

Levelling up at work

Fixing work to level up across the UK



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Executive summary

“Levelling up” is a worthwhile and justifiably popular aim. Who can disagree with the idea of bringing up poorer communities to the level of wealthier ones? The government has made “levelling up” a central aim - but slogans don’t always translate neatly into policy. We need an open and transparent debate about what levelling up means in practice, how success in levelling up will be measured and how we can make it happen.

This report aims to make a contribution to this debate by focussing on the centrality of work to the levelling up agenda. It argues that poor quality work is a key cause of broader inequality across the country and within all regions and nations, including those seen as the target for levelling up. While other strategies - including infrastructure projects, transport improvements and community wealth-building - have an important role to play, unless we reduce the numbers of people in jobs that are in low-paid, insecure and offer no route to better quality work, little will change in the lived experience of a significant number and proportion of people across every part of the UK. We cannot level up the country without levelling up at work. Ensuring access to decent, secure work for everyone is a key test of the levelling up agenda.

Work has a significant impact on the quality of our lives.

For most of us, work is our main source of income through most of our lives and therefore a key determinant of whether we are comfortably off or struggling to put food on the table. And for too many working people, the link between work, security and opportunity is broken. Over half of those living in poverty are in working households – and this rises to a shocking three quarters of children living in poverty. Too many people find their work is trapping them in poverty, rather than providing a route out. And this is a national, rather than a regional problem, as shown by the table below:

Rates of in-work poverty by region and nation (data is a 3-year average)

	2017/18 - 2019/20
North of England	17.7%
South of England and East	15.2%
London	21.8%
Midlands	17.6%
Wales	17.6%
Scotland	13.7%

IPPR Analysis of DWP (2020a) Households Below Average Income (HBAI) 2017/18 – 2019/20 (data refers to the number of people in working families who are in relative household poverty)

The quality of our work – in particular, the control or lack thereof we have over our working lives – has a major impact on our health. The government is right to highlight tackling

postcode disparities in health as an important aim of levelling up, but these in part reflect the stark occupational differences in health outcomes. One in three low-paid workers who left their jobs before state pension age did so because of ill health. By contrast, just one in twenty professionals who left the labour market early did so because of long-term sickness. If we leave millions of people in low-paid insecure work, significant economic and social disparities in health outcomes and life expectancy will remain.

Low-pay and insecurity are not neatly concentrated by geography – rather, they are prevalent across every region and nation. Over one in seven jobs in every region and nation is paid less than the Real Living Wage. In over 62% of constituencies, more than one in five jobs are paid below the Real Living Wage. Across the North East, West Midlands and Wales the share is more than three quarters, in London it is 84% and in Yorkshire and the Humber every constituency has high rates of low pay. The lowest rates of low pay are in the South East and then Scotland, but even here 16 percent and 17 percent respectively of employees are paid less than the Real Living Wage.

This reflects the fact that low paying sectors are large employers across all regions and nations, with retail and social care among the top sectors of employment in every region and nation. Strategies which ignore these sectors cannot deliver levelling up.

Like low pay, insecure work is endemic across every region and nation of the UK. Only Yorkshire and Humber and Scotland have less than one in ten workers in insecure work.

The distribution of insecure work and low pay both reflects and deepens existing inequalities. Black and minority ethnic workers are more likely to be in insecure work than white workers, while women are more likely to be low paid than men. Disabled workers face significant employment and pay gaps compared with non-disabled workers. These differences reflect and but also reinforce discrimination, creating further barriers to change.

We need to address the challenge of poor-quality work head on. Much industrial and regional policy has aimed to redistribute better paid jobs more evenly across the country. Achieving a better distribution of high-skilled, high-paid jobs around the country is an important part of what is needed to level up. However, if it is not linked to strategies to improve the experience and rewards of low-quality work, poverty and insecurity will remain endemic across the country. As well as creating new good quality jobs, we need to level up the jobs that people are already in.

The experience of London shows that the creation and existence of high-paid jobs in an area and does not automatically lead to rising incomes and quality of life for the wider community. Indeed, unless low-pay and poverty are also addressed, there is a danger that the creation of high-paid jobs will lead to deepening inequality, unaffordable housing and being priced out of local amenities for many local people. As the table above showed, London has the highest rate of in-work poverty in the country, with 21.8 per cent of people in poverty in a working household. The creation of good quality, green jobs is desperately needed – but it's not enough on its own.

If we are to level up the country, we need to level up at work. This report sets out a plan for how to make it happen.

Recommendations

Creating an economy based on decent work

We need to change the way our economy works so that economic growth translates into good quality jobs. This requires an institutional environment that encourages the development of business models based on high-wage, high-skilled and secure jobs, rather than a reliance on low-paid and insecure work. Without reforms that hard wire decent work into business models, strategies to boost research and development, or to attract new investment, while welcome, will not deliver the good jobs people need.

To change the economic incentives that shape our economy, we need a new skills strategy, reform of corporate governance and industrial policies, and new measures to strengthen workforce voice and collective bargaining to give working people more power in the workplace.

A new lifelong learning and skills strategy for all workers

The TUC is calling for a new national lifelong learning and skills strategy based on a vision of a high-skill economy, where workers can quickly gain both transferable and specialist skills to build their job prospects. Delivering this would require:

- A significant boost to investment in learning and skills by both the state and employers. People should have access to fully-funded learning and skills entitlements and new workplace training rights throughout their lives, expanding opportunities for upskilling and retraining.
- These entitlements should be incorporated into lifelong learning accounts and accompanied by new workplace rights, including a new right to paid time off for learning and training for all workers.

Corporate governance reform to promote long-term, sustainable growth

Shareholder primacy in corporate governance encourages directors to prioritise shareholder returns over wages and long-term investment, fuelling short-termism and poor employment practices. We need to address shareholder primacy through reform of directors' duties and promoting workforce voice in corporate governance.

The inclusion of worker directors on company boards would bring people with a very different range of experiences into the boardroom, which would help to challenge 'groupthink' and change the culture and priorities of the boardroom, improving the quality of board decision-making.

- Directors' duties should be reformed so that directors are required to promote the long-term success of the company as their primary aim, taking account of the interests of stakeholders including the workforce, shareholders, local communities and suppliers and the impact of the company's operations on human rights and on the environment.
- Company law should require that elected worker directors comprise one third of the board at all companies with 250 or more staff.

Strengthening workforce voice and collective bargaining

Giving workers stronger rights to organise collectively in unions is key both to raising pay and working conditions and giving workers more say over their working lives. Collective bargaining promotes higher pay, better training, safer and more flexible workplaces and greater equality. The absence of a collective approach to driving up employment standards has led to the poor pay and conditions that are now resulting in labour shortages across the country.

- We need to give workers stronger rights to speak with one voice and bargain with their employer and give unions access to workplaces to tell workers about the benefits of union membership, following the New Zealand model.
- And starting in sectors that are characterised by low pay and poor conditions, we need to create new bodies for workers and employers to come together to set minimum standards and Fair Pay Agreements across the sector, starting with social care.

Industrial and trade policies to promote good jobs

To boost domestic manufacturing, services and technology development, and reap the full benefit of developments in infrastructure and renewable energy, the government should adopt strong trade and procurement policies to strengthen local supply chains and raise employment standards.

- The UK government should use local content requirements where they are legal and needed.
- Trade deals and WTO rules should be used as a lever to lock in the highest standards by enforcing respect for International Labour Organisation (ILO) standards. Too often, rights have been defined disparagingly in trade deals as 'non-tariff barriers' that should be removed.

Government leading by example – public services, job creation and procurement

The government should lead by example by showcasing good quality employment practices as an employer and making decent jobs a requirement of all government spending so that the power of government spending is used to drive up employment standards.

Strong and resilient public services are vital for levelling up

The experience of the pandemic has shown us how much we rely on and value public services and the public servants who deliver them. Strong public services are a vital part of any effort to end inequality, a source of good quality employment and key to building resilient communities able to grow and thrive.

To truly level up, the government must undo the damage inflicted by cuts on public services over the last decade. Public sector workers are one in seven employees in every region in the UK, and in the North East, Wales, Scotland and Northern Ireland they are over

one in five. We need a long-term plan backed up by sustainable and substantial investment, and delivered by workers who are properly rewarded and employed directly by the public sector.

- Government must end the cuts to public services and invest to reverse them, bringing investment back to the levels we need to maintain quality and meet demand.
- We cannot level up while holding down public sector pay. The public sector pay freeze should be ended and workers paid at least the real living wage. Pay rises must keep pace with the increased cost of living, while making up for lost earnings over the last decade.
- Public ownership and in-house provision must be the default for setting public services, unless there is a strong public interest case for putting services out to tender.

Procurement and investment standards to support decent work

Decisions on infrastructure spending, including through the National Infrastructure Strategy, should be subject to a job creation and quality test that evaluates both the quantity of jobs created by a proposed development and their quality, according to an agreed set of measures.

The government should:

- Build job creation and job quality tests into public investment decision-making and procurement standards
- Use Olympics style agreements to guarantee decent jobs in big infrastructure projects.

Strengthening the floor of employment protection for all workers

We need to reform the way the economy works so that economic growth translates into decent work that will level up people's lives and the communities where they live. But tackling low pay and insecurity also requires strengthening the floor of employment protection for all workers to make the worst forms of exploitation illegal, raise the wages of the lowest paid and tackle structural discrimination at work.

- We need to ban zero hours contracts by giving workers the right to a contract that reflects their normal hours of work, coupled with robust rules on notice of shifts and compensation for cancelled shifts.
- The minimum wage should be raised to at least £10 an hour immediately to put more money into workers' pockets and address in-work poverty.
- The government should strengthen the gender pay gap reporting requirements, and introduce ethnic and disability pay gap reporting, requiring employers to publish actions plans on what they are doing to close the pay gaps they have reported.
- The government must comply with its existing public sector equality duty and proactively consider equality impacts at each stage of any policy-making process, with a view to promoting equality and eliminating discrimination.

Beyond the workplace – strengthening our safety net

For most people, work is their main source of income throughout their lives. But for all of us, there will be times that we are unable to work. These include periods of old age, ill-health or when we are unable to find suitable work. And, of course, it includes time spent on the all-important role of bringing up the next generation, who need and deserve the very best start in life their families can give them.

People need economic security throughout every part of their lives. That's why levelling up requires a strong safety net that supports people when they need it. We need a decent pension system, sick pay for all and a social security system that enables people to live in dignity.

- Because of the stark occupational differences in life expectancy, an ever-increasing state pension age will mean that people in poorer areas and in manual and low paid jobs are increasingly unlikely to be able to stay in work until they can start drawing their state pension. The government should shelve scheduled increases to the state pension age and maintain the pensions triple lock.
- The cut in Universal Credit must be reversed, and Universal Credit should be increased to at least 80 per cent of the level of the living wage, around £260 a week.

Introduction

“Levelling up” is a worthwhile and justifiably popular aim. Who can disagree with the idea of bringing up poorer communities to the level of wealthier ones? The government has made “levelling up” a central aim – but while the term is easy to understand, it in itself implies nothing about how it will be achieved. This underlines the importance of an open and transparent discussion about what levelling up means in practice, how success in levelling up will be measured and how it can most effectively be brought about.

The levelling up agenda has been framed by the government as being primarily about addressing regional or geographical inequality. The 2019 Conservative Manifesto¹ talked about “levelling up all parts of the United Kingdom”, linking this to investments in infrastructure, a new deal for towns, transport, skills, supporting rural and coastal communities and freeports. With the exception of skills policy, this linked levelling up to regional or place-based initiatives.

Boris Johnson’s July speech² on levelling up again framed the problem in terms of geographical imbalances – decrying differences between different areas in life expectancy and healthy life expectancy, children on free school meals who go on to attend university and income per head. However, in discussing how these inequalities should be tackled, the speech pointed to national strategies, as well as regional or place-based one. Alongside improving transport and infrastructure and boosting local decision-making across counties and cities, the speech rightly cited the need for improved public services, boosting skills and training and “help[ing people] into good jobs on decent pay” as being part of what is needed to level up.

This report aims to make a contribution to this debate by focussing on the centrality of work to the levelling up agenda. It argues that poor quality work is a key cause of broader inequality across the country and within all regions and nations, including those seen as the target for levelling up. While other strategies - including infrastructure projects, transport improvements and community wealth-building - have an important role to play, unless we reduce the numbers of people in jobs that are in low-paid, insecure and offer no route to better quality work, little will change in the lived experience of a significant number and proportion of people across every part of the UK. We cannot level up the country without levelling up at work.

¹ Our Plan Conservative Manifesto 2019 <https://www.conservatives.com/our-plan>

² The Prime Minister’s Levelling Up speech: 15 July 2021 <https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021>

Section One

The quality of work – where we are now

Why does work matter? The impact of work on quality of life

The quality and quantity of work that people undertake has a huge impact on their wellbeing. Most obviously, it is a crucial determinant of income and how well-off people are – whether they struggle to buy food for their family or are able to budget comfortably for daily life, leisure and holidays and save for the future. But work also has a significant impact on other critical areas of people's lives, in particular their health.

The strong link between work and health outcomes was underlined by the Marmot Review of 2010³, which was set up under the leadership of Sir Michael Marmot to examine "the most effective evidence-based strategies for reducing health inequalities". One of its six recommendations was to "create fair employment and good work for all".

The Marmot review recognised that being in good employment is generally good for health, while unemployment, especially if it is long-term, contributes significantly to poor health. However, it concluded that being in work is not automatically good for health and found that a poor quality or stressful job can be more damaging to health than unemployment. Therefore: "Getting people off benefits and into low paid, insecure and health-damaging work is not a desirable option".

The Marmot review set out five characteristics of work that evidence shows are damaging to health:

- job insecurity and instability
- low levels of control (over how the job is done)
- high levels of demand at work, especially when combined with low levels of control
- lack of supervisor and peer support
- more intensive work and longer hours.

As the Review sets out, these work characteristics are linked to a range of mental and physical health impacts, including depression, cardiovascular disease, coronary heart disease and musculoskeletal disorders and metabolic syndrome (a combination of risk factors for diabetes and heart disease). Research clearly shows that work quality is directly linked to health outcomes and poor work quality increases the risk of being in poor health.

The Health and Safety Executive (HSE) has produced guidance to help employers reduce workplace stress, focusing on six areas of work design that "if not properly managed, are associated with poor health, lower productivity and increased accident and sickness

³ Michael Marmot, Peter Goldblatt, Jessica Allen, et al. (2010) Fair Society Healthy Lives (The Marmot Review), available at <https://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review>

absence rates"⁴. The six areas - demand, control, support, relationships, understanding of role and management of change – closely correlate with the work characteristics highlighted by the Marmot Review. Unfortunately, HSE annual statistics report an increase in both the proportion and number of workers suffering work-related stress has increased in recent years⁵. The HSE's 2020 Annual Statistics (covering the period up to March 2020) reported that in 2019/20, 828,000 workers suffered from work-related stress, depression or anxiety, leading to 17.9 million lost working days.

Boris Johnson's July speech quoted some of the appalling postcode health inequalities, citing the extra decade of average healthy life expectancy of a woman from York compared to Doncaster 30 miles away. But these postcode health inequalities also reflect differences in occupation, work quality and pay.

In a recent report⁶, the TUC found that people who left the labour market early while working in low-income jobs - like cleaning, care and manual labour - were six times more likely to quit for medical reasons than those in higher-paid jobs.

One in three low-paid workers who left their jobs before state pension age did so because of ill health. By contrast, just one in twenty professionals who left the labour market early did so because of long-term sickness.

The link between work and income is clear – different jobs are paid different amounts and so pay differentials across the economy are a significant contributor to income differentials and inequality, in particular for the working age population.

A distinctive feature of the UK labour market is the fact that so many working people remain in poverty.

The most recent data, for 2019/20, shows the number of people living in poverty reaching 14.5 million, a record high. The number of children living in poverty reached 4.3 million, up 200,000 from the previous year. And of those living in poverty just before the pandemic hit, a record-high 57 per cent (8.3 million people) were in working households. And 75 per cent of children living in poverty are from working households. At the moment, the government's mantra that work is the best route out of poverty, simply isn't true. To ensure that work is the best route out of poverty, we need to improve work quality and pay – we need to level up at work.

