

# THE UK INSECURE WORK INDEX

Two decades  
of insecurity

Rebecca Florisson | May 2022



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## ABOUT THE WORK FOUNDATION

The Work Foundation is a think tank focused on improving working lives across the UK through applied research and new ideas. For over a century, we have worked to break down the barriers individuals and communities face in accessing good work.

We believe everyone should have access to secure, rewarding and high-quality work. By engaging directly with workers, employers, policymakers and leading academics, we deliver rigorous applied research to tackle structural inequalities in the labour market and improve working lives across the UK.

We are part of Lancaster University's Management School, and work with a range of partners and organisations across our research programmes

## CITATION

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## FOREWORD



### **Rt Hon Alan Milburn**

Chair, Social Mobility Foundation and Chair,  
Social Mobility Commission (2012-17)

Too many families face job insecurity, low pay and lack of full-time work. It is little surprise then that social mobility has stagnated over recent decades. The UK Insecure Work Index confirms that severely insecure work can significantly impact people's chances of escaping poverty. During the worst cost of living crisis in living memory, this report reminds us of the need to focus on ensuring everyone has access to more secure, better paid and higher quality jobs as we look to level-up the UK.



### **Frances O'Grady**

General Secretary, Trades Union Congress

This is a valuable and timely report, exposing the shocking scale of our crisis of insecure work, and how this scars workers, communities and held-back regions. It shows that one in five workers is trapped in severe insecurity, enduring wildly unpredictable hours, low pay and minimal rights, with Black and minority ethnic workers, disabled people and women on the frontline.

In the midst of our escalating cost-of-living emergency, this important study shows that the time for excuses and inaction is over. If the government really wants to make Britain the best place in the world to work, it must make good on years of promises and deliver the employment bill workers urgently need. Now is the time to get tough on zero-hours contracts, fire and rehire, and other forms of exploitation and insecurity.



### **Lord Gavin Barwell**

Chief of Staff to the Prime Minister (2017-19)

For the first time ever, we have lower unemployment than job vacancies. But if low unemployment is a UK success story, the Government and employers now face two related challenges – how do we encourage people back into the market to meet the demand for labour and can we improve the quality of those jobs to level up the country?

This report provides a vital insight for policymakers to learn from the past and use the regulatory freedom we now enjoy outside the EU to build on the success of the UK economy to create secure, well-paid jobs across the country.

## EXECUTIVE SUMMARY

The Covid-19 pandemic sent shockwaves through the UK labour market and heightened the feeling of insecurity amongst workers, with a large number furloughed and many becoming unemployed or stopping looking for work altogether.

Two years on from the start of the pandemic, the labour market continues to recover but workers are now faced with the largest fall in living standards on record as inflation outpaces wage growth. The Bank of England now expects the economy to stagnate and unemployment to rise from 3.8% to 5.5% over the coming years.

Insecurity in the labour market is not a new phenomenon – for some, it has become a feature of work in the UK in the 21<sup>st</sup> century. However, with Government aiming to boost pay, employment and productivity in every area of the UK by 2030 as part of their flagship Levelling Up agenda, it is important to understand the impact of insecure work on individual workers, communities and the wider economy and, crucially, how it can be tackled.

### A new index on insecure work in the UK

The Work Foundation has developed a new index based on three dimensions: contractual insecurity, financial insecurity and access to workers' rights. Within these dimensions, we have identified job characteristics that reflect insecurity and estimated the extent to which each of these characteristics contributes to overall levels of insecurity.

Insecure work does not always mean that workers have a poor experience. Some workers on zero-hour contracts may value the flexibility that accompanies such contracts and accept insecurity in order to access work. Others may work full-time hours and feel quite secure in their role.

However, some of these forms of insecure work, particularly when occurring in combination with others, can contribute to higher risk of job loss, lower financial wellbeing and lower access to important employment rights. Importantly, a combination of structural disadvantage with personal and external factors can produce higher levels of insecurity.

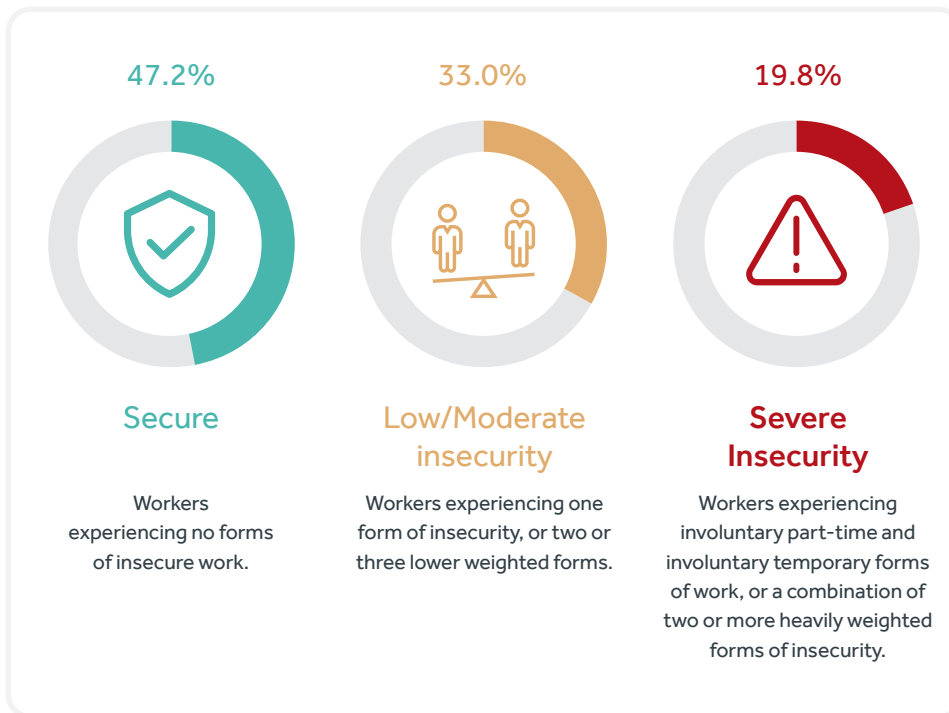
For many workers, these types of insecure work are a last resort rather than a positive choice. In 2021, more than 1.5 million workers in part-time or temporary work reported they had been unable to obtain full-time or permanent work.

### Insecure work in the UK

Our innovative new analysis of 20 years of data shows that although job insecurity and unemployment have fluctuated during that time as crises have hit and wider changes in the world of work have emerged, insecurity remains a persistent feature of the UK labour market.

In 2021, an estimated **6.2 million workers** (19.8% of the UK labour market) experienced severely insecure work, with workers in certain sectors far more likely to experience it than others.

Figure 1: Insecurity among the UK workforce, 2021



Source: Work Foundation calculations of ONS Labour Force Survey data 2021, April-June quarter.

Our initial regional analysis indicates that insecure work affects individuals across the regions and nations of the UK. Beneath this headline picture, however, there will likely be wide variation within and between local areas, in large part driven by concentration of specific sectors.

On a daily basis, we all engage with products, services or organisations that rely on insecure workers.

For example, one in three people working in the hospitality, services and agriculture sectors are in severely insecure work, compared to one in five nationally. During the pandemic, severely insecure jobs represented 80% of those lost in the hospitality sector.

Equally, workers at the start of their careers are two-and-a-half times more likely to be in severely insecure work than those in the middle of their working lives. Women are also more likely to be in severely insecure work compared to men (25% versus 15%).

Individuals from ethnic minorities are more likely to be in severely insecure work than white workers (24% versus 19%). Considering gender and ethnicity together, while the insecurity gap is widest between white men and ethnic minority men, we can see that ethnic minority women (26%) are most likely to be in severely insecure work among all worker groups. This underlines the dual penalty faced by ethnic minority women.

Disabled workers are also more likely to experience severely insecure work (25% versus 19% of non-disabled workers).

The widespread nature of severely insecure work across the UK replicates and exacerbates existing inequalities.

## Why does insecurity matter now?

In many senses, insecure work has become an accepted part of the UK's labour market over the last 20 years. Successive governments have prioritised raising employment and lowering unemployment, while paying far less attention to the quality and security of the jobs available.

But this means that while we may have seen record levels of employment across the economy, wages have stagnated and millions of people have found themselves at significant risk when crises do occur. The Covid-19 pandemic demonstrated that those in severely insecure work are at a bigger risk of job loss and unemployment. Insecure workers were more likely to lose work, and to lose out on support through furlough or the equivalent scheme for self-employed workers.<sup>1</sup> The Work Foundation estimates that in 2020, approximately 1.4 million (26%) of severely insecure employees were not eligible for Statutory Sick Pay with self-employed workers barred entirely from the scheme.

The Government's Levelling Up agenda aims to address the social and economic disparities across different regions and places. The recently published Levelling Up White Paper recognises that driving up standards of living, pay and health and wellbeing will be key in achieving this.<sup>2</sup> But doing so will only be possible by reducing severely insecure work in the UK, and ensuring all workers can access secure, well-paid and high-quality employment in the future.

