



# An Unequal Kingdom

The truth about inequality in the UK



5<sup>TH</sup> UNI GLOBAL UNION

# MAKING IT HAPPEN

WORLD CONGRESS

LIVERPOOL 17-20 JUNE 2018

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# INTRODUCTION

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As the world's first industrialised country, the UK has a rich trade union history. It was the first country to have a trade union congress and at one point in the 1970s had in excess of 80 per cent of workers covered by some form of collective bargaining agreement. Over the past forty years, however, these trends have been dramatically reversed.<sup>1</sup> The UK economy is now dominated by sectors not typically associated with high trade union density. Alongside a concerted effort to reduce union power, this has led to a decline in membership from a peak of 13.2 million in 1979 to 6.2 million in 2015/16. The results have been telling – economic inequality has risen dramatically, workers' influence in the workplace has diminished and in-work poverty has soared.

While employment remains high in the UK, the quality of work has come into question. Since the financial crisis, there has been an overall decline in the quality of UK jobs.<sup>2</sup> When it comes to wages, recent estimates state that it will take until 2025 for earnings to recover to 2008 levels. This long-level stagnation in pay is not unrelated to a continued government commitment to austerity. From 2010, there has been a sustained decrease in government spending across almost all major departments. This has disproportionately affected those on lower incomes and vulnerable groups.<sup>3</sup> Further cuts are outlined until the next election in 2022, putting immense pressure on already creaking health and education services.

Look elsewhere in Europe and you will not find a country with greater regional inequalities than the UK. While areas such as the Wirral in Liverpool rank well below the EU average in terms of gross value added per capita<sup>4</sup> and are comparable to the poorest areas of countries such as the Czech Republic, Inner West London by far outstrips all other regions in Europe. These regional divides are all encompassing – foreign direct investment, transport spending per head and productivity are all much higher in London than anywhere else in the UK.

Yet, London itself remains vastly unequal. No other region in the UK has such a large gap between those at the bottom and the top. Across the United Kingdom, income inequality after housing costs rose sharply during the 1980s and has increased slightly since. The disparities in wealth are even starker. In 2016 alone, it is estimated that the wealth of the 1,000 wealthiest people in Britain increased £2,615 per second. Compared to other countries, the UK remains one of the most unequal in Europe.

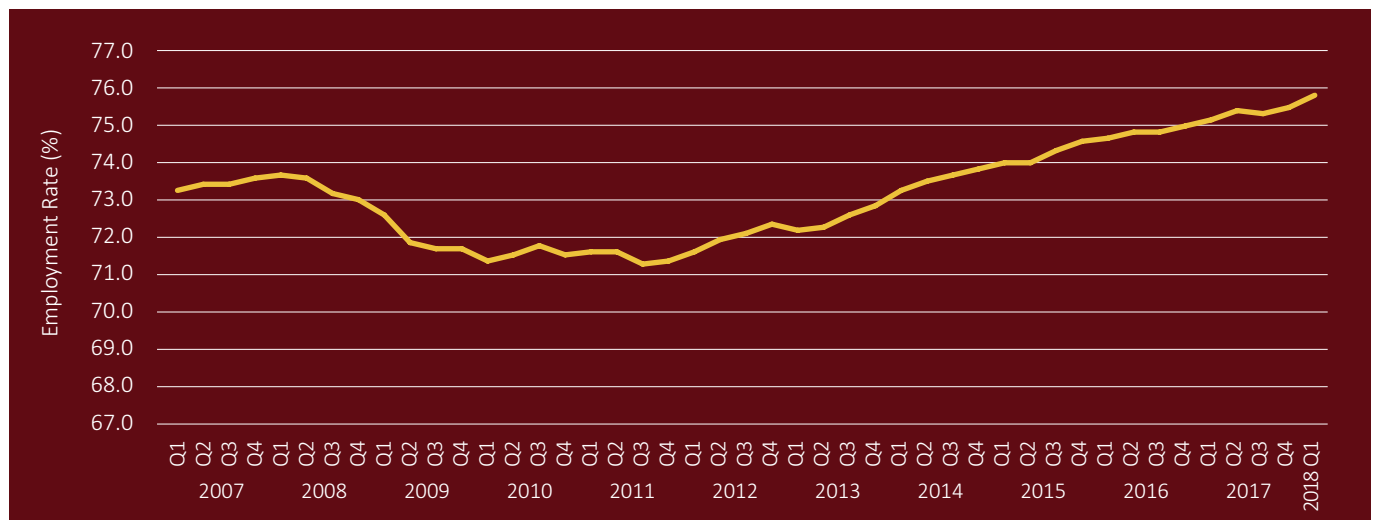
There are clear signs that these trends cannot continue. High profile strikes regarding disputes in higher education, health and transport are bringing workers' issues back into the national spotlight. With less than a year until the UK leaves the European Union and the associated economic and social uncertainty, inequalities of all forms in the UK are rightly demanding increasing attention and action.

