

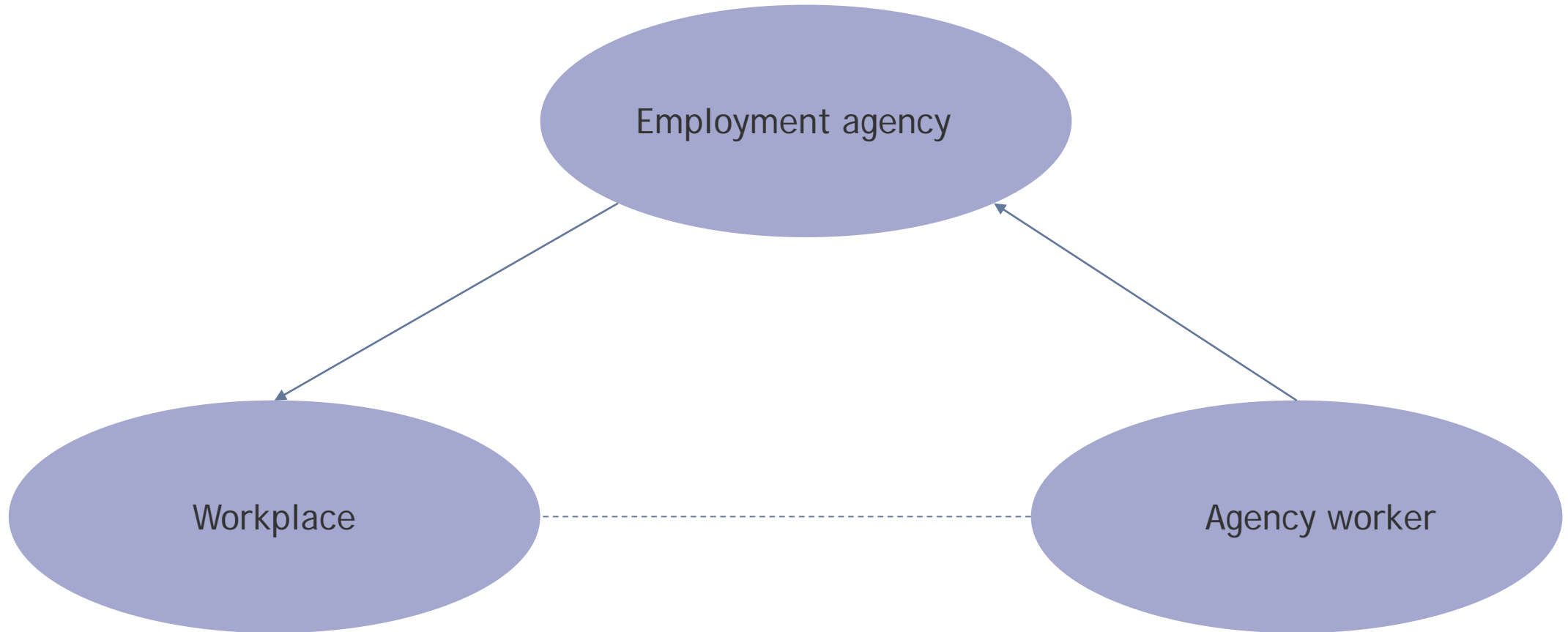
Insecure work and pay volatility in the UK