This challenge will be made more acute by the economic headwinds facing the country. With the Bank of England predicting inflation will rise to 10% by the end of 2022 and outpace wage growth, most workers are facing the largest real-term wage cut in living memory. In April 2022, the Office for Budget Responsibility predicted the largest fall in living standards since the 1950s will hit households in the UK. As we brace for a recession, there are risks that employers will increase the use of insecure work to manage ongoing uncertainty and that those in severely insecure work are at greatest risk of job loss, as seen in previous crises.

Allowing people to work in severely insecure jobs is a political and a social choice. As a country we have an opportunity to learn from the last 20 years and develop the interventions needed to provide all workers with the security they deserve both in the context of the short-term crises we face, and over the years to come.



## 1. INTRODUCTION

Work in the UK has changed significantly over the past decades. Previous research has asked whether workers today are better off than they were, given the proliferation of non-standard forms of work, a decade of austerity chipping away at social security, the fall in trade union membership and risk increasingly shifting from employers to workers.<sup>3</sup> With the Covid-19 crisis impacting the labour market, accelerating existing trends and producing short and potentially long-term changes, there is a new impetus to track the phenomenon of insecure work in the UK.

There is no single accepted definition of insecure work, but the term is generally used to refer to **forms of work that are precarious, unprotected or low-paid**. Research has generally distinguished employment insecurity by subjective or objective factors. Simply, either by whether people feel insecure in their job, or by objective measures of job characteristics. A recent contribution took a holistic view of insecurity in the economy by combining job characteristics and household income and living costs, producing estimates of insecurity at the household level.<sup>4</sup>

Our study contributes to the evidence base using a new approach, which focusses on three dimensions of insecure work. We derive these from individual job characteristics in the Office for National Statistics' Quarterly Labour Force Survey (LFS) across two decades, from 2000 to 2021.

These forms of insecure work are not inherently good or bad. Some workers on zero-hour contracts may value the flexibility that accompanies such contracts and some may work full-time hours and feel quite secure. However, some of these forms, particularly when occurring in combination with others, can contribute to higher risk of job loss, lower financial wellbeing and lower access to important employment rights. A combination of structural disadvantage with personal and external factors can produce higher levels of insecurity.

We have constructed a new index of work insecurity that is based on three dimensions; contractual insecurity, financial insecurity and access to workers' rights. The indicators that compose these dimensions are brought together into a single index using a Principal Component Analysis, which weights these elements according to how much they contribute to overall levels of insecurity.

**This report outlines the Work Foundation's definition and theoretical framework of labour market insecurity. It shows how the prevalence of insecurity has changed over the past 20 years, and introduces a new index of insecure work to highlight how different worker groups experience insecurity.**

Against the backdrop of the UK's withdrawal from the EU, the Covid-19 pandemic and the cost of living crisis, the findings from this work should provide an impetus for policymakers to tackle long-standing issues in the world of work.

This is the first report of the Work Foundation's Insecure Work Research Programme, which from 2022 onwards will produce timely insights on insecure work in the UK.



## 2. DEFINING INSECURITY AND WHY IT MATTERS

### Theoretical framework: what is insecure work?

Insecure work can take different forms. The Work Foundation classifies these forms under three dimensions: contractual insecurity, financial insecurity and workers’ rights insecurity. Some of these dimensions overlap, for example, part-time work (contractual) and low wages (financial) are often related.

Figure 2: Dimensions and job characteristics of insecure work



**Contractual insecurity** includes the types of contracts that do not specify or guarantee future work or hours, such as zero-hour and on-call work, and temporary work. We also include part-time work, as this may not always provide the hours that are needed to generate adequate income. Usually, an employment contract sets out the obligations that workers and employers have to one another, but particularly zero-hour contracts involve only an obligation for the employee to be available to the employer.

Research has found that some contractually insecure jobs are more likely to have poor terms and conditions.<sup>5</sup> For instance, research on zero-hour contracts in domiciliary care work found that workers were only paid for face-to-face care time. As a result, the working day was divided into paid periods and unpaid periods that generally were not long enough to do anything other than visit the next home.<sup>6</sup> Other research has found that temporary jobs were more likely to be lower paid, and provide workers with less access to training and development, career progression, and sick pay.<sup>7</sup> Research suggests zero-hour contract workers experience a pay penalty even when controlling for other factors.<sup>8</sup>

If engaged in such work for a short period of time, this may not negatively affect workers. However, some forms of contractually insecure work can make it harder to obtain better paid or secure work. For example, a recent study found that working part-time reduced the likelihood of progression out of low pay.<sup>9</sup> When individuals work a series of such jobs over a prolonged period of time, there are associated wage penalties and a lower likelihood of being able to obtain permanent work.<sup>10</sup>

Some workers may choose to take on temporary or other non-permanent forms of work, preferring the flexibility this brings, but others may not have a choice.<sup>11</sup> Involuntary participation in these forms of work is associated with lower access to career planning and

training, and possibilities to learn and grow at work.<sup>12</sup> Existing evidence shows that where workers in insecure roles would prefer to have permanent work, this can negatively affect their mental wellbeing, causing strain and distress.<sup>13</sup>

Within the dimension of **financial insecurity**, we look at job characteristics that provide variable or inadequate income. This can happen when pay is simply low, unstable, or both, making it difficult for people to manage their day-to-day expenditures, or weather financial shocks and unexpected costs. This can lead to consumer debt and rent arrears,<sup>14</sup> with wider implications for living standards and wellbeing.<sup>15</sup> To that end, we include low pay, understood as less than 60% of the median hourly pay for employees and less than 80% of the median hourly pay for self-employed workers.\*

Unpredictable pay is an important contributor to insecurity. For the wider workforce, variation in pay can be the result of overtime or a bonus, but we are particularly concerned with workers whose pay varies because their working days and hours are uncertain. According to the Labour Force Survey, this affected only 0.8% of the working population in 2021, but this likely underestimates the true extent of variable pay in the labour market. In 2018, the Resolution Foundation used Lloyd's banking data of 7 million workers and found that pay fluctuations were common.<sup>18</sup> Concerningly, income changes in short periods were more likely to be experienced by those on the lowest incomes.

Additionally, there are costs associated with unpredictable working hours, such as last-minute childcare or late-notice work travel when someone is called into work.<sup>19</sup> Depending on the extent of the variability in pay, this may also make it difficult to estimate and access important employment entitlements and protections. For example, variable pay can seriously affect the outcome of monthly social security assessments and result in volatile payments,<sup>20</sup> which then compounds challenges for workers' day-to-day financial decision-making.<sup>16,17,21</sup>

Within financial insecurity, we also take account of people who want to work more hours against the same basic rate of pay, which is a common indicator of underemployment. Adequate hourly pay, such as set in the real Living Wage, is an important mechanism to reduce wage inequality and low pay, but there is an increasing understanding that inadequacy of hours plays an important role in producing financial insecurity.<sup>22</sup>

A further indicator of financial insecurity is having a second job. People hold second jobs for different reasons, such as pursuing a creative passion or consulting on areas in which they hold expertise. However, economic necessity likely motivates the majority of this group, as Work Foundation analysis found that second job holders tend to have lower than average incomes and work fewer hours than other workers in their main job.<sup>23</sup> This is more prevalent in some sectors than others, with a high take up of second jobs in, for example, the creative industries, such as the music industry.<sup>24</sup> Additionally, holding multiple jobs is common among those who work through digital platforms such as Uber and Upwork.<sup>25</sup>

It is important to note that earnings derived from work may not be an individual's only source of income. We know that within households, one partner may rely on the earnings of another. Other financial resources can include property ownership, inherited wealth, or earnings derived from assets, rent or investments. In those cases, while someone's work may be financially insecure, their overall financial situation may be stable. Conversely, low wages coupled with other forms of insecure work can sometimes lead to in-work poverty. Personal factors such as household composition and whether and how much other household members work play an important role.<sup>26</sup>

Workers' rights concern the more **limited rights and protections** of insecure workers compared with workers in full-time, permanent jobs.<sup>27</sup> Arguably one of the most important indicators for this is employment status, or whether someone is classified as

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\* More information on the indicator of low pay and all others included in the index can be found in the technical annex that accompanies this report.

an employee, self-employed, or a worker. Within self-employment, we focus on those in 'solo' self-employment, who work as contractors or freelancers without employees. The UK Government has acknowledged through its 2018 consultation that the classification of employment status is one of the major challenges for public policy.<sup>28</sup> The consultation came as a response to the Taylor Review of modern working practices, which identified the need for clarity around employment status for both workers and employers, in order to close the gaps in worker protection and scope for exploitation that new forms of work were increasingly opening up.<sup>29</sup> The delayed Employment Bill has the potential to make an important contribution in this area.

