



Labour Market: Worker Exploitation

Draft Literature Review

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Economic Development, Transport and Climate Emergency Scrutiny
Commission

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Chair: Sue Waddington



Aims

- To get a sense of the extent of worker exploitation, nationally as well as in Leicester
- How can we obtain evidence
- What would be appropriate strategies to tackle worker exploitation, particularly from a local authority perspective



Worker exploitation as a spectrum

- contract (formal as well as informal employment, part-time, (bogus) self-employment, zero-hours),
- pay (monthly, hourly, overtime, bonuses, deductions), holiday pay, sick pay,
- working time (total hours, guaranteed hours, scheduling, shifts),
- working conditions (training, health and safety),
- discrimination, bullying and harassment,
- gender,
- citizenship and ethnicity,
- visa and right to work status
- modern slavery



Non-compliance in the UK

Source: Judge and Slaughter (2023, 17; Resolution Foundation)

TABLE 1: There is evidence of widespread non-compliance with employment laws in the UK today

Estimated scale of labour market violations: GB/UK, various dates

	Estimated scale of the issue	Estimated number of people affected
National Minimum Wage/National Living Wage underpayment	32 per cent of employees aged 25+ at the wage floor (2022)	400,000
No paid holiday entitlement	3 per cent of employees (Q4 2022)	900,000
Not provided with a payslip	7 per cent of employees (2019-20)	1.8 million
Not auto-enrolled into a pension scheme	3 per cent of eligible employees (2019)	600,000
Firm-reported fatal and non-fatal injuries at work	0.2 per cent of all in employment (2021-22)	60,000
Worker-reported workplace accident or injury in the past 12 months	2 per cent of people who have worked in the past 12 months (Q1 2022)	400,000
Reported workplace discrimination in the past 12 months	20 per cent of working-age adults (September 2022)	8.3 million

NOTES: The figures relating to auto-enrolment and workplace discrimination refer to GB; other figures are UK-wide. 'Eligible employees' in the context of auto-enrolment are those who are aged between 22 and the State Pension Age and earn at least £10,000 per year. HSE RIDDOR reports relate to employees and the self-employed for fatal injuries and employees only for non-fatal injuries; for simplicity we use the broader category as a base.

