



From precarious to prosperous

**How we can build back a better
labour market**

Working paper 04/2020

October 2020

centre for
**progressive
policy**



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Summary

About this paper

This paper reviews the scale and nature of insecure work in the UK, identifying those most at risk of insecurity and recommending policy solutions based on legal guidance.

Why insecure work is a problem

In spring 2020 the number of people on zero hours contracts in the UK rose to over a million, up 80% since 2013 (Box 1).¹ An estimated 1 in 10 in Britain now also work in the gig economy, working on short-term or freelance contracts rather than as permanent employees (Box 2).² Yet the normalisation of these contracts does not mean they should be maintained; the rise of insecure work has coincided with rising poverty amongst those in work.

Nearly a third of those on zero hours contracts are underemployed

Whilst some workers enjoy the flexibility of such contracts, qualitative research by Citizens UK's Fair Work Campaign suggests it is a myth that most workers on zero hours feel this way. Instead, their analysis found that most people accepted zero hours, agency or self-employed contracts because they could not find a more secure option.³ The Living Wage Foundation's finding that 40% of workers experiencing insecurity are parents similarly contradicts the image of the young student worker, whose agency or gig work is a lifestyle choice, leading us to question why mutually beneficial flexibility cannot be built into other, less precarious, contract types.⁴

In early 2020, nearly a third of those on zero hours contracts were underemployed, 3.6 times more than in the wider working population. The Joseph Rowntree Foundation has identified underemployment as a driver of the rising levels of in-work poverty, and the high incidence amongst zero hours workers sends a strong signal that this employment model is not working.⁵ There

is a danger that rising unemployment due to Covid-19 will open the door for more insecure work and exploitation.

Calls to 'build back better' following the pandemic suggest that there is public support for ending the poor pay and conditions experienced by essential workers such as carers and couriers. Maintaining a system that legitimises the exploitation of these workers and contributes to in-work poverty can no longer be acceptable.

CPP's key recommendations

Labour market flexibility is important for supporting employment, particularly in times of structural change. However, the low levels of unemployment following the 2008 recession were accompanied by stagnant productivity and a rise in extreme insecurity, epitomised by the increasing demand for emergency food supplies for people in crisis.⁶ The recovery from the 2020 Covid-19 crisis must do better and must not legitimise exploitation. CPP recommends that the government:

- **Clarify employment status in law** to better reflect the modern economy, including by introducing a statutory presumption that a person is a worker unless it can be proved that they are self-employed.⁷
- **Eliminate the use of zero hours contracts**, reducing economic insecurity for those at the bottom end of the labour market. CPP's recent survey found that a quarter of businesses, both large and small, would support such a measure.⁸
- **Protect worker rights as the UK leaves the EU**, including ensuring that rights derived from the Working Time Directive are preserved.
- **Implement a minimum wage for the self-employed** to reduce low pay, expanding on the principle behind the current relaxation of Universal Credit's 'Minimum Income Floor'.
- **Collect more detailed information on employment status** as part of the ONS Labour Force Survey, including to identify gig economy workers and whether people are workers or employees.
- **Set up a single labour market enforcement body** as promised in the 2019 Conservative Party manifesto, which improves transparency and is designed to support the most vulnerable.

¹ ONS Labour Force Survey figures published in August 2020. Growth is compared to 2013 as an increase in media coverage of zero hours in that year is thought to have affected survey responses, making previous data less comparable. Percentage change refers to the absolute increase in numbers, zero hours contracts as a proportion of people in employment rose by 66% over the same period.