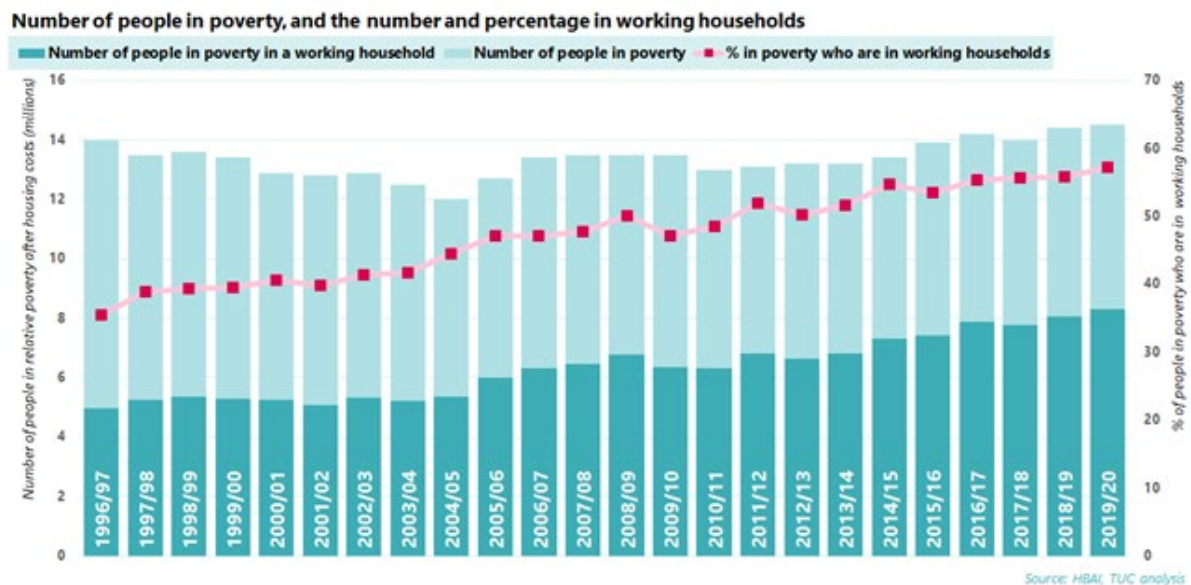
The charts below shows that the number of people and children in poverty has risen over time and shows the number and proportion of people in poverty who are in a working household.

⁴ HSE Causes of stress at work <https://www.hse.gov.uk/stress/causes.htm>

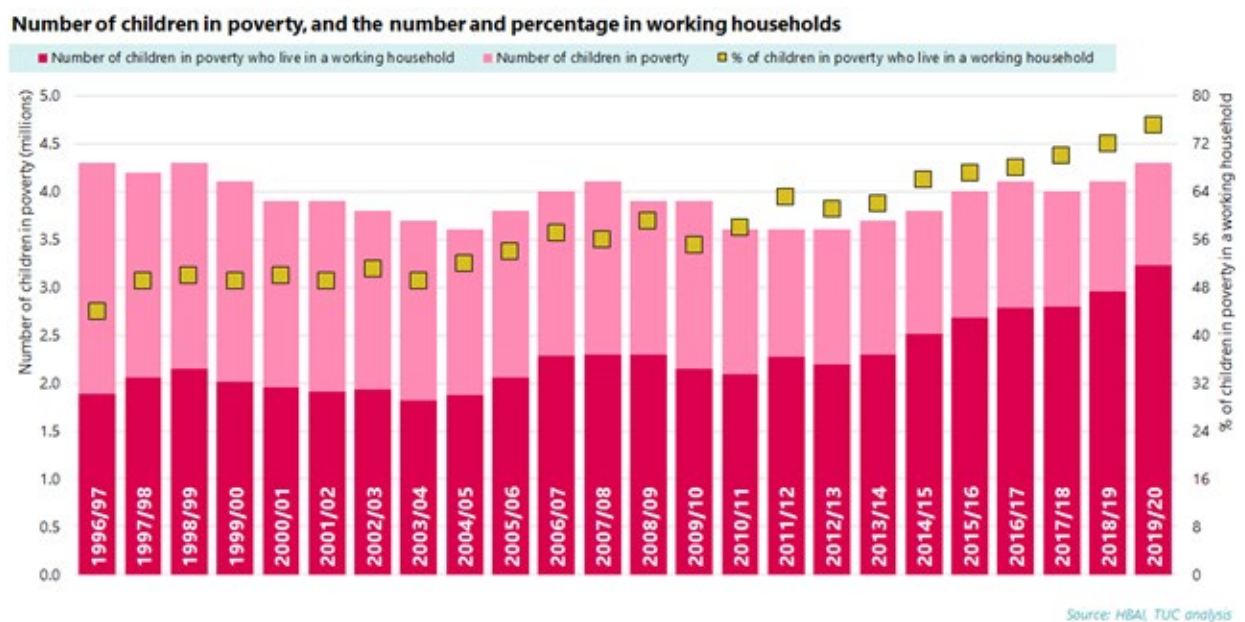
⁵ Health and Safety Executive (4 November 2020) Work-related stress, anxiety or depression statistics in Great Britain, 2020 <https://www.hse.gov.uk/statistics/causdis/stress.pdf> Nb figures cover the period to March 2020 and the HSE does not consider COVID-19 to be the main driver of the increase.

⁶ TUC (2021) Extending working lives How to support older workers, available at <https://www.tuc.org.uk/research-analysis/reports/extending-working-lives-how-support-older-workers>

Timeline of number of people in poverty, with working household breakdown



Timeline of number of children in poverty, with working household breakdown



As the next section will show, the working poor are not found in some regions or towns only; they are found in every region, every town and every city across the UK. We cannot address disadvantage and level up the country without addressing the problems of poor-quality work and low pay. Without a chance of a decent secure job, no community will feel that their chances have been 'levelled up'.

Low pay across the UK

Across the UK in 2019, one in five jobs (20.5%) or five million jobs in total was paid less than the Real Living Wage - currently set at £10.85 in London and £9.50 across the rest of the UK⁷. (In 2019, at the time of the analysis, the figures were £10.55 in London and £9.00 across the rest of the UK – we have used the 2019 figures as the 2020 figures were distorted by the number of employees on furlough).

While the share of low paid jobs is higher in some regions than in others, a significant proportion of workers are low paid in every region and nation of the UK. Across the UK as a whole, in 2019 in 62% of constituencies more than one in five jobs were paid below the Real Living Wage. Across the North East, West Midlands and Wales the share was more than three quarters, in London it was 84% and in Yorkshire and the Humber every constituency had high rates of low pay. The lowest rates of low pay were in the South East and then Scotland.

The table below shows the share of parliamentary constituencies in each region or nation of the UK with more than 20 per cent of employees paid below the Real Living Wage (labelled as constituencies with high levels of low pay).

As this data excludes the self-employed, it will significantly underestimate the total extent of low pay. TUC analysis in 2019 found that almost half of self-employed adults aged over 25 were earning less than the legal minimum wage⁸. Our current estimate of the total number of self-employed workers who are paid below the legal minimum wage is 1.91 million⁹.

⁷ <https://www.livingwage.org.uk/what-real-living-wage>

⁸ ONS, TUC analysis <https://www.tuc.org.uk/blogs/almost-half-self-employed-are-poverty-pay>

⁹ see footnote 15 for source

Low pay (pay below the Real Living Wage) across the regions and nations of the UK, 2019¹⁰

	Percentage of employees on low pay	Number of employees on low pay	Constituencies with high levels (over 20%) of low pay	
			Number	Percentage
North East	22.6	229,000	22	76
North West	21.1	629,000	53	71
Yorkshire and the Humber	22.1	492,000	57	100
East Midlands	22.8	432,000	17	40
West Midlands	21.7	488,000	46	78
East	18.8	471,000	30	52
London	19.8	839,000	61	84
South East	15.9	610,000	21	25
South West	20.4	482,000	29	53
Wales	22.6	268,000	31	78
Scotland	16.9	400,000	24	41
Northern Ireland	25.1	227,000	n/a	n/a
UK	20.5	5,568,000	391	62%

¹⁰ Annual Survey of Hours and Earnings (ASHE) - Estimates of the number and proportion of employee jobs with hourly pay below the living wage, by work geography, local authority and parliamentary constituency, UK, April 2018 and April 2019; constituency counts were derived by the TUC.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/10743annualsurveyofhoursandearningsasheestimatesofthenumberandproportionofemployeejobswithhourlypaybelowthelivingwagebyworkgeographylocalauthorityandparliamentaryconstituencyukapril2018andapril2019>

The heat map below presents a graphical version of the same information. It demonstrates that constituencies with high rates of low pay are relatively evenly distributed across the whole of the UK. The darkest red corresponds to shares around 50 per cent and the darkest blue to shares of less than 10%.

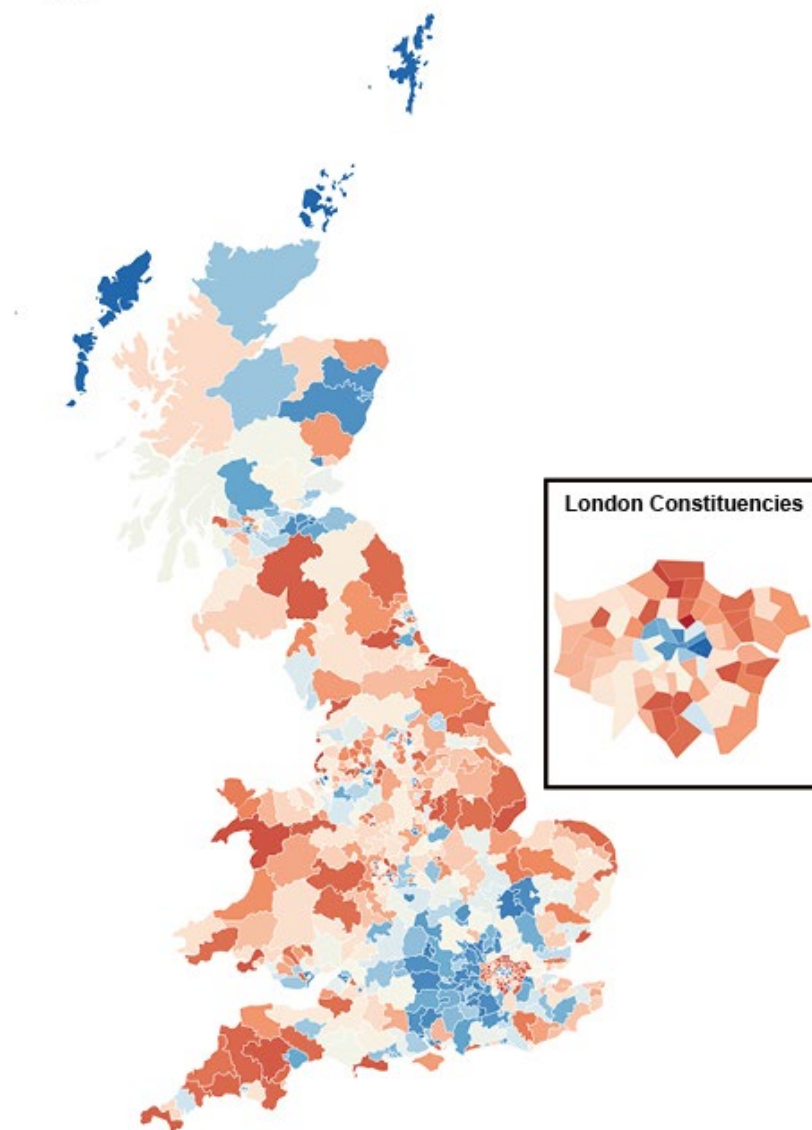
The Living Wage by Constituency

The percentage of workers in a Parliamentary Constituency who are paid below the Living Wage.

(%) paid below living wage



0% 20% 53%



Map data: © Crown copyright and database right 2018 • Created with Datawrapper

It is high pay, rather than low pay, that is unevenly distributed and tends to be focussed in a smaller number of areas. IFS analysis¹¹ shows the highest earning local authorities concentrated in London, and then the South East and East of England.

The prevalence of high-paid jobs in London means that comparisons between London and other regions can give rise to statistics that make it look as though the streets of London are paved with gold. But that is just a fairy story and the reality is much more complex – of the ten constituencies with the highest share of low paid workers, eight are in London and the list is topped by Hackney North and Stoke Newington, where over half (53%) of jobs are paid less than the Real Living Wage.

The story of London is that the prevalence of high paid jobs does not automatically pull up incomes for others in the local community. The prevalence of higher income work will create additional local economic demand, in particular in the service sector; but as long as so many service sector jobs remain low paid, this has the effect of expanding the low paid local economy, rather than fostering rising incomes across the board.

The prevalence of low paid work across all regions and nations means that in-work poverty is high across all regions and nations, as shown by the table below:

Rates of in-work poverty by region and nation¹² (data is a 3-year average)

2017/18 - 2019/20	
North of England	17.7%
South of England and East	15.2%
London	21.8%
Midlands	17.6%
Wales	17.6%
Scotland	13.7%

Department for Work and Pensions [DWP] (2020a) 'Households below average income (HBAI)' dataset

Sectors and occupations

The reason that low pay is so common across all areas of the country is that many sectors and occupations that employ large numbers of people across the UK are poorly paid.

¹¹ IFS (2019) report 'Catching up of falling behind? Geographical inequalities in the UK and how they have changed in recent years' <https://ifs.org.uk/uploads/Geographical-inequalities-in-the-UK-how-they-have-changed.pdf> (see figure 6 on 'within-region variation in residents' mean full-time earnings)

¹² IPPR Analysis of Households Below Average Income 2017/18 – 2019/20 (data refers to the number of people in working families who are in relative household poverty)

The table below looks at the top employing sectors in each of the UK's regions and nations (with the top employing sector highlighted in darkest green, and the fifth largest employing sector in the lightest green).

Largest employing sectors in the UK, regions and nations (workforce jobs, June 2021)

Industry	UK	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
% of workforce jobs													
Wholesale and retail trade; repair of motor vehicles and motorcycles	13.9	13.9	14.7	13.9	14.9	15.7	14.6	10.6	15.0	14.2	13.8	13.0	15.2
Human health and social work activities	12.9	15.9	13.9	14.1	12.2	13.0	12.3	10.6	12.1	12.7	14.9	14.6	16.5
Professional, scientific and technical activities	9.2	6.4	9.9	7.0	8.3	7.9	10.0	13.4	9.6	8.1	5.4	8.1	5.3
Administrative and support service activities	8.4	7.6	8.5	8.6	8.4	9.4	9.4	10.0	7.7	6.6	6.1	7.8	6.3
Education	8.4	8.6	7.7	8.9	8.5	8.9	9.0	6.9	9.4	8.3	9.4	7.9	9.2
Manufacturing	7.3	8.8	8.4	10.4	10.8	10.1	6.7	2.3	6.0	8.0	10.0	6.6	10.5
Accommodation and food service activities	6.8	6.6	6.7	6.0	5.7	6.2	5.9	7.0	6.6	8.6	8.7	7.4	5.8

Source: Workforce jobs by industry, June 2021, accessed via nomis

Wholesale and retail and human health and social work activities dominate employment across the UK. Wholesale and retail is a low paid sector, with a median wage of £10.30 in 2020 (compared to a UK median of £13.68) and a significant 35 per cent of jobs paid below the real Living Wage in 2019.

Human health and social care incorporates a wide variety of jobs and has a higher median wage of £13.73 - but nearly one in five jobs, 18.1 per cent, were paid below the real Living Wage in 2019 – suggesting considerable potential for improving wages in this sector.

Accommodation and food services is the lowest paid sector in the UK, with a median wage of £8.72, and a shocking 63 per cent of employees paid below the real Living Wage. It's notable that this is a top five employer in three parts of the country - London, the South West and Wales.¹³

The next table looks at the largest employing occupations across the regions and nations. Again, two low paid sectors, caring and elementary service occupations, make up a large share of jobs in most parts of the UK. Those working in elementary service occupations – for example in hospitality – make up a significant part of the workforce (over 7 per cent) everywhere except London, the South East and Northern Ireland – but 59 per cent of

¹³ Living Wage Foundation (2020) *Employee jobs paid below the living wage at* https://www.livingwage.org.uk/sites/default/files/Nov%202020%20-%20Employee%20Jobs%20Paid%20Below%20the%20Living%20Wage%20LWF%20Report%200_0.pdf – this report covers employee jobs only, whereas the workforce data above covers all workforce jobs.

employees in these jobs were paid less than the real Living Wage in 2019, and the median wage was just £9.17 in 2020.

