CIPD

Regulation and the Labour Market 2024

September 2024

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Introduction

Employment regulation has come under the spotlight in the UK following the election of the Labour Government and its Make Work Pay proposals to significantly strengthen employment rights.

The Government hopes that its plans, to be brought forward in an Employment Rights Bill will modernise the world of work and help boost productivity and growth.

There is aways a place for sensible and proportionate legislation that tackles problems in an effective way and promotes choice and opportunity for workers, as well as offering protections at work. However, the impact of changes to regulation on employer behaviour and their recruitment and people management decisions need to be fully explored and any potential risks and unintended consequences understood.

This report is designed to highlight some of the challenges and issues that need to be taken into account by policy makers to ensure that proposed changes to employment regulation have their hoped-for effect. It updates a 2015 CIPD assessment of the evidence about how well the UK performed on labour market outcomes and the quality of work compared with other OECD economies.

This showed that despite having a relatively low level of employment protection, the UK performed comparatively well on a range of employment outcomes. The report concluded that there was little advantage to be had from the UK moving towards significantly greater regulation or deregulation of the labour market.

This report updates that evidence, drawing mostly on evidence from the OECD and the EU. Its conclusion remains broadly unchanged.

This does not mean there is no room for improvement in specific areas of labour market policy and regulation. For example, the Government's plans to improve Statutory Sick Pay and parental leave are welcome as provision for workers in these areas is inadequate, undermining efforts to maximise labour market participation.

However, some specific measures may have unintended adverse consequence on the distribution of employment, and risk creating more temporary and insecure work. This is why it is important the Government consults meaningfully with employers and where necessary refines its proposals to ensure they have a positive impact for both workers and business.

The updated report

In this update we have confined our analysis to the ten biggest OECD labour markets – the G7 economies of the US, Japan, Canada, Germany, France, Italy and the UK together with Sweden, Spain and Poland – to make the report more accessible. This still gives a reasonable comparison between highly and lightly regulated economies.

Most of the statistics in the original report date to 2013 or earlier, so we can look back on almost a decade of change. Since then, the labour market in almost all OECD economies have improved considerably with lower unemployment, higher employment and less economic inactivity. The pandemic proved a set-back. Many economies have recovered but some – including the UK – have struggled to get back to pre-pandemic levels.

The report draws on the OECD index on employment protection recently updated to cover the period up to 2019. The indices include impacts from process and enforcement costs as well as the legislation. We also draw on a set of indices produced by the University of Cambridge for 2022 covering the areas such as employee representation and industrial action. However, these indices are more limited, with scores based on what the legislation says and not how it is implemented. The Cambridge researchers warn that ranking countries with the index is therefore problematic. We nonetheless think they have some value as a broad guide to differences in what legislation is trying to do, even if practice is more variable.

The main source of comparative information on quality of work at international level is the European Working Conditions Survey (EWCS). Two EWCS's have been published since the previous CIPD report, in 2015 and 2021. The next full EWCS in 2024 will however not include the UK[1].

There are some important caveats in making international comparisons with any report on work quality. Some answers may be shaped by national expectations and norms as well as actual differences in work quality[2], so we should not put much weight on relatively modest differences between countries. The 2021 EWCS was constrained by the pandemic both in methodology and sample size and has limited comparability with previous surveys.

[1] The UK as a third country not part of the accession process or relevant EU programmes is at present excluded though in principle it might be included in future surveys subject to agreement with the EU. The CIPD Good Work Index includes some similar questions to those used in the EWCS and may fill some of the emerging information gap.

[2] Swedish workers are much more likely to say their work poses a risk to health and safety than the EU average. This is much more likely to reflect high expectations rather than signalling that Sweden has some of the most dangerous workplaces in Europe.

Employment protection

The OECD's 2020 Employment Report re-considered the evidence on employment protection and the central conclusions are not much different to those it made in 2013. The report thought it unlikely it would have great impacts on aggregate employment and unemployment, but that it could slow down the dynamics of the labour market by hindering the movement of resources from contracting sectors and failing firms to expanding sectors and successful firms. If the result of strict employment protection is to have fewer dismissals it must also mean, there are fewer hires. The OECD says that some protection is a good thing, as it reduces excessive layoffs, but "overly strict dismissal regulation tends to reduce productivity growth and increase the duration of unemployment spells" (OECD Employment Outlook 2020).

Getting the balance right more or less right should be the aim of policy and that requires acknowledging that potential risks exist.

The OECD measure of employment protection has been updated to 2019. The UK has stricter employment protection for permanent contracts than Canada or the US but weaker than Japan, Germany, Poland, Spain, Sweden, France, or Italy. The UK is much closer to the OECD average for collective dismissals, which usually require consultation with the relevant trade unions. For individual dismissals, the UK had much less strict protections, ranking equal with Canada and above the US but significantly below the other seven labour markets in our comparison and well below the OECD average.

Table 1 Strictness of Employment Protection in 2019 (OECD index)

	EPI dismissals		EPI Collective dismissals		EPI Individual dismissals
Italy	2.9	Italy	3.2	Italy	2.7
France	2.7	France	3.3	France	2.5
Sweden	2.5	Sweden	2.7	Sweden	2.5
Spain	2.4	Germany	2.6	Spain	2.4
Poland	2.4	Spain	2.4	Poland	2.4
Germany	2.3	Poland	2.4	Germany	2.2
Japan	2.1	UK	2.3	Japan	2.1
UK	1.9	Japan	2.0	UK	1.7
Canada	1.7	Canada	1.9	Canada	1.7
US	1.3	US	1.3	US	1.3
OECD	2.3	OECD	2.4	OECD	2.2

Note: Index on scale of 0 to 6, with 6 as most strict. Source: OECD Indicators of Employment Protection | OECD

The OECD also finds that for individual dismissals, some countries such as the UK and the US have much stricter enforcement than might be expected. The US has the highest ranking on enforcement despite having the lowest ranking on strictness of employment protection, in part because of the period in which an unfair dismissal claim can be made. The UK ranks similar to Germany, France, Sweden but is not as strict as Italy, Canada, Japan or Spain. There is no obvious relationship between the overall level of protection and strictness of enforcement.