² Partington, R. (2019) *Gig economy in Britain doubles, accounting for 4.7 million workers*. The Guardian. Available at: <https://www.theguardian.com/business/2019/jun/28/gig-economy-in-britain-doubles-accounting-for-47-million-workers>

³ Citizens UK (2019) *Creating a Fair Work Economy*. Available at: <https://www.citizensuk.org/fair-work-listening-report>

⁴ Living Wage Foundation (2019) *Living Houses: providing security of hours alongside a real Living Wage*. Available at: <https://www.livingwage.org.uk/living-hours>

⁵ Innes, D. (2020) *What has driven the rise of in-work poverty?* Joseph Rowntree Foundation. Available at: <https://www.jrf.org.uk/report/what-has-driven-rise-work-poverty>

⁶ The Trussell Trust found that food bank use in their network increased by 74% between 2015-16 and 2019-20. See: <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

⁷ This statutory presumption should be limited to the distinction between worker and self-employed and should not apply to the distinction between workers and employees, to avoid putting employee rights at risk.

⁸ Polling by Populus for CPP. Survey of 609 small, medium and large businesses from a representative range of sectors across the UK carried out from 28 August to 3 September.

Box 1 – Zero hours workers

“I had zero hours contracts and there’s been many a time that I’ve just been disposed of... the actual owners of the business don’t really care about you”

CPP focus group in Redcar

People on zero hours contracts have the same employment rights as regular workers but are employed on casual contracts and do not have set shift patterns. They are on call to work when needed but – in principle – do not have to work when asked.

The number of people who identify themselves as being employed on a zero hours contract is rising and has now reached over 1 million, or 3.2% of people in employment, up from 1.9% in 2013.⁹ Within England, use of zero hours contracts is highest in the North East (5%) - the least productive region - and lowest in London (3%), the most productive region. There is a moderate negative relationship between the use of zero hours and productivity (-0.64) which suggests that these contracts are not good for economic growth.¹⁰

People who work on zero hours contracts are more likely to be women and to be cleaners, caretakers and porters (29%) or to work in caring, leisure and service occupations (21%).¹¹ In 2018 it was estimated that 60% of domiciliary care workers are on zero hours contracts and Labour Force Survey data for 2020 suggests that this has increased; the proportion of people on zero hours contracts who work in the health and social care sector has risen by 2.6 pp since 2019 to 19.7%.¹²

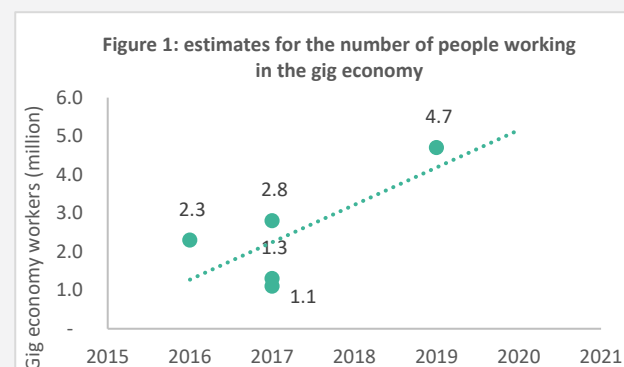
Underemployment is much higher amongst zero hours workers (29.2%) than the wider working population (8%) and the data suggests that they were also more vulnerable to hours reductions due to Covid-19. In April to June those on zero hours contracts worked 14 hours less than usual, whereas those not on zero hours contracts worked 10 hours less. Over half (55%) of people on zero hours worked 0 hours for ‘other reasons’ compared to 25% of the wider working population.

Box 2 – Gig economy workers

“I work for a company, I’m self-employed and I work for an insurance company... and they don’t care about anything. They just want the money, simple as that, and on numerous times they’ve let me know that I’m just a number and that’s it.”

