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Why the “flexicurity” model of the labour market is not sustainable

The current social contract is based on the hiring of workers on flexible contracts, such as on a part-time, temporary, short-term or zero-hour basis, or via some form of subcontracting, writes Kirsten Sehnbruch. For workers, this often spells bad news in the form of low and unpredictable income flows. But is the “flexicurity” model more fundamentally flawed from a macroeconomic lens?

Covid, the cost-of-living crisis and intensely disruptive strike action pushed employment up the ladder of political priorities before the election. Indeed, the manifesto which the new Labour government campaigned on included a “**Plan To Make Work Pay**”, which aims to “deliver a *new deal* for working people” (my italics). It therefore makes sense to ask: what is the current deal for working people – and how should we think about inequalities in the UK labour market?

Quantifying the number of workers stuck in poor-quality jobs

In this context, my recent research with Mauricio Apablaza and Beatriz Jambrina Canseco has focused specifically on conceptualising and quantifying how many workers in the UK have jobs that could be described as “poor-quality”. Using data from Understanding Society on low wages, insecure contracts, short employment tenures, excessive or insufficient working hours, lack of private pension coverage and lack of job autonomy, we have generated a multidimensional measure that not only quantifies how many workers are in poor-quality employment, but also how intensely they are deprived.

Based on a methodology developed in [Sehnbruch et al \(2020\)](#) and recently developed further in a [UN paper](#), our results show that **a quarter of the labour force** in the UK is employed in poor quality jobs. In London, where the cost-of-living is higher than average, this proportion increases to one in three workers.

Our results also show that women, less educated workers, the self-employed and some ethnic minorities are also more likely to be in poor-quality employment, as are people in the 16-25 and 65+ age brackets. Conversely, union members are more likely to be in good-quality jobs.



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These results are not surprising. However, our work also shows that the *intensity of deprivation* among these workers has increased slowly but surely in recent years. While minimum wage increases and the roll out of employer pension systems have improved the employment conditions of workers, a steady increase in the share of jobs with precarious contracts and short tenures have had the opposite effect.

It is therefore worth thinking about the broader context within which Labour's "Plan to Make Work Pay" could be implemented. This means considering the social contract that simultaneously sustains and builds on our labour market, taking account of trends such as an aging population, increased migration and unprecedented technological change.

Three flaws of the "flexicurity" model

Our existing social contract is based on a logic of "flexicurity": current legislation permits the hiring of workers on *flexible contracts*, such as on a part-time, temporary, short-term, or zero-hour basis, and/or through different forms of subcontracting or a platform. The demand for labour can thus be adapted according to fluctuating needs of businesses. Workers may welcome such flexibility if it allows them to work around family commitments, although they are unlikely to favour the low wages, pensions and unpredictable income flows associated with such jobs.

To protect workers, the UK government – like those in most advanced economies – provides different forms of social support (eg, Universal Credit, housing benefits and healthcare) as well as employment services designed to help workers find more or better work (or the next job in the case of unemployment). [Jones et al. \(2024\)](#) recently estimated that 20% of workers in the UK receive Universal Credit, and showed that the conditionality attached to such support often traps workers in

a vicious circle of poor-quality employment as the underlying assumption of the principle of flexicurity model is that any job is better than no job. The Labour Party's manifesto thankfully recognises that this principle not only hurts workers trapped in insecure jobs, but also undermines the productivity of the economy as a whole, especially when "good employers are being undercut in an uneven playing field."

The broader issue, however, is that the flexicurity model is more fundamentally flawed. Here, our research highlights three weaknesses in particular.

First, flexicurity has a tipping point: it can only be sustained when enough workers have stable, long-term jobs that pay continuous contributions into the tax and social security systems that fund it. When too many jobs – such as a quarter of the total – are flexible, instead of secure, the model becomes unsustainable. Workers in poor-quality employment both contribute less to the system and require more support from it as they frequently rotate between such jobs in the form of, for example, income support or unemployment benefits. We also know that such jobs are associated with worse physical and mental health and thus generate wider costs to the economy in the form of higher health insurance costs.



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Second, the disadvantages associated with poor-quality employment exacerbate each other: most workers in this category suffer from low wages *and* one or more other precarious employment conditions at the same time. In fact, our most recent research shows not only the extent to which these employment conditions come in clusters, but also that more intensely disadvantaged workers find it significantly more difficult to find a good job. This, of course, exacerbates the cost of flexibility to security and productivity, and constitutes a long-term mechanism that undermines the social contract. At present, although the benefit system takes account of multiple disadvantages, active labour market policies do not.

Third, the flexicurity model is inherently regressive and compounds existing inequalities in the labour market that we normally only examine in terms of wage inequality. The example of the pension system exemplifies this point: as workers in poor-quality employment contribute less to the system, they generally also receive lower benefits from it. In the case of unemployment insurance, the most vulnerable workers may be excluded entirely if they do not qualify for benefits, either because they have not contributed enough or not consistently enough.

Mapping out a new deal

What, then, should be done? Proposals included in the “Plan to Make Work Pay” such as ending one-sided flexibility, prohibiting “firing and rehiring”, strengthening statutory sick pay and the role of unions will undoubtedly help. A single enforcement agency with union representation, as Labour proposes, will also help. The quantity of poor-quality jobs will come down as a result.

Yet the proposals fall short of genuinely strengthening the foundations of our social contract, which can easily be undermined by the next economic crisis, the accelerated pace of technological change or future swings in the political pendulum. In a [follow-up](#) to this post, I therefore set out what I see as the key pillars needed to support a genuinely new deal for workers – a new social contract that can serve as the long-term foundation upon which meaningful socioeconomic progress can be based.

Watch a recording of the LSE Event [Good jobs, bad jobs in the UK labour market](#).

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