

# Resolution Foundation

## REPORT



### A steady job?

*The UK's record on labour market security and stability since the millennium*

Paul Gregg & Laura Gardiner  
July 2015

## Acknowledgements

We would like to thank the Nuffield Foundation for supporting this research. The views expressed are not necessarily those of the Nuffield Foundation, and any errors remain the authors' own.



# Contents

<b>Executive summary .....</b>	<b>4</b>
<i>Section 1</i>	
<b>Introduction .....</b>	<b>10</b>
<i>Section 2</i>	
<b>Insecure employment and the 30:30:40 society .....</b>	<b>13</b>
<i>Section 3</i>	
<b>Employment stability: labour market transitions and job tenure .....</b>	<b>21</b>
<i>Section 4</i>	
<b>Secure and stable? Concluding remarks and wider implications.....</b>	<b>31</b>

## Executive Summary

Just seven years after the start of what turned into the most sustained economic downturn in living memory, the UK's headline employment rate stands at an historic high. So remarkable has been the resilience of the labour market during this downturn and the pace of the subsequent jobs recovery that 'full employment' has returned to the top of the political agenda.

Impressive though the headline data is, critics argue that much of the surge in employment has been at the cost of job quality. In part this argument reflects the extremely poor performance of pay and productivity since the crisis, but it also relates to a sense that job insecurity is rising for many workers.

Understanding the extent to which this criticism is fair – have we sacrificed quality for quantity? – is likely to be central to the renewed focus on full employment. That's because, with labour market slack diminishing as the economy strengthens, pushing employment higher still is likely to require not just creating opportunities for the unemployed to move into work but also bringing significant numbers of economically inactive adults into the workforce. Achieving this will in no small part depend on whether the available jobs are of sufficient quality to prove attractive to those who are further away from work.

The story on pay is well-established but other aspects of job quality are less routinely measured. Therefore, in this note we return to some commonly-used broad measures of job security and stability, in particular to understand developments over the past two decades and how experiences have differed across genders and the generations.

### **Insecurity does not seem to have broadened across the workforce, but may have deepened for a minority**

Perhaps the single most effective move on job quality in recent years came in 1999, with the introduction of the National Minimum Wage: at a stroke, this helped to all but eradicate exploitative pay levels. But **job quality and security of earnings goes beyond hourly pay, and many have argued that work has become more precarious** in other ways. To test this theory,

**we return to a definition of insecurity established 20 years ago**, during another period of strong labour market performance, by Will Hutton. It brings together factors including part-time working, self-employment, temporary working, job tenure and low weekly pay (relative to the average) to distinguish three groups within the working age, non-full-time student population (the terminology comes from Hutton):

- » The **'disadvantaged'**, who are **workless or unwaged**;
- » The **'insecure'**, who are **working part time** or in **temporary jobs**, have **not been in position long enough to have various employment rights**, or are relatively **low paid**; and,
- » The **'privileged'**, who tend to be in **full-time, stable employment** or **well-established as self-employed**.

Using these definitions, we find that **rising employment over the past two decades has tended to reduce the share of the population classified as disadvantaged, with offsetting – and roughly even – increases in the other two groups**. From the mid-1990s to the turn of the century, the primary transfer was between the *disadvantaged* and *insecure* groups. But, in the eight years before the financial crisis of 2008, it was the share of adults in the *privileged* group that grew most strongly. The post-crisis downturn and rise in unemployment prompted a temporary swing between the *insecure* and *disadvantaged* groups, but by 2014 these cyclical effects had reversed.

As such, **there has been little change in the overall profile of insecurity using this broad measure**, with 32 per cent of the working age population (excluding full-time students) classified as *insecure* in 2014, compared to 30 per cent in 1994.

Beneath the headline level however, **the experience across genders and the generations has varied more significantly**. Men and in particular young people have experienced strongly rising insecurity on this measure. For example:

- » 29 per cent of **men** were *insecure* in 2014, up from 23 per cent in 1994.
- » 50 per cent of **18-29 year olds** were *insecure* in 2014, up from 40 per cent in 1994.

» Focusing just on those **18-29 year olds who are in work** (i.e. excluding the *disadvantaged* group), 66 per cent were *insecure* in 2014, up from 55 per cent in 1994.

In contrast, older people and in particular women have become relatively more secure over the period in question, reflecting extended working lives and rising female employment – including full-time working – among mothers:

» 38 per cent of **women** were in the *privileged* group in 2014, up from 31 per cent in 1994.

» 48 per cent of **people aged between 50 and the state pension age** were in the *privileged* group in 2014, up from 42 per cent in 1994.

However, **set against this broad picture of stability in the overall level of insecurity, it is clear that specific forms of atypical and often low-quality employment – including involuntary part-time and temporary working, less secure self-employment and zero hours contract working – have grown in prevalence** during and since the downturn. Relatively small groups of workers (compared to the overall workforce) are affected in each case. For example, only 4 per cent of workers are involuntarily part-time, only 2 per cent are involuntarily temporary employees and only 2 per cent are on a zero hours contract (with some overlap between these groups). But the implication is that a sizeable minority are facing particularly acute forms of insecurity.

Although initially connected to the downturn, **some of the growth in these atypical or undesirable employment forms appears to have structural as well as cyclical elements**. Therefore, we conclude that **while the breadth of insecurity appears fairly stable over time – as best we can capture it with inevitably high-level data – the depth of precariousness faced by a significant minority has risen in this same period**.

Alongside an overall increase in employment and positive trends for women and older workers, these **pockets of potentially deep insecurity point to a need to consider a targeted policy response if they persist as the economic recovery strengthens further**.

## Employment stability is rising, but this is partly driven by falling mobility, a potentially more worrying outcome

Measures of job quality and security are key considerations when thinking about getting towards full employment: work needs to be attractive enough to entice potential workers in. This is particularly the case because moving beyond today's relatively high level of employment towards something that more closely resembles 'full' employment is likely to mean engaging with those groups less likely to be participating in the labour market, rather than just targeting the unemployed who are actively seeking work. For these 'low-activity' groups the wages, quality and security of jobs matter in addition to just job availability per se.

One of the key improvements in security taking place in this period is in relation to job stability. This is likely to be particularly important for those who need inducing into the labour market: stable jobs are likely to help persuade those at greater distance from the workforce to invest the time and effort required to enter work and build skills. Rising stability might at first glance seem like a very positive trend. However, digging beneath the headlines, we find that the story is not so clear cut.

**Job tenure** – specifically the median length of time a worker has been in the same job – is a commonly-used proxy for employment stability. On this measure we find gently rising stability over the past two decades once cyclical effects are controlled for, with aggregate tenure rising by roughly one third of a month a year. As with the broader measure of security, we find significant differences across the genders in relation to trends in stability: the aggregate rise in tenure has been a wholly female experience, with tenure for prime-age men in secular decline.

However this 'job tenure' measure of stability conflates welcome developments (which we would expect given 'stability' is normally considered a positive thing) with some perhaps more worrying trends. Therefore we evaluate separately the three labour market transitions that, together, determine stability in terms of employment tenure:

- » First, **entry into employment from worklessness**, which has been **flat overall** for the entire period considered, apart from a dip around the 2008-09 recession which quickly reversed. For men and particularly young people, however, entry rates have not yet recovered to their pre-crisis norm.
- » Secondly, **exiting employment to worklessness**, which has been in **long-term decline** for all groups (although the decline has been much shallower for young people).

These trends in transitions to and from worklessness – flat and quickly-recovering job entry combined with falling job exit – are unambiguously positive.

Perhaps more worrying is a similar **long-term decline** in the rate of **movement between jobs** – the dominant factor driving stability of tenure – which remains subdued relative to employment growth. Job mobility is generally a key enabler of pay progression and career advancement, and this is particularly the case for young people as they build careers, find roles in which their productivity will rise, and make progress up the earnings curve.

We speculate on the reasons why job mobility has fallen. It may partly be the flip-side of lower job exit, meaning job moves become less frequent as careers last longer and working lives are stretched out further (and are less interrupted by childbirth for women). However, it may also signal a progression and promotion 'blockage' in our jobs market, implying a less efficient sorting process through which people allocate themselves to more productive roles (and firms) than in the past.

Therefore, **while declining job churn has driven stability of tenure, it may have concerning implications for young people's career prospects**, as well as for pay and productivity growth in the long term.

### **The story on job security and stability is complex, but should remain at the heart of current economic debates**

**This assessment of different measures of job security and stability has painted a more complex picture than that usually conveyed in discussions of job quality and insecurity.** We take away three key findings:



- » First, we **find little support for the idea that insecurity on a broad definition has increased across the workforce over the past two decades**. However, there is evidence that a sizeable but growing minority are facing particularly acute forms of precariousness. Insecurity appears to have *deepened* rather than *broadened*.
- » Second, **stability of employment has risen. Whether this is welcome or not is unclear**. Declining job mobility may well signal possible progression and promotion blockages in the labour market, which will particularly hold back the young.
- » Finally, **the overall picture on security and stability masks big differences between the genders and generations**. For older workers and particularly women the trend has been towards more secure and stable employment; for young people things are moving in the wrong direction.

We have argued that considerations of job quality such as these are central to the recently-revived goal of achieving full employment in the UK. Questions of job quality are linked to the overall quantity of work and the supply of labour.

Subsequent outputs in this project will draw upon these findings in order to establish a definition of full employment and develop practical proposals for achieving such an ambition. For example, we will consider what action might be needed to deal with the pockets of deepening insecurity we have described, in order to ensure that flexibility in the expanding labour market is balanced against fairness, and that jobs are attractive. We will review what employers can do to entice those currently detached from the workforce as the jobs market tightens and the pool of those already actively seeking work diminishes. And we will evaluate the steps needed to improve the prospects of particular groups – including young people – who are falling behind on both job quantity and quality measures.

