erosion of low pay since 2015 is the more remarkable for the fact that it followed a four-decade period in which the proportion of workers in low pay had not shown signs of decreasing in any sustained way, remaining stubbornly around 22 to 23 per cent of employees from 1995 to 2015. This was despite the introduction of the minimum wage in 1999 and the steady upratings which followed (its value relative to median pay rose from 46 per cent in 1999 to 53 per cent in 2015). The combination of a higher minimum wage and 'spillover effects' (where employers increase the pay of those earning above the minimum to preserve pay differentials between jobs) appears to be pushing increasing numbers of workers above the low pay threshold.[2] Government policy is for the minimum wage to reach this threshold in 2024.

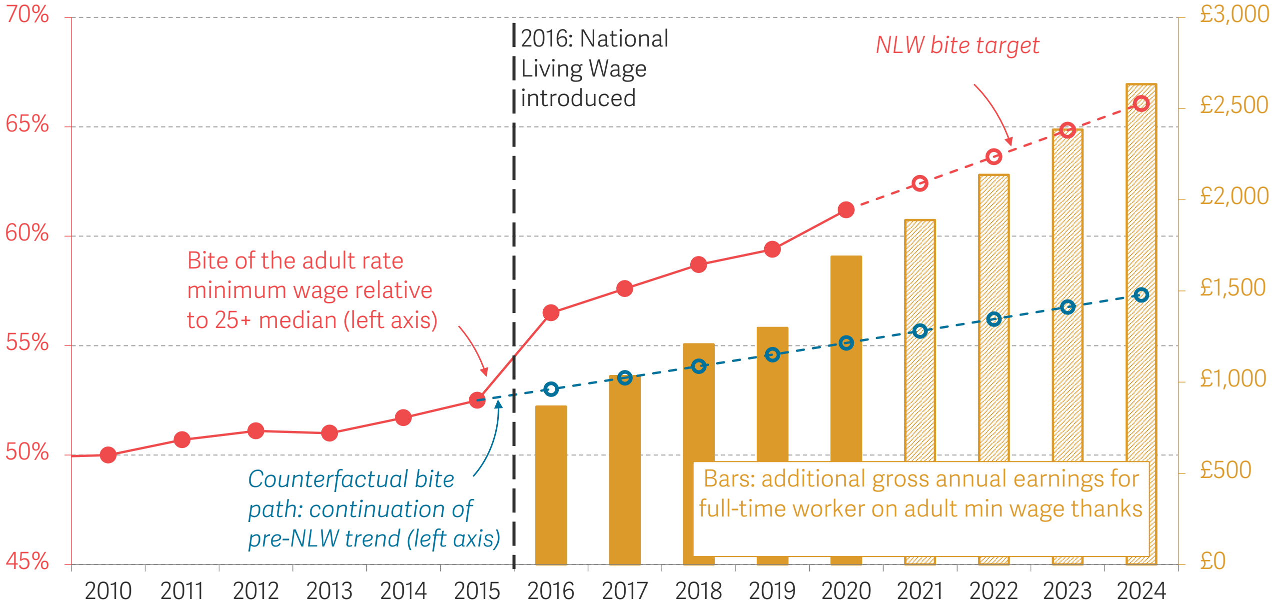
In later sections we will argue that the UK should look beyond the wage floor to a broader set of measures to improve work for the low paid. But recent progress on low hourly pay is a major policy achievement, and should not be taken for granted. We have calculated, for example, that someone working full-time on the minimum wage in 2020 earned around £1,700 more per year than if the minimum wage had continued to rise at its more

2 The existence of and size of 'spillover' effects has been debated in the past. A recent study suggests they extend through the bottom third of the hourly pay distribution. See: S Avram & S Harkness, The impact of minimum wage upratings on wage growth and the wage distribution, November 2019. It is clear that spillover effects of this size would mean the wage floor would affect workers at the low pay threshold: in 2020, 33rd percentile hourly pay was £10.59, well above the low pay threshold of £8.90 (two thirds of the median of £10.59).

modest pre-2016 pace (see Figure 2).[3] If the NLW reaches the target of two thirds of median pay by 2024, this NLW pay boost might grow to £2,500.

FIGURE 2: **The introduction of the National Living Wage in 2016 has delivered a big boost to low paid workers**

'Bite' of the adult rate minimum wage (actual and counterfactual based on pre-NLW trend) and additional annual earnings for full-time NLW worker based on this counterfactual: UK



NOTES: The 'bite' of the minimum wage is its value relative to median hourly pay – here based on the 25+ age group. Counterfactual bite path is calculated by extrapolating the trend growth in the bite from 2010 to 2015 of 1% per year. Full-time worker assumed to work 37.5 hours per week.
SOURCE: RF calculations based on Low Pay Commission, 2020 report data.

A rising hourly minimum has had less impact on the incidence of low weekly pay

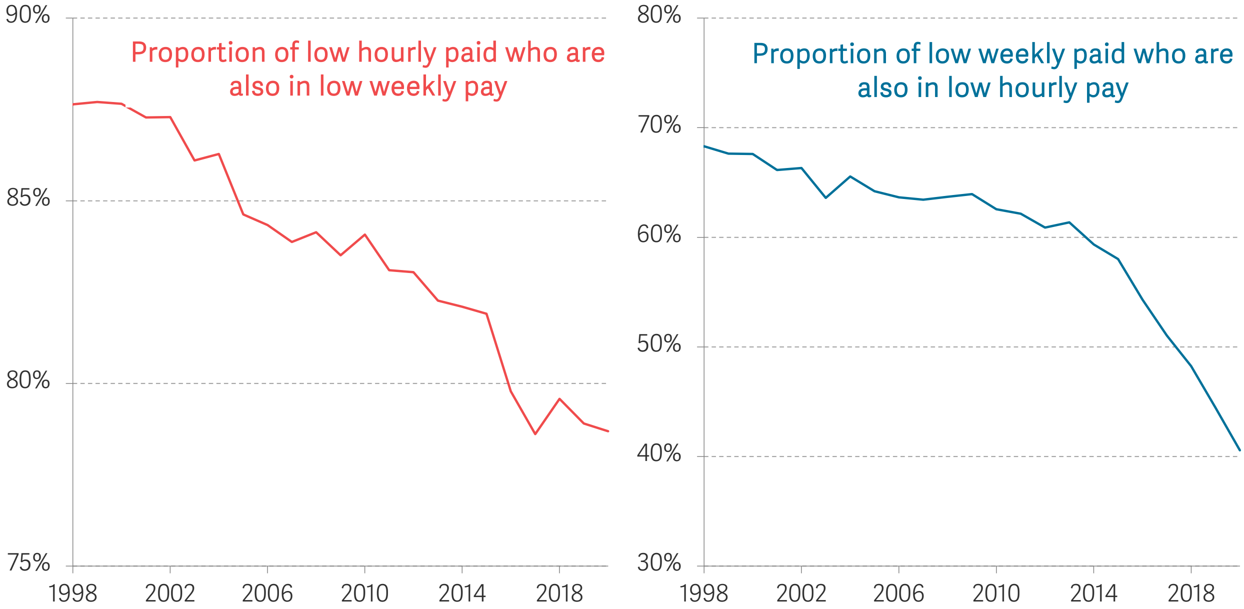
It is worth noting that there are other ways of measuring low pay. One important benchmark is the Real Living Wage (RLW), the hourly wage rate set based on the cost of living and a conception of an acceptable minimum income standard. The proportion earning below this benchmark is shown in the red line in Figure 1. The proportion of workers earning below the RLW (21.4 per cent in 2020) is higher than the normal hourly low pay threshold (14.2 per cent in 2020), although has also been falling in the past few years. It's of some concern that this number was slightly higher in 2020 than in 2019, though, as mentioned above, the 2020 data is subject to measurement difficulties and compositional effects. The other hourly measure shown is the proportion of workers earning at or below the (age-relevant) minimum wage – shown in the green line. This was

3 T Bell, Top of the Charts: National Living Wage anniversary special, April 2020, Resolution Foundation.

higher in 2020 thanks to the fact that many low paid workers on furlough did not receive a pay 'top up' which has increased the number recorded as having hourly pay below the wage floor.

FIGURE 3: **The low hourly and low weekly paid are increasingly different groups**

Proportion of the low hourly paid who are also low weekly paid (left panel), and vice versa (right panel): GB



NOTES: Low pay is defined as earning less than two thirds of the overall median. Filters are applied as in Figure 1 above.
SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

Another important measure is the number of workers in low weekly pay, shown in the dotted blue line in Figure 1. This uses the same relative measure as the main low hourly pay definition – workers are low paid if they earn below two thirds of median pay. The two measures tell us different things: hourly pay captures workers' earning power, and their position in the labour market; while weekly pay matters for living standards. Despite significant advances in the minimum wage in recent years, the proportion of workers in low weekly pay has fallen slowly – by 2 percentage points since 2015 – a much slower rate of decline than the proportion in low hourly pay, which has fallen by 6 percentage points since 2015. The main reason it has not moved in step with the hourly low pay measure is that the low weekly and the low hourly paid are different groups – and increasingly so. In 2020, just 41 per cent of those in low weekly pay were also in low hourly pay, down from

68 per cent in 2000 (the overlap is stronger the other way round: 79 per cent of those in low hourly pay were also in low weekly pay – see Figure 3).[4]

Low weekly pay is, therefore, increasingly a question of shorter hours rather than low hourly pay. Worryingly, 16 per cent of workers in low weekly pay are 'underemployed', meaning they would like to work more hours at their current rate of pay.

As we will come onto discuss in Section 3, underemployment is one of the risks facing low paid workers in the recovery. This is because underemployment is always higher among the low paid, and tends to rise in a slack labour market (21 per cent of workers in low weekly pay were underemployed in 2013). Beyond raising the level of demand in the economy, underemployment lacks ready policy answers, although we suggest in Section 4 that giving workers a right to request more hours (with employers having to come up with reasonable grounds for refusal) would at least be a starting point.

Other countries are also driving down low pay

Finally, before moving on to the impacts of the crisis, it is instructive to compare what is happening in the UK to the situation elsewhere. Figure 4 shows the proportion of full-time workers in low hourly pay (earnings below two thirds of the median among full-time workers) for a selection of advanced economies: the US, Canada, South Korea, Japan, and New Zealand have all seen falling rates of low pay in recent years. There are differences in the levels of low pay between countries, with the incidence of low pay around three times higher in the US as it is in New Zealand for example. The UK is roughly in the middle of this group countries, although it has a higher incidence of low pay than OECD countries on average.

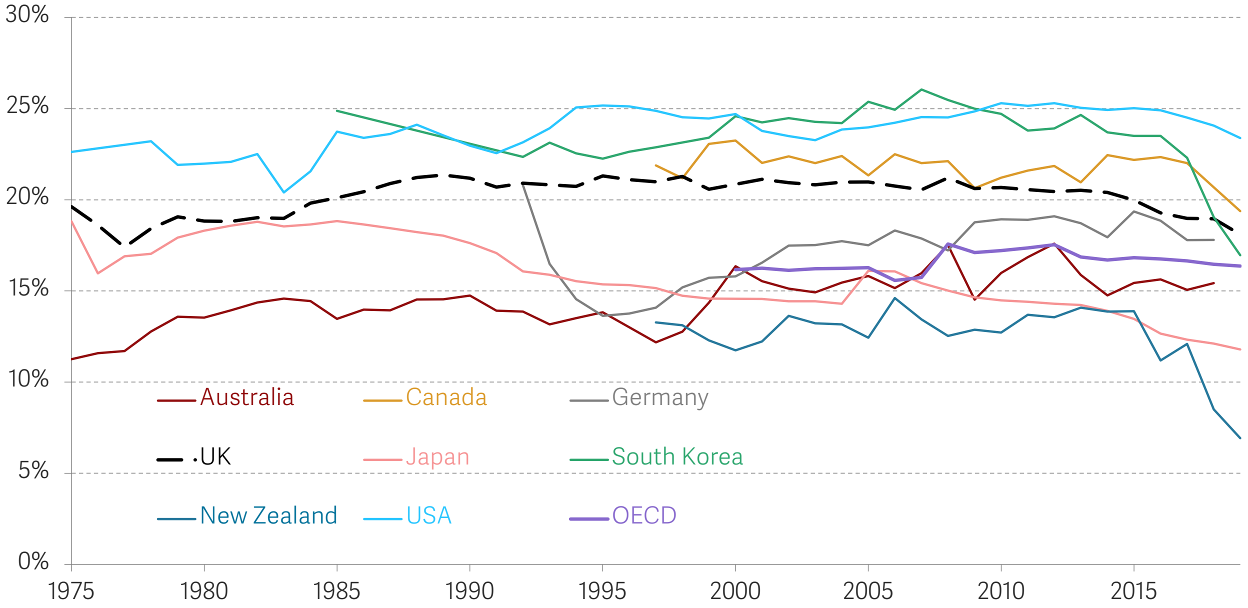
A common factor across some (but not all) of these countries is a rising minimum wage. The two countries with the sharpest fall in low pay have both seen steep increases in the value of the minimum wage: in New Zealand the 'bite' of the minimum wage (its value relative to the typical pay of full-time workers) rose from 61 to 66 per cent in 2019, and in South Korea it rose from 59 to 63 per cent.[5]

4 There are also differences in the composition of the low hourly and low weekly paid – with the latter even more concentrated among women and (unsurprisingly) part-time workers, who in 2020 comprised 82 per cent of the low weekly paid (compared to 51 per cent of the low hourly paid). Women working part-time made up 35 per cent of the low hourly paid and 61 per cent of the low weekly paid. On the other hand, low weekly pay is less concentrated among the young: 16-to-24-year olds make up 32 per cent of the low hourly paid and 22 per cent of those on low weekly pay.

5 OECD statistics: Minimum relative to average wages of full-time workers.

FIGURE 4: **Low hourly pay is falling in many advanced economies**

Proportion of full-time employees with hourly pay below the median for full-time employees, select advanced economies



Note: OECD calculate low pay statistics based on full-time employee pay only, so UK figures are not directly comparable with Figure 1 above which refers to all employees.
SOURCE: RF analysis of OECD.

Overall, then, developments prior to the pandemic were positive for low paid workers with a rising wage floor resulting in the erosion of low pay. As we discuss below, this is far from the end of the story – with many low paid workers contending with insecurity, and difficulty asserting their employment rights. Nonetheless, this is a very significant achievement. And while there are measurement and compositional issues, it is positive that falling low pay appears to have continued in the first part of the crisis. However, in most respects the crisis has been – and continues to be – terrible for low paid workers. The next section outlines those impacts.

Section 3

The ongoing impact of the crisis on low paid workers

Low paid workers have borne the brunt of the Covid-19 pandemic. This is true of both the health impacts of the crisis (where workers from 'elementary' and service occupations have faced higher death rates due to Covid-19), and also its economic impacts. In March 2021, workers in the bottom hourly pay quintile were three times as likely as higher paid workers (21 per cent compared with 7 per cent) to have either lost their jobs due to the crisis, been furloughed, or faced a reduction in hours and pay. The good news is that low paid workers will benefit most from the reopening of the economy, and, encouragingly, furlough numbers fell fastest in hospitality and leisure in April as those sectors started to open. There is also some encouraging evidence that some (12 per cent) of previously-furloughed workers have found new jobs, including 7 per cent in a new sector. Previously-furloughed workers from retail are particularly likely (14 per cent) to have found a new job in a different sector.

Low paying sectors have been worst affected by the crisis

The pandemic has had a disproportionate impact on low paid workers both in terms of both health and economic impacts. While the former aren't the subject of this paper, it is alarming that the (age-standardised) rates at which workers have died from Covid-19 have been three-times higher among workers from 'elementary' and service occupations than they have been among workers from high paid occupations.[6]

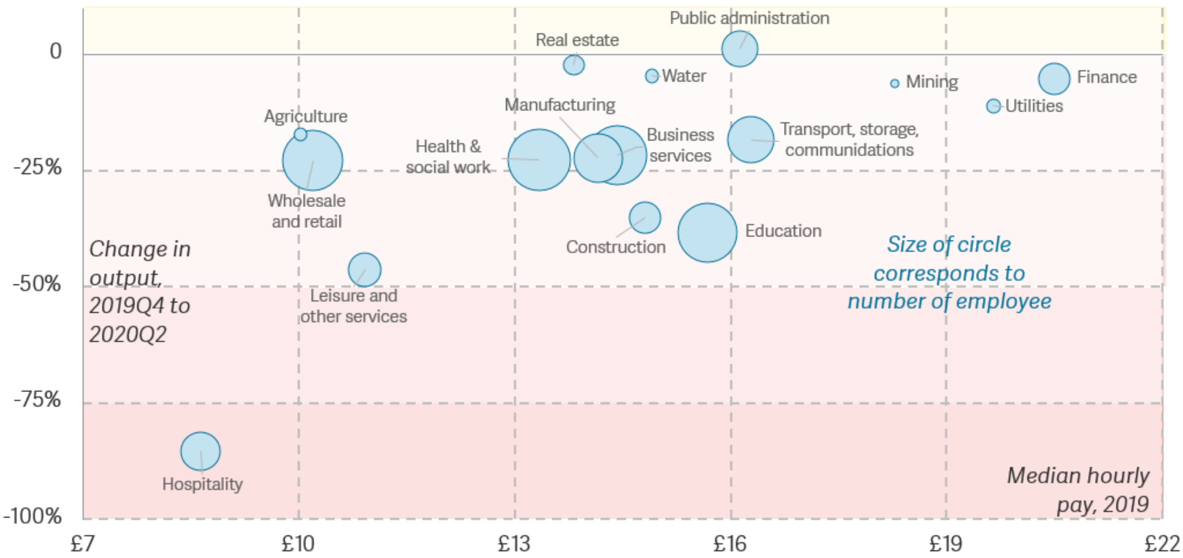
Meanwhile, the unevenness of the economic impacts of the crisis have been similarly as stark. This has been driven by the fact that the activities which were restricted or stopped altogether during lockdowns have been in lower paying sectors. Figure 5 plots the fall in output at the low point of the crisis (the second quarter of 2020, compared to the last

6 In 2020, age-standardised rates of death from Covid-19 (per 100,000 workers) were 66 among men from electuary occupations, and 66 among men from caring, leisure and other service occupations, compared to 25 among men from managerial occupations, 17 among men from professional occupations, and 21 among men from associate professional occupations. See: ONS, Coronavirus (COVID-19) related deaths by occupation, England and Wales: deaths registered between 9 March and 28 December 2020, January 2021.

quarter of 2019) against typical pay, for each sector. Two of the lowest paying sectors – hospitality, and leisure services (here also grouped with 'other personal services') – stand out as having faced a severe contraction in output. This is especially true in hospitality – a sector employing 1.5 million workers, of whom half are low paid (median hourly pay in 2019 was just £8.64) – which faced a contraction of 85 per cent.