Caring and personal service jobs formed a similar proportion of the workforce (over 7 per cent) everywhere except London and the East; 35 per cent of them earned less than the Living Wage (with a median wage of £10.13). Sales occupations, which stand out as significant jobs in the North East and Northern Ireland (and make up around five per cent of employment in most regions except London) are paid a median of £9.30, and 59 per cent earned below the real Living Wage in 2019.¹⁴

Largest employing occupations in the UK, regions and nations (annual population survey, June 2021)

Employment by occupation - %	UK	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland
Business and public service associate professionals	8.3	6.3	7.4	7.4	7.0	7.8	8.7	11.4	8.8	7.4	7.5	7.4	7.2
Administrative occupations	8.3	9.0	8.6	8.1	7.5	8.9	9.4	7.7	8.3	7.8	8.6	8.0	9.6
Corporate managers and directors	7.9	5.5	7.2	7.4	7.6	7.7	8.4	9.7	9.3	7.8	6.6	5.9	5.6
Elementary administration and service occupations	7.4	9.4	8.3	8.4	8.8	8.3	7.1	5.5	6.5	7.8	7.4	8.2	5.9
Caring personal service occupations	7.2	8.6	7.1	7.9	8.2	8.1	6.5	5.4	7.3	7.1	8.3	7.4	7.4
Science, research, engineering and technology professionals	7.0	4.8	6.7	6.0	6.2	6.1	6.9	8.9	8.2	6.8	4.9	7.4	7.1
Business, media and public service professionals	6.5	4.3	5.8	5.7	4.4	5.3	5.9	11.2	6.5	6.2	5.5	6.2	6.0
Teaching and educational professionals	5.2	5.4	4.9	5.1	5.1	5.6	5.1	5.2	5.5	4.6	5.3	5.2	5.5
Sales occupations	5.0	6.5	5.7	5.0	5.5	4.5	4.6	3.7	4.6	5.9	5.5	5.5	6.5

Source: Annual population survey, regional employment by occupation July 2020-June 2021, accessed via nomis

If low pay in the sectors and occupations that employ large numbers of people across all regions and nations remain low paid is not tackled, communities will not feel that they have been levelled up.

¹⁴ Living Wage Foundation (2020) *Employee jobs paid below the living wage at* https://www.livingwage.org.uk/sites/default/files/Nov%202020%20-%20Employee%20Jobs%20Paid%20Below%20the%20Living%20Wage%20LWF%20Report%200_0.pdf – this report covers employee jobs only, whereas the workforce data above covers all jobs.

Insecure work

Across the UK, 3.6 million people – one in nine of the workforce - are in insecure work¹⁵. The table below sets out the main categories of insecure work.

Who is in insecure work?

Zero-hours contract workers (excluding the self-employed and those falling in the categories below)	876,800
Other insecure work - including agency, casual, seasonal and other workers, but not those on fixed-term contracts	824,400
Low-paid self-employed (earning an hourly rate less than the minimum wage)	1.91m
TUC estimate of insecure work	3.6m
Proportion in insecure work	11%

Source: Labour Force Survey and Family Resources Survey. The total number in 'insecure work' includes (1) agency, casual, seasonal and other workers, but not those on fixed – term contracts, (2) workers whose primary job is a zero-hours contract, (3) self-employed workers who are paid less than the minimum wage. See footnote 15 for more details.

These jobs are spread across sectors and are not limited to the digital economy. TUC analysis¹⁶ shows that nearly one in four (23.1 per cent) of those in elementary occupations, including security guards, taxi drivers and shop assistants, are in insecure work. It is the same for more than one in five (21.1 per cent) of those who are process, plant and machine operatives. Very large numbers of those in the skilled trades and caring, leisure and other service roles are also in precarious employment.

¹⁵ The total number in 'insecure work' includes (1) agency, casual, seasonal and other workers, but not those on fixed – term contracts, (2) workers whose primary job is a zero-hours contract, (3) self-employed workers who are paid less than the National Living Wage (£8.91). Data on temporary workers and zero-hour workers is taken from the Labour Force Survey (Q4 2020). Double counting has been excluded. The minimum wage for adults over 25 is currently £8.91 and is also known as the National Living Wage. The number of working people aged 25 and over earning below £8.91 is 1,910,000 from a total of 4,000,000 self-employed workers in the UK. The figures come from analysis of data for 2019/20 (the most recent available) in the Family Resources Survey and were commissioned by the TUC from Landman Economics. The Family Resources Survey suggests that fewer people are self-employed than other data sources, including the Labour Force Survey.

¹⁶ TUC (11 July 2021) Jobs and recovery monitor – Insecure work <https://www.tuc.org.uk/research-analysis/reports/jobs-and-recovery-monitor-insecure-work>

Like low pay, insecure work is endemic across every region and nation of the UK. Only Yorkshire and Humber and Scotland have less than one in ten workers in insecure work.

Insecure work by region

Proportion of insecure work by region	
North East	10.7%
North West	10.9%
Yorkshire and Humberside	9.0%
East Midlands	10.3%
West Midlands	11.0%
East of England	13.7%
London	11.0%
South East	10.7%
South West	12.4%
Wales	13.4%
Scotland	9.8%
Northern Ireland	12.2%

Source: TUC analysis of Labour Force Survey and Family Resources Survey

Zero hours contracts have grown significantly in recent years – up from 70,000 in 2006¹⁷ to the levels we see today. Recent polling for the TUC punctures the myth that these contracts offer two-way flexibility to both workers and employers. By far the most important reason respondents gave for taking zero-hours contract work was because that is the only work available. 45 per cent of respondents in a poll of 2,523 workers said that this was the most important reason for them being on zero hours contracts, while just 9 per cent cited work-life balance as the most important reason¹⁸.

Insecure work both reflects and is deepening existing inequalities, with 14.1 per cent of BME workers in insecure work, compared to 10.7 per cent of white workers¹⁹.

¹⁷ TUC, *Living on the Edge: The rise of job insecurity in modern Britain*, 2016

<https://www.tuc.org.uk/research-analysis/reports/living-edge>

¹⁸ 2021 data: GQR Total sample n=2523, including oversamples of BME workers and people on Zero-Hours Contracts (ZHCs). Fieldwork: 29th January – 16th February 2021

¹⁹ Statistics on insecure work are taken from *Jobs and recovery monitor - Insecure work*, TUC (2021).

Available at: <https://www.tuc.org.uk/research-analysis/reports/jobs-and-recovery-monitor-insecure-work>

Many insecure jobs bear the characteristics of work that are linked by evidence to poor health outcomes, as discussed above in this report. Workers have reported that their medical appointments and social events often have to be cancelled at short notice²⁰. Experiences of low levels of control and lack of peer and supervisor support are also borne out by our polling. A separate set of polling reveals that three quarters (75 per cent) of those in secure work would feel comfortable raising an issue with their manager, compared to 60 per cent of those in insecure work²¹. There is also a ten percentage point gap in the proportion of insecure and secure workers who feel safe at work, with 73 per cent of insecure workers feeling safe compared to 83 per cent of those in secure work²².

Unfortunately, the pandemic seems to have created more uncertainty for insecure workers, not less, with a higher proportion of zero-hours workers in 2021 being offered work or having work cancelled at less than 24 hours' notice compared with 2017²³.

There is a broader pattern of employers seeking to distance themselves from those who work for them. Millions of people cannot enforce their employment rights with the "parent company" they ultimately work for because they work for outsourced companies or franchise businesses or are employed by recruitment agencies, umbrella companies and personal service companies.²⁴

There is a particularly stark and growing issue for as many as half a million agency workers who are employed via umbrella companies. As well as facing problems asserting their rights and resolving workplace problems, they can also be the victim of complex wage arrangements that leaves them out-of-pocket and sometimes vulnerable to tax enforcement by HM Revenue & Customs²⁵.

There is an overlap between jobs that are low-paid and insecure – although as the data above shows, low pay is more extensive than insecurity. There are some geographical differences between the prevalence of each, with Yorkshire and Humberside having the lowest rate of insecure work but rating high in its share of low paid work. These differences

²⁰ TUC (2018) Living on the Edge, TUC p.35 <https://www.tuc.org.uk/research-analysis/reports/living-edge-0>

²¹ Polling by BritainThinks for the TUC. All respondents working full / part time May 2021 (n=1972), Nov 2020 (n=2,182); = Insecure (n=110); Secure (n=1851). BritainThinks' definition of insecure workers does not include the self-employed.

²² *ibid*

²³ 2021 data: GQR Total sample n=2523, including oversamples of BME workers and people on Zero-Hours Contracts (ZHCs). Fieldwork: 29th January – 16th February 2021

2017 data: GQR Research surveyed 300 workers on zero-hours contracts and 2987 other workers, all in Great Britain, online during August 2017. Results were weighted to the national profile of working people, by age, gender, ethnicity, full/part time contracts, public/private sector and industry. The zero-hours sample was separately weighted to national statistics for zero-hours workers, by gender, age, region, full/part-time hours and industry. A summary of the findings can be found here:

https://www.tuc.org.uk/sites/default/files/great-jobs-with-guaranteed-hours_0.pdf

²⁴ TUC (2021) Shifting the risk <https://www.tuc.org.uk/sites/default/files/Shifting%20the%20risk.pdf>

²⁵ TUC (2021) Umbrella companies: Why agencies and employers should be banned from using them <https://www.tuc.org.uk/research-analysis/reports/umbrella-companies-why-agencies-and-employers-should-be-banned-using-them> and Low Incomes Tax Reform Group (24 March 2021) Press release: LITRG report puts 'umbrella' companies under the spotlight 24 March 2021 <https://www.litr.org.uk/latest-news/news/210324-press-release-litr-report-puts-umbrella-companies-under-spotlight>

will stem from differences in the sectoral and occupational composition of different areas. But despite some variations, the overall picture is that low pay and insecure work are both endemic across every region and nation in the UK.

And many jobs are both low paid and insecure, creating a double whammy for the quality of life of those who do them. The stress caused by the struggle to make ends meet compounded with uncertainty over shifts and pay, the difficulty in planning childcare, let alone a social life, create a toxic mix for those at the bottom end of our labour market.

We need a new approach to level up at work

Much industrial policy has aimed to redistribute better paid jobs more evenly across the country. The government has announced that a new Treasury office will be set up in Darlington, with around a quarter of Treasury staff moving to the new office; the new National Infrastructure Bank will be located in Leeds; and the government has announced plans to move 22,000 civil servants out of London by 2030. Other strategies – relating to skills, transport and other infrastructure policy – aim to make it easier to create and supply good quality jobs in areas that currently don't have their fair share.

Creating a better distribution of high-skilled, high-paid jobs around the country is an important aim and if successful will improve opportunities for people in parts of the UK where good quality jobs are currently rare. It is a vital part of what is needed to level up. However, if it is not linked to strategies to improve the experience and rewards of low-quality work across all regions and nations of the UK, poverty and insecurity will remain endemic across the country. As well as creating new good quality jobs, we need to level up the jobs that people are already in.

The experience of London shows that the creation and existence of high-paid jobs in an area does not automatically lead to rising incomes and a better quality of life for the wider community. Indeed, unless low-pay and poverty are also addressed, there is a danger that the creation of high-paid jobs will lead to deepening inequality, unaffordable housing and being priced out of local amenities for many local people. As the table above showed, London has the highest rate of in-work poverty in the country, with 21.8 per cent of people in poverty in a working household. The creation of good quality, green jobs is desperately needed – but it's not enough on its own.

Levelling up must not replicate and extend the inequality of London. We need to create cohesive communities where every citizen is able to flourish and participate in economic and social life. This means tackling low pay and insecurity wherever they are found and levelling up at work across all regions and nations.

Inequalities: race, gender and disability

If levelling up is to mean everyone having the opportunity of a decent job, we need to tackle all forms of inequality that hold people back. We turn now to the structural inequalities facing black and minority ethnic (BME) workers, women and those with disabilities at work, which overlap with but goes beyond the issues of low pay and insecurity set out above.

The pandemic has highlighted the scale of the structural inequality we face and in many areas deepened it. It has made the case for change stronger than ever. In order to build back better, we need to build back fairer. Equality must be at the heart of any roadmap for levelling up.

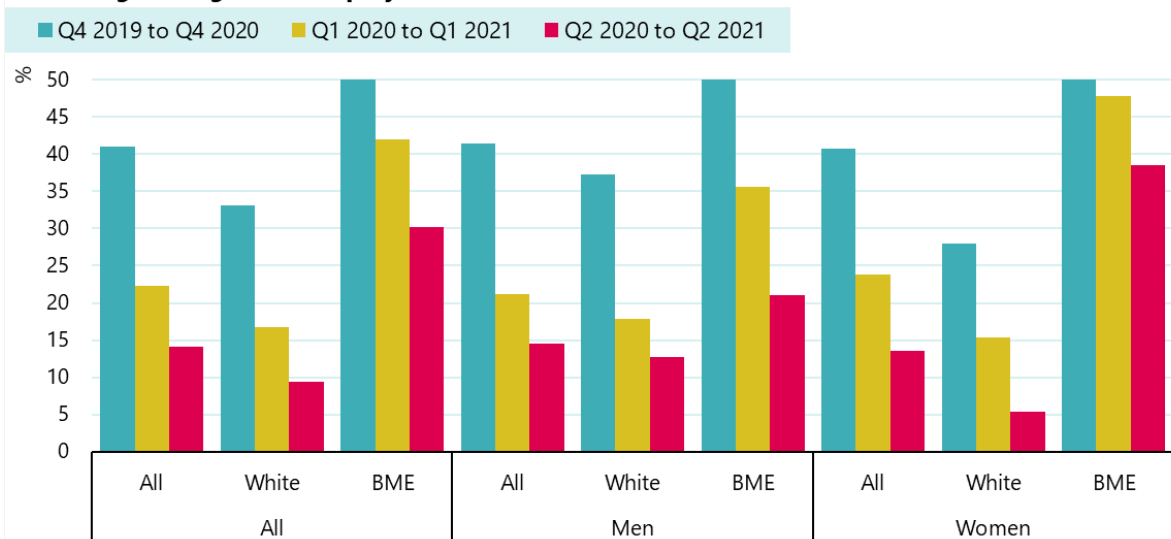
BME workers

The impact of coronavirus on BME people has shone a spotlight on multiple areas of systemic disadvantage and discrimination. There have been numerous reports produced over the years – some commissioned by the government itself – that have recommended action to tackle discrimination and entrenched disadvantage.

BME workers experience systemic inequalities across the labour market that mean they are more likely to be unemployed and are overrepresented in lower paid, insecure jobs, as set out in the previous section.

Since the current records began in 2001, the BME unemployment rate has never been less than 69 per cent higher than the white unemployment rate. As the table below shows, this has been worsened by the pandemic, which has had a disproportionate impact on BME unemployment, especially BME women. BME women have seen the starkest rise in unemployment since the start of the pandemic, with the unemployment rate for BME women reaching 10.9 per cent in Q4 2020.

Percentage change in unemployment rate between 2020 and 2021



Source: TUC analysis of ONS dataset A09

These inequalities are compounded by the discrimination BME people face within workplaces. A poll of BME workers carried out on behalf of the TUC just before the pandemic found that nearly half (45 per cent) said they were given harder or less popular work tasks than their white colleagues²⁶. A call for evidence launched by the TUC for BME

²⁶ Poll findings and call for evidence findings mentioned in this section are taken from Dying on the Job, TUC (2020). Available at: <https://www.tuc.org.uk/research-analysis/reports/dying-job-racism-and-risk-work>

workers to share their experiences of work during Covid-19 found that of over 1,200 respondents, one in five said they received unfair treatment because of their ethnicity.²⁷

The Covid-19 crisis has shown us that this inequality not only limits Black people's life opportunities through overrepresentation in poor quality work and high levels of unemployment, but also contributes to prematurely ending their lives. We need urgent action to address discrimination in the workplace and the overrepresentation of BME workers in jobs that are low paid and insecure.

Women

Female employees are more likely than male employees to be low-paid. Women make up 50 per cent of employees, but 59 per cent of employees who are paid below £10 per hour²⁸. The gender pay gap is currently 15.5 per cent, meaning that the average female worker is paid 15.5 per cent less than the average male worker²⁹. While this gap has been narrowing, at the current rate of change it will not close for another two decades.

The introduction of gender pay gap reporting in 2017 was a valuable step forward for women at work, bringing greater transparency to the enduring pay inequality experienced by women. The suspension of pay gap reporting in 2020 and the six-month delay in the requirement to report in 2021 sent a negative message to employers about the importance placed on equality for women in the workplace; equality should not be a side issue to be pushed aside in challenging times.

As TUC reports³⁰ have highlighted, the pandemic and the government's response to it have had particular impacts on women, risking turning the clock back on decades of incremental progress.

The pandemic has revealed the fragility of the arrangements that enable mums to maintain employment. For many working mums, a balance of schooling, wraparound care, informal childcare support and annual leave enables them to balance work and care from family and friends with formal childcare and school holiday provision, accompanied by careful arranging of working hours for the adults in the household. In a TUC survey of working mums conducted before the 2021 summer holidays, one in eight respondents said they would have to take unpaid leave over the summer to manage childcare and the same proportion said they would have to reduce hours³¹.