Within access to rights, we also include an indicator of time spent working for the same employer, as employees derive important rights after being with the same employer for two or more years. For instance, dismissal after two or more years of working for the same employer requires a reason or case for dismissal, which an employee has three months to challenge.

Additionally, someone must have been working with the same employer for two years or more in order to qualify for redundancy pay, which can be significant and can help individuals to manage a period of no income while they are looking for a new job. Over time, we can see that individuals who have more recently joined their employer are more likely to be made redundant during times of labour market crisis than their colleagues, following the adage 'last one in, first one out.'

### What employment status means for access to rights and protections

Self-employed workers, agency workers, or anyone else classed as a 'worker' instead of employee has **no access to employment rights**. This includes being able to challenge dismissal, unless it is an 'automatically unfair' form of dismissal, such as discrimination.

#### Specifically, many workers do not have access to:

- Statutory sick pay
- Maternity or paternity leave and pay
- Redundancy pay
- The National Minimum Wage
- Holiday pay
- Protection against unfair dismissal and unfair deductions from pay

### Impact of Covid-19 pandemic on solo self-employed workers

Work Foundation analysis of the Labour Force Survey shows that there were an estimated 282,000 solo self-employed workers, meaning those who are self-employed as freelancers or contractors without employees, on Universal Credit in the fourth quarter of 2021, which is more than double the number in the same quarter of 2019. This speaks to the enduring impact of the crisis on the ability of solo self-employed workers to attract work and make a living.

## Why does insecurity matter?

It is important to emphasise that these job characteristics we have identified may not be good or bad in and of themselves. However, there are signs that routes out of insecure work are limited, particularly for specific worker groups, such as people from ethnic minority backgrounds, disabled workers and women.<sup>30</sup>

Therefore, insecure work can become a structural issue that may perpetuate inequality between different groups of people.

### Implications for health and wellbeing

We know that unemployment can negatively impact our health. Being in work is comparatively better for health in general, but job quality and job security play an important role. Several studies have found that the health impacts of insecure work may be as bad as unemployment,<sup>31</sup> with insecure work being linked to depression, exhaustion, anxiety, and self-reported ill health.<sup>32</sup>

This suggests that insecure work may place a burden on workers' health and more broadly on the NHS. Given the important role of job security and job quality for health outcomes, "activation" policies aiming to encourage those who are out of work and not looking for jobs to re-join the labour market, or stimulating job seekers to accept 'any' job, should be weighed against personal and societal health impacts.

### Implications for obtaining secure, good quality work

Research has found that workers with few qualifications and from ethnic minority groups are more likely to be in insecure work, and that insecure work can function as a trap for them. Those in insecure work may have limited access to training and development.<sup>33</sup> When people move between insecure jobs, they are unable to build up expertise, or to improve their performance over time. For example, a permanently employed teacher may improve their lesson materials year on year, but a short-term teacher may be required to start anew, again and again.<sup>34</sup> This not only hinders them in accumulating knowledge, expertise and skills, it also importantly makes them less appealing to prospective employers. As such, insecure work may limit workers chances of moving into secure and well-paid work in the future and thereby reinforces and worsens existing labour market inequalities.

### Implications for the wider labour market

Insecure work may have wider implications for workers in secure jobs. This may play out broadly in the labour market – where the use of highly flexible and contingent workforces by some organisations can cause unfair competition and prompt other businesses to reduce terms and conditions for their workforce to remain viable. Similarly, this may play out at the organisational level. Previous case study research has shown that the use of temporary or 'contingent' workers alongside permanent staff impacted promotion opportunities, with fewer opportunities for those particularly at the bottom of the organisational hierarchy.<sup>35</sup> Further research has identified a potential impact on levels of organisational trust, loyalty and workers' intention to leave.<sup>36</sup>

It is therefore imperative to address the persistent problem of insecure work in the UK, not only to protect workers' financial, physical and mental wellbeing in the moment, but also to mitigate risks to workers' employment and lives beyond the duration of an insecure contract or string of jobs. A Government focussed on widening opportunities across the UK through 'Levelling Up' should prioritise breaking down the barriers that keep some individuals in low paid and insecure work.

### 3. MEASURING 20 YEARS OF INSECURE WORK IN THE UK

Concern about the impact of insecure work on working lives, and on the wider labour market, has been growing over recent years, including the perception that traditional secure work is increasingly being replaced by insecure forms of work.

The Work Foundation has developed a new approach to understanding and measuring insecure work in the UK. Using a new multi-dimensional measure of job insecurity, we observe a largely stable picture over the past two decades. This aligns with findings from other recent research,<sup>37</sup> although our work takes a wider view of what insecurity means and covers a more extended time frame. However, underneath this broad picture of stability, we find that some forms of insecurity have changed more than others, and that insecurity has deepened in some areas of the economy.

Over the past 20 years, we have seen relatively large increases in the proportion of the workforce in zero-hours and on-call work and self-employment. In particular, we find that specific worker groups who face other forms of labour market disadvantage are more likely to be in insecure work, and more likely to be subject to multiple forms of insecurity.

It is also concerning that over 20 years labour market policy appears to have made no marked improvement to the situations of the millions of workers subject to labour market insecurity. This, coupled with the long aftermath of the Global Financial Crisis, cuts to social security and a new living-costs crisis, gives rise to the troubling observation that job insecurity has not lessened, but the protective mechanisms that were previously in place have been reduced and, as a result, overall insecurity may be exacerbated. Although the long-awaited Employment Bill was again delayed as of spring 2022, policymakers should ensure that when it is finally brought forward, it plays an important role in addressing insecure work.

This next section outlines the new approach to measuring and understanding insecurity and interprets the trends we see using the Work Foundation's new index of insecurity.

#### Where types of insecurity intersect and compound: the index

Previously, much of the academic and policy literature has looked at job characteristics as separate from one another, but we know that many of these forms of insecurity are not mutually exclusive. Rather, individuals may experience multiple forms of insecurity simultaneously.<sup>†</sup>

Our new index takes this into account and is able to measure not only how prevalent insecure work is in the UK, but also how much more severe the experience of insecure work can be for those who are subject to several forms of insecurity at the same time.

#### How the index works

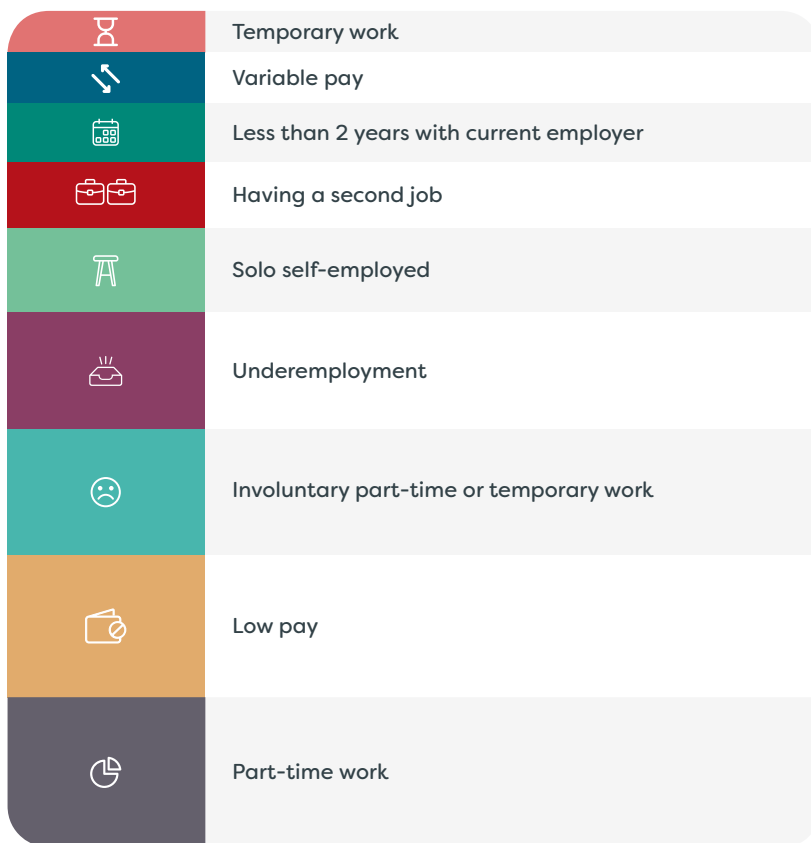
The new Work Foundation index of insecure work uses the three dimensions of our theoretical framework: contractual insecurity, financial insecurity and workers' rights. These dimensions were used to identify indicators in the Labour Force Survey which contribute to overall levels of insecurity. Using Principal Component Analysis (PCA), we determine how the different job characteristics are correlated and summarise these into an index. The methodology is set out in more detail in the [Technical Annex](#).