FIGURE 5: **Low paying sectors have been most affected by lockdown measures**

Change in output from 2019 Q4 to 2020 Q2 (y-axis) and typical employee pay in 2019 (x-axis) by sector: UK

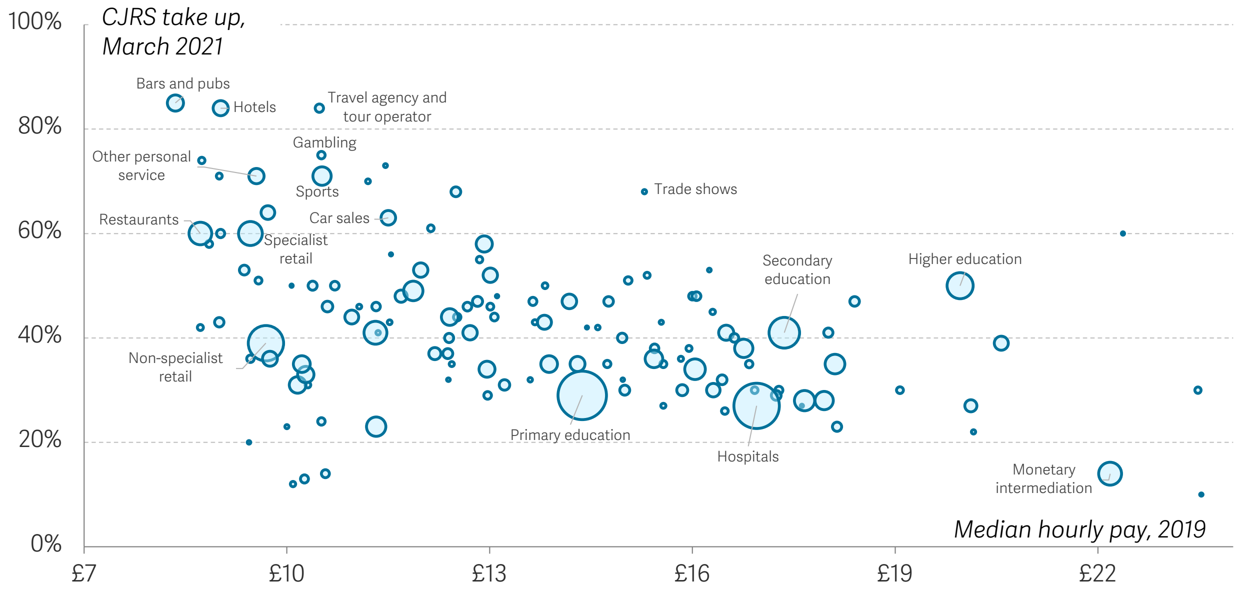


SOURCE: RF analysis of ONS Quarterly National Accounts, and ONS Annual Survey of Hours and Earnings.

Crucially, the Job Retention Scheme (JRS)has prevented the reductions in activity turning into widespread job losses. Because activity reductions have been concentrated in low paying sectors, so the role of the JRS in protecting jobs in low paying sectors has been particularly important. Figure 6 sets out the proportion of workers who have been furloughed in each sector (this time using more detailed sector data), and again sets this against pay levels in those sectors. It's clear that as low paying sectors have faced the greatest impact on their activities, so they have been most reliant on the furlough scheme. For example, bars and pubs (median pay of £8.35 in 2019) and hotels (£9.02) both had over 80 per cent of staff on either full or partial furlough in March this year. By contrast, many of the highest paying sectors have made relatively little use of the scheme. For example, 'monetary intermediation', part of finance, had 14 per cent take up of the furlough scheme in March.

FIGURE 6: **There is a strong (inverse) relationship at the sector level between typical pay and take up of the furlough scheme**

Proportion of employments furloughed (x-axis) and typical employee pay in April 2020 (y-axis) by industry group

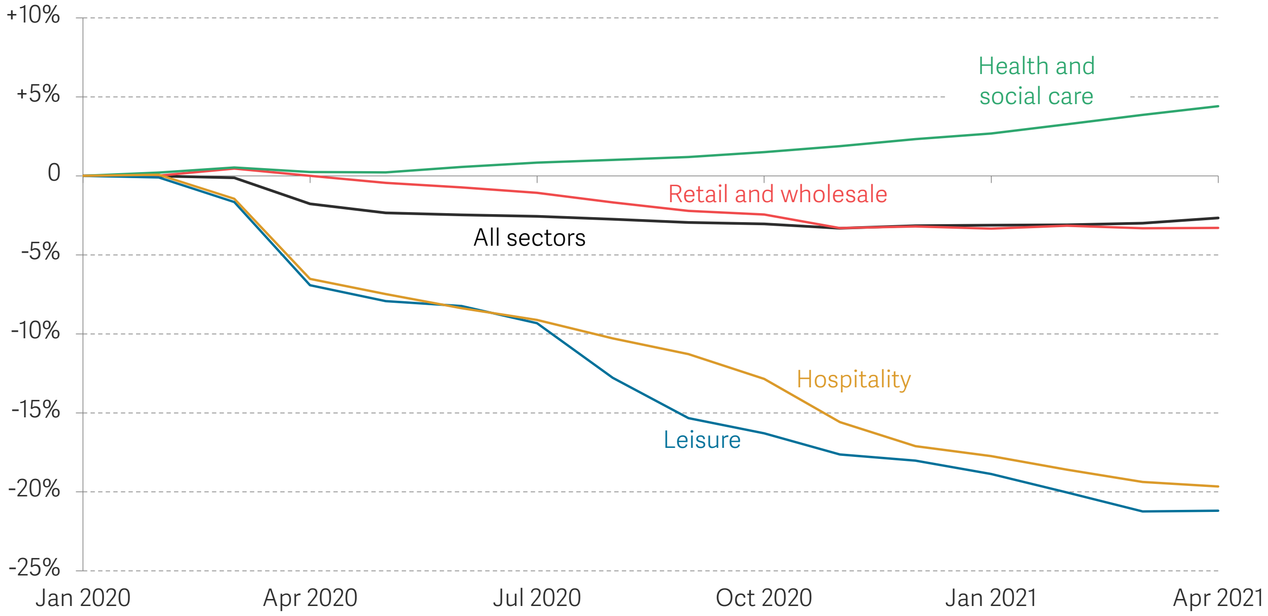


NOTES: Furlough take up rates are counts of furloughed workers in March 2021 expressed as a proportion of the number of eligible employments in August 2020 since that is the latest available count of eligible employments.
SOURCE: RF analysis of HMRC Coronavirus Job Retention Scheme Statistics, and ONS Annual Survey of Hours and Earnings.

It's worth noting, however, that despite the significant role played by the furlough scheme, not all jobs have been preserved. Overall, the fall in payrolled employees has been modest given the scale of the contraction in activity: in April 2021 there were 2.7 per cent fewer employments than in January 2021. But job losses in hospitality and leisure have been much more significant. In April 2021, employments in hospitality were 20 per cent down on their January 2020 level, and employments in the leisure sector 21 per cent down. Furloughed workers are recorded as employed in this data (even if 'fully furloughed') so job losses in those sectors have occurred on top of widespread use of the furlough scheme.

FIGURE 7: **Despite the furlough scheme, there have been significant job losses in hospitality and leisure, both low paying sectors**

Change in the number of payrolled employments by sector since January 2020: UK



NOTES: Furloughed workers (whether fully or partially furloughed) are recorded as employed in this dataset, so the fall in employment shown here is additional to workers being furloughed.
SOURCE: RF analysis of HMRC real-time PAYE jobs dataset, via ONS, Labour Market Statistics.

The impact on low paid sectors continues to mean greater impacts on low paid workers

The greater impact on low paid sectors has meant that low paid workers have in turn fared badly.[7] We have been monitoring those impacts throughout the crisis, and showed as early as June last year that low paid workers were more likely than other workers to have been furloughed, stopped working, or faced a reduction in pay.[8] The latest available data on the impacts of the crisis comes from the Understanding Society dataset, which was collected in March this year. This shows that the now familiar patterns of disproportionate impacts on low paid workers continue to hold, even while the scale of the impacts have varied as the extent of economic restrictions over the course of the crisis. Figure 8 shows that while the overall labour market hit has halved since the

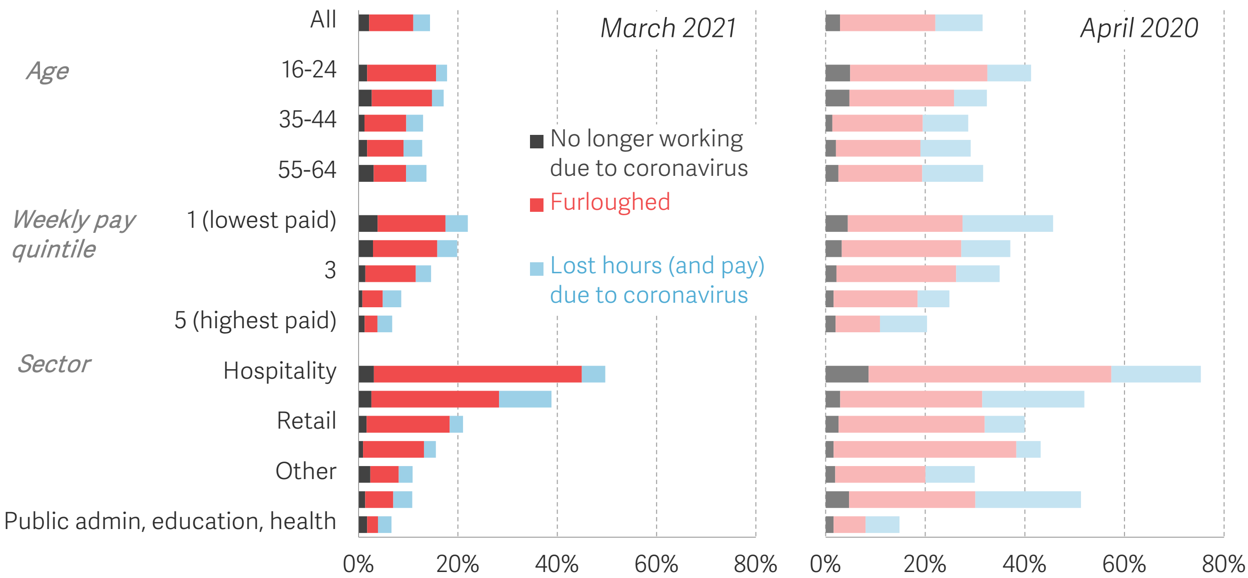
7 Although sector is by far the dominant factor in shaping who has experienced negative employment effects in this crisis, it's worth noting that this is not the only factor. We have previously estimated that around half of the variation in economic impacts across workers is explained by sector. But two other factors are also important, if of smaller importance than sector. Our survey evidence gathered in January suggested that low paid workers have been worse affected than higher paid workers even after controlling for sector and other personal characteristics. Another important factor – but, again, less important than sector – has been contract type, with workers on atypical contracts (such as the self-employed, and those on zero hours contracts, and agency work) worse affected than employees with regular contracts. See: N Cominetti et al., Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2020.

8 See: N Cominetti, L Gardiner & H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020; M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, September 2020; N Cominetti et al., Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2020.

first lockdown – 14 per cent of workers were furloughed or working fewer hours, or not working at all, because of coronavirus in March 2021, down from 32 per cent in April 2020 – there is still a clear pay 'gradient'. In March, more than one-in-five (21 per cent) of workers in the bottom weekly pay quintile experienced a labour market hit, around three times the number in the top earnings quintile (7 per cent).

FIGURE 8: **Lower earners continue to be hardest hit by the crisis**

Proportion of workers who have experienced job changes since the coronavirus outbreak, by age group, weekly pay quintile and industry before the pandemic: UK, March 2021



NOTES: Base = all UK adults aged 16-64 who were employed prior to the coronavirus outbreak. 'Lost hours and pay due to coronavirus' captures employees who were still working but were not furloughed, and who are working more than one hour less than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and which coincide with decreases in earnings. 'Weekly pay quintile' refers to respondents' usual earnings in January/February 2020. 'Sector' refers to the industry respondents were working in in 2019.
SOURCE: RF analysis of ISER, Understanding Society.

On top of being more likely to face the employment effects outlined above, there is also evidence that low paid workers' pay has suffered during this crisis. Partly that has been a result of the fact that that low paid workers have both been more likely than other workers to have been furloughed, and while on furlough have been less likely than other furloughed workers to have received a pay 'top up' above the 80 per cent subsidy provided by the Government. Data from April 2020 (produced by the low pay commission) suggests that, among furloughed workers, 54 per cent of workers in the bottom tenth of the hourly pay distribution were receiving less than their usual pay (i.e. they were not receiving a full 'top up') compared to 40 per cent among furloughed workers from the rest of the pay distribution.[9] The impact of furloughing on low paid workers' pay packets is also discernible in the aggregate pay data. Overall pay data has, however, been highly volatile. This is partly due to the expanding and shrinking use of the furlough scheme, which affects some workers' pay. But it is also due to compositional effects, where the fact that low paid workers have been more likely to lose work during the crisis has meant the average worker is better paid. But after stripping out compositional effects and studying pay growth at different points in the distribution, we have previously calculated that pay growth at the 25th percentile has been weaker during this crisis than pay growth at the 50th and 75th percentiles.[10]

There are encouraging signs that when workers are exiting furlough they are returning to employment

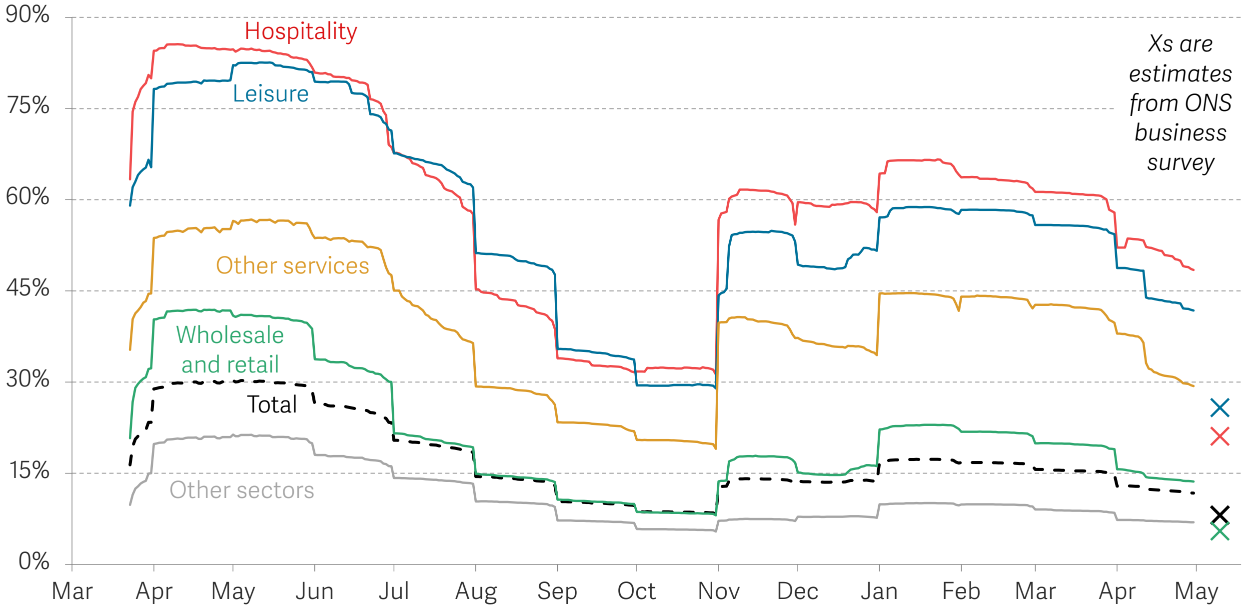
After having risen sharply during the third lockdown over the winter, the number of workers on furlough has been steadily falling since March, when the first steps on England's reopening roadmap were taken. HMRC data (which gives us the actual count of furloughed workers) covers up to the end of April, at which point the reopening process was continuing with schools reopened on the 8th of March, the 'stay at home' order was lifted on the 29th March and non-essential retail, personal services, and indoor leisure facilities were reopened on April 12th. Those steps have had a significant impact on furlough numbers – at the end of April there were 3.4 million workers on furlough – 11.7 per cent of all those eligible – a fall of 880,000 since March and 1.6 million since January. Workers in retail, hospitality and leisure – the three biggest low-paying sectors of the economy – accounted for more than half (55 per cent) of the 880,000 fall in furloughed workers during April.

