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of work for good

# **Make Work Pay: Employment Rights Bill**

**Response to Business and Trade  
Committee inquiry**

**December 2024**

## About Us

The Trades Union Congress (TUC) is the voice of Britain at work. We represent more than 5.5 million working people in 48 unions across the economy. We campaign for more and better jobs and a better working life for everyone, and we support trade unions to grow and thrive.

## Introduction

The TUC welcomes this opportunity to submit evidence to the Business and Trade Committee's inquiry into the Employment Rights Bill. The TUC strongly supports this legislation, which will improve worker rights and protections, especially for those in insecure forms of employment. Evidence suggests stronger labour market regulation will benefit employers and the government's fiscal position.

## Protecting workers

Does the Employment Rights Bill adequately safeguard the workers it seeks to protect?

Despite promises<sup>1</sup> to introduce an employment bill to tackle labour market exploitation, the previous government failed to act. Instead, they introduced draconian anti trade union legislation hindering workers ability to organise and secure improved terms and conditions. This groundbreaking bill undoes the damage and introduces key new rights for working people.

Key elements include measures to:

- Lift people out of insecure work by offering guaranteed hour contracts. Research<sup>2</sup> commissioned by the Director of Labour Market Enforcement shows nearly 10% of workers are increasingly trapped in precarious work.
- Increase job security by improving unfair dismissal protections, addressing the gap between the UK and the OECD average, with UK labour laws being significantly less protective from 1970 to 2022.<sup>3</sup>
- Improve employment rights enforcement through a Fair Work Agency, including an advisory board with trade union representation which ensures worker voice is reflected.

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<sup>1</sup> TUC (2022) Ministers have promised 20 times to bring forward an employment bill to enhance workers' rights. <https://www.tuc.org.uk/news/ministers-have-promised-20-times-bring-forward-employment-bill-enhance-workers-rights>

<sup>2</sup> UCL (2024) Almost one in ten UK workers increasingly trapped in precarious work. <https://www.ucl.ac.uk/news/2024/nov/almost-one-ten-uk-workers-increasingly-trapped-precarious-work>

<sup>3</sup> TUC (2024) Falling behind on labour rights. <https://www.tuc.org.uk/sites/default/files/2024-07/UKvOECD.pdf>

## Written evidence from Trades Union Congress (TUC) (ERB0073)

- Improve collective rights. Introducing union rights to access workplaces and simplifying statutory recognition process should extend collective bargaining coverage, leading to improved pay and conditions, better enforcement of rights and more effective implementation of other rights in the Bill.
- Effectively ban fire and rehire to stop rogue employers like P&O Ferries.
- Make sick pay a day 1 right, benefitting over 7 million people according to the TUC and the Centre for Progressive Change.<sup>4</sup>

### Are there weaknesses or loopholes in the Bill that could be exploited or have unintended consequences?

The government acknowledges that the Employment Rights Bill is not the full extent of the change needed. The TUC supports Labour's plan to Make Work Pay<sup>5</sup> and looks forward to its full implementation.

Next steps should address:

- A rapid review of employment status, to ensure avoidance tactics like bogus self-employment don't proliferate as employers respond to increased employment rights.
- Resourcing for the Fair Work Agency, so it can fulfil its obligations and address decades of underfunding. Migrant workers should be protected by stopping joint investigations with immigration enforcement.
- Safeguards from the risks of AI-powered decision making, so that everyone benefits from the opportunities associated with AI in the workplace.

There are also areas the TUC would like to see the government give further consideration:

- We would like the Bill to include powers to extend Fair Pay Agreements to other sectors.
- The approach to statutory sick pay must ensure no workers are worse off than currently, and the replacement rate for lowest earners should be at least 95% of earnings.
- Strengthen guaranteed hours provisions, as legislation as it stands allows exclusion of workers who are not deemed to be on "low hours", which remains undefined. Likewise, the legislation refers to "regularity" of hours, which could allow employers to game the system by manipulating shift allocations.

