Non-Regular Employment in the United Kingdom

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Abstract

There has been a great deal of academic and policy interest in non-regular employment in the UK since the early 1980s. Generated by structural employment changes in response to the 1980s recession, subsequent economic downturns both boosted the numbers of non-regular workers and interest in the characteristics of non-regular work and its outcomes. In the UK these changes have occurred within a lightly regulated labour market, although this has not led to a high use of non-regular employment. It is argued that there is often little to gain by employers since regular employment faces relatively low costs compared to most other industrialised economies. The paper begins by examining this regulatory context, the implications for the protection of non-regular workers and the gaps in current employment legislation. It then explores patterns of non-regular work. Temporary, part-time and self-employed arrangements are the focus but these are highly variegated employment forms, as the analysis demonstrates. Next transitions between non-regular and permanent work are considered: do these jobs lead to more stable work? Do non-regular workers *want* more permanent jobs? The final section examines the question of equal treatment of non-regular workers. Non-regular jobs are very often bad jobs in the UK (as are many permanent, regular jobs) and there has been some attempt to address this through regulation by the European Union. Overall, the paper finds no strong trend towards more non-regular work in the UK. Part-time working has been slowly rising for three decades, temporary employment is highly cyclical and self-employment relatively stable. The paper concludes that there is, however, a need to address equality issues.

1. Introduction

Academic and policy interest in non-regular employment in the UK dates from the 1980s, when commentators suggested that against the backdrop of a deep recession employers were strategically segmenting their workforces into a 'core' and 'periphery' components. In the 1990s, again following a severe recession, attention turned to rising levels of insecurity amongst the workforce, particularly the relation with non-regular workers. In the first decade of the twenty-first century, and in the context of strong jobs growth, the focus shifted to the consequences of non-regular employment and the protection and equal treatment of non-regular workers. At the time of writing, the UK economy is beginning to see some recovery from the deep recession generated by the financial crisis of 2008 and there are some early indications that non-regular work is increasing once again. It is likely that in the coming years

non-regular work will be encouraged by the state as a solution to problems of high unemployment and low jobs growth.

Non-regular employment in the UK generally displays strong cyclical pattern. This is not to deny that there has been significant compositional change in terms of the incidence of non-regular employment across occupations or industries. It does, however, suggest two important issues: first, that there is no evidence of a strong secular shift to a greater use of non-regular employment in the UK and second, that given the cyclical nature of non-regular employment it is likely that there will be a temporary rise in such jobs as the economy begins to recover from the 2008-9 recession.

This paper seeks to sketch out the key aspects of non-regular work in the UK. It begins in section 2 by defining non-regular work and in particular the regulatory context. This is important since the relatively low growth in non-regular employment reflects the minimal regulation of regular employment in the UK. Section 3 examines patterns in non-regular employment. The paper then considers the extent to which non-regular workers can – and want to – make the transition to more permanent work in section 4. Section 5 considers outcomes along key dimension, to determine the degree of equality with permanent employees. Finally some conclusions are drawn.

2. Defining Non-Regular Employment in the UK

To define non-regular employment, it is necessary to identify 'regular' employment. In the UK context this is a permanent, full-time employee job, under contract to a firm. Consequently 'non-regular' captures any deviation from this and includes: temporary jobs, part-time and self-employed workers, which form the focus of this paper.

These non-regular forms are not mutually exclusive. Part-time workers can be permanent, temporary or self-employed, for example. Further, the temporary and self-employed categories are highly heterogeneous with a number of contractual forms included within them (for example temporary fixed term; temporary agency workers; freelance workers).

This variety stems, in part, from the fact that the UK retains a permissive hiring regime, despite the introduction of legislation to regulate some aspects of non-regular employment in the last 10 years (almost exclusively due to obligations as a member of the European Union). The UK is second only to the United States within major industrialised economies in terms of the 'strictness' of employment protection legislation for regular and non-regular workers (OECD, 2009). In the UK the overriding principle is that the parties to the employment relationship should be free to choose from a range of employment forms (Deakin and Reed, 2000). UK employers do not have to justify the use of part-time or fixed-term contracts nor are there currently any restrictions on temporary agency working.[1] Indeed, temporary agency workers are not even required to have employee status, which leads to vulnerability for these non-regular workers.

However, this has not led to a high incidence of non-regular employment in the UK. This is explained by the fact that employers have a wide margin of flexibility in the use of regular

[1] Agency workers are entitled to basic employment rights as stipulated by the National Minimum Wage and the Working Time Regulations. However, agency workers are not currently entitled to equal treatment with comparable permanent workers, although the EU Agency Working Directive will, when implemented, extend rights for agency workers. It will provide them with equal treatment after 12 weeks continuous employment with a client firm (see BIS, 2010). It is due to be implemented in the UK in 2011.

workers without needing to use non-regular contracts. As Deakin and Reed (2000, p.124) note, the employment protection regulations that do exist are largely procedural rather than substantive. This further weakens any incentive to use non-regular employment since there are few costly obligations to evade.

Following European directives, part-time and fixed-term contract workers now have the right to the same treatment as full-time and permanent staff, and fixed-term staff cannot waive their rights to dismissal and redundancy protection. In addition, the Labour government introduced a National Minimum Wage in 1999 and reduced the qualifying period for unfair dismissal protection to one year for all employees, although redundancy compensation still only applies after two years' service. Despite these and other changes, critics have pointed to the 'minimalist' strategy underpinning the introduction of EU directives into UK law (Smith and Morton, 2006) and the fact that there is limited scope for collective, union representation to secure individual rights or indeed a well-resourced state infrastructure for enforcement of employment regulation (TUC, 2009).

Non-regular employment in the UK covers a wide variety of contract forms and not all non-regular workers are disadvantaged in the labour market. However, formal protection is uneven and is complicated by the complexity of employment rights and the distinction in law between 'employees' and 'workers'. This does not map neatly onto the regular/non-regular divide. Although regular workers tend to be employees, non-regular workers can take either, or indeed neither status, or it may be unclear.[2] Table A1 (Appendix) sets out the main differences between the employment rights of workers and employees. The remaining category of employment outside these two definitions are the self-employed (although some with this status do qualify as workers, confusingly, as discussed below) who enjoy little protection beyond basic health and safety.

The complexity of UK employment law is particularly important for temporary non-regular workers who are most likely to suffer abuse (TUC, 2009). Although fixed-term contract temporary work tends to lead to employee status, very often temporary agency and casual jobs are structured in such a way that individuals are entitled only to 'worker' status, and correspondingly weaker employment protection. Given the low pay in many of these jobs, this further compounds labour market disadvantage.

Problems can also emerge with 'self-employed' status. Recent evidence from the TUC (2009) notes that in many cases employers force workers to accept 'bogus' self-employed status. This is done by requiring workers to establish themselves as directors of a limited company in their own right and then to hire out their own services, through their own company, to the client. This is particularly common in the construction industry and in homeworking. In reality, they lack economic independence from the client and do not have autonomy over their work, meaning that they are not genuinely self-employed workers, rather they have the characteristics of an employee but none of the protection (see Burchell et al., 1999; Böheim and Muehlberger, 2006; TUC, 2009). Indeed, research shows that these workers have distinct characteristics from employees and independent self-employed workers,

[2] The status of 'worker' applies to individuals who supply their own personal services to the employer under an individual contract and are economically dependent on the employer's business (i.e. derive a high proportion of their income from that employment). As such, it encompasses employees (who are defined by an additional mutuality of obligation to provide and accept work) and accordingly this category potentially includes freelance workers, sole traders, homeworkers and casual workers of various kinds (see Burchell *et al*., 1999). This is a wider definition than employee status and it applies under equal treatment legislation, the National Minimum Wage Act and Working Time Regulations.

with an increased likelihood of low education, low job tenure indicating job instability and, on average, they are older (Böheim and Muehlberger, 2006). Again, this research suggests that the gaps in UK labour law lead to a connection between vulnerable employment status and labour market disadvantage (see also TUC, 2009).

3. Patterns of Non-Regular Work

The UK economy has been highly volatile in the last 30 years, with three major recessions. This volatility has overlaid and exacerbated a longer-term of deindustrialisation. Competitive weaknesses and output instability have led to both relative and absolute declines in manufacturing employment. Against this, output and employment has been rising in the service sector. A major driver of employment since the 1990s were the financial and business services sectors. Some contribution has also been made by the distribution, catering and hotels sector and by 'other services' (cultural and leisure industries, membership organisations and personal care, including hairdressing) but a much greater increase came from the public-sector areas of public administration, health and education following a deliberate government strategy of expansion from 1997 (now reversed). Reflecting the property boom of the last decade, construction jobs also increased steadily up to 2008.