ONS survey data (which aligns fairly closely with actual furlough figures) suggests that overall furlough take up may have fallen a further 4 percentage points through the start of May, with steeper falls in directly affected sectors. ONS survey data suggests furlough take up in early May was (compared to the end of April) down 27 percentage points in hospitality, 16 percentage points in leisure ('leisure' is a shorthand for arts, entertainment, and recreation), and 8 percentage points in the retail sector.

9 These figures are averages taken from Figure 4.13 (right panel) in: Low Pay Commission, 2020 Report, December 2020.
10 H Slaughter, Earnings Outlook Q1 2021: Earnings in the Covid-19 crisis, March 2021, Resolution Foundation.

FIGURE 9: **The reopening steps taken in April led to a significant fall in furlough take up, particularly in the worst-affected sectors**

Estimates of furlough take up by sector: UK



NOTES: Furlough take up rates are counts of furloughed workers in April 2021 expressed as a proportion of the number of eligible employments in April 2021 since that is the latest available count of eligible employments.
SOURCE: RF analysis of HMRC, Job Retention Scheme Statistics; and ONS, Business Impact of Coronavirus Survey.

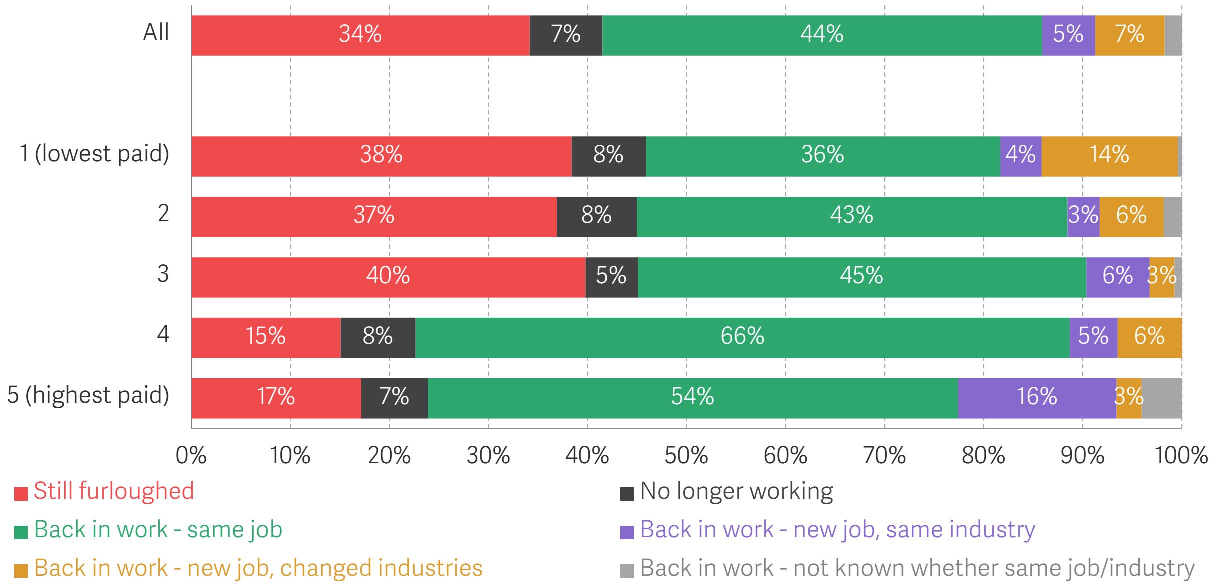
Given those sectors are also where many low paid workers are concentrated, their reopening and the reduction in the number of workers on furlough should be particularly positive development for low paid workers. There is, however, uncertainty around whether previously-furloughed workers will return to employment. The hope, of course, is that as businesses reopen they will return to their jobs – part of the rationale for using a furlough scheme to support the economy in the first place, with support channelled through employers (as opposed to a more worker-centred approach, as used in the United States) is that employer-worker relationships have been preserved, hopefully enabling a speedy recovery as employers reactivate existing workers as opposed to recruiting new workers.

The evidence so far suggests that furloughed workers are returning to employment. While we don't yet have data on outcomes of furloughed workers for the April reopening, the Understanding Society dataset does allow us to look at outcomes of furloughed workers in March, when the reopening process was getting underway. Figure 10 looks at everyone who reported being furloughed at any point between April 2020 and January 2021, and tracks their employment status in March 2021. Overall, just over one-in-three (34 per cent) previously-furloughed workers were still furloughed, and 7 per cent were no longer working. Those in the bottom half of the pay distribution were more likely to still be furloughed (likely reflecting the slower opening up of lower-paying sectors such as hospitality and leisure): almost two-in-five (38 per cent) previously-furloughed workers in the bottom pay quintile were still furloughed in March, for example, compared to 17 per cent of the highest paid workers.

Importantly, the lowest paid workers were the least likely to have left furlough for the same job that they were in before the pandemic (36 per cent of the bottom hourly pay quintile, compared to move than half of those in the top two quintiles). Instead, the lowest paid were more likely than other groups to have made a career move after being furloughed: 14 per cent of the lowest paid workers had moved into a new job while switching industries, compared to between 3 and 6 per cent of those in the other four pay quintiles. This suggests that some labour market readjustment is happening – and among the very workers who are most likely to need it.

FIGURE 10: **The low paid are more likely than higher-paid workers to still be furloughed**

Outcomes of those who reported being furloughed at any point between April 2020 and January 2021, by hourly pay quintile in January/February 2020: UK, March 2021

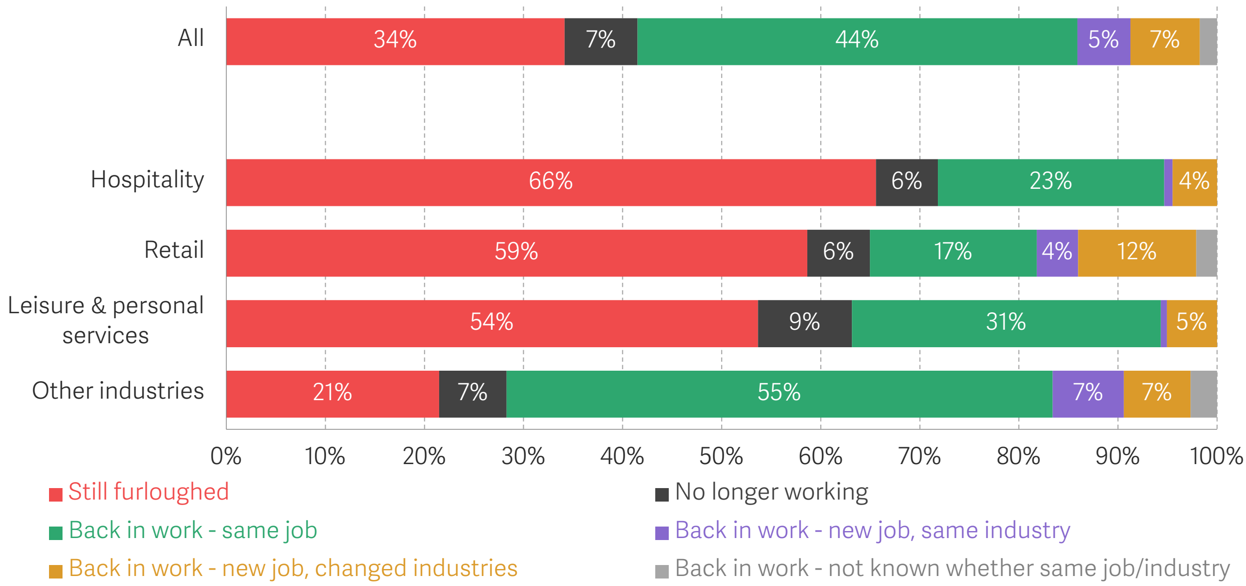


NOTES: Furloughed includes both full and partial furlough. Pay quintiles calculated among all in employment and with data on usual pay and hours before the pandemic, not just those who had been furloughed.
SOURCE: RF analysis of ISER, Understanding Society.

It is perhaps not surprising that some workers have responded to furlough by moving to a different industry: with the crisis concentrated in customer-facing sectors, those who lose their jobs – or feel that their job is at risk – are likely to move to sectors that have better prospects in the medium term, either out of choice or because the distribution of vacancies has been uneven. Figure 11 shows that while former hospitality and leisure workers are somewhat less likely than average to have moved industries (although they are more likely to be in a new sector conditional on being back in work), more than one-in-ten (12 per cent) workers previously in the retail industry has moved jobs since the pandemic. This is an encouraging finding, given that the shock to retail employment could have longer-term consequences: while hospitality and leisure may bounce back once restrictions are lifted, the decline of retail is a longer-term trend that the pandemic has only accelerated.[11]

FIGURE 11: **More than one-in-ten former retail workers has now changed sectors**

Outcomes of those who reported being furloughed at any point between April 2020 and January 2021, by industry in 2019: UK, March 2021



NOTES: Furloughed includes both full and partial furlough.
SOURCE: RF analysis of ISER, Understanding Society.

Overall, then, these are an encouraging set of findings. In keeping with what have been positive steps for the labour market as a whole, the data above suggests that in the early phase of the reopening workers who were leaving furlough were in the majority of cases resuming their old job or, for a significant minority, starting a new job. The concern for low paid workers is that they have so far (with data up to March) been significantly less likely to have left furlough than higher paid workers, but it is certainly plausible that this reflects the fact that the hardest-hit (and low paying) sectors like hospitality and leisure had yet to start reopening in March. In this context, some recent reports have highlighted hiring difficulties as sectors reopen, with the 'shelter' of the furlough scheme mentioned

11 T Bell & H Slaughter, Crystal balls vs rear-view mirrors: The UK labour market after coronavirus, Resolution Foundation, April 2020.

as a possible contributor.[12] But the finding that workers previously on furlough continue to find new jobs – including in different sectors – is also encouraging, suggesting at the very least that the JRS hasn't prevented all reallocation across employers and sectors.

The hope is that the later stages of the reopening have similarly positive outcomes for workers. If so, the spring and summer will have been a good period for the labour market and for low paid workers. However, beyond the reopening, there remain risks on the horizon for low paid workers, starting with rising employment as the furlough scheme ends. These are discussed in the next section.

12 D Strauss, Thaw in UK labour market leaves employers scrambling to recruit staff, 27 May 2021, Financial Times.

Section 4

Reasons to worry about the recovery for low paid workers

As the economy reopens and furlough numbers fall, the summer should be a positive period for low paid workers, and looking further ahead, the minimum wage will continue to support pay growth for low earners. But it would be wrong to assume that the final reopening of the economy and a rising minimum wage are all that is required to ensure a strong recovery for the low paid. There are a number of risks to the outlook. Most obviously, despite an improving outlook, unemployment is set to rise in the autumn as the JRS is withdrawn. It is the case that increases in unemployment in the aftermath of recessions tend to affect low paid workers disproportionately, as employment for this group is especially sensitive to overall labour market conditions. Unfortunately, this is likely to be even more the case this time given the sectors worst affected by the pandemic. On top of this, the lesson from the recovery from the financial crisis is that any weakening of the labour market would make any progress on job quality unlikely, and may make things worse. The level of insecurity and labour market abuses experienced by low paid workers before the crisis was unacceptably high, with 1 in 4 low paid workers in insecure work. Policy makers must therefore act on insecurity and enforcement, as well as pay, to ensure it's a strong recovery for low paid workers.

The previous section showed that the economic impacts of the Covid-19 crisis continues to be borne most heavily by low paid workers. This section turns to the prospects for low paid workers in the recovery.

Low paid workers would be most affected by any increase in unemployment

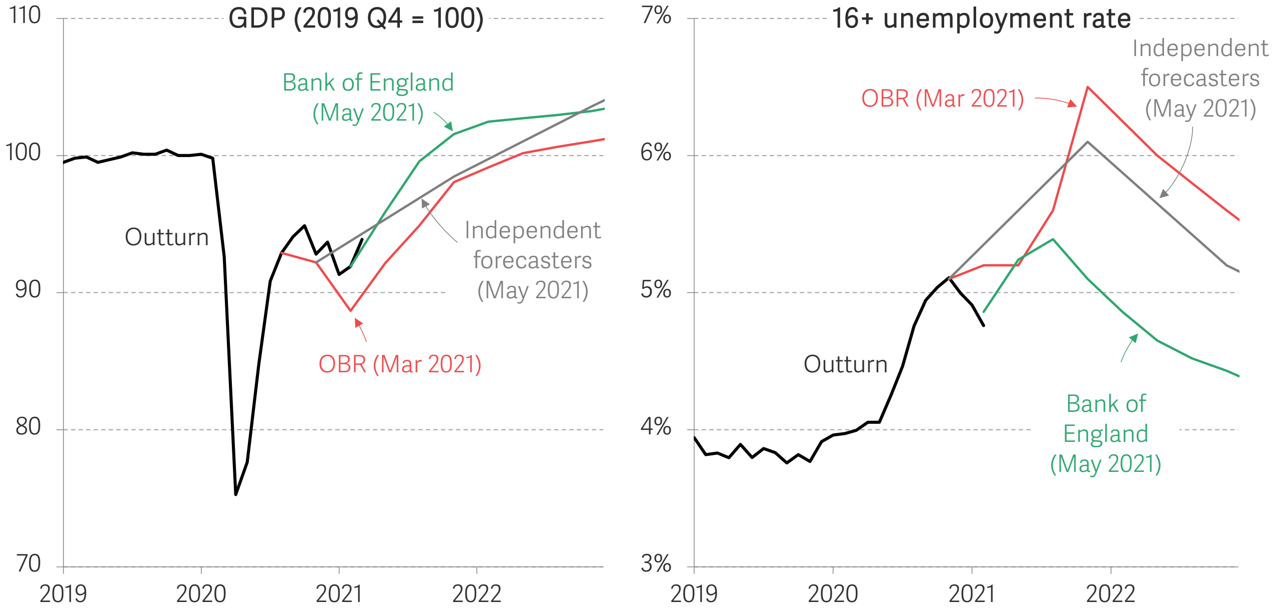
The easing of lockdown measures since March has had a clear positive impact on the economy and the labour market. The economy grew by 2.1 per cent in March, the fastest growth since last summer, and the latest labour market data has also been positive. The number of employee jobs grew every month from December to April (although still remained 2.7 per cent down on pre-crisis), and the Labour Force Survey unemployment rate has also been falling since December. There has also been a recovery in hiring: vacancies in April were almost back to pre-crisis levels, while more timely online data suggests that vacancies had surpassed pre-crisis levels by May.[13] There has even been some discussion of employers facing labour shortages in the logistics and hospitality sectors.[14] The growth of activity and the tightening labour market should continue if, as is currently planned, final restrictions on activity are lifted later this month (although this is currently somewhat uncertain given the increase in cases in some parts of the country, driven by the Covid-19 variant first identified in India).

However, even putting aside the possibility of a delay in the final easing of restrictions (or a return to greater restrictions), there are still risks ahead for the labour market, and for low paid workers in particular. The labour market outlook has become more positive thanks in large part to the success of the vaccine rollout; for example, whereas the Bank of England previously expected unemployment to peak at 7.8 per cent (in its forecasts in February this year) it now expects unemployment to peak at just 5.4 per cent.[15] An improved outlook is, of course, good news. But it's worth noting that the consensus among forecasters is still that unemployment will rise later in the year when the JRS and other support measures are lifted. And because the economy is still expected to be smaller than pre-crisis at that point (see Figure 12), it is likely that employment will also take longer to return to pre-crisis levels. The size of any rise in unemployment is of course highly uncertain and will depend on a number of factors, not least the speed and extent of the economic recovery. But the central point is that, although the labour market is improving now and will likely continue to do so through the summer, we should expect conditions to worsen at a later stage. As we discuss in Section 3, the Government seem to be assuming that withdrawing restrictions on activity will be sufficient to ensure a recovery. Our view is that this is a dangerous assumption and there will likely be a need for further efforts to support demand.

13 As measured by the online job search engine Adzuna. See ONS, Economic activity and social change in the UK, real-time indicators: 27 May 2021.
14 D Strauss, Thaw in UK labour market leaves employers scrambling to recruit staff, 27 May 2021, Financial Times.
15 Bank of England, Monetary Policy Report May 2020.