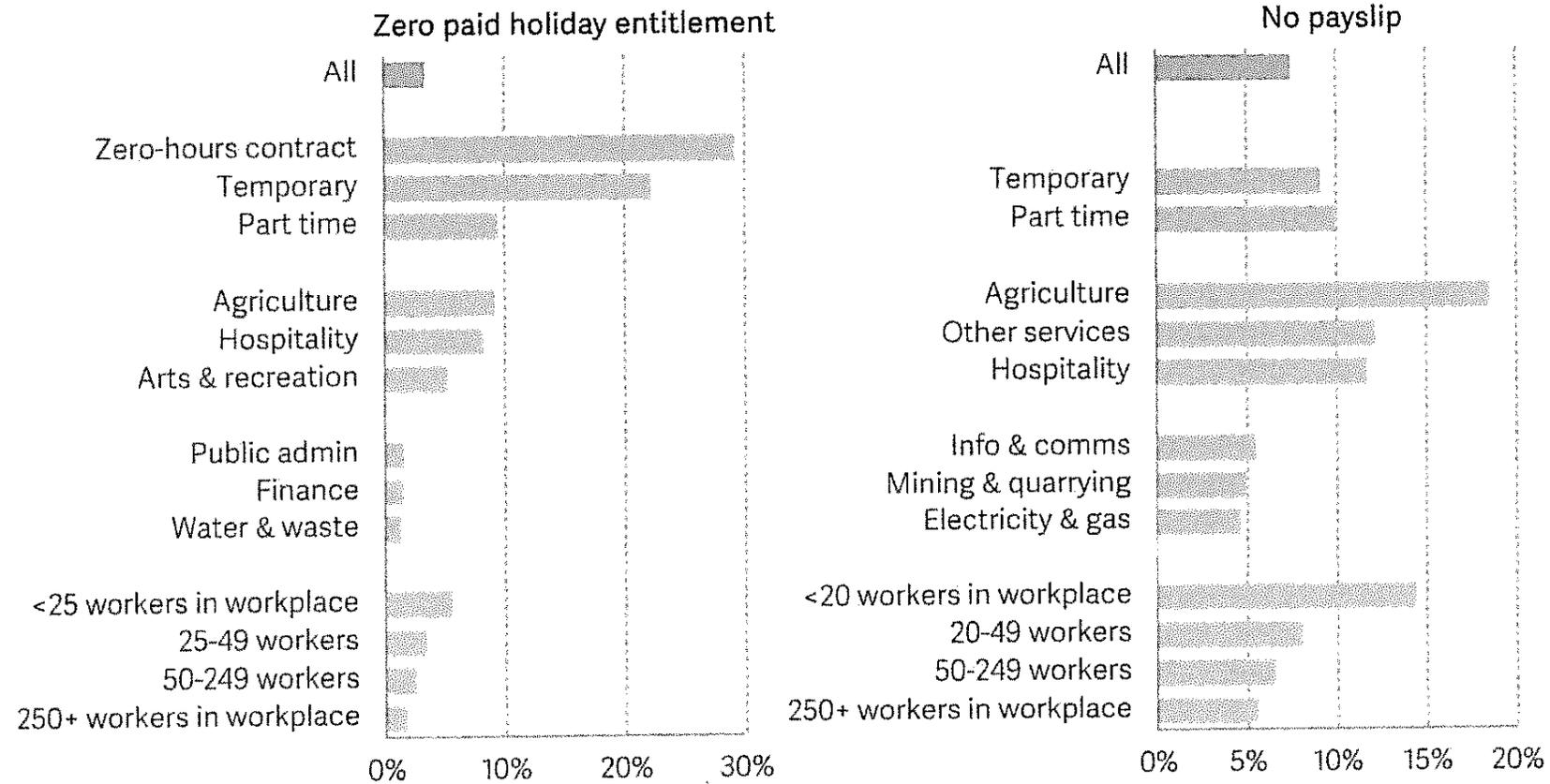
SOURCE: RF analysis of LPC, Low Pay Commission Report 2022; ONS, Labour Force Survey; YouGov, Workplace discrimination; DWP, Family Resources Survey; ONS, Annual Survey of Hours and Earnings; and HSE RIDDOR report statistics.



Non-compliance and insecure work, smaller businesses

FIGURE 2: Non-compliance is concentrated among those in insecure work and those in smaller businesses

Proportion of employees reporting zero paid holiday entitlement (Q4 2019 and Q4 2022) and not being in receipt of a payslip (2019-20), by selected job characteristics: UK



Source: Judge and Slaughter (2023, 21; Resolution Foundation)

NOTES: Main jobs only. Zero-hours contract variable not available in the dataset used to calculate the 'no payslip' figures. The industries shown in each chart are those with the highest and lowest rates of people reporting the respective violation. Data for zero paid holiday entitlement is averaged over Q4 2019 and Q4 2022 (the holiday pay variable is only available in Q4 of the LFS and we avoid 2020 and 2021 due to the ongoing impact of the Covid-19 pandemic); data for no payslip refers to 2019-20.

SOURCE: RF analysis of ONS, Labour Force Survey; DWP, Family Resources Survey.