The index assigns relatively more weight to job characteristics that are more strongly

<sup>†</sup> As we relied on secondary data, the analysis is limited by the availability of variables and their comparability over time. For example, although zero-hours work is often referred to as a quintessential insecure contractual situation, we held no individual-level data for the 2000-2010 period and have therefore excluded this from the index. Similarly, we have made decisions around excluding agency work, sick pay and benefits and unemployment for methodological reasons, which are expanded on in the technical annex.

correlated with others, such as part-time work, low pay, involuntary temporary and involuntary part-time work and underemployment. This means that in our analysis, these factors contribute more than others to higher overall levels of insecurity. Other characteristics, like having a second job or variable pay, are weighted less heavily but when considered with other factors, still contribute to a higher level of insecurity.

**Figure 3: Relative contribution of each job characteristic to overall levels of insecurity, average across all years**



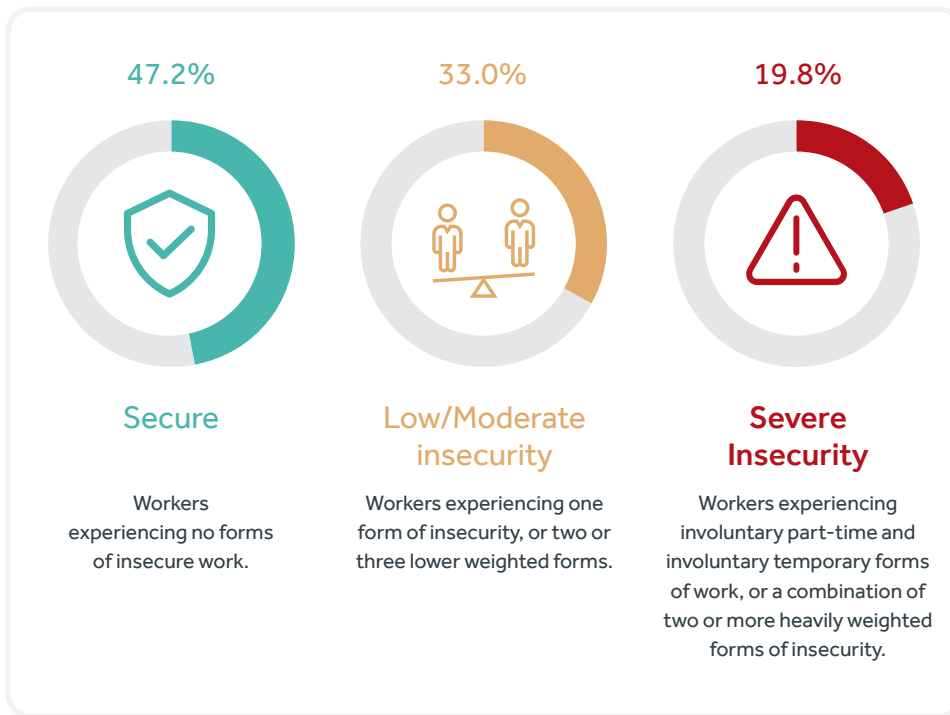
We use a scale with three categories which identify where job situations are:

- secure,
- low to moderately insecure, or;
- severely insecure.

Broadly speaking, in the secure category, we find workers who do not experience any form of insecurity as measured by our selected indicators. In the low to moderately insecure category, we find workers who experienced between one and three forms of insecurity which our index assigns low weight. In the severe category, we find workers who experienced more heavily weighted forms of insecurity, such as involuntary forms of work, or a combination of several forms of insecurity. Using this new approach, we identify the ways in which insecurity has changed over the past 20 years, and the people and communities which are most affected by it.

The following sections will focus mainly on the most severe category of insecurity, which has on average across the past two decades affected 20-25% of workers aged 16-65 in the UK in any given year.

Figure 4: Insecurity among the UK workforce, 2021



Source: Work Foundation calculations of ONS Labour Force Survey data 2021, April-June quarter.

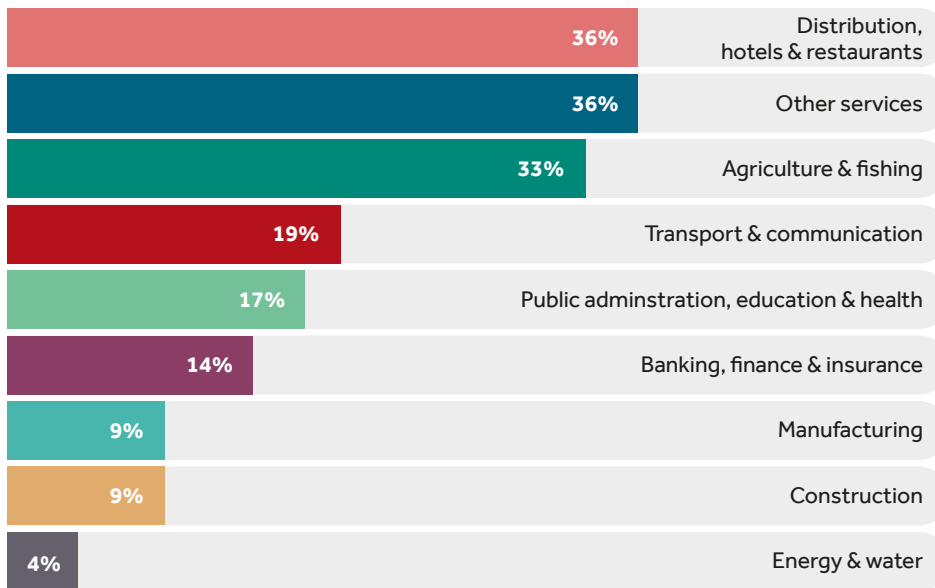
In 2021, an estimated 6.2 million (19.8%) of UK workers experienced severe insecurity.

Across the different regions in England, we observe the highest prevalence of severely insecure work in the South East, with an average of one in four workers experiencing severely insecure work over the past 20 years. Other regions with higher than average prevalence of severely insecure work are the North East, Yorkshire and the Humber, the East Midlands, the South East and Wales.

It is likely that the sector mix of local areas plays a role in explaining the variation in insecure work we observe across different regions of the UK. This will be further explored in a forthcoming study that will examine differences in local experiences of insecurity across the UK.

Particular sectors drive higher levels of insecurity, such as hospitality, services and agriculture. These sectors are more likely to see a combination of high prevalence of involuntary part-time and temporary work, as well as low and variable pay.

Figure 5: Experience of severe insecurity across sectors, 2021



Source: Work Foundation calculations of ONS Labour Force Survey data 2021, April-June quarter, using SIC-92 for comparability over time.

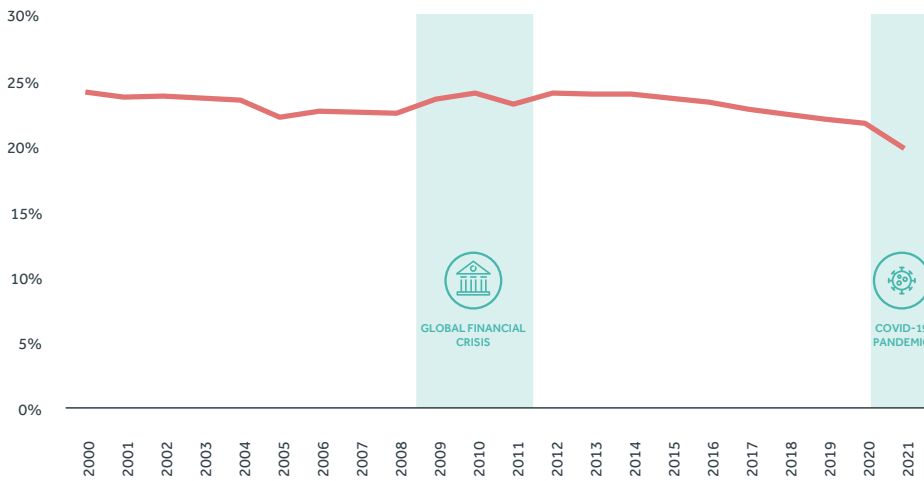
In the early 2000s, the UK labour market was still recovering from the troubled 90s, when unemployment had reached nearly 11%. It is common to see periods of higher unemployment coincide with periods of worsening labour market conditions and heightened insecurity, likely due to more intense competition among workers and workers having lower bargaining power as a result.<sup>38</sup> The graphs below appear to confirm this trend, broadly showing that as levels of unemployment declined in the early 2000s, so did the proportion of workers experiencing severely insecure work. Both unemployment and severe insecurity rose during the Global Financial Crisis of 2009-2011 and slowly but gradually came down in the aftermath.

During the pandemic, there are indications that workers in insecure employment were not only at higher risk of losing their job, but those who remained in work were more likely to see their hours reduced and their incomes affected.<sup>39</sup> Furthermore, migrant workers without recourse to social security were at increased risk of exploitation during this time.<sup>40</sup>

The onset of the Covid-19 health and economic crisis in spring 2020 led to a relatively counter-intuitive impact on overall levels of work insecurity. Rather than going up, as we might expect during troubled times, severely insecure work fell during the pandemic. This is largely driven by changes to the composition of the workforce, with an estimated one in six self-employed workers moving out of self-employment and moving into employee roles and job losses among employees falling predominantly in lower-paid sectors and jobs that required in-person activity and were thus most vulnerable to pandemic-related restrictions.<sup>41</sup> Following the easing of restrictions from summer 2021 onwards, many of these sectors have resumed activity, and we are seeing temporary work and zero-hours work increase, partly related to a continuing uncertain landscape causing employers to look for a flexible labour force.