FIGURE 12: **Despite a recovery in economic activity, forecasters expect unemployment to rise later in the year**

GDP and 16+ unemployment rate, outturn and latest forecasts from the OBR, the Bank of England, and independent forecasters



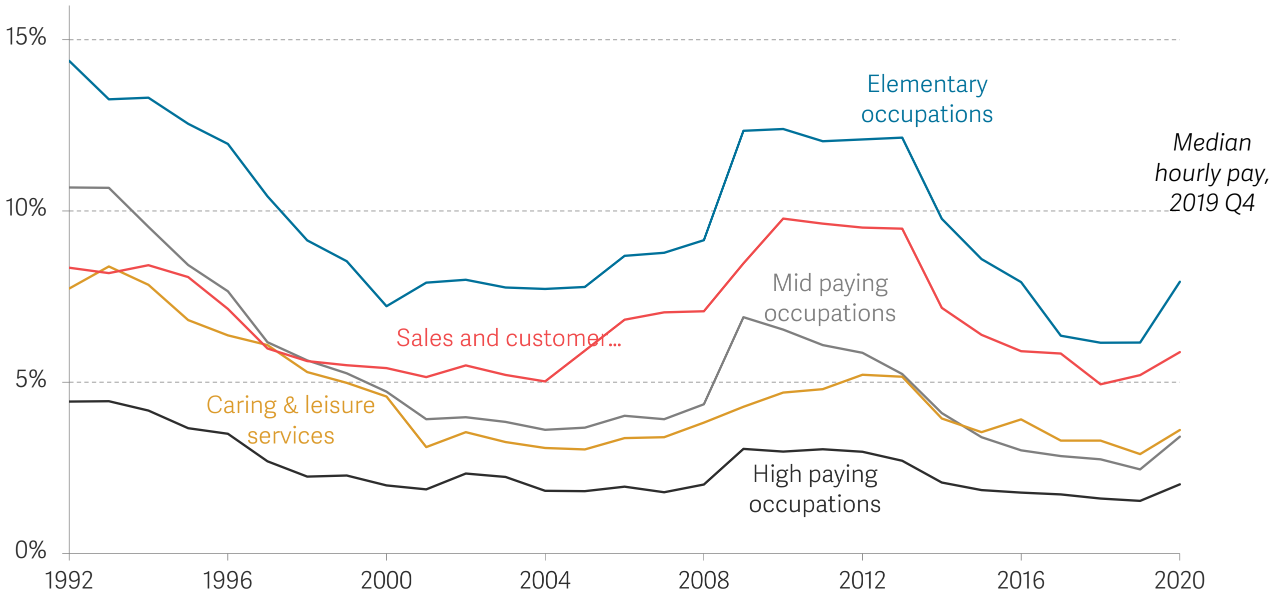
NOTES: Unemployment rate calculated as unemployed divided by economically active (unemployed plus employed), Unemployed assigned to major occupation group based on occupation in previous job (therefore, individuals with no previous job are excluded).
SOURCE: RF analysis of ONS, Labour Force Survey.

An increase in unemployment would be bad, in particular, for low paid workers, whose employment is particularly sensitive to overall labour market conditions. Figure 13 shows the unemployment rate calculated for different occupations (unemployed individuals are assigned the occupation that they had in their most recent job), which are reasonable proxies for pay level. Typical hourly pay for workers in 'Elementary occupations' (which includes categories such as labourers, cleaners, factory workers, security guards, retail assistants, and waiting staff) was £8.50 at the end of 2019, only 30p higher than the then adult rate minimum wage.

As can be seen in the figure, there is a fairly clear relationship between pay (as proxied by occupation level) and unemployment. Following the financial crisis, the unemployment rate among workers in 'Elementary occupations' reached 12 per cent. Meanwhile, unemployment among workers from high paying occupations (including Managers, Directors, Professional and Associate Professional occupations, whose collective typical hourly pay at the end of 2019 was £17.80) never went above 3 per cent. The latest data, for the end of 2020, show that unemployment among low paid ('elementary') workers is 8 per cent, around four times higher than the rate among workers from high paid occupational backgrounds (2 per cent). On top of the fact that low paid workers experience higher unemployment in general, and especially after crises, there is the possibility that any structural change emanating from this crisis (such as the acceleration of the fall retail's employment share) will further increase unemployment among low paid workers. Therefore, the first risk facing low paid workers in the recovery is that their already-high unemployment rate rises further.

FIGURE 13: **Elevated unemployment will affect low paid workers more than others**

Unemployment rates by occupation level: UK, 1992-2020



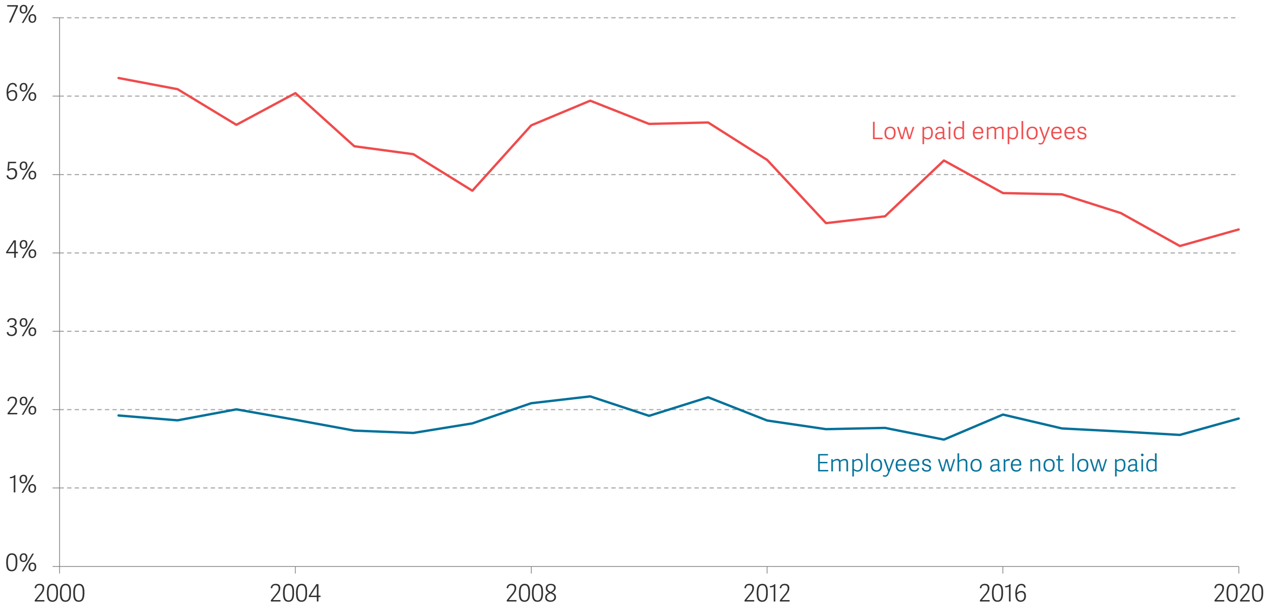
NOTES: Unemployment rate calculated as unemployed divided by economically active (unemployed plus employed), Unemployed assigned to major occupation group based on occupation in previous job (therefore, individuals with no previous job are excluded).
SOURCE: RF analysis of ONS, Labour Force Survey.

Looking at data on gross worker flows, the main driver of higher unemployment among low paid workers are higher rates of job loss, with transitions from employment to unemployment much higher among the low paid. Figure 14 shows the proportion of employees moving from employment to unemployment in every quarter. Around 5 per cent of low paid workers (based on hourly wages below two thirds of the median) move into unemployment in any quarter, compared to around 2 per cent of employees who are not low paid. There is a weak cyclical element to the time series, with outflow rates rising for both the low and high paid workers after 2008, but the more important pattern is that outflow rates are always higher for low paid workers.[16]

16 A secondary driver of higher unemployment among the low paid is the time spent in unemployment once unemployed. After becoming unemployed, 66 per cent of low paid workers are employed six months later, compared to 69 per cent of other workers who were not low paid. If we control for age, the employment gap between low paid workers six months after unemployment doubles in size. That is based on calculations using the past 20 years of data meaning it's possible the current picture on unemployment duration among the low paid is worse, given (as we showed in the previous section) the fall in job openings for lower paid jobs during this crisis.

FIGURE 14: **Elevated unemployment for the low paid is driven by high flows out of work**

Flows from employment into unemployment or non-work, by pay, based on LFS two-quarter flows: UK



NOTES: Low pay is defined as receiving hourly pay that is less than two thirds of the overall median.
SOURCE: RF analysis of ONS, 2-Quarter longitudinal Labour Force Survey.

A weak labour market would not be good for the quality of low paid jobs

While rising unemployment would clearly be a problem in and of itself, the experience of the past decade tells us that a slack labour market could also have a negative impact on labour standards, and potentially also increase the incidence of infringements of labour market rights. The aim of policy makers in the recovery should be that low paid workers see an improvement in job quality – encompassing security, as well as the protection of employment rights. The evidence below suggests any improvement in job quality would be unlikely to happen without policy action, and such measures of job quality could worsen without policy action. We first look at changes in insecurity among low paid workers, before discussing labour market abuses.

One way of measuring insecurity is by looking at the contract type, particularly those where the employment relationship can be easily ended, such as temporary contracts and agency work, or where hours can be easily reduced (such as zero-hours contracts).[17]

17 It may be more useful to talk about degrees of insecurity, since any employment contract can be ended and so involves some element of insecurity. And there will be differences between workers on the same contract type. For example, among employees on permanent contracts (usually considered 'secure'), those who are newer in post face greater insecurity than those in their job for more than two years, given this is the qualification period before workers are eligible for protection from unfair dismissal and redundancy payments. Furthermore, it's worth noting that there are other ways of measuring insecurity beyond contract type, including objective measures (such as the rate of job loss) and subjective measures (such as workers' concerns about job loss).

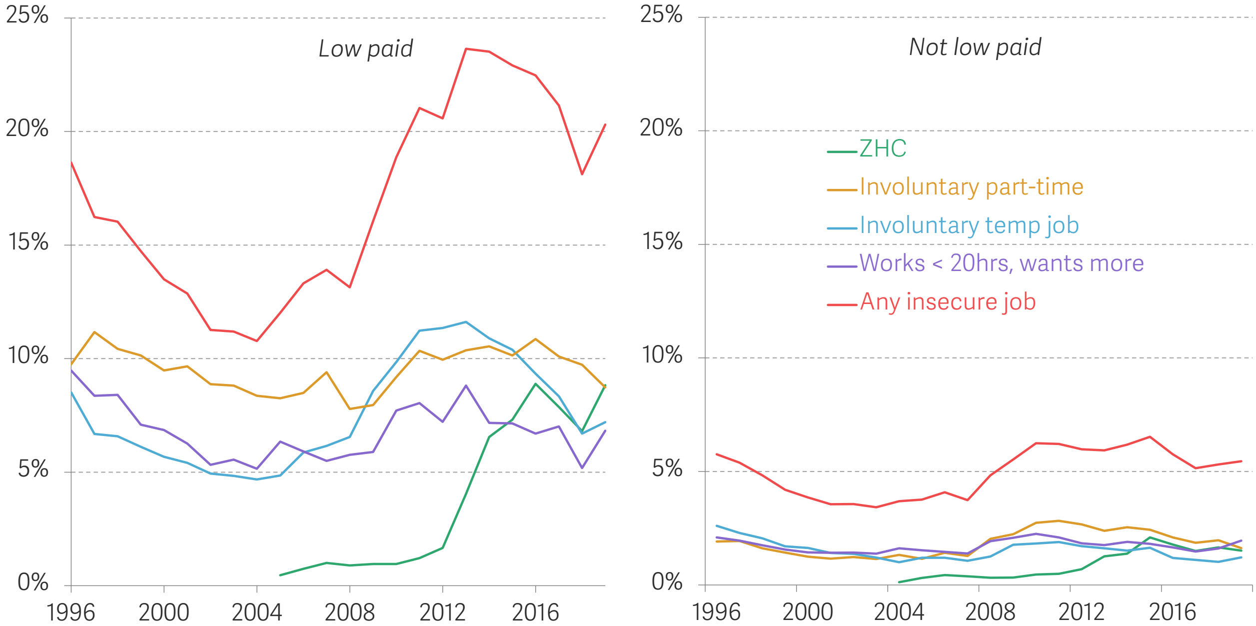
Figure 15 shows measures of such insecure work, including two based on contract type (number of zero-hours contracts and number of temporary contracts where a worker would prefer a permanent one) and two relating to insufficiency of hours (one is whether a worker has a part-time job but wants a full-time work, the other is whether a worker works fewer than 20 hours a week and wants more hours). The red line captures workers who meet any of those criteria. The figure breaks down low paid workers (in the left panel) and non-low paid workers (on the right). Pay data is not available for self-employed workers in the Labour Force Survey, and so the figure only includes employees.

Two facts emerge strongly from this data. The first is that insecurity is much more prevalent among low paid workers than higher paid workers. On the eve of the pandemic, 20 per cent of low paid employees were in one of the types of insecurity mentioned above, compared to just 5 per cent for non-low paid workers. This includes, among low paid workers, 9 per cent on zero-hours contracts (compared to 1 per cent of the non-low paid), 7 per cent working a temporary job who would prefer a permanent contract (compared to 1 per cent among the non-low paid), and 9 per cent working part-time who would prefer a full-time job (compared to 2 per cent of the non-low paid). Differences between low paid and non-low paid workers on these measures are consistent over the period shown. It's also important to note that (as set out in Box 1) insecurity intersects with other forms of labour market inequality. For example, low paid workers in the leisure and hospitality sectors are more likely than other low paid workers to face insecurity as well as low pay.

The other fact to take from Figure 15 is the cyclicality of insecurity, which rose substantially after 2008 when unemployment rose, and only falling as the labour market started to tighten from 2015 onwards. The cyclicality might be exaggerated by the inclusion of zero-hours contracts, with part of the increase post-2012 attributed to greater awareness of those contract types, rather than entirely down to rising use. But the cyclicality is also present in the other indicators, such as involuntary temporary work, which have no such measurement issues. It's also notable that, while the overall insecurity indicator does start falling in 2015, insecurity never falls back to pre-2008 levels, and rates of zero-hours contracts (arguably the most severe example of insecurity measured above) stopped rising in 2016 but didn't fall on a consistent basis. This rise and plateau of zero hours contracts in the face of a very high employment rate suggests there may be a structural element to the increase in insecure work, perhaps as businesses became accustomed to using those types of contract. If labour market norms are sticky in this way, this suggests it may be right to tackle insecurity before it rises – an issue we return to in Section 5.

FIGURE 15: **Insecure work rose following the financial crisis and didn't fall until the UK reached a very tight labour market**

Share of employment accounted for by various forms of insecure work, low paid employment compared to employment that is not low paid: UK



NOTES: Any insecure work defined as: zero-hour contract OR involuntary temporary OR involuntary part-time OR working less than 20 hours and would like to work more hours. Low pay is defined as receiving hourly pay that is less than two thirds of the overall median.
SOURCE: RF analysis of ONS, Labour Force Survey.

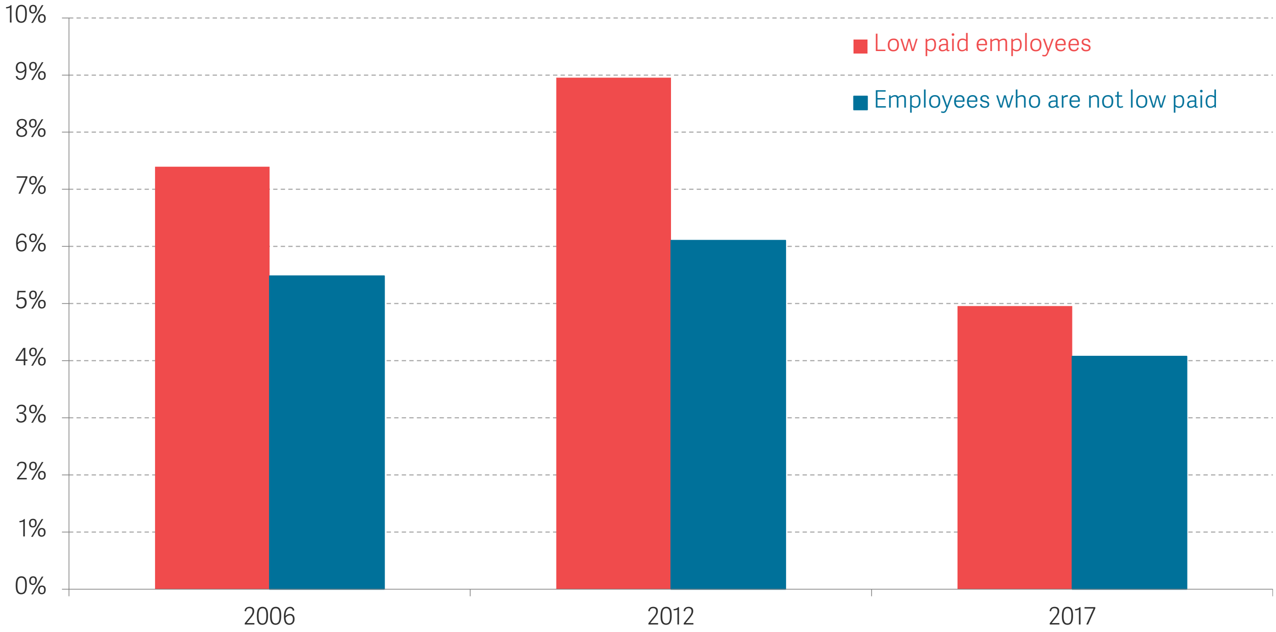
Both the cyclicality of insecurity – and its greater incidence among the low paid discussed above –are corroborated by survey measures. Figure 16 shows that subjective insecurity rose for all employees in the wake of the financial crisis and that this was particularly pronounced among low paid workers. In 2012, the share of low paid employees who thought it likely they might lose their jobs was 9 per cent, compared to just 6 per cent for non-low paid employees. Even by 2017, when the labour market had tightened, low paid employees still felt more worried about losing their job than better paid employees.

As well as increasing the aggregate level of labour market insecurity, the impact of a slack labour market can also be observed in the fortunes of individual workers. Indeed, a slack labour market tends to be associated with reductions in the ability of low paid workers to move from insecure to secure work. Before the financial crisis, just under half (48 per cent) of the low paid in insecure work were moving into secure work over the following year; this fell to 36 per cent in the years following the financial crisis.[18]

18 These calculations use the ONS's five-quarter longitudinal Labour Force Survey. Low pay is defined in the usual way (hourly pay below two thirds of the median) and 'insecure' is defined as involving any of the categories shown in Figure 5.

