

Joseph Evans, Institute for Public Policy Research – Written Evidence

1. The Institute for Public Policy Research (IPPR) is an independent charity working towards a fairer, greener, and more prosperous society. This submission provides evidence that the Employment Rights Bill will help to tackle labour market insecurity and improve opportunities for workers to join trade unions, which will in turn improve prospects for broader economic prosperity. It also provides evidence on how managers in businesses and organisations of different sizes expect the measures in the bill will impact their workplaces.

The Employment Rights Bill will help to tackle insecure work

2. The Employment Rights Bill's provisions on zero hours workers, entitlements to leave and dismissal will build greater economic security for many workers. Working life is characterised by insecurity for many people: 6.8 million workers,¹ more than 1 in 5, are in insecure jobs, and many of these workers are stuck in a cycle of insecure work.² Since 2011, the number of insecure jobs has increased nearly three times faster than secure forms of employment.³ Insecure work compounds the problem of low pay: the lowest paid workers are also those most affected by contract insecurity, volatility in pay or hours and underemployment.⁴ Workers who are younger or from minority ethnic backgrounds are also more likely to be in insecure work.⁵ The growth in the use of zero-hours contracts is an important example of the concerning prevalence of insecure work in the UK's labour market: the number of people who report being employed on zero-hours contracts has increased tenfold in the last two decades.⁶
3. On zero hours workers, sections 1-6 of the bill set out the government's approach to ending the use of exploitative zero hours contracts. The bill will require employers to offer qualifying workers guaranteed hours which reflect the hours they worked during a reference period. The bill will also require employers to provide workers with reasonable notice of shifts and to make payments to workers if they cancel, move or curtail a shift at short notice.⁷ These new rights will help to address the contract insecurity and volatility in hours that have been shown to be drivers of insecurity at work. However, the extent to which these measures are successful in tackling volatility in hours will ultimately depend on workers' ability to access employment tribunals, which are the main enforcers of the provision in the bill's current

¹ R Florisson (2024) *The UK Insecure Work Index 2024*, Work Foundation.

<https://www.lancaster.ac.uk/media/lancaster-university/content-assets/images/lums/work-foundation/UKInsecureWorkIndex2024.pdf>

² R Florisson and A Navani (2024) *No Progress? Tackling long-term insecure work*, Work Foundation.

<https://www.lancaster.ac.uk/work-foundation/publications/no-progress>

³ Trades Union Congress (2024) 'Number of people in insecure work reaches record 4.1 million', news listing.

<https://www.tuc.org.uk/news/number-people-insecure-work-reaches-record-41-million> [accessed 6/12/2024]

⁴ N Cominetti, R Costa, N Datta and F Odamtten (2022) *Low Pay Britain 2022: Low pay and insecurity in the UK labour market*, Resolution Foundation. <https://economy2030.resolutionfoundation.org/wp-content/uploads/2022/05/Low-Pay-Britain-2022.pdf>

⁵ Health Foundation (2024) 'Inequalities in insecure work', webpage. <https://www.health.org.uk/evidence-hub/work/job-security/percentage-of-employees-in-involuntary-insecure-work-by-region-sex-age-ethnicity-income> [accessed 6/12/2024]

⁶ IPPR analysis of Office for National Statistics (2024) 'EMP17: People in employment on zero hours contracts', dataset.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/em17peopleinemploymentonzerohourscontracts>

⁷ Department for Business and Trade (2024) *Factsheet: Zero Hours Contracts in the Employment Rights Bill*. <https://assets.publishing.service.gov.uk/media/67125b70e94bb9726918ee39/zero-hours-contracts.pdf>

form. Their success will also depend on how new rights for zero hours workers will apply to agency staff, which the Department for Business and Trade is actively consulting on.⁸