- 1 Ewing, K. D. and Hendy, J. (2013) *Reconstruction after the Crisis: A Manifesto for Collective Bargaining*. Liverpool: The Institute of Employment Rights.
- 2 Piasna, A. (2017) 'Bad jobs' recovery? European Job Quality Index 2005-2015. European Trade Union Institute. Available at: <https://www.etui.org/Publications2/Working-Papers/Bad-jobs-recovery-European-Job-Quality-Index-2005-2015>
- 3 Portes, J. and Reed, H. (2018) 'The cumulative impact of tax and welfare reforms. Executive summary.' Equalities and Human Rights Commission. Available at: <https://www.equalityhumanrights.com/sites/default/files/cumulative-impact-assessment-report-executive-summary.pdf>
- 4 Gross value added measures the contribution to the economy of each individual producer, industry or sector. in the United Kingdom. The income measure used here accounts for the incomes earned by individuals and corporations in the productions of good and services.

# THE TRUTH BEHIND THE UK'S EMPLOYMENT AND UNEMPLOYMENT STATISTICS

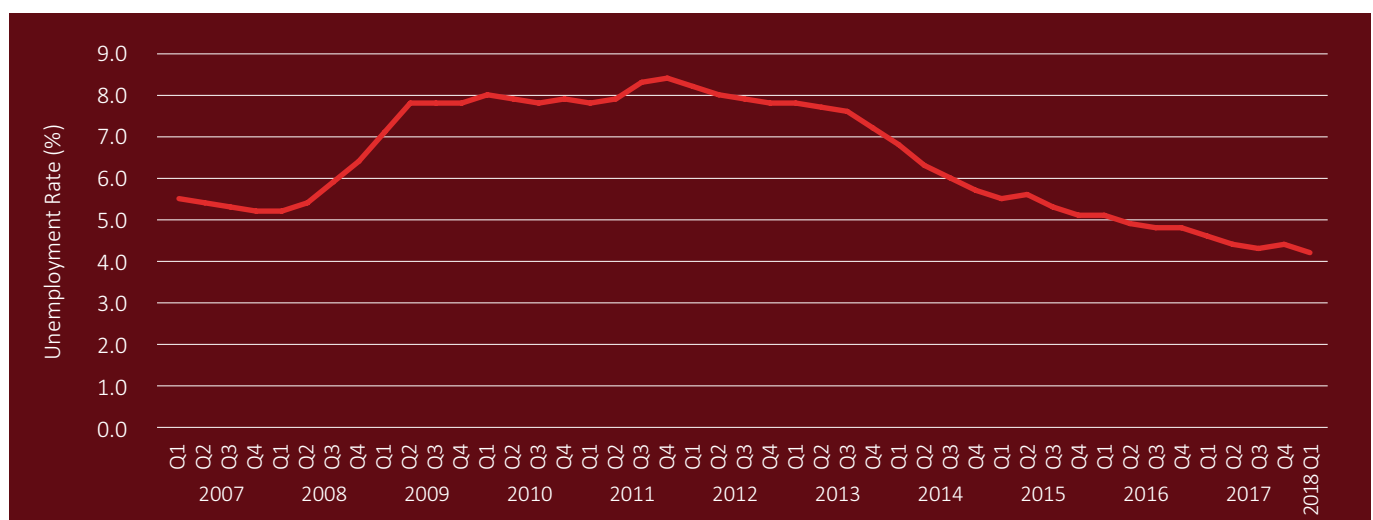
Since the 2008 financial crash, UK employment and unemployment rates have largely shown sustained growth. Despite initially falling from the beginning of 2008, reaching a low of 70.1 per cent in late 2011, employment rates rebounded quickly and reached record levels in late 2017 and early 2018. Figure 1 and 2 track these changes over the past decade.