FIGURE 16: **Low paid employees feel more insecure about their jobs than other employees**

Share of employees who think it is either very likely or likely they will lose work in the next 12 months, by whether employee is in low pay: UK



NOTES: Low pay is defined in the usual way: hourly pay below two thirds of median hourly pay.
SOURCE: RF analysis of UK Skills and Employment Survey.

Furthermore, the evidence shows that unemployment is an important route by which workers end up in insecure work. Workers who become unemployed but who were previously in secure work (as defined above) are then similarly as likely as other workers to be in insecure work after re-entering employment.[19] Therefore, labour market slack appears to increase aggregate insecurity by slowing the rate at which workers in insecure work move into secure work, and through higher rates of insecurity among those returning to work after becoming unemployed.

Of course, all the above analysis isn't intended to suggest that we will see as great an increase in insecurity after this crisis as we did after the financial crisis. We are starting from a higher point in terms of the use of insecure contract types than was the case before the financial crisis, and the extent to which labour market slack will rise following this crisis is uncertain. But it's both the existing level of insecurity, combined with the risk of a further increase, however uncertain, that should motivate policy makers to act.

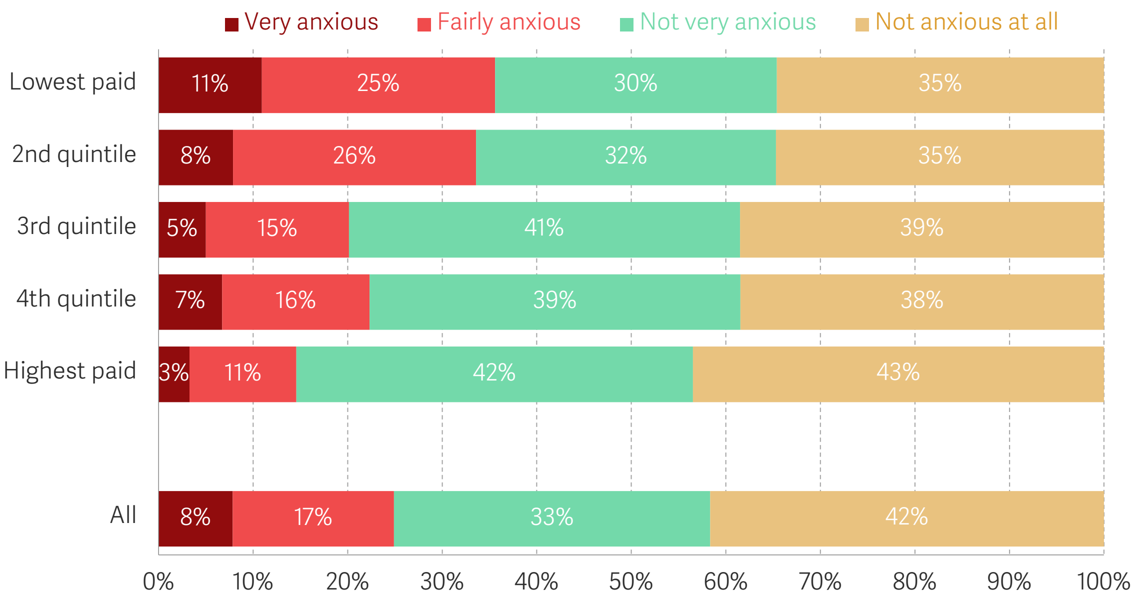
In order to appreciate why the current level of insecurity matters and again, why this is a problem that particularly affects low paid workers, it's useful to refer to survey data which captures workers' experience of insecure work. Figure 17 shows the number of workers

19 As in the previous note, these calculations use the ONS's five-quarter longitudinal Labour Force Survey, low pay is defined in the usual way (earning hourly pay below two thirds of the median) and 'insecure' is defined as involving any of the categories shown in Figure 5. Across the period 1998-2000, of workers in low paid but secure work who became unemployed, 21 per cent of those in employment the following quarter were in insecure work.

who in 2017 felt anxious about unexpected changes to their hours of work. More than 1 in 3 (36 per cent) of the lowest paid workers said they were anxious about this, including 1 in 9 (11 per cent) who said they were 'very anxious'. Anxiety is similarly prevalent among workers in the second hourly pay quintile. By contrast, anxiety about hours volatility affects higher paid workers, but to a much lesser extent; only 1 in 7 workers in the highest hourly pay quintile reported that they felt this anxiety about their hours of work.

FIGURE 17: **Over a third of the lowest paid workers feel anxious about changes to their working hours**

Level of anxiety relating to 'unexpected changes to my hours of work', 20-65-year olds, by hourly pay quintile: UK, 2017



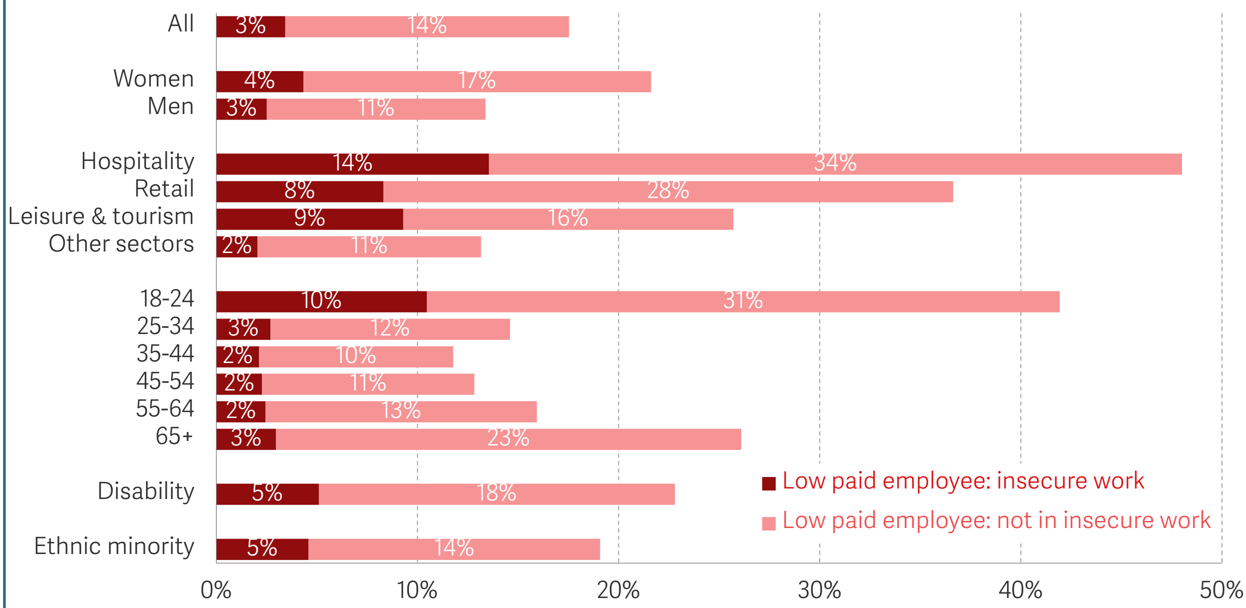
SOURCE: RF analysis of UK Skills and Employment Survey.

BOX 1: **The incidence of low pay and insecurity varies considerably across different workers**

It's important to note that insecurity intersects with a number of other long-standing inequalities in the labour market. As Figure 18 sets out, the incidence of low pay varies across groups of workers, with women, younger workers, workers with disabilities, and workers from ethnic minorities facing high instance of low pay. But, importantly, within the low paid, there are greater problems of insecurity for some groups, and this appears to relate to sectors of work. Notably, 36 per cent of low paid workers in the leisure sector also face insecurity, compared to 20 per cent of low paid workers overall. Similarly, young workers both face a higher incidence of low pay, but within the low paid, are more likely than older groups to be in insecure work as well.

FIGURE 18: **Low paid insecure work is particularly concentrated in hospitality work and for those aged 18-24**

Proportion of employees who are low paid and either in insecure work or not, by personal and job characteristics: UK, 2017-2019



NOTES: Insecure work defined as: zero-hours contract OR involuntary temporary OR involuntary part-time OR working less than 20 hours and would like to work more hours. Low pay is defined as receiving hourly pay that is less than two thirds of the overall median.
SOURCE: RF analysis of ONS, Labour Force Survey.

A good recovery for low paid workers also means fewer labour market abuses

In addition to worsening already-high job insecurity, a second risk facing low paid workers – if the labour market weakens – is of a greater threat to their employment rights.[20] As with insecurity, the problem is both the current level of violations of workers' rights, in addition to the risk that the scale of violations worsens in a period of higher unemployment.

It is difficult to measure labour market violations; employers who are breaking the rules don't tend to report themselves as doing so, and workers may not be aware of all the rights they are entitled to. But there are three examples of entitlements which researchers are able to measure reasonably well: underpayment of the minimum wage; workers not receiving paid holiday; and workers not receiving payslips.[21] In the latter two examples there is clear evidence of greater violations experienced by low paid workers, while minimum wage underpayment is, by definition, an issue which only applies to low paid workers, so we can't use that to compare low and higher paid workers.

Figure 19 shows the proportion of employees who report that they have no entitlement to paid holiday (in the left panel) and who report that their employer does not provide a payslip (the right panel). In both cases, it's clear that the lowest paid workers are worse affected by these violations: 14 per cent of the lowest paid workers report not receiving any paid holiday, despite this being a day-one right (this compares to 6 per cent of higher paid employees reporting this problem); similarly, while 9 per cent of the lowest paid workers report not receiving a payslip, only 2 per cent of higher paid workers report this problem. We have shown in previous work that these differences will be driven more by workers' occupation and sector of work than by differences their personal characteristics.[22]

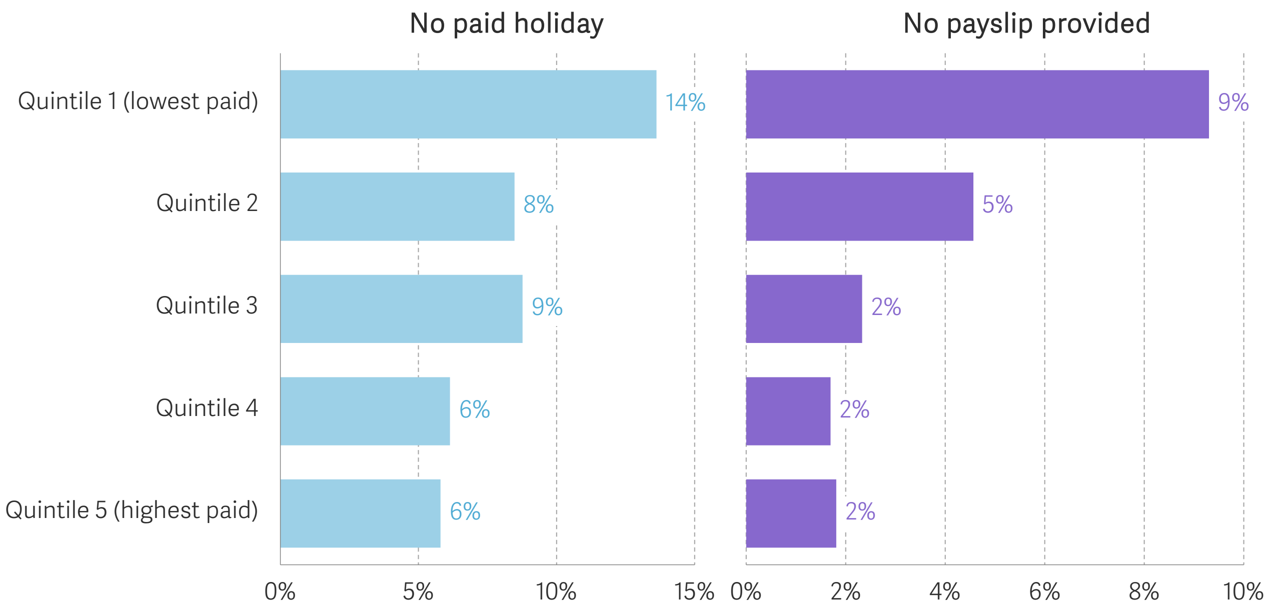
20 For example, Matthew Taylor expressed concerns during his term as interim Director of Labour Market Enforcement that the increased economic pressures of the Covid-19 crisis could push employers into non-compliance. See: R Moss, Matthew Taylor: Covid-19 increases temptation of non-compliance, Personnel Today, July 2020.

21 Other types of violations which affect low-paid workers more than the higher paid include non-compliance with health and safety laws, and employees not receiving the employer pension contributions they are entitled to. See: L Judge & H Slaughter, Failed safe? Enforcing workplace health and safety in the age of Covid-19, Resolution Foundation, November 2020; H Slaughter, Enrol up! The case for strengthening auto-enrolment enforcement, Resolution Foundation, August 2020.

22 L Judge and N Cominetti, From rights to reality: Enforcing labour market laws in the UK, Resolution Foundation, September 2019.

FIGURE 19: **Low paid workers are more likely than other workers to be denied their employment rights**

Proportion of employees reporting zero paid holiday entitlement and not being in receipt of a payslip, by hourly pay quintile: UK, 2018-19



NOTES: Hourly pay quintiles calculated among employees only.
SOURCE: RF analysis of ONS, Labour Force Survey; DWP, Family Resources Survey.

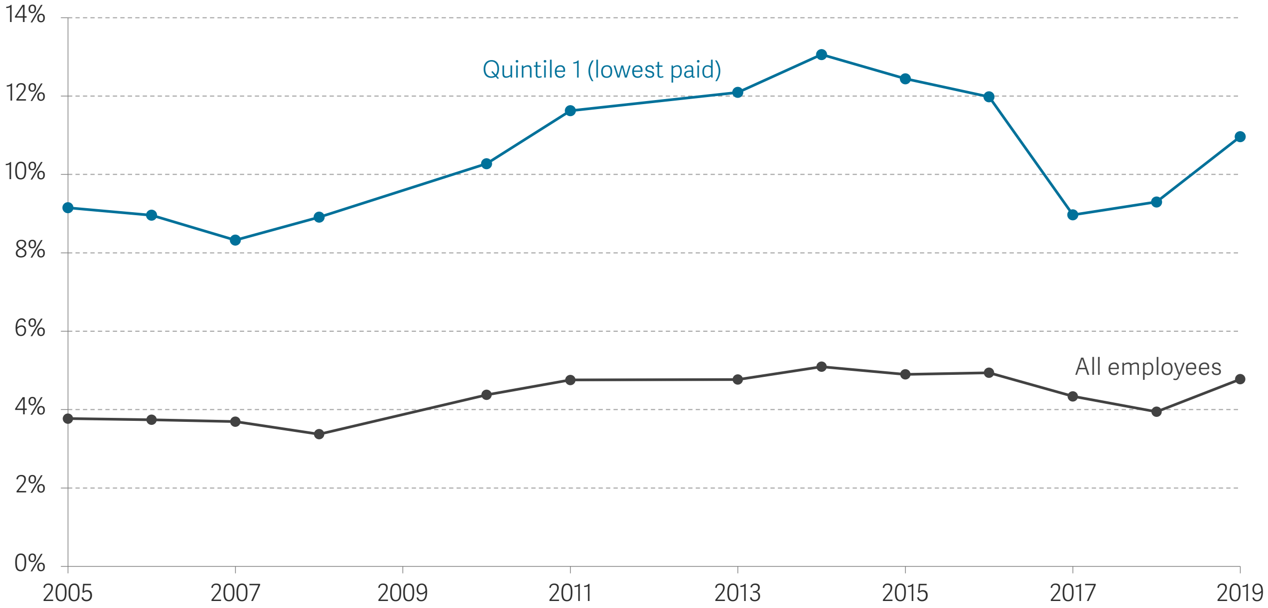
As with job security, there is some evidence that there may be a cyclical component to labour market violations, with a weaker labour market associated with a higher incidence. Figure 20 shows the proportion of employees reporting no paid holiday since 2005. It shows, again, that the incidence of this problem is higher for low paid workers, but it also shows that the problem got worse following the financial crisis, particularly for low paid workers. The proportion of low paid workers reporting no paid holiday entitlement rose from 8 per cent in 2007 to 12 per cent in 2011, and still further to 13 per cent in 2014, falling thereafter as the labour market tightened (although the data suggests that there was an increase in this problem in 2019, which may be due to a Government campaign to raise awareness of the issue).

On other measures of violations, the cyclical element is, however, harder to pick out. In the case of payslips, the data isn't available prior to 2012. When it comes to minimum wage underpayment, rates of underpayment did not rise after the financial crisis; instead, the pre-crisis trend of falling underpayment continued.[23] However, because the level of the minimum wage is connected to the state of the labour market (the Low Pay Commission opted for smaller upratings during the recession which followed the financial crisis), it's hard to unpick rates of underpayment from changes in rate setting (there is no such problem with paid holiday since this entitlement did not change).

23 L Judge and A Stansbury, Under the wage floor: exploring firms' incentives to comply with the minimum wage, January 2020, Resolution Foundation.

FIGURE 20: **The proportion of workers reporting zero paid holiday is higher for lower paid workers, and rose after the financial crisis**

Proportion of employees reporting zero paid holiday, by hourly pay quintile: UK, 2005-2019



NOTES: Excludes people who did not know their paid holiday entitlement.
SOURCE: RF analysis of ONS, Labour Force Survey.