## Section 1

# Introduction

After a sharp contraction following the financial crisis of 2008, the UK labour market is now well along the road of jobs recovery, with the headline employment rate touching new highs in recent months. So strong has the recovery been, that political attention is now turning to how close we may be to full employment and what it would take to get there. Indeed, the recently-published *Welfare Reform and Work Bill* is designed to introduce a statutory duty on the government to report progress against the ambition of full employment,<sup>[1]</sup> with the Chancellor suggesting that it might require an additional 2 million jobs by the end of the decade.<sup>[2]</sup>

As we noted when launching our new project on full employment, the scope for pushing employment higher via creating opportunities for the unemployed – who are actively seeking work – is declining as the labour market tightens.<sup>[3]</sup> Pursuing full employment is therefore likely to mean engaging with those less likely to already be active in the labour market, such as those with health problems and disabilities, the lowest skilled, single parents and black and minority ethnic adults.

In part, that means adopting specific policies designed to boost incentives and support working among such groups. However, it also means ensuring that the jobs that are available are of sufficient quality – in terms of pay, employer rights and stability. Indeed, it might be argued that those at the edges of the labour market require particularly strong signals of quality in order to be induced to make the necessary investment of time and effort to move into work. That's especially the case given that many of these potential workers will not be subject to benefit conditionality that would require them to take any available job.

Encouragingly, the journey towards full employment may create some 'virtuous cycles' in this respect: as labour becomes scarcer there will be greater competition between firms to recruit, driving the quality of job offers in terms of pay and conditions upwards.

With this in mind, attention is shifting from the *availability* of work to job *quality*. The recent and future path of wages is an aspect of this – real pay has fallen nearly 10 per cent over six years and stands around 20 per cent below where it would have been if pre-crash trends had continued uninterrupted – as well as other factors that broadly capture the ability of work to deliver income adequacy and income security over time, including job length, working hours, contractual terms, and employment rights.

On these fronts, there is an established narrative that labour market insecurity and instability have grown in recent years. Rises in self-employment, temporary contracts, part-time hours, short-tenure jobs and in particular the rapid (measured) increase in zero hours contract working over the downturn – coupled with the enduring wage squeeze and Britain's persistent low-pay problem<sup>[4]</sup> – have been widely associated with the idea the work has become increasingly

---

[1] *Welfare Reform and Work Bill*, Bill 51, 2015-16

[2] 'Chancellor George Osborne's Summer Budget 2015 speech', HM Treasury, 8 July 2015

[3] See: P Gregg & M Whittaker, *Completing the job: The pursuit of full employment*, Resolution Foundation, July 2015

[4] For a discussion of this, see: A Corlett & M Whittaker, *Low Pay Britain 2014*, Resolution Foundation, October 2014

precarious and casualised.<sup>[5]</sup> The fact that some of these trends have endured during the more recent period of employment recovery has been taken as a signal that the growth in insecurity is not a recession-related phenomenon so much as a more structural change in the labour market.<sup>[6]</sup>

Yet this concern is nothing new. The idea that the UK is experiencing a secular shift towards insecurity took root long before the recession, most notably in Will Hutton's seminal book, *The State We're In* (1995).<sup>[7]</sup> In this he charted the concurrent trends of a labour market providing less stability of employment and security of earnings; and rising family breakdown and delayed household formation increasing the likelihood of being single as an adult. These trends meant that reliance on a partner's earnings was fraught with risks alongside one's own chances of earnings insecurity. He dubbed the labour market in 1995 as creating a 30:30:40 society in which around 40 per cent of the working age population enjoy secure and at least reasonably well-paid work; 30 per cent experience insecure or low-paid employment; and the remaining 30 per cent are workless, unwaged or on poverty wages.

Echoing the emphasis that Hutton places on employment tenure, and building on the idea that the 'job for life' is in decline, Paul Gregg and Jonathan Wadsworth described a dramatic fall in the prevalence of long-term jobs in the decades prior to the millennium (with pronounced differences across genders and age groups).<sup>[8]</sup> And Guy Standing has similarly documented the rise in job insecurity, arguing that these trends in the labour market combined with other societal shifts have created a new class grouping: the 'precariat'.<sup>[9]</sup> He has theorised that such shifts are not unique to the UK, but evident (if not more pronounced) in the US and Northern Europe as well.<sup>[10]</sup>

Given the new focus on insecurity and the challenges this poses for the government's full employment target, now is an opportune moment to return to the concepts of stability and security discussed above, and explore the extent to which they describe our labour market today. That is what this note – the third output from our full employment project<sup>[11]</sup> – sets out to do.

Specifically, we map *insecurity* as broadly captured by Hutton's 30:30:40 definition, and *instability* as captured through job tenure and the entries and exits that drive it, over the past two decades. As far as possible, we isolate trends from cyclical swings around the crash, and separate out shifts at the aggregate from the varying experience of different genders and age groups.

## Navigating this note

This note is divided into three further sections:

- » **Section 2** describes our take on Hutton's concept of the 30:30:40 society and presents trends on this measure of insecurity (see Figure 1) over the past two decades, both at the aggregate

---

[5] For example, see: Trades Union Congress, *The Decent Jobs Deficit: The human cost of zero hours working in the UK*, January 2015; K Hignell, *Second Choice Jobs: The real life impact of the changing world of work – notes from the frontline*, Citizens Advice, February 2015

---

[6] For recent reflections in relation to zero hours contract working, see: C D'Arcy, 'Are zero-hours contracts here to stay?', Resolution Foundation blog, 25 February 2015

---

[7] W Hutton, *The State We're In*, Vintage, January 1996

---

[8] P Gregg & J Wadsworth, 'Job Tenure in Britain, 1975-2000. Is a Job for Life or Just for Christmas?', *Oxford Bulletin of Economics and Statistics* 64, December 2002

---

[9] G Standing, *The Precariat: The new dangerous class*, Bloomsbury, April 2011

---

[10] 'The 'Precariat'; Humour in Sociology', *BBC Radio 4 Thinking Allowed podcast*, June 2015

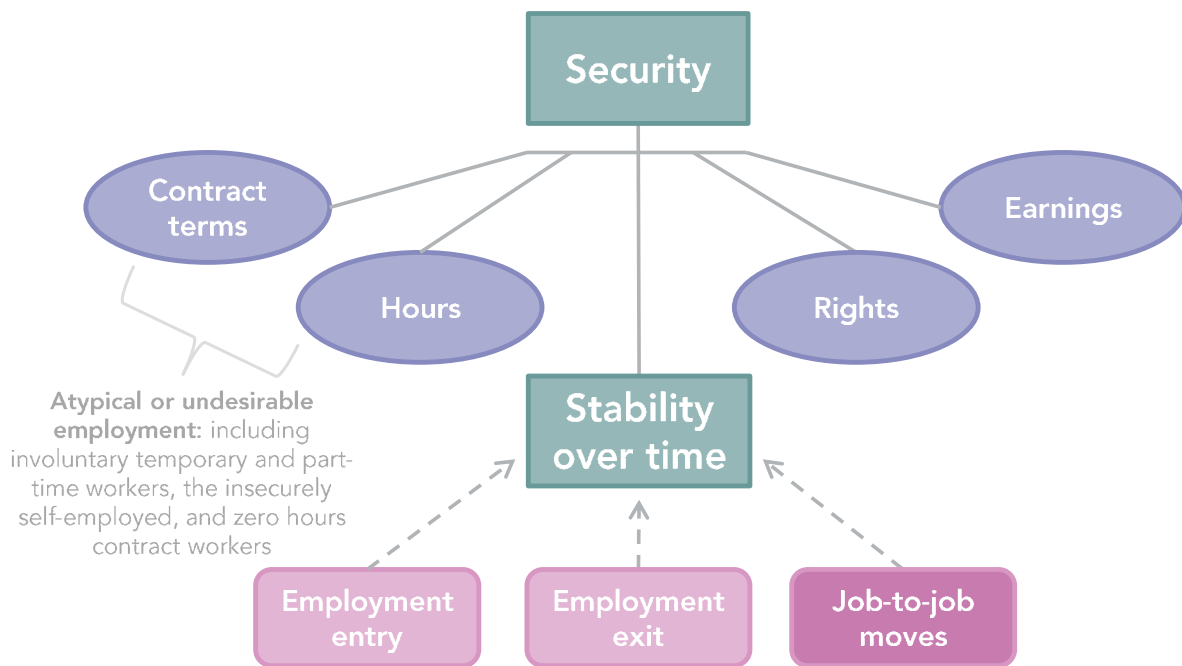
---

[11] The first two outputs were: P Gregg & A Corlett, *An ocean apart: The US-UK switch in employment and benefit receipt*, Resolution Foundation, June 2015; and, P Gregg & M Whittaker, *Completing the job: The pursuit of full employment*, Resolution Foundation, July 2015

and for different age groups and genders. It also explores evidence for other forms of precarious working that have emerged or become more prevalent in recent years.

- » **Section 3** turns to the concept of stability as captured by employment tenure and the labour market transitions that drive it. We discuss the positive aspects of increases in stability as well as some more concerning trends relating to a lack of mobility. Again, the divergent experiences of men and women, and the young and the old, are explored.
- » **Section 4**, provides concluding remarks, including on the wider significance of the trends in stability and security that we observe.

Figure 1:  
**Concepts of labour market security and stability explored in this analysis**



## Section 2

# Insecure employment and the 30:30:40 society

*We start by broadly replicating Will Hutton's definition of the 'disadvantaged', 'insecure' and 'privileged' groups in the UK's working age population over the past 20 years. We describe trends in job insecurity as captured within this structure, and how they have differed for men and women and across the generations. In addition, we summarise the evidence for specific atypical or undesired employment forms that have emerged or become more prevalent in recent years, to understand the depth of insecurity – or the minorities for whom it bites hardest – as well as the breadth.*

### The 'insecure' sit in the middle of the 30:30:40 society

As part of his account of the economic and societal problems facing Britain at the end of the last millennium, Hutton describes the UK labour market in the mid-1990s as one in which deregulation and flexibility had led to casualisation and insecurity for a growing share of workers. To illustrate this,

*While inevitably somewhat subjective, the classification [Hutton] produces provides a useful starting point for thinking about labour market insecurity*

he segments the working population into three groups: broadly speaking a workless or 'disadvantaged' group at the bottom; a secure or 'privileged' group at the top; and in the middle, a growing group – the 'insecure' – whose employment denies them sufficient protection, benefits and rights to guarantee income over time.