Since 2013 most OECD economies have introduced reforms, some tightening and some relaxing levels of protections. In our comparative group of countries, both Italy and France introduced significant reforms that lowered protections, though as shown above they remain amongst the most highly regulated OECD labour markets. All other countries kept employment protection at more or less the same level as in 2013. Over the OECD as a whole there was no change in the overall levels of employment protection.

EPI and labour market outcomes

The UK performs somewhat above the OECD average on most labour market outcomes. The UK employment rate for those of working age – the share of all those between 15 and 64[3] – in work was 75 per cent in 2023, the same as Canada and higher than Poland, the US, France, Spain and Italy. This is not too surprising, as most studies have found little association between the strictness of employment protection and aggregate economic outcomes or have found ambiguous results (the relationship might be negative or positive, but the evidence is not strong enough to say).

The UK's employment rate is however still below that before the pandemic and an even higher rate will be needed in the future to cope with the demands of an ageing population and if government objectives to reduce inward migration over time are to be met. This will be a challenge unless employment rates can also be raised for more marginal groups who employers tend to regard as higher risk and who tend to be overlooked in recruitment campaigns.

Table 2 Employment and Unemployment in 2023

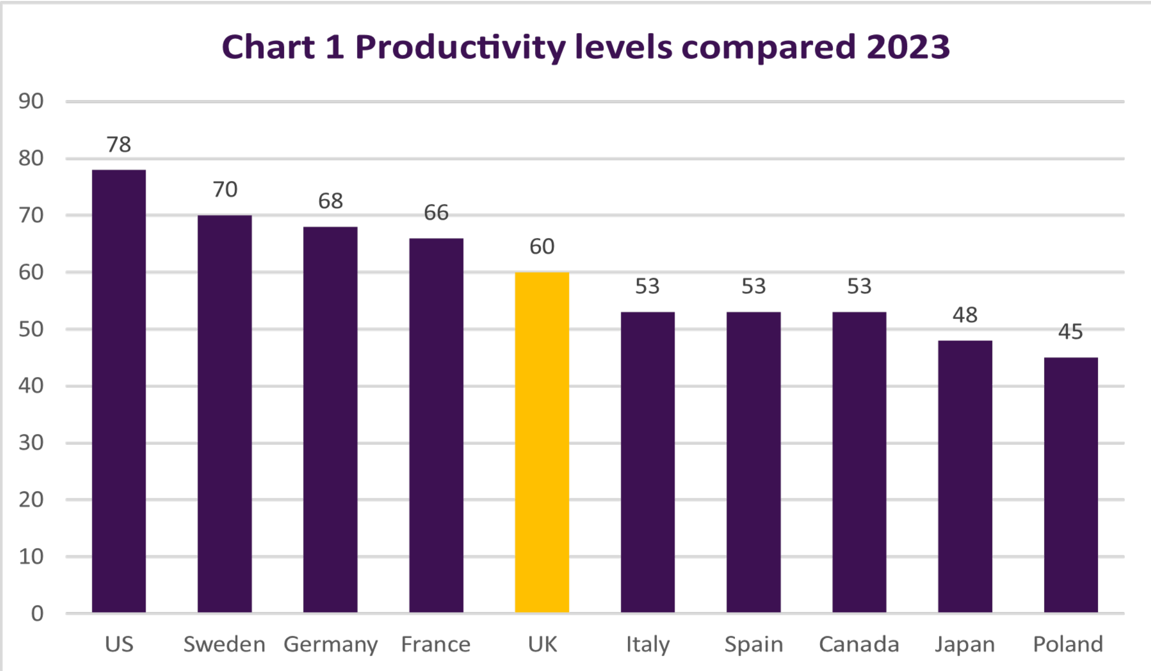
	EPI index (2019)		Employment rate (2023)		Unemployment rate (2023)
Italy	2.9	Japan	79%	Japan	2.6%
France	2.7	Sweden	77%	Poland	2.8%
Sweden	2.5	Germany	77%	Germany	3.0%
Spain	2.4	Canada	76%	US	3.6%
Poland	2.4	UK	75%	UK	4.0%
Germany	2.3	Poland	72%	Canada	5.4%
Japan	2.1	US	72%	France	7.3%
UK	1.9	France	69%	Italy	7.7%
Canada	1.7	Spain	65%	Sweden	7.7%
US	1.3	Italy	62%	Spain	12.2%
OECD	2.3	OECD	70	OECD	4.8%

[3] UK national rates published by the ONS differ slightly because the age range is 16-64.

Notes: employment rate is share of population 15 to 64 in employment. UK national statistics are for 16 to 64 and differ slightly. Sources: Employment rate | OECD Unemployment, April 2024 - OECD News Release, June 2024

Productivity

There has been much concern at the UK's relatively poor productivity performance by successive governments, including the present Government. The UK's productivity levels were however above the EU average in 2022. Productivity is significantly higher than in the UK in the US, Sweden, Germany, and France but lower in Italy, Spain, Canada, Japan and Poland.



