

**Non-standard work and labour market
re-structuring in the UK**

**Paper for Associazione Nuovi Lavori conference on
‘The Latest’ in the Labour Market’,
Rome, 23 February 2006**

Paul Edwards

**Industrial Relations Research Unit,
Warwick Business School,
University of Warwick,
Coventry, UK**

P.K.Edwards@Warwick.ac.uk

This paper begins by outlining the main types of non-standard work that are identified in the UK and describing key patterns and trends (topics 3 and 1 of the guidelines for debate). It then discusses other forms of flexibility (topic 2); this leads into a review of re-structuring and employer strategies, which permits analysis of the nature of non-standard jobs (topics 4 and 5). Government policies (topic 6) are reviewed briefly in the conclusion. The key points of the argument are as follows.

- Non-standard work is found widely throughout the economy. But permanent jobs remain the dominant form of employment. The growth in non-standard employment has been slower than is often thought, and there are important tendencies towards its reduction as well as its increase.
- Non-standard work is part of a much wider set of developments towards the marketization of employment relations. It parallels other developments such as the decline of internal labour markets, and it is one among a number of factors leading to job insecurity and reductions in task discretion.
- Distinctions between non-standard and standard work are weaker than they are in more regulated labour markets.
- Public policy under Labour as well as Conservative governments favours flexible labour markets and limited regulation. Only small limitations on non-standard work have been introduced, reflecting mainly EU developments for example on fixed-term contracts.
- Non-standard work is often accepted as natural. Some employees seek it, while others accept it. It has some benefits, but also longer-term disadvantages in that it runs against the pursuit of a high-skill and committed work force.

Types of non-standard work; patterns and trends

The main types of non-standard work usually identified are: part-time work; temporary jobs; fixed-term jobs; and seasonal and casual employment. Agency work is also a growing form; it involves one company contracting with another for the supply of labour, with the workers being employees of the agency and not the company where they carry out their work. Other types of workers sometimes included in the category are freelance workers (independent contractors who work on short-term projects, notably in the media and film sectors) and home- or out-workers (employees of a firm who do not work on its premises).

Self-employment is also sometimes included as a non-standard form. During the 1980s, it was commonly argued that self-employment was growing and would continue to expand. Some commentators saw this as part of the rise of a new enterprise culture. In fact, the growth of self-employment has ceased. People often entered self-employment because of a lack of other opportunities, and there is no evidence that entrepreneurial spirit has increased. The UK remains more dominated by large firms than many EU economies. No further comment on self-employment is needed here.

Table 1 shows the main types of non-standard employment that are distinguished in the Labour Force Survey. It confirms the stability of the number of self-employed. It also shows that the use of temporary and part-time employment has changed little. One notable trend, however, is a rise in the proportion of male workers who work part-time.

Table 1: Non-standard employment: distribution of employees

	As % all workers			As % all employees					
	Self-employed			Temporary			Part-time		
	All	M	F	All	M	F	All	M	F
1992	12.5	17.0	6.9	5.9	4.8	8.8	23.3	5.7	43.9
1997	13.2	17.7	7.7	7.8	6.9	8.8	25.3	8.1	43.9
2005	12.7	17.2	7.3	5.9	5.5	6.3	25.7	9.9	42.2

Source: Labour Force Survey, spring each year.

The LFS is the main source of data on patterns of non-standard work. It may, however, under-estimate the extent of non-standard work. A detailed study asked a sample of the working population about their employment status. It found that some workers define their jobs as permanent even though they work under some kind of non-standard arrangement. Even after very detailed questioning, the employment status of 12 per cent of the sample was unclear. The implication is that the boundaries of non-standard work are vague and shifting, and that some forms of it may not be captured in labour force surveys.

Temporary work is particularly common in the public sector, where it is twice as prevalent as in the economy as a whole. It is very highly used in certain occupations, such as teaching, where it accounts for one in five of jobs. Reasons for this are addressed below.

About half of all temporary workers have fixed-term contracts. Twenty per cent are in casual employment, while 10 per cent work through agencies. The remainder are in seasonal or 'other' types of job. Temporary agency workers represent about 1 per cent of the entire work force. Their numbers grew fast during the 1990s, albeit from a low base.

The low use of temporary employment, as compared to many other EU countries, reflects labour market regulation. High levels of protection for permanent employees have led employers in many countries, notably Spain, to use temporary and fixed-term contracts. This has not been the case in the UK.