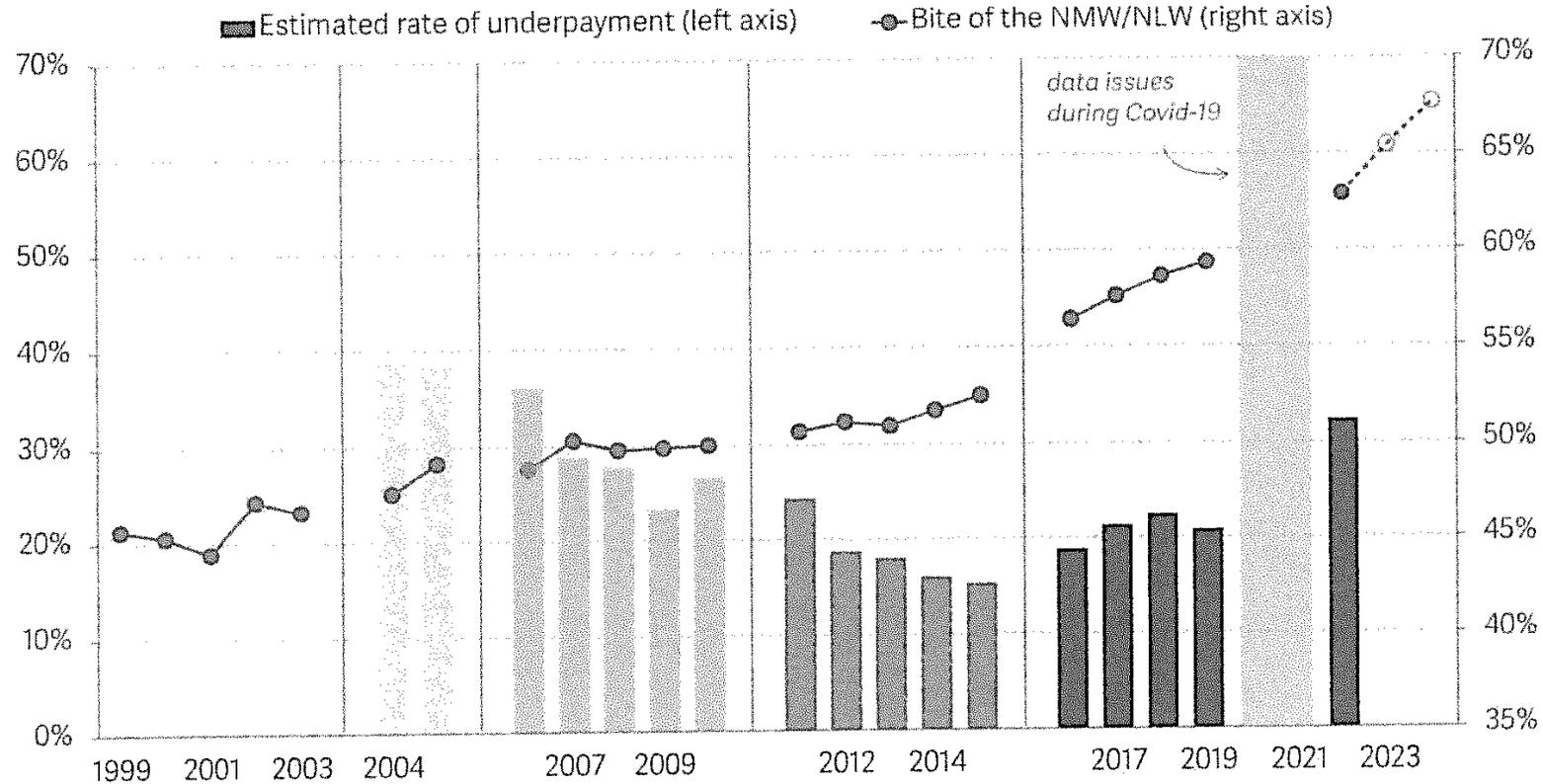


Underpayment and the 'bite' of the National Minimum Wage

Source: Judge and Slaughter (2023, 27; Resolution Foundation)

FIGURE 6: As the minimum wage has risen in recent years, so too has the rate of underpayment

Estimated rate of underpayment for covered workers (those paid at or below the NMW/NLW-plus-5p), and 'bite' of the NMW/NLW (minimum wage rate as share of median wage), among workers aged 25 and over: UK



NOTES: Different methods are used to calculate underpayment rates 1999-2003, 2004-05, 2006-10 and 2011 onwards. Data for 2016 onwards are for different points in the minimum wage year than all other years, so cannot be directly compared to 2011-15 data. Bite is for April of the relevant year. We exclude 2020 and 2021 because pay data was affected by the Job Retention Scheme, where many furloughed workers were paid 80 per cent of their previous earnings. Latest data point is 2022 for the underpayment series and 2024 for the (projected) bite.

SOURCE: RF analysis of LPC, National Minimum Wage: Low Pay Commission 2018 Report; LPC, Low Pay Commission Report 2022.