Note: all figures US dollars at purchasing power parities and 2015 constant prices. OECD average not available on this measure. EU average $55. Source: OECD Data Explorer • Productivity levels

Labour share

Research tells us that across the OECD the labour share (the share of wages in national income) has fallen, which suggests wage increases have not kept pace with productivity growth. Some have suggested weaker unions and labour deregulation had had a role, alongside globalisation and new technology. Stronger employment protection and strengthening the role of trade unions is seen by some as part of the solution.

OECD research however suggests that the underlying causes are complex, and it is not safe to assume a decline in labour share must represent a reduction in labour's bargaining power[4]. Moreover, the OECD found that while the labour share in the business sector fell in most OECD countries between 1995 and 2022, this was not true for the UK, while the labour share increased in France and Italy. In contrast, the labour share fell in Sweden, Germany, Japan, Canada, and the US.

Long term and youth unemployment and exclusion

As we noted in the introduction, the more important impact of EPI is likely to be on the distribution of employment across different groups and in this section we look at the UK's relative performance on long term unemployment and youth unemployment and exclusion.

The UK's overall performance is roughly in line with the OECD average but significantly better than most highly regulated economies for long term unemployment, using the widely accepted definition of out of work and actively seeking work for a year or more. Overall, about 21 per cent of the unemployed in the UK were out of work for 12 months or more compared with an OECD average of 23 per cent. Canada and the US did even better. In contrast, long term unemployment accounted for between 30 and 35 per cent of unemployment in Germany, Japan, and Spain and over 50 per cent in Italy.

An important influence in all these countries will be the structure and conditionality of unemployment benefits and active labour market programmes. The UK already has high levels of conditionality by international standards[5] and there is nothing to suggest the current government intends to change this approach. The Government is committed to increasing the effectiveness of support for the long term unemployed, for example, through Jobcentres but it is not yet clear whether there will be additional spending on support on new or existing support programmes.

A major concern of successive governments has been unemployment and exclusion amongst young people. The unemployment rate amongst people aged between 15 and 24[4] in the UK in 2023 was at 10 per cent, significantly lower than the OECD average of 23 per cent. It was similar to Canada and Poland, better than France, Italy and Spain, but worse than Japan, Germany and the US.

Another measure looks at young people not in work or full-time education or training (NEETs) measured by the share of 15 to 19 year olds in this category. The UK's performance on this measure is mediocre, but the differences between our comparator countries are not great. Sweden and Germany do better than the rest, with the US and

[4] Cross-country comparisons of labour productivity levels | OECD Compendium of Productivity Indicators 2024 | OECD iLibrary (oecd-ilibrary.org)

[5] OECD Data Explorer • Strictness of activation requirements

[4] UK national rates produced by the ONS differ slightly with an age range of 16 to 24.

Italy the worst (no data available for Japan). The rest of our comparator countries (Canada, France, Poland, UK, and Spain) have NEET rates of between 6 and 7 per cent.

Table 3 Long-term unemployment and youth exclusion in the labour market 2022-23

	Long term unemployment (% of unemployed) 2023		Under 25 unemployment Rate (%) 2023		NEET rate (% 15 to 19 years not in work or education) (2022)
Canada	8%	Japan	4%	Sweden	4%
US	12%	Germany	6%	Germany	5%
Sweden	19%	US	8%	Canada	6%
UK	21%	UK	10%	France	6%
France	25%	Canada	11%	Poland	7%
Poland	27%	Poland	11%	UK	7%
Germany	31%	France	17%	Spain	7%
Japan	33%	Sweden	22%	US	9%
Spain	35%	Italy	23%	Italy	14%
Italy	56%	Spain	29%		
OECD	23%	OECD	11%	OECD	8%

Notes: Long term unemployment is 12 months or more. OECD Data Explorer • Incidence of unemployment by duration Youth unemployment rate is 15 to 24 year olds. OECD Data Explorer • Employment and unemployment by five-year age group and sex - indicators. NEET rate is Not in Employment, Education and Employment for 15- to 19yearolds, no data for Japan. Youth not in employment, education or training (NEET) | OECD

Temporary work

The OECD EPI includes protections for temporary workers, but also restrictions on the use of temporary workers. The UK, US, and Canada have a liberal approach with few restrictions and are well below the OECD average. In contrast, Italy, France and Spain are highly restrictive.

However, overall, it is those countries with the least restrictions which have the least use of temporary contracts and those who most restrict their use that have the greatest number. For example, while just over 5 per cent of employees worked in temporary jobs in the UK in 2023 the share was 15 per cent or more in Poland. France, Italy and Spain. Since 2013 Germany and Italy have increased the strictness of regulation on temporary hires while France has relaxed them somewhat.

The most likely explanation in most countries is that high levels of protection for permanent workers means employers use temporary labour more to regain flexibility. In contrast, most temp work in lightly regulated countries such as the UK is for short term cover for sickness and holidays and highly seasonal work. Moreover, when temporary work is boosted by excessive restrictions it is associated with high levels of involuntary temporary work (defined as all those who said they took a temporary job because could not find a permanent job).

The only internationally comparable data available on involuntary temporary work is for the EU. Recent data cannot be compared with the UK because of a significant question change introduced in 2021 in the EU but not the UK[5]. We have therefore used comparable data for 2020 or nearest year.

Involuntary temporary working was much less common in the UK than in other EU States. In the UK some 28 per cent of temp workers said they could not find a permanent job compared with around 80 per cent in Italy and Spain and between 45 and 55 per cent in France, Sweden and Poland. The major exception was Germany which had low levels of temporary and involuntary temp working, most likely because of a strong association between temporary contracts and training provision.