Although non-standard work remains far from common, it occurs throughout the economy. Surveys of establishments find widespread use of non-standard work. In 2004, 83 per cent of workplaces had at least some part-time employees. One-third had employees on temporary or fixed-term contracts, and 18 per cent used agency staff. These figures were similar to those for 1998. A 2002 survey reports higher figures for some categories, for example use of agency staff in more than half of workplaces. It also reports that casual workers were used by a third of workplaces and freelancers by one in seven; home- or out-work was much less common (used by about 7 per cent). These differences reflect different operational definitions of the presence of types of labour that are hard to define precisely. But the overall conclusion is clear: the use of non-standard work is very widespread, even though most employees continue to be employed on permanent, full-time contracts.

Trends between 1980 and 1998 are shown in Table 2. There was a clear increase in the use of non-standard work. This was confirmed by a study of a panel of workplaces

between 1990 and 1998: the same workplaces reported on average more use of non-standard employment

Table 2: Trends in use of non-standard employment

<i>Per cent of establishments with</i>	1980	1984	1990	1998
At least 25% of workers part-time	32	31	32	44
Any employees on fixed-term contract	19	20	22	35
Any agency temps	20	n.a.	n.a.	28
Any freelance workers	24	14	16	13

Source: N Millward et al., *All Change at Work?* (2000), p. 40.

It is also clear that there has been no simple trends towards more non-standard work. An illustration of the dynamics comes from surveys conducted since the 1980s: these show substantial proportions of employers reporting a declining usage of many types of non-standard work, with the exception of part-time employment. There was much debate during the late 1980s about a divide between ‘core’ and ‘peripheral’ workers. Accumulating evidence showed that:

- Peripheral employment was growing only slowly if at all.
- Its use generally did not reflect coherent employer strategies to segment the work force, instead reflecting a set of contingent and short-term factors.
- The distinction between periphery and core is blurred and shifting. Workers doing ‘core’ tasks such as maintenance can be employed on an agency or freelance basis, while some apparently peripheral tasks can be performed by permanent workers.

Flexibility and labour market re-structuring

Forms of flexibility

A substantial debate has concerned the relationship between non-standard work (numerical flexibility) and new forms of work organization such as team work (functional flexibility). If they are alternatives, arguments for the segmentation of the labour force are strengthened. In fact, several studies find that they tend to go together. Firms seek flexibility where they can find it, and it is not the case that non-standard employment is used as a discrete strategy. As mentioned above, studies have also addressed managerial reasons for the use of non-standard contracts. These reasons typically turn on immediate cost benefits and specific opportunities; they do not suggest that firms have developed strategies to segment the work force between a core and a periphery.

The 2002 survey found one form of external flexibility that was even more common than the use of non-standard employment. This was the use of out-sourcing: the carrying out of tasks, formerly done by employees, to another company. Out-sourcing was most commonly used for services such as cleaning and catering, but was also common for more professional activities such as training and recruitment. Over half of all workplaces out-sourced four or more distinct services.

Management processes

This point illustrates wider developments in the management of organizations. ‘Marketization’ has been a key process, as reflected in a range of trends including: out-sourcing and the use of agency staff; a growing use of merit- and performance-

related pay; and a decline in collective bargaining. This has been very strong in the public sector, where, as noted above, growing use of non-standard employment has been the result. After the wave of privatization of the 1980s and 1990s have come ‘compulsory competitive tendering’ for services (e.g. local authorities required to put out to tender services such as street cleaning), purchaser-supplier relationships in the health service, the decentralization of budgets, and ‘public-private partnerships’ in the running of services. All of these trends point to a growing importance of contracts between organizations, with the workers concerned being directly driven by the need to meet agreed performance standards. Schools, for example, often have their own budgets, and thus use temporary staff to control costs.

Studies of the effects of marketization highlight the re-allocation of risk. Workers often bear the costs of new contractual relationships, through reduced job security, lower wages and work intensification. The effects vary, however, according to the specifics of the relationship. Where it is easy to monitor worker performance, workers appear to be at most risk. By contrast, it is hard to monitor professionals, such as teachers, and here the effects in terms of the control of performance seem to be relatively weak.