4. On dismissal, sections 19-22 of the bill introduce new protections against unfair dismissal and 'fire and rehire'. The bill repeals the two-year qualifying period for employee protections against unfair dismissal, ensuring that every employee is protected from the first day of employment.⁹ It also restricts employers' ability to 'fire and rehire' workers unless they can demonstrate that the need to make the change in contractual terms was unavoidable.¹⁰ This will give workers more security in their contract and open new opportunities to challenge instances of unfair dismissal. As above, the extent to which these measures are successful in tackling unfair dismissal will depend on workers' ability to access employment tribunals.
5. On entitlements to leave, sections 8-9 of the bill introduce changes to Statutory Sick Pay (SSP). Section 8 removes the waiting period for SSP, meaning that everyone is eligible for SSP from the first day of sickness absence. Section 9 removes the lower earnings limit, which currently means that anyone earning less than £123 per week is unable to access SSP.¹¹ IPPR has previously recommended removing the waiting period and lower earnings limit for accessing SSP as a way of addressing the reality that there are stark age, race and class inequalities in accessing sick pay under the current arrangement.¹²

Trade union reforms will facilitate easier engagement between workers and unions

6. The Employment Rights Bill's trade union reforms are likely to make it easier for workers to access trade unions and for unions to sign recognition agreements with employers. The bill's provisions on the right to a statement of trade union rights, the right of trade unions to access workplaces and the process for trade union recognition will facilitate easier engagement between workers and unions. It is likely that stronger engagement between workers and unions will result in an increase in trade union membership and recognition agreements across the economy.
7. On the right to statement of trade union rights, section 45 mandates that employers provide workers with a written statement of this right when they receive employment particulars at the start of a job. The new duty also requires employers to inform staff of this right on a regular basis. On access rights, section 46 of the bill provides a framework for access agreements between employers and trade unions which are likely to make it easier for workers to access trade unions. The existing legal framework does not provide unions with an independent right of access to workplaces, meaning they can only access workplaces through individual members. Under the new framework, trade unions can negotiate with employers to gain access to a workplace. Trade union officials can access workplaces where they can reach an access agreement with an employer, for purposes such as representing, recruiting or

⁸ Department for Business and Trade (2024) 'Making Work Pay: the application of zero hours contracts measures to agency workers', consultation. <https://www.gov.uk/government/consultations/making-work-pay-the-application-of-zero-hours-contracts-measures-to-agency-workers>

⁹ Department for Business and Trade (2024) *Factsheet: Unfair Dismissal in the Employment Rights Bill*. <https://assets.publishing.service.gov.uk/media/67125b939cd657734653d7e8/unfair-dismissal.pdf>

¹⁰ Department for Business and Trade (2024) *Factsheet: Fire and Rehire in the Employment Rights Bill*. <https://assets.publishing.service.gov.uk/media/67125af6b40d67191077b382/fire-and-rehire.pdf>

¹¹ Department for Business and Trade (2024) *Factsheet: Statutory Sick Pay in the Employment Rights Bill*. <https://assets.publishing.service.gov.uk/media/67125b5cb40d67191077b384/statutory-sick-pay.pdf>

¹² P Patel and C Jung (2022) *A healthy labour market: Creating a post-pandemic world of healthier work*, Institute for Public Policy Research. <https://ippr-org.files.svdcdn.com/production/Downloads/healthy-labour-market-feb22.pdf>

organising members, and facilitating collective bargaining.¹³ These changes will increase workers' awareness of and engagement with trade unions. It is therefore likely that these changes will result in higher trade union membership and collective bargaining coverage.

8. On trade union recognition, section 47 of the bill removes the current requirement for a union to have at least 40% of the workforce in the proposed bargaining unit supporting recognition.¹⁴ This means that a trade union which can demonstrate to the Central Arbitration Committee (CAC) that they have 10% membership of the proposed bargaining unit will be able to obtain statutory union recognition with an employer. This will make it easier for trade unions to achieve recognition in workplaces where an employer refuses to recognise a trade union voluntarily. It is therefore likely to lead to an increase in the number of recognition agreements between employers and unions.
9. Taken together, it is likely that the above measures will result in an increase in the number of trade union members and recognition agreements between employers and unions. This would be a welcome change after decades of declining trade union membership. There is also evidence that stronger trade unions are beneficial for both workers and the broader economy by supporting inclusive growth, boosting productivity and generating good-quality jobs.
10. An increase in the number of trade union members and recognition agreements between employers and unions will support more inclusive growth. By aggregating the power of working people, trade unions help them to secure a fairer share of the wealth they help generate, and they ensure that the wealth is shared more equally. On an individual level, trade union members earn more than non-members, with this 'wage premium' standing at 4.2%.¹⁵ On a collective level, trade unions support working people to secure a fairer share of the wealth that they collectively generate. The decline in trade union membership from 1979 coincided with a large decline in the labour share of gross domestic product (GDP) – the proportion of national income that goes to workers. The labour share fell from a peak of 70.9% of GDP in 1975 to a nadir of 53.9% in 1996, though it has since recovered some of the lost ground, and it now stands at 59.1%.¹⁶ Economists point to the decline in union density and collective bargaining as a factor in the declining labour share, and in the poorer wage growth of recent years. Analysis conducted by the University of Greenwich and New Economics Foundation found that the decline in union density in the UK has contributed to a decline in the labour share of GDP of 4.4%.¹⁷ The former chief economist at the Bank of England, Andy Haldane, argued that the decline in union membership would have subtracted 1% from wages since 2000.¹⁸