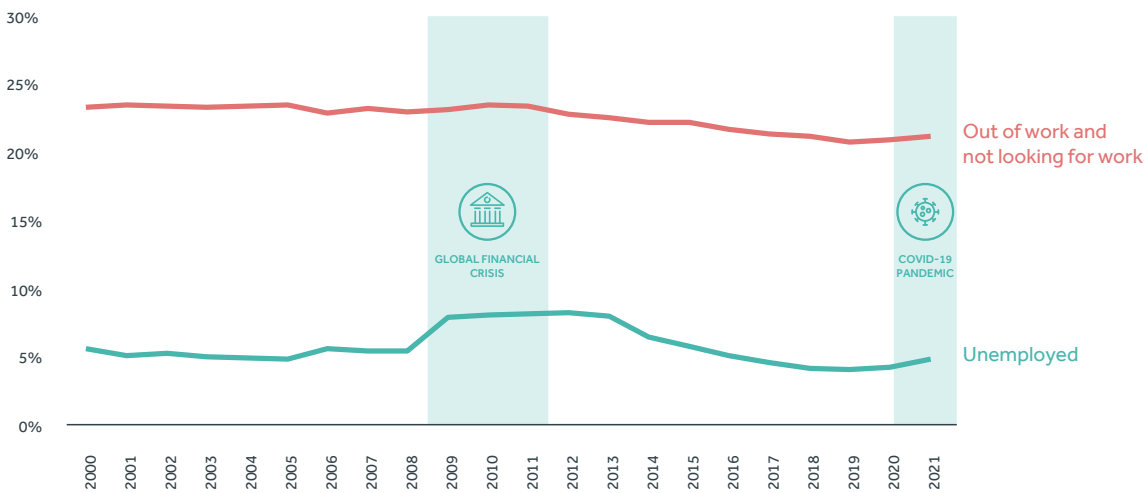


**Figure 6: Proportion of the workforce experiencing severe insecurity over time**



Source: Work Foundation calculations of ONS Labour Force Survey data 2000-2021, April-June quarters.

**Figure 7: Proportion of working age population in unemployment, or economic inactivity**



Source: Work Foundation calculations of ONS Labour Force Survey data 2000-2021, April-June quarters.

## Who experiences severely insecure work?

This new analysis finds that women, young workers and disabled workers are more likely to experience severely insecure work. Men from ethnic minority backgrounds experience a large insecurity gap.

Many factors influence the extent to which different worker groups experience labour market insecurity, with some relating to structural inequalities in the labour market. For example, we know that people from ethnic minority backgrounds face barriers to obtaining good quality, secure work.<sup>42</sup> Likewise, women with dependent children and carers may be constrained by limited options for secure and flexible work.<sup>43</sup>

This indicates that there is a case to address insecure work by focusing on understanding and tackling the barriers preventing specific worker groups from accessing secure and stable jobs, while also improving pay and working conditions for all employees.

### Workers from Black, Asian and minority ethnic backgrounds are more likely to experience insecurity than white workers

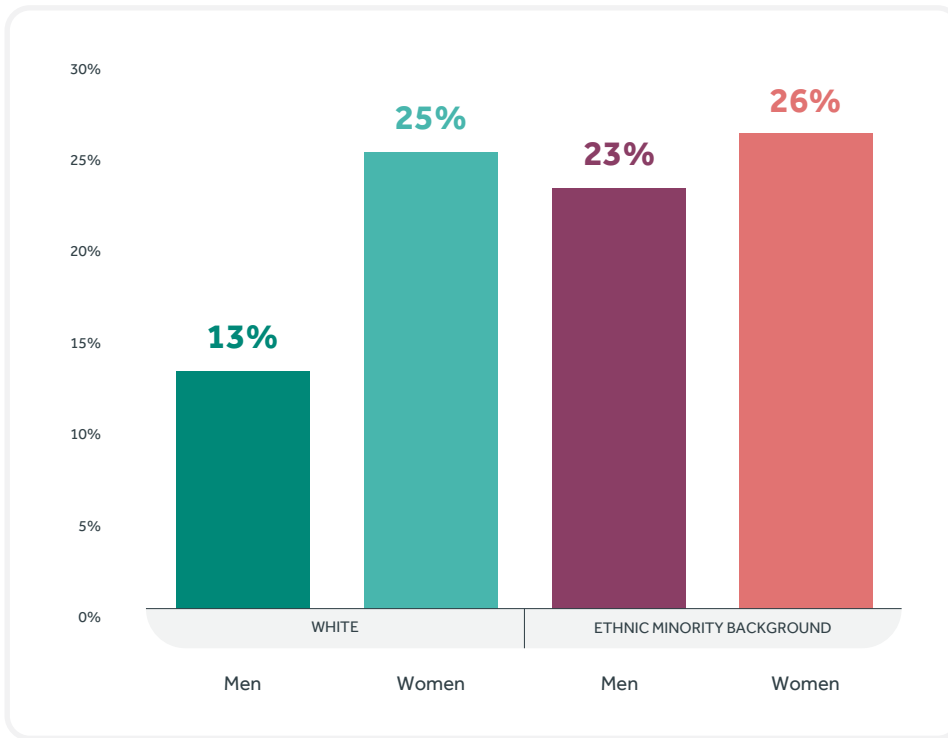
Over the past 20 years, there has been a persistent employment gap for people from all minority ethnic backgrounds. For men, this appears to have narrowed somewhat in recent years. However, in 2015 men from ethnic minority groups were still between 7 and 16 percentage points less likely than their white counterparts to be in employment. For women, the employment gap has consistently been widest for Bangladeshi and Pakistani women, and smallest for Indian and Black Women. Chinese women have seen the sharpest increase in employment rate, narrowing the gap from around 13% in 1999 to 7% in 2015.<sup>44</sup>

At recruitment stage, people whose name indicates they may have a minority ethnic background are less likely to be called back than candidates with typically white names.<sup>45</sup> When in work, we know that there are marked differences in the quality of roles that people are able to obtain. Even in highly skilled and highly paid occupations, people from ethnic minority backgrounds are concentrated at the lower level of senior management roles.<sup>46</sup> On average, workers from ethnic minority backgrounds are more likely to indicate they are over-skilled for their role and many are paid less than average for their role.<sup>47</sup> The pay gap is greatest among Black and Bangladeshi men. There is also evidence that unemployment spells incur greater scarring effects for Bangladeshi and Black Caribbean men, and Pakistani and Black African women than for white British people.<sup>49</sup>

We also see these structural differences reflected in the extent to which people experience job insecurity. In 2021, individuals from ethnic minorities were more likely to be in severely insecure work than white workers (24% versus 19%). This insecurity gap is larger between men from minority ethnic backgrounds and white men than for women. However, as the graph below shows, women of all ethnicities are much more likely to experience insecure work than white men.

Over the 20 years before Covid-19 hit the UK, women from an ethnic minority background have been more likely than white women to experience severe work insecurity on average (31.0% versus 29.1%). This is driven by higher levels of insecurity among Pakistani and Bangladeshi women, as well as those who describe their heritage as 'mixed' or 'other ethnic group'. Chinese women appear to have experienced lower than average levels of insecurity over the same period.

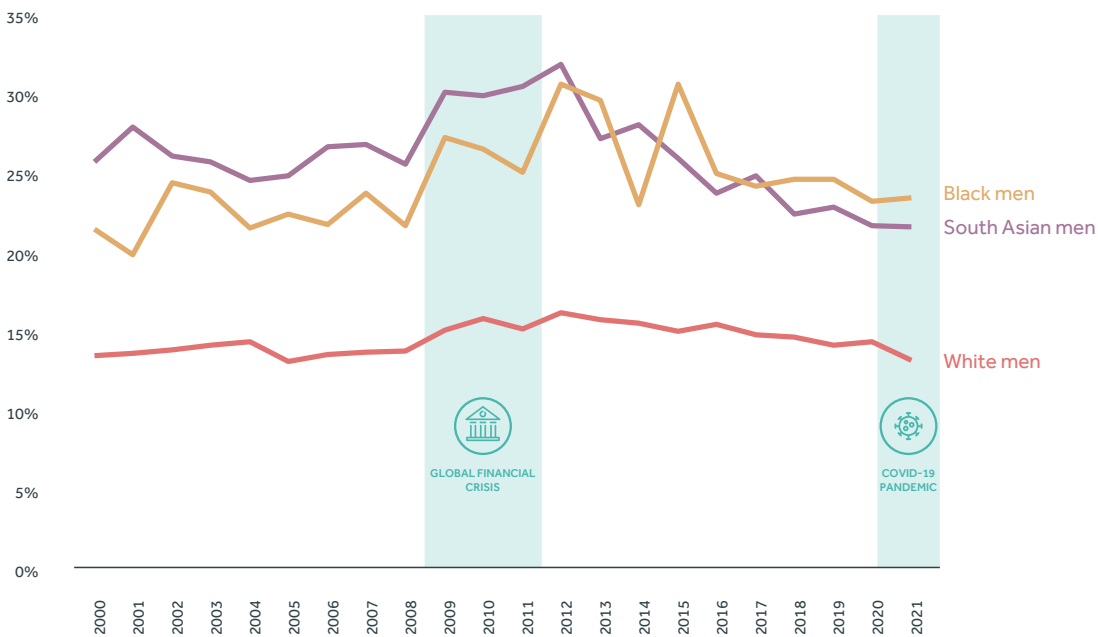
**Figure 8: Insecurity gap in 2021, by gender and ethnicity**



Source: Work Foundation calculations of ONS Labour Force Survey 2021, April-June quarter. This figure indicates the proportion of working men and women of a given background who experienced severely insecure work in 2021.