By bringing together factors including part-time working, self-employment, temporary working, job tenure and very low pay (relative to the average), Hutton quantifies the size of each

of these groups and in particular delineates the insecure. While inevitably somewhat subjective, the classification he produces provides a useful starting point for thinking about labour market insecurity, and thus we replicate it here. Our precise definition is described in Box 1.

**i** Box 1: Defining the 30:30:40 labour market

Our definition of Hutton's 30:30:40 groupings follows his description in *The State We're In* as closely as possible, with additional judgements and assumptions made where necessary or appropriate. Using the quarterly *Labour Force Survey*, we segment the non-full-time student population aged above 16 but below the state pension age (65 for men throughout; 60 for women up to 2011 and then rising gradually in line with policy) as follows:

- » **'Disadvantaged'**: Unemployed and economically inactive adults, unpaid family workers and those engaged with government employment and training schemes designed to alleviate unemployment.
- » **'Insecure'**: All part-time workers (apart from those who have held their jobs for more than five years – judged less likely to be in this position involuntarily and better paid on average); full-time self-employed workers or

employees who have held their jobs for fewer than two years (explicitly reflecting the tenure required to be able to claim unfair dismissal at the beginning and end of the period of time we consider); all other full-time workers who earn less than 50 per cent of the average full-time weekly wage;<sup>[1]</sup> all temporary and 'mini-job' (fewer than 16 hours) workers.

- » **'Privileged'**: The remainder of the working population: part-time workers in post for five years or more; full-time workers earning above half of the average full-time wage and in post for two years or more; excluding all employees on temporary contracts and all workers in a 'mini-job'.

[1] Self-employed earnings are not available in the Labour Force Survey, therefore the self-employed are assumed to have the same earnings distribution around this low-pay threshold as employees, on average.

Our take on Hutton's definition is necessarily a rough approximation to the concepts of casualisation, insecurity, lack of protection and stress to which he alludes. Nonetheless, it provides a whole-workforce perspective and as far as possible relates measurable concepts captured in data to the reality of income adequacy and income stability over time (for example in linking 'insecure' job length to employment protection legislation). It could be countered, however, that there are some forms of insecure working not covered or not captured specifically enough. As such, we consider alternative measures and more 'localised' evidence of precarious working – and how they relate to this definition – later in this section.

## There is limited evidence for rising insecurity overall...

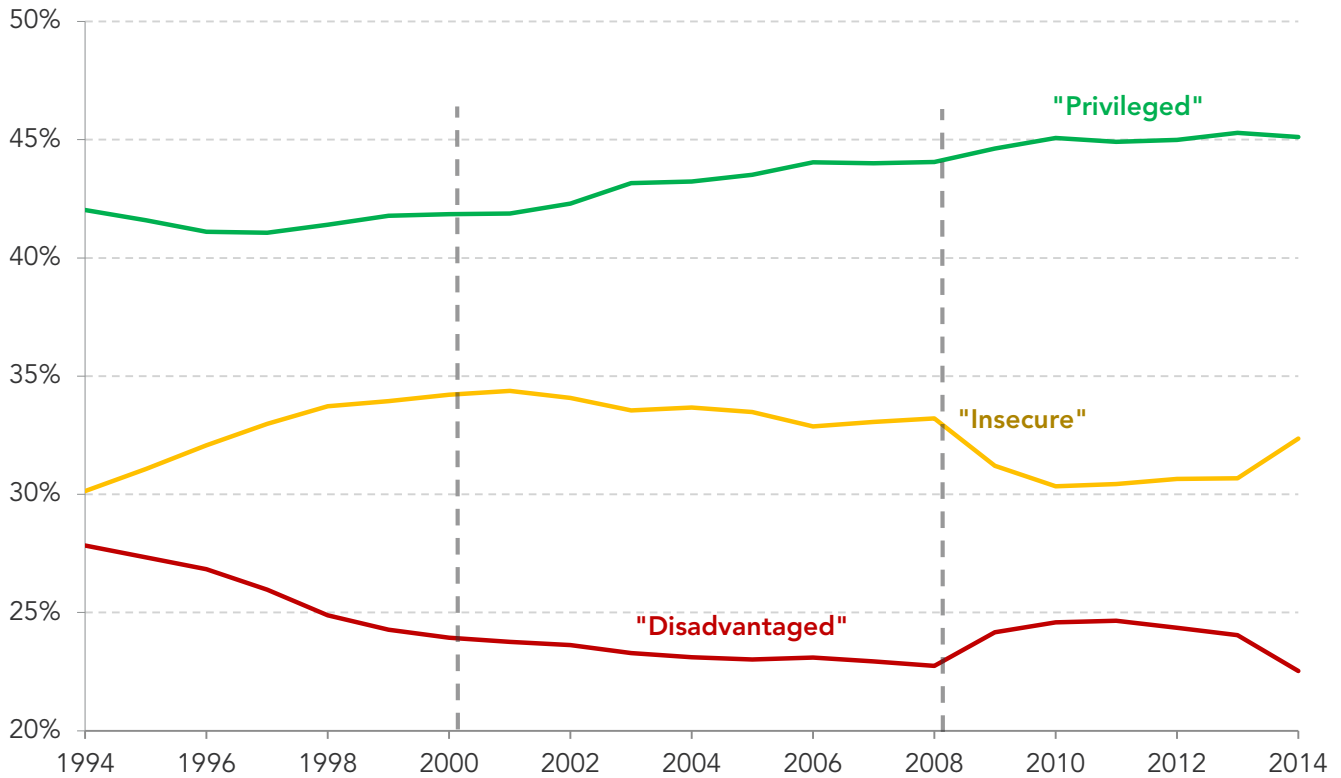
Figure 2 plots the segmentation of the non-student working age population into these groupings since the mid-1990s. It shows that at the time Hutton was writing his book, the labour market broadly conformed to the 30:30:40 society he described (more precisely we find it to be 28:30:42 in 1994), and trends were moving in the direction he indicated. Subsequently:

- » The rise in employment through the 1990s reduced the share of disadvantaged, but the growth was exclusively among the *insecure*.
- » In the early 2000s the pattern changed, with a plateau in the size of the insecure and steady growth in the *privileged*.
- » From 2008 there was some switching between the *insecure* and *disadvantaged* (largely workless) groups associated with the financial crash, but by 2014 the recovery had largely unwound this to the pre-crash position.

So at the aggregate level, there appears to be little evidence of insecurity capturing a broader segment of the workforce than it did 20 years ago. On our version of the Hutton measure, the 28:30:42 society has shifted towards a 23:32:45 one. In essence, a decline in worklessness has reduce the size of the *disadvantaged* group, with offsetting rises in the *insecure* and *privileged* groups being roughly equal.

Figure 2:  
**The 30:30:40 labour market since the mid-1990s, UK**

Proportion of the population in each 30:30:40 grouping (16-state pension age excluding full-time students)



Notes: See Box 1 for definitions.

Source: Resolution Foundation analysis of Labour Force Survey, ONS

## But for men and young people, trends are less positive

While insecurity on this broad definition has been relatively flat *overall*, the experience across genders and the generations paints a more complex picture, summarised in Table 1. Male *insecurity* rose through to 2000 while both the *privileged* and *disadvantaged* groups declined, and since then there has been essentially no change. For women there has been a slight decrease overall in the share of the *insecure* coupled with strong growth in the *privileged* grouping. This reflects rising female employment over this period and increased full-time working even among mothers, due in part to policies oriented specifically at helping mothers maintain contact with the labour market. Rising security in the last 15 years is therefore largely a female experience, although as with earnings a sizeable gender gap remains.

**Table 1: The 30:30:40 labour market by age and gender, UK (16-state pension age excluding full-time students)**

		1994	2000	2007	2010	2014	
All	"Privileged"	42%	42%	44%	45%	45%	
	"Insecure"	30%	34%	33%	30%	32%	
	"Disadvantaged"	28%	24%	23%	25%	23%	
Men	"Privileged"	54%	52%	53%	53%	53%	
	"Insecure"	23%	29%	29%	26%	29%	
	"Disadvantaged"	23%	19%	18%	21%	18%	
Women	"Privileged"	31%	32%	36%	38%	38%	
	"Insecure"	36%	39%	36%	34%	35%	
	"Disadvantaged"	33%	30%	28%	28%	27%	
18-29 year olds	"Privileged"	32%	28%	27%	28%	26%	
	"Insecure"	40%	50%	50%	45%	50%	
	"Disadvantaged"	28%	22%	23%	27%	24%	
30-49 year olds	"Privileged"	49%	49%	51%	52%	53%	
	"Insecure"	29%	32%	31%	28%	30%	
	"Disadvantaged"	22%	19%	18%	20%	17%	
50+ year olds	"Privileged"	42%	43%	48%	49%	48%	
	"Insecure"	20%	23%	23%	21%	23%	
	"Disadvantaged"	38%	34%	30%	30%	29%	

Notes: See Box 1 for definitions.

Source: Resolution Foundation analysis of Labour Force Survey, ONS

More dramatic are the differences by age. Table 1 shows that *insecurity*, having increased slightly in the late 1990s, has held relatively constant since 2000 for all those aged 30 and over. This has been coupled with an increase in the *privileged* grouping and a declining share of *disadvantaged*, particularly among the over 50s. Older people have been staying in employment for longer, getting closer to retirement age on average over the period considered. Coming to the end of careers, they generally have long tenure and relatively high wages. Hence employment growth has shifted older people directly from the *disadvantaged* to *privileged* groupings.

The experience of young people stands out in major contrast. There was a massive increase in the *insecure* portion of the workforce up to 2000 which has held steady since, meaning half of all young people are now classified as such. And in contrast to all other populations considered, the share falling into the *privileged* group has declined steadily despite the sizeable fall in worklessness (*disadvantaged*). The implication is that employment growth within the younger group has largely been concentrated in insecure forms of work. Indeed, focusing just on those in employment (i.e. excluding the disadvantaged group) we see that two-thirds (66 per cent) are currently in the insecure group, up from 55 per cent in 1994.