²⁷ *ibid*

²⁸ A £10 minimum wage would benefit millions of key workers, TUC (2020). Available at: <https://www.tuc.org.uk/research-analysis/reports/ps10-minimum-wage-would-benefit-millions-key-workers>

²⁹ Gender pay gap in the UK: 2020, ONS (2020). Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2020>

³⁰ Working Mums: Paying the Price available at <https://www.tuc.org.uk/sites/default/files/2021-04/WorkingMums.pdf>

Forced Out: The cost of getting childcare wrong available at: www.tuc.org.uk/sites/default/files/2020-06/ForcedOut2.pdf

³¹ Summer holiday childcare: no let up for working mums, TUC (2021). Available at: <https://www.tuc.org.uk/research-analysis/reports/summer-holiday-childcare-no-let-working-mums>

Women are almost twice as likely as men to be employed in a key worker occupation (45 per cent, compared to 26 per cent)³². Many of the largest key worker occupations have a large majority of female employees, including care workers and home carers, nurses, primary and nursery education teaching professionals and teaching assistants, over 80 per cent of whom are women.

However, as well as being more likely to be key workers, women are more likely to be low paid than male key workers. Over four in ten (41 per cent) of female key workers are paid less than £10 per hour, compared with around one in three (32 per cent) of male key workers.

We need action now to address the persistent under-payment of women in the labour market and to give working mums and dads the flexibility they need to balance work with their responsibilities as parents.

Disabled workers

Before the outbreak of the Covid-19 pandemic, disabled workers faced huge barriers getting into and staying in work, resulting in significant employment and pay gaps compared with non-disabled workers.

In 2019/20, the employment rate for disabled people was 53.7 per cent, compared to 82.0 per cent for non-disabled people - an employment gap of 28.4 percentage points³³. This means that disabled workers are much more likely to be unemployed, with the unemployment rate for disabled people currently double that of those without disabilities (8.1% compared to 3.8%).

While the disability employment gap narrowed slightly in 2019/20, the disability pay gap was widening. In 2018/19, non-disabled workers earned £1.65 (15.5 per cent) more per hour than disabled workers. In 2019/20, this increased to £2.10 (19.6 per cent). Disabled women face the biggest pay gap, being paid £3.68 an hour less than non-disabled men³⁴.

Disabled workers face significant difficulties in accessing reasonable adjustments in the workplace, despite the fact that all employers have a legal duty under the Equality Act 2010 to make reasonable adjustments to address any disadvantages that disabled workers face. The law recognises that to secure equality for disabled people work may need to be structured differently, support given, and barriers removed.

However, TUC research found that before the pandemic, over four in 10 (45 per cent) of disabled workers who asked for reasonable adjustments failed to get any or got only some

³² A £10 minimum wage would benefit millions of key workers, TUC (2020). Available at: <https://www.tuc.org.uk/research-analysis/reports/ps10-minimum-wage-would-benefit-millions-key-workers>

³³ The disability pay gap and disability employment gap is calculated by a TUC analysis of Labour Force Survey statistics from 2019 Q3 and 4, and 2020 Q1 and Q2. More details can be found in *Disability pay and employment gaps*, TUC (2020). Available at: <https://www.tuc.org.uk/research-analysis/reports/disability-pay-and-employment-gaps>

³⁴ *ibid*

of the reasonable adjustments they asked for³⁵. And the difficulties disabled workers face accessing reasonable adjustments continued during the pandemic, with almost half (46 per cent) of those who requested them failing to get all or some of the reasonable adjustments they needed to work effectively. Both before and during the pandemic, over two in five disabled workers were not told by their employers why their request for adjustments had not been implemented (44 per cent before the pandemic, 41 per cent after)³⁶.

The pandemic, and the huge changes it has caused to our everyday lives, have exacerbated the barriers disabled people face. Not only have disabled people been disproportionately affected in terms of loss of life, with six in 10 Covid-19 related deaths being disabled people³⁷, but pre-existing workplace barriers have been accentuated by the pandemic. We need urgent action to address disability employment and pay gaps and ensure that disabled workers have access to the reasonable adjustments they need.

³⁵ *Disabled workers' experiences during the pandemic*, TUC (2021). Available at:

<https://www.tuc.org.uk/research-analysis/reports/disabled-workers-experiences-during-pandemic>

³⁶ *Disabled workers' experiences during the pandemic*, TUC (2021). Available at:

<https://www.tuc.org.uk/research-analysis/reports/disabled-workers-experiences-during-pandemic>

³⁷ ONS Updated estimates of coronavirus (COVID-19) related deaths by disability status, England: 24 January to 20 November 2020

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/coronaviruscovid19relateddeathsbydisabilitystatusenglandandwales/24januaryto20november2020#overview-of-covid-19-related-deaths-by-disability-status>

Section Two

Creating an economy based on decent work

We need to change the way our economy works and the incentives that shape it so that economic growth translates into good quality jobs. This requires an institutional environment that encourages the development of business models based on high-wage, high-skilled and secure jobs, rather than a reliance on low-paid and insecure work. Without reforms that hard wire decent work into business models, strategies to boost research and development and attract new investment, while welcome, will not deliver the good jobs people need.

This requires the development of a new skills strategy that gives people rights to training and development throughout their working lives. It also requires reforms to our corporate governance system so that companies are encouraged to focus on long-term, sustainable growth that distributes a fair share to workers, rather than prioritising short-term returns to shareholders. We need new measures to strengthen workforce voice and collective bargaining to give working people more power in the workplace. And we need to develop a new, green industrial policy with effective measures for creating and supporting good quality jobs in sectors that will equip the UK for the transition to net-zero and trade policies that will raise employment standards in the UK and around the world.

A skills strategy for all workers

The government has acknowledged the contribution of skills policies to the levelling up agenda. However, the policy framework set out in the skills white paper³⁸ earlier this year comprises a very modest set of proposals that will do little to tackle either the immediate problems created by the pandemic or the long-term weaknesses in our skills system. Looking beyond the immediate skills shortages created by Brexit and the pandemic, there are huge skills challenges on the horizon which require a new scale of ambition and new policy solutions that go beyond the white paper proposals.

The TUC is calling for a new national lifelong learning and skills strategy based on a vision of a high-skill economy, where workers can quickly gain both transferable and specialist skills to build their job prospects. Some key measures could be rolled out swiftly now, with longer-term reforms put in place to tackle entrenched failings in our skills system that limit employment prospects and personal development. A strategic approach along these lines

³⁸ DfE (January 2021) Skills for Jobs: Lifelong Learning for Opportunity and Growth https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957856/Skills_for_jobs_lifelong_learning_for_opportunity_and_growth_web_version.pdf

could be delivered at pace by a National Skills Taskforce that would bring together employers, unions and other key stakeholders along with government.

Key challenges in our skills system

Not everything that is presented as a skills shortage can be solved through skills policy alone. As the current shortage of HGV drivers has shown, labour shortages can be created by poor wages and working conditions that make jobs unattractive and increasingly unviable for staff. A recent review by the Labour Research Department³⁹ shows how companies are increasingly forced to compete for transportation contracts on costs alone, driving down wages and conditions, and creating a situation where many drivers are forced to pay for their own training as well as essentials such as overnight parking facilities. LRD highlights examples of best practice in the logistics and other sectors, where employers and unions have agreed deals on pay, training and other matters to tackle growing labour and skills shortages. This demonstrates the importance of addressing working conditions through collective bargaining in solving skills and labour shortages.

We do, however face significant long-term challenges in our current skills system. A major concern is that participation in lifelong learning and training is in long-term decline, while economic and social trends are requiring workers to upskill and retrain more than ever before. As well as the immediate skills challenges created by the pandemic and Brexit, we face the longer-term challenges of automation, AI and the transition to a greener economy. The Green Jobs Taskforce⁴⁰ highlights that one in five jobs in the UK (approximately 6.3 million workers) will require skills for new green occupations and to upskill and retrain those in high-carbon jobs.

An associated trend is that those most in need of training are least likely to access it from their employer and this has been amplified further by the pandemic. A recent analysis by the Learning & Work Institute⁴¹ found that employer investment in training fell more sharply during the pandemic than following the last global financial crisis. The groups facing the sharpest fall in training include adults with lower-level qualifications, young workers in the private sector and apprentices. This encompasses large numbers of the jobs in relatively low-paid work that have borne the brunt of job losses triggered by Covid-19.

Another area of concern is our poor record in supporting young people and adults to progress to intermediate and higher-level technical skills. There is broad support for developing quality post-school pathways to apprenticeships and technical qualifications with the same esteem as the HE route. But we are a long way from achieving this. While many of our apprenticeships are world-class, too many young people are not enjoying the quality employment and training experience that is the norm in apprenticeship systems in other countries. We also compare poorly when it comes to offering both school leavers and adults the opportunity to progress to higher-level technical qualifications that have an equal status to university degrees.

³⁹ Labour Market Department (September 2021) Labour Shortages: what's the impact? Available at: <https://www.lrdpublications.org.uk/publications.php?pub=WR&iss=2085&id=idm140044502144560>

⁴⁰ Green Jobs Taskforce Report, www.gov.uk/government/publications/green-jobs-taskforce-report

⁴¹ Learning & Work Institute (2021) *Learning at Work: employer investment in skills*

There are four key areas of reform that should be at the heart of a lifelong learning and skills strategy to address these challenges:

- A significant boost to investment in learning and skills by both the state and employers is essential.
- People should have access to fully-funded learning and skills entitlements and new workplace training rights throughout their lives, expanding opportunities for upskilling and retraining.
- We need a national social partnership, bringing together employers, trade unions and government, to provide clear strategic direction on skills - as is the case in most other countries.
- Our college workforce must be empowered and properly rewarded for their work; an immediate priority must be to tackle the long-term decline in pay in the sector.

More detail on each of these themes is set out below.

A boost to skills investment

State and employer investment in skills, particularly for adults, has been in long-term decline for many years. According to the Institute for Fiscal Studies (IFS), government funding for adults attending college courses was halved in the last decade and new spending on the National Skills Fund will reverse only one third of this reduction.⁴² There are similar trends affecting post-16 education and training, with the IFS predicting that an extra £570m per annum will be required by 2022-23 just to maintain spending per student in real terms for 16-18-year-olds in colleges and sixth forms.⁴³ TUC research⁴⁴ has highlighted that job-related training provided by employers has been in decline since the mid-1990s and this trend intensified during the pandemic. UK employers invest just half the EU average in training; if investment per employee equalled the EU average, there would be an additional £6.5 billion spent each year.⁴⁵

A national lifelong learning and skills strategy should contain an explicit boost to FE and skills funding over a multi-year period and this long-term funding picture should be updated regularly.

A right to life-long skills and learning entitlements

With 80 per cent of the projected 2030 workforce already in the labour market, it is clear that we need to enable many more workers to access learning and training. However, the government's current "lifetime skills guarantee" is significantly weaker than the adult skills entitlements that were abolished nearly ten years ago and is too restrictive to bring about the step change we need.

⁴² IFS (2021) *Big Changes Ahead for Adult Education Funding? Definitely maybe*

⁴³ IFS (2021) *Further education and sixth form spending in England*

⁴⁴ F. Green & G. Henseke (2019) *Training Trends in Britain*, TUC unionlearn

⁴⁵ Learning & Work Institute (2021) *Learning at Work: employer investment in skills*

The guarantee applies only to a prescribed list of level 3 qualifications only. But many adults need access to free courses for foundation and level 2 qualifications in order to progress to take-up of the level 3 entitlement, which are not covered. In addition, many adults in need of retraining are excluded because they already hold a level 3 qualification, even if this is from decades earlier – making a mockery of the concept of a lifetime skills guarantee.

The TUC is calling for a package of measures to give a real boost to lifelong learning for adults. In the first instance, a wider range of skills entitlements for adults and a new “right to retrain” should be established. Over time these entitlements should be incorporated into lifelong learning accounts that would facilitate additional workplace learning, encouraging co-investment by employers. We should also follow the examples of other countries that have introduced rights for workers to paid time off for education and training and access to regular skills reviews in the workplace. OECD research⁴⁶ has shown that combining initiatives, such as lifelong learning accounts, with new workplace training rights has proved effective in countries adopting this approach. The government should also draw on the experience of other countries that have permanent short-time working programmes⁴⁷ and roll out a scheme that provides funded training to any workers who are working less than 90 per cent of their normal working hours.

Apprenticeships and young people

While investment in apprenticeships has been boosted by the levy, the number of opportunities has been declining in recent years, especially among the youngest apprentices and disadvantaged groups. According to a recent analysis⁴⁸ by the IFS, the number of 16- and 17-year-old apprentices fell by 30 per cent between 2019 and 2020 and only 3 per cent of this group took up an apprenticeship in 2020. IFS estimates this to be the lowest level “since at least the 1980s and almost certainly a lot longer” and that there is a real risk this could become a permanent trend. Analysis by the Social Mobility Commission has also shown a long-term decline in apprenticeship places for young people from lower socio-economic backgrounds.⁴⁹ The TUC agrees with IFS that “there are few policy reforms or incentives in place to arrest” the decline in apprenticeships and to widen access.

The forthcoming review of the apprenticeship levy offers an opportunity to tackle these challenges. The TUC will be calling for changes to enable employers to use this funding in a much more flexible way. For example, there is a strong case for allowing employers to use levy funding for innovative pre-apprenticeship programmes and other initiatives aimed at boosting take-up, particularly of under-represented groups. But we will also be calling for wider policy reforms beyond the remit of the levy. There is a pressing need for government to enforce existing regulations and introduce new requirements of employers and training providers in order to tackle the continuing high incidence of poor-quality training,

⁴⁶ OECD (2019) *Individual Learning Accounts: design is key for success*

⁴⁷ For the TUC’s proposals for a permanent short-time working scheme, please see TUC (August 2021) *Beyond furlough: why the UK needs a permanent short-time work scheme*
<https://www.tuc.org.uk/research-analysis/reports/beyond-furlough-why-uk-needs-permanent-short-time-work-scheme>

⁴⁸ IFS (2021) *Further education and sixth form spending in England*

⁴⁹ Social Mobility Commission (2021) *State of the Nation 2021: social mobility and the pandemic*

exploitative employment practices, low wages, and limited progression routes currently blighting our apprenticeship system.

Social partnership and union learning

Trade unions and their union learning reps have years of expertise and experience that should be drawn on to boost take-up of new skills entitlements in the workplace. The Green Jobs Taskforce has recognised this in its recent report⁵⁰, calling on more employers to recognise “union learning representatives, in order to increase access to training for hard-to-reach employees” needing upskilling and retraining. It is also notable that the latest annual skills analysis by the OECD⁵¹ refers to the work of unionlearn and union learning representatives as an outstanding example of “proactive initiatives undertaken in OECD countries to engage low-skilled adults to participate in adult learning”.

As the OECD has highlighted, the UK lacks the institutional partnership of employers and unions that works so effectively in other countries to govern quality skills systems. This gap was emphasised by a recent report on levelling up skills after the pandemic⁵² and by the Industrial Strategy Council in one of its last reports on skills, which noted that the role of employer and employee organisations in other countries is of great benefit to the stability and quality of their skills systems.⁵³ Despite these findings, there is not one mention of unions in the skills white paper.

This is a missed opportunity to harness the expertise of workforce representatives which, if not rectified, will hold back the development of an effective skills policy able to benefit both workers and the economy. We need a new national social partnership on skills to provide clear strategic direction, as is the case in most other countries. Trade unions will also continue to play a vital role by supporting young people and adults to upskill and retrain in the workplace

FE workforce

The skills white paper does include a section on supporting the development of the FE workforce but there is no acknowledgement that years of pay cuts and growing casualisation have demoralised college workers and undermined their status. On pay, the latest statistics show that there is a £9,000 pay gap between teachers in schools and colleges and the FE unions have highlighted that all college staff have suffered a real-terms pay cut of 30% since 2009⁵⁴. The issue of FE pay has been highlighted as a priority by the two most important independent reviews of FE in recent years, the Augar Review and the Independent Commission on the College of the Future. The Commission recommended a

⁵⁰ Green Jobs Taskforce (2021), *Green Jobs Taskforce Report*, <https://www.gov.uk/government/publications/green-jobs-taskforce-report>

⁵¹ OECD (2021) *OECD Skills Outlook 2021: Learning for Life*, page 138

⁵² Learning & Work Institute (2021) *Levelling up Skills after Coronavirus: the role of trade unions and social partnership in workforce training*

⁵³ Industrial Strategy Council (2020) *Rising to the UK's Skills Challenges*

⁵⁴ UCU (4 December 2020) Further education unions express outrage at pay offer and breakdown of trust in employers <https://www.ucu.org.uk/article/11181/Further-education-unions-express-outrage-at-pay-offer-and-breakdown-of-trust-in-employers?list=1676>

new starting salary of £30,000 for teaching staff in colleges to tackle the pay gap with schools and called for a national social partnership between government, the Association for Colleges and trade unions to look at long-term strategic challenges facing the whole FE workforce, recommendations that the TUC and FE unions support.