**FIGURE 1 UK Employment Rate, 2007 to 2018**



Source: Office for National Statistics, UK Labour Market, May 2018 release

**FIGURE 2 Unemployment Rate, 2007 to 2018**

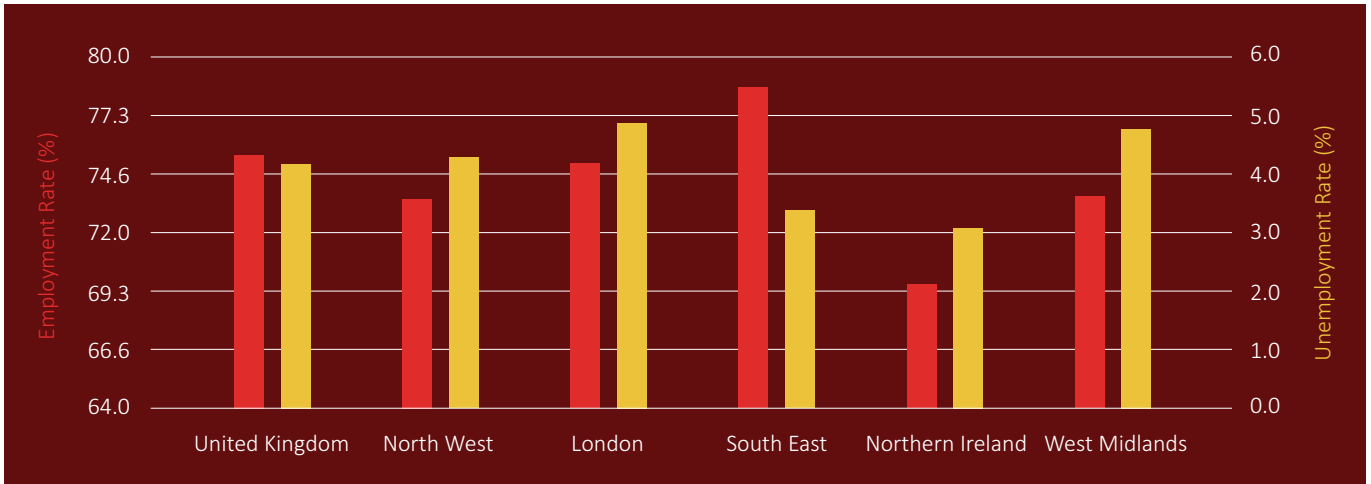


Source: Office for National Statistics, UK Labour Market, May 2018 release

These national statistics, however, mask several important trends. Firstly, employment and unemployment vary greatly across the United Kingdom. While the national employment rate stood at 75.6 per cent in the first quarter of 2018, Northern Ireland stands much lower at 69.7 per cent while areas such as the South East and South West almost top 80 per cent.



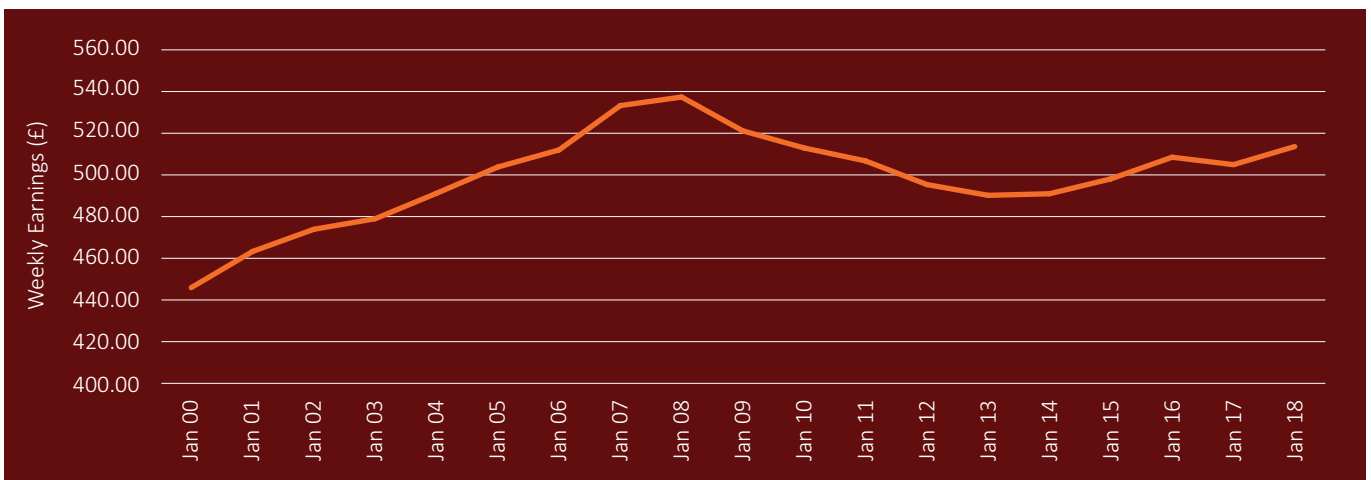
**FIGURE 3** Regional Employment Rates, Jan to Mar 2018