¹³ Department for Business and Trade (2024) *Factsheet: Trade Unions in the Employment Rights Bill*. <https://assets.publishing.service.gov.uk/media/6712634d8a62ffa8df77b39c/trade-unions.pdf>

¹⁴ Ibid

¹⁵ Department for Business and Trade (2024) *Trade Union Membership, UK 1995-2023: Statistical Bulletin*. https://assets.publishing.service.gov.uk/media/665db15a0c8f88e868d334b8/Trade_Union_Membership_UK_19_95_to_2023_Statistical_Bulletin.pdf

¹⁶ Office for National Statistics (2024) Labour costs and labour income, UK, dataset. <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/labourcostsandlabourshare>

¹⁷ O Onaran, A Guschanski, J Meadway and A Martin (2015) *Working for the economy: The economic case for trade unions*, Greenwich Political Economy Research Centre. https://gala.gre.ac.uk/id/eprint/14102/1/PB052015_Onaran_etal.pdf

¹⁸ AG Haldane (2017) *Work, Wages and Monetary Policy*, Bank of England. <https://www.bankofengland.co.uk/-/media/boe/files/speech/2017/work-wages-and-monetary-policy.pdf?la=en&hash=08C85332E6B0C5D0DD5A5ECBFE9B8E247EBE19F9>

11. There is some evidence that higher levels of trade union membership and recognition are associated with stronger productivity. On an international level, there is evidence of a link between both union density and collective bargaining coverage and productivity. Countries with stronger participation rights – including collective bargaining – tend to perform better on a wide range of productivity-enhancing measures.¹⁹ On a workplace level, there is some evidence that trade unions can help boost productivity. Workplaces with a trade union are more likely to demonstrate high-performance working practices which are associated with higher levels of productivity.²⁰ One study shows that an increase in union density between 2004 and 2011 was associated with improved performance relative to the industry average.²¹
12. Trade unions are also associated with better-quality employment. Unionised workplaces are associated with a number of positive job characteristics commonly associated with ‘good work’, including training, working time, employment benefits, flexibility and job security. Employees are significantly more likely to receive job-related training if they are a union member and if they are covered by a collective agreement.²² Unionised employees work fewer hours of unpaid overtime and enjoy longer holiday entitlements.²³ Unionised workplaces are more likely to offer employment benefits, including occupational sick pay schemes, employer-provided pensions and subsidised childcare.²⁴ Unionised workplaces are more likely to have family-friendly practices compared with similar workplaces without unions. Finally, unionised workplaces are more likely to have job-security provisions which means that redundancies – where they occur – are more likely to be voluntary.²⁵
13. Overall, this evidence indicates that the trade union reforms in the Employment Rights Bill have the potential to drive more inclusive growth, boost productivity and facilitate better-quality employment.

Managers are generally positive about the prospect of stronger workers’ rights

14. IPPR sought to assess levels of support for stronger workers’ rights among managers. We commissioned Opinium to explore the opinions of employers with direct responsibility for management and HR working in organisations across the economy. Our aim was to determine the views of people who make management decisions within businesses and who engage more frequently with employees on the potential impact of the government’s policies. The polling was conducted in August 2024, before the Employment Rights Bill was published.²⁶

¹⁹ Acas (2015) *Building productivity in the UK*. <https://www.acas.org.uk/research-and-commentary/building-productivity-in-the-united-kingdom/paper>