Table 1 Employment, Self-Employment and Temporary Employment, UK 1992-2010

All Workers		*As a proportion of total employment*							*%*
	Total employment (millions)	**All employees**	**All self employed**	**Full time employees**	**Full time self employed**	**Part time employees**	**Part time self employed**	**Workers with second job**	**Temporary employees**
1992	24,914	86.3	13.7	65.8	11.3	20.5	2.4	3.8	6.0
1993	24,831	86.3	13.7	65.3	11.1	21.0	2.6	4.4	6.5
1994	25,117	85.9	14.1	64.8	11.4	21.2	2.7	4.7	7.2
1995	25,477	86.1	13.9	64.6	11.2	21.5	2.7	5.1	7.4
1996	25,776	86.3	13.7	64.3	10.9	22.0	2.8	4.8	7.6
1997	26,272	86.9	13.1	64.9	10.3	22.0	2.9	4.7	7.8
1998	26,615	87.6	12.4	65.5	9.8	22.1	2.7	4.6	7.4
1999	26,947	87.9	12.1	65.9	9.3	22.0	2.8	4.6	7.0
2000	27,278	88.1	11.9	65.6	9.4	22.5	2.6	4.3	6.9
2001	27,524	88.0	12.0	65.8	9.4	22.2	2.6	4.0	6.7
2002	27,800	87.9	12.1	65.3	9.2	22.6	2.9	4.2	6.6
2003	28,043	87.0	13.0	64.5	10.0	22.5	3.1	4.0	6.4
2004	28,273	87.2	12.8	64.7	9.9	22.5	2.9	3.7	6.2
2005	28,640	87.3	12.7	65.2	9.8	22.1	2.9	3.7	5.7
2006	28,875	86.9	13.1	64.6	10.0	22.3	3.1	3.7	5.9
2007	29,101	86.8	13.2	65.1	10.0	21.8	3.2	3.8	5.8
2008	29,154	87.0	13.0	64.9	9.9	22.1	3.1	3.8	5.4
2009	28,719	86.5	13.5	63.6	10.1	23.0	3.4	4.0	5.8
2010	28,892	86.3	13.7	62.9	10.2	23.3	3.6	3.8	6.4

Source: Author's analysis of Labour Force Survey data, August-October various years.

Table 2 Employment, Self-Employment and Temporary Employment by Gender, UK 1992-2010

Female Workers		*As a proportion of total employment*							*%*
	Total employment (millions)	**All employees**	**All self employed**	**Full time employees**	**Full time self employed**	**Part time employees**	**Part time self employed**	**Workers with second job**	**Temporary employees**
1992	11,464	90.1	7.7	51.0	4.2	39.1	3.5	4.5	7.1
1993	11,504	90.3	7.7	50.9	4.1	39.4	3.7	5.4	7.6
1994	11,560	90.3	8.0	50.6	4.1	39.7	3.9	5.9	8.1
1995	11,758	90.6	7.8	50.8	4.0	39.8	3.8	6.5	8.4
1996	11,903	90.9	7.7	51.0	3.9	39.9	3.8	5.8	8.6
1997	12,082	90.9	7.8	50.8	3.8	40.1	4.0	5.9	9.0
1998	12,278	91.5	7.4	51.6	3.6	39.9	3.7	5.8	8.3
1999	12,410	91.9	7.1	52.3	3.4	39.5	3.7	5.8	7.7
2000	12,602	91.9	7.1	51.5	3.6	40.4	3.5	5.5	7.8
2001	12,700	92.2	6.9	52.5	3.4	39.7	3.4	5.3	7.4
2002	12,845	92.2	7.0	52.4	3.3	39.8	3.7	5.1	7.5
2003	12,970	91.5	7.7	51.9	3.7	39.6	3.9	5.0	7.1
2004	13,084	91.9	7.3	52.7	3.7	39.2	3.6	4.6	6.7
2005	13,278	91.9	7.3	53.6	3.7	38.3	3.6	4.6	6.2
2006	13,362	91.4	7.8	53.1	3.8	38.3	4.0	4.6	6.4
2007	13,447	91.3	7.9	53.7	3.8	37.5	4.0	4.8	6.4
2008	13,530	91.5	7.8	54.2	3.9	37.3	3.9	4.9	6.0
2009	13,497	91.1	8.2	52.6	4.0	38.5	4.2	4.8	6.2
2010	13,505	90.6	8.6	51.9	4.2	38.7	4.4	4.8	6.7
Male Workers									
1992	13,990	79.9	18.0	75.4	16.6	4.5	1.4	3.1	5.1
1993	13,816	79.9	18.2	74.9	16.6	5.0	1.6	3.5	5.5
1994	14,001	79.6	18.7	74.4	17.0	5.2	1.6	3.6	6.4
1995	14,111	79.9	18.6	74.3	16.9	5.7	1.7	3.8	6.5
1996	14,217	80.4	18.3	73.9	16.5	6.5	1.8	3.8	6.6
1997	14,522	81.6	17.2	75.1	15.4	6.5	1.9	3.7	6.8
1998	14,600	82.7	16.4	75.9	14.7	6.8	1.7	3.5	6.6
1999	14,802	82.9	16.1	76.1	14.1	6.8	2.0	3.5	6.4
2000	14,925	83.4	15.8	76.4	14.0	7.0	1.8	3.2	6.0
2001	15,034	83.2	16.2	76.0	14.3	7.1	1.8	2.9	6.0
2002	15,151	83.1	16.2	75.4	14.1	7.7	2.2	3.4	5.7
2003	15,279	81.9	17.4	74.3	15.1	7.7	2.3	3.1	5.7
2004	15,412	82.0	17.3	74.0	15.1	8.0	2.2	2.9	5.7
2005	15,556	82.3	17.1	74.3	14.9	8.0	2.3	2.9	5.2
2006	15,711	81.9	17.4	73.5	15.0	8.4	2.4	2.9	5.4
2007	15,862	82.0	17.5	73.8	15.0	8.2	2.4	2.9	5.2
2008	15,821	82.1	17.2	73.2	14.8	8.9	2.4	2.9	4.8
2009	15,408	81.5	17.9	72.4	15.4	9.1	2.6	3.2	5.4
2010	15,620	81.2	18.0	71.5	15.1	9.7	2.8	3.0	6.0

Source: Author's analysis of Labour Force Survey data, August-October various years.

It is against this backdrop that non-regular employment has evolved. The main trends are outlined in Table 1, showing the absolute number in work together with the share by employee, self-employed and temporary employee status together with the share of total employment accounted for by full and part time employee and self-employed workers. The

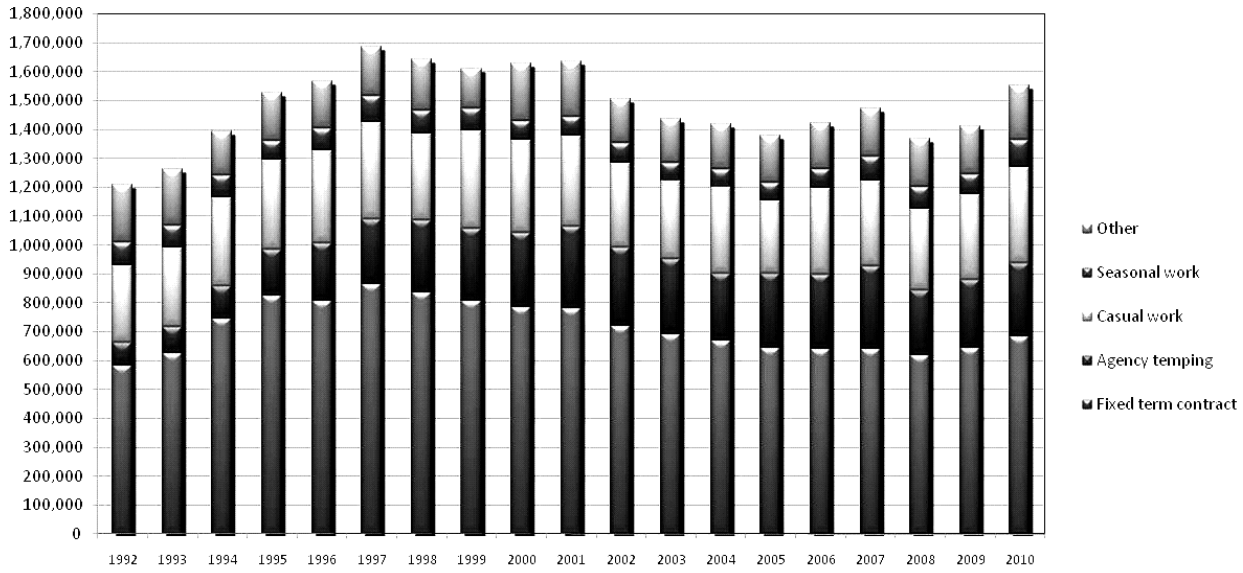
main trends are clear: part-time working is continuing a slow but steady increase, boosted by the latest recession and slow recovery, temporary working shows no secular trends (but is cyclical) and self-employment has been relatively stable. That said, analysis by gender indicates the rising importance of part-time working for men (nearly doubling its share of male work over the period, both employees and self-employed). For the UK, the picture is one of very slow change away from regular and towards non-regular working, with the main shift towards part-time work.

3.1 Temporary work

Temporary employment in the UK is highly cyclical. Figure 1 shows that it peaked in 1997 around 1.7 million workers (approximately 7% of all employee jobs). The decline from this peak has now been reversed and it appears that the pattern of the 1990s is being repeated with rises, particularly in fixed term, casual and agency working from 2009 as employment recovers and firms face uncertainty.

The classification of types of temporary working comes from the official Labour Force Survey (LFS), in which employees identify the reason for the temporary nature of their job as either: fixed term; a temporary agency job; a casual job; a seasonal job; or some other reason. Inspection of the data indicate that the decline in temporary work was largely due to falling numbers of fixed-term workers. Against this, temporary agency working has continued to increase, more markedly since the 2008 recession.