Table 4 UK has low percentage of temporary workers
Employment protection and restrictions on temporary work

Temporary hires stats	EPI temporary hires (2019)		Temporary (% of employees) (2023)		Involuntary (% of temp) 2020
US	0.3	US	4	Germany	12 (2019)
Canada	0.4	UK	5	UK	26
UK	0.4	Germany	12	Poland	45
Japan	1.3	Canada	12	France	49
Germany	1.7	Sweden	15	Sweden	54
Poland	1.8	Japan	15	Italy	79
Sweden	1.5	Poland	15	Spain	82
Spain	2.5	France	16	EU average	51
France	2.6	Italy	16		
Italy	2.8	Spain	17		
OECD	1.8	OECD	11		

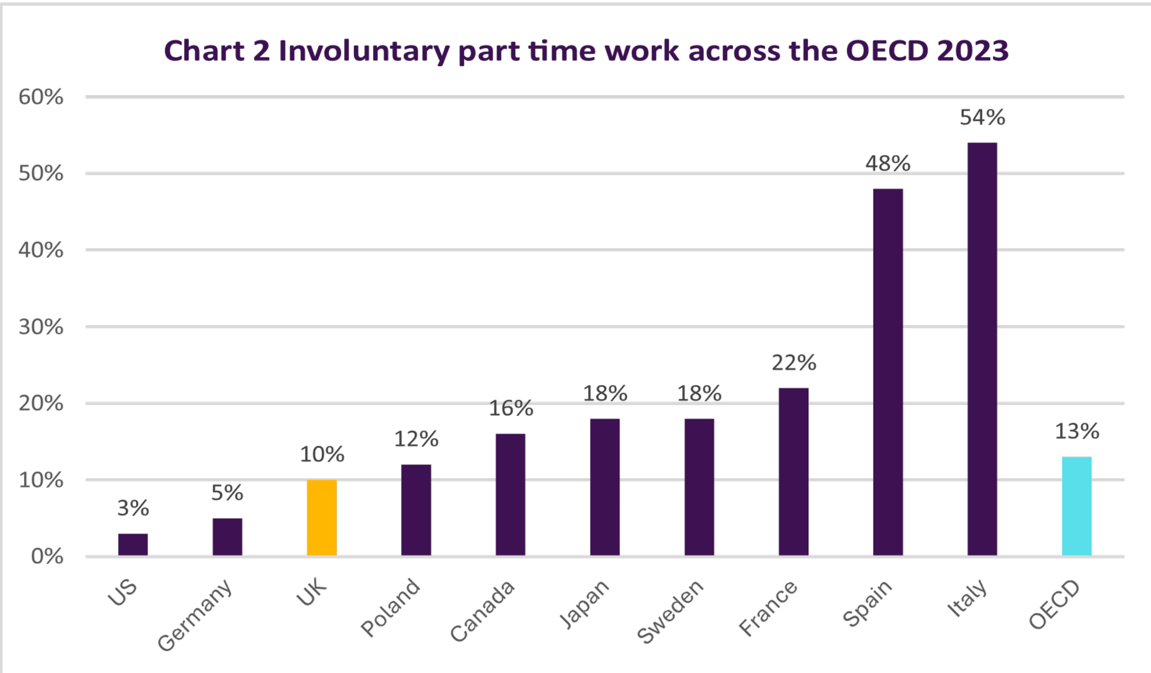
Notes: Involuntary temporary employment for Germany 2019, due to break in series. UK national data for May-July 2020. Eurostat data from 2021 onwards based on new set of questions and non-comparable with UK. Sources: OECD Indicators of Employment Protection | OECD Data Explorer • Employment by permanency of the job - Incidence Statistics | Eurostat (europa.eu) EMP01 SA: Full-time, part-time and temporary workers (seasonally adjusted) - Office for National Statistics (ons.gov.uk)

[5] The new Eurostat question provides for an additional response, "job only available with temporary contract".

The relatively low rate of involuntary temporary work by international standards is also true for part time work. In 2023, about 10 per cent of part time workers in the UK said they took the job because they could not find full time work (involuntary part time). This compares with an OECD average of 13 per cent. The UK also did well against our comparator countries, coming second to Germany, where only 5 per cent of part time workers were involuntary. In contrast, in France 22 per cent of all part time workers were involuntary, 48 per cent in Spain and 54 per cent in Italy.

These higher rates are most likely due to "dual labour markets", where full time permanent jobs are better protected than part time and temporary jobs. However, there is little to suggest that stricter employment protection would have a significant impact on the balance between full time and part time jobs in the UK as full and part time workers get the same protectors and that would also apply to any extension. Nonetheless, the figures do suggest that in some respects the UK is better than many other countries at matching what people want and that valuable flexibility should not be lost in future labour market reforms. This does not mean of course that improvements should not be sought – the fact that over a quarter of temporary workers in the UK would prefer a permanent job is still of concern.

Similarly, although the share of part time workers who would like full time jobs is relatively low by OECD and EU standards, we have an above average share of part time employment in the UK which translate into a significant number of potentially discontented workers.



Note: all who said they took part time work because they could not find a full-time job as share of total employment. Source: OECD Data Explorer • Incidence of involuntary part time employment

Job and pay insecurity

In recent years, a number of indices of varying complexity have been developed showing employment insecurity, typically combining measures of low pay and low income with employment status. None are easily comparable either internationally or with each other.