Reflecting the developments just discussed, performance appraisal has been a rapidly growing practice in the UK, for most grades of staff. Some evidence suggests that managers find it hard to use appraisal in respect of part-time staff, because it is difficult to assess their contribution. Moreover, a norm of an amount of time spent in an organization is often used implicitly in judging whether employees are in line for promotion. Appraisal has also been found to disadvantage women and ethnic minorities. It may reinforce existing divisions, in particular in being weakly adapted to assessing non-standard and relatively invisible workers.

In relation to the effects of non-standard work on employees, it is important to note that the category is extremely mixed. It embraces skilled freelance professionals who are likely to enjoy high wages and job autonomy and part-time supermarket workers who may differ little from their full-time colleagues, as well as low-wage and insecure temporary employees. That said, it has been found that, even when other factors are controlled, employees in non-standard jobs suffer worse employment conditions than other employees. One study examined features such as low pay and the absence of pension schemes; these were significantly more common among those in temporary and fixed-term positions. Raw figures are given in Table 3. Another study found that task discretion tends to be low for part-time and for temporary workers. Other studies show that fixed-term and seasonal and casual workers are paid less than otherwise similar workers, the ‘wage penalty’ being in the order of 15 per cent.

Table 3: ‘Bad’ job characteristics

<i>Per cent with</i>	Low wages	No sick pay	No pension
Full-time: permanent	21	29	29
temporary	32	54	57
Part-time: permanent	53	50	54
temporary	32	54	57
All	29	36	37

Source: P. McGovern et al., ‘Bad Jobs in Britain’, *Work and Occupations* (2004), p. 236.

Relationships with employee perceptions are complex. Overall, those in atypical employment do not report more job insecurity than those in permanent employment. Studies that have explored this puzzling result suggest that several factors are at work. First, expectations differ: people in atypical work know that they have no long-term employment security, and adjust their expectations accordingly. Second, insecurity has several dimensions. These include changes in the type of job done as a result of re-structuring; such changes may affect permanent staff more than temporary employees. Third, gender and other influences are at work; it is still the case that women expect to be treated as disposable labour, and their perceptions of job security will be reduced accordingly.

Occupational variation is illustrated in the public sector. Studies of agency nurses suggest that there can be benefits for the workers concerned, for example in being able to manage their own working hours and escaping some of the bureaucracy of permanent employment; pay can also be relatively good. But in other occupations, for example in local authorities, it is argued that gender and ethnic exclusion are heightened by the use of non-standard labour. Though little research has been done on the reasons, it is likely that labour market factors are important. Those agency workers who are in high demand and who have a professional skill can reap benefits, and may be relatively close to the position of independent professionals. Those in low-skill and easily substitutable jobs are in a much weaker position; and to the extent that it is women and minorities who hold these jobs, gender and ethnic exclusion will be worsened.

A considerable amount of research has addressed the pay of part-time workers. The general conclusion is that the pay gap with full-timers has not narrowed, and may even have widened. Indeed, in the 1970s part-time workers were paid more per hour than full-timers; and the overall narrowing of the gender pay gap has been due to changes for full-time women workers, with no improvement for part-timers. This is likely to reflect the very high degree of occupational segregation in the UK.

Non-standard workers: trapped in second class jobs or on a path to standard employment?

Several commentators argued that non-standard employment, though apparently disadvantageous, was in fact only a temporary phase for most workers. Moreover, the jobs provided an entry point to employment that might otherwise be absent.

One valuable study looked at the UK, Italy and Germany. It found that entry via low-qualification positions led to entrapment in poor positions rather than acting as a stepping stone. This tendency was reduced in the UK, however, because the country's relatively unregulated labour markets allow free movement. Fixed-term contracts did not affect future outcomes in Italy or Germany; there were no data on this for the UK.

A different study was able to examine fixed-term jobs in the UK. It found that these generally acted as stepping stones, though for women it took a considerable number of years for people starting in them to catch up with other workers in terms of pay, while for men a continuing wage penalty remained. There is also evidence, however, that low-paid jobs do not act as stepping stones to higher paying work. The implication seems to be that fixed-term work as a whole does not create long-term disadvantage but when combined with low pay it is likely to contribute to entrapment in poor work.

These overall features are also mediated by particular occupational features. It has been found that part-time working for female doctors has few detrimental effects. In banking, by contrast, where full-time commitment to the employer is more of a cultural norm, women in managerial positions find it hard to work part-time. Similarly, a study of accountants found that flexible work for women usually meant working part-time; this affected pay levels, and in this context flexible working reinforced the gender pay gap. There may also be social class effects: in supermarkets, for example, part-time working among check-out staff is very common, and anyone staying at this level would not be disadvantaged, but at managerial grades there remains a strong expectation to work long hours so that part-time workers would lack career opportunities.