Between 2000 and 2021, approximately one in four men from ethnic minority backgrounds experienced work insecurity (25.8%) compared with one in seven white men (14.5%). The rise in insecurity during the Global Financial Crisis is particularly striking, which was much steeper for men from ethnic minority backgrounds than for white men. While insecurity among ethnic minority men has gradually fallen since 2015, it remains markedly higher than insecurity experienced by white men.

**Figure 9: The insecurity gap among men, by ethnic background, 2000-2021**



Source: Work Foundation calculations of ONS Labour Force Survey April-June quarters 2000-2021. This figure highlights the proportion of male workers of a given background who experienced severely insecure work in a given year.

Note: Sample sizes were not sufficient to show trends for Chinese men. The category of South Asian combines Pakistani, Bangladeshi, Indian and other South Asian countries.

### Impact of the pandemic on people from ethnic minority backgrounds

In spring 2020, at the early stages of the pandemic, one in five workers in occupations with high exposure to Covid-19 were from ethnic minority backgrounds, compared with 11% of the working population. This includes work in occupations with the highest exposure risks such as nurses, medical practitioners, and opticians.<sup>50</sup> As a result, people from ethnic minority backgrounds were disproportionately more likely to be exposed to Covid-19 and to die from it than white British workers.<sup>51</sup>

Minority ethnic workers were also overrepresented in sectors most affected by the public health restrictions. As a result, workers from ethnic minority backgrounds were more likely to see their working hours reduced or to lose their jobs.

### Case study: Ethnicity insecurity gaps in hospitality

Covid-19 restrictions and lockdowns affected workers and businesses in hospitality more than many other sectors.

This impact on the sector is clear from the employment figures. In the second quarter of 2021, there were approximately 465,000 fewer workers in hospitality than there were in the same quarter in 2019. Notably, 4 in 5 job losses were concentrated among those in severely insecure jobs (79%).

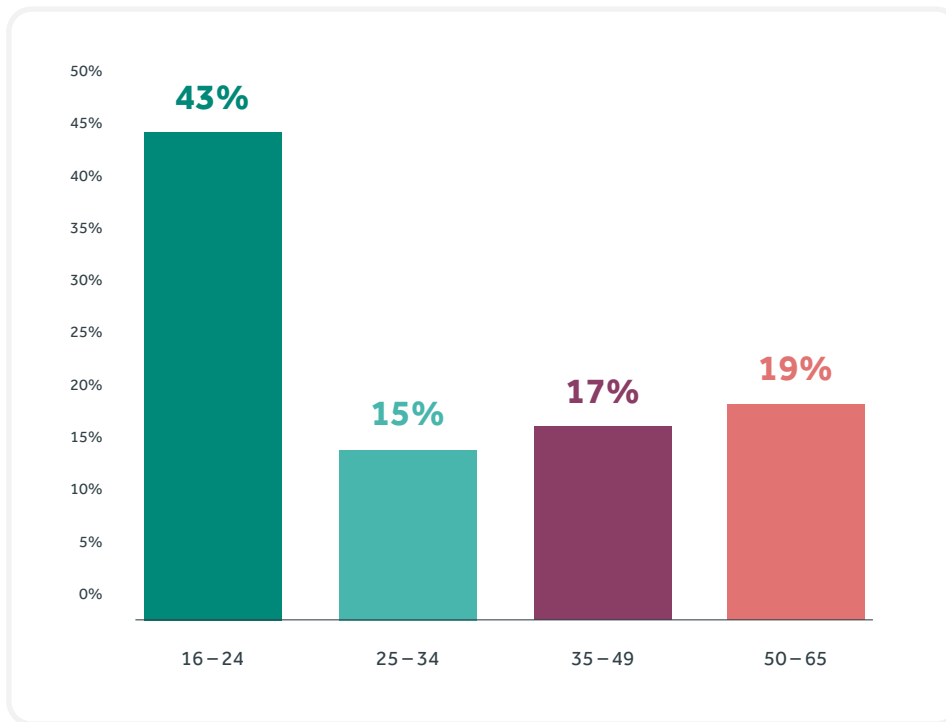
Hospitality workers from ethnic minority backgrounds are more likely to experience severely insecure work than white workers in the sector (43.8% versus 35% in 2021). Job losses for white workers were strongly concentrated among those experiencing the most severe levels of insecurity (85%), whereas for ethnic minority workers, this was 42%, with the remaining job losses also high among those experiencing moderate insecurity (27%).

This indicates that for all workers, heightened job insecurity in hospitality appears to be associated with a higher risk of job loss during Covid-19, but for people from ethnic minority backgrounds, even lower levels of job insecurity can expose them to a greater risk of job loss.

### Young people and the link with insecure work

We know that the employment trajectories of young workers entering the labour market can be turbulent. At this stage, workers are more likely to switch jobs, due to a higher likelihood of holding temporary positions as well as because they are still finding out what they can and want to do. Some may work for a while before entering further or higher education, some may combine work and study and others may not return to education at all.

As a natural consequence of their age and their labour market experience, workers in the 16-24-year-old age range are more likely to have been employed for less than two years, and as a result are more likely to miss out on important employment rights. Furthermore, they are more likely than other age groups to be employed in low wage and short-term jobs in sectors such as hospitality. This makes it more likely to find several forms of insecurity coming together that overall produce a higher level of insecurity. Across all years, young workers (aged 16-24) are 2.5 times more likely than older age groups to experience severe insecurity (43% of 16-24-year olds versus 17% of 25-65-year olds).

**Figure 10: Percentage of workers experiencing severe insecurity in 2021, by age group**

Source: Work Foundation calculations of Labour Force Survey data 2021 April-June. The figures here include full-time students.

Severe insecurity among 16-24-year-olds is strongly driven by educational activity and attainment. In 2021, 79.4% of those who combined full-time education with work experienced severely insecure work. This compares with 32% of those in this age group who were not in full-time education. Non-students in this age group were therefore still nearly twice as likely as their older counterparts to be in severely insecure work. The sizeable difference between students and non-students is likely due to some in full-time education opting into jobs that can accommodate variable schedules to fit around their studies, such as hospitality work.

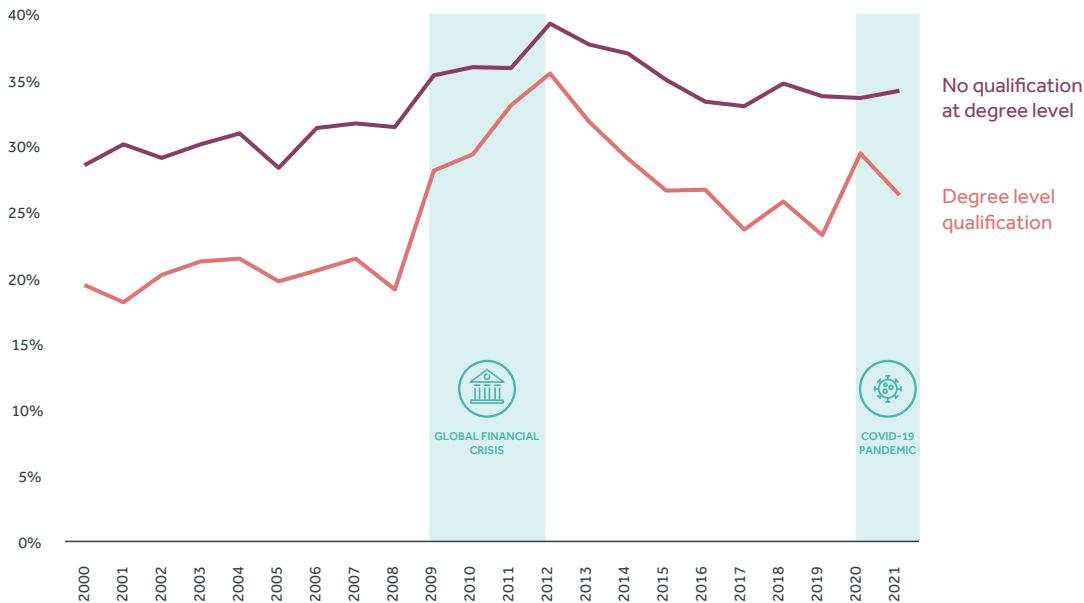
There also appears to be an educational premium. 34.2% of non-students who had not obtained a degree experienced severely insecure work in 2021, compared with 26.3% of 16-24-year old non-students who held a degree.