Of course, some of this will relate to changing study patterns: full-time students are excluded so do not directly affect the picture, but a shift towards exiting education later may mean entering the *privileged* group (i.e. securing stable, full-time employment) is pushed back to later in life as a result. Nevertheless, whatever the drivers, the broad conclusion is of a sharp generational divide in the 30:30:40 concept, in particular reflecting a marked decrease in the security of young people.



## Atypical and undesirable employment may signal new forms of precariousness

It could be argued that the broad groupings of the 30:30:40 fail to capture instances in which nominally insecure employment has bitten hardest in recent years, or entirely miss new forms of employment that have sprung up since the original Hutton definition. Here we briefly summarise the evidence for such patterns.

### Involuntary part-time and temporary working

While the 30:30:40 definition captures the steady changes that have occurred in the share of employment that is part time (including mini-jobs) or temporary over the past 20 years,<sup>[12]</sup> a more specific proxy for insecurity might relate to the instances when such contracts are explicitly not what the worker wants. The scale of 'involuntary' part-time and temporary working has received much attention of late. Having been flat since the turn of the millennium, both increased rapidly between 2008 and 2012 (involuntary temporary working increased by around 60 per cent, involuntary part-time working almost doubled), only falling back slightly since.

Importantly, each still accounts for only a minority of workers in that position (16 per cent of part-time and 35 per cent of temporary workers, equivalent to 4 per cent and 2 per cent of *all workers* respectively). But the fact that neither have returned close to their pre-recession rates even as employment has surged past its pre-crash peak raises concerns that such undesirable situations have not, at least as yet, responded to the jobs recovery and may remain as a more prominent feature for the longer term. Recent trends in the closely-related concept of underemployment paint a similar picture.<sup>[13]</sup> 'Involuntariness' may be seen as a proxy for work that fails to provide adequate earnings, stability, or contentment and freedom from stress. In this light, the endurance of these initially recession-related phenomena – albeit for a minority of workers – signals growing pockets of labour market insecurity very much in the vein of Hutton's definition but not explicitly delineated within his broad groupings.

### Self-employment

The Hutton definition of insecurity, which we have replicated here, includes the self-employed. However, they are treated in much the same way as employees – no allowance is given to the fact that self-employment might be a less secure way of working for some. This might reflect the fact that self-employment was flat or falling when the 30:30:40 concept was first articulated. But it has since risen significantly: steadily in the pre-crisis years and more sharply after 2008. Alongside this growth comes the sense that the nature of self-employed work has become less secure.

Most obviously this can be seen in the earnings of the self-employed, which have always been lower than employee earnings but have fallen back significantly over the period considered.<sup>[14]</sup> In 2002, median weekly earnings among the self-employed were 75 per cent of the value of median employee earnings; by 2012 the ratio had fallen to 54 per cent.<sup>[15]</sup>

---

[12] Broadly speaking, temporary working was falling in the decade prior to the crash and has been flat since, currently standing at 6.4 per cent of all employment. Part-time working was flat at around a quarter of all employment in the decade prior to the crash; it rose during the downturn to peak at 27.6 per cent in 2012, and has been falling since.

---

[13] Some of the measured increase in underemployment is likely to reflect dissatisfaction with earnings over the course of the six-year pay squeeze meaning workers report wanting more hours to make up the difference, rather than the decline in working hours in isolation. See: Office for National Statistics, *Underemployment and Overemployment in the UK, 2014*, November 2014

---

[14] Self-employed earnings are not captured by the Labour Force Survey – the basis of our 30:30:40 segmentation – therefore these trends do not feed through to this definition of insecurity.

---

[15] Source: Family Resources Survey, Department for Work and Pensions / ONS

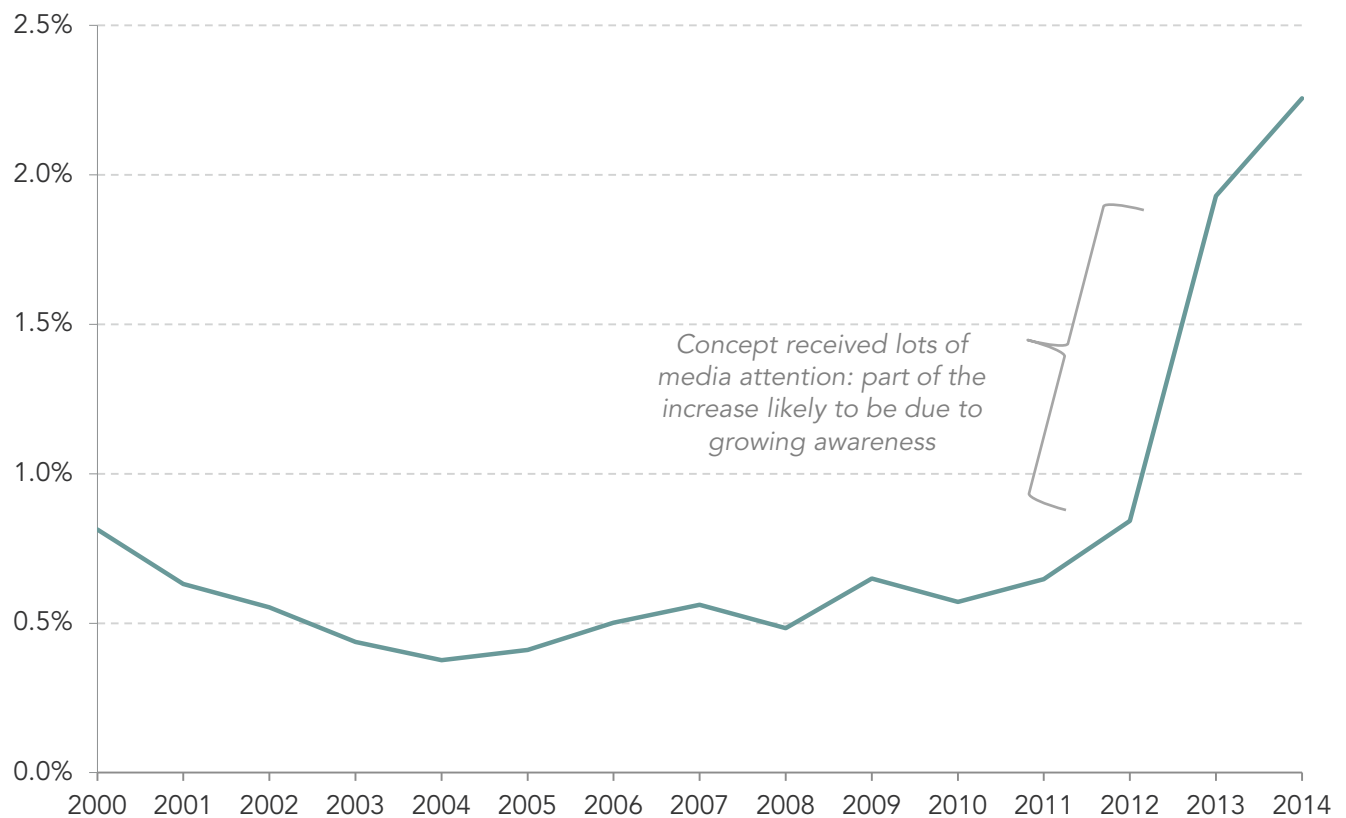
In addition, research by the Resolution Foundation into recent self-employment growth has highlighted potentially pernicious trends including accelerating underemployment among the self-employed; the rising incidence of 'doubling up' of self-employment and employee jobs; a lack of pension savings; and difficulty accessing consumer markets for housing and credit among this group. On the other hand, this research highlighted the great diversity of occupations and experiences among the self-employed; and the fact that, despite the challenges involved, the majority are content with their situation and view it as a first choice rather than a last resort.<sup>[16]</sup> And while self-employed earnings are lower than employee wages and have fallen further, their earnings distribution is much more polarised with many high earners as well as a group of very low paid self-employed workers.

Clearly then, self-employment works for many people but by no means all. Insecurity appears to be an issue, but one that bears down most obviously on a – potentially growing – minority (many of whom will be classified as 'insecure' in our definition above) rather than characterising the group as a whole.

**Zero hours contracts**

Figure 3:  
**The rise of zero hours contracts, UK**

*Proportion of workers on a zero hours contract (4th quarter of each year)*



Source: Resolution Foundation analysis of Office for National Statistics, *Contracts with No Guaranteed Hours, Zero Hour Contracts*, 2014, February 2015

[16] C D'Arcy & L Gardiner, *Just the job – or a working compromise?: The changing nature of self-employment in the UK*, Resolution Foundation, May 2014

The recent explosion in zero hours contract working, shown in Figure 3, has been a focal point for claims of growing labour market insecurity. Some of the early measured increases in this form of employment may reflect changes in reporting as the concept became more widely understood by the public, but the continued growth in the latest data – echoed in other surveys – is more likely to be genuine.

*There is evidence of growth in specific forms of atypical or undesirable working over the downturn, at least some of which has failed to unwind (so far) in the wake of employment recovery*

We should be wary of overstating the problem – zero hours contract workers still represent only around 2 per cent of all employment. But the fact that growth has continued in a period of employment recovery suggests that this contract type may be part of a longer-term workforce strategy for many employers, rather than just a temporary response to the downturn.<sup>[17]</sup> And

although some workers value the flexibility than a zero hours contract brings, previous Resolution Foundation research has highlighted that for too many they represent an undesired and unstable employment offer.<sup>[18]</sup>

While zero hours contracts would seem to symbolise much of what Hutton was driving at in his idea of the 30:30:40 society, it is not possible to include them in our definition because they are not recorded in the data over the whole of the time period considered. However looking just at 2014 (for which data is available), we find that almost all zero hours contract employees are already included in the *insecure* grouping due to their other characteristics – just 0.2 per cent of the *privileged* group is on a zero hours contract. Overall, the growth in zero hours contract working seems to represent a small and particularly insecure minority that has emerged within the insecure segment of the 30:30:40 society.

### Other atypical forms

A range of other contract types may be associated with insecurity, including agency working, fluctuating shift work, commission-only work and fixed-term contracts. These have proven more difficult to measure directly, but there is some (often anecdotal) evidence that their prevalence has risen over the downturn, and research has associated them specifically with income instability, a lack of employment protection, limited choices and a lack of contentment.<sup>[19]</sup> Therefore, while not captured specifically, these atypical employment forms very much go with the grain of Hutton's idea of insecurity.