Source: Office for National Statistics, UK Labour Market, May 2018 release

Secondly, real average wages have been falling for the most part of the past decade. Recent estimates suggest that real wages will not rise above their pre-crisis peak until 2025,<sup>5</sup> and today they are still £38 a week worse off than they were in 2008.<sup>6</sup> This stagnation in real wages is associated with the response to the latest financial crisis. While it took five years for GDP to recover from the 2008 crash, unemployment rebounded much quicker. This was a marked difference from previous crises which saw huge hikes in unemployment. What set the most recent crisis aside therefore was a shift towards more precarious, insecure forms of work

**FIGURE 4** Real Average Weekly Earnings (Jan 2018 prices)



Source: Office for National Statistics, UK Labour Market, March 2018 release, adjusted using CP

5 The TUC (2018) Britain's 17-year real wage squeeze will be worst in modern history, warns TUC. Available at: <https://www.tuc.org.uk/news/britain%E2%80%99s-17-year-real-wage-squeeze-will-be-worst-modern-history-warns-tuc>

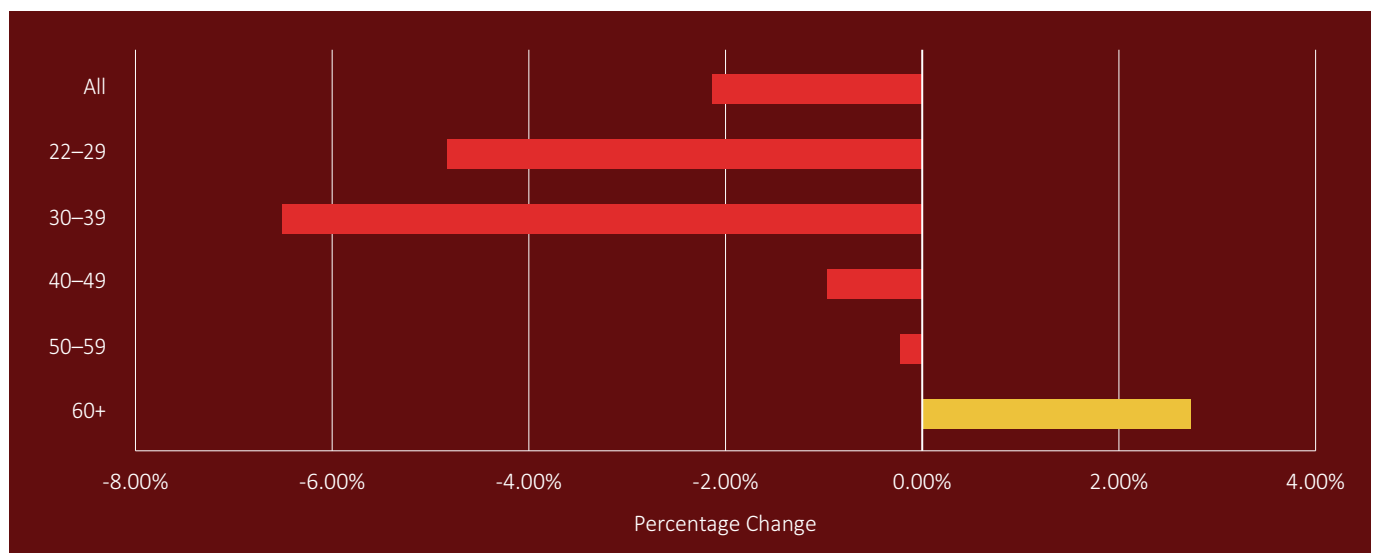
6 The TUC (2018) 'Why we're marching for a new deal.' Available at: <https://www.tuc.org.uk/blogs/why-were-marching-new-deal>