CPP focus group in Redcar

The government does not produce regular statistics on the gig economy, but a recent survey estimates that 4.7 million adults now participate in it (Figure 1).¹³



People working in the gig economy are typically categorised as self-employed, as they are paid for completion of a task, but could often be considered workers (Box 3). Many gig workers, such as delivery drivers, were classified as essential workers during Covid-19 and have been vital to the continued functioning of the economy, facilitating the nationwide shift to online shopping. Research by the Department for Business, Energy & Industrial Strategy (BEIS) in 2018 shows that 23% of couriers in Great Britain earn more than 90% of their income in the gig economy, demonstrating their financial dependence on this kind of work.¹⁴

The classification of gig workers as self-employed means that they have no automatic right to a minimum wage, holiday pay and protection for ‘whistle-blowing’. It may also be harder to raise issues of discrimination protection under the Equality Act 2010. Technically, gig workers have no obligation to provide work and are not subject to company control, but in many instances, the reality is different. For example, Uber imposes conditions on drivers and subjects them to a rating system. The Court of Appeal recently held that Uber drivers are workers not self-employed and Uber are now awaiting final judgement from the Supreme Court.

⁹ ONS dataset EMP17: *People in employment on zero hours contracts*. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/emp17peopleinemploymentonzerohourscontracts>

¹⁰ CPP analysis comparing ONS data on the percentage of people in employment on a zero hours contract in 2020 with Q1 2020 seasonally adjusted productivity hours by region.

¹¹ These proportions refer to the percentage of people on a zero hours contract. For example, 29.2% of people on a zero hours contract work in elementary occupations, including cleaning.

¹² Ravalier, J. et al. (2020) *Work Stress in NHS Employees: A Mixed-Methods Study*, International Journal of Environmental Research and Public Health. Available at: <https://onlinelibrary.wiley.com/doi/abs/10.1111/hsc.12652>

¹³ Partington, R. (2018).

¹⁴ Department for Business, Energy & Industrial Strategy (BEIS). (2018) *THE CHARACTERISTICS OF THOSE IN THE GIG ECONOMY*. Available at: <https://www.gov.uk/government/publications/gig-economy-research>

The scale and nature of the problem

Prior to Covid-19, the UK experienced record low unemployment (3.8%) alongside record high in-work poverty with increasing use of food banks.^{15,16} Whilst nationwide economic growth had been stable, many areas could be characterized as being stuck in a low skill, low innovation, low productivity cycle of decline.¹⁷

The pandemic induced lockdown led UK GDP growth to plummet by 20% in the second quarter of 2020 with young workers being hit the hardest.^{18,19} As a result, skills development and productivity improvements have been made all the more important, yet there is a danger that rising unemployment will open the door for insecure work and exploitation in a two tier labour market, where only the highest skilled workers are offered protection.²⁰

Use of zero hours contracts is highest in regions such as the North East where skill levels and productivity is lowest

Whilst getting people into employment is important to avoid economic scarring, insecure jobs without full employment rights or regular hours are not the answer. Young people need to be supported into secure roles with opportunities for progression to avoid scarring, not to be reliant on poor quality work with low productive potential.²¹ Earlier this year, a study by the Enterprise Research Centre found that job insecurity was one of four factors that contributed to episodes of poor mental health and that sickness related to mental health is associated with significantly lower productivity at firm level.²² Regional data from the ONS also shows that the use of zero hours contracts is highest in regions such as the North East where skill levels and productivity is lowest and that there is a negative relationship between

the use of zero hours contracts and productivity. This suggests that insecure contracts such as these are undermining the UK's ability to rebalance the regions and level up the economy.

Insecure contracts are undermining the UK's ability to rebalance the regions and level up the economy

In transferring commercial risk away from business and onto individuals, insecure contracts can amount to exploitation of the most vulnerable and burden the taxpayer with the impact of rising poverty. In 2018 the Joseph Rowntree Foundation found that in-work poverty had been rising faster than employment, driven by the increasing impoverishment of working parents and leading to rising child poverty.²³