CASE Welfare Policy and Analysis seminar

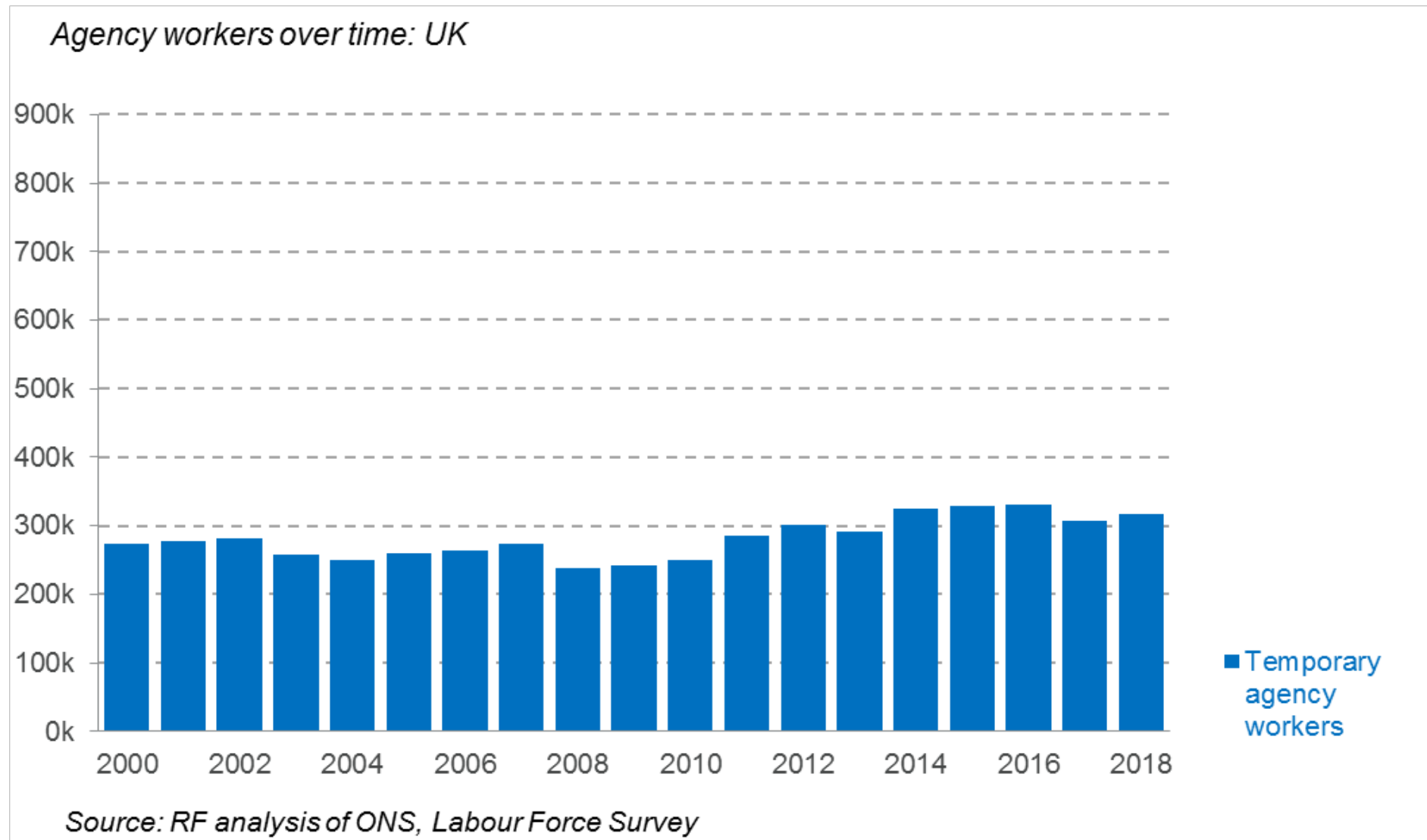
19th June 2019

Lindsay Judge & Dan Tomlinson

Understanding agency workers

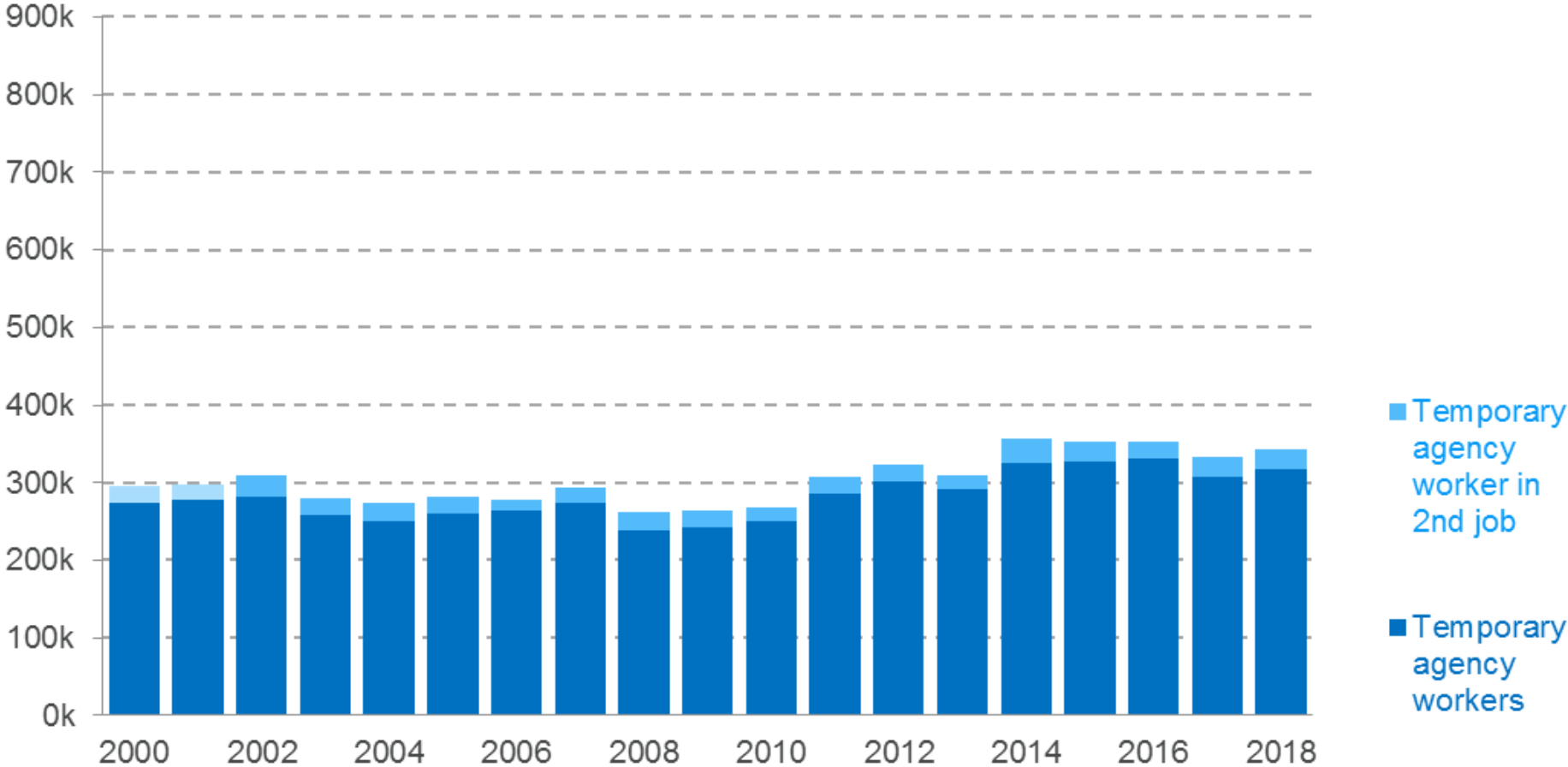


Understanding agency workers through the data



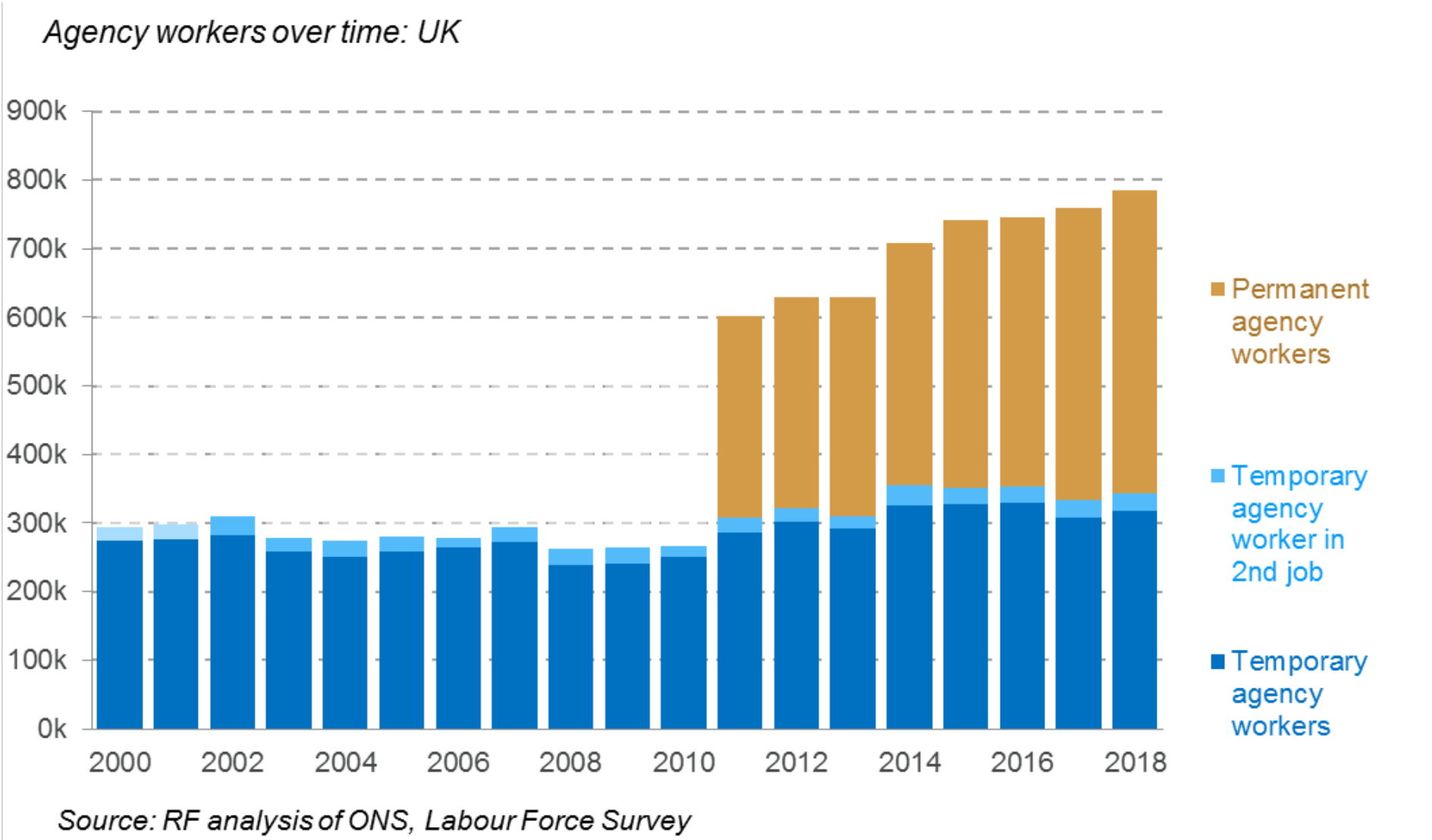
Understanding agency workers through the data