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<sup>4</sup> TUC (2024) More than 7 million workers would benefit from day one sick pay boost – TUC analysis finds. <https://www.tuc.org.uk/news/more-7-million-workers-would-benefit-day-one-sick-pay-boost-tuc-analysis-finds>

<sup>5</sup> Labour (2024) Labour's plan to make work pay. <https://labour.org.uk/wp-content/uploads/2024/06/MakeWorkPay.pdf>

## Written evidence from Trades Union Congress (TUC) (ERB0073)

- Digital access rights should explicitly be included in the legislation, so unions have a right to reasonable electronic communication with workers.
- The Fair Work Agency should be responsible for enforcing new rights where the penalty for non-compliance is a relatively low financial award.

### Are there areas of employment law not covered by the Bill that weaken workers' protections?

The TUC welcomes the government's commitment to the full implementation of its plan to Make Work Pay. Key areas where unions look forward to engagement include:

- The parental leave review, to ensure that the system is accessible and workable for all working parents.
- The upcoming AI/Data bill, to ensure it includes adequate safeguards to protect workers.
- Government procurement strategy, to ensure that public procurement raises standards on employment rights and that public bodies must carry out a quick and proportionate public interest test.

### Can the measures in the Bill be adequately enforced? What are the barriers to setting up a Single Enforcement Body (Fair Work Agency) and how can these challenges be overcome?

As mentioned above, the remit of the Fair Work Agency must be sufficiently wide to provide prompt redress for breaches of core employment rights. Particularly, it should enforce payments for cancelled shifts and regulate exploitative intermediaries such as umbrella companies.

Insufficient resources are a huge problem for enforcement bodies. For example, the GLAA expects a funding cut of over 5% in 2024-25.<sup>6</sup> The EAS employs approximately 20 inspectors to regulate around one million agency workers. There is a shortfall of labour market inspectors in the enforcement system, meaning the UK does not meet the ILO's international benchmarks.<sup>7</sup> Proposals for the Fair Work Agency should include plans to increase funding for relevant enforcement bodies.

Resourcing the employment tribunal system is also key. Minutes from the last employment tribunal user group show lengthy waits for some workers to have their claim heard, with longer hearings of 6-10 days in areas including the North West, London and the Midlands not seeing cases listed until 2026.

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<sup>6</sup> GLAA (2023/24) Business plan. <https://www.gla.gov.uk/publications/glaa-business-plan-23-24/glaa-business-plan-2324-our-people-and-resources>

<sup>7</sup> TUC (2021) Action plan to reform labour market enforcement.

<https://www.tuc.org.uk/sites/default/files/2021-05/Enforce%20report%20draft%20Final%20Version%202020%20110521.pdf>

Will the proposed trade union reforms improve working relationships between workers and businesses, and hence, productivity and enable voice at work?

There is compelling evidence of the Bill's benefits. Businesses thrive with a secure, motivated and confident workforce and public interest is served through well trained, fairly paid and fully engaged workers.

However, there is a high road and unfortunately a low road to short-term success. Recent government policy has arguably facilitated and encouraged businesses to take a low road approach to their employment models. The government is rightly aiming to address this through strengthening individual and collective rights. A significant strengthening of both is needed to facilitate business models that deliver for workers, businesses and the public.

Collective bargaining benefits workers and employers, leading to higher pay, more training days, more equal opportunities practices, better holiday and sick pay provision, more family-friendly measures, less long-hours working, better health and safety, lower staff turnover, higher innovation, reduced staff anxiety relating to the management of change and a greater likelihood of high-performance working practices.

The TUC believes re-establishing sectoral bargaining in the UK would bring significant social and economic benefits, generating higher wages and improved conditions for workers, and making a vital contribution to growth.

In a major study the OECD found that "collective bargaining coverage is high and stable only in countries where multi-employer agreements (mainly sectoral or national) are negotiated"<sup>8</sup>. Research has also shown that co-ordinated bargaining systems, in which sectoral bargaining is prominent, are particularly successful in generating wider economic and social benefits. OECD research has further found that "co-ordinated [bargaining] systems are shown to be associated with higher employment, lower unemployment, a better integration of vulnerable groups and less wage inequality than fully decentralised systems"<sup>9</sup>.

How to ensure adequate protection against exporting poor labour standards, including concerns over forced labour in international supply chains.