During the initial period of the Covid-19 outbreak, the government socialised the risk of unemployment and underemployment through the Coronavirus Job Retention scheme. However, this scheme ends in October and its replacement – the Job Support Scheme – is not expected to provide as much support for those in low skilled or insecure jobs. The Q2 data on zero hours contracts suggests those on insecure contracts have been more vulnerable to hours reductions and individuals must be working at least 20% of their usual hours to qualify for the scheme (Box 1). In addition, employers have to cover costs for hours not worked, giving employers 'little or no incentive' to use the scheme where the costs placed on the employer outweigh the value of skill retention.^{24,25} Decreases in the employment rate in the three months to August suggest that gig and zero hours workers are already suffering job losses, with the 480,000 drop being driven by falling employment amongst those most likely to be in insecure work: the self-employed, young people and part-time workers.²⁶

¹⁵ The seasonally adjusted UK unemployment rate for those aged 16 and over was 3.8% in January–March 2019, the lowest rate since 1974 according to ONS figures. For more information see: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment>

¹⁶ JFR Analysis Unit (2018) *UK Poverty 2018*. Available at: <https://www.jfr.org.uk/report/uk-poverty-2018>

¹⁷ Jones, R. (2019) *A Resurgence of the Regions: rebuilding innovation capacity across the whole UK*. Available at: <http://www.softmachines.org/wordpress/?p=2340>

¹⁸ ONS figures for Gross Domestic Product: Quarter on quarter growth: CVM SA %, last updated September 2020.

¹⁹ Joyce, R. and Xu, X. (2020) *Sector shutdowns during the coronavirus crisis: which workers are most exposed?* Institute for Fiscal Studies. Available at: <https://www.ifs.org.uk/publications/14791>

²⁰ Helm, T. (2020) *Sunak's jobs plan 'harks back to worst of Thatcher', says Dodds*. The Guardian. Available at: <https://www.theguardian.com/politics/2020/sep/26/sunaks-jobs-plan-harks-back-to-worst-of-thatcher-says-dodds>

²¹ CPP's report – *The business of belonging* – underlines the importance of good jobs as a platform for businesses and individuals to contribute to and benefit from increased productivity and shared prosperity. Rather than using the pandemic to give up on good jobs, the government should be working with businesses to improve access to them for people from diverse groups and deprived neighbourhoods to avoid the widening of existing inequalities. See: Stock Jones, R. and Franklin, B. (2020) *The business of belonging: Strengthening bonds between business and place*. Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications>

²² ERC (2020) *Employee well-being, mental health and productivity in Midlands firms: The employer perspective*. Available at: <https://www.enterpriseresearch.ac.uk/publications/employee-well-being-mental-health-and-productivity-in-midlands-firms-the-employer-perspective/>

²³ JFR Analysis Unit (2018).

²⁴ Verity, A (2020) *Covid: Jobs scheme 'won't stop major rise in unemployment'*. BBC News. Available at: <https://www.bbc.co.uk/news/business-54282815>

²⁵ HM Treasury's revision to the Job Support Scheme on 22nd October reduces this cost on employers and may help to mitigate the impact on low skilled jobs.

²⁶ Strauss, D. (2020) *UK job losses rise at record rate in 3 months to August*. The Financial Times. Available at: <https://www.ft.com/content/5ec911b9-b1c6-4bb9-8497-a2f753f37199?desktop=true&segmentId=7c8f09b9-9b61-4fbb-9430-9208a9e233c8>

Some, including the CIPD, have argued that insecure work is not really a problem because many gig or zero hours workers also have additional jobs and are simply boosting their income.²⁷ However, this is much less likely to be true in the current job market, as evidenced by the higher incidence of underemployment amongst zero hours workers (29.2%) compared to the wider working population (8%) in spring of this year. In addition, the “significant minority”, that CIPD concede are not benefitting from these arrangements, matter. If regulatory changes would reduce exploitation at the bottom end of the labour market, then they are surely worth considering, particularly in the context of securing an inclusive economic recovery from Covid-19.