Agency workers over time: UK

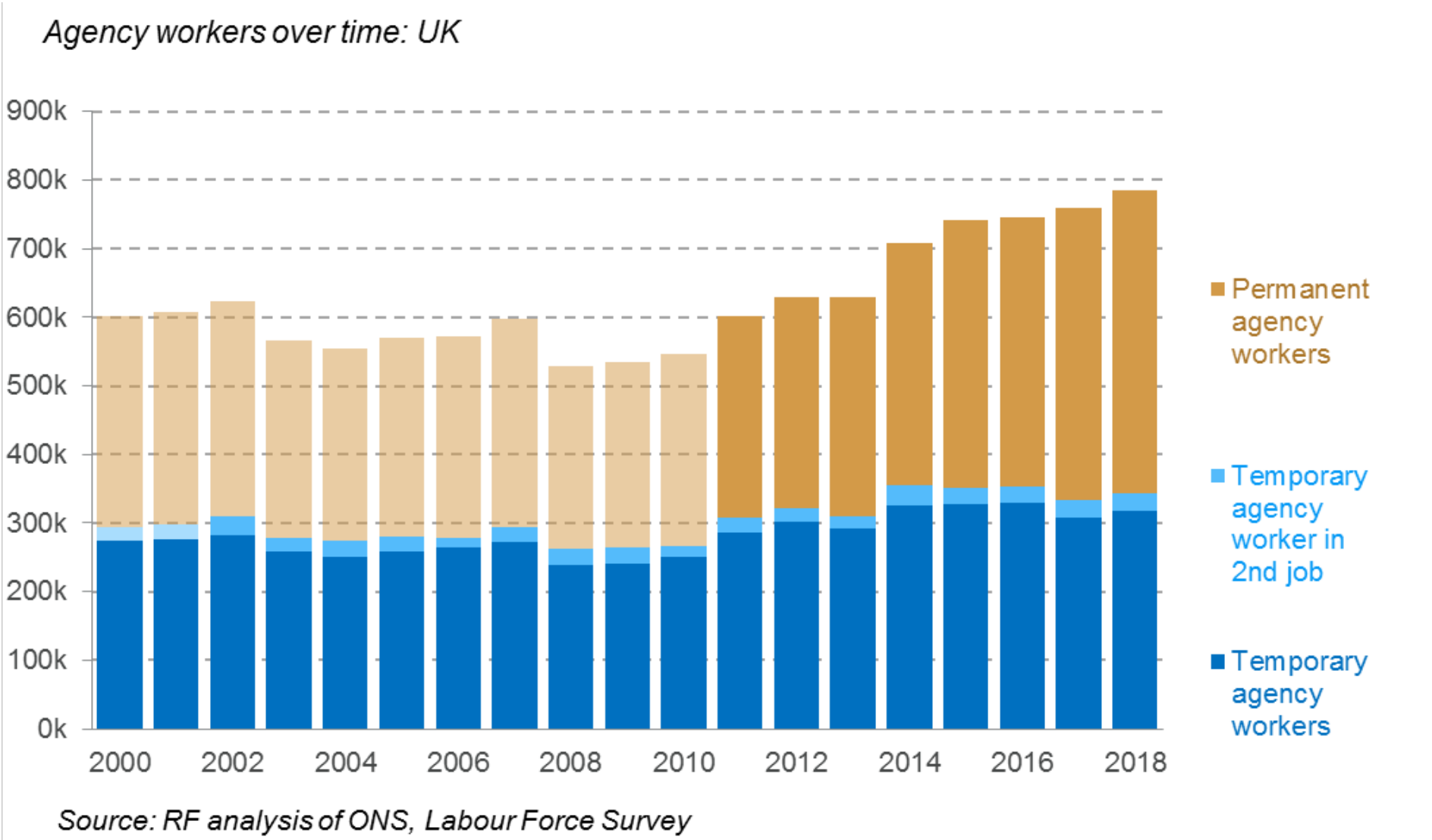


Source: RF analysis of ONS, Labour Force Survey

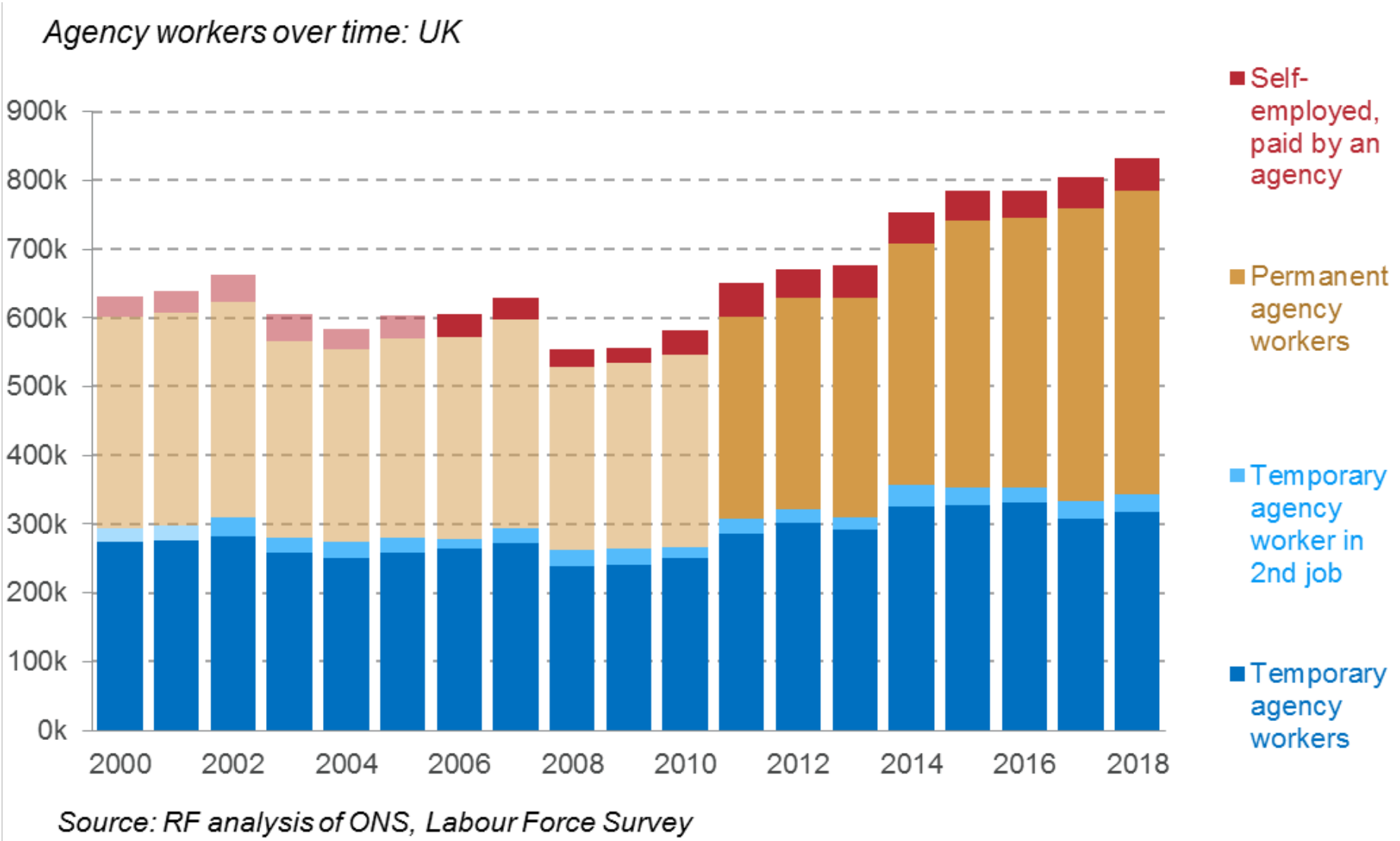
Understanding agency workers through the data



Understanding agency workers through the data



Understanding agency workers through the data



Understanding agency workers through a business survey



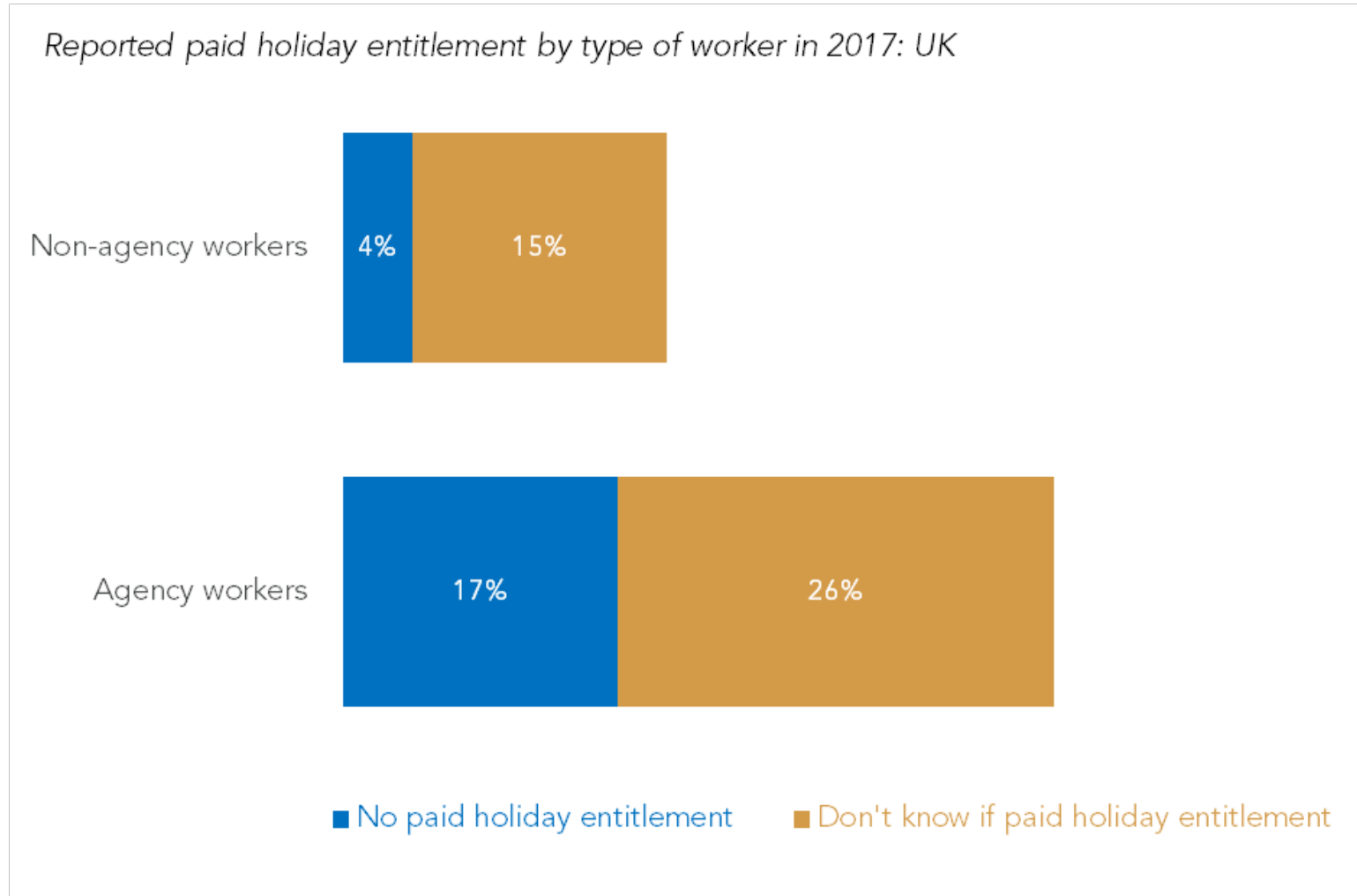
- Classic supply and demand side issues continue to largely explain why firms turn to agency workers
- But costs, productivity and discipline also play a role
 - 40% of agency worker-dense firms say they cut costs
 - 44% of agency worker-dense firms say agency workers are work harder than permanent staff
 - 30% of agency worker-dense firms say the presence of agency workers makes their permanent staff work harder
- One third of firms surveyed take a strategic rather than a stop-gap approach to agency worker use
- 4 out of 5 firms that hire agency workers expect to increase or maintain levels in the next five years