It is likely that the majority of workers affected by such contract types will already be classified as *insecure* in the definition above; for example, most agency work is temporary (or in some instances conflated with self-employment), and shift work is likely to be part time or shorter tenure. Therefore again, the (somewhat limited) evidence for growth in other atypical contract types potentially represents deepening insecurity *within* the broad group Hutton describes.

[17] For a discussion of the different measures of zero hours contracts and what recent growth might signify, see: C D'Arcy, 'Are zero-hours contracts here to stay?', Resolution Foundation blog, 25 February 2015

[18] V Alakeson & C D'Arcy, *Zeroing In: Balancing protection and flexibility in the reform of zero-hours contracts*, Resolution Foundation, March 2014

[19] K Hignell, *Second Choice Jobs: The real life impact of the changing world of work – notes from the frontline*, Citizens Advice, February 2015

### Deepening instability for a minority

There is evidence of growth in specific forms of atypical or undesirable working over the downturn, at least some of which has failed to unwind (so far) in the wake of employment recovery, signalling some possible structural shifts. Each of these affects a minority of workers, most of whom will already be classified within the insecure part of the 30:30:40 grouping.

We might therefore conclude that the *breadth* of insecurity has been fairly stable over time – as best we can capture it with inevitably high-level data – but that the *depth* faced by a significant minority has risen in this same period.

This characterisation of today's labour market highlights the way in which the challenge of insecurity has changed in the period since Hutton conceived of it. Of course, some of the worst extremes of low pay have been eradicated by the introduction of the National Minimum Wage, but it is clear that significant levels of job insecurity remain in place. And, while the scale of the problem appears little altered, it appears that certain groups – most particularly the young – face more acute pressures than was previously the case.

There may be parallels in this to current debates about growing polarisation between 'lovely' and 'lousy' jobs – terms and conditions should be a consideration when thinking about how parts of the jobs market have diverged, as well as changing occupational or industrial structures.<sup>[20]</sup> And these pockets where insecurity appears to bite hardest, if they persist in coming years as the economic recovery strengthens further, may merit targeted regulatory interventions: an approach described by John Philpott as 'whack-a-mole'.<sup>[21]</sup> Any such targeted action would sit within the context of a broadly flexible labour market that offers secure, stable employment to many.

---

[20] For a summary of evidence for polarisation in the UK labour market see: L Gardiner & A Corlett, *Looking through the hour-glass: Hollowing out of the UK jobs market pre- and post-crisis*, Resolution Foundation, March 2015

[21] J Philpott, 'Bridging the divide', in *Securing a pay rise: The path back to shared wage growth*, Resolution Foundation, March 2015

---

## Section 3

# Employment stability: labour market transitions and job tenure

*In this section, we move away from the concept of labour market insecurity as a whole and hone in on one particular aspect of what many would consider to represent security in the labour market: stability of employment. Stability in terms of employment tenure is a key aspect of Hutton's definition of the insecure, and we show that a non-cyclical shift towards longer tenures is likely to have underpinned some of the overall trends in the 30:30:40 labour market described above.*

*We go on to consider the three labour market transitions that, together, determine employment tenure: entering employment from worklessness, exiting employment to worklessness, and moving between jobs. Movements in these flows across time explain why tenure has risen overall, with noticeable age and gender differences. Importantly, flows into and out of work on the one hand, and job-to-job moves on the other, have very different implications for our understanding of the labour market.*

### The long-term trend is towards rising employment tenure...

Job tenure – specifically the median number of months a worker has been either in the same job or self-employed – is a commonly-used proxy for employment stability.<sup>[22]</sup> This will be partly because it is readily captured in surveys, with other useful measures such as the duration of continuous employment (not necessarily in the same job), employment-unemployment cycling, or the number of months a person works each year being more difficult to measure.<sup>[23]</sup> We therefore examine job tenure as a starting point for thinking about stability of employment, although we go on to explore its underlying drivers as a potentially more informative approach to the question at hand.<sup>[24]</sup>

Previous research has shown that job tenure was declining gently through the final decades of the last century, with more obvious changes across age and gender groupings.<sup>[25]</sup> However, more or less in line with the changing 30:30:40 patterns described in the previous section, this reversed in the early 2000s and average job length began to rise, as shown in Figure 4.

Perhaps slightly counter-intuitively, Figure 4 highlights that employment tenure is higher in recessions. This is because those in work are far less likely to move to new jobs in hard times, which dominates movements in and out of work in terms of driving tenure (these transitions will be discussed in more detail later in this section). There may also be some compositional factors at play – the 'last in, first out' aphorism suggesting that workers who lose their jobs in recessions are more likely to be shorter-tenure than those who stay put.

---

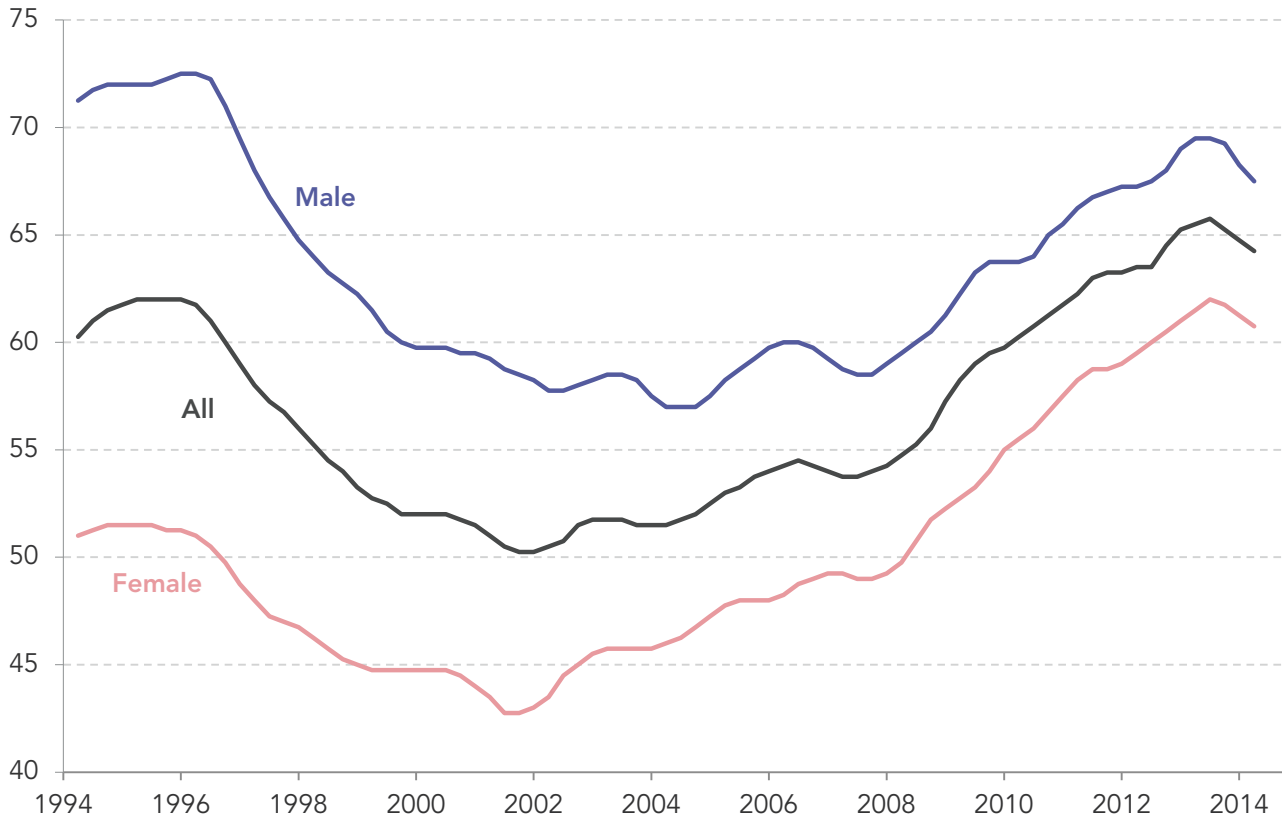
[22] M Rokkanen & R Uusitalo, 'Changes in Job Stability: Evidence from Lifetime Job Histories', *IZA Discussion Paper 4721*, January 2010

[23] Another useful lens through which to view stability, and one that is roughly as easy to measure as job tenure, is the duration of worklessness. We plan to explore this in future outputs of our full employment project.

[24] Such an approach has been advocated in: M Rokkanen & R Uusitalo, 'Changes in Job Stability: Evidence from Lifetime Job Histories', *IZA Discussion Paper 4721*, January 2010

[25] P Gregg & J Wadsworth, 'Job Tenure in Britain, 1975-2000. Is a Job for Life or Just for Christmas?', *Oxford Bulletin of Economics and Statistics* 64, December 2002

Figure 4:

**Trends in employment tenure since the mid-1990s, UK***Median employment tenure in months (employees and self-employed, 16-state pension age)*

Source: Resolution Foundation analysis of Labour Force Survey, ONS

Figure 4 provides some important initial insights in terms of how stability has changed over the past two decades. First, at the aggregate, median tenure during the recent downturn peaked at a higher level than it did in the 1990s, which may reflect underlying shifts in the nature of stability, the composition of the workforce or the particularities of each downturn. Second, tenure for men and women has been converging, from a gap of 20 months in 1994 to just seven months in 2014. And third, this means that women's median job tenure is now far higher than at any point in the past 20 years.

### With increases in job length driven by women

The counter-cyclical, differential experience of men and women and possible compositional shifts underpinning tenure change, mentioned above, warrant a more in-depth look at underlying tenure trends and how these differ between groups. Table 2 sets out some regression results for different groups that control for employment growth in the preceding two years in order to capture cyclical factors.<sup>[26]</sup>

The first row suggests that on aggregate tenure has risen by roughly one third of a month a year after controlling for the cycle. Rows two and three show that this is entirely down to rising tenure for women and the following rows show that there is no significant net movement by age (although rising tenure due to older people working beyond the state pension age will not be fully captured here given the analysis is limited to the working age population).