Identifying those at risk

If a company considers that the people working for them are self-employed, the individual will have to seek redress via employment tribunals, which leads to a delay in accessing their rights

Problematic types of employment contract in the UK include zero hours contracts and agency worker contracts. In 2018, the UK strengthened protection for workers, in particular agency workers, but this has done little to address friction over employment status or to protect those on zero hours contracts. There is also evidence that employers like the NHS are circumventing the employment rights that agency workers qualify for after 12 weeks by using rolling three-month contracts.²⁸

In addition, many of the existing protections, such as holiday pay entitlement, are dependent on a correct classification of employment status (Box 3). If a company considers that the people working for them are self-employed, they will not pay holiday pay. An individual will therefore have to seek redress via employment tribunals, which leads to a delay in accessing their rights. This is exemplified by the case of Gary Smith, who was an engineer for Pimlico Plumbers. In May 2018 the Supreme

Court ruled that he was a worker, not self-employed. However, in March 2019, an employment tribunal ruled that he was not entitled to backdated holiday pay as he had not filed the claim quickly enough.²⁹

The ONS do not routinely collect data on the number of workers or on the number of people in the gig economy, which makes it difficult to assess the scale of the problem. Estimates of the size of the gig economy are based on ad hoc survey data and data on contract type are not publicly available at firm level. What is measured matters and not counting those in insecure work means they can be readily overlooked.

Protecting those at risk

In the UK, the protection of worker rights has largely fallen to the courts and tribunals, which have recognised and sought to mitigate against any potential unfairness arising out of the unequal bargaining position of workers and companies.³⁰ However, the process of taking an employer to court can be lengthy and costly, meaning that it is not an accessible remedy for those who need it most.

Other countries have started to trial different solutions. The European Parliament, for example, has approved new minimum rights for gig-economy workers, which are to be in place across member states by 2022, but will not cover UK workers.³¹ These new rules mean that “casual” and “on-demand” workers gain additional rights whilst “genuinely self-employed workers” would reportedly be excluded from the new rules although it is not clear how member states will distinguish these. The US state of California has this year introduced a bill known as AB5, which aims to grant enhanced rights to workers. It does this by presuming that a person is an employee with all the associated protections unless the business can demonstrate otherwise. The employment implications of this shift are not yet clear as gig platform companies such as Uber and Lyft continue to invest millions in a campaign against the law, to avoid having to pay minimum wage, overtime and sick leave, amongst other benefits.³² The issue is now being put to public vote under ‘Proposition 22’ in the November election.³³

²⁷ Howlett, E. (2019) *UK workforce no more insecure than 20 years ago, says CIPD*. People Management. Available at: <https://www.peoplemanagement.co.uk/news/articles/uk-workforce-no-more-insecure>

²⁸ Asthana, A. (2020) *Has Covid-19 turned the clock back on women's equality?* The Guardian: Today in Focus podcast. Available at: <https://www.theguardian.com/news/audio/2020/oct/01/has-covid-19-turned-the-clock-back-on-womens-equality-podcast>

²⁹ Butler, S. (2019) *Gig economy: worker loses Pimlico Plumbers holiday pay claim*. The Guardian. Available at: <https://www.theguardian.com/business/2019/mar/20/gig-economy-worker-loses-pimlico-plumbers-holiday-pay-claim>

³⁰ *Autoclenz v Belcher & Ors* [2011] UKSC 41

³¹ European Parliament (2019) *Gig economy: EU law to improve workers' rights (infographic)*. Available at: <https://www.europarl.europa.eu/news/en/headlines/society/20190404STO35070/gig-economy-eu-law-to-improve-workers-rights-infographic>

³² Paul, K. (2020) *Judge grants Uber and Lyft temporary stay, averting shutdown of California services*. The Guardian. Available at: <https://www.theguardian.com/technology/2020/aug/20/lyft-california-suspend-services-drivers-ab5>

³³ Paul, K. (2020) *Prop 22 explained: how California voters could upend the gig economy*. The Guardian. Available at: <https://www.theguardian.com/us-news/2020/oct/15/proposition-22-california-ballot-measure-explained>

Box 3 – Determining employment status

Legally speaking, people who work in the UK can be split into three categories: the employed, workers and the self-employed. This distinction is important because it determines the legal rights - such as sick pay, unfair dismissal and redundancy pay – that a person is entitled to, as well as how they pay tax.