In this report we focus on job insecurity measured by the widely used questions on whether people think they can get another job with similar pay and conditions easily and whether they think they are likely to lose their job in the near future. The first is probably a better measure of labour market confidence than insecurity, as the CIPD Good Work Index shows that it is longer tenure workers who are least likely to say they are confident of getting a job as good in the future. The second measure is highly cyclical but historically has shown no upward trend.

We also look at the OECD measure of job insecurity which assesses the likely costs associated with unemployment as a share of average earnings in previous jobs. Under this measure countries which combine low unemployment and quick returns to work with generous unemployment benefits will tend to do best. In practice, there are almost always complex trade-offs. For example, countries with less generous benefits may have shorter unemployment durations and vice versa.

As things stand, job insecurity by this measure is not a huge problem in most of our comparator countries with exceptionally low earnings loss in Germany, Japan, and Poland. The UK sits in a middle group including France, the US, Canada. Sweden and Italy do a little worse and Spain much worse compared with the OECD average. These of course are average figures – some people will face much bigger earnings losses if they cannot get back into work quickly.

Table 5 EMPLOYMENT PROTECTION AND JOB INSECURITY

	EPI index		OECD insecurity indicator (% of previous earnings lost through unemployment in 2022)
Italy	2.9	Japan	1.2
France	2.7	Germany	1.6
Sweden	2.5	Poland	2.0
Spain	2.4	France	2.3
Poland	2.4	UK	2.3
Germany	2.3	US	2.4
Japan	2.1	Canada	2.6
UK	1.9	Sweden	3.6
Canada	1.7	Italy	4.1
US	1.3	Spain	7.0
OECD	2.3	OECD	3.2

Notes: Job strain OECD estimates from 2021 European Working Conditions Survey. Insecurity indicator is earnings loss associated with unemployment as % of previous earnings, based on generosity of unemployment benefits relative to earnings, unemployment rate, and likelihood of job loss. Sources: OECD Indicators of Employment Protection | OECD Employment Outlook 2024 | OECD (p44).

The EWCS also sheds some limited light on perceptions of job and pay security. The survey asks a commonly used question about whether people think they are likely to lose their job in the next 6 months. This was much higher than normal in the pandemic with considerable variation around the EU driven in part by perceptions of the economic impact and confidence in official job support measures.

Across the EU some 23 per cent strongly agreed they might lose their job compared with 19 per cent in the UK. These levels are higher than in more "normal" times[6] but they are consistent with previous surveys that shows perceptions of job insecurity in the UK are not that different to many EU countries and better than some. The 2015 EWCS showed that while 12 per cent thought they might lose their job in the next 6 months in the UK, the share across the EU was 17 per cent.

Pay predictability

Many commentators note that some people have little idea how much they might earn week to week because of excessive hours variability, especially in some forms of insecure work such as zero hours contracts. It does not follow that all those who experience uncertainty will face hardship especially if annual earnings are above average. Some will be willing to accept greater uncertainty for greater personal flexibility and control. Nonetheless, for some a lack of pay predictability can cause significant difficulties.

The 2021 EWCS also asked about pay predictability where people were asked whether they say with confidence how much they would earn over the next 3 months. In the UK some 17 per cent said they could not say how much they would earn compared with 11 per cent across the EU. Another 57 per cent in the UK responded they could say quite accurately compared with 63 per cent across the EU.

It is likely that countries with higher-than-average levels of temporary and self-employed workers will report less pay predictability, so we looked just at permanent employees. As expected, pay predictability was greater for this group for all countries. In the UK some 68 per cent of permanent employees said they could predict pay quite accurately and just 9 per cent said they could not compared with an EU average of 66 per cent and 10 per cent respectively. However, it did not make a great deal of difference to the relative ranking of countries.

Given the uncertainties around how far the pandemic influenced national responses, these are not great differences. Indeed, amongst the comparator countries while Germany and Sweden had greater pay certainty, in France, Italy, Spain and Poland pay reliability was similar or somewhat worse than in the UK.

[6] The CIPD 2024 Good Work Index shows that the share who think they might lose their job has returned to pre-pandemic levels with xx per cent agreeing.

It is not possible to say from these results to say how seriously pay unpredictability affects family incomes in different countries, as one important factor is likely to be interaction with the benefit system. It nonetheless seems reasonable to conclude that while pay insecurity per se remains a significant challenge for some in the UK, it may not be significantly worse than in many other European countries.

Table 6 Pay predictability in the UK and the EU 2021

Can you tell in advance how much you are going to earn over the next three months?

	No	Yes, approximately	Yes, quite accurately
Germany	8%	18%	75%
Sweden	11%	26%	63%
France	17%	25%	57%
UK	17%	26%	57%
Poland	20%	40%	40%
Spain	21%	25%	54%
Italy	25%	28%	47%
EU average	11%	26%	63%

Note: some figures may not sum due to rounding. Source: EWCS 2021 database European Working Conditions Telephone Survey 2021 | European Foundation for the Improvement of Living and Working Conditions (europa.eu)

Collective bargaining

Collective bargaining could in principle be an important influence on both labour market outcomes and the quality of some aspects of working life, both through the direct impact on wages and conditions and through for example union and employer participation in health and safety and skills provision.

In the UK, about 27 per cent of all employees were covered by collective bargaining arrangements in 2022, and just 13 per cent of private sector employees. As a result, nearly 90 per cent of private sector wages and conditions in the UK are determined by other mechanisms than collective bargaining.

Collective bargaining is more important in some European countries where sectoral agreements between employers and trade unions are underpinned by legal requirements to apply some bargained rates and conditions to all employers within scope. Coverage is between 80and 100 per cent for Italy, France, and Spain. It is just over 50 per cent in Germany, having declined significantly over the past 20 years. Canada and UK are around 30 per cent, Japan just under 20 per cent, and Poland and the US at 13 per cent or less.