Conclusions: integrated, excluded or part of a common story?

Public policy and the actions of some large employers have tended to ameliorate the position of non-standard workers. Until 1995, various employment rights, for example in relation to maternity leave, were most favourable for full-time workers, with rights declining if workers worked fewer than 16 (or in some cases 8) hours a week. These differences have now been removed. Large employers have also tended to extend pension rights for part-time workers on the same basis as for full-time employees. Protections for temporary workers have also improved with the adoption in 2002 of the Directive on Fixed-term Workers. Previously, and unlike many countries, the UK had no restrictions on the use of fixed-term contracts. More generally, however, public policy is widely seen as ‘minimalist’, while the development in practice of policies to protect disadvantaged employees remains weak. These facts reflect the strong emphasis in government and employer circles on flexibility and deregulation. Moreover, seen as a whole, public policy often favours markets over regulations as a means to organize the economy. The major changes in public service provision, mentioned above, have directly increased the role of non-standard jobs in sectors such as health and education. These have been far more important than attempts to ameliorate the consequences.

A core conclusion is that non-standard workers in the UK are not divorced from the mainstream work force. They are not separated into a periphery, and they are able to enter the mainstream. However, and equally importantly, they represent one part of a much wider decay of internal labour markets and a growth in insecurity. They also tend to be in the weakest labour market position, and thus to suffer the effects most severely, for example in terms of wages and task discretion. They are, in short, one part of a more general picture, rather than being a discrete group, but they experience overall developments particularly severely. These outcomes are, however, shaped by the particular contexts in which they find themselves and the expectations that they have. Many non-standard workers report a degree of satisfaction because they do not have high expectations.

Labour market re-structuring as a whole in the UK has been extensive. It has brought costs in terms of work intensification, but also some benefits such as increased skills. Relatively high rates of employment and reasonably stable economic growth, producing rising earnings, have taken the edges off potential discontent. The long-term issue, however, is that market-driven change undermines stability and commitment. Firms increasingly talk of human and social capital and distinct competencies that are tacit and hard to copy. All this takes time to produce, and reliance on flexibility cuts sharply against it.

There are some suggestions of awareness of this issue. Performance targets, which were the watchword of the 1990s, are now seen as over-complex and burdensome. Some employers aim to build long-term relationships with suppliers. And relying on work intensification is not a route to long-term competitiveness. But there is little organized support for a different approach, and it thus seems likely that, though some organizations may develop high-trust relationships, developments in the immediate future will continue on the lines analysed above.

Note on sources

Key sources used are the following.

B. Burchell et al., *The Employment Status of Individuals in Non-standard Employment*, Department of Trade and Industry Employment Relations Research Series, 6 (1999): detailed study of the uncertain definition of non-standard work.

D. Gallie et al., *Restructuring the Employment Relationship* (1998): based on a representative survey of individual employees, interviewed face-to-face.

E. Heery and J. Salmon, eds, *The Insecure Workforce* (2000): collection of papers on the nature, extent and causes of job insecurity.

B. Kersley et al., *Inside the Workplace* (2005): the first results of the 2004 Workplace Employment Relations Survey, which uses face-to-face interviews in a representative sample of workplaces, together with self-completion questionnaires for employees in those workplaces.

M. Marchington et al., *Fragmenting Work* (2005): a study of changed contractual relations and outsourcing across 8 case study organizations.

P. Nolan and S. Wood, 'Mapping the Future of Work', *British Journal of Industrial Relations*, 2003.

A. Pollert, ed., *Farewell to Flexibility* (1991): a collection of papers providing a critical review of the thesis of growing flexibility and peripheralization.

R. Taylor, 'Britain's World of Work: Myths and Realities' and 'Diversity in Britain's Labour Market' (2002). These publications summarize the results of a major programme of research on labour markets and employment, the Future of Work programme. See www.leeds.ac.uk/esrcfutureofwork.

M. White et al, *Managing to Change?* (2004): telephone survey of a representative sample of workplaces.

Research papers published mainly in the journals the *British Journal of Industrial Relations* and *Work, Employment and Society*.