Figure 1 Temporary employment by type, all employees, UK 1992 to 2010



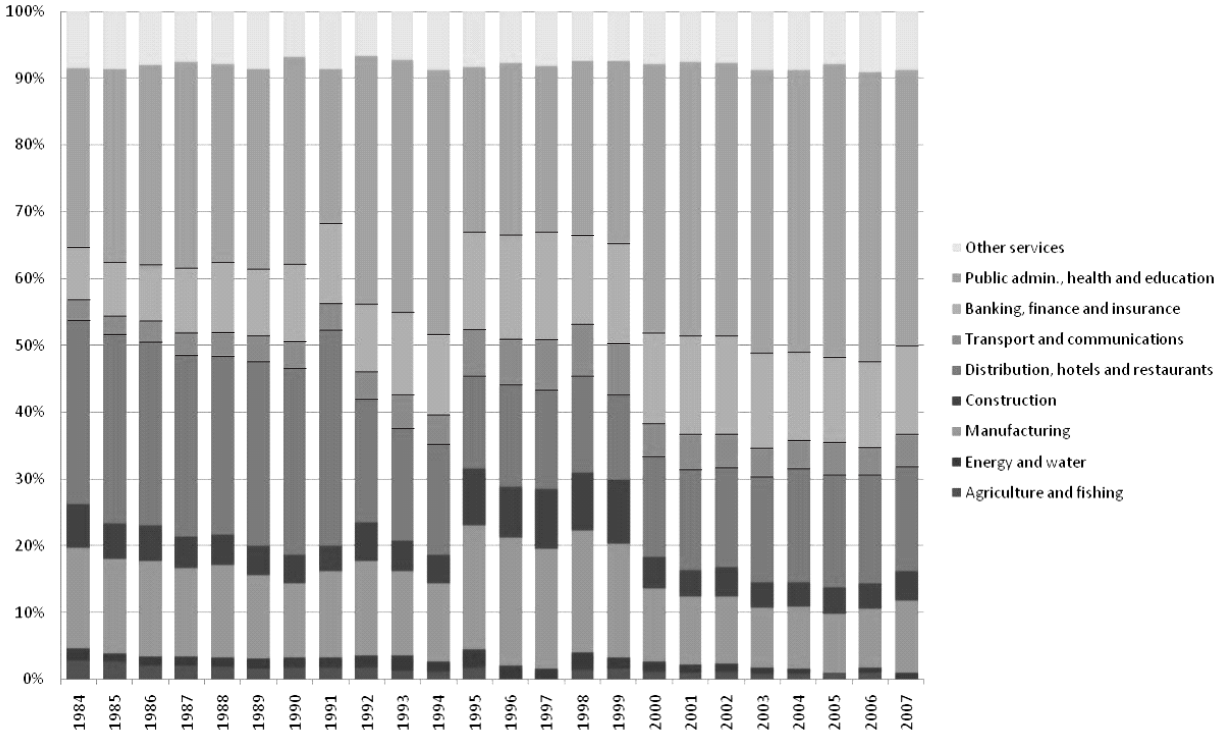
Source: Author's analysis of LFS data, various years.

These aggregate data conceal radical shifts in particular sectors. Most striking is the expansion of short, fixed-term contracts in the public services, particularly in health and education, beginning in the early 1980s. In the private sector, temporary working increased in

most sectors after the early 1980s, although often from a low base, and for the first time took root in industries, such as banking and finance, previously associated with stable employment and 'jobs for life' (Nolan and Slater, 2003).

Figure 2 shows the share of total temporary jobs by industry. The composition of temporary jobs shows cyclical as well as secular trends. Among the former, the manufacturing share of temporary jobs rose sharply in the recovery from the mid-1990s. Longer-term trends include the small but steady increase in the share accounted for by banking, finance and insurance services, one of the main drivers of total job growth in the UK in recent years. Public administration, education and health account for an increasing share of temporary jobs, particularly from 2000, following increased government spending.

Figure 2 Temporary work shares by industry, UK 1984 to 2007



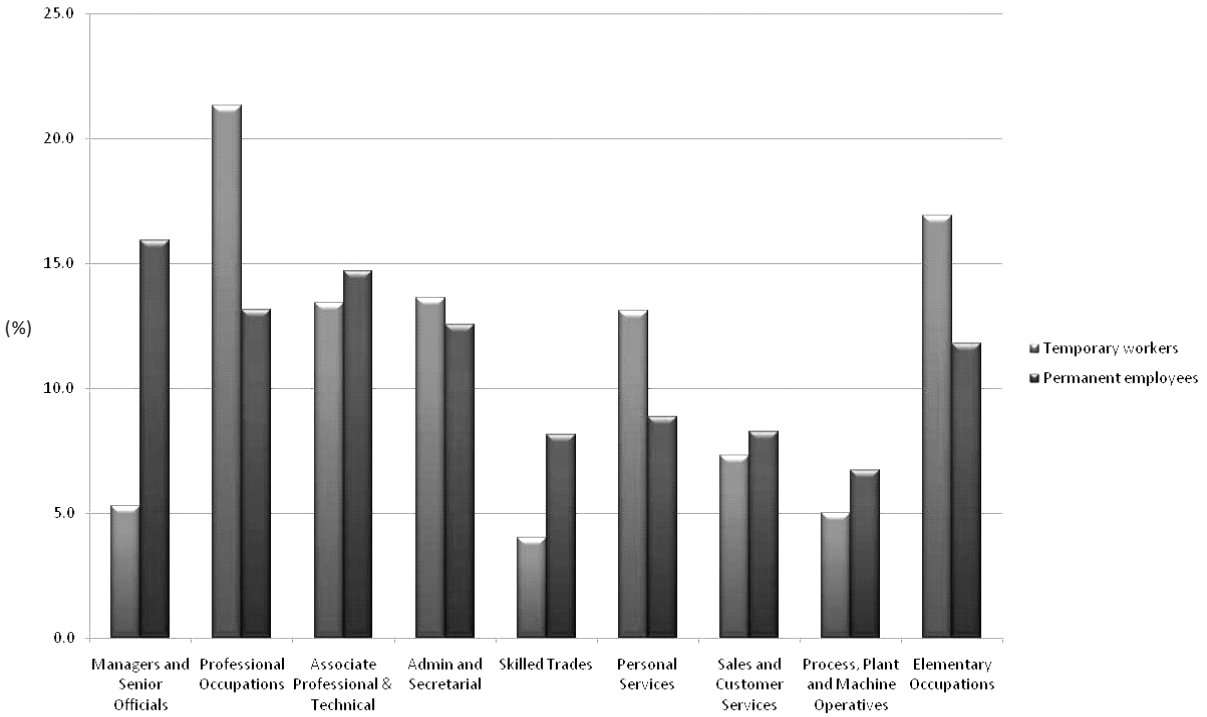
Source: Author's analysis of LFS data, various years.

What type of jobs tend to be temporary? Figure 3 compares jobs by occupation. Compared to permanent jobs, temporary jobs are over-represented among both higher skilled (professional) and lower skilled (elementary) jobs. This reflects the industrial structure of temporary work, with many of the professional temporary jobs located in the public sector (nurses, teachers, social workers), whilst elementary occupations, which include labourers, cleaners, shelf-fillers and security guards are spread across a range of industries. Temporary jobs are also over-represented among personal service occupations. Again, these jobs are spread across a number of industries, public and private, particularly ones that tend to be low wage, low productivity sectors but which have seen employment growth since the early 1990s. Occupations here include: assistant nurses; childcare occupations; adult carers; teaching assistants; travel and leisure attendants; hairdressers and beauticians and housekeepers.

Further analysis of temporary worker characteristics by Forde *et al*. (2008) indicates that temporary workers tend to be young, with a high proportion of agency and seasonal/casual workers under 30. Non-white workers are over-represented in temporary working, and agency-working in particular is associated with recent migrants, particularly arrivals from the new accession countries of the European Union. Temporary workers are also more likely to be part-time than permanent workers: 30% of agency workers; 37% of fixed-term; 83% of seasonal and casual workers; and 55% of 'other' temporary, compared to 24% of permanent.

The use of temporary workers in UK workplaces has not changed greatly in the last decade. Kersley *et al.* (2005) report that 30% had employees on any type of temporary contract in 2004, similar to a comparable 1998 survey finding of 32%. The use of temporary agency staff is less common than fixed-term contracts, with 17% of all workplaces reporting some use (no change since 1998).

Figure 3 Temporary and permanent employee share by occupation, UK 2009



Source: Author's analysis of LFS data, various years.

3.2 Part-time work

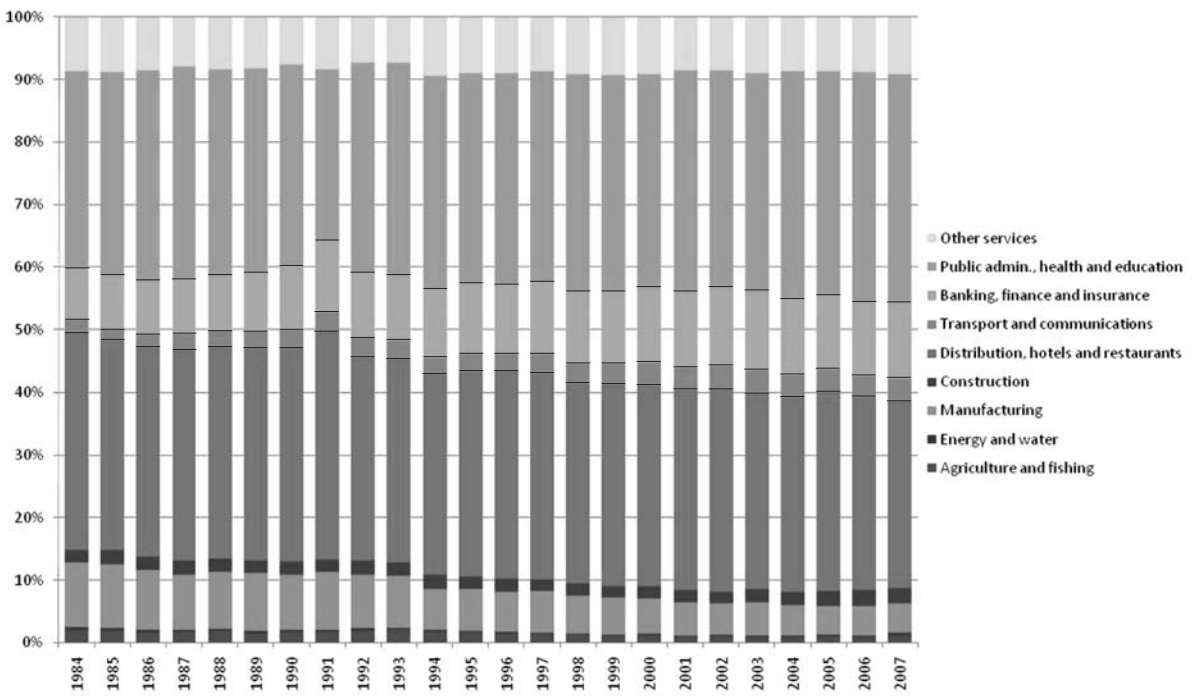
The growth in part-time employment is a long-standing trend. Definitions of part-time working vary, with employee surveys reliant upon self-reported status and employer surveys generally defining part-time work as fewer than 30 hours per week. In 1971, one in six employees worked part-time. By the end of 2009, with approximately 6.5 million part-timers out of 24.8 million employees, this ratio had risen to one in four. Part-time working remains heavily gender-biased. Calculations from the latest LFS indicate that only 13% of male