Sub-sectors with a higher risk of exploitation

- Nail bars
- (hand) car washes
- Cleaning
- Care (social care)
- Garment manufacturing
- Construction
- Delivery
- Hospitality
- Retail



Labour standards violations in the United Kingdom and Leicester, 2020-2024

United Kingdom ⁱ					Leicester ⁱⁱ				
Sector search term ⁱⁱⁱ	All violations	Avg penalty (median)	Labour standards violations	Avg penalty (median)	Sector search term	All violations	Avg penalty (median)	Labour standards violations	Avg penalty (median)
Nail	12	1208	8	710	Nail	0		0	
Nails	16	1378	9	1047	Nails	0		0	
Car Wash	171	0	46	2776	Car Wash	0		0	
Carwash	19	0	1	4823	Carwash	0		0	
Nursing	303	0	34	2717	Nursing	1	22711	1	22711
Care	4326	0	717	2466	Care	9	0	2	11356
Healthcare	706	0	157	3450	Healthcare	0		0	
Retirement	93	500	6	890	Retirement	0		0	
Garments	6	407	2	1765	Garments	4	0	0	
Apparel	42	5379	25	10441	Apparel	1	2671	1	2671
Fashion	23	1665	17	1664	Fashion	1	28810	0	
Build	286	0	30	4041	Build	0		0	
Builders	1583	0	17	3734	Builders	0		0	
Building	2208	0	98	3283	Building	0		0	
Construction	4977	0	178	3054	Construction	7	0	0	
Delivery	116	2019	66	3055	Delivery	0		0	
Food	464	1792	196	2658	Food	5	3244	3	3244



An example: the care sector

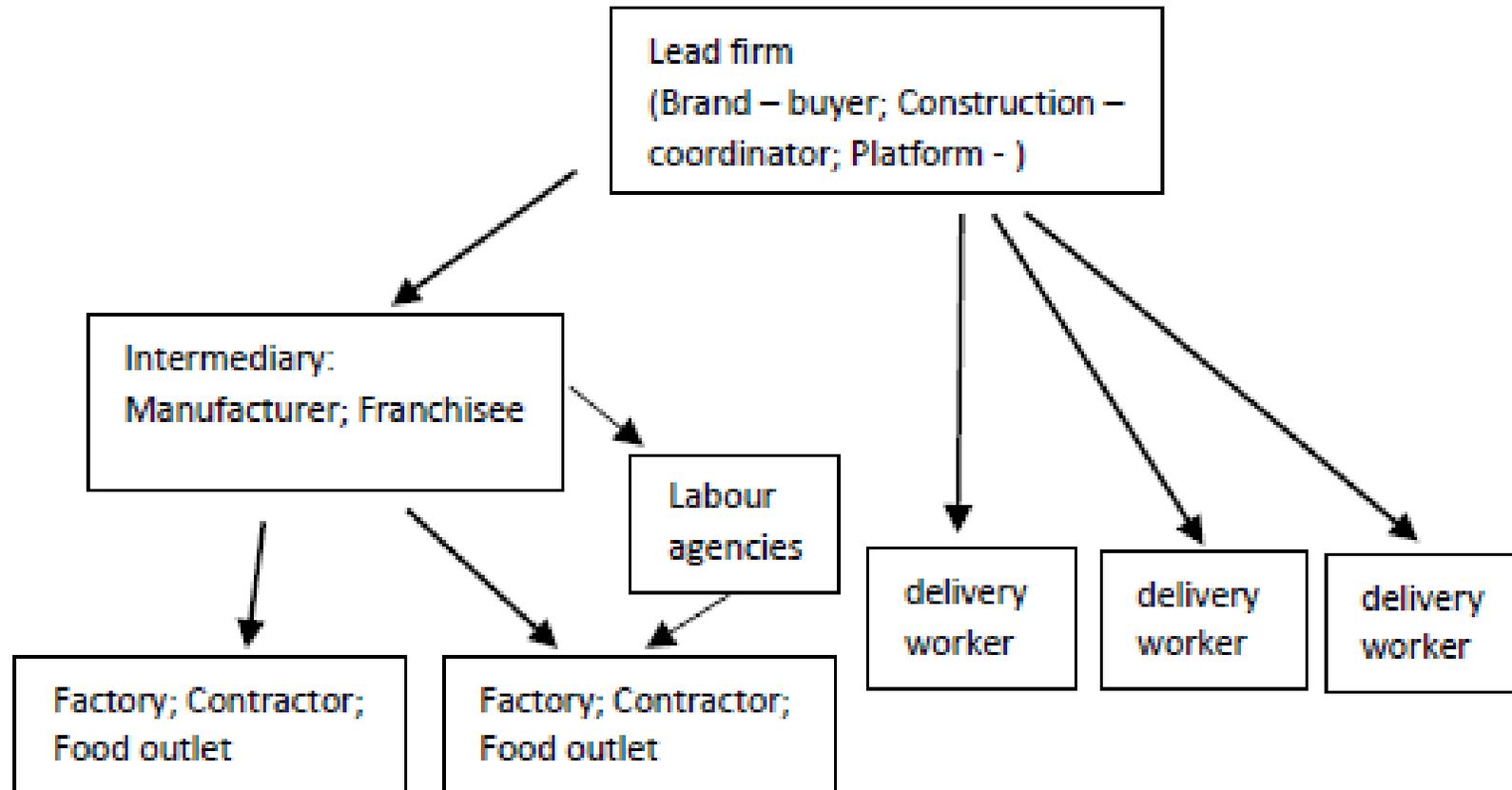
- Labour shortages, increasing vacancies, high turnover
- Health and social care visa route (Aug 2020)
- Low pay, poor working conditions, NMW violations, high agency fees, travel/scheduling, H&S
- Tied visa (debt bondage of £20,000)
- Link betw employer sponsorship, earnings thresholds, short periods to find alternative employer, (agencies)
- 918 potential modern slavery victims in social care (by 2023)