The long-term decline in FE sector pay must be tackled as a matter of urgency, with an immediate and significant move towards restoring college pay levels to 2009 levels in real terms. Going forwards, we need to make sure our college workforce is properly valued, with contracted-out services brought back in house and no worker paid less than the Real Living Wage.

Corporate governance reform to promote long-term, sustainable growth

Our corporate governance system plays a key role in shaping the discussions and priorities of the boardroom and how companies are run. Company law and other soft law requirements, such as the Corporate Governance Codes, have a direct impact on the business models and employment practices adopted by companies. Corporate governance reform is an important part of creating a stronger, fairer economy where working people receive a fairer share of the wealth they create. Increasing investment is not enough; we need to change the way companies operate so that investment translates into good quality work.

Reform of shareholder primacy

The UK's corporate governance system prioritises the interests of shareholders over the interests of all other stakeholders and arguably over the long-term interests of the company itself. A report by the TUC and High Pay Centre⁵⁵ found that between 2014 and 2018, returns to shareholders grew by 56%, nearly seven times more than the median wage for UK workers, which increased by just 8.8% (both nominal). If pay across the UK economy had kept pace with shareholder returns, the average worker would be over £9,500 better off.

The priority given to shareholder returns leads to companies paying dividends even when not justified by company performance. Our report found that in 27% of cases, returns to shareholders were higher than the company's net profit, including 7% of cases where dividends and/or buybacks were paid despite the company making a loss. In 2015 and 2016, total returns to shareholders came to more than total net profits for the FTSE 100 as a whole.

Overall, profits varied significantly more than returns, with profits ranging more than twice as much as returns over the period. This contradicts the idea that shareholders are exposed to the greatest risk of all business stakeholders, as it suggests that they can expect consistent returns, regardless of profitability.

⁵⁵ TUC and High Pay Centre, How the shareholder-first business model is contributing to inequality A briefing note from High Pay Centre, and the TUC, 2019 <https://www.tuc.org.uk/research-analysis/reports/how-shareholder-first-business-model-contributing-inequality>

The priority given to shareholders in corporate governance is often justified by the argument that shareholders carry the greatest risk in relation to company performance. This argument is contradicted by the reality of share ownership patterns today. Institutional shareholders hold highly diversified portfolios with shareholdings in hundreds, if not thousands, of companies across different geographies precisely to spread their risk. Workers, on the other hand, invest their labour, skills and commitment in the company they work for, and cannot diversify this risk. Few workers can simply walk from one job into another and if their company fails for any reason workers and their families pay a heavy price – the loss of employment and income, skills, confidence and health that this can bring.

As well as squeezing wages, the priority given to shareholder returns hampers investment in R&D. Research for the Bank of England found that the most important reason for under-investment was a constraint on using profits for investment purposes, with three quarters of firms rating distribution to shareholders (including dividends and share buybacks) and purchase of financial assets (including mergers and acquisitions) ahead of investment as the most important use of internally generated funds. Strikingly, 80 per cent of publicly owned firms agreed that financial market pressures for short-term returns to shareholders had been an obstacle to investment⁵⁶. This demonstrates how the role of shareholders in the UK's corporate governance system contributes to under-investment and short-termism.

- To address shareholder primacy, directors' duties should be reformed so that directors are required to promote the long-term success of the company as their primary aim, taking account of the interests of stakeholders including the workforce, shareholders, local communities and suppliers and the impact of the company's operations on human rights and on the environment.

Worker directors on company boards

In addition to removing shareholder primacy in company law, we need reform of board composition to change the culture and priorities of the boardroom and improve the quality of board decision-making.

There is strong evidence that more diverse boards make better decisions. The TUC supports measures to promote greater gender and ethnic diversity on boards.

It is vital that measures to promote diversity includes a focus on social diversity and diversity of role and experience. The TUC strongly supports measures to include workers directors on company boards. Worker directors would bring people with a very different range of backgrounds and skills into boardrooms, helping to challenge 'groupthink'. It is clear from the minority of UK companies with worker directors and from evidence from countries where worker directors are common that bringing the perspective of an ordinary worker to bear on boardroom discussions is particularly valued by other board members.

Workers have an interest in the long-term success of their company and their participation would encourage boards to take a long-term approach to decision-making. They would

⁵⁶ Sir Jon Cunliffe, Are firms underinvesting – and if so why? Speech to the Greater Birmingham Chamber of Commerce, 17 February 2017 <https://www.bankofengland.co.uk/-/media/boe/files/speech/2017/are-firms-underinvesting-and-if-so-why.pdf?la=en&hash=96588BB2D1AEEA1C13C0E2E159962B2B3E505DD4>

bring direct experience to bear on the important area of workforce relationships, a key area for company success.

However, the arguments for worker directors go beyond the impact on board-decision making, important though that it. It is also a matter of justice: of all company stakeholders, the workforce is generally the most affected by the priorities and decisions of company boards. It is a matter of justice and democracy that they should have a voice in those decisions.

Worker directors are the norm across most of Europe. In 19 out of 27 EU Member States plus Norway (i.e. 19 out of 29 European countries) there is some provision for workers' representation on company boards, and in 13 of these countries the rights are extensive in that they apply across much of the private sector.

Countries with strong workers' participation rights perform better on a whole range of factors, including R&D expenditure and employment rates, while also achieving lower rates of poverty and inequality⁵⁷.

In the UK, the 2018 Corporate Governance Code now includes provisions on engagement with the workforce, with worker directors one of the options included. However, only four companies to date have chosen to comply with the Code by appointing worker directors (making a total of five, as the FTSE 250 company FirstGroup plc has had an employee director since the company's inception in 1989).

A report⁵⁸ published by the Financial Reporting Council on how companies have implemented the new provisions on workforce voice found that where worker directors have been appointed they are valued and working well.

- Worker directors elected by the workforce should comprise one third of the board at all companies with 250 or more staff. Our detailed proposals on how this should be implemented and more information on the case for worker directors, can be found in our report *All Aboard - Making worker representation on company boards a reality*⁵⁹.

Giving workers a voice at work – strengthening workplace and sectoral bargaining

Giving workers stronger rights to organise collectively in unions is key both to raising pay and working conditions and giving workers more say over their working lives. The absence of a collective approach to driving up employment standards has led to the poor pay and conditions that are now resulting in labour shortages across the country.

⁵⁷ Sig Vitols (2010), available at <http://www.worker-participation.eu/About-WP/European-Participation-Index-EPI>

⁵⁸ Chris Rees and Patrick Brione, Workforce Engagement and the UK Corporate Governance Code: A Review of Company Reporting and Practice May 2021 https://www.frc.org.uk/getattachment/56bdd5ed-3b2d-4a6f-a62b-979910a90a10/FRC-Workforce-Engagement-Report_May-2021.pdf

⁵⁹ TUC (2016) *All Aboard - Making worker representation on company boards a reality* <https://www.tuc.org.uk/research-analysis/reports/all-aboard-making-worker-representation-company-boards-reality>

Research shows that workplaces with collective bargaining have higher pay, more training days, more equal opportunities practices, better holiday and sick pay provision, more family-friendly measures, less long-hours working and better health and safety. Staff are much less likely to express job-related anxiety in unionised workplaces than comparable non-unionised workplaces; the difference is particularly striking for women with caring responsibilities¹.

Employers benefit too. Collective bargaining is linked to lower staff turnover, higher innovation, reduced staff anxiety relating to the management of change and a greater likelihood of high-performance working practices².

And society benefits. Influential organisations from the IMF to the OECD have recognised the role of collective bargaining in reducing inequality, with the OECD calling on government to “put in place a legal framework that promotes social dialogue in large and small firms alike and allows labour relations to adapt to new emerging challenges”³.

But despite these clear benefits to workers, employers and society, collective bargaining coverage has declined over recent decades, falling from over 80 per cent in 1979 to 26 per cent today. This is in part a result of anti-union legislation but also of industrial changes, including the decline of the traditionally unionised manufacturing sector, the increasing proportion of people working in smaller workplace and the sharp rise in precarious employment models, which have created significant practical barriers for grassroots union organisation.

And in sectors that are characterised by low pay and poor conditions, we need to create new bodies for workers and employers to come together to negotiate across sectors and agree minimum standards for the sector. Sectoral bargaining is critical to driving up wages and conditions in sectors with poor employment practices that employ and will continue to employ large numbers of people. Fair Pay Agreements across sectors would protect workers from exploitation and prevent good employers from being undercut by employers with poor employment practices. Social care and hospitality, sectors characterised by poor pay and conditions and experiencing labour shortages, should be priority sectors for rolling out sectoral bargaining and Fair Pay Agreements.

- Unions should have access to workplaces to tell workers about the benefits of union membership and collective bargaining (following the system in place in New Zealand).
- We need new rights to make it easier for working people to negotiate collectively with their employer, including simplifying the process that workers must follow to have their union recognised by their employer for collective bargaining and enabling unions to scale up bargaining rights in large, multi-site organisations.
- The scope of collective bargaining rights should be expanded to include all pay and conditions, including pay and pensions, working time and holidays, equality issues (including maternity and paternity rights), health and safety, grievance and disciplinary processes, training and development, work organisation, including the introduction of new technologies, and the nature and level of staffing.

- The government should establish new bodies for unions and employers to negotiate across sectors to set minimum standards and Fair Pay Agreements, starting with hospitality and social care.

An industrial strategy for good, green jobs

The UK's industrial and manufacturing base has experienced a hollowing-out since the 1980s. Between 1960 and 2015, UK manufacturing employment declined more sharply than any other advanced economy except Switzerland.⁶⁰

The hollowing-out of manufacturing industries has had a disproportionate impact on deprived regions. Analysis by conservative think-tank Onward highlights that the decline of manufacturing jobs has particularly sharply affected deprived areas, including the Tees Valley, Lancashire and the Black Country.⁶¹

In some emerging sectors, the UK has struggled to claw back local economic benefit. Despite the soaring growth of installed offshore wind energy capacity in the UK over the past ten years, the number of jobs in offshore wind shrank by over one third (37%) between 2014 and 2019, according to ONS data. A similar 35% contraction affected job numbers in energy efficient product manufacturing.⁶²

UK industries risk falling further behind if the pace of industrial retooling for Net Zero does not match that of international competitors. The need to update business models and technologies to support a decarbonised economy will create fierce international competition for investment, for example, in the automotive components manufacturing industry.⁶³ Ensuring adequate and timely support for industrial decarbonisation and retooling will secure the future of up to 600,000 jobs in manufacturing and supply chains, according to TUC research.⁶⁴

Reviving industrial heartland economies has been a headline priority for the current government. However, there is still a lack of coherence and ambition in its approach to industrial policy, with the Industrial Strategy Council scrapped to wide-spread criticism.⁶⁵ A set of recently developed Sector Deals, negotiated with business leadership, aim to support the future competitiveness of industries, including nuclear energy, automotive

⁶⁰ International Monetary Fund (2018) World Economic Outlook, April 2018: Cyclical Upswing, Structural Change, available at: <https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>

⁶¹ Onward (2021) Making A Comeback, <https://www.ukonward.com/reports/making-a-comeback/>

⁶² TUC analysis of ONS (2021), 'Low carbon and renewable energy economy estimates' <https://www.ons.gov.uk/economy/environmentalaccounts/datasets/lowcarbonandrenewableenergyeconomyfirstestimatesdataset>

⁶³ PWC (2019) 'Merge ahead: Electric vehicles and the impact on the automotive supply chain' <https://www.pwc.com/us/en/industrial-products/publications/assets/pwc-merge-ahead-electric-vehicles-supply-chain.pdf>

⁶⁴ TUC (2021) Safeguarding the UK's manufacturing jobs with climate action: carbon leakage and jobs <https://www.tuc.org.uk/research-analysis/reports/safeguarding-uks-manufacturing-jobs-climate-action-carbon-leakage-and-job>

⁶⁵ Jim Pickard and Daniel Thomas (2021) 'Business dismay at decision to drop plan for UK industrial strategy', FT, <https://www.ft.com/content/372ae7ec-0ad7-4111-b319-db0a8f4abb7b>

manufacturing, and oil and gas extraction. However, some of the deals have been criticised for a lack of ambition on local content, and lack of engagement with workers' representatives.⁶⁶

A range of decarbonisation-related strategies (covering heat and buildings, hydrogen, industrial decarbonisation, financing net zero, and an overall Net Zero Strategy) have been released recently or are expected this autumn, as the government responds to the Climate Change Committee's Sixth Carbon Budget and lays a claim to international leadership ahead of hosting the COP26 climate talks. However, in the Climate Change Committee's 2021 assessment of the government's policies, it noted that while targets for emissions reduction are now aligned with the Committee's recommendations, existing policies are insufficient to reach these targets.⁶⁷

The TUC was represented on the government's independent Green Jobs Taskforce, which provided government, industry, and the skills sector with recommendations on maximising the benefits of the transition to Net Zero for jobs in the UK, including through public investment, industrial and skills policy. The Taskforce concluded with fifteen recommendations (some reflected in this report), including calling on government to provide policy certainty on Net Zero, integrate job quality and job creation into decision-making, convene a national body to oversee the workforce aspects of the climate transition and future-proof high-carbon sectors and their supply chains.⁶⁸

Industrial strategy has an important role to play in levelling up, but supporting good quality employment must be a core part of the strategy. We need an ambitious programme that rebuilds the UK's industrial capacity, tackles regional inequalities, and positions UK industries to be ready for, and benefit from, the transition to Net Zero.

Strengthen supply chain commitments for infrastructure and energy projects

To boost domestic manufacturing, services and technology development, and reap the full benefit of developments in infrastructure and renewable energy, the government should adopt strong trade and procurement policies to strengthen local supply chains and employment standards.

Strong local supply chain policies have been used successfully to build up oil and gas industry supply chains by countries ranging from Malaysia to Brazil⁶⁹ and in renewable

⁶⁶ Unite the Union (2019), Written evidence from Unite the Union, data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-energy-and-industrial-strategy-committee/industrial-strategy-sector-deals-and-productivity/written/77481.html

⁶⁷ Climate Change Committee (2021), 2021 Progress Report to Parliament, <https://www.theccc.org.uk/publication/2021-progress-report-to-parliament/>

⁶⁸ Green Jobs Taskforce (2021), Green Jobs Taskforce Report, <https://www.gov.uk/government/publications/green-jobs-taskforce-report>

⁶⁹ UNCTAD (2014) Local Content Requirements and The Green Economy, https://unctad.org/en/PublicationsLibrary/ditcted2013d7_en.pdf

energy by Taiwan⁷⁰ and France. The Scottish Government has recently published a plan to enforce local content commitments as part of licensing for offshore wind leases.

While mindful of restrictions on the use of local content requirements in WTO and EU trade treaties, the UK government should use such policies where they are legal and needed.

- To bid for infrastructure contracts or energy subsidies auctions, companies should be required to demonstrate commitments to strong labour and human rights standards across their supply chain, and to lay out how they will strengthen local supply chains and what level of local content they expect to achieve. Companies should be held accountable for these commitments.
- The UK Government's Offshore Wind Sector Deal's ambition for 60% lifetime UK content is clearly insufficient. An estimated 35% of windfarm expenditure is in operations, maintenance and service⁷¹ (most likely to be local regardless of targets). The local content target for offshore wind should be brought up to at least 80%.
- The UK should make use of geographical exceptions to state aid rules (e.g. successor to the EU Assisted Areas Map), and where appropriate, apply for sectoral treaty exceptions based on public interest, to strengthen local supply chain rules.
- The UK should also use future international trade negotiations to expand governments' ability to use conditions on investment to strengthen domestic supply chains.

Future-proofing industrial workplaces

Greater public investment is needed to decarbonise and retool UK industry and supply chains, protect local jobs and economies and maintain international competitiveness. This is especially important for high carbon sectors already affected by UK and international carbon regulations and increased international competition, for example, steel production. Without sufficient support, high-carbon employers may choose to relocate production to jurisdictions with a lower cost of carbon (a process known as carbon leakage), or conversely to countries that offer more support for developing and scaling-up zero-emissions technologies. Either process would risk losses to skilled jobs and productivity in the UK.

- The government should invest at scale in future-proofing industrial workplaces.

⁷⁰ Ker Hsuan Chien (2019), 'Pacing for Renewable Energy Development: The Developmental State in Taiwan's Offshore Wind Power', *Annals of the American Association of Geographers*, DOI:10.1080/24694452.2019.1630246

⁷¹ TUC calculation based on BVG Associates (2012), *Guide to an Offshore Wind Farm*. <https://www.thecrownestate.co.uk/media/2860/guide-to-offshore-wind-farm-2019.pdf>. 20 year operational lifespan assumed.