workers are part-time compared with 43% of women. Women account for 75% of all part-time work.

By 2004, 83% of workplaces employed part-time staff, with these employees in the majority in 30% of workplaces (Kersley *et al.,* 2005). Overwhelmingly filled by women, these jobs are much more likely to be poorly paid, low-skilled and unstable (Stewart 1999). Moreover, around half of part-time employees occupy 'small' jobs involving less than 16 working hours, and almost 1 million work as few as eight paid hours per week (Nolan and Slater, 2003).

At industry level, those with high incidences of part-time working include wholesale and retail, and hotels and catering in which almost half the workforce is employed part-time. In the public sector, community services, health and education have the largest shares of part-time working (Nolan and Slater, 2003). Figure 4 looks at this issue another way, focusing on the share of all part-time working accounted for by each industry sector.

Figure 4 Part-time work shares by industry, UK 1984 to 2007

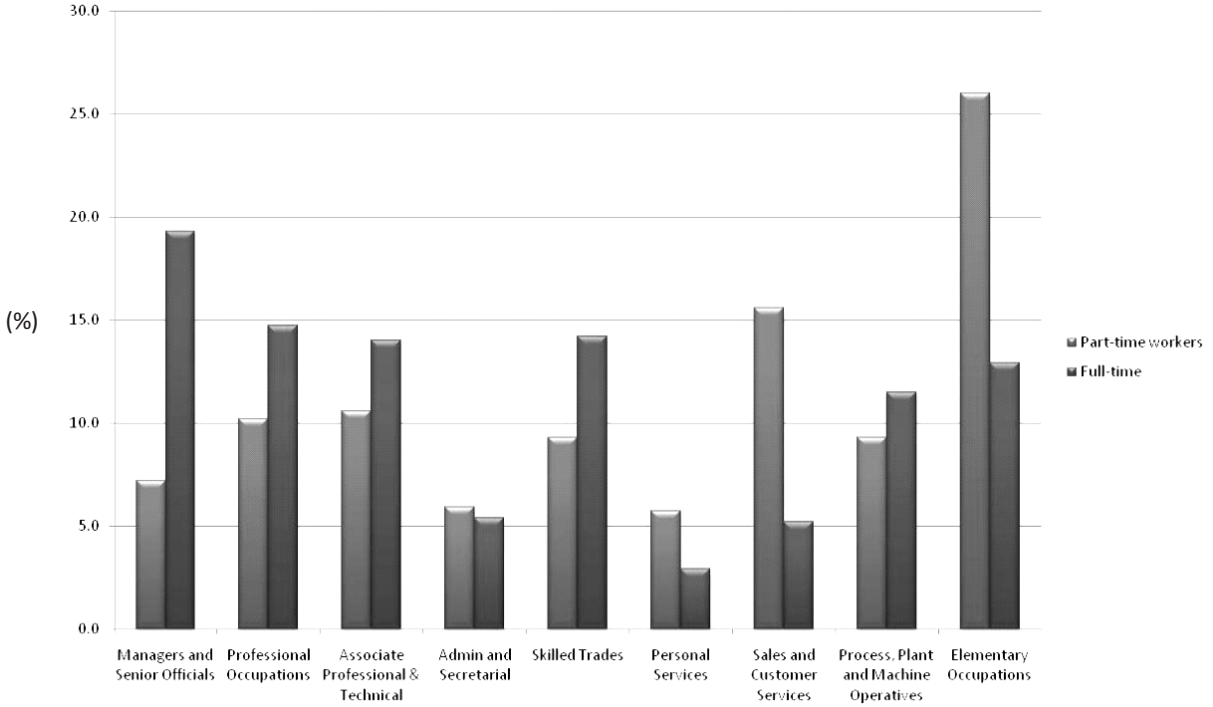


Source: Author's analysis of LFS data, various years.

Part time working in manufacturing has traditionally been low and with the decline in the sector, its share of all part time work has fallen continuously. Against this, some rise in the share in banking and finance is evident but it remains the case that retail and wholesale distribution, hotels and restaurants and public administration, health and education account for the bulk of part-time working, with a growth in the share of the latter evident in recent years.

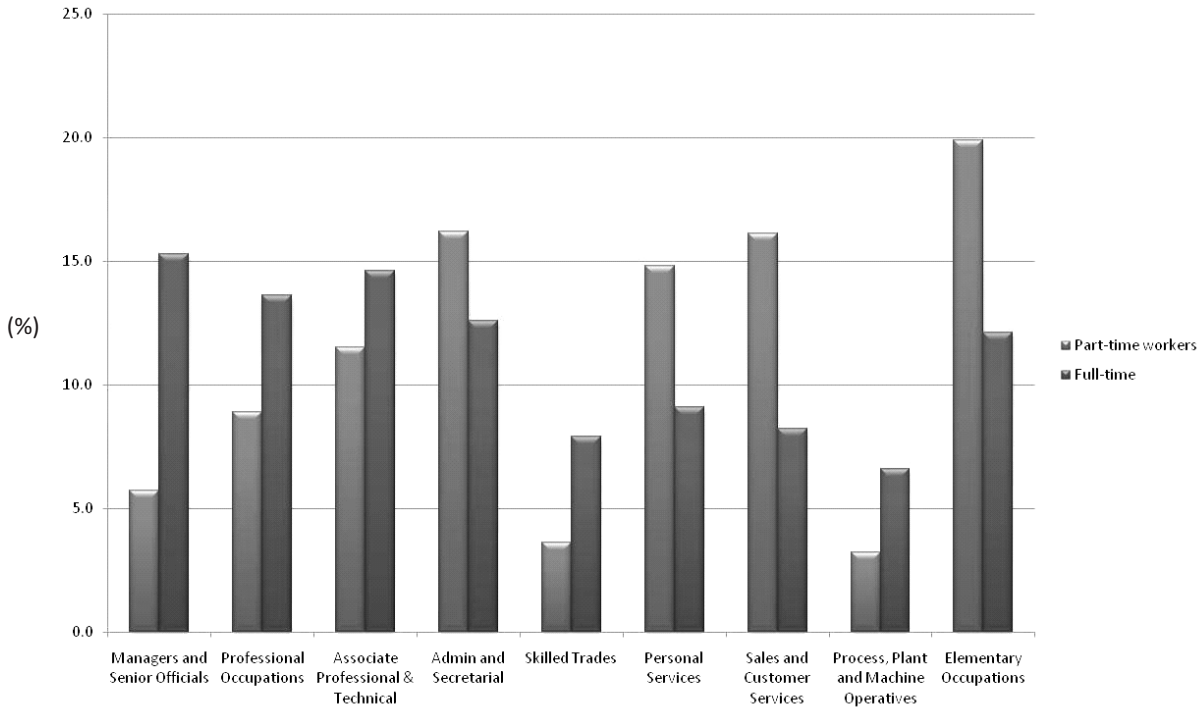
Turning to occupation, the over-representation of part-time working in clerical, personal service and elementary occupations is not surprising given its gender and industry patterns. However, although dominated by female workers, there are important occupational differences by gender.

Figure 5 Part-time and full-time employees by occupation, all, UK 2009



Source: Author's analysis of LFS data, 2009.