Organisations registered and/or operating in the UK should have greater legal responsibility for preventing harms to human and labour rights and the environment throughout their global value chains and be held legally liable when harms occur.

In keeping with international best practice, mandatory and human rights due diligence legislation should cover areas including human rights, labour rights and environmental protections. The most effective way for the UK to enforce these responsibilities would be through robust mandatory due diligence legislation.

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<sup>8</sup> OECD (2017) Working Party on Employment Chapter 4: Collective Bargaining and Workers' Voice in a Changing World of Work

<sup>9</sup> OECD (2018) Employment Outlook 2018, page 83

## Impact on businesses

The OECD Jobs Strategy 2018 finds that countries with policies and institutions that promote job quality, job quantity and inclusiveness perform better than countries focusing on labour market flexibility. The IMF also recognises the economic benefits of stronger labour market protections, including collective bargaining.<sup>10</sup> The international consensus is that improved labour market protections benefit the economy.

Businesses recognise the benefits of an improved economy with better protections for workers. A clear majority of small, medium and large employers agree the government's plans will benefit their business. Polling<sup>11</sup> shows decision-makers and managers support proposals on day-one rights, access to sick pay, zero-hours contracts, a real living wage, and trade union recognition. Two-thirds (68 per cent) of employers, including 61 per cent of small businesses, believe that worker rights should be stronger. Managers believe the changes will make employees healthier, happier and more engaged; provide employees with more security and predictability and bring wider benefits to businesses and the economy.

The government's impact assessment shows substantial benefits for employers, including tackling undercutting of good practice, improving productivity, and benefitting from workers spending more as their incomes become more secure. It notes that flexible working could lead to a wider talent pool, and recognises the benefits of more cooperative industrial relations and reduced strikes.

The impact assessments suggest the benefits will more than offset the Bill's direct costs. TUC research<sup>12</sup> confirms this showing the cumulative economic impact of even modest improvements would be £13.3bn a year. This far exceeds the £5bn costs to business identified by the government, which represent "a modest increase in labour costs for employers to adapt to, equivalent to less than 0.4% of total UK employment costs and less than 1.5% of employment costs in lower-paying sectors."<sup>13</sup>

The Regulatory Policy Committee found that the vast majority of the government's impact assessments were fit for purpose. Where they have requested more evidence on some parts of the Bill we believe the government will be able to meet these demands. Independent expert Professor Simon Deakin has praised the impact assessments for their balance and thoroughness.<sup>14</sup>

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<sup>10</sup> Hiltzik, Michael. Los Angeles Times. (2015) IMF Agrees: Decline of Union Power Has Increased Income Inequality.

<sup>11</sup> IPPR (2024) Clear majority of employers support government's proposals to strengthen rights for workers, polling finds <https://www.ippr.org/media-office/clear-majority-of-employers-support-governments-proposals-to-strengthen-rights-for-workers-polling-finds>

<sup>12</sup> TUC (2024) Workers' rights reforms could benefit economy by over £13bn a year. <https://www.tuc.org.uk/news/workers-rights-reforms-could-benefit-economy-over-ps13bn-year>

<sup>13</sup> UK Government (2024) Employment Rights Bill economic analysis.

<sup>14</sup> Professor Deakin evidence to Employment Rights Bill Committee (Fourth Sitting)

Evidence<sup>15</sup> shows that employment protection regulation leads to positive employment impacts and productivity gains. Higher employment standards improve workplace health, performance, and investment in productivity and innovation. A decent floor of rights levels the playing field for good employers and promotes business models which reward workers.

When predicting the impact of these measures it is helpful to consider other interventions like the minimum wage, which has successfully raised wages for the lowest paid without causing job losses.<sup>16</sup> The independent Low Pay Commission (LPC) has recommended large increases to the minimum wage as empirical evidence has grown.

The LPC notes that employers can respond to higher costs associated with a rising minimum wage by adjusting profits, productivity and prices. They report on [surveys](#) showing most employers absorb higher costs without impacts on pay growth. A regular CIPD survey of employers found that about 30 per cent of employers chose to absorb the costs, 30 per cent raised prices, a quarter raised productivity and just 1 in 10 looked to reduced pay growth. The LPC finds similar results in employer surveys run by the CBI and FSB.