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Agency worker awareness of holiday pay entitlement is lower than other types of workers



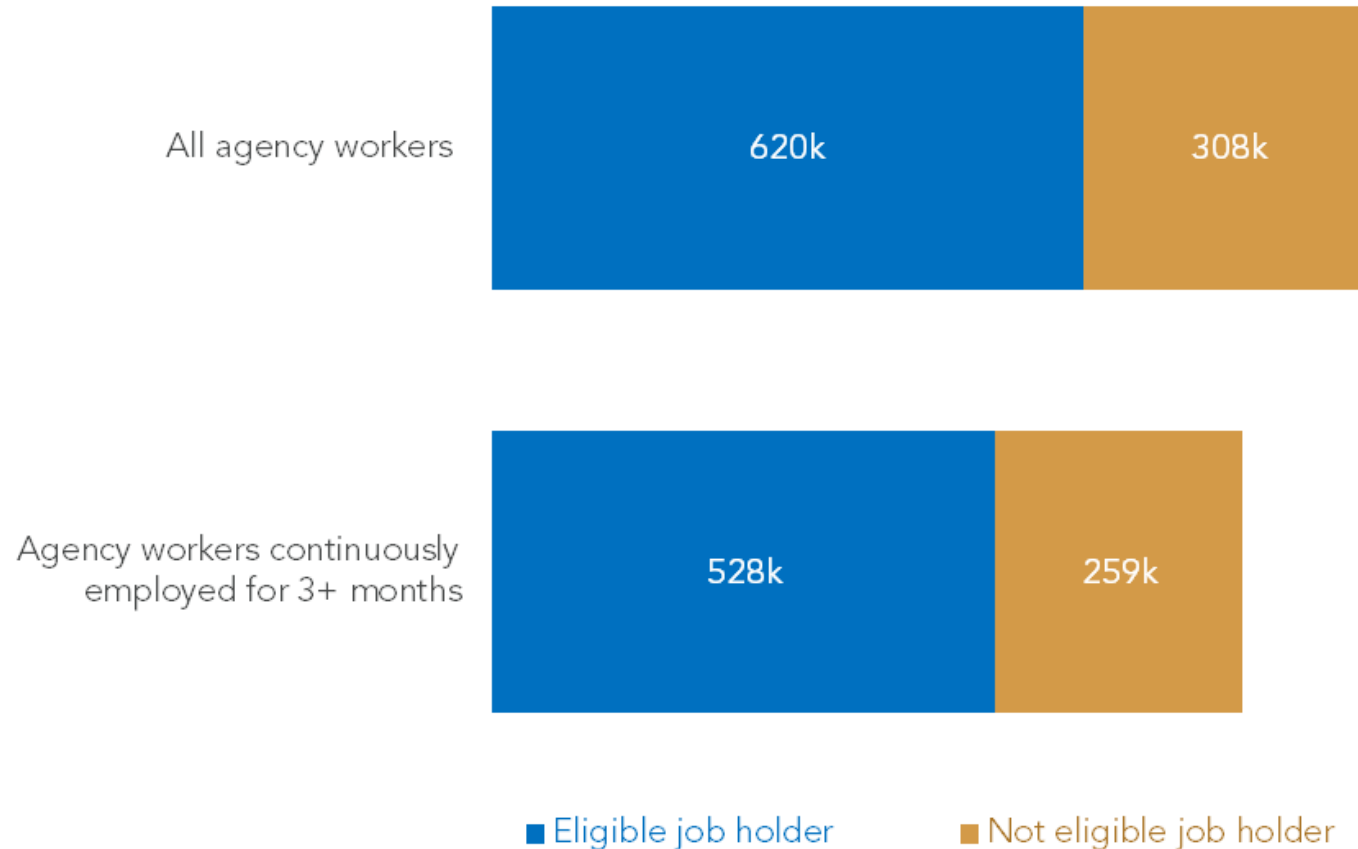
@resfoundation

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 - Obfuscation over holiday pay or rolling up of holiday pay
 - Worrying lack of awareness about auto-enrolment

Agency workers could be missing out in the future too



Number of agency workers eligible for auto-enrolment, 2017: UK



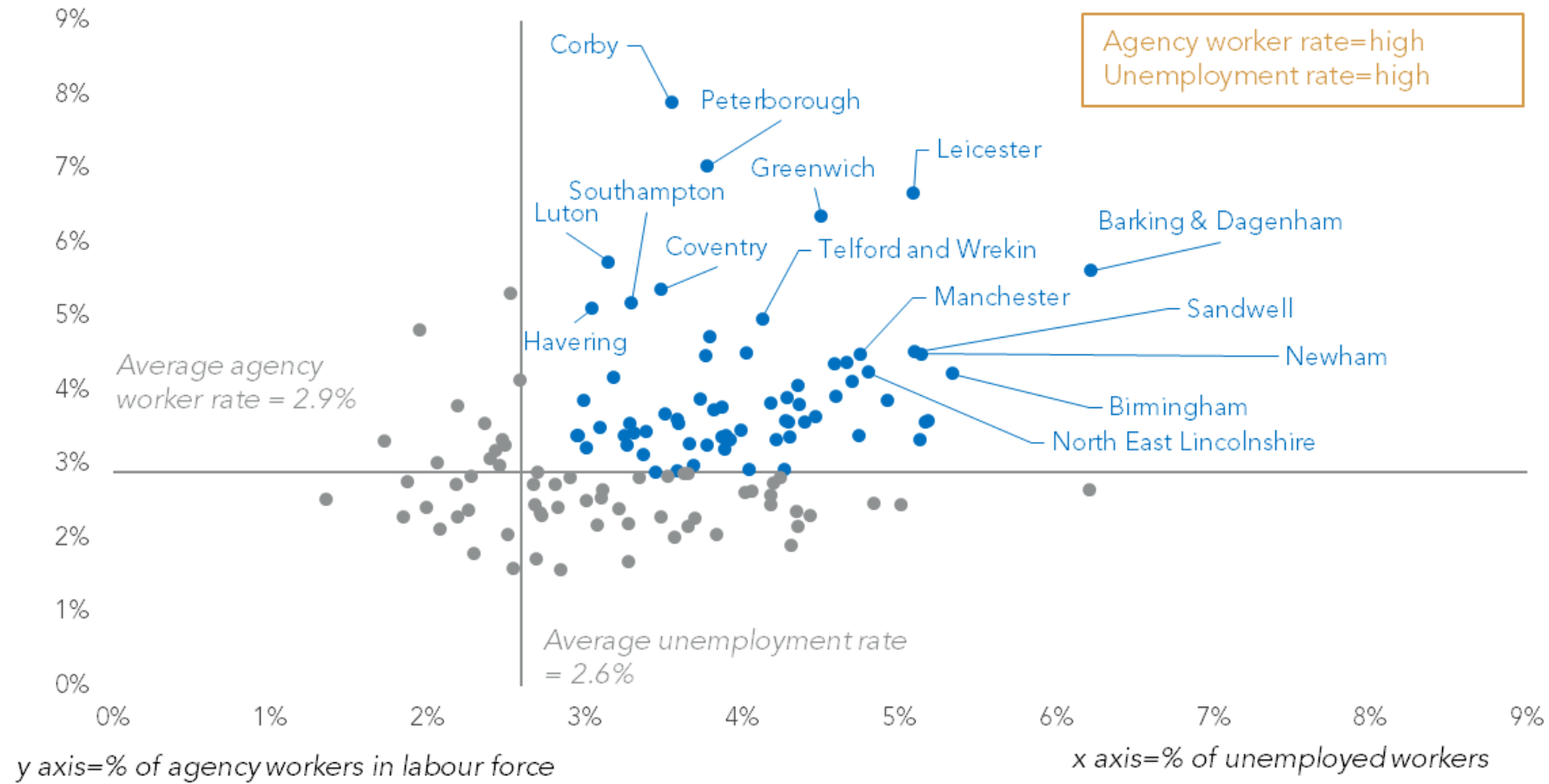
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 - Plurality of experience – not just between participants but for single participants – presents an interpretation challenge *and* a policy challenge
 - Personal characteristics were not the key determinant of power – except perhaps for migrants
 - Issues raised in each group were similar, but tonally quite different –
 - > regional labour market determines power

A strategic approach to enforcement

Average unemployment rate and proportion of agency workers in the workforce by local authority, 2011-2018: GB