Figure 6 Part-time and full-time male employees by occupation, UK 2009

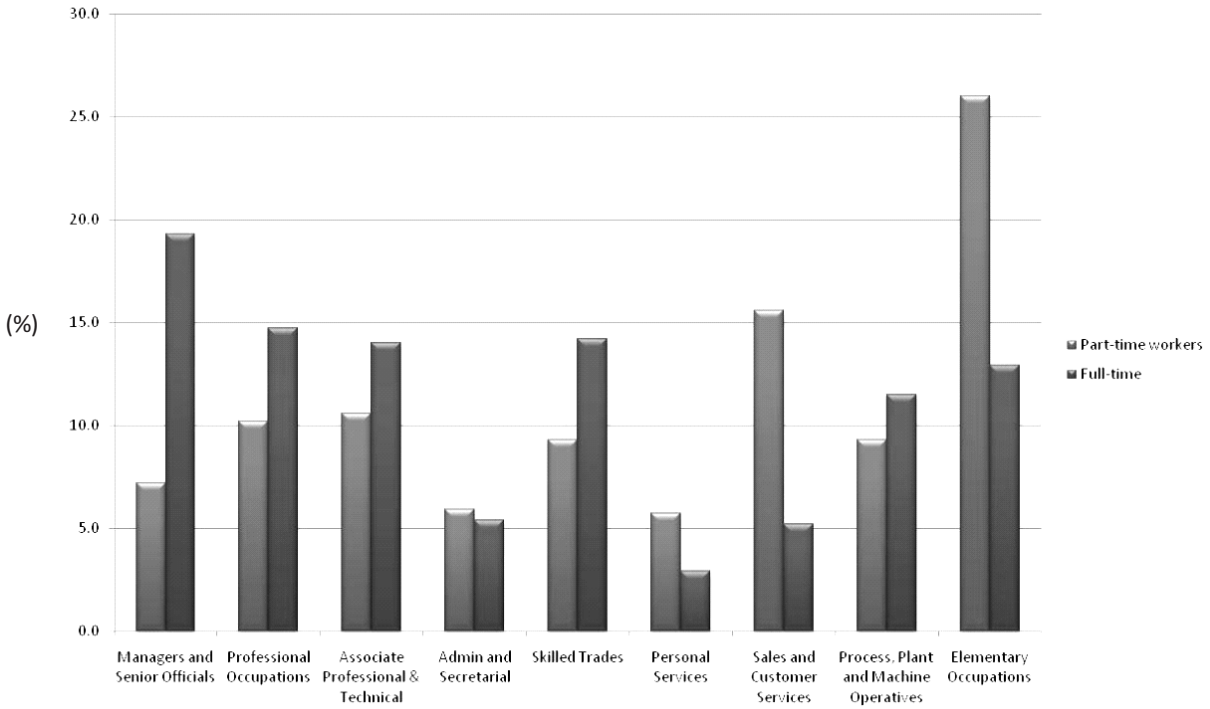


Source: Author's analysis of LFS data, 2009.

Figure 6 indicates that part-time male employees are highly over-represented in sales and customer service and elementary occupations (which includes basic retail jobs, cleaning and security work). Thus, when men do work part-time, this tends to be in lower-skilled and lower-paid work, whilst male full-time employment tends to be concentrated in higher skilled jobs.

The occupational patterns for part-time women are somewhat different (Figure 7), with concentration in clerical and personal service in addition to sales and elementary jobs. The continuing growth in these occupations and their related industries underpin the continued slow increase in the proportion of part-time working in the UK labour market as a whole.

Figure 7 Part-time and full-time female employees by occupation, UK 2009



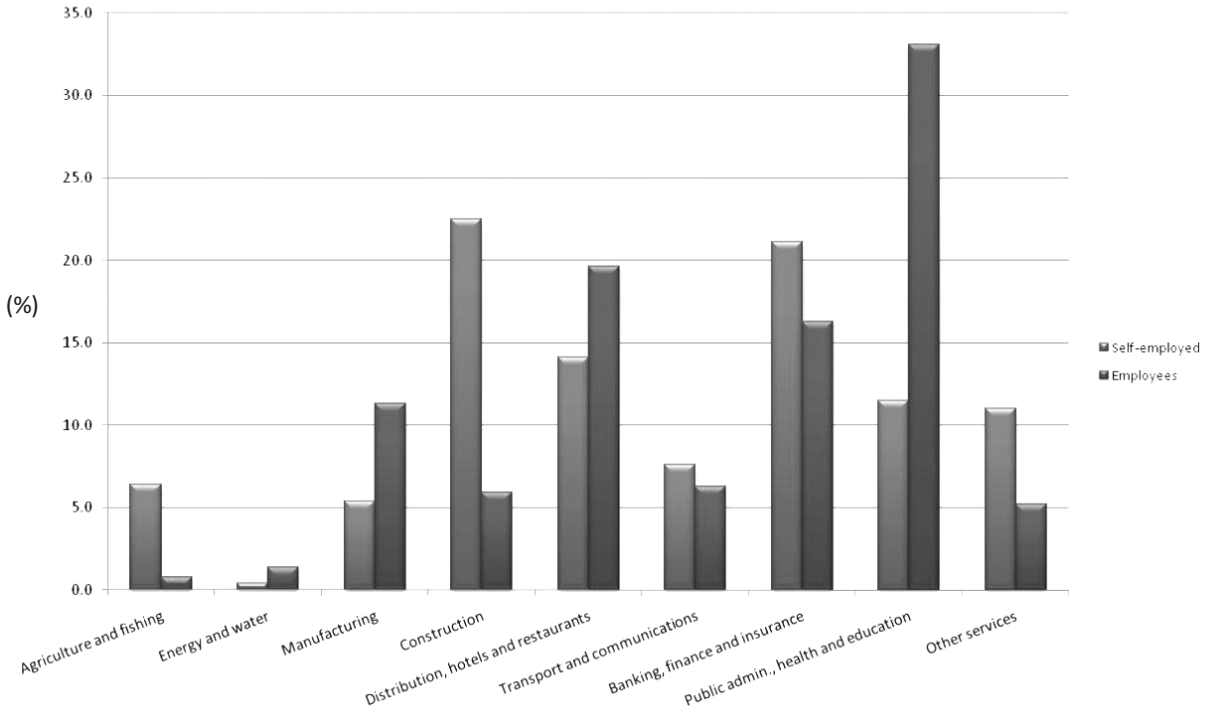
Source: Author's analysis of LFS data, 2009.

3.3 Self-employment

As Table 1 above shows, self-employment in the UK has remained relatively constant in absolute terms. In this section the industrial and occupational distribution of self-employment is considered and major characteristics of self-employed workers are discussed.

Turning first to the industry distribution, Figure 8 shows it is dominated by construction and banking, finance and insurance (almost half of all jobs). In comparison to employee jobs, agriculture and fishing also account for a much greater share of employee jobs.

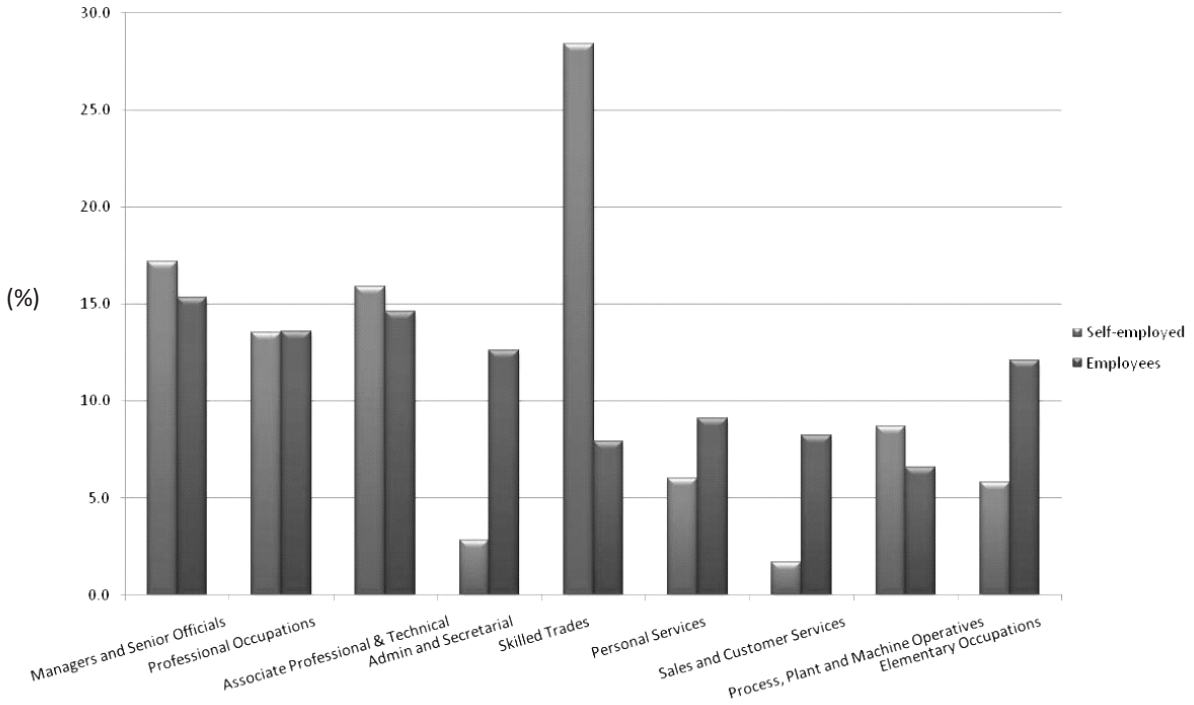
Figure 8 Employees and self-employed by industry, UK 2009



Source: Author's analysis of LFS data, 2009.

The industrial concentration of self-employment is reflected by its occupational distribution. Figure 9 shows that it is highly concentrated in skilled trades, reflecting the large share of such work in construction, and in managerial and professional work. This latter association follows from the large share of self-employment accounted for by the banking and finance industry and, to a lesser extent, public administration, health and education. Compared to employee jobs, there is a higher share of plant and process operative occupations. This is due to many drivers of taxis and goods vehicles being engaged on a self-employed basis.

Figure 9 Employees and self-employed workers by occupation, UK 2009



Source: Author's analysis of LFS data, 2009.

3.4 Accounting for the trends

Many accounts of these trends focus on external technological and competitive pressures as the key driver (see Nolan and Slater, 2010 for a critique). Rajan *et al.* (1997), a government commissioned report, is typical. It notes that increases in non-regular follow from the benefits both to employers in terms of reduced costs and workers in terms of flexibility. In this context, greater use of non-regular employment is part of a wider shift by firms to accommodate rapidly changing technology and customer demands and worker demands. Essentially the story is of supply and demand.