[26] This was shown to be the best way of capturing the cycle in: P Gregg & J Wadsworth, 'A short history of labour turnover, job tenure and job security, 1975-1993', *Oxford Review of Economic Policy* 11, Spring 1995

**Table 2: Trends in employment tenure by age and gender, 1994-2014, UK (regression results: employees and self-employed, 16-state pension age)**

<i>Dependent variable: employment tenure in months, interacted with the two-year change in the employment rate</i>	<i>Coefficient on time trend (1 year = 1 unit)</i>
All	0.35***
<i>Gender</i>	
Male	-0.03
Female	0.70***
<i>Age</i>	
18-29	-0.02
30-49	0.10
50+	0.03
<i>Age and gender combined</i>	
30-49 - Male	-0.80***
30-49 - Female	0.73***

*Notes:* Coefficients are derived from separate OLS regression models run on quarterly summary statistics. In each the dependent variable is employment tenure in months, and the independent variables are the change in the 16-64 employment rate over the preceding two years and a continuous time trend that rises by one unit each year. \*\*\*:  $p < 0.01$ , \*\*:  $p < 0.05$ , \*:  $p < 0.1$ .

*Source:* Resolution Foundation analysis of Labour Force Survey, ONS

Rising job tenure at the aggregate thus reflects both the rising tenure for women shown in Table 2, and a compositional shift towards older workers (typically longer tenure) as people work closer to or past the state pension age, which is itself increasing for women.<sup>[27]</sup>

The final rows of Table 2 highlight a big gender shift for prime-age workers in particular. There has been a sizable increase in tenure among prime-age women, at about three weeks per year over the period; while tenure has been falling among prime-age men at roughly the same rate. This is driving the gender convergence seen in Figure 4, and will reflect the changes in labour force participation by mothers around childbirth, which sees them increasingly returning to the same employer meaning no break in job tenure. As has been noted in relation to previous decades, job tenure for prime-age men is in secular decline.<sup>[28]</sup>

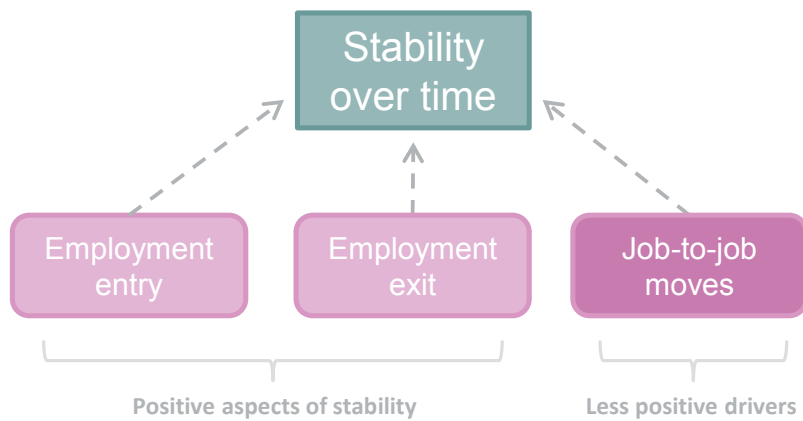
Overall, once we adjust for the cycle, we find signs of growing job stability over the period considered. And, as in relation to wider job security, below the headlines there are divergent trends for different groups, particularly along gender lines. Reflecting on trends in insecurity discussed in the previous section, rising job tenure since the early 2000s will have contributed to the relatively stable picture on the size of the insecure group, potentially counteracting other less positive developments.

Employment tenure, as measured here, is the product of three things: movements from worklessness into employment; movements from work to worklessness; and movements between jobs. Trends in each of these transitions explain why tenure has risen overall, and also allow us to separate out the welcome drivers from the potentially more concerning aspects. The remainder of this section discusses each of these drivers of stability – summarised in Figure 5 – in turn.

[27] This compositional shift will have more than counteracted the trend towards female participation in the labour market, which weighs down slightly on job tenure at the aggregate (to an increasingly smaller extent as their median tenure converges to the overall average).

[28] P Gregg & J Wadsworth, 'A short history of labour turnover, job tenure and job security, 1975-1993', *Oxford Review of Economic Policy* 11, Spring 1995

Figure 5:  
Concepts of labour market stability explored in this analysis



## Job entry has bounced back strongly from recession, but not for the young...

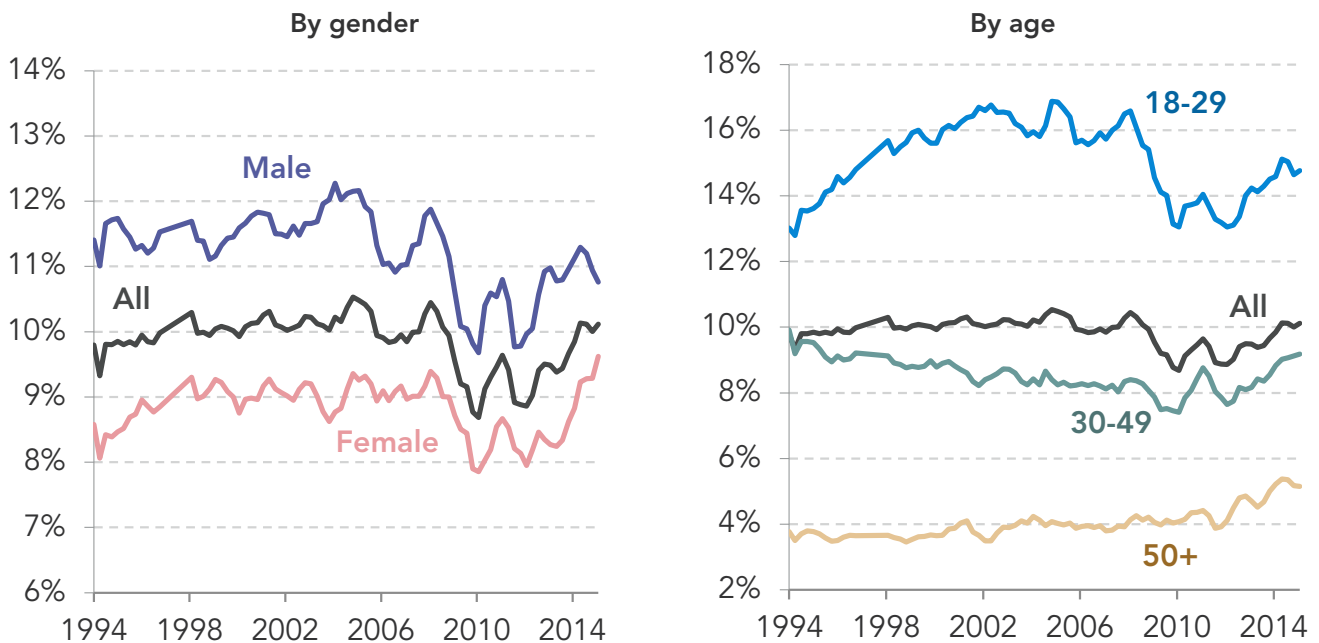
Employment entry,<sup>[29]</sup> summarised in Figure 6 disaggregated by gender on the left-hand side and age on the right-hand side, has been relatively flat over a long period with limited cyclicity. Quarterly entry rates ran at around 10 per cent of those not in work prior to the crash, dipped only marginally, and then recovered rapidly to the norm from 2012.

[29] Because it is based on changes in two-quarter longitudinal data, this measure includes new migrants only when they are first unemployed or inactive in the UK before entering work. Those new migrants who enter employment immediately upon arrival are therefore not captured.



Figure 6:  
**Employment entry by age and gender, UK**

Proportion of the unemployed or inactive moving into employment each quarter (16-state pension age)



Source: Resolution Foundation analysis of *Labour Force Survey* two-quarter longitudinal datasets, ONS

Alongside this pattern of relatively constant job entry there has been some convergence between rates for men and women over the period covered (with the male job entry rate not yet back at the pre-downturn norm).

Bigger differences in job entry are seen across age groups, both in terms of levels and change over time. Young people have very high rates of job entry as they move into work from education, but they also cycle in and out of work more rapidly than older groups.<sup>[30]</sup> Worryingly, their current entry rate remains some way off the pre-recession level of above 16 per cent. Prime-age and older workers have successively lower job entry rates as entering work becomes increasingly less likely with age (the main impediments for the over 50s being early retirement and poor health). And these groups have already surpassed their pre-downturn position, particularly older workers who have experienced steadily rising job entry largely uninterrupted by the recession, a sign of growing labour market attachment among this group.

In sum, job entry has recovered well in recent years – except for the young who still lag behind – and at the aggregate has barely changed over the past two decades.