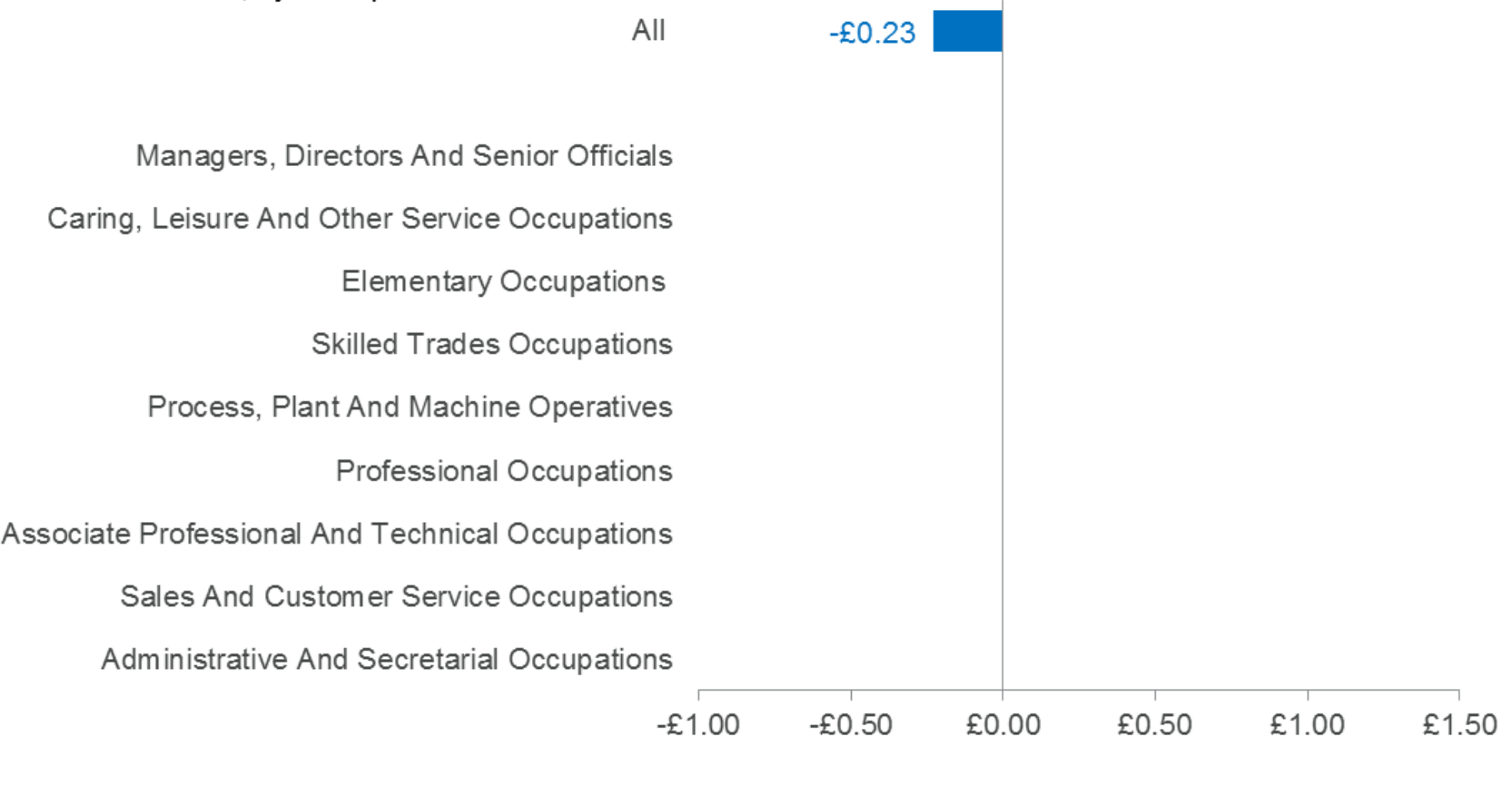
Understanding agency workers through focus groups



- The question of pay
 - Pay parity is a live policy issue for agency workers

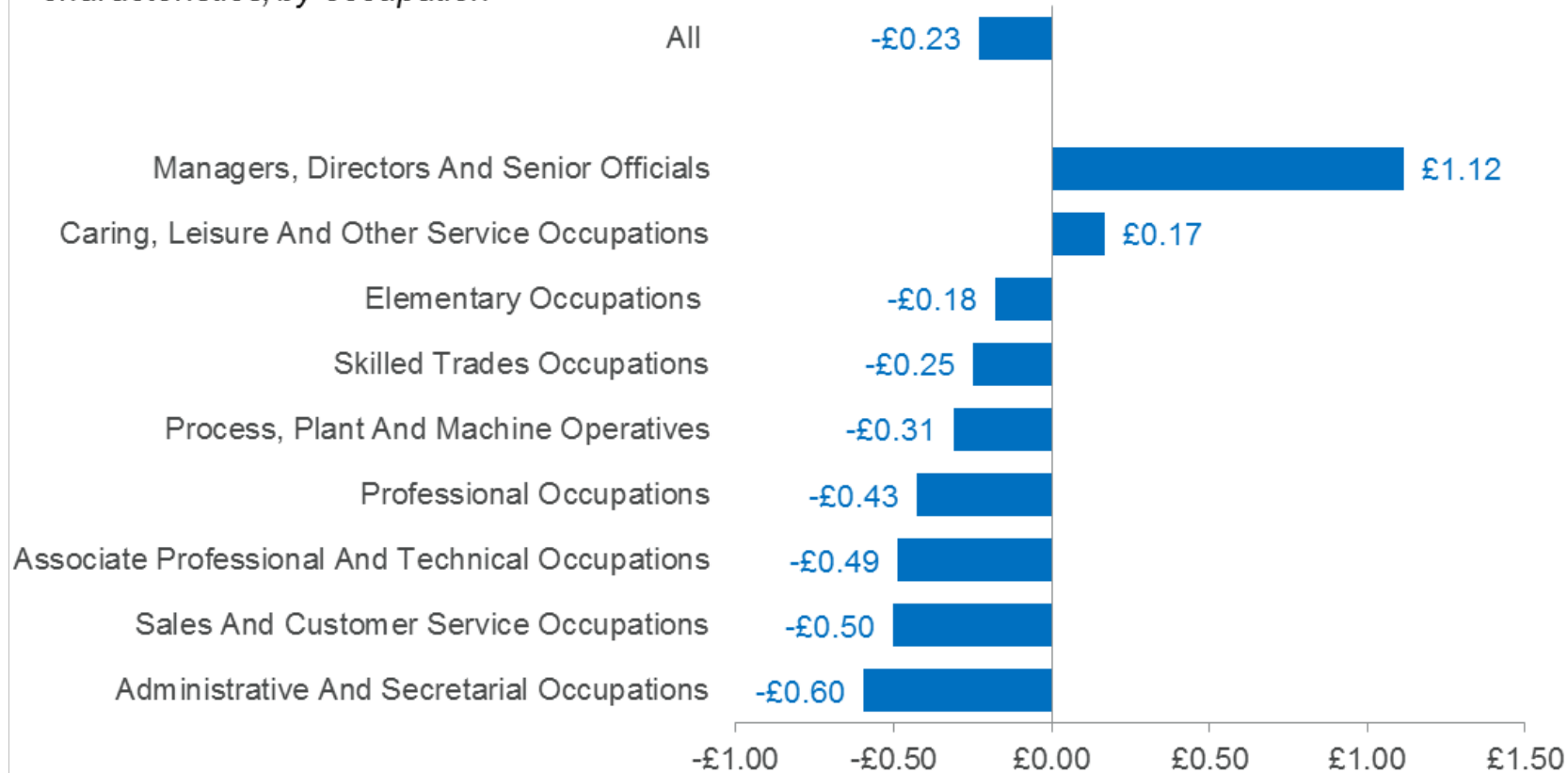
Agency workers experience a 23p/hour pay penalty compared to direct employees...