As noted above the University of Cambridge database includes two indices on employee representation and industrial action. The former includes regulations on the right to join a union, collective bargaining coverage, and co-determination and formal consultation mechanisms.

The second includes restrictions on industrial action, arbitration arrangements and replacement of striking workers: countries with more restrictions on industrial action get low scores and those with fewer restrictions get higher scores.

As might be expected, the UK confers fewer rights and protections on individuals seeking collective representation and is more restrictive than average on industrial action than many other OECD economies. The EU countries and Japan have relatively strong rights and protections for individuals and fewer restrictions on industrial action. The UK, Canda and the US have relatively weak protections and more restrictions. Perhaps surprisingly, the UK is not that far behind Sweden on individual rights and Germany and Sweden on restrictions on industrial action.

Table 7 Regulation of Representation and Industrial Action, and Collective Bargaining Coverage Compared across the OECD

	Representation Index 2022		Industrial Action index 2022		CB coverage 2019-20
Japan	0.8	France	0.9	Italy	100%
Germany	0.7	Italy	0.9	France	98%
Poland	0.7	Japan	0.6	Sweden	88%
France	0.6	Poland	0.5	Spain	80%
Italy	0.6	Spain	0.5	Germany	54%
Spain	0.6	Germany	0.4	Canada	31%
Canada	0.5	Sweden	0.4	UK	27%
Sweden	0.5	UK	0.3	Japan	17%
UK	0.3	Canada	0.2	Poland	13%
US	0.0	US	0.1	US	12%
OECD	0.4	OECD	0.4	OECD	32%

Notes: CB coverage share of employees. Canada and US are 2020; Italy, Japan, Poland, UK and OECD average are 2019; France, Germany, Spain and Sweden are 2018. Industrial Action index high scores indicate more protections for employees and trade unions. Sources: Leximetric datasets - Centre for Business Research - Cambridge Judge Business School OECD Data Explorer • Collective bargaining coverage

In 2019 the OECD reviewed the evidence on labour market performance and collective bargaining systems.[7] The OECD restated a long-established view that co-ordinated bargaining systems which also allowed some firm level flexibility, could deliver positive results on employment, unemployment, and wage inequality while decentralised systems (or where collective bargaining was absent) had no impact either way. The OECD suggested centralised systems might have some negative impacts on productivity, but the evidence is inconclusive.

The OECD also noted that *"the quality of the working environment is higher on average in countries with well-organised social partners and a large coverage of collective agreements".* However, it also concluded that *"data on the quality of the working environment and*

[7] Negotiating Our Way Up | OECD

collective bargaining are limited and do not allow causal analyses to be carried out across OECD countries"[8]. For example, one challenge is that content workers might have less incentive to join trade unions than those dissatisfied with their job. In the next section of this report, we look at how the UK fares on job quality.

WORK QUALITY OUTCOMES

The overall results from the 2021 survey are consistent with previous surveys, with work quality in the UK broadly comparable with that in the five largest EU labour markets (Germany, France, Italy, Poland, Spain, and Sweden). On most but not all measures the UK is around the EU average.

Job quality

In the previous report we used the OECD Job Strain Index derived from the European Working Conditions Survey. Eurofound have used the same approach to construct an overall job quality index which gives a fuller picture of jobs across the EU. The best performers amongst our comparator countries are Germany and Sweden, followed by Spain, the UK and Italy, and then by Poland and France. The UK is consistently around the EU average, with the exception of jobs under extreme strain where it does a little worse.

Table 8 Job Quality across the EU – share of jobs by resourcing and strain in 2021

	Jobs resourced		Jobs under strain	
	High	Mod/Low	Moderate	High/extreme
Sweden	28%	48%	17%	10%
Germany	27%	49%	16%	8%
Spain	23%	49%	18%	11%
UK	18%	46%	21%	15%
Italy	15%	52%	21%	12%
Poland	13%	48%	23%	16%
France	13%	48%	23%	16%
EU average	19%	48%	21%	12%

Source: EWCS Job Quality Index. European Working Conditions Telephone Survey 2021 | European Foundation for the Improvement of Living and Working Conditions (europa.eu)

[8] Negotiating Our Way Up | OECD

Engagement, Fulfilment, Discretion and Participation

The Eurofound researchers have constructed some composite indices around broad themes which illustrate these findings. The "engagement and job fulfilment index" includes trust of employees in managers (and vice versa) and cooperation with colleagues. The researchers note that high levels of trust and co-operation are common across Europe.

The UK was nonetheless below the EU average on the share of jobs with a high level of trust and cooperation (40 per cent across the EU, 31 per cent in the UK). The UK also had an exceptionally large number of jobs classified as low participation, at 34 per cent, compared with the EU average of 25 per cent. This is a significant work quality weakness in the UK compared with most other EU countries.

Eurofound has also constructed an "organisational participation and discretion index which includes questions on how much discretion people have over methods of work, the order in which tasks are done, the discretion they have over speed, and the ability to change the order in which things are done. This was split into four groups depending on whether they had high or low participation and high or low discretion. There was relatively little difference across most countries, with the exception of Germany which is significantly better than the average. The UK in line was in line with the EU average with 33 per cent of respondents in high discretion and high participation jobs and 31 per cent in low discretion and low participation jobs.