A person's employment status is determined by the contract that they work under, with disputes determined by a court or tribunal. An employee is someone who works under an employment contract with the following three elements:

- **An obligation to provide work personally** – An obligation to provide personal service is a sign of employment. If a person can subcontract their work to another person (a right of substitution) this is generally a sign that they are self-employed. How the parties behave in practice should be considered alongside the written contract to determine whether the substitution clause accurately reflects the parties' intentions.
- **Mutuality of obligation** – For the employer, the obligation is usually to make work available and pay for work done; for the employee, to make themselves available to do the work. Without such 'mutuality of obligation', there is no contract.
- **Control or Subordination** of the employee by the person providing the work. Control might include how and when a person completes their work, or be a requirement to comply with disciplinary procedures and company rules.

A court or tribunal will also consider other elements of the worker-employer relationship when determining employment status. For example, bearing the economic risk of not earning money and being paid by a third party or customer are inconsistent with an employment relationship. However, the elements above are not the sole determining factors and will depend on the facts of the case. Tribunals have sought to ensure that employment rights are not restricted and may give the written contract limited weight if it does not reflect the reality of the working relationship.

The principal definition of "worker" can be found in s.230 ERA 1996. This is an individual who has entered into a contract:

"whereby the individual undertakes to do or perform personally any work or services for another party to the contract whose status is not by virtue of the contract that of a client or customer of any profession or business undertaking carried on by the individual".³⁴

Definitions are based on guidance from Grace Cullen, Barrister and Employment Law specialist.

³⁴ Normally a worker will work under a contract (oral or written) to do work personally. However, they do not have to accept all work that is offered to them. There is more flexibility to accept and do work than in an employment contract.

Policy recommendations

Introducing new legislation

Clarify legal employment status

Many rights for gig economy workers currently hinge on the Supreme Court decision over whether Uber drivers are workers or self-employed. If they follow the dissenting judgment of Underhill LJ in the Court of Appeal, this will be seen as a blow for individuals working in the gig economy or on a more casual basis. However, if the Supreme Court follow the majority decision of the Court of Appeal, and conclude that the Uber drivers are workers, then these individuals will have significant protection under the law.

The government could legislate to clarify this issue, reducing the need for workers to take companies to court in order to access their rights. This could involve introducing a statutory presumption that a person is a worker, with the associated rights to holiday pay, etc. unless it can be proved that they are self-employed. This should be limited to the distinction between worker and self-employed and should not apply to the distinction between worker and employee, to avoid putting employee rights at risk. The definition of self-employment could additionally be more clearly specified in secondary legislation to reflect recent case law. Gig platform data should be formally recognised as evidence of employment status, alongside documentary evidence.

The historical comparison with dock workers indicates that a step change in industrial relations often requires government to take the lead

Protect worker rights

Worker rights should be protected following the UK's withdrawal from the European Union. Rights, including those derived from the Working Time Directive such as holiday pay, entitlement to annual leave and rest breaks, and maximum working hours are based on EU law and the government should commit to protect these after the transition period ends.