Fund regional economic diversification, to meet climate targets and support levelling up

The relative success of past regional transition programmes in Europe demonstrate that a long-term commitment to public investment is key – for example, the 25-year regional funding for economic diversification in the coal centre⁷².

The EU committed €17.5 billion towards its Just Transition Fund, financed through the EU budget and Recovery Instruments and to be further match-funded through the ERDF and ESF.⁷³ This will be invested in SMEs, land restoration, emission reduction and research & innovation, targeted at any regions at risk of being left behind through the decline of high-carbon industries⁷⁴.

- Where local economies depend on high carbon local employment that cannot be retooled, the UK should provide funding equivalent to the EU's 'Just Transition Fund' to support communities to diversify and develop alternative industries.

Using trade policy to create high global standards

To level up standards for workers in the UK, we need to level up standards globally - otherwise multinational companies will continue to situate themselves in countries where it is easier to exploit workers, creating pressure for lower working conditions around the world and deepening global inequalities.

Trade rules and trade agreements play a crucial role in this process.

In recent decades, WTO trade rules and a number of trade deals have overturned protections for workers and made it easier for multinational companies to relocate to countries where there are less rights for workers and it is easier to pay lower wages.

We need trade rules and deals that reverse this process by locking in and enforcing high standards of rights and protections across the world so trade produces good green jobs and sustainable development.

While domestic industries like manufacturing that rely on imports can be boosted by reducing tariffs, tariffs should still be used to protect sectors from unfair competition - such as the agriculture sector in Kenya that has faced trade dumping from the UK and EU or the steel sector in the UK that has faced unfair competition from dumping from China, which displaces workers from good jobs.

In some of the countries the UK is negotiating trade deals with, such as the US, the government enables trade unions to comment on the text of trade negotiations and

⁷² Ben Caldecott et al., Lessons from Previous 'Coal Transitions', IDDRI and Climate Strategies. 2017, p.8 https://coaltransitions.files.wordpress.com/2016/09/coal_synthesisreport_v04.pdf

⁷³ European Parliament (2020), Just Transition Fund: helping EU regions adapt to green economy, <https://www.europarl.europa.eu/news/en/headlines/economy/20200903STO86310/just-transition-fund-help-eu-regions-adapt-to-green-economy>

⁷⁴ European Parliament (2020) Just Transition Fund, <https://www.europarl.europa.eu/thinktank/infographics/JTF/index.html>

provides a role for them in monitoring the impact of trade policy on workers. The UK government should follow a similar approach.

- Trade deals and WTO rules should be used as a lever to lock in the highest standards by enforcing respect for international labour organisation (ILO) standards. Too often, rights have been defined disparagingly in trade deals as 'non-tariff barriers' that should be removed.
- The government should not sign trade deals with countries that are abusing fundamental labour and human rights.
- Trade deals must contain a mechanism for sanctions to be applied on countries and companies violating workers' rights. Trade unions must be involved in this process to ensure action is taken when workers' rights are abused.
- Any freeports – zero tariff areas - that are established must not allow lower levels of workers' rights in the freeport.
- There must be a complete exemption for all public services in WTO rules and trade deals to ensure they don't lock privatisation into public services that have already been part privatised.
- Trade deals must also exclude the corporate court system (known as the Investor-State Dispute Settlement system) that allows multinational companies to sue governments for regulating public services that have been privatised in a way that threatens their profits.
- In order to achieve the above goals, it is crucial that trade unions can comment on the text of trade negotiations and are involved in the development and monitoring of trade policy.

Section three

Government leading by example – public services, job creation and procurement

The government should lead by example in levelling up at work, both in its role as an employer and through its procurement practices. As an employer, the government should showcase good quality employment practices, pay decent wages to all staff and reverse the outsourcing of services. Requirements for decent jobs should underpin all government procurement, so that the power of government spending is used to drive up employment standards.

Good employment at the heart of strong and resilient public services

Good quality public services are essential to levelling up. If we want to reduce inequalities in health, educational outcomes and other impacts of disadvantage, we need to ensure that we have good quality public services that are free at the point of use, delivered according to need and accountable to the communities they serve. The public sector is best placed to provide public services that meet these criteria and should be the default model of delivery.

The Covid-19 crisis exposed how years of marketisation and outsourcing have weakened our public services, undermined accountability, and put workers and communities in harm's way. We cannot level up while our public services are run for profit rather than public good.

The pandemic also exposed the damage that a decade of austerity inflicted on our public services, which went into the crisis weakened by years of cuts, pay restraint and privatisation. This created major shortages of equipment and staff, undermining our country's response in key areas.

The experience of the pandemic has shown us how much we rely on and value these services, and the public servants who deliver them. Strong public services are a vital part of any effort to end inequality. They are the backbone of a robust economy, a source of good quality employment and key to building resilient communities able to grow and thrive.

To play their part, our public services now require a sustained period of investment that reverses a decade of cuts and enables a secure and decently paid workforce to deliver the services our communities need.

Communities that would benefit most from levelling up have lost the most through the deterioration of their public services

Demographic changes, and in particular an ageing society, and the changes brought about by the pandemic mean our public services are in more demand than ever before. But our public services are hamstrung from meeting rising need because of chronic underfunding.

If the government want to deliver on its levelling up promise, they need to deliver a real terms funding increase in future years that restores the funding lost since 2009/10. In doing so, they can begin to address the deterioration in services, capacity and quality that is affecting communities and the staff delivering them.

TUC analysis of where the deepest cuts to public services fell shows significant regional variations, with those local authorities that were most grant-dependent, less equipped with assets and revenue raising capacity, including business rates base and with less reserves, suffering disproportionately larger cuts.⁷⁵

In areas such as the North East, central government grants to local authorities have been cut by 79 per cent since 2010.⁷⁶ These cuts have resulted in significant cuts to services and have had a detrimental impact on the day to day lives of residents.

Regions have seen a significant number of libraries either closed or operating on reduced hours, a reduction in school crossing patrols, the devastating closure of a substantial number of Sure Start centres and a decrease in non-statutory services. These are all services that play a fundamental role in delivering a levelling up agenda.

Despite the vital contribution of public services to the government's stated aim of levelling up the country and giving all citizens an equal chance in life, the Chancellor's budget in March 2021 reduced spending across public services by £16 billion a year compared to their pre-pandemic plans.⁷⁷ The cumulative erosion of public sector net investment means that spending on public services in 2024-25 will be one-quarter lower than in 2009-10,⁷⁸ with unprotected departments such as transport and local government that provide vital services for communities across the UK suffering still higher cuts in their day-to-day spending.

To truly level up, the government must act to undo the damage inflicted on public services over the last decade. We need a long-term plan backed up by sustainable and substantial investment to maintain the world class public services our communities rely on.

- Government must end the cuts to public services and invest to reverse them, bringing investment back to the levels we need to maintain quality and meet demand. We need significant funding to clear the backlog in the NHS, provide much needed reforms in social care and increase funding in 'unprotected' areas like local government, criminal justice and transport that have suffered among the worst impacts of austerity.

We cannot level up while holding down public sector pay

We cannot level up while holding down public sector pay. Over the last ten years, public sector workers have seen their pay fall in real terms – by up to £3,000 a year in some cases – as a result of cumulative below inflation pay increases.

⁷⁵ TUC (2019) [Councils in crisis | TUC](#)

⁷⁶ TUC (2019) [Councils in the North East will face £1.2bn funding gap by 2025 | TUC](#)

⁷⁷ Resolution Foundation (2021) [Spending-fast-taxing-slow.pdf \(resolutionfoundation.org\)](#)

⁷⁸ Resolution Foundation (2021) [Spending-fast-taxing-slow.pdf \(resolutionfoundation.org\)](#)

Despite their heroic efforts during the pandemic, the decade of public sector pay restraint is continuing for most of the public sector. In November 2020, the Chancellor announced a public sector pause for 2021/22 that covers most of the major public sector workforces: police, prison officers, teachers, armed forces, civil servants and the judiciary.⁷⁹ The below-inflation pay rises awarded in local government and the NHS also represent a pay cut in real terms.

Pay restraint affects the living standards of public sector workers and worsens inequalities, with increasing numbers failing to keep pace with cost of living, accumulating debt, turning to foodbanks and seeking agency work or employment outside of the sector.

In the last decade, we learned the hard way that austerity and pay restraint slow down economic growth. Reducing the disposable income of public sector workers harms local economies and regional recovery, particularly in regions in the North, Midlands and South West that have a higher reliance on public sector employment.⁸⁰ Public sector workers make up over one in seven jobs in every region of the UK, and over one in five in the North East, Wales, Scotland and Northern Ireland.⁸¹

A pay rise for public sector workers is an investment that is returned to the government in the form of direct taxes paid by public sector workers, reduced in-work benefits and indirect taxes through the growth stimulus in the wider economy.

- The public sector pay freeze should be ended immediately. Public sector workers should be paid at least the real living wage and awarded pay rises that keep pace with the increased cost of living, while making up for lost earnings over the last decade.

The outsourcing of public services hurts workers and services

Ending the public sector pay freeze is essential not only out of fairness to public servants, whose wages have been held back for a decade, but also to address the growing recruitment and retention crisis across the public sector.

Spending on agency staff in the public sector has accelerated over recent years, costing the public purse millions. Evidence indicates a trend toward longer-term placements, as agency staff are increasingly deployed to address systemic staffing issues, rather than as a short-term contingency.⁸² This situation has led to a two-tier workforce in the public sector, with agency workers subjected to lower pay and worse conditions than the directly employed staff they work alongside.

The surge in reliance on agency staff has coincided with the widespread outsourcing of public sector services and jobs. Many key workers in the private sector are now engaged in delivering

⁷⁹ HMT (2020) [Spending Review 2020 documents - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/88422/spending-review-2020-documents.pdf)

⁸⁰ NEF (2012) [The economic impact of local and regional pay in the public sector | New Economics Foundation](https://www.neweconomics.org/publications/2012/05/the-economic-impact-of-local-and-regional-pay-in-the-public-sector)

⁸¹ See ONS Public Sector Employment, June 2021 at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/datasets/publicsectoremploymentreferencetable>

⁸² NIESR (2017) Use of agency workers in the public sector [NIESR agency working report final.pdf](https://www.niesr.ac.uk/wp-content/uploads/2017/06/NIESR_agency_working_report_final.pdf)

core public services, including social care workers and those providing cleaning, catering services in our NHS, schools and on our public transport.

The outsourcing of public services provision to private providers has a detrimental impact on the workforce and a knock-on effect on the quality of care. Workers employed by the private sector delivering public services are more likely to work longer hours, receive less pay and be on insecure or temporary contracts ⁸³⁸⁴.

While cost savings *may* have been made on the face value of an outsourced contract, these costs are then managed by the contractor in ways that off-loads risk to others – through the suppression of wages, terms and conditions of the outsourced workforce, the use of insecure forms of employment in supply chains and the almost punitive treatment of sub-contractors.

Not only is this unfair to those workers, it is a false economy leading to poor productivity, high levels of staff turnover and absence, less money for workers to spend in their local economies and more demand on in-work benefits.

Black and ethnic minority workers and women are overrepresented in low-paid and insecure work. ⁸⁵ Ending the outsourcing of public sector jobs - where both groups are more likely to work - and bringing jobs back in-house with decent pay and conditions will help deliver socio- and economic-equality for these groups.

Where public services remain outsourced, public sector employers should use their procurement powers to ensure that jobs generated benefit workers in the local community and throughout the supply chain. It must be a requirement that jobs created provide workers with trade union recognition, and that employers have fair recruitment, industrial relations and pay policies for all workers.

- Public ownership and in-house provision must be the default setting for public services, unless there a strong public interest case for putting services out to tender.
- During the process of bringing jobs back in-house, departments should be funded so that outsourced workers' pay is increased to at least the Real Living Wage.
- When services and jobs are outsourced, creating social value should be a core component of procurement strategy – including a stronger focus on promoting employment standards and good jobs.
- All public service contractors should meet the 'Seven Principles of Public Life'⁸⁶ and have the structures and arrangements in place to support this.
- A new public body should be set up, that operates at arm's length from central government, with statutory powers to require both commissioners and contractors from

⁸⁴ TUC (2014) [Outsourcing Public Services | TUC](#)

⁸⁵ TUC (2020) Black women and work [BME women and work | TUC](#)

⁸⁶ Committee on Standards in Public Life (1995) [The Seven Principles of Public Life - GOV.UK \(www.gov.uk\)](#)

across the public sector to supply it with data. This body should maintain a 'Domesday Book' of all contracts including their performance on the outsourcing of services.

The role of government in creating and supporting good quality, green jobs

The pandemic and Brexit have created significant economic dislocation, with dampened demand affecting some sectors and significant disruption to supply chains. The transition to a net zero economy will require still more economic transformation, affecting industries and jobs. These challenges require a major response from government. This has two components: public investment into works such as infrastructure and industrial upgrades, and schemes and policies that support or incentivise employers to create good quality jobs.

International Labour Organisation research shows that countries that implemented infrastructure stimulus programmes that focused on shovel-ready investments following the 2008 financial crisis, were successful in limiting the impact of the crisis on livelihoods and stimulating economic activity.

TUC research comparing G7 countries' investments in green infrastructure showed that the UK's investments are lagging far behind its G7 peers'. Only Japan has invested less (per resident) into green infrastructure as part of Covid-19 economic recovery. Scaled by population, the UK green investment plans are only 26% of France's, 21% of Canada's, 13% of Italy's and 6% of the USA's.⁸⁷

The design of recovery schemes matters for the job creation outcomes. The Green Homes Grant, a flagship recovery scheme worth £1.5 billion, has been widely criticised for under-delivering on its intended outcome of improving energy efficiency in 600,000 homes, caused by delays on the part of the administration contractor⁸⁸ and the complexity of navigating the scheme for individual home owners. The problems of the scheme's fragmented model are also reflected in the jobs outcomes. Evidence from individual companies indicates that where additional workers were hired after the Green Homes Grants programme was announced, significant numbers were then furloughed or laid off when the limitations and delays of the programme became clear.⁸⁹ The limited scale and duration of the Green Homes Grants also deterred energy efficiency installers from investing in skills.⁹⁰ Job creation schemes must be designed to support job security and job quality.

⁸⁷ Trades Union Congress (2021) 'Ranking G7 Green Recovery Plans and Jobs'
<https://www.tuc.org.uk/research-analysis/reports/ranking-g7-green-recovery-plans-and-jobs>

⁸⁸ PBC Today (2020), Confusion and delays hamper Green Homes Grant scheme,
<https://www.pbctoday.co.uk/news/energy-news/green-homes-grant/86474/>

⁸⁹ Anna Tims (2020), 'We are all seeing red over the government's Green Homes Grant', The Guardian,
<https://www.theguardian.com/money/2020/dec/03/we-are-all-seeing-red-over-the-governments-green-homes-grant>

⁹⁰ Jess Ralston (2021), 'What to look for in the Government's buildings decarbonisation plan', ECIU,
<https://eciu.net/blog/2021/what-to-look-for-in-the-governments-buildings-decarbonisation-plan>

A plan for job creation

Analysis by Transition Economics for the TUC in 2020 identified twenty shovel-ready infrastructure programmes where £85 billion in public investment could create 1.24 million jobs for the following two years.⁹¹ Allocating £85 billion for emergency green infrastructure would move the UK up into 3rd position in the G7 league table.⁹²

Scaling up green recovery spending in line with our G7 peers creates opportunities for the UK to go further than its current plans in areas including nature restoration, energy efficiency retrofit, electric vehicle charging infrastructure, zero carbon home construction, and sustainable agriculture. Each has high employment multipliers and can be mobilised very quickly by, for example, building on existing schemes such as the Local Authority Delivery Scheme within the Green Homes Grant programme.

This investment to build back greener could be spread evenly across the UK, mirroring the widespread nature of the impact of the Covid-19 pandemic - or be targeted at regions experiencing persistently high unemployment or disproportionality impacted by the de-industrialisation, in support of the levelling up agenda.

- The government should expand the infrastructure recovery programme, investing to create 1.24 million good quality green jobs.

Procurement and investment standards to support decent work

Decisions on infrastructure spending, including through the National Infrastructure Strategy and National Infrastructure Bank, should be subject to a job creation and quality test that evaluates both the quantity of jobs created by a proposed development and their quality, according to an agreed set of measures.

'Fair work' charters in Scotland⁹³ and individual cities in England⁹⁴ have helped to build job quality commitments into procurement and business support programmes.

All government support for infrastructure and industrial change (government loans, grants, licencing, pricing guarantees, investment approved by regulators, as well as direct procurement) should stipulate decent job quality and 'Fair Work' standards, including a clear right to voice in the workplace and union access, amongst primary employers and contractors.