The work insecurity gap between degree and non-degree holders affects all age groups to some extent. In 2021 it was widest among 16 to 34-year-olds, with individuals who don't have a degree approximately 8 percentage points more likely to experience severe insecurity than those with a degree, compared with 5 percentage points for those aged 35 to 49-years old and 2 percentage points for those aged 50 to 65.

The graph below shows that young people without a degree have consistently been more likely to experience severe insecurity, whereas among those with a degree, insecurity increased during the Global Financial Crisis and has remained higher since. This is likely related to higher competition for jobs during a period of elevated youth and overall unemployment during a crisis.

The consistently high insecurity for degree holders in the wake of the Global Financial Crisis points to ongoing challenges for this group in obtaining secure work and a potentially more protracted and insecure early career than previous cohorts. On the one hand, the lower prevalence of severe insecurity for the 25 to 34 age group suggests that many young workers will go on to obtain more secure work. However, we know that there may be longer-term scarring effects of an insecure start on later employment outcomes.

**Figure 11: The insecurity gap by qualification for 16-24-year olds, 2000-2021**



Source: Work Foundation calculations of ONS Labour Force Survey April-June quarters 2000-2021. The figures here include full-time students.

### Impact of the pandemic on young workers

Young workers experienced disproportionate job losses at the onset of the pandemic,<sup>52</sup> which is reflected in a slight decline in overall insecurity experienced by this group. In spring 2021, restrictions eased and young workers started re-joining the labour market. By winter, employment among this group had largely recovered to pre-pandemic levels. However, despite this recovery, we must be careful to consider the potentially longer-term impacts that the Covid-19 crisis will have on these workers' future employment and earnings prospects.<sup>53</sup>

There are signs that many young workers entered insecure forms of work in the second half of 2021. This is likely driven by job opportunities being prevalent in sectors that were re-opening, such as hospitality and retail. These were hard hit by the pandemic and have a higher than average prevalence of insecure contracts.

Insecure work is more prevalent among young workers with disabilities, of whom 46.2% experienced severely insecure work in 2021, compared with 29.5% of non-disabled young workers. During the pandemic, this rate increased with 6.1 percentage points for young disabled women to 47.8%, compared with a 4.1 percentage point increase to 43.9% for young disabled men.

In 2020, more young people became students than in previous years. This served to delay their entry into the labour market, avoiding the turbulence of the pandemic, and may allow them to develop skills or qualifications to access more secure and higher paid work in the future. However, these students will also face increased competition when they do join the labour market.

### Experience of insecure work for disabled workers and workers with health conditions

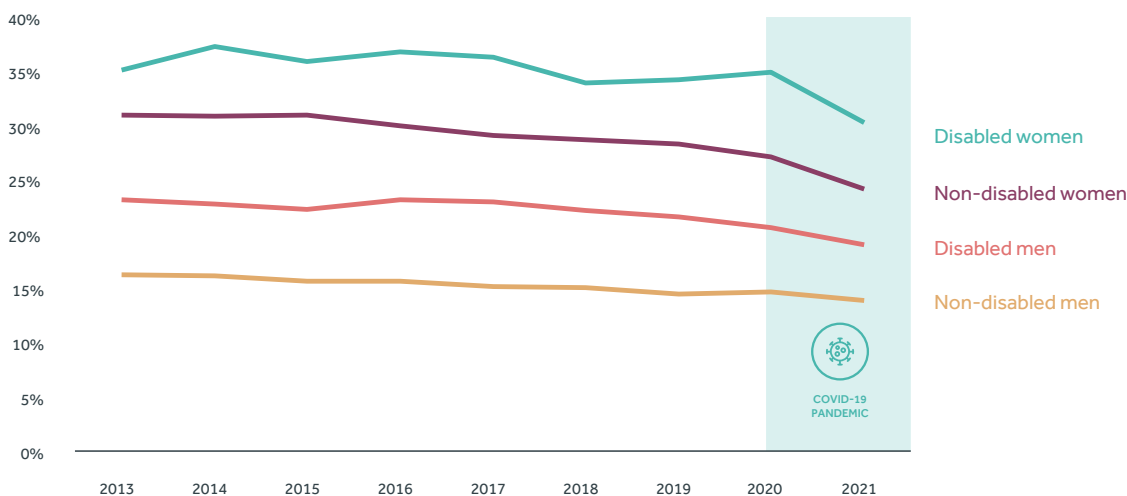
Over the past 20 years, disabled workers have consistently experienced an employment gap compared with non-disabled people. Prior to the pandemic, 53.2% of disabled people were in employment, compared with 81.8% of non-disabled people.<sup>54</sup> This gap was wider for men, which is driven by higher rates of employment for non-disabled men than non-disabled women.

For those who are in work, there has also been a consistent pay gap between disabled and non-disabled workers, standing at 12.2% in 2018.<sup>55</sup> Financial insecurity can be a particular issue for disabled workers, as we know they face extra living costs of £538 on average per month relating to their condition.<sup>56</sup>

Due to changes to the survey questions covering disability in 2010 and in 2013, the data has limited comparability over time. Therefore, data from 2013-2021 has been used to analyse severely insecure work among disabled people. We find that over time, disabled men and women are more likely to experience severely insecure work than their non-disabled counterparts.

The graph below shows that on average between 2013 and 2019, disabled men were 1.5 times more likely than non-disabled men to experience severely insecure work, representing an 8-percentage point insecurity gap. In comparison, for disabled women we see that the experience of severe insecurity increased in the aftermath of the financial crisis and took longer than for non-disabled women to start coming down. On average across this time period, disabled women experienced an insecurity gap of 6.5% compared with non-disabled women.

Figure 12: The disability insecurity gap, 2013-2021



Source: Work Foundation calculations of ONS Labour Force Survey data, 2013-2021, April-June quarters.



## Impact of the pandemic on disabled workers

During Covid-19, disabled workers were more likely than non-disabled workers to lose work, see their hours reduced, or be furloughed. A survey of more than 6,000 people by Citizen's Advice found that more than one in four (27%) disabled workers faced redundancy in 2020 compared with 17% of non-disabled workers.<sup>58</sup> For individuals who were clinically vulnerable and were supported to shield, this was 45%. In the second year of the recovery, there are signs that disabled people are still disproportionately impacted. A survey by Leonard Cheshire in 2021 found that 69% of disabled respondents had their work impacted by the pandemic, which included seeing working hours and earnings reduced and exiting the labour market.<sup>59</sup> Young disabled workers were more likely than their older counterparts to experience these reductions and job losses and there are emerging signs that the Government's support schemes, such as Kickstart and Restart, were not sufficiently tailored to disabled candidates to effectively support them.<sup>60</sup>

### Our insecure work index shows that employment losses among disabled workers in 2020 were driven by those who experienced severely insecure work.

For disabled men and women, we witness an overall fall in the experience of severe insecurity between 2020 and 2021. This decrease appears to have been driven by falls in solo self-employment and low paid work among disabled people. Disabled workers are more likely to be in solo self-employment than non-disabled workers (11.8% compared with 9.8% in 2021), likely due to a combination of experiencing barriers to entry to the regular labour market and preferring to work for themselves as a way to manage their conditions.<sup>61</sup>

At the same time, however, we have witnessed a steep increase in the proportion of disabled workers in involuntary temporary employment over the course of the pandemic, rising from 26.7% in 2019 to 37.7% in spring 2021.

## Initial outlook for 2022

To provide an indication of the most up to date trends in the labour market, we have applied our insecure work index to the most recently available data at the time of writing, which is the December-February 2021/22 quarter of the Labour Force Survey.

**The data used throughout this report for all years from 2000- 2021 draws on April-June Labour Force Survey data. The data used for the 2022 outlook in this section relates to a different time of the year: December – February. We would expect substantial variation in the labour market over the year, reflecting factors like seasonal work and individuals moving between studies and employment. This data is not seasonally adjusted to account for that. As a result, these preliminary findings, and particularly the comparisons with other time periods in this report, should be interpreted with caution.**

There appears to have been a slight increase in severe insecurity in the UK labour market, from 19.8% in spring 2021 to 20.2% in December-February 2021/22. This represents an approximate increase in the number of workers who experienced severe insecurity to a total of 6.3 million workers.

