

Additional research projects for the 2018 Report and beyond

49. The four other research projects commissioned this year related to the two reviews that we have been conducting – the review of the Taylor recommendation that hours worked beyond those contracted should be subject to a minimum wage premium, and the review of youth rates. These will be covered in more detail when the respective reviews are published – the one on the Taylor Premium and one-sided flexibility in the autumn and the other on the youth rates in spring 2019.

Additional research: Informing our review of the Taylor recommendation on a premium for non-guaranteed hours

50. The next two research projects were devoted to research to help the Commission in its deliberations on the recommendation from the Taylor Review of Modern Work Practices that the Low Pay Commission consider a premium for hours worked above those contracted.

51. The first of these projects – Incomes Data Research (2018) – gathered evidence from employers on the extent to which low-paid workers work beyond their contracted hours, and the degree of volatility in those hours from week to week. The information was gathered from HR managers and other HR professionals using an electronic survey of around 40 questions, supplemented by semi-structured telephone interviews with a sub-sample of respondents. Respondents ranged from micro firms to large retailers covering many low-paying sectors, including many household names. It focused on firms that use some form of minimum-hours contract (MHC) or zero-hours contract (ZHC) for workers paid less than £10 an hour.

52. Among respondents, ZHCs appeared to be more prevalent (widespread across companies) than guaranteed MHCs but tended to cover fewer staff. They also found that staff were generally not given a choice over the type of contract. The number of hours guaranteed under an MHC varied with individual circumstances with four and six-hour contracts common. Responses suggested that typical hours per week (around twelve) were similar for staff on ZHCs and MHCs with a minimum of four hours for MHCs and only 90 minutes for ZHCs. Staff were also working virtually full-time (up to 41.4 hours a week for MHCs and 38.4 hours a week for ZHCs) on both contract types. Around a fifth of respondents reported that these contracts were reserved for certain jobs such as sales assistants, housekeepers and cleaners.

53. Respondents reported using these contracts to mainly manage demand and cope with temporary and seasonal increases in demand. Around two-thirds of respondents did not provide a minimum shift length. Those that did generally used 4-5 hours. Few firms used app-based software for shift scheduling with most respondents using phone calls, texts or a rota published on notice boards. The most common notice period for shifts was 2-4 weeks, but there was a high degree of variation around this. Hardly any respondents provided compensation for cancelled shifts. Employers provided ZHC staff with more flexibility to turn down or request an alternative shift than those on MHCs.

54. Incomes Data Research (2018) concluded that the research had identified a wide range of scenarios for the use of variable hours contracts. This made it difficult to develop policies that would tackle some of the worse examples of poor employer behaviour without having unintended consequences on other practices. MHCs seemed to have more one-sided flexibility and more volatile hours than ZHCs. Further, variations in working hours appeared to be more seasonal than weekly, although employers did attempt to smooth earnings in various ways.

55. The other Taylor Review-related commissioned research project – D’Arcy and Rahman (2018) – took on a more international perspective and investigated how other countries addressed insecurity of income for low-paid workers. Debates about atypical work have emerged amid a restructuring of typical working relationships across industrialised countries. Atypical work covers a wide range of employment relationships and involves different terminology across countries. While part-time work, ZHCs, temporary contracts and self-employment are all terms used to describe atypical work in the UK, elsewhere other terms can be used to describe very similar working relationships: on-call work, just-in-time scheduling, if-and-when contracts.

56. International comparisons were not straightforward as the context varied by country, including: institutional frameworks; the industrial composition of the economy; the broader strength of the labour market; the extent of collective bargaining; labour market regulation; and enforcement.

57. In many countries, governments had introduced policy changes to enable both the increased flexibility required by firms and the security required by workers. This generally required a move away from the framework provided by the ‘typical working relationship’. These can be broadly grouped into four types of responses: boosting legal protection for insecure workers; increasing the cost of insecure work; ensuring the social safety net catches such workers; or allowing market forces and tightening labour markets to resolve the issues.

58. First, the most common approach was boosting legal protection. This included bans on ZHCs with some exceptions (as in France); or imposing a minimum number of hours at the minimum wage which must be paid (as in the Netherlands). Others had adopted restrictions on overtime and non-guaranteed hours. These included: needing to register and apply at the employment department (as in Luxembourg); imposing a maximum number of hours of overtime per year (as in Spain); restricting coverage to certain age groups (as in Italy) or certain sectors (as in Hungary); limiting the proportion of staff that can be employed on ZHCs (as in Norway); enabling transition from ZHCs to guaranteed hours after a period of time (as in Italy); imposing minimum shift notification periods (as in Germany); allowing workers the freedom to refuse hours without retribution (such as in New Zealand and New Hampshire, USA); imposing a minimum number of shifts (as in San Francisco, USA) or a minimum number of median hours offered (as in Seattle, USA); giving the right to request extra shifts, hours and timings (as in Emeryville, California, USA); or ensuring that additional hours must be offered to existing staff before new employees can be hired (as in San Jose, USA).