Better pay and conditions boost growth by increasing demand and consumer confidence. Underpowered wage growth and weak consumer confidence is bad for business. We believe the comparatively modest initial costs of these reforms are offset by substantial gains.

Businesses are also well placed to make this shift. Profit margins are strong, with UK non-financial companies having a 9.6% return and the service sector at 15.2%. Industry continues to pay out excessive dividends, bonuses and executive pay. FTSE 100 CEO salaries reached new highs last year with a median of £4.19m.<sup>17</sup> UK dividends rose 11.2% to a record £36.7bn in Q2.<sup>18</sup> Real GDP is forecast to grow by 2.0% in 2025, 1.8 % in 2026 and 1.5% a year from 2027 to 2029.<sup>19</sup> Despite the siren voices of those who talk

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[https://hansard.parliament.uk/commons/2024-11-28/debates/a62c8a52-c2f2-4af6-afc6-bb8f03bfc8fd/EmploymentRightsBill\(FourthSitting\)#contribution-8C115DC0-81C5-4773-A3B1-59FCBAF965B2](https://hansard.parliament.uk/commons/2024-11-28/debates/a62c8a52-c2f2-4af6-afc6-bb8f03bfc8fd/EmploymentRightsBill(FourthSitting)#contribution-8C115DC0-81C5-4773-A3B1-59FCBAF965B2)

<sup>15</sup> Deakin and Pourkermani. Digit Policy Brief. (2024) The economic effects of changes in labour laws: new evidence for the UK. <https://digit-research.org/publication/the-economic-effects-of-changes-in-labour-laws-new-evidence-for-the-uk/>

<sup>16</sup> Arindrajit Dube (2019) Impacts of minimum wages: review of the international evidence <https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence>

<sup>17</sup> High Pay Centre (2024) FTSE 100 CEO pay reaches new high <https://highpaycentre.org/ftse-100-ceo-pay-reaches-new-high/>

<sup>18</sup> FT Adviser (2024) Should the UK end its 'entrenched' dividend culture? <https://www.ftadviser.com/asset-locator/2024/09/30/should-the-uk-end-its-entrenched-dividend-culture/>

<sup>19</sup> OBR (October 2024) Economic and fiscal outlook

down our economic prospects, much of corporate Britain is doing well, with prospects set to improve in the years ahead.

Much of this growth will be driven by the success of large business. The CBI says that “for every £1 an SME invests, larger firms invest £500.”<sup>20</sup> Large businesses are well set up to adopt the changes and many will be mostly compliant already.

The small businesses landscape always faces churn and inevitably some are struggling. Recent pressures have been from energy costs, rising goods prices and, more recently, of financing debt. Those that have made it through the worst of recent pressures should now prioritise working conditions. This is about incentivising the kind of jobs workers deserve, and the kind needed to boost demand.

## Economic growth and wealth creation

### TUC modelling of benefits

The government’s economic analysis suggests that the benefits will more than offset the Bill’s costs. We have modelled some of the benefits identified<sup>21</sup> by government:

- **Workplace stress:** £490 million to £974 million by reducing lost working days.
- **Staff well-being:** £310 million to £930 million from improved well-being.
- **Minimum wage compliance:** £42 million to £168 million from better compliance.
- **Strikes:** £255 million to £510 million by resolving disputes.
- **Industrial relations:** £2.7bn to £8.1bn from reduced conflict.
- **Labour market participation:** £1.3bn to £2.6bn by increasing employment for people looking after family or home.

The research shows that the cumulative impact of even modest improvements would be £13.3bn a year – and stronger outcomes could generate even greater gains.

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<sup>20</sup> Rain Newton-Smith (2024) Speech to CBI annual conference

<sup>21</sup> UK Government (2024) Employment Rights Bill economic analysis, paragraph 60



### **Challenges of UK labour market inequality**

The labour market has significant inequalities. The IFS 'Deaton review' finds:

*Wage and earnings inequality has been on the rise in the UK since the late 1970s / early 1980s, and with faster increases than comparator countries, it is now one of the countries with the highest levels of wage and earnings inequality in the developed world.* <sup>22</sup>

Low paid and poor-quality work has substantial health impacts. The strong link was underlined by the Marmot Review which recommended creating fair employment and good work for all, noting that bad jobs can be harm health more than unemployment.