### While job exit has been in long-term decline...

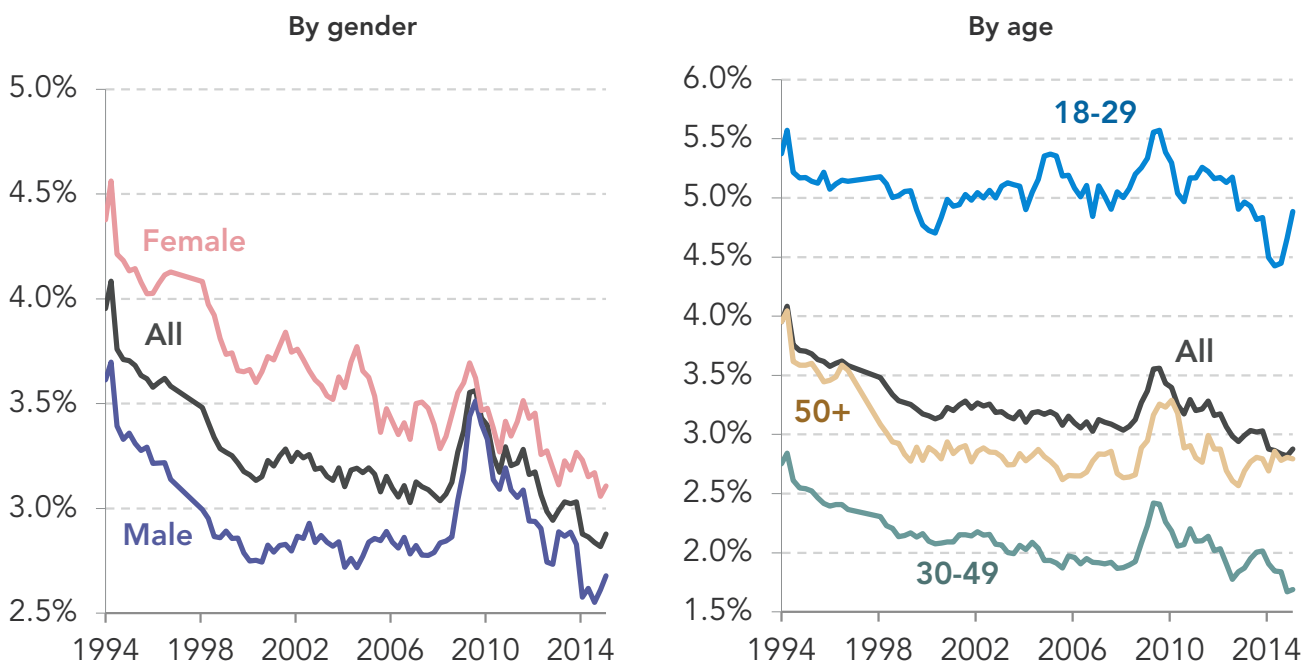
If the story on job entry is neutral overall with a strong recent recovery from the recession, the story on job exits is unambiguously positive. Figure 7 shows that at the aggregate and across age and

[30] T Wilson, L Gardiner & K Krasnowski, *Work in progress: Low pay and progression in London and the UK*, Centre for Economic and Social Inclusion, October 2013

gender groupings (to differing extents) the chance of moving from employment to worklessness is in secular decline. There was a jump in the crash, but this has phased out rapidly. Because job exit often involves wage loses and extended durations out of work can reduce earnings potential in the future,<sup>[31]</sup> this is good news.

Figure 7:  
**Employment exit by age and gender, UK**

*Proportion of those in employment moving to unemployment or inactivity each quarter (16-state pension age)*



Source: Resolution Foundation analysis of Labour Force Survey two-quarter longitudinal datasets, ONS

The decline in employment exit is especially marked for women, with strong gender convergence over the past 20 years. This is consistent with the overall picture on job tenure discussed above, likely to reflect increased labour market participation among mothers and a growing likelihood of returning to the (same) workplace after childbirth.

Similarly, the falling employment exit rate for older workers will reflect the growing likelihood of working closer to, or past, the state pension age (and some growth in the size of this group – the base of the calculation – as the state pension age rises for women).

Importantly and to return to a recurring theme, while the welcome decline in job exit is evident across age groups, the rate of improvement has been much less marked for young people. The employment exit rate for young people currently stands around 15 per cent below its 1994 level, whereas for those aged 30 and over it is 30 per cent below.

[31] This is particularly the case for young people. See: P Gregg & E Tominey, 'The Wage Scar from Youth Unemployment', CMPO Working Paper Series 04/097, February 2004

## Movement between jobs remains subdued...

As mentioned above, the transition that has the largest impact on employment tenure – and therefore stability as thought of here – is not the exit or entry rate, but the rate of movement *between* jobs.

Apart from entry level jobs, most vacancies are filled by a worker moving from one firm to another. Such movement then sparks a ripple effect, with the firm that the employee leaves needing to fill the now-vacant post (perhaps with a more junior person seeking promotion), and so on until the most junior posts are filled by (re-)entrants to the workforce. This hierarchy is demonstrated by the fact that the typical wage of a job filled by a new entrant is around 65 per cent of the median hourly wage for all jobs, whereas jobs filled by job movers are around the 80 per cent mark.<sup>[32]</sup>

*The recovery has resulted in the job move rate picking up but, unlike the overall employment rate, it has not yet reached pre-crash levels. This is perhaps a surprising outcome given that recent jobs growth has been stronger than at any point in the time period considered*

However, during tough times, firms' first response is not to sack existing workers but to stop hiring. This obviously dampens flows into work, but it has larger effects on flows between jobs because each vacancy represents a chain of moves, rather like the chains of house moves that crop up in the housing market. To continue the housing market simile, in a recession there are not just fewer new vacancies but chains break down more often, with firms deciding not to replace the lost worker, for example due to recruitment freezes.

This means that job-to-job moves dry up in recessions and job tenure rises. Conversely, in periods of rapid employment growth, functioning vacancy chains mean that a single vacancy can create a number of job-to-job moves.<sup>[33]</sup>

Figure 8 shows the rate of job-to-job moves over the past two decades. Across all workers, the frequency of these moves was strongest around 2000 when employment growth was rapid, as would be expected. It diminished in the mid-2000s because employment growth was slower, but the fall in 2008 was dramatic. The proportion of those in work moving to a new job fell from just under 3 per cent of the workforce in each quarter to a little over 1.5 per cent, under half the rate recorded in 2000. The recovery has resulted in the job move rate picking up but, unlike the overall employment rate, it has not yet reached pre-crash levels. This is perhaps a surprising outcome given that recent jobs growth has been stronger than at any point in the time period considered.

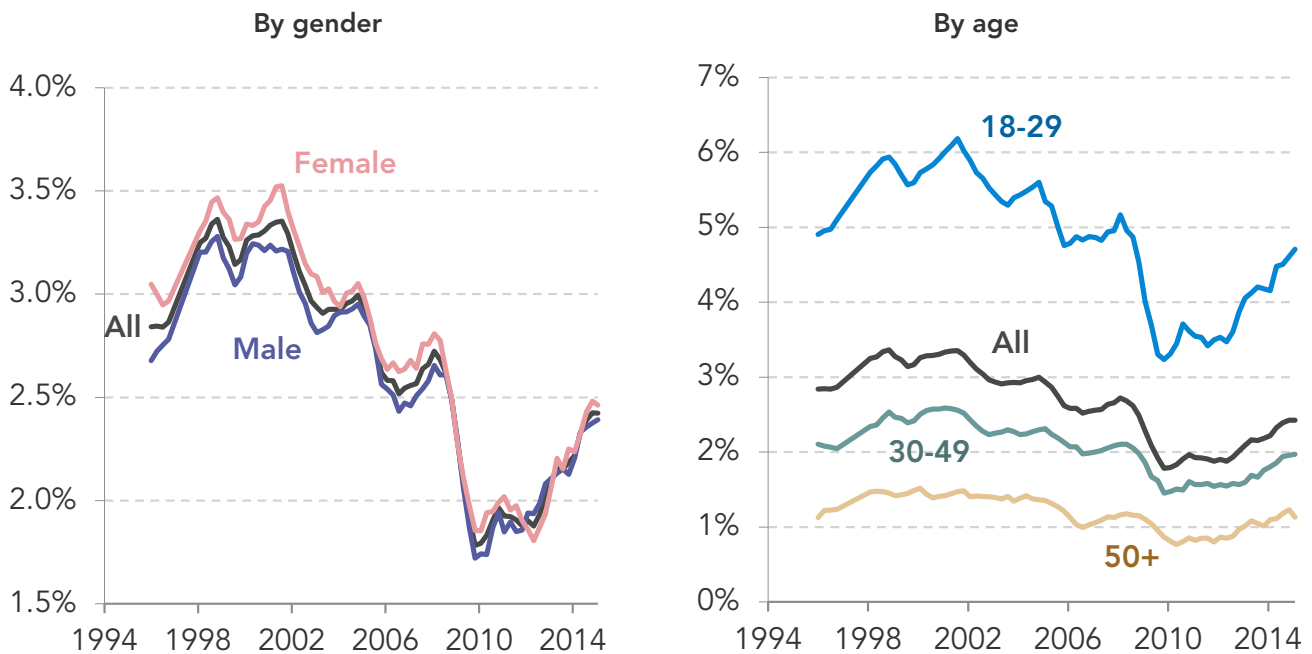
---

[32] Typical pay for job movers is still below the level for all jobs as this type of churn is much more common for young people at the beginning of their careers, who tend to earn less.

[33] N Bunker, 'Understanding changes in movement on the U.S. job ladder', *Washington Centre for Equitable Growth* blog, 9 June 2015

Figure 8:  
**Job-to-job moves by age and gender, UK**

Proportion of those in employment moving to another job each quarter (16-state pension age)



Source: Resolution Foundation analysis of Labour Force Survey two-quarter longitudinal datasets, ONS

While there is no variation in the move rate between the genders, Figure 8 shows a large generational divide. Young people, at the beginning of their careers, move jobs most frequently – at twice the rate of the prime-age group – and older workers are much less prone to move jobs. As well as being more important for young people, the job-to-job move rate remains slightly further off its early-2000s peak for this group.

As with the overall story on job tenure, the ageing workforce will be having some effect on the decline in the move rate for all workers, as older workers (who are less likely to move) make up a larger share of the total. However, Figure 4 shows that the move rate remains suppressed *within* the young and prime-age groups, in addition to any compositional effects.

This potentially secular decline in the job move rate, and the experience of young people in particular, is important. Moving jobs is usually voluntary, associated with promotion and often substantial pay rises – for example, job movers experience roughly three times the pay growth of those who stay in the same job over the course of a year.<sup>[34]</sup> And such moves are essential for young people in terms of building careers, gaining seniority and higher wages, as they seek to move up the normal age-earnings curve. Worryingly, there is some evidence that slow earnings progression at the beginning of careers may leave a permanent scar on the wages of those young people who entered the labour market in recent years (when mobility was well below peak).<sup>[35]</sup> And moving away from the individual perspective, job churn – as the primary mechanism for pay

[34] C Emmerson, P Johnson & R Joyce, *The IFS Green Budget*, Institute for Fiscal Studies, February 2015

[35] P Gregg, 'Making steady progress, in *Securing a pay rise: The path back to shared wage growth*, Resolution Foundation, March 2015

progression and career advancement – may also have implications for pay and also productivity growth across the economy (an issue that we consider in more detail below).

