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Will Labour secure workers' rights for the 21st century?

*The Labour Government has introduced a new Employment Rights Bill. It aims to expand flexible work arrangements, ban unfair dismissal from day one, ban zero-hour contracts in their current form, reform parental leave, among other things. But, **Kirsten Sehnbruch** argues, this bill alone won't be enough to guarantee workers' rights are fit for the 21st century.*

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One in four workers in the United Kingdom is in poor-quality **employment**. 20 per cent of the workforce claims **universal credit**. According to the Office of National Statistics, approximately 750,000 workers have left the labour market since the pandemic and 1.3 million workers have a second job. We also know that an increasing proportion of the labour force is working on a self-employed basis, or in the gig economy. Others are being monitored through new technologies such as ankle bracelets or working to tight schedules, often under unacceptable conditions.

So an **Employment Rights Bill** that helps to improve working conditions and addresses some of these glaring inequalities in the labour market is in fact long overdue. However, on its own, it will not resolve the inequalities that characterise our labour market.



Flexible working arrangements will become the default, not the exception.



What's in the new employment rights bill?

The Employment Rights Bill includes proposals to expand employment rights against unfair dismissal and to parental leave from *day one* of a new employment relationship. *Zero-hour contracts* will be obliged to specify a minimum number of hours. Fire and rehire practices will be prohibited except in extreme circumstances. *Flexible working arrangements* will become the default, not the exception. Multiple institutions tasked with the enforcement of labour rights will be brought together in a single *Fair Work Agency*. And *minimum wages* will be tied to the cost of living and will be made uniform across all age groups, which provides younger workers with a significant boost in wages.

Together, these measures constitute steps towards an overarching goal of “making work pay”, as the government puts it. In addition, further employment bills have been announced for the coming years. These include a worker's *right to switch off*, new legislation to end *pay discrimination*, reform of *parental and carer's leave*, as well as the renegotiation of *worker status*.



The message that it is not enough to have a job, but that its employment conditions determine whether a worker and their dependents can actually live a decent life or not seems finally to have penetrated not just the political discourse, but also the legislative agenda.



Of course, in both the current Employment Rights Bill and future Bills, the detail of the actual legislation will be subject to much discussion and negotiation between unions and employers that will determine its real impact on working lives. And of course, it will not resolve all the problems of all workers. However, this is why its role as a political signal is so important: It matters when a government signals that employment conditions are important. The message that it is not enough to have a job, but that its employment conditions determine whether a worker and their dependents can actually live a decent life or not seems finally to have penetrated not just the political discourse, but also the legislative agenda.

The new worker's bill isn't enough on its own

So much for the praise. The real question is whether the proposed legislation will genuinely set the UK's labour up for the 21st century. This requires improving both the equity and the efficiency of its outcomes. To achieve this, we must connect labour reform with other areas of public policy. Three in particular stand out: the care economy, vocational training, and social policy.



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How to help boost the care economy

First, any expansion of rights to parental leave is very welcome. Too many women leave the labour market and return to it on a part-time basis or in jobs that pay less. This “**child penalty**” affects not only their career, but also translates into lower productivity for the economy as a whole. Countries which promote **parental leave equality** and thus encourage *both* parents to share childcare responsibilities have made more progress in decreasing the child penalty. Equally, these countries have expanded quality public childcare so that *both* parents can return to the labour market in employment that best matches their qualifications and experience.

The same principle applies to workers caring for elderly parents. The burden of both in the **sandwich generation** falls disproportionately on women and their careers, especially when a lack of public services does not permit workers to function as productively as possible. Labour reform must therefore be complemented by reforms in the care economy that complement employment opportunities and decrease gender inequality.

How to enable vocational training for life

Second, employment legislation must be linked to institutions that support workers in their careers over the life cycle. Never has this been more important than now as labour markets face the undoubtedly significant impact of artificial intelligence and other new technologies.



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At present, governments take great care to achieve the best educational outcomes possible, invest in diminishing inequalities across schools, and shape higher education to provide workers with the best opportunities possible once they join the labour market. Most governments, however, then leave the rest up to the individual worker and their employers, i.e. the market. In practice, this means that investment in **skills** flows to the most qualified workers with higher earnings. This exacerbates inequalities instead of diminishing them.

Yet many workers, often young adults, become trapped in jobs with low pay and poor employment conditions. In this situation, they cannot afford to stop working and retrain, or potentially undertake their first real vocational training. In addition, our welfare state pushes workers receiving some form of **social support** towards taking on more hours or another job in what essentially amounts to a dead-end street for their professional development.

Countries that deal with this situation best are those which have institutionalised combined public *and* private funding to finance replacement wages so that workers can genuinely afford either to leave the labour market and (re)train, or can work (with reduced hours or pay) while they retrain. The replacement rates of wages, however, must be high enough for this to work and the funding must extend to covering the cost of retraining, for example if this involves a second degree. Minimal benefits such as the present job seeker's allowance do not serve such a purpose.

Effective labour market reform must therefore be accompanied by a new institutional framework – not a patchwork of active labour policies – that provides genuine life long learning in a context of rapidly changing technologies, ensuring that job displacements do not hit the most vulnerable workers the hardest.



We also know that workers in poor-quality employment suffer from worse physical and mental health, cycle in and out of the labour market, and are more likely to receive universal credit.



How to level the playing field

Third, it is necessary to level the playing field in our labour market, where good jobs contrast sharply with bad ones. Zero-hour contracts are not the only form of flexible employment that is precarious. Many workers who actually depend on an employer are often hired as self-employed workers, are outsourced, or hired through agencies. Others – and we are not sure how many – are working in a platform based economy.

The question arises why these arrangements are so prevalent and why their number is increasing? This is not just because of the flexibility they afford employers and (sometimes) workers. It is also because these arrangements are often cheaper because “workers” are not protected by the same rights as “employees”.

The problem with these arrangements is that their lower costs are then taken on by the state in the form of lower or intermittent taxes and contributions while workers are entitled to the same rights (e.g. healthcare) or benefits, such as universal credit. We also know that workers in poor-quality employment suffer from worse **physical** and **mental** health, cycle in and out of the labour market, and are more likely to receive universal credit.

This increased cost of poor-quality employment is passed on to the state. To level the playing field, for both workers and employers, and to incentivise the generation of good jobs, it should never be cheaper to hire workers on a flexible basis than it is to hire them on a long-term, full-time, stable contract. To sustain the welfare state now and in future, we must consider that it is built on the labour market. If we undermine this foundation by allowing poor-quality employment to flourish, we are also undermining our welfare state as well as entrenching existing inequalities.

In short, we should expect our 21st century labour market to look very different going forwards, especially as new technologies change how we work. An Employment Rights Bill must therefore be embedded in a broader policy agenda that thinks about these changes and prepares our economy for the future.

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