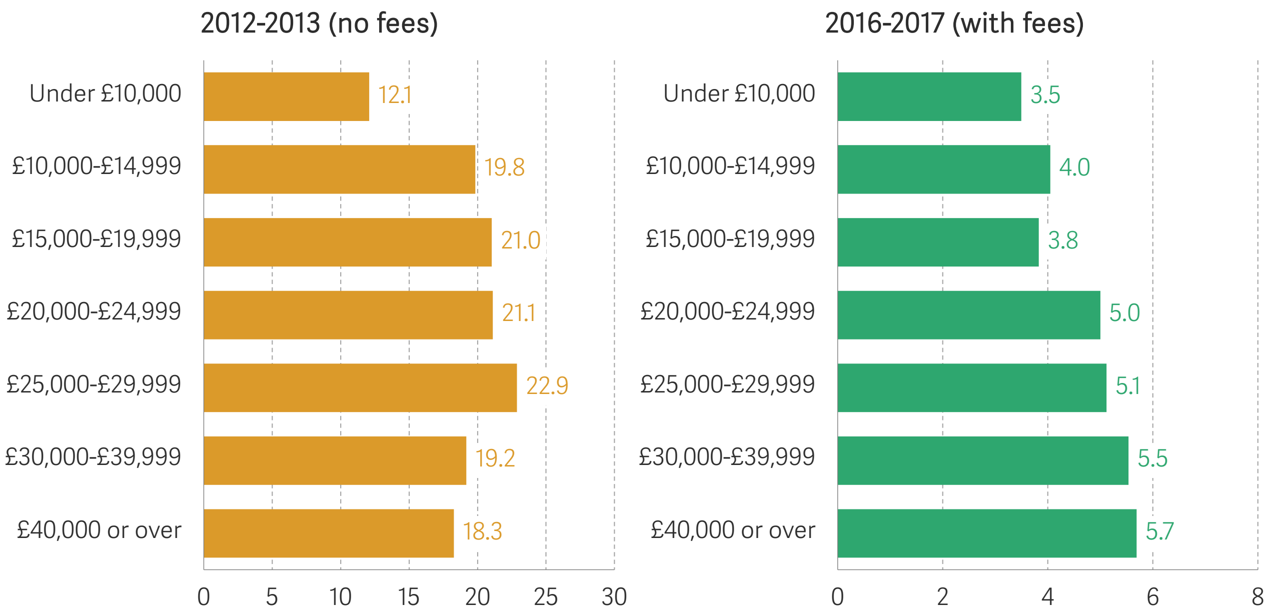
In theory, workers can use the Employment Tribunal system to bring a claim against their employer if they experience the above, or other labour market violations. However, relatively few workers do so; the number of Employment Tribunal cases brought is about two orders of magnitude smaller than, for example, the number of workers reporting that they have not received any paid holiday. But even more striking is the fact that low paid workers are less likely than other workers to bring Employment Tribunal cases (Figure 21), despite the fact that (as shown above) they are significantly more likely to be the victim of labour market violations, and in the case of minimum wage underpayment, are the only potential victims of labour market violations. In 2012-2013, before fees were introduced, workers earning less than £10,000 per year had a rate of Employment Tribunal cases of 12 per 10,000 workers, compared to a rate of 18-23 per 10,000 workers for higher paid workers. The imposition of fees between 2013 and 2017 (later found to be unlawful by the Supreme Court) worsened the 'pay gradient' in which workers brought cases, as well as reducing caseloads overall (caseloads fell by around 75 per cent).[24] As is clear in Figure 21, in 2016-2017, when there were fees, there is a very clear relationship between workers' pay and their likelihood of bringing an Employment Tribunal case. But even when there

24 House of Commons Library, Employment Tribunal Fees, December 2017.

were no fees, the lowest-paid workers were still the least likely group to bring their case to a tribunal – suggesting that even though fees have now been abolished, we should not be complacent about the ability of lower-paid workers to assert their own rights.

FIGURE 21: **Lower-paid workers are less likely to take their case to an employment tribunal**

Number of single jurisdiction applicants to employment tribunal per 10,000 employees, by annual pay band (CPIH-adjusted to 2016-2017 prices): GB, January 2012-January 2013 and October 2016-October 2017



NOTES: Pay bands refer to applicants' salary while working for the employer the case was brought against, and the 2012-2013 salaries have been adjusted using CPIH to 2016-2017 prices. Survey samples single jurisdiction applicants only, which comprised around half of all applications to the ET in 2012. Employment tribunal fees were introduced in July 2013. They were declared unlawful by the Supreme Court in July 2017, at which point ET claims no longer attracted a fee with immediate effect. In practice, this means that none of the claims covered in the 2012-2013 data, and virtually all claims covered in the 2016-2017 data, were made while fees were in operation.
SOURCE: RF analysis of BEIS, Survey of Employment Tribunal Applications; ONS, Labour Force Survey.

Taking stock, the argument of this section has been that low paid workers are already badly affected by issues of labour market insecurity and rights abuses, and that, because there is a cyclical element to both of those issues, there is a risk that they could worsen in the coming years if, as expected, unemployment rises, as they did following the previous recession. At the very least, they are unlikely to improve. And that should be the goal of policy makers – to ensure that the recovery from this crisis is one that delivers improvements in the job quality of low paid workers, as well as in their pay, given that this group has borne the brunt of the impact of the crisis. There is, therefore, a strong case for the Government to intervene to make sure this happens. The next section outlines a set of policy proposals which should form part of the Employment Bill the Government has signalled its intention to introduce.

Section 5

Policy measures to secure a strong recovery for low paid workers

With the health and economic impacts of the crisis having been concentrated on low paid workers, it's imperative that they benefit fully from the recovery – any ideas of levelling up post crisis must have low paid workers at the centre. This means driving improvements in their pay (which the minimum wage is set to do) but also in their job quality. Policy makers will first of all have to get right the big decisions on: fiscal policy, where more stimulus is likely to be needed; and on the withdrawal of the Job Retention Scheme, which must remain contingent on the phasing out of restrictions on activity; and will have to ensure employment support programmes are delivered effectively. For low paid workers specifically, further progress on the minimum wage remains the right policy and would be a major success. But employment policy must be broader than a rising wage floor, and should focus on improving job quality too. The Government should introduce the Employment Bill it intends to, to create a single enforcement body, and to provide clarity over the self-employment/worker boundary. It should, however, also go further and introduce a right to a contract that reflects workers' actual hours, minimum notice periods of shifts and hours, and compensation if these are changed. Other countries – like Finland and Norway – show that such protections are consistent with high employment and labour market flexibility. Government should act now before insecurity becomes further entrenched in the UK's labour market, and to ensure low paid workers benefit from a strong recovery.

It will only be a recovery which 'builds back better' if it's one that delivers for low paid workers

Because low paid workers have borne the brunt of both the economic and health impacts of this pandemic, this group will be central to whether the recovery from this crisis is one that actually 'builds back better'. A strong recovery for low paid workers would mean one which sees improvements in both their pay and job quality. But as we argued in previous sections, such a recovery is by no means assured. Policy makers will have to do more than simply lift restrictions on activity. This applies to the economy in general (where we suggest there will likely be a need for further stimulus measures), but in particular for low paid workers, where policy makers should intervene to improve job security and stamp out labour market abuses. This is because those problems are likely to, at best, remain as prevalent as they were pre-crisis, or at worst, given expectations of rising unemployment, deteriorate further. Low paid workers need the Employment Bill the Government plans to introduce – we set out below measures that should be included.

Getting the big decisions right: raising demand, and keeping support measures in place as long as needed

Before moving on to measures relating to job security and employment rights, it's important to emphasise that the first priority should be to limit the initial rise in unemployment by generating a rapid recovery through aggregate-demand support, and by keeping the JRS in place as long as restrictions on activity require it and delivering effective employment support programmes.

Recent labour market data has been encouraging, with the unemployment rate falling in the past two month's data, employers posting as many vacancies as they did pre-crisis, and the numbers on furlough falling as the economy has reopened. But amid the good news it's easy to forget quite how big a job the JRS continues to do in supporting jobs and incomes. In April, there was still a 4 million 'jobs gap', comprising 3.1 million employees on furlough, payrolled employees down 720,000 on pre-crisis levels, and self-employment down 270,000 (excluding those who have switched to an employee job).[25] As we have argued in our previous work, the withdrawal of the JRS should be contingent on the degree of restriction on economic activity.[26] This idea is encapsulated in the 'data not dates' phrase the Government used in setting out its reopening roadmap – the same principle should apply to the support measures that have done such a good job in keeping a lid on unemployment so far.

On the fiscal side, the Government seems to be assuming that re-opening the economy will be sufficient to deliver a full recovery. The March Budget extended Covid-19 support measures through to the summer, and thereby raised pandemic spending by £67 billion (bringing the total to £340 billion). But more may be needed. Fiscal policy is set to become a drag on growth next year, and estimates of the output gap – while highly uncertain – suggest that an additional stimulus of at least £20 billion of additional

25 See, for example: Resolution Foundation tweet relating to ONS Labour Market Statistics, 18th May 2021.
26 See, for example: N Cominetti et al., Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2021.

stimulus would be warranted.[27] The obvious place to do this would be through additional support to households, and most notably by making permanent the £20 boost made to Universal Credit and Tax Credits introduced at the start of the pandemic, which are set to expire in September. This should be the starting point – the historically-low levels of the UK's working age benefits provide a strong case for going further.[28]

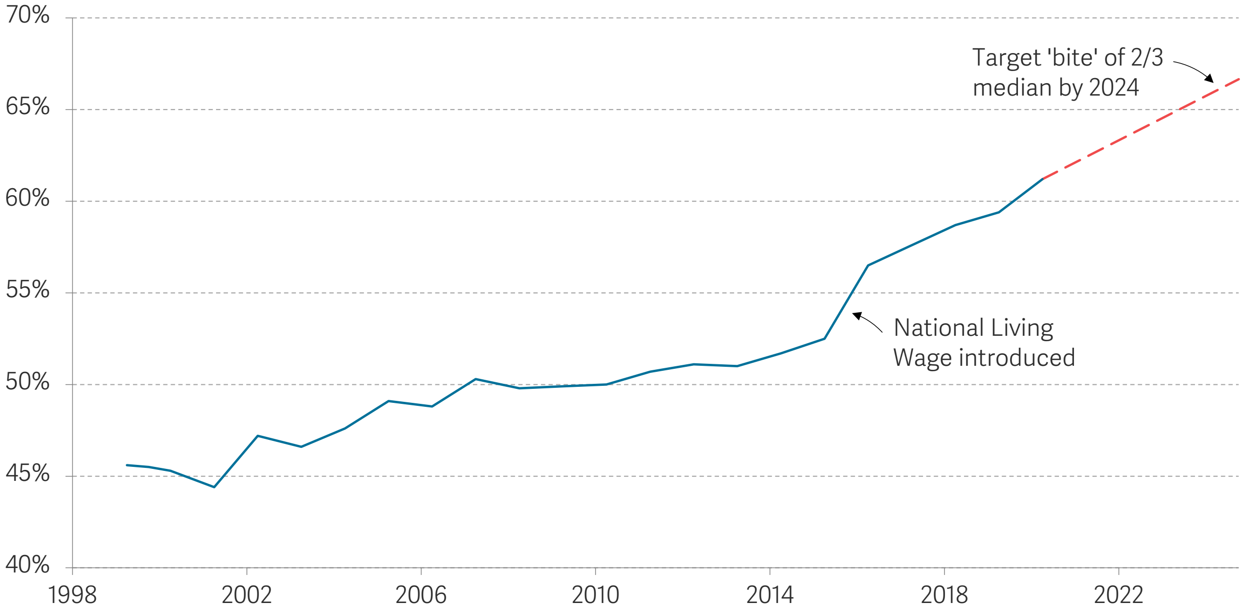
Abolishing low pay by the middle of decade – through increases to the minimum wage – remains the right policy and would be a major success

Moving on to employment specific policies, a key argument of this report is that policy makers need to look beyond the minimum wage for ways to support low paid workers. But that doesn't mean the impressive track record of raising the earnings for the lowest paid workers through the minimum wage should be taken for granted. As noted in the first section of this report, the greater ambition that has characterised minimum wage rate setting since the 2016 introduction of the NLW has had a significant impact. Previously, the minimum wage had steadily gained ground relative to typical pay at a rate of about half a percentage point a year; between 2015 and 2020 the increase was around 1.7 percentage points a year, with much of this coming in 2016, the year the NLW was introduced. As mentioned above, annual pay for someone working full-time on the adult rate minimum wage was around £2,000 per year higher in 2020 than if the minimum wage had continued to grow at its pre-2016 pace. The current policy, of targeting a minimum wage equal to two thirds of median hourly pay by 2024, should see further gains. Apart from non-compliance, and apart from those groups who don't qualify for the adult rate, this target would, if met, end low pay on its normal definition (of earning less than two thirds of median hourly pay). This would be a major achievement.

27 T Bell et al., Spending fast, taxing slow: Resolution Foundation analysis of Budget 2021, Resolution Foundation, March 2021.
28 M Brewer, K Handscomb & K Shah, In need of support? Lessons from the Covid-19 crisis for our social security system, Resolution Foundation, April 2021.

FIGURE 22: **The level of the minimum wage has risen faster since 2016, and is on an ambitious target path**

The value of the adult rate minimum wage relative to median pay among 25+ year olds, outturn and policy: UK



SOURCE: Low Pay Commission.

Of course, there continues to be the risk that a too-high minimum wage would have adverse impacts on the jobs of those workers the minimum wage is designed to help. In this context, the LPC's role in continuing to monitor the evidence will continue to be crucial. Encouragingly, the evidence base on minimum wages continues to grow, and the consensus that there are minimal employment effects appears to be holding up.[29] It remains to be seen whether this changes as the minimum wage moves closer to its new target. Little is known so far about the role of the minimum wage during this crisis. We found last year that minimum wage workers weren't more likely than other low paid workers to have experienced employment effects.[30] But the presence of the furlough scheme in enabling employers to absorb wage costs, along with associated challenges in accurate measurement of wages, make it hard to draw strong conclusions from evidence gathered in this period. We may have to wait for post-crisis upratings to robustly assess the impact of the current phase of minimum wage rises.

The other policy change when it comes to the minimum wage is that the NLW, originally brought in for workers age 25 plus, has been extended to cover workers age 23-24, with

29 Arin Dube's review for Government is two years old now but remains the best recent summary of the evidence base on minimum wages: A Dube, Impacts of minimum wages: review of the international evidence, HM Treasury and Department for Business, Energy and Industrial Strategy, November 2019.

30 Understanding Society data for June 2020 showed that workers paid the minimum wage were similarly as likely as workers paid above the minimum wage, but below the Real Living Wage, to have been furloughed or stopped working. See: N Cominetti & H Slaughter, Low Pay Britain 2020, Resolution Foundation, September 2020.

the plan to extend again to workers age 21-22 by 2024. As with the overall ambition, this is the right policy. As the LPC have shown, workers age 21-24 are more similar to those age 25-29 than they are to younger-age groups, and only a small minority were paid at the (lower) youth rates. So it makes sense to extend the NLW to this age group (and simplification of the minimum wage age structure tends to be popular among employers).[31] Unfortunately, as with overall minimum wage rate setting, it will be challenging for the LPC to assess the impact on youth employment of this recent policy change.

There have been some positive steps taken to improve job security in recent years

Supporting the recovery by ensuring fiscal policy is sufficiently supportive, and not phasing out the JRS while any restrictions are in place, along with further progress on the minimum wage, will go some way to supporting low paid workers in the recovery. But policy should do much more to ensure the recovery improves pay and job quality for the lowest paid. As discussed in section 3, low paid workers were already suffering from job insecurity and violations of labour market rights to a much greater extent than higher paid workers before the crisis. Atypical employment (such as zero-hours contracts, temporary work, and agency work) rose after the financial crisis and didn't start falling until around 2019, when the UK labour market reached something resembling full employment. Now is therefore the right time to introduce measures to tackle those problems.