Table 9 Engagement, Job Fulfilment, Participation and Discretion at work in 2021

	Engagement and fulfilment index (share of jobs)			Discretion/Participation index (share of jobs)	
	High	Low		High	Low
Spain	53%	22%	Germany	39%	24%
Poland	42%	25%	Poland	33%	28%
France	41%	24%	Italy	32%	31%
Italy	40%	24%	UK	31%	33%
Germany	39%	26%	Sweden	31%	33%
Sweden	33%	23%	Spain	29%	33%
UK	31%	34%	France	27%	34%
EU average	40%	25%	EU average	31%	31%

Note: the index also showed respondents in low participation and high discretion and high participation and low discretion jobs. Source: EWCS 2021 database European Working Conditions Telephone Survey 2021 | European Foundation for the Improvement of Living and Working Conditions (europa.eu)

Working time

In the 2015 report we noted that the UK had a higher share of long hour jobs than many other EU States, defined by the OECD as 50 hours or more. This is unsurprising as the UK had an "opt out" under the EU Working Time Directive which imposed a limit of 48 hours a week for most employees over a defined period. Working time in the UK remains regulated as before. The OECD definition of long hour working is 50 hours or more.

The UK in 2023 also has an above average incidence of long hours working compared with the EU, though it is similar to the US and in line with the OECD average. In the UK in 2023 some 10 per cent of employees usually worked 50 hours or more a week compared with 6 per cent in France, 5 per cent in Sweden, and 4 per cent in Italy. In Germany, Poland, Spain and Canada it was 3 per cent (no data for employees for Japan). The incidence of long hours working has been falling in the UK in recent years but that is also true for most other EU States, with the exception of Sweden.

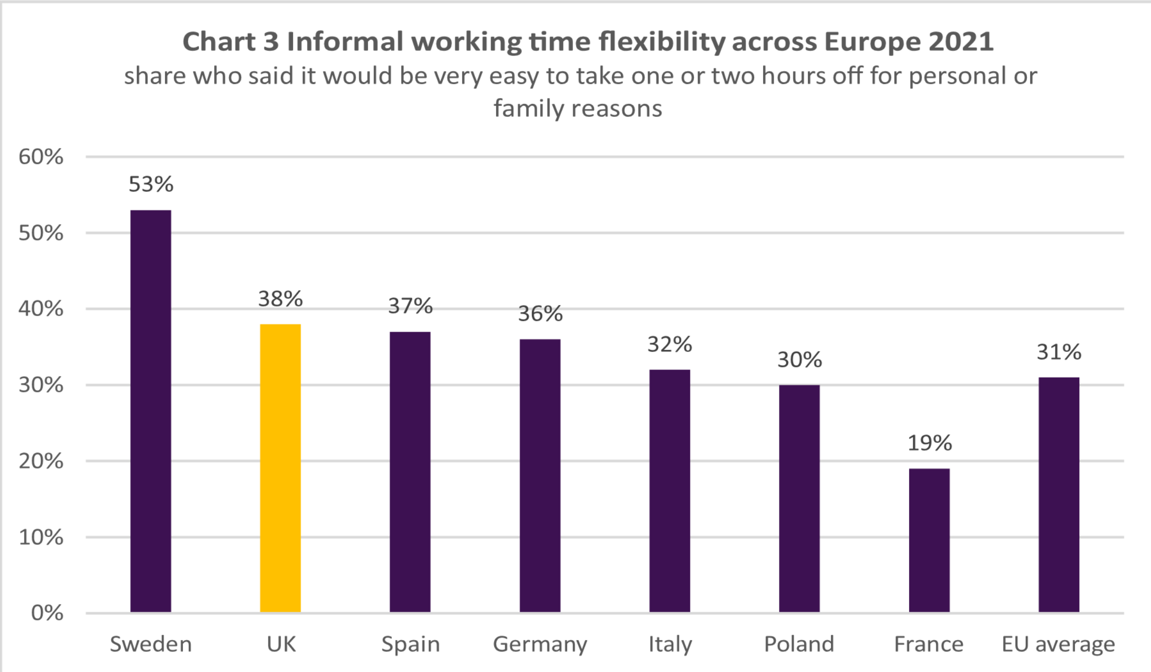
The Cambridge University index provides a wider measure of regulation of working time, including annual leave, public holidays, entitlement to paid overtime and limitations on overtime working as well on restrictions on hours worked. The UK has relatively strict legislation on annual leave, but otherwise has relatively few restrictions and protections compared with the OECD average. Rather oddly, the database scores the UK as zero on limits on the normal working week although the provisions of the Working Time Directive still apply.

Table 10 Working time regulation and long hour working in the OECD

Vorking time regulation				Long hour working (employees, 50 or more hours a week, 2023)	
All aspects		Normal week			
Sweden	0.7	Germany	0.8	Canada	3%
France	0.7	Canada	0.7	Germany	3%
Germany	0.6	Sweden	0.7	Poland	3%
Italy	0.5	Italy	0.7	Spain	3%
Poland	0.5	Japan	0.7	Italy	4%
Spain	0.5	Poland	0.7	Sweden	5%
Canada	0.5	Spain	0.7	France	6%
Japan	0.4	US	0.7	UK	10%
UK	0.2	France	0.4	US	10%
US	0.2	UK	0.0		
OECD	0.5	OECD	0.6	OECD*	10%

Notes: all aspects include regulations on over-time; annual leave and public holidays; weekend working; weekly and daily working time. * No data for Japan. Sources: Leximetric datasets - Centre for Business Research - Cambridge Judge Business School OECD Data Explorer • Incidence of employment by long usual weekly hours worked

As well as formal regulation, informal practices are also important in the labour market. There is a high level of informal flexibility across the EU measured by the share of employees who say it would be easy to take time off for an hour or two to take care of a family or personal matter. In 2021 in the UK some 38 per cent of employees said it would be easy to take time off and another 43 per cent that it would be fairly easy, compared to 31 per cent and 43 per cent across the EU. Amongst our comparator countries, in Sweden over half the workforce said it would be very easy to take time off, with France being somewhat less flexible, with only 19 per cent saying it would be very easy. There was not a great deal of difference between the remaining countries.