⁹¹ Transition Economics (2020) Can an infrastructure stimulus replace UK jobs wiped out by COVID19 crisis? https://www.tuc.org.uk/sites/default/file/TUC%20Jobs%20Recovery%20Plan_2020-06-17_proofed.pdf

⁹² Trades Union Congress (2021) 'Ranking G7 Green Recovery Plans and Jobs' <https://www.tuc.org.uk/research-analysis/reports/ranking-g7-green-recovery-plans-and-jobs>

⁹³ Scottish Government (2021), Fair Work: Action Plan. <https://www.gov.scot/publications/fair-work-action-plan/>

⁹⁴ Liverpool City Region, Fair Employment Charter: Consultation <https://www.liverpoolcityregion-ca.gov.uk/fair/>

Oldham Council, Oldham's Fair Employment Charter https://www.oldham.gov.uk/info/200146/strategies_plans_and_policies/1303/oldham_s_fair_employment_charter

Companies should meet accredited standards such as Living Wage to qualify for support. Direct public sector participation (for example, local authority programmes to retrofit homes and public buildings) will also help bring up job quality standards.

Every large infrastructure investment should come with an Olympics style plan for decent jobs attached. When the Olympics were planned, government and the Olympics Delivery Authority worked with trade unions on a framework agreement that ensured that the project would deliver good quality local jobs and skills programmes.⁹⁵ We now need similar framework agreements for every large infrastructure project backed by government investment, setting out how contractors will work with trade unions to deliver local jobs and apprenticeships.

The government should:

- Build job creation and job quality tests into public investment decision-making and procurement standards
- Use Olympics style agreements to guarantee decent jobs in big infrastructure projects.

⁹⁵ TUC (2008) Principles of Cooperation between London 2012 and the TUC
<https://www.tuc.org.uk/research-analysis/reports/principles-cooperation-between-london-2012-and-tuc>

Section four

Strengthening the floor of employment protection for all workers

Employment rights

We need to reform the way the economy works so that economic growth translates into decent work that will level up people's lives and the communities where they live. And we need the government to lead by example by showcasing good employment practices in its role as an employer and implementing procurement policies that ensure that government spending supports good quality employment.

But tackling low pay and insecurity also requires strengthening the floor of employment protection for all workers to make the worst forms of exploitation illegal, raise the wages of the lowest paid and tackle structural discrimination at work. Many of the largest employers in every region are sectors and occupations – such as retail and care - where poor pay and insecurity are common. Improving rights nationally for these groups would make a significant difference to the chances of decent work across the country.

As set out above, for millions of people, their experience of work is of low pay, insecurity and oppressive forms of management. The coronavirus pandemic highlighted the importance to society of so many key workers from care workers to delivery drivers and shop assistants - yet many remain on insecure contracts and low pay, unsure if they can pay bills and put food on the table. Indeed, TUC analysis shows that one in three key workers earn less than £10 an hour.

We need to raise the minimum wage so that work provides a route out of poverty, rather than trapping low-paid workers within it.

Strengthened employment rights are essential to address insecurity and redress the imbalance of power in workplace. The government has promised to “protect and enhance” employment rights. But it has done little to deliver on this. An employment bill announced in December 2019 has yet to be published and has indeed disappeared from the government's immediate Parliamentary agenda. It remains unclear whether it will ever see the light of day.

Below are five key measures we need to strengthen people's rights at work.

- Ban zero hours contracts. This can be achieved by giving workers the right to a shift that reflects their normal hours of work, coupled with robust rules on notice of shifts and compensation for cancelled shifts.
- All workers including agency workers, zero hours contract workers and casual workers, should be entitled to the same floor of rights currently enjoyed by employees. A new 'worker' definition should be devised that covers all existing employees and workers, including zero-hours contract workers, agency workers and dependent contractors. The

definition should extend to individuals who are employed via an agency or a personal service company. Those covered by new 'worker' status should benefit from the full range of statutory rights. Care needs to be taken when devising new statutory definitions to ensure that working people are not disadvantaged, that those in need of protection are covered, and that a new test is resilient and will accommodate future developments in the labour market.

- Allow workers to bring a claim for unpaid wages, holiday pay and sick pay against any contractor in the supply chain above them. The TUC wants joint liability laws extended so that workers can bring a claim for unpaid wages and holiday pay against any contractor in the supply chain above them. This would be similar to countries like Australia where Fair Work laws extend liability to franchisors like McDonalds.
- We need an outright ban on umbrella companies by requiring employment agencies to pay and employ the staff they place with clients.
- Levelling up requires decent wages. We need a minimum wage of at least £10 an hour now to put more money into workers' pockets and address in-work poverty. Wage growth for low-paid workers will contribute to economic recovery by boosting demand and consumer confidence. In the long-term, workers of all ages should receive the standard rate of the minimum wage. All workers, including young workers, should be eligible for the national living wage.

Tackling systemic inequalities

As set out above, the pandemic has highlighted the scale of the structural inequality we face and deepened it in many areas. It has made the case for change stronger than ever. In order to build back better, we need to build back fairer. Equality must be at the heart of any roadmap for levelling up.

Measures to tackle insecure work and low pay, as set out above, will help women, BME workers and disabled workers, who are trapped in disproportionate numbers in these jobs through structural inequality. In addition, we need action to address the discrimination that lies at the heart of structural inequality.

Across all protected characteristics equality groups, action is needed from employers to establish robust workforce monitoring systems that as a minimum cover recruitment, retention, promotion, access to training, performance management and disciplinary actions including dismissal, and then evaluate and publish this monitoring data alongside an action plan to tackle any areas of disproportionate under or overrepresentation.

But wider systemic issues also need to be resolved, which cannot be driven by individual employers alone. Clear leadership is needed from government. The coronavirus crisis, with its disproportionate death rates of BME and disabled people, must be a turning point in government willingness to address systemic social and economic inequalities, including at work. We need urgent and sustained action on the areas set out below.

Cross-departmental action plans

- The government should create and publish a cross-departmental action plan, with clear targets and a timetable for delivery, setting out the steps that it will take to tackle the

entrenched disadvantage and discrimination faced by BME people, with regular updates published and reported to parliament.

- The government's vision for disability equality should be built around the social model of disability and developed with the full involvement of disabled people. It should move away from the voluntarism of Disability Confident, to an approach based on mandatory requirements.
- The Government Equalities Office should review and where necessary redraft the gender equality roadmap to reflect the current context and challenges working mums face, including a clear timetable for acting on the findings.

Strengthened pay gap reporting

- The government should strengthen the gender pay gap reporting requirements, and introduce ethnic and disability pay gap reporting.
- Pay gap reporting measures should require employers to publish actions plans on what they are doing to close the pay gaps they have reported.
- Action plans should cover recruitment, retention, promotion, pay and grading, access to training, performance management and discipline and grievance procedures relating to staff and applicants. It is vital that intersectional issues – for example, those affecting disabled women – are acknowledged and addressed.

Ensure compliance with equality legislation

- The government must comply with its existing public sector equality duty (PSED) and proactively consider equality impacts at each stage of any policy-making process with a view to promoting equality and eliminating discrimination. Doing this retrospectively, to assess the extent of damage that has been done or provide justification for a particular approach, is not acceptable. Equality impact assessments, although not a specific requirement, are tangible evidence of meaningful engagement with the PSED and as such should be published and impacts monitored on an ongoing basis.

Strengthen parental rights and flexible working

The government must help working families balance paid work and childcare, by reforming the system of parental leave and access to flexible working. This must include:

- Ten days' paid carers' leave, from day one in a job, for all parents. Currently parents have no statutory right to paid leave to look after their children and current proposals for unpaid leave will make taking leave unaffordable for many families.
- Reform of parental leave to include an individual, non-transferable right for each parent on a 'use it or lose it' basis.
- Invest in childcare to ensure that good quality, affordable childcare is available to working parents and help the sector recover from the impact of the pandemic.

- Making flexible working⁹⁶ the default for all workers, through a legal duty on employers to publish in job advertisements which flexible working arrangements are available in a role and a day one right to request flexible working for all workers. Workers should have a right to appeal and no restrictions on the number of flexible working requests made. If an employer does not think that any flexible working arrangements are possible, they should be required to set out the exceptional circumstances that justify this decision.

Properly resource the equality regulator

- The Equality and Human Rights Commission or EHRC should receive additional, ringfenced resources so that they can use their unique enforcement powers as equality regulator to effectively identify and tackle breaches of the Equality Act in the workplace.
- This must include targeted enforcement of workers' right to reasonable adjustments and developing practical guidance for employers to increase their understanding and confidence in using the positive action provisions permitted in the Equality Act to address under-representation of disabled people.

⁹⁶ Flexible working can take lots of different forms, including having predictable or set hours, working from home, job-sharing, compressed hours and term-time working.

Section five

Beyond the workplace – strengthening our safety net

For most people, work is their main source of income throughout their lives. But for all of us, there will be times that we are unable to work. These include periods of old age, ill-health or when we are unable to find suitable work. And, of course, it includes time spent on the all-important role of bringing up the next generation, who need and deserve the very best start in life their families can give them.

People need economic security throughout every part of their lives. That's why levelling up requires a strong welfare safety net that supports people when they need it. We need a decent pension system, sick pay for all and a social security system that enables people to live in dignity.

Pensions and older workers

State pension age

Since 2010, the state pension age (SPA) has been increased from 60 for women and 65 for men to 66 for everyone. Current plans for further increases will take the SPA to 68 by the late 2030s. The government's stated intention is to make sure the proportion of adult life citizens spend in receipt of the state pension does not rise above 32 per cent "in order to keep the State Pension sustainable and maintain fairness between generations in the future".⁹⁷ But the UK's deep inequalities in labour markets, health outcomes and longevity mean the effect of these changes will not be felt uniformly across the country. The number of people forced out of the labour market before they reach the current SPA varies markedly across different regions and by occupation.

TUC research in 2021 found that more than a third of process, plant and machinery operatives and people in elementary occupations who have become economically inactive in their 60s have left work because of chronic health issues.⁹⁸ More than a quarter of economically inactive people whose last job was in the skilled trades, caring or leisure sector, or sales also reported long-term health problems. These ratios compare with just one in 12 and one in 20 for senior managers and those working in the professions. The occupations in which people are more likely to become economically inactive because of caring responsibilities are administration and secretarial, caring and leisure, process, plant and machinery operatives, and elementary occupations.

⁹⁷ DWP, State Pension age review,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630066/print-ready-state-pension-age-review-final-report.pdf

⁹⁸ TUC, Extending working lives: How to support older workers - <https://www.tuc.org.uk/research-analysis/reports/extending-working-lives-how-support-older-workers>

There are also significant regional variations. Across the country one in eight people are forced out of work early by ill health, but this rises to one in six in the North East and more than one in five in Northern Ireland. In the South West and West Midlands, by contrast, one in twelve people aged 60-65 are economically inactive because of poor health.

The disparities are even more pronounced when looking at smaller geographical units. Breaking the country down into areas of approximately 1,500 residents, the differences in healthy life expectancy - the amount of time someone can expect to be in "good health" during their life - the gaps between rich and poor areas is alarming. In 2012 the healthy life expectancy gap between the most and least deprived men was approximately 18 years, with men from the poorest areas experiencing 13 years of ill health on average before they could access their state pension.⁹⁹ Between 2012 and 2017, healthy life expectancy improvements stalled for men and actually decreased by around six months for women. And the gap between the most and least deprived areas grew by 8 per cent over the same period. On the current trajectory of state pension age increases, women in the most deprived areas are projected to spend an average of just over 16 years in ill health before they reach state pension age.

This growing gap between healthy life expectancy and SPA in many areas means growing numbers of older workers will be forced out of the labour market before they can draw their state pension, leading to an increasing reliance on working age benefits, and higher poverty rates among older workers in these areas.

State pension level

The state pension is one of the most universal state benefits, with 98 per cent of couples and 97 per cent of single people over SPA receiving it. But it is the poorest pensioners who are most dependent on it for their income. Pensioner couples in the lowest and second lowest earnings quintiles rely on state benefits – principally the state pension – for £4 in every £5 and £2 in every £3 of income respectively. For single pensioners the reliance is even higher, with almost £9 in every £10 coming from this source.¹⁰⁰

This means that, unless we want to increase the dependence on means testing (which will discourage participation in occupational pensions and private retirement saving), the state pension is the most effective tool for raising living standards among poorer pensioners.

Replacing just 28.4 per cent of average pre-retirement income, our state pension is currently less than half as generous as the EU average, and just over half the average among OECD countries.¹⁰¹ This is largely the result of the decision in 1980 to de-link state pension increases from earnings growth, with the state pension losing 40 per cent of its

⁹⁹ Pensions Policy Institute briefing note 125: Longevity Inequality - <https://www.pensionspolicyinstitute.org.uk/media/3680/20201209-ppi-bn125-longevity-inequality-final.pdf>

¹⁰⁰ Age UK, Poorest pensioners almost solely dependent on the State Pension to get by - <https://www.ageuk.org.uk/latest-news/articles/2018/january/poorest-pensioners-dependent-on-state-pension/>

¹⁰¹ OECD Pensions at a glance, <https://data.oecd.org/pension/net-pension-replacement-rates.htm>

value relative to earnings in the following decades. Even when including voluntary retirement savings, replacement rates are still well below the OECD average.

In this context the government's decision to suspend the earnings link within the triple lock for 2022 was disappointing.

We can see from the table below that regions of the country in which pensioners are most reliant on the state pension and other benefits tend to have the lowest pensioner incomes. So in the West Midlands for example, the median pensioner couple relies on state benefits for 55.5% of income and has a net income after housing costs 8 per cent lower than the national average for pensioners. In the South East, by contrast the median pensioner relies on benefits for just 40% of income and has an income 16 per cent higher than the national average. London is the one outlier to this trend, with high housing costs there meaning pensioners in the capital have particularly low incomes after housing costs.

Increasing the state pension would do more to boost incomes in those regions of the country where pensioners are most reliant on state benefits and where pensioner incomes are generally lowest.

Median levels and sources of income for pensioners by region, 2017/18 to 2019/20

Region	Pensioner couples		Single Pensioners	
	% difference of net income after housing costs from UK average	% of gross income coming from benefits	% difference of net income after housing costs from UK average	% of gross income coming from benefits
North East	-1%	50.8	-2%	72.3
North West	-7%	55.2	-1%	67.2
Yorkshire and the Humber	-8%	52.8	-3%	66.9
East Midlands	-2%	50.5	3%	64.6
West Midlands	-8%	55.5	-3%	69.4
East	6%	44.8	-1%	60.7
London	-11%	48.8	-14%	61.9
South East	16%	40.0	3%	59.0
South West	7%	45.4	4%	60.5
Wales	0%	50.0	1%	61.8
Scotland	2%	50.0	6%	64.0
Northern Ireland	3%	52.2	7%	71.2

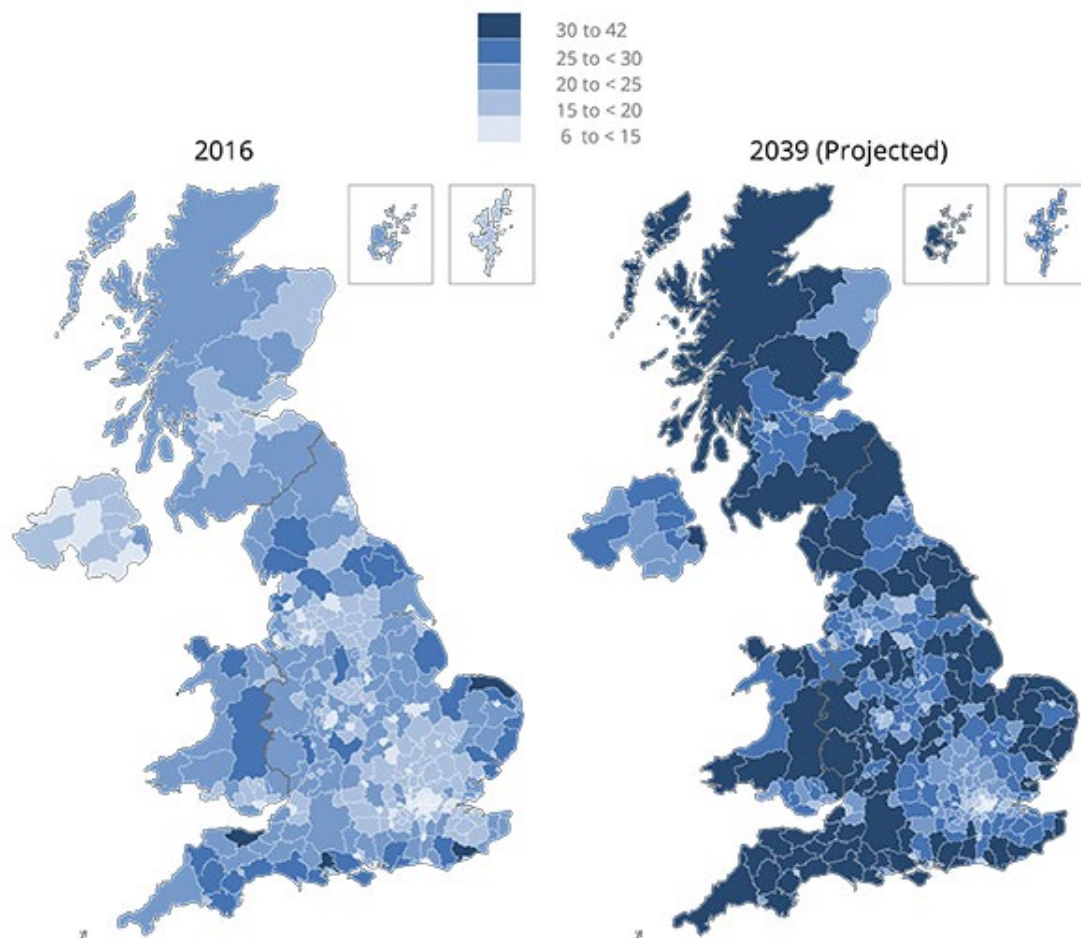
Source: ONS Pensioners' Income Series

Pensioner spending power

The pensioner population in the UK is skewed away from urban centres and London in particular, and towards more rural areas and coastal towns. According to ONS figures, all of

the 10 local authorities with the highest percentage of the population aged 65 years and over are on the coast, with five in the South West.¹⁰² Nine of the 10 local authorities with the lowest population aged 65 and over are in Greater London. Looking at the regional level, the percentage of over 65s in the population is almost twice as high in the South West (21.6 per cent) as it is in Greater London (11.6 per cent).

