Hours and pay instability: A worker perspective

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Background

Source: Quarterly LFS, 2009-2018

Figure 1: Trends in atypical forms of employment, 2009-2018
Pay insecurity

- Variability in pay - beneficial to employers
- Are there any benefits for workers?
- Standard economic theory: compensation for taking on risks (ex: investment market)
- Does not seem to apply to large sections of the labour market
Aims and research questions

- Examine pay insecurity from a worker’s perspective:
  - Is there any evidence it helps unemployed workers find employment?
  - How do workers react to instability in hours and pay? Is there any evidence they value the 'flexibility'?
The project

- **Two parts:**
  - **Part 1:** Uses UKHLS linked to LFS data to test how a higher incidence of jobs with unstable hours and pay impacts on the probability of moving from unemployment to employment.
  - **Part 2:** Collects and analyses experimental data from 301 low-income individuals in the UK examining labour supply responses to uncertainty about work availability and pay.
Part 1: No evidence of a positive impact

(a) Women

Source: UKHLS, 2009-2018

Figure 2: Impact of pay and hours instability on the probability of moving into employment

(b) Men
Part 2: Strong evidence that insecurity discourages work

Source: Experimental data

Figure 3: Proportion choosing to work in the first stage, by round and treatment group
Part 2: And that the welfare system moderates the effects

Source: Experimental data

Figure 4: Average predicted probability to choose to work by treatment groups
No positive effects of flexibility/instability from a worker perspective

However, there is evidence of negative effects on well-being

Instability can also accentuate employer-employees power imbalances

Cuts to welfare may further reducing employee bargaining power
Implications (2/2)

- During good times: alternative employment
- During bad times: ?
- Policy intervention:
  - Regulation limiting use
  - Mandatory compensation
- Monitoring: need for high quality data
Thank you!
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