²⁰ E Applebaum, T Kochan, J Hoffer Gittell and C Leana (2013) *High-Performance Work Practices and Sustainable Economic Growth*, Centre for Economic and Policy Research. <https://cepr.net/report/high-performance-work-practices-and-sustainable-economic-growth/>

²¹ A Bryson and J Forth (2014) *The UK’s Productivity Puzzle*, National Institute of Economic and Social Research. <https://niesr.ac.uk/wp-content/uploads/2021/10/Productivity-Puzzle-Bath-4.pdf?ver=33q6KuUnsaxIEHmwvJvH>

²² M Stuart, D Valizade and I Bessa (2015) *Skills and training: the union advantage*, Centre for Employment Relations Innovation and Change, Leeds University Business School. https://www.tuc.org.uk/sites/default/files/Skils_and_training.pdf

²³ A Bryson and J Forth (2017) *The added value of trade unions: A review for the TUC of existing research*, Trades Union Congress.

https://www.tuc.org.uk/sites/default/files/1%20WERS%20lit%20review%20new%20format%20%20RS_0.pdf

²⁴ JW Budd and K Mumford (2004) ‘Trade Unions and Family-Friendly Policies in Britain’, *Industrial and Labor Relations Review*, 53: 204–22. <https://www.jstor.org/stable/4126617>

²⁵ A Bryson and J Forth (2017) *The added value of trade unions: A review for the TUC of existing research*, Trades Union Congress.

https://www.tuc.org.uk/sites/default/files/1%20WERS%20lit%20review%20new%20format%20%20RS_0.pdf

15. The polling found strong support for the government's plans among those making decisions within businesses and frequently engaging with workers. Most managers supported the idea of strengthening the rights of ordinary workers in principle and welcomed specific policies announced by the government. More than two-thirds of senior decision-makers and middle managers in businesses, including 61% in small businesses, believe that the rights of ordinary workers should be stronger. A majority of the managers polled supported the government's proposed changes to individual and collective employment rights, including giving employees protection from unfair dismissal from the first day of employment; banning exploitative zero-hours contracts; making it easier for trade unions to achieve recognition for collective bargaining; and allowing secure voting on trade union ballots to be done electronically.
16. Most managers think these changes will have a positive impact on their business. A majority believe that the government's employment rights policies will have a positive effect on productivity and investment, as well as the profitability of their business. These results suggest that employers believe there will be economic benefits from making workers' rights stronger. Managers believe that strengthening employment rights for ordinary workers in general would benefit their organisations in the following ways:
 - a. Profitability: 61% think stronger employment rights will have a positive impact on business profitability, compared to 17% who disagree.
 - b. Investment: 65% think stronger employment rights will have a positive impact on business investment in the workforce, compared to 11% who do not.
 - c. Productivity: 73% think strengthened employment rights will boost productivity, compared to 7% who disagree.
 - d. Retention: 74% think that strengthening employment rights will improve workforce retention, compared to 6% who do not.
 - e. Workforce health: 74% think that strengthened employment rights will improve employee health, compared to 4% who disagree.
17. These results indicate that people who make management decisions within businesses and who engage more frequently with employees anticipate that the government's employment rights policies will have a positive impact on their workplace.²⁷

Conclusion

18. Given the evidence provided, it is IPPR's view that the Employment Rights Bill will improve prospects for broader economic prosperity by helping to tackle labour market insecurity and

²⁶ Opinium conducted an online survey among 1,000 middle managers and senior decision-makers with a focus on HR and recruitment in businesses with 10 or more employees. Fieldwork was carried out between 6 and 21 August 2024. These were conducted through a bespoke approach, recruiting DMs from two specialist business panels and the B2B subset on Opinium's proprietary UK panel. All data has been checked to ensure results are consistent across all sample sources. This allows us to corroborate the overall findings, alongside all usual data checks that are included as standard within market research studies.

²⁷ The above evidence is drawn from IPPR (2024) *Stronger rights, better results: Managers' attitudes to workers' rights*, Institute for Public Policy Research. https://ippr-org.files.svdcdn.com/production/Downloads/Workers_rights_polling_Oct24.pdf

improving opportunities for workers to join trade unions. Our polling also indicates that there is a diversity of opinion within the business community on the potential impacts of the bill's main changes, with most managers in businesses of all sizes anticipating that the bill will have a positive impact on profitability, investment and productivity.