# THE TRUTH BEHIND THE UK'S EMPLOYMENT AND UNEMPLOYMENT STATISTICS

This is evidenced in the fact that since 2007, the number of self-employed has increased roughly four times as quickly as those in normal employment while the number of people on zero-hours contracts (ZHC) has increased more than fivefold. Today, almost 900,000 people remain on ZHCs with the UK a relative outlier across Europe in embracing this type of work.<sup>7</sup> This transition to more insecure forms of employment has disproportionately impacted the young. Those aged 18 to 34 account for half of those on ZHCs or in agency work and are more likely to be engaged in part-time or in low-paying sectors than previous generations.<sup>8</sup>

In fact, when looking across different age groups in terms of pay, it is those aged 22 to 29 and 30 to 39 who have fared particularly badly over the past decade. While real wages have fallen on average, Figure 5 details those who have been particularly affected. It is unsurprising then that younger workers are seeking more hours. Research has found that over 25 per cent of full-time workers would like more hours, with this increasing to 44 per cent for those working part-time. Of those aged 18 to 24, 58 per cent would like to work more hours.<sup>9</sup> It is noteworthy that those aged under-25 are excluded from the introduction of the government's new 'National Living Wage'. This government measure does not live up to the standards set by The Living Wage Foundation for a real living wage but nevertheless is a seemingly arbitrary cut-off point that compounds pressure on young workers.

**FIGURE 5** Change in Real Hourly Pay, 2008 to 2017 (2017 prices)



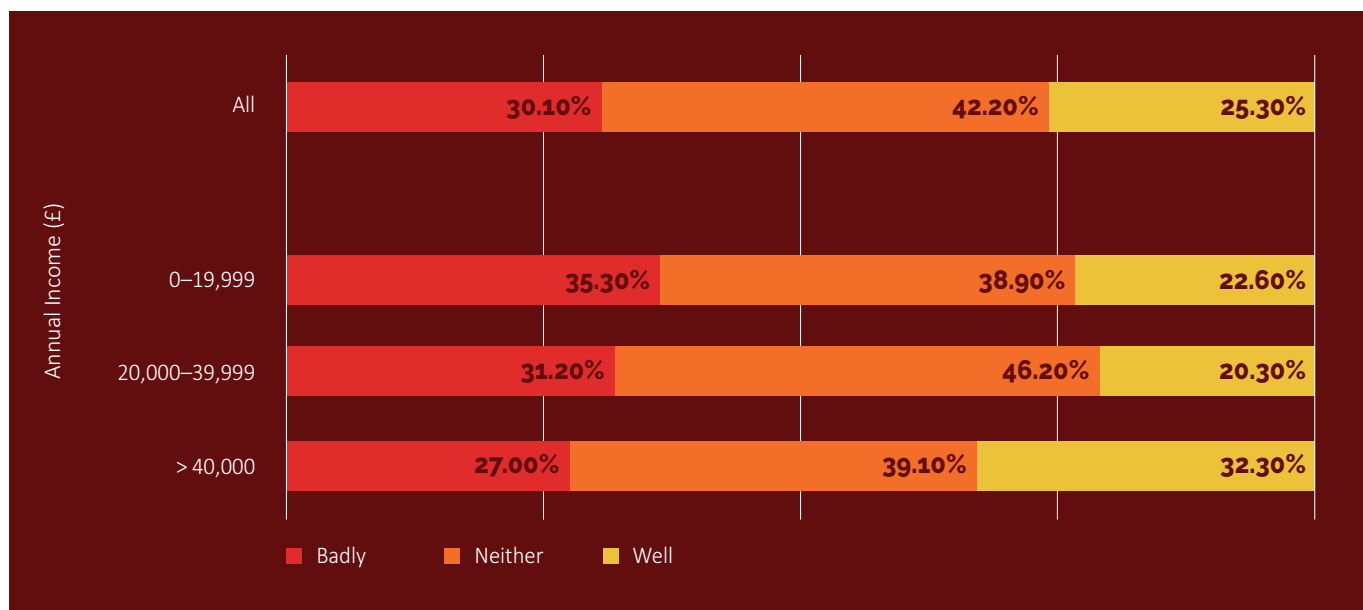
Source: Office for National Statistics, Annual Survey of Hours and Earnings, Table 6. Adjusted using CPI