From the perspective of the trades unions, the growth in non-regular work cannot be separated from gaps in employment legislation that allow employers to evade labour costs and responsibilities, particularly in the use of temporary or self-employed labour (TUC, 2009). This is exacerbated, it is said, by the increasing importance of small firms to employment growth, where labour standards may be lower and, relatedly, from lengthening corporate supply chains as private and public organisations make greater use of sub-contractors. Sub-contract firms often utilise non-regular labour, particularly temporary and 'false' self-employed workers. Despite the overall tighter labour market until 2008, these trends have been supported by inward migration to the UK from former Eastern Europe, leading to a ready supply of poorly informed and vulnerable workers, who tend to find employment in non-regular jobs (TUC, 2009).

These arguments find some support in the academic literature. Grimshaw and Rubery (1998) point to the shifting basis of power between employers and different sections of the labour force in driving growth in non-regular work. They argue that firms have been taking increasing advantage of the fact that labour market alternatives vary or have diminished

across different sections of labour supply by age, gender, ethnicity and migrant status, following deliberate changes to welfare benefit and tax rules and shifting skills demands. This has segmented labour supply allowing firms to secure stable labour input despite a worsening in the terms and conditions offered, including the security and stability of jobs. Rather, firms have been able to fill these often low-paid, low quality jobs easily with disadvantaged groups who face few real alternatives.

4. Transitions to Permanent Employment

To what extent is non-regular employment a bridge to more permanent jobs in the UK? To address this question a number of issues are examined. First, the evidence for employers using non-regular contracts as 'screening' devices is examined. Second, the reasons workers give for their employment status is considered; is non-regular work a voluntary choice? Third, the extent of transitions between non-regular and regular employment is examined.

4.1 Non-regular contracts as a screening device

A range of previous studies have indicated that UK employers use non-regular workers as a screening device for permanent positions. White *et al.'s* (2004) survey finds that casual, temporary and agency contracts can act as a bridge to permanent employment. Grimshaw *et al.*'s (2001) case studies of employers using non-regular contracts reported that all used agency contracts to trial workers. Forde's (2001) study of 8 employment agencies in two areas of the UK found that seven had established formal 'temp-to-perm schemes' where agency workers were employed on contracts of between 6-13 weeks before moving onto a permanent contracts.

The case-study evidence is reflected in national survey findings, particularly for temporary employment contracts. However, the quantitative significance of this function appears limited. The 2004 Workplace Employment Relations Survey (WERS2004) found that 16% of the establishments using fixed-term contract staff (equating to 4% of all establishments) did so as a means of screening workers for permanent contracts. This was the fourth most popular reason cited by firms for using fixed-term contract workers (the three most popular reasons were: to cover temporary increases in demand; to cover long-term absence; to obtain specialist skills) (Kersley *et al*., 2005). However, this survey did not find that screening was an important reason for users of agency staff (it did not appear amongst the top 10 reasons for using agency staff).

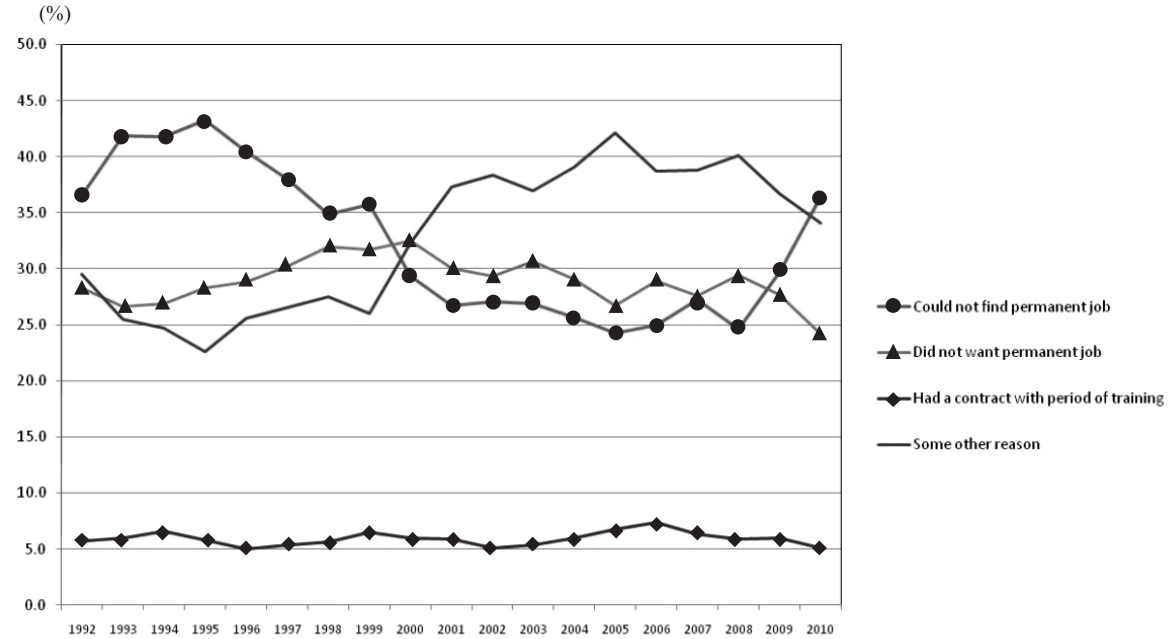
4.2 Is non-regular employment voluntary?

The LFS offers consistent data since 1992 on the reasons why employees take temporary and part-time jobs. Turning first of all to temporary jobs, respondents who indicate that their job was not permanent are asked why they have taken a temporary job. Two of the options for responses are: that they were in temporary work because they could not find a permanent job (often termed 'involuntary' temporary workers); or that they were in temporary work because they did not want a permanent job (commonly referred to as 'voluntary' temporary workers). These responses are charted in Figure 10.

The proportion of involuntary temporary shows a clear cyclical pattern, peaking in 1995 and reflecting the fact that much of the net job growth from the 1990-1 recession was in temporary work. The differential between the proportion of temporary workers who could not find a permanent job, and those who did not want a permanent job lessened as the labour

market tightened over the late 1990s. Between 2000 and 2007 the proportion of involuntary temporary workers remained fairly stable around 25%, whilst the proportion of voluntary temporary workers was consistently higher (at about 30%), reflecting the relatively strong economic climate. From 2007 onwards, amidst a deepening economic recession, the proportion of involuntary temporary workers has risen sharply to 36%.

Figure 10 Temporary employees by reason, all, UK 1992-2010

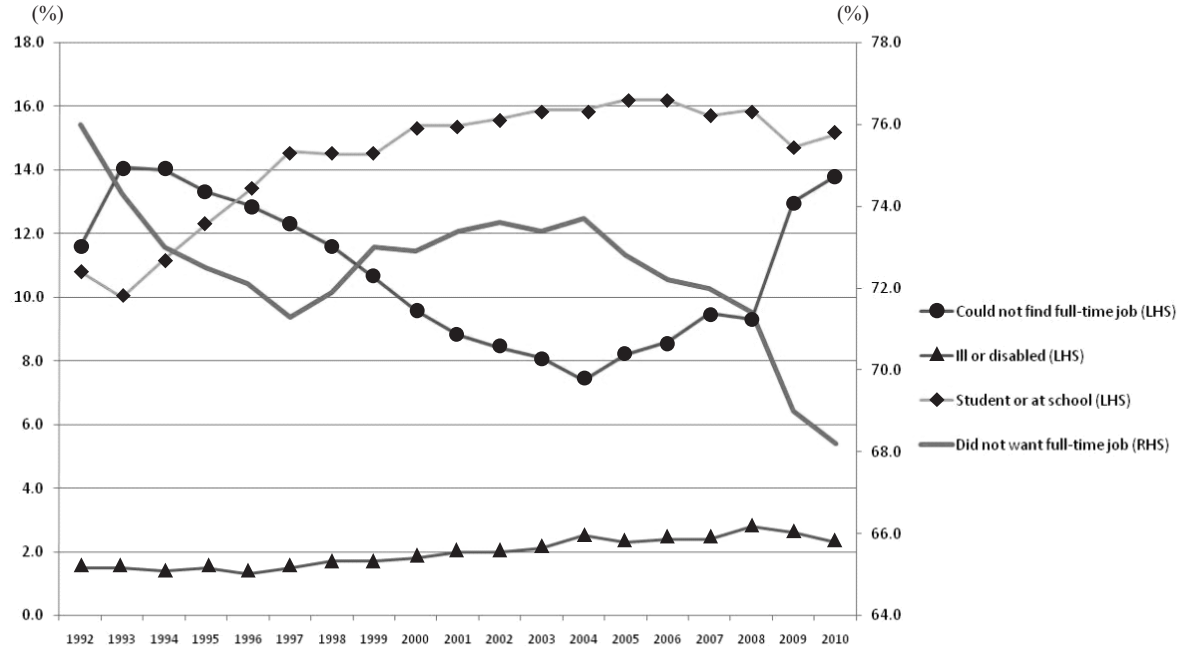


Source: Author's analysis of LFS data, various years.

These broad patterns remain when the data are broken down by gender. Men are more likely to report that they are in temporary work because they cannot find a permanent job, whilst women are more likely to report that they are in temporary work because they do not want a permanent job. The most recent LFS data (August-October 2010) show the proportions to be: 42% of men could not find a permanent job (34% of women); 20% did not want a permanent job (26% of women). Throughout the 1990s and 2000s, less than a third of male temporary workers can be categorised as voluntary, and the corresponding figure for women has never exceeded 40%. The conclusion that can be drawn from this is that the majority of temporary employees are not actively choosing this form of work.