Proportion of the population aged 65 years and over, 2016 and 2039, UK



Source: ONS

This means that any extra spending on the state pension will have a larger economic impact in the areas most in need of levelling up by increasing the spending power of pensioners living there. Poorer pensioners, who are most reliant on the state pension for income, are

¹⁰² ONS, Living longer: how our population is changing and why it matters – <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhyitmatters/2018-08-13>

particularly likely to spend any extra income they receive, boosting local economies in areas with low level of pensioner income.

Policy recommendations

- The government should shelve scheduled increases to the SPA to prevent the gap between healthy life expectancy and SPA in many parts of the country widening.
- Ahead of the next planned SPA review in July 2023, the government should establish a cross-party commission to examine options including varying the state pension age to take account of differences in life expectancy and healthy life expectancy and giving people increased flexibility over when and how they access their state pension.
- To raise living standards among poorer pensioners across the country and support local economies, the government must maintain the triple lock, at least until the UK state pension reaches the level of comparable countries, and reinstate the earnings link for the 2022 uprating.

Universal credit

The Government has recently cut the £20 uplift from Universal Credit, removing a lifeline for the 6 million claimants of Universal Credit. Forty percent of these claimants – over two million people - are in work, reflecting the UK's high levels of in-work poverty, as set earlier in this report.

The government has justified the cut by saying its focus is to move people into jobs – but given that four in ten people on Universal Credit are already in work, this makes little sense.

As the table below shows, across every region and nation of the UK, over one third of Universal credit recipients are in work.

Numbers on Universal Credit in work by region/nation (May 2021):

Region/nation	Number in work receiving UC	Total number receiving UC	% Of UC recipients in work
North East	100,437	281,759	35.6%
North West	282,131	755,400	37.3%
Yorkshire & Humber	194,344	518,269	37.5%
East Midlands	166,265	403,272	41.2%
West Midlands	214,730	585,069	36.7%
East of England	199,459	494,271	40.4%
London	375,426	1,015,321	37.0%
South East	274,235	677,609	40.5%
South West	184,983	439,612	42.1%
Wales	103,609	279,068	37.1%

Scotland	176,935	481,263	36.8%
Total	2,274,976	5,938,914	38.3%

Source - TUC analysis of stat explore data using May 2021 data – for constituency level data see [press release](#)

Even with the £20 uplift, the basic rate of universal credit was worth around just a sixth of average weekly pay. The UK system is strikingly less generous than in most other European countries, where unemployment benefits are related (at least in the initial period of unemployment) to previous wages to cushion income shocks, ranging from 60 per cent of previous wages in Germany to 90 per cent in Denmark¹⁰³.

We need a benefit system that enables people to live in dignity throughout their lives.

- The cut in Universal Credit must be reversed, and Universal Credit should be increased to at least 80 per cent of the level of the living wage, around £260 a week.

Sick pay for all

According to TUC analysis, two million workers in the UK do not earn enough to qualify for statutory sick pay (SSP) – and 70 per cent of these workers are women.

Research by the Fabian Society, commissioned by the TUC, shows that removing the lower earnings limit, which prevents those on low earnings from accessing statutory sick pay, would cost employers a maximum of £150m a year. And it would cost the government less than one per cent of the test and trace scheme to support employers with these costs.¹⁰⁴

The research also finds that on average the cost of raising statutory sick pay to a Real Living Wage for employers without an occupational sick pay scheme would be around £110 per employee per year – or just over £2 a week.

The self-isolation payments scheme, which is meant to help those struggling to self-isolate for financial reasons, is failing. Recent TUC research found that around two-thirds of applicants have been rejected from the scheme and that just 16 per cent of those who do not receive SSP are aware of the scheme.¹⁰⁵

Every worker must be able to access sick pay, paid at the real living wage.

- We need to reform our statutory sick pay system, removing the lower earnings limit and raising payment levels to the Real Living Wage.

¹⁰³ TUC (2020) Fixing the safety net: Next steps in the economic response to coronavirus <https://www.tuc.org.uk/research-analysis/reports/fixing-safety-net-next-steps-economic-response-coronavirus>

¹⁰⁴ Andrew Harrop (2021) Statutory Sick Pay Options for Reform <https://fabians.org.uk/publication/statutory-sick-pay/>

¹⁰⁵ TUC (18 June 2021) “A failing scheme few people have heard of” - TUC urges sick pay reform as number of self-isolation grants awarded remains low <https://www.tuc.org.uk/news/failing-scheme-few-people-have-heard-tuc-urges-sick-pay-reform-number-self-isolation-grants>

List of recommendations

Creating an economy based on decent work

A skills strategy for all workers

- A significant boost to investment in learning and skills by both the state and employers is essential.
- People should have access to fully-funded learning and skills entitlements and new workplace training rights throughout their lives, expanding opportunities for upskilling and retraining.
- These entitlements should be incorporated into lifelong learning accounts and accompanied by new workplace rights, including a new right to paid time off for learning and training for all workers.
- Opportunities for high-quality apprenticeships for young people must be expanded and the government should reform and enforce regulation on training, wages and employment standards to raise standards.
- We need a national social partnership, bringing together employers, trade unions and government, to provide clear strategic direction on skills - as is the case in most other countries.
- Our college workforce must be empowered and properly rewarded for their work; an immediate priority must be to tackle the long-term decline in pay in the sector.
- The government should introduce a permanent short-time working scheme to protect jobs in times of crisis or transition, building on the lessons of the furlough scheme.

Corporate governance reform to promote long-term, sustainable growth

- To address shareholder primacy, directors' duties should be reformed so that directors are required to promote the long-term success of the company as their primary aim, taking account of the interests of stakeholders including the workforce, shareholders, local communities and suppliers and the impact of the company's operations on human rights and on the environment.
- Worker directors elected by the workforce should comprise one third of the board at all companies with 250 or more staff.

Giving workers a voice at work – strengthening workplace and sectoral bargaining

- Unions should have access to workplaces to tell workers about the benefits of union membership and collective bargaining (following the system in place in New Zealand).
- We need new rights to make it easier for working people to negotiate collectively with their employer, including simplifying the process that workers must follow to have their union recognised by their employer for collective bargaining and enabling unions to scale up bargaining rights in large, multi-site organisations.
- The scope of collective bargaining rights should be expanded to include all pay and conditions, including pay and pensions, working time and holidays, equality issues (including maternity and paternity rights), health and safety, grievance and disciplinary processes, training and development, work organisation, including the introduction of new technologies, and the nature and level of staffing.
- The government should establish new bodies for unions and employers to negotiate across sectors to set minimum standards and Fair Pay Agreements, starting with hospitality and social care.

An industrial strategy for good, green jobs

- To bid for infrastructure contracts or energy subsidies auctions, companies should be required to demonstrate commitments to strong labour and human rights standards across their supply chain, and to lay out how they will strengthen local supply chains and what level of local content they expect to achieve. Companies should be held accountable for these commitments.
- The local content target for offshore wind should be brought up to at least 80%.
- The UK should make use of geographical exceptions to state aid rules (e.g. the successor to the EU Assisted Areas Map), and where appropriate, apply for sectoral treaty exceptions based on public interest, to strengthen local supply chain rules.
- The UK should also use future international trade negotiations to expand governments' ability to use conditions on investment to strengthen domestic supply chains.
- The government should invest at scale in future-proofing industrial workplaces.
- Where local economies depend on high carbon local employment that cannot be retooled, the UK should provide funding equivalent to the EU's 'Just Transition Fund' to support communities to diversify and develop alternative industries.

Using trade policy to create high global standards

- Trade deals and WTO rules should be used as a lever to lock in the highest standards by enforcing respect for international labour organisation (ILO) standards. Too often, rights have been defined disparagingly in trade deals as 'non-tariff barriers' that should be removed.

- The government should not sign trade deals with countries that are abusing fundamental labour and human rights.
- Trade deals must contain a mechanism for sanctions to be applied on countries and companies violating workers' rights. Trade unions must be involved in this process to ensure action is taken when workers' rights are abused.
- Any freeports – zero tariff areas - that are established must not allow lower levels of workers' rights in the freeport.
- There must be a complete exemption for all public services in WTO rules and trade deals to ensure they don't lock privatisation into public services that have already been part privatised.
- Trade deals must also exclude the corporate court system (known as the Investor-State Dispute Settlement system) that allows multinational companies to sue governments for regulating public services that have been privatised in a way that threatens their profits.
- In order to achieve the above goals, it is crucial that trade unions can comment on the text of trade negotiations and are involved in the development and monitoring of trade policy.

Government leading by example – public services, job creation and procurement

Good employment at the heart of strong and resilient public services

- Government must end the cuts to public services and invest to reverse them, bringing investment back to the levels we need to maintain quality and meet demand. We need significant funding to clear the backlog in the NHS, provide much needed reforms in social care and increase funding in 'unprotected' areas like local government, criminal justice and transport that have suffered among the worst impacts of austerity.
- The public sector pay freeze should be ended immediately. Public sector workers should be paid at least the real living wage and awarded pay rises that keep pace with the increased cost of living, while making up for lost earnings over the last decade.
- Public ownership and in-house provision must be the default setting for public services, unless there is a strong public interest case for putting services out to tender.
- During the process of bringing jobs back in-house, departments should be funded so that outsourced workers' pay is increased to at least the Real Living Wage.
- When services and jobs are outsourced, creating social value should be a core component of procurement strategy – including a stronger focus on promoting employment standards and good jobs.
- All public service contractors should meet the 'Seven Principles of Public Life'⁶ and have the structures and arrangements in place to support this.

- A new public body should be set up, that operates at arm's length from central government, with statutory powers to require both commissioners and contractors from across the public sector to supply it with data. This body should maintain a 'Domesday Book' of all contracts including their performance on the outsourcing of services.

The role of government in creating and supporting good, green quality jobs

- The government should expand the infrastructure recovery, investing £85bn programme to create 1.24 million good quality green jobs.
- The government should build job creation and job quality tests into public investment decision-making and procurement standards.
- Olympics style agreements should be used to guarantee decent jobs in big infrastructure projects.

Strengthening the floor of employment protection for all workers

Employment rights

- Ban zero hours contracts. This can be achieved by giving workers the right to a shift that reflects their normal hours of work, coupled with robust rules on notice of shifts and compensation for cancelled shifts.
- All workers including agency workers, zero hours contract workers and casual workers, should be entitled to the same floor of rights currently enjoyed by employees. A new 'worker' definition should be devised that covers all existing employees and workers, including zero-hours contract workers, agency workers and dependent contractors. The definition should extend to individuals who are employed via an agency or a personal service company. Those covered by new 'worker' status should benefit from the full range of statutory rights. Care needs to be taken when devising new statutory definitions to ensure that working people are not disadvantaged, that those in need of protection are covered, and that a new test is resilient and will accommodate future developments in the labour market.
- Allow workers to bring a claim for unpaid wages, holiday pay and sick pay against any contractor in the supply chain above them. The TUC wants joint liability laws extended so that workers can bring a claim for unpaid wages and holiday pay against any contractor in the supply chain above them. This would be similar to countries like Australia where Fair Work laws extend liability to franchisors like McDonalds.
- We need an outright ban on umbrella companies by requiring employment agencies to pay and employ the staff they place with clients.
- Levelling up requires decent wages. We need a minimum wage of at least £10 an hour to put more money into workers' pockets and address in-work poverty. Wage growth for low-paid workers will contribute to economic recovery by boosting demand and

consumer confidence. In the long-term, workers of all ages should receive the standard rate of the minimum wage. All workers, including young workers, should be eligible for the national living wage.

Tackling systemic inequalities

- The government should create and publish a cross-departmental action plan, with clear targets and a timetable for delivery, setting out the steps that it will take to tackle the entrenched disadvantage and discrimination faced by BME people, with regular updates published and reported to parliament.
- The government's vision for disability equality should be built around the social model of disability and developed with the full involvement of disabled people. It should move away from the voluntarism of Disability Confident, to an approach based on mandatory requirements.
- The Government Equalities Office should review and where necessary redraft the gender equality roadmap to reflect the current context and challenges working mums face, including a clear timetable for acting on the findings.
- The government should strengthen the gender pay gap reporting requirements, and introduce ethnic and disability pay gap reporting.
- Pay gap reporting measures should require employers to publish actions plans on what they are doing to close the pay gaps they have reported.
 - Action plans should cover recruitment, retention, promotion, pay and grading, access to training, performance management and discipline and grievance procedures relating to staff and applicants. It is vital that intersectional issues – for example, those affecting disabled women – are acknowledged and addressed.
- The government must comply with its existing public sector equality duty (PSED) and proactively consider equality impacts at each stage of any policy-making process with a view to promoting equality and eliminating discrimination. Doing this retrospectively, to assess the extent of damage that has been done or provide justification for a particular approach, is not acceptable. Equality impact assessments, although not a specific requirement, are tangible evidence of meaningful engagement with the PSED and as such should be published and impacts monitored on an ongoing basis.
- The government must help working families balance paid work and childcare, by reforming the system of parental leave and access to flexible working. This must include:
 - Ten days' paid carers' leave, from day one in a job, for all parents. Currently parents have no statutory right to paid leave to look after their children and current proposals for unpaid leave will make taking leave unaffordable for many families.
 - Reform of parental leave to include an individual, non-transferable right for each parent on a 'use it or lose it' basis.
 - Invest in childcare to ensure that good quality, affordable childcare is available to working parents and help the sector recover from the impact of the pandemic.

- Making flexible working the default for all workers, through a legal duty on employers to publish in job advertisements which flexible working arrangements are available in a role and a day one right to request flexible working for all workers. Workers should have a right to appeal and no restrictions on the number of flexible working requests made. If an employer does not think that any flexible working arrangements are possible, they should be required to set out the exceptional circumstances that justify this decision.
- The Equality and Human Rights Commission or EHRC should receive additional, ringfenced resources so that they can use their unique enforcement powers as equality regulator to effectively identify and tackle breaches of the Equality Act in the workplace.
 - This must include targeted enforcement of workers' right to reasonable adjustments and developing practical guidance for employers to increase their understanding and confidence in using the positive action provisions permitted in the Equality Act to address under-representation of disabled people.

Beyond the workplace – strengthening our safety net

Pensions and older workers

- The government should shelve scheduled increases to the SPA to prevent the gap between healthy life expectancy and SPA in many parts of the country widening.
- Ahead of the next planned SPA review in July 2023, the government should establish a cross-party commission to examine options including varying the state pension age to take account of differences in life expectancy and healthy life expectancy and giving people increased flexibility over when and how they access their state pension.
- To raise living standards among poorer pensioners across the country and support local economies, the government must maintain the triple lock, at least until the UK state pension reaches the level of comparable countries, and reinstate the earnings link for the 2022 uprating.

Universal credit

- The cut in Universal Credit must be reversed, and Universal Credit should be increased to at least 80 per cent of the level of the living wage, around £260 a week.

Sick pay for all

- We need to reform our statutory sick pay system, removing the lower earnings limit and raising payment levels to the Real Living Wage.