Difference in hourly pay between agency workers and employees controlling for personal and job characteristics, by occupation



Agency workers experience a 23p/hour pay penalty compared to direct employees ... but there is wide variation across occupations

Difference in hourly pay between agency workers and employees controlling for personal and job characteristics, by occupation



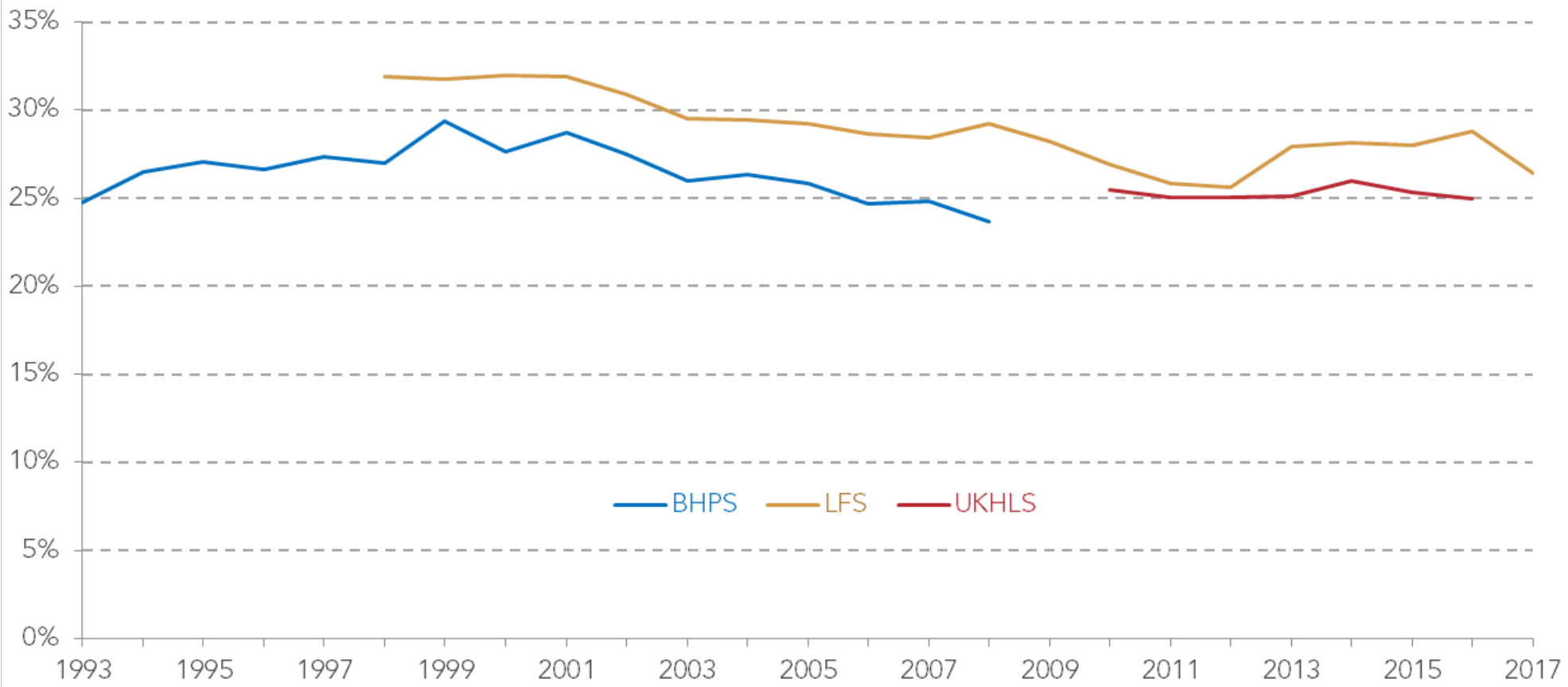
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 - Analysis suggested agency workers were no more likely than wider workforce to be paid below NMW/NLW
 - Deductions were commonplace and eroded actual take home pay
 - Pay volatility was biggest challenge

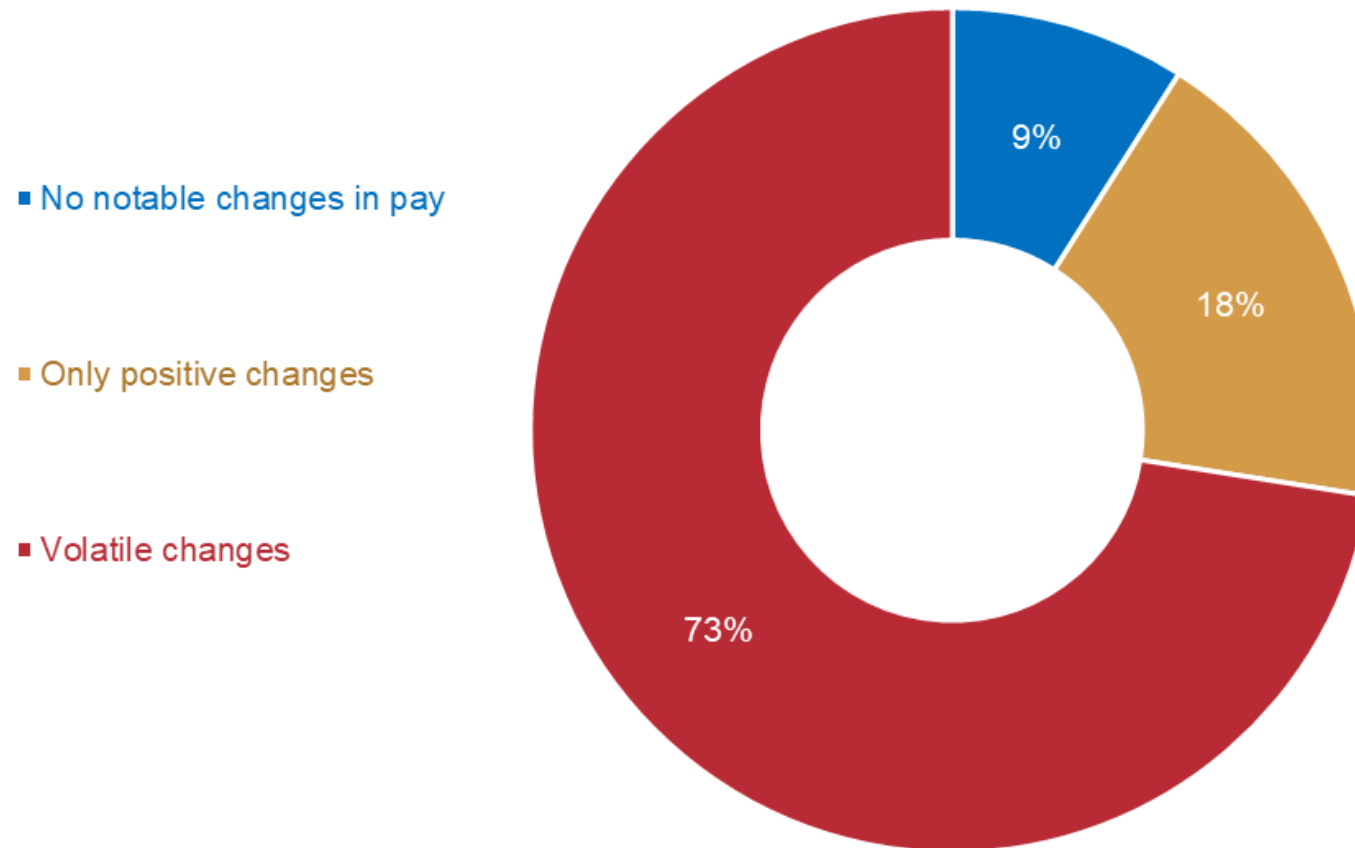
We already knew that *annual* pay changes could be quite big

Share of employees with absolute annual change in real (CPIH-adjusted) pay greater than 20 per cent, various data sources: GB, 1993-2017



But people don't budget annually, so we've looked at monthly pay changes

Proportion of employees remaining in work with the same employer, by type of pay change: 2016-17



- A note on the sample:
- Employees
 - 59 and under
 - Not in full-time education
 - Single account holders

Notable pay changes are more common than you might think

Average number of months for those who remained with the same employer throughout 2016-17 which pay changed...