The LFS asks similar questions of part-time workers, who indicate whether they did not want a full-time job or could not find a full-time job. Over the 1990s and 2000, the vast majority of part-time employees (between 65 and 90%) reported that they did not want a full-time job. The most recent LFS data show that 44% of part-time men did not want a full-time job (68% of women), whilst 26% reported that they could not find a full time job (11% of women). The latter figures are a sharp increase from 2008, when 18% of men and 7% of women were involuntary part-time workers and are remarkably similar to levels in 1992 (a very similar point in the economic cycle). Figure 11 provides a longer-term overview of voluntary and involuntary part-time working.

Figure 11 Part-time employees by reason, all, UK 1992-2010



Source: Author's analysis of LFS data, various years.

However, despite low proportions of involuntary part-time working this cannot be taken as evidence that workers are 'choosing' part-time employment. Gash (2008) argues that women with family responsibilities are unlikely to have their working preferences met without national policies supportive of maternal employment. In the UK, with relatively little support for maternal employment (compared to many other European countries) women are likely to be constrained in their choices of work. Tomlinson *et al.* (2008) argue that women returners working often opt for part-time employment due to rigidities in the design of jobs. They find that the institutional environment in the UK may reproduce occupational segregation, since many women opt for part-time jobs in occupational areas for which they are over-qualified. The decision to choose part-time work is often a constrained choice for women, explaining their over-representation in this type of work (see also O'Reilly and Fagan, 1998).

Similar questions for the self-employed exist for a shorter period, with questions regarding motivation for self-employment included in the LFS between 1999 and 2001. Dawson *et al.* (2009) find that the most common reasons for self-employment during this period were: to gain independence (31%), the nature of the occupation (22%), wanting more money (13%) and because the opportunity arose (13%). All of these reasons, they argue, might be interpreted as 'positive' rationales (Dawson *et al.*, 2009). Self-employment was selected following redundancy by 9%, and 4% opted for this form of employment because no other jobs were available (Dawson *et al.*, 2009). Thus, they find little direct evidence for what they term 'forced' entrepreneurship; in other words, few individuals appear to have chosen self-employment out of necessity because of loss of previous paid employment and a lack of other paid alternatives. The proportion of 'forced' male self-employees is significantly higher than for women (12% of men were in self employment because they had lost their job compared to 4% of self employed women), however, 'positive' reasons remained dominant

for male employees (Dawson *et al*., 2009). However, the authors note that the survey period was in the midst of high labour demand in the UK economy; the picture might be quite different in a looser labour market (Dawson *et al.*, 2009). Indeed, there is some recent evidence that workers are increasingly being 'forced' into self-employed (and part-time) employment after losing full-time permanent jobs (Personnel Today, 2010).

4.3 The frequency of transitions to permanent employment

There is no systematic, generalisable data available to examine how often those who undertake non-regular employment *involuntarily* make the transition to permanent employment. However, a number of sources shed light on the broader question of transitions from non-regular to permanent employment. Booth *et al.* (2002), using data from the British Household Panel Survey examine where workers go on completion of temporary jobs. They find that 71% of men and 73% of women go to another job at the same employer (26% and 24% respectively going to a different employer). These new jobs may still be non-regular, however. Booth *et al.* (2002) find that of those employed in a seasonal or casual job, 28% of men and 34% of women moved to permanent jobs. The average seasonal-casual job duration before the transitioning was 18 months for men and 26 months for women. For workers on fixed-term contracts, the picture is more positive: 38% of men and 36% of women moved to permanent jobs. The average fixed-term contract lasted 3 years for men and 3.5 years for women before being made permanent.

Forde and Slater (2002, 2005) analyse LFS data on outflows from temporary work over the 1990s. Using the panel element of the survey, it is possible to examine transitions out of temporary work over a 12 month period. As expected, the proportion remaining in employment (either temporary or permanent) over the year rose steadily from 78% in 1992 to 84% in 1997, with a corresponding decline in the proportion entering unemployment, whereas the proportion moving to inactivity showed no simple trend. Yet by 1999, despite several years of labour market recovery, it remained the case that of those temporary workers still in employment one year later, *half* were still in temporary jobs. Thus, over the course of the 1990s temporary workers became increasingly likely to remain in a job, but it was *no less likely* to be a temporary job. By this measure, temporary work is a 'trap' for at least as many workers as it is a 'bridge' to permanent employment, at least in the medium term.

Forde and Slater (2002) also show how employment stability varies between self-employment, part-time employment and various forms of temporary employment, by analysing annual transition rates into employment, unemployment and inactivity, using the LFS panel. Findings are reported in Table 3 below. Full-time permanent jobs have the highest rate continuous employment rate after 1 year, closely followed by self-employment. Fixed-term contract workers and part-time employees are also highly likely to remain in employment one year later.

Perhaps surprisingly, data shows that employment rates for agency workers are much lower than most other forms of temporary work, with many moving into unemployment. Employment agencies are often said to enhance labour market efficiency given their specialist focus on matching workers to vacancies. Indeed, it is often argued that they are more efficient than state employment agencies in this respect and their contribution leads to lower levels of frictional unemployment (see for example CIETT, 2000: 19).

Looked at another way, these results are less surprising. In order to be able to readily meet the demands of client firms, temporary employment agencies generally seek an excess of workers "on the books", leading to underemployment for many (Forde, 2001). While

registering with more than one agency may lessen the chances underemployment, lack of availability for assignments tends to lead to removal from the lists, rendering agency work patchy and insecure. Thus, it is not immediately obvious that agencies reduce the pool of unemployed workers through enhanced matching. Indeed, to the extent that they seek to retain a stock of surplus labour from which to draw in the face of fluctuating demands from client firms, this may worsen transitions into unemployment.

Table 3 Transitions from non-regular employment, Labour Force Survey panel

	Status in 2000						
	Employed		Unemployed (ILO measure)		Inactive		
Status in 1999	Total	Difference from full-time permanent	Total	Difference from full-time permanent	Total	Difference from full-time permanent	Weighted number
Seasonal/casual	69.0	-27.6	4.0	+2.5	27.0	+25.1	311,400
Fixed-term	91.9	-4.7	3.6	+2.1	4.5	+2.6	682,300
Agency	83.9	-12.7	7.6	+6.1	8.6	+6.7	274,000
Self employed	95.5	-1.1	1.2	-0.3	3.1	+1.4	2,864,800
Part-time permanent	89.7	-6.9	1.5	0	8.8	+6.9	4,837,200
Full-time permanent	96.6		1.5		1.9		16,890,500

Source: Forde and Slater (2002), Table 10.

Part-time, permanent workers are second only to the casual and agency temporary workers in suffering low employment retention. However, rather than enter unemployment many leave the labour market altogether. This is consistent with the female dominance of part-time working and the difficulties of juggling work and family responsibilities noted, given the lack of affordable childcare in the UK (Gregory and Connolly, 2008).
Taylor (2004) provides more detail on transitions from self-employment. Using data from the British Household Panel Survey between 1991 and 2001 it is found that 87% of male self-employees remained in self-employment (77% for women), 9% were employees (14% for women), 2% were unemployed (1% women) and 2% were inactive (9% women) one year later, findings that are broadly similar to those reported above.

5. Equal Treatment of Non-Regular Workers

Nationally representative data on the characteristics of non-regular jobs are presented by McGovern *et al.* (2004). 'Bad jobs' may be defined as those with at least one of the following characteristics: low pay; no sick pay; no pension provision (beyond the state scheme) or not being part of an internal labour market with opportunities for progression. On average, they find that over one quarter of all British employees (28.9%) are low paid, just over one third have no pension (36.7%), a similar proportion have no sick pay (36.1%), and half are in jobs that do not have a recognized promotion ladder (51.1%) (McGovern *et al.* 2004: 230). Only 1 in 4 (27.9%) of the British labour force are not in 'bad' jobs as defined by these dimensions. In comparison with permanent jobs, non-regular work is more likely to be 'bad' (Table 4).

Temporary jobs (both part-time and full-time) have the highest number of 'bad' job characteristics, whilst part-time jobs are generally worse than their full-time equivalents. Compared to full-time permanent jobs, temporary and fixed term full-time jobs are

particularly poor in terms of sick pay and pension provision. However, the authors note that non-regular workers do not have a monopoly on 'bad' job characteristics; many permanent jobs in the UK are also poor.[3]

Table 4 Characteristics of regular and non-regular jobs

	% of all employees in these jobs	% with low wages	% with no sick pay	% with no pension	% with no career ladder	Mean number of 'bad' characteristics
Full-time permanent	71.2	21.4	29.2	29.0	44.9	1.21
Full-time temporary	6.0	32.0	53.7	57.4	64.4	2.07
Full-time fixed- term	2.6	13.7	47.6	43.0	58.4	1.72
Part-time permanent	20.1	52.7	50.3	54.3	68.2	2.18
Part-time temporary	2.7	32.0	53.7	57.4	64.4	2.07
Part-time fixed term	1.0	29.7	57.0	51.1	46.2	1.87
All workers	100	28.9	36.1	36.7	51.1	1.48

Source: Mcgovern *et al.* (2004).

5.1 Wages

It is widely assumed that non-regular jobs suffer from lower pay, but what does the evidence suggest? Comparable data for temporary jobs is available from Forde *et al.* (2008), using the LFS. Table 5 compares the hourly pay of temporary jobs to permanent jobs. Panel A shows the mean hourly wages. On average, all forms of temporary job, except fixed-term contracts, are paid considerably less per hour than permanent employees. The 'raw' hourly wage differential is reported in Panel B, both in pounds and as a proportion of the permanent wage. For example, the average hourly wage gap between permanent and agency workers is £3.67 per hour (a 32% differential). With the exception of fixed term contracts, the wage gaps are highly statistically significant.