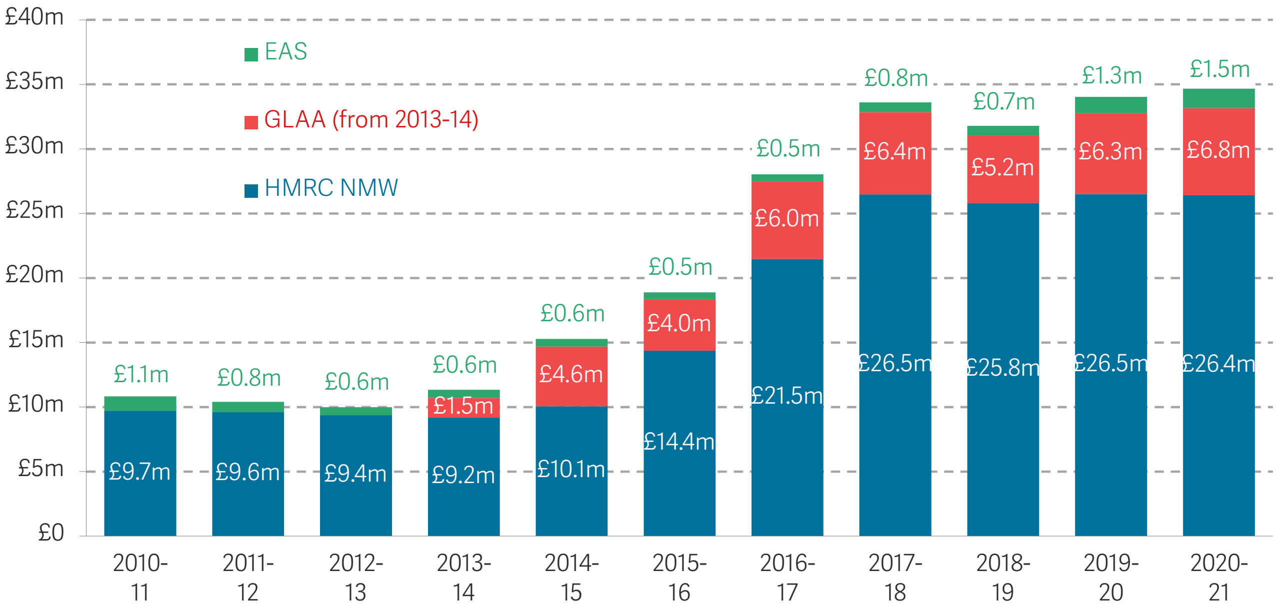
As set out in Annex B, the minimum wage has been the main focus of recent employment reform, with much less done in other areas, such as the regulation of insecure work. There has been some welcome progress, such as ending the loophole which allowed agency workers to be paid less than other staff, and a significant increase in the resources available for enforcement activities. The combined budget of the three main enforcement agencies has doubled since 2013-14 in real terms (see Figure 23). Although, of course, the significant presence of labour market violations as set out in Section 3, particularly among low paid workers, suggests that more resources may still be needed, and it's worth noting that the UK still falls below the International Labour Office's benchmark of one labour market inspector per 10,000 workers.[32] And of course, enforcement resources – which should increase the likelihood of violations being detected – are not the only answer to violations. Firms are also influenced by the penalties for non-compliance – and Resolution Foundation research has demonstrated that fines for minimum wage underpayment remain too low to make a difference to firms'

31 Low Pay Commission, A Review of the Youth Rates of the National Minimum Wage, November 2019.
32 Trades Union Congress, TUC action plan to reform labour market enforcement, May 2021.

incentives to comply with labour market rules. With the risk of non-compliance set to rise in the years ahead, HMRC should increase fines for underpayment of the minimum wage to increase the incentives for firms to comply with the law.

FIGURE 23: **Enforcement budgets have risen in recent years**

Annual operating budgets for the HMRC National Minimum Wage enforcement unit (HMRC NMW), Gangmasters and Labour Abuse Authority (GLAA), and Employment Agency Standards Inspectorate (EAS), CPIH-adjusted to 2020-21 prices: UK, 2010-2021



NOTES: Budgets for 2021-22 have not yet been agreed. The 2014-15 budget for EAS has been interpolated as the average of the 2013-14 and 2015-16 budgets due to a lack of data for that year.
SOURCE: RF analysis of HM Treasury, HMT Supplementary Estimates; Freedom of Information request to HMRC, FOI2021/07125, April 2021; Freedom of Information request to BEIS, FOI2021/10823, April 2021.

But while expanding resources for enforcement have been welcome, on the core issues raised in Section 4 of insecurity around hours and shifts for those on irregular contracts, and of the uncertainty around the classification of workers in the gig economy, there have not been any reforms introduced. Recent UK employment policy has therefore been unbalanced: significant progress on low pay, but little progress on labour standards.

The Government should bring forward its Employment Bill at the first opportunity...

The Government has said it plans to introduce an employment bill, which, based on its manifesto, will contain measures for a single enforcement body, and a right to request a contract which reflects a worker's normal hours, both of which were recommendations in the 2017 Taylor Review.[33] The previous Government had planned to introduce legislation to clarify the self-employment/worker boundary.[34] Although not included in the Conservatives' 2019 manifesto, the current Government has hinted that it remains interested in legislating on this question.[35] If so, the obvious opportunity for this would be to include it in the forthcoming Employment Bill. A single enforcement body and clarifying worker status – which would make it easier for workers to establish their status and access basic rights – would both be very positive changes, so the Government should find time for this Bill, to make progress in areas it has already committed to.

…but it should contain a more ambitious set of proposals than currently planned

But, importantly, these measures, while welcome, don't go far enough – and wouldn't be sufficient to secure a recovery that builds back better by improving the lives of those on low pay. That's particularly the case when it comes to protecting workers from 'one-sided' flexibility, where the current plan is to introduce (as the Taylor Review recommended) a right to request a regular contract. As the LPC argued in its response to Taylor, that a 'right to request' a regular contract wouldn't do much to empower workers.[36] So the planned Employment Bill should be strengthened in two important respects – both as suggested by the LPC in 2018[37] (and reiterated in our previous work a year ago).[38]

First, the right to request a regular contract should be strengthened into a right to a contract that reflects a worker's normal hours. In this respect the UK can follow the lead of the Republic of Ireland, who introduced a right along these lines two years ago. Workers in Ireland now have the right to a contract that reflects their normal hours, with the right enforceable by employment tribunals. There have already been a number of successful employment tribunal cases brought in Ireland, so it certainly seems as if workers are using their new right, although the broader impact of the reforms on employment security is not yet clear (this is discussed in Box 2, which also provides some other examples where countries have recently introduced reforms to tackle insecurity for low paid workers).

Second, more should be done to protect workers from last minute changes in their shifts. This should take the form of a right to sufficient advance notice of shift schedules (we have suggested this should be two weeks) along with compensation where shifts are

---

33 M Taylor, Good work: the Taylor review of modern working practices, Department for Business, Energy and Industrial Strategy, July 2017.
34 The 2018 'Good Work Plan' included a commitment to legislate to 'improve the clarity of the employment tests, reflecting the reality of modern working relationships'. Department for Business, Energy and Industrial Strategy, Good work plan, December 2018.
35 The Secretary of State for Business, Energy and Industrial Strategy said in March that the Government is 'considering options to improve clarity around employment status'. House of Commons, 23 March 2021, c775.
36 Low Pay Commission, LPC Response to the Government on 'one-sided flexibility', December 2018.
37 Low Pay Commission, LPC Response to the Government on 'one-sided flexibility', December 2018.
38 T Bell, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.

cancelled or hours reduced after this point.[39] Again, the UK can look to other countries for examples of where similar reforms have been introduced (this is set out in Box 2). The Irish reforms include a right to a minimum payment of three times the minimum wage – arguably this is insufficient for cases where a worker was expecting to work more than three hours.

The issue of late changes hasn't tended to receive a lot of attention, likely thanks to the fact that it's not something that is measured in the UK's official labour force surveys. The Living Wage Foundation recently undertook a survey of their own (as part of their Living Hours campaign) and found that the problem of last-minute shift changes is widespread, with 37 per cent of UK workers saying they are given less than a week's notice of their shifts or work patterns.[40]

BOX 2: **Other countries are leading the way on security for low paid workers**

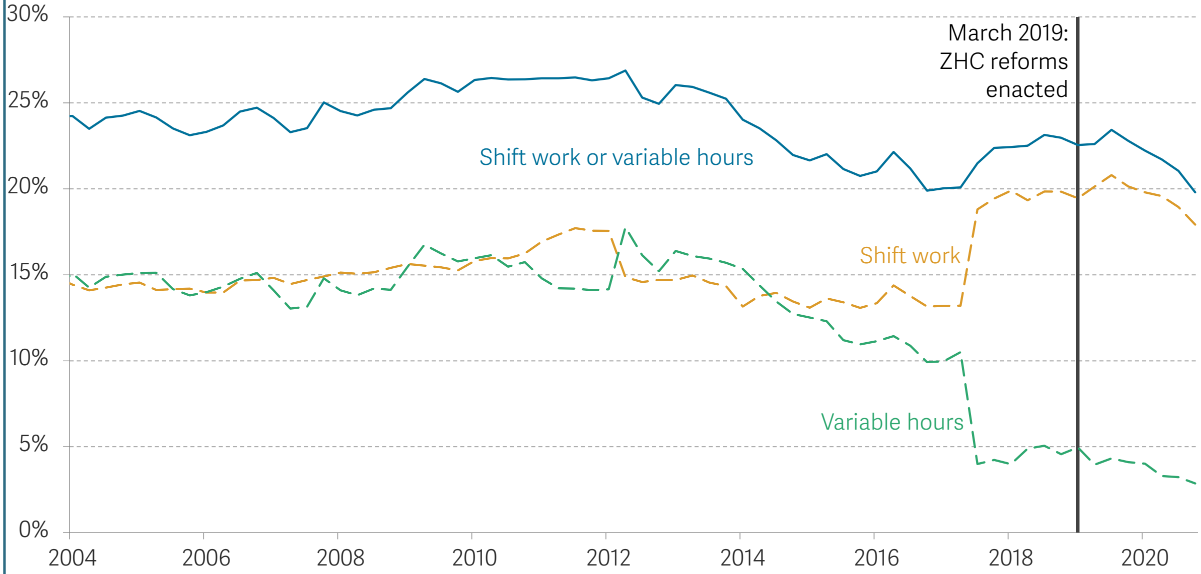
Other advanced countries, and even American states, have made legislative changes to support low paid workers in insecure work.

In March 2019 the Irish Government introduced legislation which prohibited zero-hours contracts in anything other than exceptional circumstances, and which gave workers on low or zero-hours contracts the right to a contract which reflects their normal working hours. Workers also have the right to a minimum payment if called into work and sent home without work.[41] It's clear that the laws are already being used by workers – there have been a number of Employment Tribunal appeals relating to 'banded hours' since the reform.[42] But the wider impact on employment and security of hours is not yet clear. In Figure 24 we use the best available proxies in the Irish Labour Force Survey (relating to shift work and variable hours) to assess the 2019 changes. The proportion of workers on shift work or on variable hours does look to have fallen in the last two years, but that is far from conclusive evidence. Given the relevance of the Irish case to the UK, we hope there will be a full impact assessment of these reforms.

39 T Bell, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
40 Living Wage Foundation, Almost two-fifths of working adults given less than a week's notice of working hours, April 2021.
41 Employees on low hour contracts who consistently work more hours each week than those stated in their employment contracts are entitled to be placed in a band of hours that better matches their actual working hours. See: Workplace Relations Commission, Employment (Miscellaneous Provisions) Act 2018: FAQ for Employees.
42 See: Workplace Relations Commission, Decisions and determinations of both the Labour Court and the WRC, and recommendations of the Equality Tribunal since 1996 and post 2007 determinations of the Employment Appeals Tribunal.

FIGURE 24: **Little is known about the impact of the Republic of Ireland's reforms to working hours and zero-hours contracts**

Proportion of employment where usual hours vary too much to say what usual hours are, or where the individual undertakes shift work: Republic of Ireland



NOTES: There appears to be a data discontinuity in 2017, with the variable hours series falling and the shift work series rising by similar amounts, suggesting the coding of these series changed. The blue line combines these variables and appears to offer a more consistent series.
SOURCE: RF analysis of Irish Statistical Office, Quarterly Labour Force Survey.

Related to zero-hours contracts and short hour contracts is the issue of workers being given short notice before shift changes – otherwise known as 'just-in-time' scheduling. In order to curb this insecurity, the US state of Oregon introduced legislation in 2017 for large employers in retail, hospitality or food services to book shifts a week in advance, which rose to 14 days in 2020. Workers also have the right to at least 10 hours rest between shifts.[43] Similarly, in 2017 New York City put a ban on 'surprise scheduling' for restaurant workers, meaning employers must schedule workers at least two weeks in advance, or pay workers for last minute changes.[44]

In New Zealand, the Government is pushing ahead to improve pay and working conditions, particularly for those in low paid or insecure work. In May 2021 the government released details of the so-called Fair Pay Agreements (FPAs): a policy package that allows unions to negotiate wages, working hours and flexible working on an industry-wide basis. Any union can initiate the process as long as they have support from 10 per cent or more than 1,000 employees in the proposed

43 Oregon Bureau of Labor & Industries, Predictive scheduling.
44 P Szekely, Not so fast: U.S. restaurant workers seek bank on surprise scheduling, Reuters, July 2017.

industry or occupation. FPAs mark a major change in New Zealand, driving up standards within sectors, shifting the balance of power in the workplace and focusing explicitly on low paid sectors.

Giving workers greater security over their hours needn't be costly for employers

It's worth addressing the main counter argument which may be weighed against introducing measures to promote security among the low paid. One argument would be that such measures are costly to employers, and would therefore be likely to reduce labour demand, exactly at the point at which the country needs hiring and employment to rebound. This is an argument that employer groups would likely make if confronted with the reforms above, indeed when zero-hours contracts first started receiving media attention in 2013 the CBI claimed that UK unemployment would have been 0.5m higher after the financial crisis if employers hadn't been able to make use of zero-hours contracts.[45]

What arguments can be made in response? The impact of regulations affecting hours volatility on employment hasn't tended to receive much attention, so there isn't a large body of evidence to draw on. Economists have tended to focus on the impact of restrictions on dismissals on the labour market, where the consensus is that there is little or no impact on employment levels but a negative impact on flows, and therefore potentially also on productivity enhancing worker reallocation.[46] One study, however, did look at the specific question of the role that flexible employment (such as zero-hours contracts) played in the recovery post-financial crisis and found no relationship between the prevalence of flexible employment and the speed at which the unemployed found work in local labour markets (if there was a trade-off between employment security and labour demand we might have expected to see a positive relationship).[47]

Beyond this useful paper, there doesn't appear to be a great deal of additional empirical evidence on this question. In this context, it will be interesting to see what can be learned from the recent reforms in Ireland. In lieu of such a body of evidence, there are a number of responses to the argument that security-improving regulation would reduce employment. The first is that the reforms we describe above needn't be costly to

45 Public sector executive, 'Vital role' for zero hours contracts – CBI, August 2013. Referenced in: A Adams and J Prassl, Zero-Hours Work in the United Kingdom, International Labour Organization, April 2018.
46 'Recent trends in employment protection legislation' in: OECD Employment Outlook 2020: Worker Security and the Covid-19 Crisis, OECD, July 2020.
47 S Avram, Labour market flexibility and unemployment duration: evidence from the UK, Institute for Social and Economic Research, October 2020.

employers. Giving workers a contract which guarantees them the hours they normally work doesn't mean requiring the employer to increase their wage bill, although it would make it harder for the employer to quickly reduce their wage bill in future. Giving workers sufficient notice of their shifts seems even more likely to be a measure that wouldn't impose significant extra costs on employers, instead the main imposition would be that employers would have to plan their affairs (and communicate to workers) better.

To the extent that these measures would involve costs for employers, it's not clear that this would translate into a meaningful impact on employment. As mentioned above, the fact that the minimum wage has been significantly raised since 2016 with no discernible employment effects (on top of the longer history of successful minimum wage increases, both in the UK and abroad) suggests that employers still hold a large amount of bargaining power. Raising the wage floor is one way of redressing the balance in favour of workers; raising labour standards is another. As with the minimum wage, there would likely be a point at which higher standards would come at the expense of jobs. The right approach would be to handle this in the same way the UK handles minimum wage setting. The Government should set targets and the direction of travel, and the LPC's remit should be expanded to survey the labour market in the round and to monitor the impact of reforms.

Separate from the monitoring of impacts is the question about how to handle the trade-off between employment, pay and standards. This shouldn't be a matter of waiting for the first sign of an effect on employment and then stopping – there is also a dynamic element of this trade-off: pushing on pay and standards may cost jobs (or perhaps raise prices) in the short-term, but lead to a better longer-term equilibrium. We know, for example, that raising productivity is one of the responses businesses make to a rising minimum wage,[48] while a study of the German minimum wage has shown that it causes the reallocation of workers to more productive businesses.[49] Weighing up these trade-offs is a judgement for policy makers rather than a purely technical monitoring exercise, although the starting point should be the evidence gathered by and the advice of the LPC.

A final response to the argument that improving security would threaten employment is to look to other countries, and to see that greater levels of labour market regulation are consistent with high employment. Here, the Nordic countries are the clearest example. Labour markets tend to be characterised by much greater organisation than in the UK, with extensive use of collective bargaining agreements covering pay and conditions (in Finland around 90 per cent of workers are covered by collective bargaining agreements, as are 70 per cent of workers in Norway, compared to fewer than 30 per cent of workers

48 R Riley and C Rosazza Bondibene, Raising the standard: Minimum wages and firm productivity, NIESR, May 2015.
49 C Dustmann et al., Reallocation effects of the minimum wage, Centre for Research and Analysis of Migration, July 2020.

in the UK).[50] Finland has also recently introduced laws specifically targeted at limiting the use of zero-hours contracts to situations of genuinely volatile demand, and, like in other countries, giving workers a right to a contract where minimum specified hours reflect the normal hours actually worked.[51]

Importantly, Nordic countries also have high employment, alongside regulation of labour standards. Employment rates immediately pre-pandemic were: 73 per cent in Finland; 75 per cent in Norway; and 76 per cent in Sweden. These rates are very similar to the 76 per cent employment rate in the UK.[52] In general, cross-country comparisons don't suggest much relationship between levels of employment protection and employment,[53] and countries with relatively unregulated labour markets don't appear to have withstood the employment shock of the financial crisis better than other countries.[54] Furthermore, regulation to set labour standards doesn't preclude flexibility: workers in Finland and Norway are more likely than UK workers to say their hours sometimes change in response to unforeseen demands.[55]

Overall, then, there is a strong case for intervening to improve labour standards for low paid workers in the UK – both because problems of insecurity and labour market violations are already unacceptably high, but also because there is a risk of a slack labour market making those problems worse. The time to act is now to ensure that the recovery is one that benefits low paid workers who have borne the brunt of the crisis. It is particularly important to act quickly before insecurity becomes further entrenched in the labour market. This means the Government should prioritise the Employment Bill it has promised, and it should include robust measures to give workers greater control over the hours they work.