...by a notable upward amount

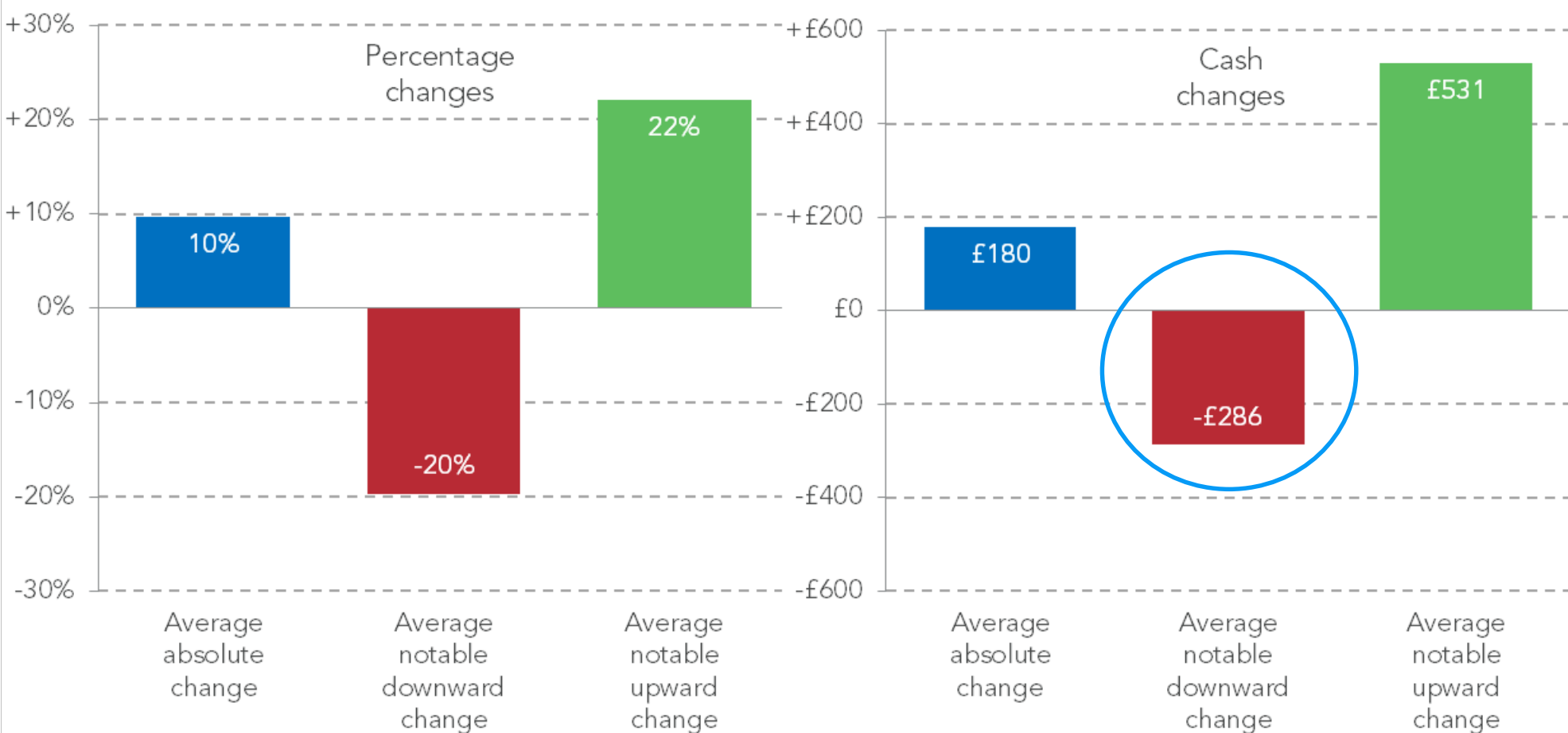
2.7

...by a notable downward amount

1.9

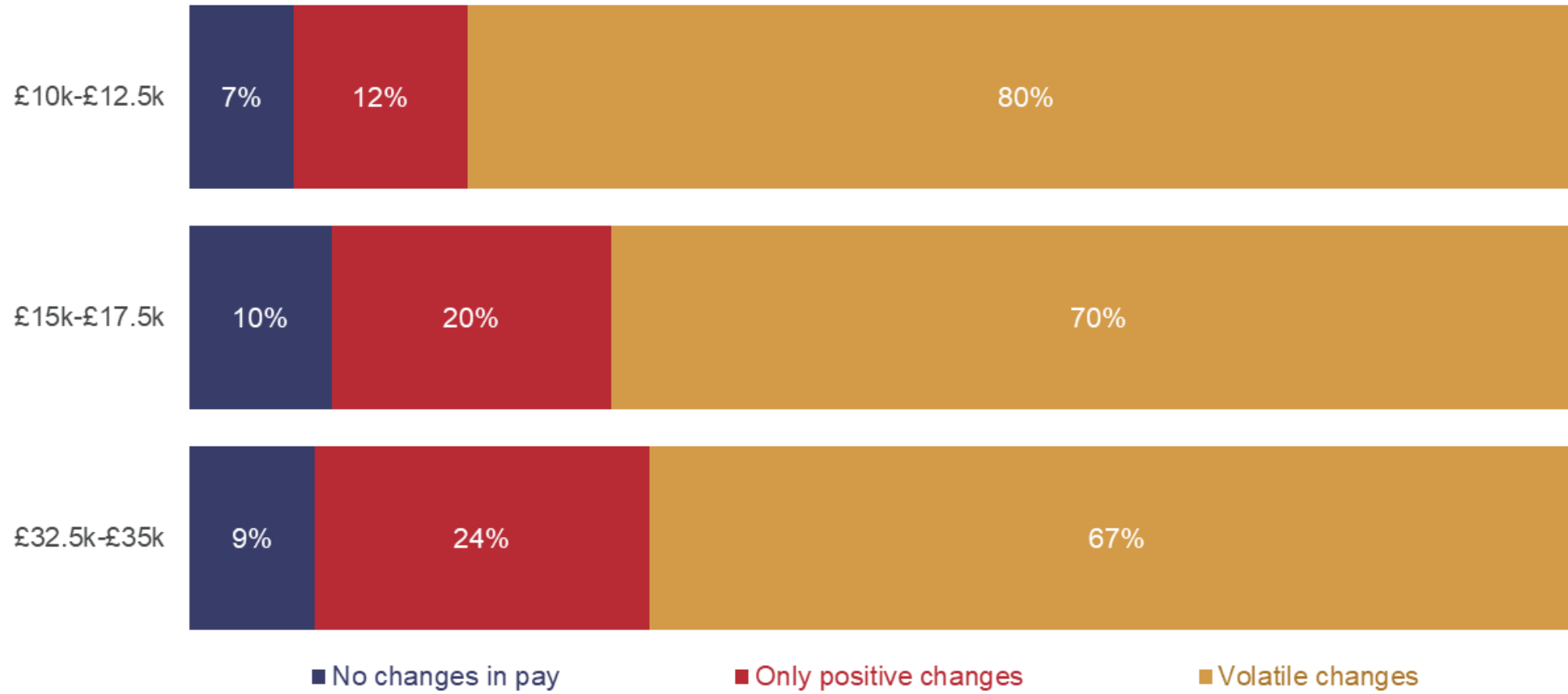
Monthly pay falls matter – these cost the same as a month’s groceries

Average absolute monthly pay change, employees with a steady job, percentage and cash changes: 2016-17



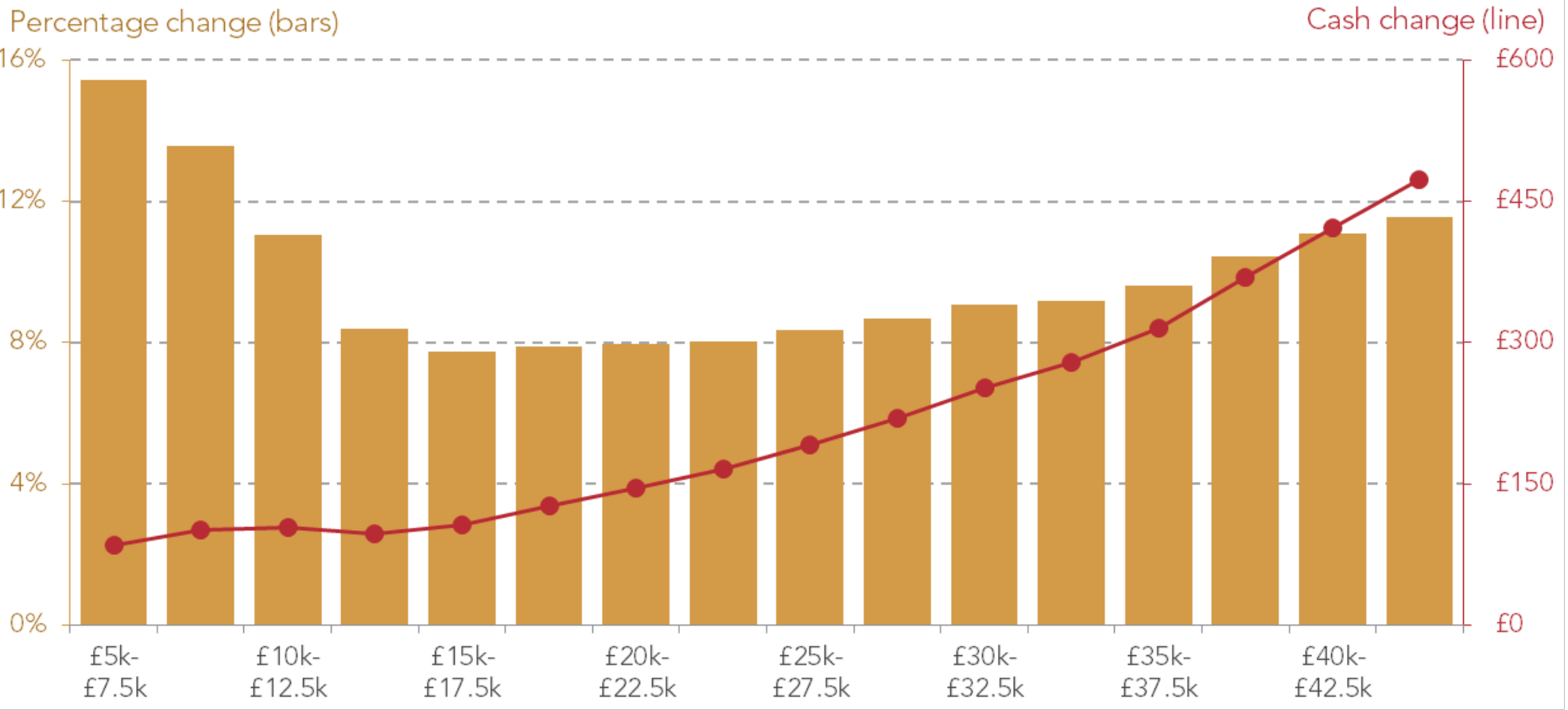
Volatile pay is more common for those with lower earnings