However, it is not sufficient to focus simply on the absolute wage differentials. A proportion of the wage gap will be due to the different characteristics of temporary and permanent workers, such as qualifications, age, job tenure, occupation, industry etc. Panel C reports the results of analysis that takes these variations into account (using multiple regression analysis). As expected, the size of the differential with permanent wages drops (compare with Panel B), but a marked difference remains. For agency work, pay remains 10% lower per hour on average (12% for men; 6% for women). By comparison, it is interesting to note that there is no significant wage penalty for fixed term contract workers (who are subject

[3] Even controlling for a variety of personal characteristics that might affect job quality (e.g. years of education, unionisation, sector, workplace size) they find that non-regular jobs remain, on average, inferior to regular jobs. Differences are less for those with high levels of education, in professional or managerial occupations, in unionised settings and in larger workplaces highlighting the importance of market power (McGovern *et al*., 2004: 242).

to equal treatment legislation) whilst male agency workers experience a larger wage penalty than comparable seasonal and casual workers.

Table 5 Hourly wages by contract type and gender, UK, 2007

	All	Men	Women
A) *Hourly wage (£)*			
Permanent (p)	11.47	12.70	10.15
Agency (a)	7.80	7.49	8.26
Fixed term (f)	11.44	12.64	10.48
Seasonal/ casual (sc)	6.42	6.86	6.06
Other temporary (o)	8.80	8.74	8.85
B) *Wage difference (in £s)* *(proportional gap between permanent and temporary in brackets)*			
(p) – (a)	3.67*** (-32%)	5.22*** (-41%)	1.89*** (-19%)
(p) – (f)	0.03 (-0.3%)	0.07 (-0.6%)	-0.33 (+3%)
(p) – (sc)	5.05*** (-44%)	5.84*** (-46%)	4.09*** (-40%)
(p) – (o)	2.68*** (-23%)	3.96*** (-31%)	1.30*** (-13%)
C) *Wage differentials after controlling for worker characteristics* *(hourly wage gap between permanent and temporary work, %)*			
Agency	-10.0***	-12.4***	-5.5**
Fixed-term	-3.3**	-4.4	-2.4
Seasonal/casual	-6.9***	-2.6	-11.4***
Other temporary	-12.9***	-16.2***	-10.9***

Source: LFS, pooled quarterly datasets Jan/March – Oct./Dec. 2007.
Notes: Wages in constant (Spring 2007) pounds; data are weighted. Panel B: significance test of difference in average wage included; Panel C: estimated by OLS regression; * indicates significant at 10% level **significant at the 5% level *** significant at 1% level.
Source: Forde *et al.,* (2008).

Overall, this analysis shows significant wage differentials for agency, seasonal/casual and other temporary workers, even after controlling for a range of factors that might explain the 'raw' differences.

Table 6 summarises some similar evidence for part-time workers. The first column of the table shows the simple, 'raw' gap between hourly earnings. The second column shows the 'adjusted' gap, which is the difference in pay remaining when variations in individual characteristics (age, qualifications etc.) are controlled for. The final column shows how much of the raw gap is explained by those characteristics. The penalty for female part-time work is remarkably stable at 11%, compared with men. For women, the penalty to working part-time rather than full-time is much smaller, but this masks the fact that women on average are paid 11% less than men in the UK, even accounting for their differences (row 1 of Table 6).

Table 6 Part-time hourly wage gaps by gender, UK, 1998–2004

	Unadjusted gap (%)	Adjusted gap (%)	Percentage of gap explained
All female employees to all men	23	11	52
Full-time female to full-time male	14	10	29
Female part-time to male full-time	37	11	70
Female part-time to male part-time	20	11	45
Female part-time to female full-time	25	2.5	90

Source: adapted from Metcalf (2009).

Manning and Petrongolo (2008) show that the part-time pay penalty for women has been rising since the mid-1970s but they demonstrate that only half of the gap can be attributed to the characteristics of the women working part-time. The remainder stems from the concentration of part-time jobs in low-paid occupations. They show that the rise in this element derives in equal measure from the growing segregation of part-time jobs in low-wage occupations and the impact of the increase in overall wage inequality the level of pay in these low-wage jobs.

For self-employment, Parker (2004) finds that income inequality for self-employed workers is greater than for regular employees. In other words, self-employed workers are to be found disproportionately at the top end and the bottom end of income distributions. Given the polarised occupational and industrial pattern of self-employment, discussed above, this is not surprising. Indeed, some attribute part of the rising inequality in income in the UK over the 1980s and early 1990s to the rise in self-employment that occurred over this period (see Parker, 2004, for a review).

5.2 Training

There is widespread evidence that workers on regular and non-regular contracts receive different levels of training and opportunities for skill development. For example, Booth *et al.* (2002) find that the male probability of receiving work-related training was 12% lower for

workers on fixed-term contracts (7% less for women) and 20% lower for men on seasonal-casual contracts (15% lower for women), relative to permanent workers, controlling for other factors. Whilst no difference in the intensity of training is found between fixed-term and permanent workers, where it does occur it is markedly lower for seasonal and casual workers: 9-12 fewer days of training per year than permanent counterparts. (Booth *et al.*, 2002).

The finding of a training penalty for temporary workers is confirmed by Arulampalam and Booth (1998). The authors also explore the experience of part-time workers, and report that male part-time workers are 7% less likely to receive work-related training than full-time men, while female part-time workers are 9% less likely to receive work-related training than their full-time counterparts. Hence there is a danger that any rises in non-regular work will undermine the reproduction of skills.

6. Conclusions

There is no clear, strong secular trend towards an increasing use of non-regular employment in the UK. Part-time working in the UK has been rising steadily for four decades. Despite some evidence of an increase in part-time working following the recent recession (and among men), this form of employment remains largely the reserve of women. Rising rates of female participation in the labour market, in the context of limited opportunities for affordable childcare, are key drivers of this trend, rather than employer strategy. That said, the segmentation of the labour force on the supply side does allow firms, at the margin, the opportunity to offer small hours jobs and these have, historically, been associated with inferior terms and conditions. The introduction of equal treatment regulations, following EU directives, should go some way to address the latter problem, although as noted, occupational segregation as much as direct pay discrimination, accounts for much of the penalty to part-time working.

Turning to self-employment, again there are no strong trends towards this form of working in the UK. The largest change is the rise in part-time self-employment, but this remains a small proportion of the total. Rather, self-employment remains concentrated in traditional occupational and industrial areas. Temporary working has seen more variation in recent years. In part this stems from its variegated nature (including casual, fixed-term and agency jobs). A key driver of fixed-term (and to some extent agency working) has been the public sector. This again suggests that there has been no radical shift in private sector employer strategies. There is, however, an increasing use of agency workers within the temporary employment sector and some evidence, as discussed here, of a greater use of migrant workers in such jobs. Again, following a cyclical, rather than secular trend, there is some evidence of an increase in temporary working in the last two years reflecting uncertainty in private and public sectors.

Overall, this paper has highlighted that in the UK, non-regular work is often (although by no means exclusively) associated with inferior terms and conditions. It is this tension between the flexibility and cost savings desired by business and the poorer objective outcomes experienced by workers that drive debates around regulation. These debates are once again surfacing following the coming to power of a right-wing government and the pressures in the post-recession labour market.

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Appendix

Table A1 Employment rights of workers and employees under UK employment law

STATUTORY EMPLOYMENT RIGHT	EMPLOYEES ONLY	ALL WORKERS
Discrimination		
Protection from discrimination relating to equal pay, sex, race, sexual orientation, disability, age, religion		✓
General Employment Rights		
Written statement of employment particulars, specifying: pay, hours of work, holidays, sick pay arrangements and disciplinary and grievance procedures	✓	
Itemised pay statement	✓	
Protection from unlawful deductions from wages		✓
Statutory sick pay		✓
National Minimum Wage		
Failure to be paid the NMW		✓ agency workers and homeworkers expressly covered (Note: Apprentices under the age of 19, or aged over 19 and in the first 12 months of their apprenticeship, are not entitled to the National Minimum Wage)
Failure to allow access to records relating to the NMW		✓ agency workers and homeworkers expressly covered
Protection from unfair dismissal related to NMW	✓	
Protection from detriment related to NMW		✓
Working Time		
Rights to daily rest, weekly rest and rest breaks		✓ agency workers expressly covered
Paid annual leave		✓ agency workers expressly covered
Right not to be dismissed in relation to working time	✓	
Right not to suffer detriment in relation to working time		✓ agency workers expressly covered

STATUTORY EMPLOYMENT RIGHT	EMPLOYEES ONLY	ALL WORKERS
Job Security/Unfair Dismissal		
Statutory minimum notice periods	✓	
General right not to be unfairly dismissed or unfairly selected for redundancy	✓	
Protection for terms and conditions, continuity of employment and from dismissal in case of transfer of an undertaking	✓	
Right for union or workplace reps to be informed or consulted about collective redundancies or transfers of an undertaking of affected employees	✓	
Protection from dismissal on grounds of medical suspension, acting as occupational pension trustee, for making a protected disclosure, for asserting a statutory right	✓	
Right to statutory redundancy pay	✓	
Protection from dismissal relating to right to be accompanied in grievance and disciplinary procedures		✓ This is the only unfair dismissal right which applies to non-employee workers
Non-regular Worker Rights		
Equal treatment rights for part-time workers		✓
Equal treatment rights for those on fixed-term contracts	✓	

Source: adapted from TUC (2009, pp.175-77).