Warhurst<sup>23</sup> emphasises the fiscal impact with poor quality jobs incurring indirect costs for the NHS and social care. Dame Carol Black's review<sup>24</sup> estimated these costs at up to £100bn annually. She finds "we all pay the cost of poor-quality jobs".

### **The benefits of improved employment protection**

The OECD 2018 Jobs Strategy states that policies can simultaneously improve job quantity, quality, and inclusiveness. Their assessment of OECD countries shows that quality work, high employment, and fairness coincide. Their summary table is shown below. Nordic countries like Iceland, Denmark, Norway and Sweden, along with Germany perform well across at least two-thirds of the measures and are absent from the bottom third of low performers.

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<sup>22</sup> Giupponi, Giulia and Stephen Machin (2022) Labour market inequality.

<https://ifs.org.uk/publications/labour-market-inequality>

<sup>23</sup> Warhurst, C (2021). Good jobs and why they matter. University of Warwick Knowledge Centre.

[https://warwick.ac.uk/newsandevents/knowledgecentre/business/work/good\\_jobs/](https://warwick.ac.uk/newsandevents/knowledgecentre/business/work/good_jobs/)

<sup>24</sup> Black, Dame Carol (2008) Working for a healthier tomorrow: Review of the health of Britain's working age population, 17th March 2008.

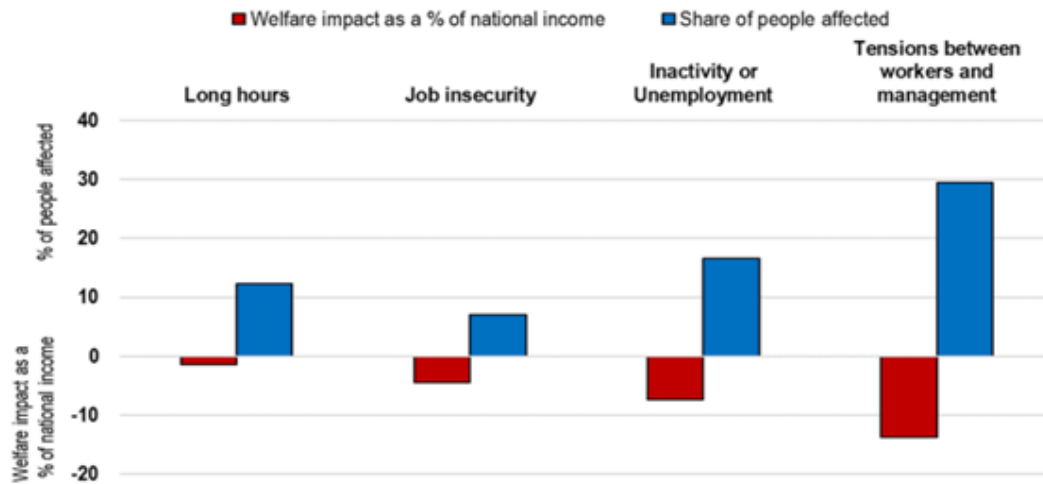
**Table 3.1. OECD Jobs Strategy dashboard for labour market performance**  
 Panel A. Dashboard of job quantity, job quality and inclusiveness