- 7 Full Fact (2016) 'Zero hours contracts: is the UK "the odd one out"?' Available at: <https://fullfact.org/law/zero-hours-contracts-uk-europe/>
- 8 Clarke, S. and D'Arcy, C. (2018) 'The Kids Aren't Alright. A new approach to tackle the challenges faced by young people in the UK labour market.' Resolution Foundation. Available at: <http://www.resolutionfoundation.org/app/uploads/2018/02/IC-labour-market-policy.pdf>
- 9 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)

International evidence suggests that entering the labour market during a recession can have long-lasting impacts on initial earnings. Studies point to earnings 10 to 15 per cent lower than would have been the case otherwise and trajectories not recovering for between 5 and 10 years, if ever.<sup>10</sup> These findings have been replicated in the UK where those exiting education during periods of relatively high unemployment (the years following the financial crash) were more likely to be out of work or have lower incomes than those who graduated in other periods.<sup>11</sup>

The combined experience of weak productivity,<sup>12</sup> high inflation triggered by the vote to leave the European Union and weak bargaining power of workers has led to the past decade representing one of the worst periods for wage growth in almost two centuries. Given this context, it is not surprising that CLASS research found as little as one in four workers across the UK thought the economy was working well for them.<sup>13</sup>

**FIGURE 6** How do you feel the economy is working for you?



Source: CLASS, Labour Market Realities 2018

10 Cockx, B. (2016) 'Do youths graduating in a recession incur permanent losses?' IZA Labor. Available at: <https://wol.iza.org/articles/do-youths-graduating-in-recession-incur-permanent-losses>

11 Cribb, J., Hood, A. and Joyce, R. (2017) 'Does leaving education in a recession have a lasting impact on living standards?' Institute of Fiscal Studies Working Paper W17/27. Available at: <https://www.ifs.org.uk/publications/10180>

12 Whittaker, M. (2017) 'Revised Statement: Productivity, prospects and priorities ahead of the Autumn Budget'. Resolution Foundation. Available at: <http://www.resolutionfoundation.org/app/uploads/2017/11/Pre-Autumn-Budget-2017-FOR-PUBLICATION-FINAL.pdf>

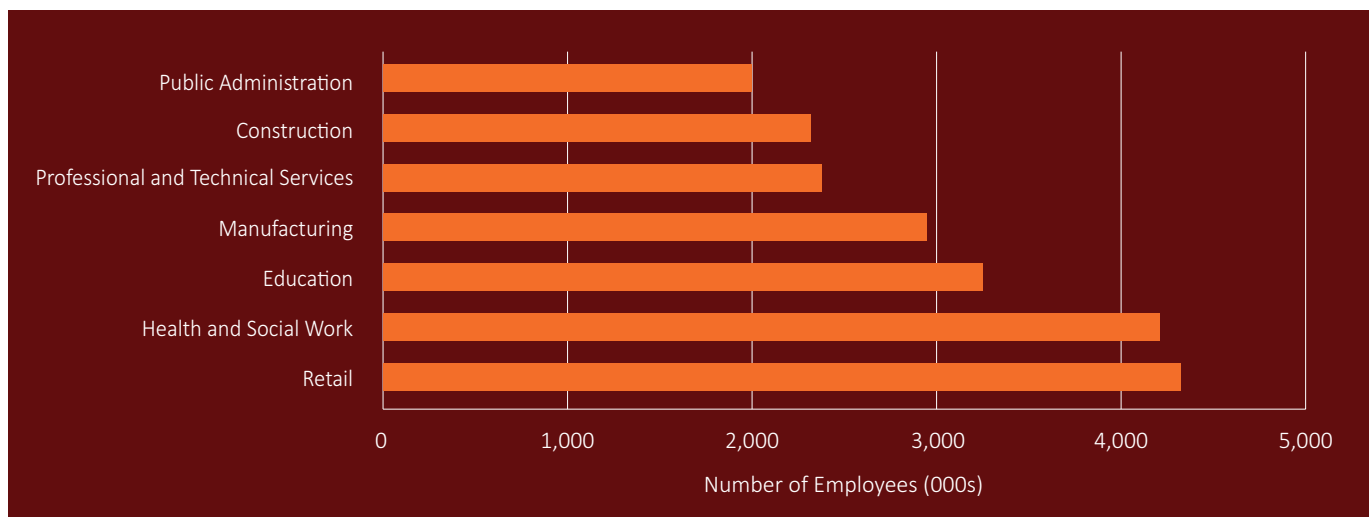
13 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)