Alongside the proposals made in this chapter, it's worth noting some other important policy measures we have discussed in recent reports, and which would support low paid workers generally and in the recovery. These are set out in Box 3.

50 OECD Statistics, Collective bargaining coverage.
51 S Havia & L Koskela, Employment and employee benefit law in Finland: overview, Thomson Reuters Practical law, January 2020.
52 OECD Statistics, Employment rate.
53 I Brinkley, Employment regulation and the labour market: A comparison of the UK's employment rights framework with that of other OECD countries, CIPD, March 2015.
54 J Heyes, Flexicurity, employment protection and the jobs crisis, Work, Employment and Society 25(4), December 2011.
55 In 2019, 40 per cent of workers in the UK said their hours changed at least once a month in response to unforeseen demands, compared to 60 per cent of workers in Finland, and 54 per cent of workers in Norway. Source: EU LFS.

BOX 3: **Key policy measures for the low-paid recovery and post-pandemic**

The Government should launch its Employment Bill this year and include measures it has said it already intends to, in particular: a single enforcement body and clarification of the worker/ self-employment boundary. These aren't, however, enough and should most pressingly include:

- The right to request a regular contract should be strengthened into a right to a contract that reflects a worker's normal hours.
- A right to sufficient advance notice of shift schedules (we have suggested this should be two weeks) along with compensation where shifts are cancelled or hours reduced after this point.

Insecure and atypical work

- The Government should recommit to ending low pay by the middle of the decade and increasing the National Living Wage.
- Turning to a new settlement for the low-paid more generally, workers in large firms should have control over how regularly they are paid and be involved in decisions over payroll regularity even in smaller employers.[56]

Rights and worker power

- Low-paid workers should receive the same rights at work as higher earners. This includes Statutory Sick Pay and qualifying for unfair dismissal after one, rather than two, years in post.
- Part-time workers should have a right to request a contract with longer hours.
- As discussed in our previous work, as in New Zealand and Australia, unions should be given the right to enter workplaces and 21st century Wage Boards should be established in a small number of industries in clear need of improved standards, starting with social care.[57]

Labour market enforcement

- The forthcoming Single Enforcement Body should be properly resourced, with powers to pro-actively protect workers.
- The Single Enforcement Body should ensure that low paid workers' basic rights are enforced, for example holiday pay entitlement and enrolments on pension schemes.

56 For our original set of policies for the low paid, see: T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
57 T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.

- The current NMW penalty and enforcement regime provides insufficient deterrence for firms thinking about underpayments.[58] HMRC should increase fines for underpayment of the minimum wage to increase the incentives for firms to comply with the law.
- Health and safety needs enforcement too. Low-paid workers have been less likely to raise any health and safety issues over Covid-19 or receive an adequate response. In the current crisis, local authorities should be provided with the resources for health and safety spot-checks for the most at-risk workers.[59]

<u>Support for employment in the pandemic</u>

- Support aggregate demand as much as is necessary. JRS withdrawal should be contingent on degree of economic restrictions.
- Fiscal policy to remain responsive to the state of the recovery. More support may be needed for households, notably making the £20 boost to Universal Credit and Tax Credits permanent.
- The Government must get timings right for other support schemes like Kickstart and Restart.[60] The lockdown has delayed Kickstart's rollout and long-term unemployment in the years to come will mean the scheme needs extending beyond December 2021.
- The Government must pursue a range of policies to promote hiring, job creation and facilitate career changes if appropriate. This could include a targeted wage subsidy in sectors most affected (even when fully open) by social distancing rules. And, the government should invest to create jobs directly, in social care and green sectors like retrofitting.[61]

58 L Judge & A Stansbury, Under the wage floor: Exploring firms' incentives to comply with the minimum wage, Resolution Foundation, January 2020.
59 L. Judge & H. Slaughter, Failed safe?: Enforcing workplace health and safety in the age of Covid-19, Resolution Foundation, November 2020.
60 N Cominetti et al., <u>Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery</u>, Resolution Foundation, February 2021.
61 These policy proposals for the recovery are laid out in detail in: N Cominetti, et al., Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2021.

Section 6

Conclusion

This report has examined the impact of the crisis on low paid workers and considered their prospects as the economy opens up and recovers in the wake of the Covid-19 pandemic. What stands out is that low paid workers have borne the brunt of the economic impact of the crisis. This is true when it comes to job loss, furlough or cuts to hours and pay. And although the impact of the health crisis is not central to this report, it is important to keep in mind that those on low pay have also faced the largest health risks.

But the good news is that those in low paid sectors like (hospitality and leisure) – that faced the strictest restrictions – are now returning to work fastest as the economy reopens. As well as returning to previous jobs, furloughed workers in low paid sectors like retail have returned to work in new jobs in different sectors of the economy. This encouraging outlook is buoyed by the falling proportion of low-paid thanks to the National Living Wage that promises to end low pay by 2025.

Despite optimism about the immediate outlook for low paid workers, unemployment is expected to rise as the furlough scheme and other support measures come to an end. Recent history warns us that low paid workers face the highest risk of losing their jobs. Unemployment rose fastest (from 8 per cent in 2008 to 12 per cent in 2012) for low-paying occupations – which includes labourers and cleaners – in the wake of the financial crisis. And any increase in unemployment may well exacerbate already-high levels of job insecurity among low paid workers. The proportion of low paid workers doing insecure work – such as zero-hours contracts or temporary work – rose to 24 per cent after the financial crisis and only fell slightly thereafter as the labour market tightened significantly. An additional risk facing low paid workers is the current level of violation of workers' rights and the threat that violations worsens in a slack labour market. It took a very tight labour market to improve labour market standards post-2008, we can't rely on that this time around.

To ensure that the recovery from Covid-19 is one that genuinely 'builds back better' it must improve the lives of low paid workers. Achieving this requires policy makers to get the big decisions right on fiscal policy and on the withdrawal of the furlough scheme. It also requires a recommitment to a higher NLW and ending low pay by the middle of the decade. The Government must also put in place measures to ensure insecurity does not become further entrenched in the labour market as unemployment rises in the coming months. Here, key measures include new rights to a regular contract, sufficient notice for shift changes and greater security of working hours. The settlement must stamp out labour market violations such as the underpayment of the minimum wage, pension contributions and holiday pay – with a properly resourced single enforcement body. The current crisis has had low paid work at its heart. Now is the time to plan improvements to their pay and working conditions – to provide the dignity and respect those workers deserve.

Annex A: Low pay in depth

TABLE 1: **Low pay in April 2020**

Proportion and number of employees below selected hourly low paid thresholds: GB, 2020

	Below 2/3 median hourly pay			Near or below NLW			Below Living Wage		
	Number (000s)	% in group	% of all	Numbe r	% in group	% of all	Num ber	% in group	% of all
All employees	3,897	14%	100%	3,034	11%	###	5,847	21%	###
Sex									
Women	2,237	16%	57%	1,768	13%	58%	3,478	25%	59%
Men	1,660	12%	43%	1,265	9%	42%	2,369	18%	41%
Age group									
16-20	770	61%	20%	296	24%	10%	928	74%	16%
21-24	494	27%	13%	296	16%	10%	711	39%	12%
25-30	487	13%	12%	454	12%	15%	751	20%	13%
31-35	341	10%	9%	320	10%	11%	528	16%	9%
36-40	310	10%	8%	289	9%	10%	482	15%	8%
41-45	285	9%	7%	264	9%	9%	449	15%	8%
46-50	298	12%	8%	274	8%	9%	496	15%	8%
51-55	302	14%	8%	280	9%	9%	503	16%	9%
56-60	296	19%	8%	269	11%	9%	486	19%	8%
61-65	204	14%	5%	188	13%	6%	335	23%	6%
66+	111	10%	3%	103	18%	3%	176	30%	3%
Region									
East Midlands	331	17%	9%	268	14%	9%	467	24%	8%
Yorkshire & the Humber	390	17%	10%	307	14%	10%	546	24%	9%
West Midlands	383	17%	10%	305	13%	10%	540	23%	9%
North East	178	18%	5%	141	14%	5%	234	24%	4%
North West	488	17%	13%	369	12%	12%	680	23%	12%
Wales	203	16%	5%	158	13%	5%	294	24%	5%
South West	407	17%	10%	312	13%	10%	561	24%	10%
East	379	15%	10%	287	11%	9%	542	21%	9%
South East	529	12%	14%	400	9%	13%	764	18%	13%
Scotland	267	11%	7%	208	9%	7%	392	16%	7%
London	341	8%	9%	279	7%	9%	828	20%	14%
City region									
Nottingham	67	16%	2%	56	13%	2%	99	24%	2%
Sheffield	112	19%	3%	90	15%	3%	154	26%	3%
Tees Valley	43	18%	1%	35	14%	1%	58	24%	1%
Liverpool	80	14%	2%	60	11%	2%	120	22%	2%
Newcastle	135	18%	3%	106	15%	4%	176	24%	3%
Birmingham	164	15%	4%	132	12%	4%	228	21%	4%
Leeds	171	15%	4%	137	12%	5%	241	22%	4%
Cardiff	86	15%	2%	67	11%	2%	129	22%	2%
Manchester	184	16%	5%	138	12%	5%	251	22%	4%
Bristol	76	13%	2%	57	10%	2%	109	19%	2%
Glasgow	85	11%	2%	65	8%	2%	128	16%	2%
London	341	8%	9%	278	7%	9%	825	20%	14%
Occupation									
Elementary	1,182	41%	30%	916	32%	30%	1,606	56%	27%
Sales & customer service	625	30%	16%	443	21%	15%	1,073	51%	18%
Personal services	588	22%	15%	453	17%	15%	964	37%	16%
Process & machinery ops.	318	22%	8%	275	19%	9%	446	31%	8%
Skilled trades	395	20%	10%	321	16%	11%	506	26%	9%
Admin & secretarial	367	13%	9%	303	10%	10%	587	20%	10%
Managers & senior officials	122	4%	3%	106	4%	3%	195	6%	3%
Associate prof. & technical	217	5%	6%	161	4%	5%	331	8%	6%
Professional	83	1%	2%	56	1%	2%	139	2%	2%

	Below 2/3 median hourly pay			Near or below NLW			Below Living Wage		
	Number (000s)	% in group	% of all	Number (000s)	% in group	% of all	Number (000s)	% in group	% of all
Contract type									
Temporary/casual	447	20%	11%	304	14%	10%	636	29%	11%
Permanent	3,450	14%	89%	2,729	11%	90%	5,211	21%	89%
Firm size									
XS (0-9 employees)	747	29%	19%	636	25%	21%	953	37%	16%
S (10-49 employees)	985	24%	25%	801	19%	26%	1,277	30%	22%
M (50-249 employees)	656	18%	17%	539	14%	18%	890	24%	15%
L (250-4,999 employees)	799	14%	21%	610	11%	20%	1,146	20%	20%
XL (5,000+ employees)	549	12%	14%	341	7%	11%	1,123	24%	19%
Industry									
Hotels & restaurants	686	58%	18%	531	45%	17%	809	68%	14%
Wholesale & retail	928	23%	24%	692	18%	23%	1,541	39%	26%
Agriculture	55	29%	1%	0	0%	0%	72	37%	1%
Arts & recreation	153	28%	4%	119	22%	4%	197	36%	3%
Admin & support services	364	24%	9%	299	19%	10%	517	34%	9%
Other service activities	145	27%	4%	124	23%	4%	178	33%	3%
Health & social work	451	11%	12%	352	8%	12%	800	19%	14%
Manufacturing	372	14%	10%	307	12%	10%	495	19%	8%
Construction	138	13%	4%	112	10%	4%	182	17%	3%
Water supply & waste	20	10%	1%	0	0%	0%	29	15%	0%
Real estate	36	9%	1%	31	8%	1%	57	14%	1%
Education	225	5%	6%	157	4%	5%	470	11%	8%
Transport & storage	96	9%	2%	84	7%	3%	145	13%	2%
Prof. & technical	144	7%	4%	110	6%	4%	215	11%	4%
Info. & comms.	40	4%	1%	28	3%	1%	67	6%	1%
Public admin	19	1%	0%	14	1%	0%	36	3%	1%
Finance	22	2%	1%	16	1%	1%	33	3%	1%
Hours worked									
Part time	1,983	25%	51%	1,502	19%	50%	2,987	37%	51%
Full time	1,913	10%	49%	1,532	8%	50%	2,860	15%	49%
Hours worked and sex									
Part-time women	1,381	23%	35%	1,081	18%	36%	2,149	36%	37%
Part-time men	602	30%	15%	421	21%	14%	838	41%	14%
Full-time women	856	11%	22%	687	9%	23%	1,329	17%	23%
Full-time men	1,058	9%	27%	845	7%	28%	1,531	13%	26%

NOTES: ONS approach to filtering ASHE dataset followed. In 2020, observations are excluded if experienced loss of pay due to absence apart from those on furlough, who are included. In previous years all workers experiencing loss of pay through absence are excluded. The hourly pay measure used excludes overtime and shift premiums.
SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

Annex B: Recent developments in UK employment policy

The following table provides a brief summary of different elements of UK employment policy and what has changed in recent years. The major emphasis in recent years has been on lifting the minimum wage; there has been relatively little change in other areas of employment policy, including the regulation of insecure work.

Policy area	Summary of UK policy	Policy changes since 2010
Minimum wage	The National Minimum Wage (NMW) was introduced in 1999. Rates are set by the independent Low Pay Commission, a body composed of worker and business representatives and independent experts. NMW uprating were cautious in the early years and over the financial crisis.	'National Living Wage' (NLW) introduced in 2016: higher rate for those aged 25+, and for the first time Government set a target for the main adult minimum wage rate (of 60 per cent median pay in 2020, updated in 2020 to 66.6 per cent median by 2024). From 2021 23-24-year olds will get the NLW.
Equal treatment	Laws relating to equal treatment at work expanded in the 1990s and 2000s, often following EU law. The 2010 Equalities Act made discrimination against protected characteristics unlawful, and required employers to make 'reasonable adjustments' for disabled workers. Other laws provided for equal treatment for those in temporary, part-time or agency work.	N/A

Employment protection	Employment protection includes rights against unfair dismissal (dismissal not related to business needs or the worker's capability) and to redundancy payments and notice periods. The UK has lower levels of employment protection than many rich countries. For example, rights against 'unfair dismissal' only apply after 2 years' service, compared to 12 months in France and 6 months in Germany.	Protection weakened: 2011 qualifying period for unfair dismissal lengthened from one to two years.
Job quality/ atypical work	The UK has less regulation relating to job type or to atypical contracts than many other rich countries. For example, the UK does not limit the circumstances in which temporary contracts may be used; many countries do.	Relatively few changes despite attention on zero-hours contracts and 'gig' economy. Changes in 2020: abolition of 'Swedish derogation' (loophole allowing agency workers to be paid less); all workers have right to written terms on day one; holiday pay calculation period extended from 12 to 52 weeks. Government says it plans to: allow workers to request a regular contract, and clarify self-employment/worker boundary. But there was no Employment Bill in 2021 Queen's speech.

Enforcement/ seeking redress	The UK puts a lot of weight on individual enforcing on their own behalf via employment tribunal – enforcement by the state is relatively light touch. The UK is currently less than half way to the ILO benchmark of 1 labour market inspector per 10,000 workers. Systems vary internationally and reflect different labour market structures, for example: Sweden: mostly self-regulation, but through collective bargaining; relatively few breaches so the enforcement agencies focus more on raising employment standards Ireland: used to be similar to the UK but combined five enforcement bodies into a single Workplace Relations Commission in 2015. New Zealand: generally seen as leader in this area. Has a single enforcement agency (except for equality and health and safety) but have introduced reforms over the past three years including stronger sanctions for breaches, better provision of information to employers and employees, and increasing the number/ powers of labour inspectors.	Welcome increase in resources for enforcement in the past decade, but the introduction of employment tribunal fees between 2013 and 2017 was a backwards step. HMRC's budget for enforcing the minimum wage was more than two and a half times as high in 2020-21 as it was in 2010-11 in real terms. 2013: fees for employment tribunals introduced (£160 for simple claims, £250 for complex claims) causing 68-75 per cent drop in the number of cases brought. Fees were removed in 2017 after the Supreme Court found them unlawful; cases increased but not to 2013 levels. Single enforcement body planned in previous Government's 'Good Work Plan' (after being recommended by the Taylor Review) and a 2019 manifesto commitment but not in 2021 Queen's Speech. Post of Director of Labour Market Enforcement (and supporting Office of DLME) created in 2017 – though currently vacant

Unions and collective bargaining	Mid-20th century policy gave trade unions a bigger role than they have today – in terms of their involvement in Wage Councils and bargaining with employers. Wage councils were abolished in the early 1990s and collective bargaining coverage has continued to decline. Workers in low paid industries – particularly hospitality and retail – have very low collective bargaining coverage rates.	In 2016 the government passed a new Trade Union Act which proposed stricter ballot thresholds for industrial action, restraints on picketing and that union contributions to political parties must be via an 'opt-in'. Despite little debate or policy changes, the number of employees who are union members has increased since 2017.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

For more information on this report, contact:

Nye Cominetti
Senior Economist
nye.cominetti@resolutionfoundation.org

Resolution Foundation

2 Queen Anne's Gate
London SW1H 9AA

Charity Number: 1114839

@resfoundation
https://www.resolutionfoundation.org/publications/