	Quantity			Quality			Inclusiveness		
	Employment	Unemployment	Broad labour underutilisation	Earnings quality	Labour market insecurity	Quality of working environment	Low-income rate	Gender labour income gap	Employment gap for disadvantaged groups
	Share of working-age population (20-64 years) in employment (%) (2017)	Share of persons in the labour force (15-64 years) in unemployment (%) (2017)	Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (2018)	Gross hourly earnings in USD adjusted for inequality (2015)	Expected monetary loss associated with becoming and staying unemployed as a share of previous earnings (%) (2018)	Share of workers experiencing job strain (%) (2015)	Poverty rate after taxes and transfers, poverty line 50%, working-age population (18-64) (%) (2015)	Difference between average annual earnings of men and women divided by average earnings of men (%) (2015)	Average employment gap as a percentage of the benchmark group (prime-age male workers) (2018)
<b>OECD countries</b>									
Iceland	87.2	2.9	12.8	22.7	2.2	23.8	8.5	35.3	9.2
Switzerland	82.1	5.0	18.3	28.4	1.7	--	8.4	48.3	14.8
Sweden	81.8	8.8	19.5	20.3	3.8	23.8	8.4	25.8	13.3
New Zealand	81.3	4.9	21.4	18.8	4.4	21.8	9.7	--	17.7
Japan	80.3	3.0	24.0	18.1	1.8	31.2	14.5	57.7	24.7
Germany	79.2	3.8	21.0	25.0	1.9	28.5	10.0	42.8	20.2
Estonia	78.7	5.9	21.9	7.5	5.2	23.0	12.9	30.4	22.1
Czech Republic	78.5	2.9	20.7	9.0	1.8	25.4	5.8	44.3	30.3
Norway	78.3	4.3	19.2	29.0	1.9	13.8	9.3	35.0	19.0
United Kingdom	78.1	4.5	23.5	17.7	2.7	20.7	10.1	42.8	22.9
Netherlands	78.0	4.9	22.9	28.7	1.9	23.4	8.8	46.2	22.2
Denmark	78.0	5.9	21.0	29.8	3.1	18.2	7.0	29.8	16.7
Canada	76.3	8.4	26.0	19.8	3.8	--	14.1	38.7	19.3
Lithuania	76.0	7.3	23.5	7.5	--	30.8	14.7	26.9	17.8
Acrotaria	76.0	5.8	28.5	21.9	3.8	25.8	10.2	41.5	21.4
Israel	75.5	4.3	24.0	8.7	3.5	25.1	14.3	--	14.8
Austria	75.4	5.8	25.4	23.0	2.8	28.5	8.7	47.8	21.8
Latvia	74.7	8.9	28.8	8.4	--	30.3	13.0	24.9	17.7
Finland	74.3	8.8	26.8	21.2	2.0	18.3	8.8	21.4	18.8
United States	73.8	4.4	25.7	17.7	3.7	25.8	15.5	39.5	25.4
Slovenia	73.4	8.7	27.8	14.2	3.5	31.8	8.7	22.8	27.4
Portugal	73.4	9.2	29.8	8.7	7.0	33.2	12.3	29.0	22.0
Hungary	73.3	4.2	28.8	7.2	3.2	38.4	10.0	29.3	33.8
Ireland	72.7	7.0	33.5	19.3	3.1	23.9	9.9	39.9	29.3
Korea	71.8	3.8	--	9.9	2.4	--	8.5	61.0	31.8
Luxembourg	71.5	5.5	27.5	28.8	2.2	23.1	10.9	31.9	24.0
Slovak Republic	71.1	8.2	29.7	8.8	6.4	32.0	7.8	31.7	33.5
France	71.0	9.2	32.7	21.9	4.4	25.8	8.3	34.8	27.8
Poland	70.9	5.0	29.4	7.8	4.0	30.0	11.0	35.5	31.5
Chile	69.1	7.0	33.2	8.8	7.1	28.2	14.2	46.4	27.5
Belgium	68.5	7.1	30.0	29.3	2.4	25.8	9.5	33.3	30.0
Mexico	66.8	3.8	--	4.8	4.0	28.9	13.9	54.5	40.4
Spain	65.5	17.3	39.3	17.5	17.5	35.0	15.9	34.0	27.5
Italy	62.3	11.4	42.9	19.1	10.7	29.8	14.7	44.3	34.0
Greece	57.8	21.7	44.8	10.0	22.7	47.9	18.0	49.1	38.2
Turkey	55.3	11.2	44.2	5.8	13.0	42.9	13.5	--	47.1
OECD	72.1	5.9	27.2	16.8	4.9	27.8	10.9	38.1	24.7
<b>Non-OECD countries</b>									
Colombia	73.1	9.7	30.2	3.7	11.0	--	--	42.5	34.3
Costa Rica	66.8	9.2	37.8	5.5	7.2	--	17.5	48.5	44.9
Argentina	69.0	8.5	38.2	7.4	7.5	--	--	45.1	38.8
Brazil	65.9	13.0	32.7	4.8	6.8	--	17.3	48.2	39.2
China	79.8	2.9	--	--	5.8	28.9	28.0	--	32.0
India	59.5	3.7	--	2.7	3.8	30.7	17.1	78.1	50.1
Indonesia	72.8	5.8	29.8	1.8	8.2	--	--	62.7	40.1
Russian Federation	74.9	5.2	23.3	8.8	5.1	33.4	12.8	33.2	35.4
Saudi Arabia	60.0	5.7	--	--	--	--	--	--	--
South Africa	49.8	27.4	50.2	2.5	22.8	28.7	23.9	50.1	50.3