Overall, we find a mixed picture during winter 2021-22, with some indicators of insecure work increasing, and others decreasing. Among these, there are a number of causes for concern:

- The incidence of low pay and variable pay between spring and winter 2021 has increased. There has also been an increase in temporary work. However, it is positive to note that the proportion of temporary workers who indicate they wanted, but were unable to obtain, permanent work has come down from 33.7% at height of the pandemic to 27.4% in winter 21-22.
- The proportion of workers who have worked for the same employer for fewer than two years, and are therefore not fully entitled to all employment and redundancy protections, went up from 25.5% in spring 2021 to 26.9% in winter 21-22. This is likely due to workers who became temporarily unemployed during the pandemic returning to the labour market.

Contributing to the mixed picture is the number of solo self-employed workers, who work as contractors or freelancers without employees, which has seen a steep decline throughout the pandemic, and continues to decline into 2022. There were 82,000 fewer workers in this form of employment in December-February 2021/22 than there were in spring 2021.

This fall represents a reduction in our overall measure of insecurity, and could point to different causes. On the one hand, we know that some workers opt for self-employment because they experience barriers to entering work as an employee. With many employers increasing hiring through the second half of 2021, it is possible that some workers have managed to overcome these barriers and move into contracted employment. However, it is also possible that some workers are leaving self-employment due to ongoing challenges in sustaining their business or activities and have become unemployed or have stopped looking for work.

In the context of recent Bank of England forecast of inflation rising to 10% by the end of 2022 and increasing unemployment over the next few years, it is important to continue to closely monitor trends in insecure work.



## 4. HOW TO TACKLE SEVERE WORK INSECURITY

Over the past 20 years, the UK economy and labour market have experienced upheaval in some areas, while stagnating in others.

As we have seen, severely insecure work has been a consistent feature of the labour market over this time, and there has been an expansion of forms of work that introduce unpredictability and shift risk towards workers.

The people most affected by insecure work also tend to experience other inequalities. Disabled workers, minority ethnic workers and younger workers experience stark insecurity gaps as well as well barriers to entering, remaining and progressing in work.

There are a number of interlinked steps that Government can take to begin tackling severe work insecurity.

### 1. Address the impacts of the cost of living crisis on those facing severely insecure work

In the immediate term, those experiencing severely insecure work are most at risk from the worst impacts of the cost of living crisis in 2022. The Joseph Rowntree Foundation estimates that the 9 million people who receive benefits due to low income will be as much as £500 annually worse off.<sup>62</sup>

Benefits were uprated 3.1% in April,<sup>63</sup> despite inflation having already reached 5.5%. The Bank of England predicts it will peak at over 10% in 2022.<sup>64</sup> This means individuals experiencing severely insecure and low paid work will face a real terms reduction in financial support, bringing benefits down to the lowest level in decades.

Therefore, it should be an urgent priority for Government to provide additional support to those who need it most during the cost of living crisis in 2022, especially those out of work or in insecure work.

**Recommendation 1: The Government should hold an Emergency Budget to introduce an injection of funding to uprate the standard allowance of Universal Credit in line with the Bank of England's inflation estimate for 2022.**

**In the future, to ensure Universal Credit does not fall behind inflation, uprating should be determined by the most recently available forecast estimates to allow social security support to keep pace with living costs.**

### 2. Strengthen employment regulations and laws so that they offer all workers better contractual security and protections

Efforts to improve the quality of work for those in the most insecure jobs as put forward in the 2017 Taylor Review have only been partially addressed by Government. Indeed, as of spring 2022 the potentially more impactful interventions to strengthen worker rights and conditions have again been delayed.

The rise of the gig economy and the expansion of casual forms of work increasingly means some workers are missing out on important employment rights, such as holiday pay, being enrolled in a pension scheme, or the National Minimum Wage.

As it stands, the onus remains on workers to undertake legal challenges to change their employment status and secure these rights. Codifying the emerging case law from these

challenges into legislation would be an important step forward to ensure that essential protections that are won through the courts are extended to the broader workforce.

**Recommendation 2:** The Government should bring forward the much-promised Employment Bill before the end of this Parliament that strengthens the tests for employment status, and shifts the onus to organisations to prove a worker is not eligible for employment rights and protections.

There are number of issues affecting individuals in insecure work that could be addressed through legislation.

In particular, non-compliance with the National Minimum Wage remains a significant problem,<sup>65</sup> and many workers in severely insecure and low-paid work do not always receive what they should.

In April 2022, the Government raised the level of the National Minimum Wage by 6.7% to £9.50 for those aged over 23 years old. Underpayment is likely to be highest just after new rates come into force,<sup>66</sup> and administrative errors can accompany changes in rates. Higher rates can also incentivise employers not to comply, particularly when the likelihood of getting caught is low.

HMRC's Minimum Wage Team is severely under-resourced, to the extent that the probability of an employer being inspected sits at just once every 500 years.<sup>67</sup> In addition, underpayments and labour market exploitation require a strategic and coordinated approach to enforcement by merging the existing labour market enforcement agencies into a single enforcement body (SEB).

**Recommendation 3:** The Department for Business, Energy and Industrial Strategy should commit to properly resourcing the National Minimum Wage Enforcement Team, to ensure all workers receive what they earn from their employers.

**Recommendation 4:** The Government should bring forward legislation to set up a single body for labour market enforcement before the end of this Parliament in 2024.

There are also significant flaws in the UK's Statutory Sick Pay (SSP) regime which are particularly felt by those in insecure work. Most concerning, the statutory rate employers must pay eligible workers stands at only £96.33 per week, one of the lowest rates in the OECD.<sup>68</sup> Employers can choose to pay more than this statutory minimum, but this is least likely for those in the lowest paid roles. For those who do qualify, employers are only required to pay employees SSP from their fourth day of absence.

In addition, many of those in insecure work don't qualify for any sick pay at all. An employee must earn at least £120 per week to qualify for sick pay, and although Government has consulted on proposals to change this in 2019, the response in 2021 highlighted that no changes will be made. TUC research estimates that this causes two million workers to miss out on sick pay entirely.<sup>69</sup>

**Recommendation 5:** The level of Statutory Sick Pay should be raised to the equivalent of the National Minimum Wage pro-rated by the usual number of hours worked. Eligibility for SSP must be widened by removing the earnings thresholds, and the waiting time to provide sick pay should be reduced to day one.



### 3. Address the challenges faced by workers who experience structural inequality in the labour market

The Government's 2017 Improving Lives policy paper acknowledges the barriers disabled people experience in obtaining and remaining in work.<sup>70</sup> It noted that in a year, about 10% of unemployed disabled people move into work, which is less than half the rate of that among non-disabled workers (26%).

Overcoming this challenge will require systemic change within Government and across organisations over time. However, in the short term, there are opportunities to improve existing support programmes for disabled workers, ensuring more people are able to access them and that the tailored support they provide drives improved outcomes.

**Recommendation 6:** The Department for Work and Pensions should raise the profile of its Access to Work Scheme for disabled workers, shorten the timescales involved in applying for support, and extend the programme to a greater number of disabled workers.

In addition, there is scope to improve the reporting on employment conditions that exist for Black and minority ethnic workers and disabled workers to include data on pay and reward outcomes. Organisations with more than 250 staff are already legally obliged to report gender pay data.

This has proven to have a modestly positive impact on pay gaps between men and women in the workplace.<sup>71</sup> Introducing similar requirements for other groups who face structural inequalities could have a comparable impact, and provide more valuable data to better understand the challenges faced by black and ethnic minority workers and disabled workers within organisations.

**Recommendation 7:** Mandatory pay reporting should be extended to workers from ethnic minority backgrounds and disabled workers.

### 4. Reform the welfare benefits system so it better protects those dealing with financial insecurity

Our recent experience of the pandemic and the current cost of living crisis has exposed real issues within our social security safety net that require urgent attention to ensure the system supports those who need it most.

Firstly, there is a need to improve income support for those who face financial insecurity. For self-employed workers who receive Universal Credit, the minimum income floor uses the National Minimum Wage to calculate the benefits that self-employed workers are entitled to, even if the recipient's actual income is lower. This, together with the fact that the income derived from self-employment can often be more volatile, has left many self-employed workers missing out on important support.

**Recommendation 8:** The current 12 month 'start up period' during which self-employed workers are not subject to the minimum income floor should be extended, and exemptions should be introduced for those workers who need self-employment to manage health conditions, or caring responsibilities.

There is also increasing evidence that unpredictable pay – including weekly and bi-weekly pay – characterises the working lives of those most in need of support. However, the design of assessment and payment structures in Universal Credit leads to unstable payments for these workers.<sup>72</sup> This makes it hard for people to manage their day-to-day finances and increases the likelihood of falling in to arrears or taking on debt.

**Recommendation 9:** The Department for Work and Pensions should adapt the social security system to deal more flexibly with irregular earnings and provide workers with greater certainty over their expected income. This could involve using block grants or longer assessment periods to ensure that UC payments better reflect average earnings.



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