- £12 per hour (Labour Party manifesto), Fair Pay agreements

- Example of how workers are made vulnerable (dependency/exploitation)
- Immigration aspect presents a central conundrum for enforcement strategy

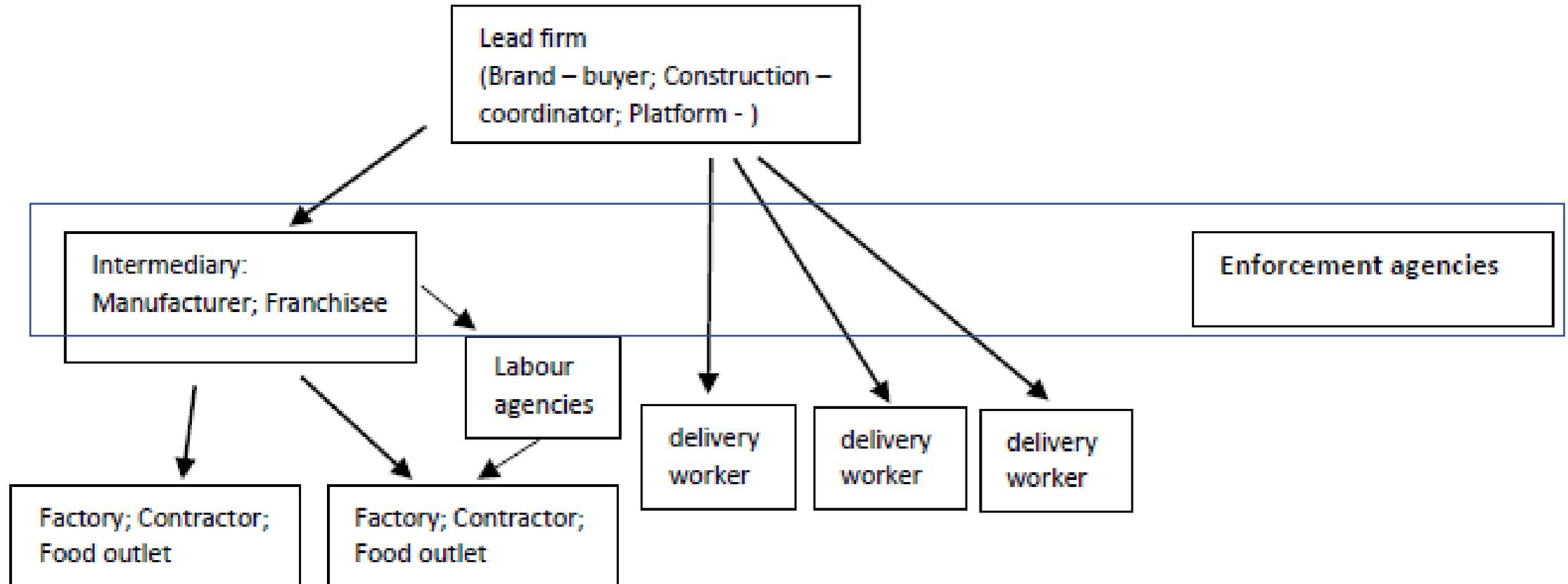


Beyond strategic enforcement?