Box 4 – A historic comparison: dock workers in the 19th and 20th century

UCL's Institute for Innovation and Public Purpose has compared the casualised gig economy to the dock workers of the late 19th century, arguing that the so-called 'future of work' is really a return to the Victorian era with digital platforms replacing physical ones.³⁵ Like current gig and zero hours workers, dock workers made their availability known each day and employers took on as many people as they needed. Just as now, the availability of casual labour was considered essential for dealing with the "frequent and violent fluctuations" in the work of loading and unloading ships, with the requirements of the employer – and the paying customer – being placed above those of the worker.³⁶

Technology has made some significant differences to the way that workers experience casual work; it is far less costly to check for work opportunities on your smartphone than it was to travel to stand on the dockside. However, many of the consequences are starkly similar. Nearly a third (29.2%) of workers on zero hours contracts are underemployed and those who do not show up regularly could have the offer of work withdrawn.³⁷

As in the early 1900s, the casual workforce has started to organise itself, with Deliveroo riders using "WhatsApp group chats to organise workers against exploitative piece-work".³⁸ The process of decasualisation of dock labour spanned nearly a century and holds many lessons for those looking to tackle insecure employment today.³⁹

History suggests that it is in society's interest for workers to have an official means of articulating shared interests and grievances. The difficulty of organising a casualised labour force was thought to have created space for "militants and malcontents" in the 1960s, increasing strike action and damaging productivity.⁴⁰ Today, it is important that workers can exert influence in their workplace, with voice and representation being one of the seven aspects that GPP used to define good employment.⁴¹ The historical comparison with dock workers also indicates that a step change in industrial relations often requires government to take the lead. The registration of dock workers and the payment of 'maintenance' was proposed in 1920 but only enacted when the government took control of ports during the Second World War.⁴²

³⁵ Ibid.

³⁶ Jackson, M.P. (1972) *The Decasualisation of Dock Labour*. Social Policy & Administration, 6: 19–33. Available at: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1467-9515.1972.tb00579.x>

³⁷ Despite riders being classed as self-employed, Deliveroo effectively fired one rider for failing to accept work. See: Connor, S (2020) *Uber ruling shows gig economy is running out of road*. Available at: <https://www.ft.com/content/11e2e1bf-c1dd-47cc-81b2-2147433ff16d>

³⁸ Bloodworth, J. (2019) *The exploited underclass is revolting*. UnHerd. Available at: <https://unherd.com/2019/09/the-exploited-underclass-is-revolting/>

³⁹ Moylan, J. (2012) *Union membership has halved since 1980*. BBC. Available at: <https://www.bbc.co.uk/news/business-19521535>

⁴⁰ Ibid.

⁴¹ Stock Jones, R. et al. (2019) *The good life: the role of employers*. Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers>

⁴² Jackson, M.P. (1972).

Businesses, workers and the government should be mindful not to repeat the mistakes of the past but to learn from historical experience to come up with modern solutions to the problem of precarity.

Eliminate use of zero hours contracts

Back in 2017, the Taylor Review concluded that whilst too many businesses rely on zero hours contracts, to ban them would negatively impact more people than it helped. This was predicated on the basis that reported numbers have stabilised in recent years, as most people on zero hours contracts tend to work part-time (65%) or do not want more hours (68%) and that their flexibility could be beneficial for those balancing work and study (18%).

However, whilst the proportion of the UK workforce on zero hours contracts was stable or falling between June 2016 and June 2018, it has been increasing since December 2018 and has now reached a record high 1.05m people. The sector that has seen the largest increase is health and social work, where it is difficult to argue that unpredictable demand makes casual contracts a necessity.

The use of zero hours contracts should therefore be eliminated to protect those at the bottom of the labour market distribution and reduce adverse consequences of insecure employment for society, including a higher incidence of in-work poverty and poor mental health. This could be achieved by designing a policy framework that would ensure employers have to commit to a minimum number of hours.