### Falling job churn has driven stability of tenure, but this trend has some negative consequences too

The lack of job-to-job progression combined with good job entry means that job movers make up a relatively smaller share of job starts than previously, as shown in Figure 9. This shows that the share of jobs starters coming from other jobs is strongly pro-cyclical, peaking at 58-60 per cent of the total near the turn of the millennium, before falling to 48 per cent in the crash. The recent recovery looks strong, but this is a faster period of employment expansion even than that seen around 2000. In this light, the share of job-to-job moves should be well over 60 per cent.<sup>[36]</sup>

Figure 9:  
**Job starts by entry point, UK**

*Proportion of job starts that are job-to-job moves (as opposed to new entrants, 16-state pension age)*



Source: Resolution Foundation analysis of Labour Force Survey two-quarter longitudinal datasets, ONS

To return to the housing market simile, job vacancy chains appear to be either shorter or less common, and the recent surge is likely to prove the peak if the speed of job creation starts to slow (as the latest data suggests it may do).

[36] Of course, if the lag between employment growth and a shift towards job churn rather than job entry has lengthened, such patterns may feed through eventually.

What to make of this slowdown in job churn relative to the speed of net job creation? There are a number of possible explanations:

- » First, *the jobs boom may have produced a spurt of low-waged jobs, which are typically filled by new entrants rather than movers*. Recent Resolution Foundation research has shown some evidence of this since spring 2014,<sup>[37]</sup> but this shift towards lower-wage employment cannot be said to characterise the whole recession and recovery period, and the majority of net employment growth still occurs in higher-paying occupations.<sup>[38]</sup> On this basis, a change in the type of jobs being created is unlikely to explain much of the decline in the move rate.
- » Second, *entrants may be taking jobs further up the wage distribution than before*. However, the entry wages of new entrants remain very stable over the entire period considered at around 65 per cent of the median hourly wage for all jobs, and entry wages of job movers have not changed either.<sup>[39]</sup> Hence there is little evidence in support of this argument.
- » The third possibility is that the slowdown in job churn is simply the *flip-side of lower job exit*. If older workers and mothers are leaving the labour market less frequently, as we have seen above, then there are fewer stepping stone opportunities for young workers to progress into. Taking this potential explanation to its logical conclusion, it's possible that we are in a new equilibrium where career advancement moves are less frequent, thereby slowing younger workers' progression. But then their careers are also less interrupted by childbirth for women and last longer into old age than they did before. As with extended education delaying entry into the workforce, young people will be slower to advance, perhaps not reaching peak wages until later in their (extended) working lives, but getting there eventually. Everything is thus delayed for today's youth as the normal career trajectory becomes more drawn out. It's not yet clear whether this argument holds, however given the direction of travel on various indicators the logic is consistent.
- » The final possibility is the least positive. Rather than the declining move rate just representing extended and less-frequently interrupted careers consistent with a (welcome) rise in stability of tenure, it might reflect a jobs market that has a *progression and promotion blockage*. US evidence suggests that job mobility has some macroeconomic significance, as the primary mechanism for reallocating labour from small, low-paying to larger, high-paying (and more productive) firms.<sup>[40]</sup> From this perspective, job-to-job moves are an important driver of personal productivity and therefore pay growth. If this argument applies to the UK then a secular decline in job churn has more worrying implications both for young people's career prospects, and for pay and productivity growth in the long term.

Of these explanations for the slowdown in job churn over the past 15 years, the evidence is not inconsistent with either the third or the fourth. However, more time and more exploration will be required to establish the extent to which these apply to the UK labour market, and, if they do, the balance between the two. And it is of course possible that further increases in the job churn rate quickly minimise their relevance. However, if lower mobility persists and to the extent that it represents a less effective system for reallocating productive capacity within the labour market, stalling and reversing this trend ought to be a key challenge for policy and economic thinking.

---

[37] L Gardiner & M Whittaker, *Why 2014 hasn't been the year of the pay rise: The impact of the changing make-up of the workforce on wages*, Resolution Foundation, November 2014

---

[38] L Gardiner & A Corlett, *Looking through the hourglass: Hollowing out of the UK jobs market pre- and post-crisis*, Resolution Foundation, March 2015

---

[39] It is, however, possible that falling real pay and relatively high levels of labour market slack mean that workers entering employment from worklessness higher up the occupational or skills distribution than before are not being rewarded commensurately in pay packets.

---

[40] J Haltiwanger, H Hyatt & E McEntarfer, 'Cyclical Reallocation of Workers Across Employers by Firm Size and Firm Wage', *National Bureau of Economic Research Working Paper 21235*, June 2015

## Section 4

# Secure and stable? Concluding remarks and wider implications

*The idea that precarious undertones lurk beneath the remarkable jobs recovery has been a recurring theme in recent discourse on the labour market. For this reason, this note has approached the concepts of security, precariousness, stability and mobility from a range of angles. It has revived a previously-established broad definition of insecurity – namely Hutton's concept of the 30:30:40 society – as well as discussing more recent evidence for growth in atypical or undesirable jobs as the new face of precariousness. And it has described job stability and the transitions that together drive it, separating welcome from perhaps less positive developments.*

*To conclude and summarise, we offer three reflections on the significance of these findings.*

### First, the true picture on security and stability is more complex than the public narrative gives credit for

It's clear that specific forms of atypical or undesirable employment – including involuntary part-time and temporary working, less secure self-employment and zero hours contract working – have become more prevalent during and since the downturn. Some of these trends appear to have structural as well as cyclical elements. However, these still only represent a challenge to relatively small minorities of workers (which is not to say that they don't merit careful consideration and policy attention). In contrast, on the broad, whole-workforce definition we borrow from

Hutton, there is limited evidence of insecurity having increased in the past 20 years at the aggregate level.

*Full employment is largely about engaging those groups less likely to be participating in the labour market, not just those actively seeking work (the unemployed). Attracting these groups to become economically active will often require more than just the availability of work*

Stability in terms of job length – a key component of Hutton's 30:30:40 segmentation – has in fact been rising at the aggregate level. But this has been underpinned by declining job mobility, which is potentially a less positive development than welcome trends in job entry and exit.

Therefore, the idea that recent trends represent a substantial increase in insecurity and precariousness across the workforce is not supported by the evidence

(although the data is not inconsistent with a *deepening* of insecurity for a minority), and commentators must take care not to overstate this case. Perhaps more pertinently, our analysis has highlighted differences between the related concepts of security, stability and mobility, which are

often conflated in such discussions. Here too our findings indicate a need for caution, specifically so that security is not lauded at the expense of mobility and the positive labour market outcomes this entails.

## Second, the overall direction of travel masks big differences between the genders and generations

While insecurity and instability have been fairly stable overall, the experiences of men and women, and the young and the old, vary widely. For prime-age women and the growing number of older workers the trend is towards more long-term, secure employment. This is reflective of our ageing workforce and rising labour market participation by mothers around childbirth, in particular the increasing likelihood of returning to the same employer. For both older workers and mothers, policy developments and changes to employment regulation are likely to have played a supporting role.<sup>[41]</sup>

For young people many of these trends appear to be moving in the wrong direction. Employment has risen, but this increase has been disproportionately skewed towards insecure forms of work. Job stability has been rising gently, but it's likely that younger workers are being particularly disadvantaged by the reduction in the pace of job-to-job moves over recent years. The suggestion is that getting established in stable, full-time employment is an increasing struggle. The fate of young people in the labour market therefore stands out as an area of concern in this analysis, as it does when we consider the differential impacts of the pay squeeze for different groups of workers.

## Finally, these concepts are important for the twin labour market goals of full employment and sustained productivity growth

As discussed in the introduction to this note, full employment is largely about engaging those groups less likely to be participating in the labour market, not just those actively seeking work (the unemployed). Attracting these groups to become economically active will often require more than just the availability of work. Most of this group is not subject to benefit conditionality that requires them to take any available employment, meaning these potential workers may need greater enticement. Hence the work has to be appealing in terms of pay and conditions, and stable enough to be attractive.

These dynamics were evident in the period from the Second World War to the early 1970s – usually regarded as the last time the UK was at or near full employment. This did not just mean lower unemployment than seen at any time since, but also stable, full-time employment with low wage inequality and very low levels of relative low pay, which encouraged lower-activity groups to participate. However it should be noted that this was a concept that applied only to men; low employment and low wages were endemic for women at that time.

Therefore the pursuit of quality, stable and secure jobs, as well as the sheer number of jobs per se, must be a part of efforts to achieve the government's full employment goal. The limited evidence of rising insecurity and instability, alongside a long-overdue return to real wage growth, is therefore a relatively welcome sign in the pursuit of this target.

And encouragingly, we might expect some 'virtuous cycles' to play out in the relationship between stability, security and full employment. As the jobs market tightens and labour becomes scarcer, firms will have to offer more attractive packages to prospective recruits, driving pay and conditions upwards and potentially inducing additional participants as a result. So, if unemployment continues to fall in the coming months, then we might expect a positive impact on both pay and job quality.

---

[41] As well as policy, the trend towards having children later in life – when women are more established in careers and perhaps more attached to employers – may have contributed to the increasing likelihood of returning to the same employer after childbirth.



On the other hand, our analysis has uncovered some perhaps more concerning undertones related to rising job stability, with job-to-job moves remaining well below levels we would have expected given the jobs boom. These are central to workers advancing in the labour market and moving into more productive jobs. The apparent blockage of this positive dimension of labour market transitions is worrying, especially for the young who rely on these moves to build their careers.

*Subsequent reports in this project will explore the themes discussed here, and others, to understand the challenge of achieving full employment in the UK. By the end of the year, we hope to have built a clear idea of what we mean by 'full employment' and delivered practical proposals for securing such an outcome.*

# Resolution Foundation

*Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:*

- » *undertaking research and economic analysis to understand the challenges facing people on a low to middle income;*
- » *developing practical and effective policy proposals; and*
- » *engaging with policy makers and stakeholders to influence decision-making and bring about change.*

*For more information on this report, contact:*

**Laura Gardiner**

Senior Research & Policy Analyst

[laura.gardiner@resolutionfoundation.org](mailto:laura.gardiner@resolutionfoundation.org)

020 3372 2954