

# Hours and pay instability: A worker perspective

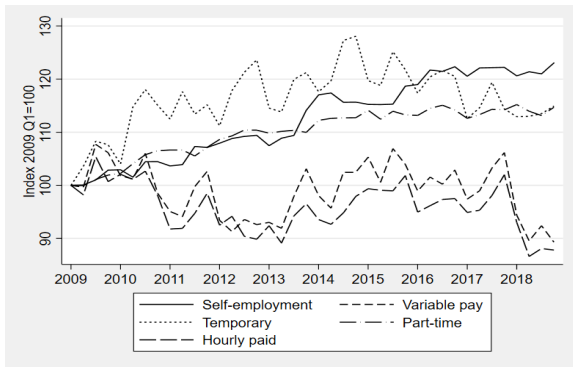
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# Background



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

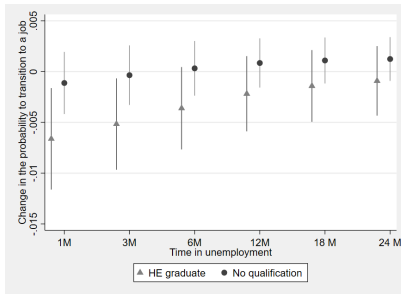
# Aims and research questions

- 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'?

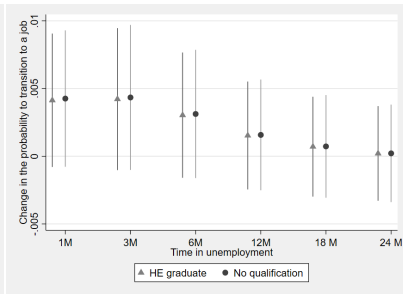
# The project

- 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

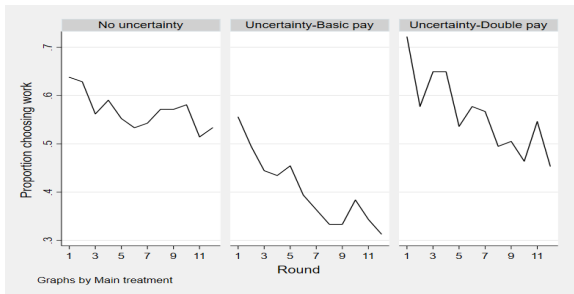


(b) Men

Source: UKHLS, 2009-2018

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

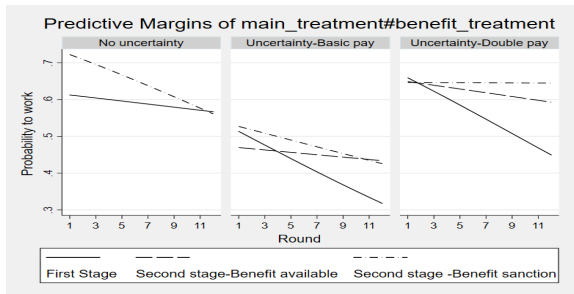
## Part 2: Strong evidence that insecurity discourages work



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



## Implications (1/2)

- 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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