59. A second approach taken was to try and increase the cost of insecure work. Examples included: casual loading premia (which are 25 per cent in Australia); enforcing an overtime premium linked to base wage (as in Austria) or the minimum wage (as in Newfoundland and Labrador, Canada, where there is a percentage premium on the minimum wage). The latter was the closest example to the Taylor Premium (a higher minimum wage for non-guaranteed hours), that we had found anywhere in the world. Other examples included imposing ‘call-in’ pay for unscheduled or cancelled

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shifts (as in New York); and raising non-wage costs (such as varying social security contributions in Slovenia or introducing a flat rate for mini-jobs in Germany)

60. The third approach identified was ensuring the social safety net catches such workers. These included: in-work benefits, such as tax credits, to offset the risk to workers of not working enough hours; a strong safety net to make insecure work less appealing; amendments to the treatment of the self-employed and others to broaden coverage within social security systems to cover insecure work; special protections for non-standard employment (some countries such as Belgium and Sweden have introduced such measures); and enabling collective bargaining agreements to enhance legal protections where they did not currently exist in law (as in Belgium).

61. The fourth and final approach had been to not intervene and let the tightening labour market resolve any issues. However, that was not guaranteed to produce the desired outcomes.

62. There was limited evidence so far on the effectiveness of any of the four approaches but there were some lessons on complexity and enforcement.

63. D'Arcy and Rahman (2018) concluded with some reflections for the UK. They noted the very different environments, legal structures and collective agreements that existed among countries and the consequent difficulties in applying insights to the UK context. Insecure work appeared to be a growing issue across many countries, with legal restrictions the most common approach adopted to tackle insecurity of work (and earnings). No other country had an existing premium that replicates Matthew Taylor's proposal exactly. The premium in Newfoundland and Labrador, Canada was probably the closest existing equivalent.

64. These two Taylor Review-related research reports will be published this autumn, along with our response to the issues of one-sided flexibility raised in the Taylor Review.

Review of the youth rates

65. The final two projects are not due to report until the new year. The first is exploring how employers set pay for young people, while the second is looking at the labour market choices of young people.

66. Hudson-Sharp, Manzoni, Runge and Rolfe (2018) are undertaking research that attempts to improve our understanding of how employers set pay for young people. It looks to: establish whether employers use youth rates and the reasons behind that decision; investigate whether practices have changed in light of the recent introduction of the NLW and the 21-24 Year Old Rate; and understand how the wider policy framework affecting young people's engagement with the labour market has changed over time, and whether that has affected employers' pay-setting decisions.

67. The research addresses these issues in two parts. First, conducting a review of the policy framework affecting employer behaviour in setting pay for young people to establish the context. Second, using qualitative research with employers, employer organisations and trade unions, they investigate how employers set pay for young people in practice.