Source: [European Working Conditions Telephone Survey 2021 | European Foundation for the Improvement of Living and Working Conditions (europa.eu)]

CONCLUSIONS

This report updates the CIPD's original findings presented nearly a decade ago and come to much the same conclusion. In most areas the UK's less rigorous regulation compared with some other OECD countries is not associated with worse labour market outcomes on most indicators or with an inferior quality of work.

However, some organisations have argued that the UK can safely move towards more strict European style legislation in a number of areas and that this will not only have no adverse impact on labour market outcomes but is an essential building block in making the UK a high wage-high productivity economy[9]. A recent academic article made similar arguments[10].

This rationale also lies behind the Government's proposals to significantly strengthen employment rights through a raft of proposals to be introduced in its forthcoming Employment Rights Bill.

The analysis in this report suggests that changes to employment regulation should be made with careful consideration and recognition of the potential unintended consequences.

It would be regrettable if steps to strengthen employment protection had the effect of undermining the UK's high level of permanent employment and increasing the incidence of involuntary temporary work.

Avoiding unintended consequences

A good example of where caution and potentially compromise is needed is the proposal to remove the two-year unfair dismissal qualifying period as part of its plan to create day- one employment rights. The Government has said that it will still enable the use of probationary periods but there is as yet no detail on how this would work in practice and whether there would need to be new rules around their use.

It is plausible that removing the unfair dismissal qualifying period could have some adverse impacts on the distribution of employment by worsening outcomes for those employers perceive as being higher risk.

Moreover, it is not just in the hiring process that day one rights may encourage less risk taking. Some employers may tighten up the assessment conditions in probationary

periods so that they offer less slack to marginal performers who might otherwise be given the time and space to demonstrate they can do the job.

The Government has indicated that improving the employment rate of ex-offenders is to be an important objective, something the CIPD has strongly supported[12].

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[9] http://www.tuc.org.uk/blogs/uk-needs-massive-workers-rights-boost-match-global-norm#:~:text=The%20analysis%20%E2%80%93%20carried%20out%20for,significantly%20weaker%20than%20other%20large

[10] The economic effects of changes in labour laws: new evidence for the UK • Digit (digitresearch.org) [12] CIPD Trust publishes guide to support organisations in recruiting and retaining people with convictions | CIPD

Only 17% of ex-offenders are employed 12 months after release and yet nearly 90% of employers who did employ them rated them good at their job. There is clearly much to be done to reduce employer wariness in hiring decisions.

It would be unfortunate if day-one rights made employers more rather than less risk averse to taking on ex-offenders. The same reaction could affect many other disadvantaged groups, including the long term unemployed and young people with poor qualifications.

They may also increase the incidence of "involuntary" temporary work (the share of people who say they took temporary work because no permanent work is available). Some employers may offer temporary contracts for the duration of probationary periods so they can reduce the risk of letting candidates go who they do not think are suitable. The substitution of temporary for permanent work risks worsening the UK's relatively good performance on this indicator, as we show in this report.

Consequently, there is a strong case for the Government to consider rather than completely removing the unfair dismissal qualifying period, reducing it, for example, to 12 or six months.

Another area where compromise may be needed to prevent an increase in the use of agency and temporary workers in the economy is on the Government's plans to tackle 'exploitative zero hours contracts'.

For example, there should be consultation over the proposal to give workers the right to a contract that reflects the hours they normally work over a 12-week reference period. Many employers are likely to want a longer reference period to reflect seasonal demands on their business or other drivers of peaks and troughs in demand. If the bureaucracy or cost of employing people on zero hours contracts increases too much, employers are likely to respond by using more casual, temporary staff or self-employed contractors who can provide the flexibility they need.

The Government has set itself an ambitious agenda to improve labour market performance, work quality outcomes, and productivity. These are widely shared and supported by the CIPD. Sensible and proportionate legislation has a role to play, but those who hope that they can regulate their way to these objectives will be disappointed.

Improving enforcement and workplace practices

A better long-term approach is to focus on encouraging good workplace practice and support for organisations to implement them, backed by effective enforcement. The Government's proposal to establish a new Fair Work Agency to create a single labour market enforcement body is welcome but needs to be augmented by a new labour market enforcement strategy, encompassing the work of all the enforcement bodies including the Health and Safety Executive and the Equality and Human Rights Commission, as well as the employment tribunal system. CIPD research suggests that to be effective this strategy needs to have a much stronger focus on supporting employers to comply with the law – particularly SMEs – who have little or no access to professional advice on HR or people management and development. Consequently, CIPD has called for a significant increase in funding for Acas to improve and extend the reach of its advice and support services.

More broadly there is a need to improve the quality of HR support available within publicly funded business support services given people management is an area of particular weakness among small firms.

A greater focus on improving the quality of people management and development would also help raise levels of employee engagement, which this report finds is an area where the UK lags internationally

Finally, it is a small but important point, but it is clear from this report that as a consequence of Brexit it would be much more difficult to do a comparable update of this report in just a few years' time. The new Government has indicated it wishes to have a more constructive relationship with the EU going forward and reviewing the UK's participation in and contribution to statistical information compiled by Eurostat and the EWCS could be one area where progress can be made.

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