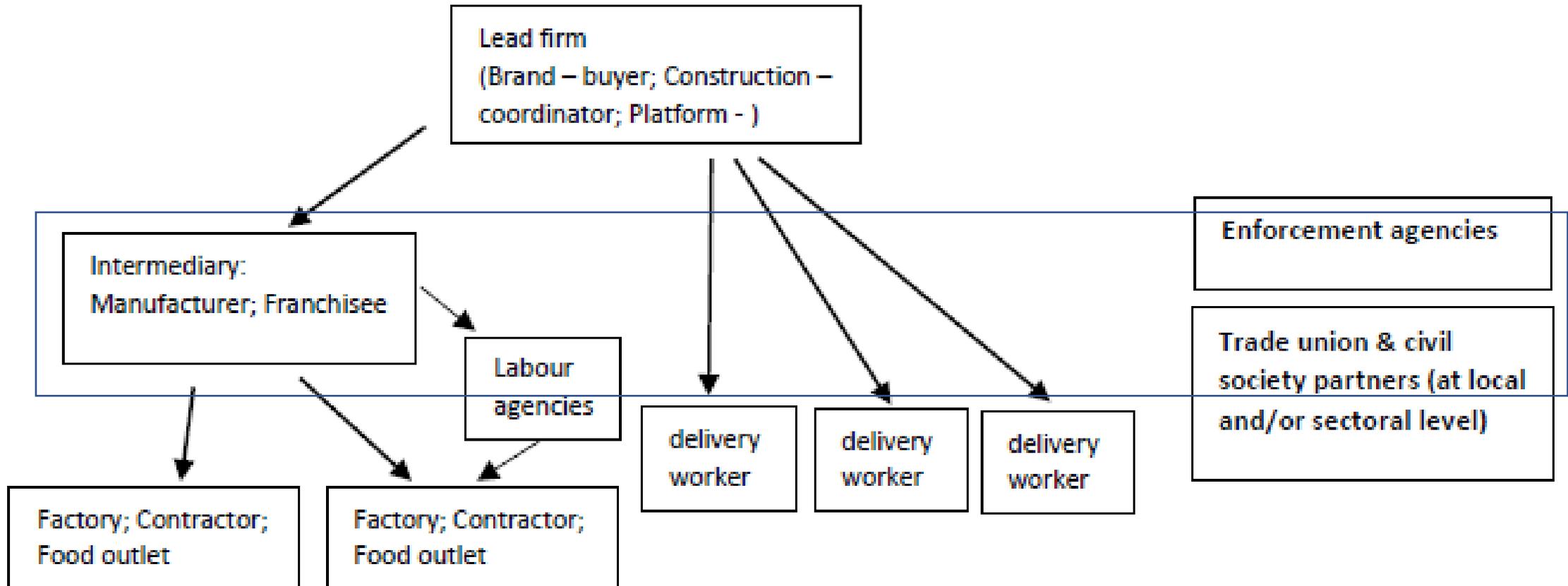


Beyond strategic enforcement?





Beyond strategic enforcement?





Local authorities, enforcement, partnerships

- Leicester Labour Market Partnership as a reference point
- Local and sectoral partnerships
- (Private monitoring/public enforcement)
- Charter
- Transparency in supply chains duty
- Public procurement



How to proceed?

- Two evidence sessions: 10 Dec (public/enforcement authorities), 27 Jan (trade union/civil society stakeholders)
- Focus on
 - in-depth Leicester evidence on particular sectors
 - in-depth Leicester evidence on particular issues
 - research practicalities of specific instruments
 - develop/inform (future) stakeholder group(s)