Project title and researchers	Aims and methodology	Key Findings
<p>Minimum and zero hours contracts and low-paid staff</p> <p>Claire de Bond, Katherine Heffernan, Ken Mulkearn, Lois Wiggins and Louisa Withers</p> <p>(Incomes Data Research)</p>	<p>This research addressed some of the issues raised by the Taylor Review of Modern Working Practices (2017), which had explored issues around the flexibility of employment, including variable hours contracts. It recommended that the Low Pay Commission consider a higher minimum wage (the Taylor Premium) for hours worked beyond those contracted.</p> <p>This research examined variations in working time for low-paid workers on non-standard contracts – specifically those working on variable hours contracts (including minimum hours and zero hours contracts).</p> <p>Its objective was to gather information from employers on:</p> <ul style="list-style-type: none"> ● the extent to which low-paid workers work beyond their contracted hours; and ● the degree of volatility in those hours from week-to-week. <p>The research was based on information provided to the researchers by HR managers and other HR professionals. They used an electronic survey with around 40 questions, supplemented by semi-structured telephone interviews with a sub-sample of respondents.</p> <p>They surveyed 40 employers of low-paid workers who used variable hours contracts. These employers had a combined workforce of around 460,000 people. The smallest firm employed 30 people, while the largest employed 73,000. Around three-quarters of respondents had at least 1,000 staff. The median headcount was 4,776. It covered firms across the economy, including in hospitality, retail, social care, manufacturing and the public sector.</p> <p>The organisations surveyed had, on average, around 54 per cent of their workforce paid £10 or less. This ranged from an average of 28 per cent in the public sector to 80 per cent in retail and wholesale.</p>	<p>The key findings were:</p> <ul style="list-style-type: none"> ● Employers often did not distinguish zero hours contracts from minimum hours contracts but regarded both as flexible contracts. ● Zero-hours contracts seem to be more widespread than minimum hours contracts but covered fewer workers. Zero-hours contracts were common in hospitality, while minimum hours contracts were more prevalent in retail and among large firms. ● The most common roles carried out by staff on minimum and zero hours contracts were retail assistants, waiting/restaurant staff, administration staff, leisure assistants, cleaners and support staff. ● Most of the surveyed employers did not provide a choice regarding the type of contract on which staff are employed. ● Employers’ responses suggested that actual working hours for staff on zero hours contracts varied more than for those on minimum hours contracts. ● Minimum hours contracts were more likely to fluctuate on a seasonal rather than weekly basis. ● The vast majority considered responding to fluctuations in demand (including seasonal variations) as the main driver for the use of zero hours or minimum hours patterns. ● The use of technology for scheduling shifts was not widespread but where it was used, it was typically used in retail and hospitality, and mainly in the largest firms in these sectors. ● Most employers did not specify a minimum shift length. For those that did, it tended to be 4-5 hours. ● Advanced notice varied considerably – from 12 hours to more than a month. ● Employers generally provided 24 hours’ notice when cancelling shifts. Around 40 per cent provided compensation (but that was generally the offer of an alternative shift). The rest did not.

Project title and researchers	Aims and methodology	Key Findings
<p>Atypical approaches: Options to support workers with insecure incomes</p> <p>Conor D’Arcy and Fahmida Rahman (Resolution Foundation)</p>	<p>This research also addressed some of the issues raised by the Taylor Review of Modern Working Practices (2017), which had explored issues around the flexibility of employment.</p> <p>It had three primary aims:</p> <ul style="list-style-type: none"> ● To explore the extent to which atypical work, one-sided flexibility and income insecurity arising from such work had been a feature of labour markets in other advanced economies of late. ● To assess the policies in place in a variety of countries that provide a framework for the labour market. The research focused on policies that would be most likely to affect those working non-guaranteed hours but also considered wider approaches to insecure work. ● To review the evidence on the impact of policies that were already in place. <p>This research project was based upon a literature review, alongside analysis of labour market data from a range of countries.</p> <p>The literature review sought to identify: the discussions around these issues internationally; the kinds of policies that may act to counter concerns arising from their use; and, where available, evaluations of the effectiveness of such responses.</p> <p>Relevant research was identified using a rapid evidence review, as well as contacting labour market experts in a range of countries and in international organisations to highlight policies of note.</p> <p>Analysis of data from Eurostat, the OECD and the ILO were used.</p> <p>First, to estimate the extent of non-standard work across countries. Second, as a means of testing whether such policies were associated with lower rates of non-standard work.</p>	<p>The key findings were:</p> <ul style="list-style-type: none"> ● Experience in other countries varied. In some, particularly those most affected by the financial crisis from 2007 onwards, there had been steep increases in forms of involuntary part-time work. In others, this increase has been much less notable. ● In some countries, zero-hours or on-call contracts have received much focus. In others, temporary or fixed-term contracts, agency working, or self-employment have been discussed more. ● Countries had adopted three broad categories of approach. <ul style="list-style-type: none"> ● First, and the most common response, was to restrict atypical working and non-guaranteed hours through employment law: <ul style="list-style-type: none"> ● Banning zero-hours contracts. ● Restrictions on overtime and non-guaranteed hours. ● Second, and most closely related to the Taylor Review recommendation on a minimum wage premium for hours worked above those contracted, were policies that raised the cost of using non-guaranteed hours: <ul style="list-style-type: none"> ● Casual loading. ● Premium for overtime. ● Payment for unscheduled or cancelled shifts. ● Social security costs. ● Third, were policies that provided some form of protection against undesirable outcomes from atypical work or non-guaranteed hours through less direct means: <ul style="list-style-type: none"> ● Including atypical workers in social security systems. ● Trade unions or collective agreements providing protection. ● They concluded that the international evidence provided a variety of approaches. Responses were often specific to the legal, enforcement, industrial relations, political and labour structures that existed in each country.