This is not an anti-business policy; a recent survey by CPP found that a quarter of businesses, both large and small, would support it.⁴³

Extend the hourly minimum wage rate to cover self-employed contracts

In 2017, the Resolution Foundation suggested that a minimum wage for those who have little control over the price they charge, based on existing 'piece work' legislation, could reduce exploitatively low pay.⁴⁴ More recently, temporary changes to Universal Credit (UC) to deal with the pandemic have recognised the need for self-employed people to earn a minimum wage. The existing Minimum Income Floor has been relaxed, meaning that the incomes of self-employed people earning less than

the minimum wage are being topped up through the benefit system.⁴⁵ In the context of rising unemployment due to Covid-19, CPP recommends upholding the principle behind the current relaxation of the Minimum Income Floor and revisiting the Resolution Foundation's previous recommendation to ensure that those low paid self-employed people do not fall through the gaps.

Collect more detailed information on employment status

The ONS Labour Force Survey should also be updated to identify gig economy workers and whether people are workers or employees.

Enforcing existing regulation

Prioritise the setup of a single labour market enforcement body

Matthew Taylor - author of the *Taylor Review on Modern Working Practices* - is currently overseeing labour market enforcement at BEIS.⁴⁶ CPP recommends that BEIS prioritise plans to replace the existing complex system with a single enforcement body as per the 2019 Conservative manifesto commitment.

The department has consulted on the implementation of a new body but has not yet drafted the required legislation, which is intended to form part of the Employment Bill announced in the 2019 Queen's Speech.⁴⁷ Work on this bill should be expedited despite the constraints that Covid-19 has put on parliamentary time, as the crisis has only intensified labour market pressures.

CPP argues that this new body should aim to:

- **Improve transparency** by publishing data on tribunals, NMW and other violations in csv format, which can be linked to company level data on contract type. It should also commit to sharing inspection materials with local government to aid local enforcement.
- **Be accessible** to those who are most vulnerable. The body should be free to contact and should aim to minimise telephone waiting times. Running a confidential advice helpline and publishing FAQs and case studies online could help encourage workers to determine their employment status and rights.

⁴³ Polling by Populus for CPP. Survey of 609 small, medium and large businesses from a representative range of sectors across the UK carried out from 28 August to 3 September.

⁴⁴ D'Arcy, C. (2017) *The minimum required? Minimum wages and the self-employed*. Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2017/07/The-minimum-required.pdf>

⁴⁵ Previously, self-employed people were assumed to earn at least minimum wage for the purposes of Universal Credit and were not compensated if they fall below it. This is known as the Minimum Income Floor. For more information, see the Department for Work and Pensions Universal Credit information page: <https://www.understandinguniversalcredit.gov.uk/new-to-universal-credit/self-employment/>

⁴⁶ Department for Business, Energy & Industrial Strategy (BEIS) (2017) *Good Work: The Taylor Review of Modern Working Practices*. Available at: <https://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices>

⁴⁷ The December 2019 Queen's Speech is available on gov.uk at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf

- **Use technology** to enforce labour laws. The gig economy operates on data and an enforcement body could use this data to monitor compliance at a relatively low cost. UCL's IIPP have recommended setting up a commission to review how data can be shared appropriately between platform companies such as Uber and enforcement bodies.⁴⁸

Acknowledgements

Researched and written by Rosie Stock Jones.

The author would like to thank barrister and employment law specialist Grace Cullen for providing legal guidance on current case law around employment status and on our recommendations. She would also like to thank Charlotte Alldritt, Thomas Hauschildt, Ben Franklin and Zoë Billingham for their support and input into the paper.

All errors and omissions are the responsibility of the author

About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national and local partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK. Inclusive growth is one of the most urgent questions facing advanced economies where stagnant real wages are squeezing living standards and wealth is increasingly concentrated. CPP believes that a new approach to growth is needed, harnessing the best of central and local government to shape the national economic environment and build on the assets and opportunities of place. The Centre for Progressive Policy is funded by Lord Sainsbury and host of the Inclusive Growth Network.

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⁴⁸ Silvers, D. (2019) *Back to the Future – Casualised Labour, Innovation and the Future of Work*. Available at: <https://medium.com/iipp-blog/back-to-the-future-casualised-labour-innovation-and-the-future-of-work-8a0e5238b1ab>

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