Proportion of employees remaining in work with the same employer, by net annual pay and type of pay change: 2016-17



Monthly pay changes have a U-shape when we look across the distribution

Average absolute monthly change in take-home pay for employees remaining in work with the same employer, percentage and cash changes: 2016-17



Those on UC in the LBG data have high monthly pay changes

Average absolute change in monthly pay and personal income for employees in receipt of UC and experiencing no non-pay-related changes in circumstances: 2017-18

All with steady job

Pay

10%

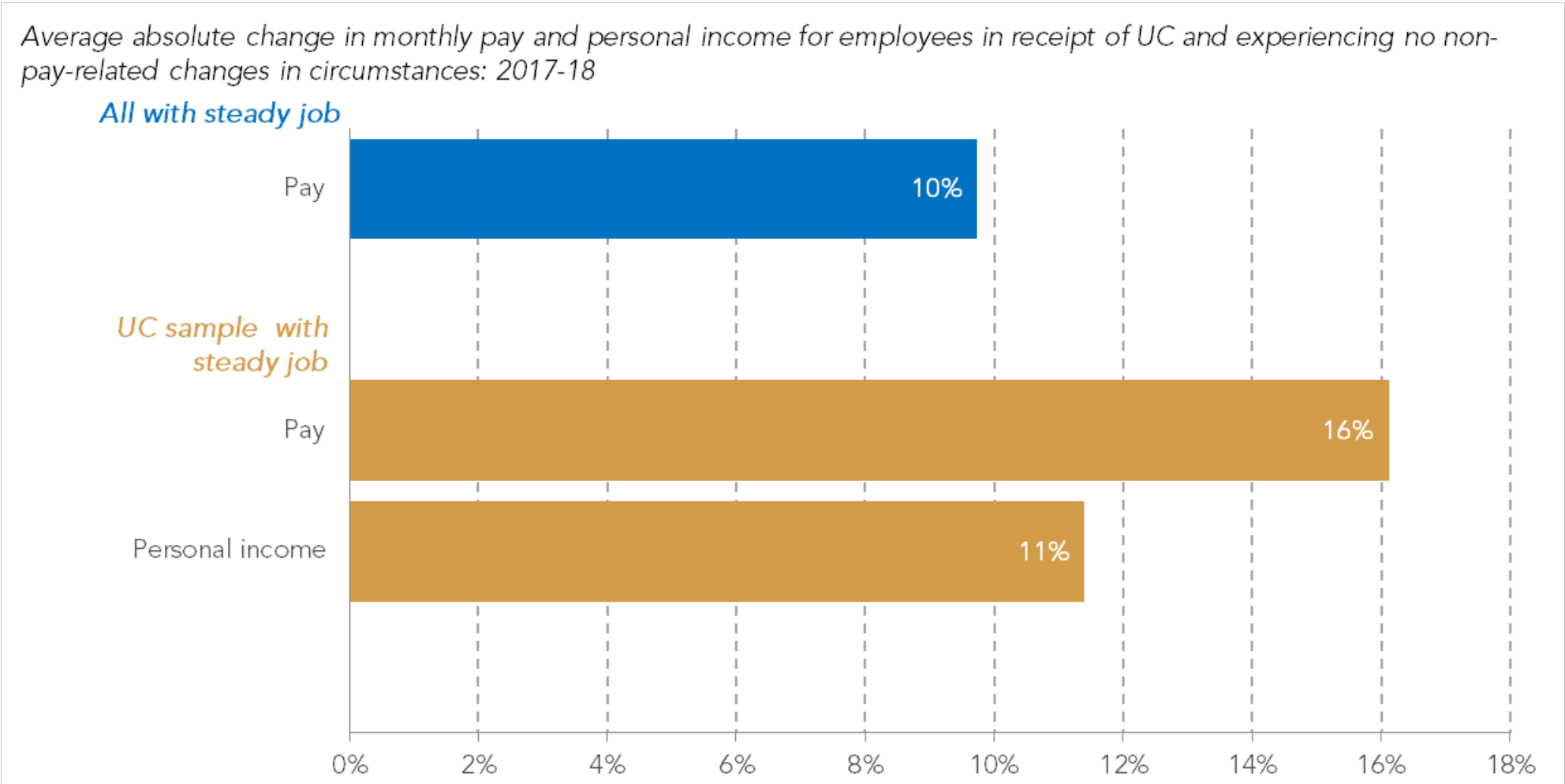
UC sample with steady job

Pay

16%

0% 2% 4% 6% 8% 10% 12% 14% 16% 18%

That are moderated by Universal Credit



But the system's design can actually act to *increase* volatility

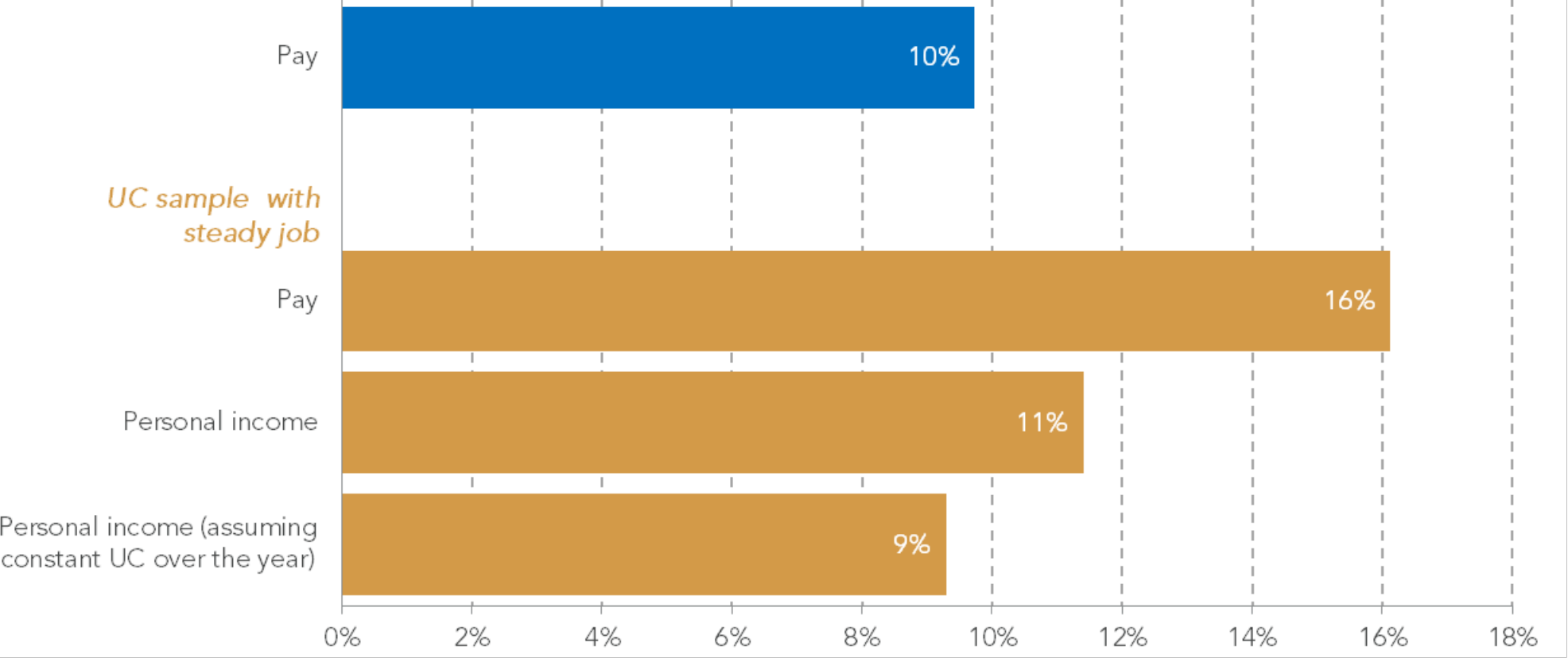
- UC assessment periods are:
 - Monthly
 - Set according to the date that an individual applies for UC

- But people's pay packets are:
 - Not always monthly: 40% of our sample are paid more frequently
 - Unlikely to be aligned with their UC payment cycles

If UC didn't vary from month to month volatility may actually be lower

Average absolute change in monthly pay and personal income for employees in receipt of UC and experiencing no non-pay-related changes in circumstances: 2017-18

All with steady job



What should we take away from these findings?

- Monthly pay changes are fact of life for millions of employees
- These can be good (bonuses and pay rises) and bad (shift changes and hours cuts)
- Volatile pay (and the downward changes it implies) is more common for the low-paid

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- Monthly pay changes are fact of life for millions of employees
- These can be good (bonuses and pay rises) and bad (shift changes and hours cuts)
- Volatile pay (and the downward changes it implies) is more common for the low-paid
- In principle, UC's responsiveness is a good thing: helping cushion the impact of pay falls
- But UC's assessment periods should be changed to improve the system
- And employers need to play their part to: on zero hours contracts and shift patterns

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