Above average performers (Top-third)
About average performers (Mid-third)
Below average performers (Bottom-third)

Subsequent OECD work<sup>25</sup> refined the analysis, showing that better jobs provide as much life satisfaction as increasing national income by a quarter. This results from eradicating long working hours, job insecurity, and improving management-worker relations, along with reducing unemployment or inactivity (see chart below).

Figure 3.2. Impact of unemployment or inactivity and bad working conditions



Source: OECD calculations using data from the European Quality of Life Survey.

Deakin and Pourkermani's research<sup>26</sup> based on a database of employment protection legislation across the world shows that "labour protections, on average, increased employment and reduced unemployment". It also find positive outcomes from specific policies:

*"Changes in the laws regulating flexible work, working time, employee representation, and industrial action had positive impacts on productivity for at least part of the period. Improvements in the laws on flexible work, working time, and employee representation consistently led to higher employment."*

They find that strengthening the right to strike is effective for increasing wages and salaries. For boosting productivity and employment, reforms to laws on flexible work, working time, and employee representation should be considered. Their conclusions also suggest that labour law reforms can ensuring the benefits of higher productivity are shared with workers through higher wages and reduced working hours.

<sup>25</sup> Murtin, Fabrice and Vincent Siegerink (2023) 'Valuing business impacts in the areas of wage inequality and employee well-being', OECD papers on well-being and inequalities, working paper no.15

<sup>26</sup> Deakin and Pourkermani. Digit Policy Brief. (2024) The economic effects of changes in labour laws: new evidence for the UK. <https://digit-research.org/publication/the-economic-effects-of-changes-in-labour-laws-new-evidence-for-the-uk/>

Others have addressed the relation with productivity. For the RF 2030 Inquiry, Muellbauer and Soskice<sup>27</sup> spelled out the consequence of 1980s deregulation for jobs:

*These reforms had their costs but arguably put the UK on a path to sustaining high employment levels and established the model we now have of wages (and hours) rather than unemployment tending to take more of the strain from adjustment ... However, this strategy is one of the reasons the UK has such a large swathe of low-wage, low-skill, low-progression service-sector employment, often with poor labour standards. Very little was done in the 1980s to mitigate against this.*

This is also where some bring in aggregate demand. Lawrence and Stirling<sup>28</sup> describe an economy that gets stuck in effect in a doom loop of low pay, low demand and low investment:

*The demand side mechanics that can affect productivity are reasonably straightforward. Pessimism or uncertainty over future demand growth makes firms less likely to invest where upfront costs might not be recovered, and instead more likely to opt for flexible labour inputs (fixed term, zero hour or outsourced contracts) which can be easily shed when demand growth fails to materialise. Not only does this lead to lower investment in, and adoption of, more productive capital inputs and business models, but it also reduces skills matching and progression in the labour market. Both can have a significant impact on long run productivity.*

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<sup>27</sup> Muellbauer, John and David Soskice (2022) 'The Thatcher Legacy: Lessons for the future of the UK economy', Resolution foundation economy 2030 inquiry.  
<https://economy2030.resolutionfoundation.org/reports/the-thatcher-legacy/>

<sup>28</sup> Lawrence, Mathew and Alfie Stirling (2023) The hammer and the anvil: crafting a new settlement, Renewal, 6th October: <https://renewal.org.uk/the-hammer-and-the-anvil-the-same-forces-propelling-labour-to-office-risk-fatally-undermining-it-in-power/>