# THE TRUTH BEHIND THE UK'S EMPLOYMENT AND UNEMPLOYMENT STATISTICS

## Employment across Industries

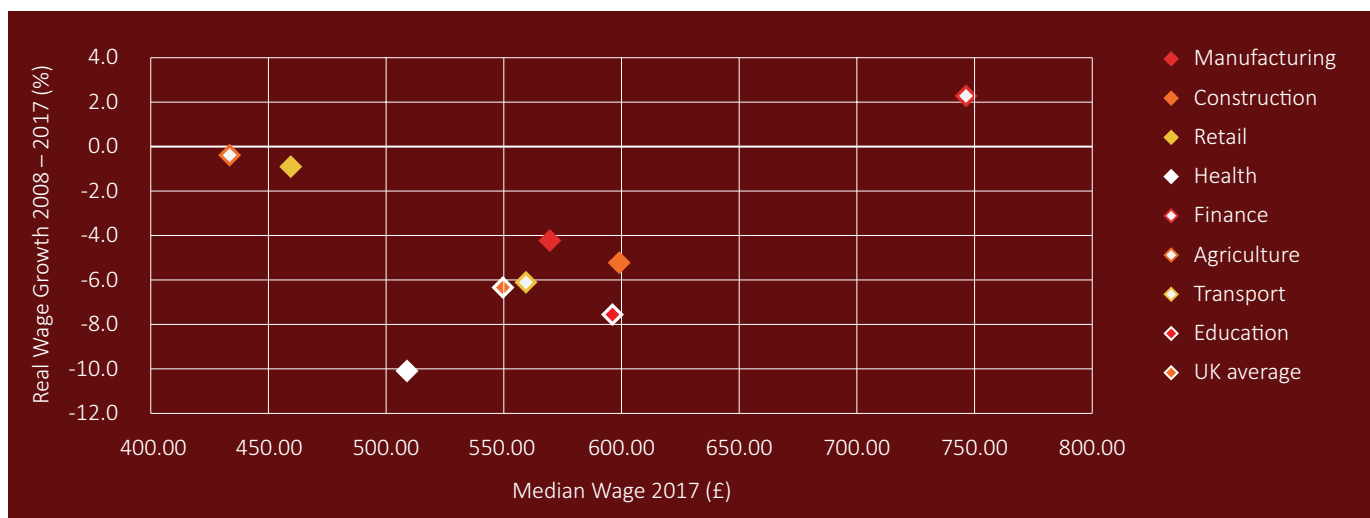
Lamentably, the biggest employing sectors in the UK economy tend to be among the worst paid. Figure 7 demonstrates that retail, health and education are the largest employers in the UK, accounting for over a third of all employment. Figure 8, however, demonstrates how poorly these sectors have progressed in terms of wage growth over the past decade. Health and social care workers have seen a real terms pay cut to the tune of almost 10 per cent since 2008, while it is only in finance (and particularly those towards the top end of the income distribution) who have seen real terms growth over the past decade.

**FIGURE 7** Employment by Industry



Source: Office for National Statistics, Labour Force Survey, EMP13: Employment by Industry. January 2018 release

**FIGURE 8** Median Wages and Wage Growth, 2008 to 2017



Source: CLASS analysis of Annual Survey of Hours and Earnings, October 2017 release



Moreover, there is often terrible progression for those stuck in low-paid work. Bank of England research has noted the existence of a 'long tail' of 'laggard' firms that are dragging back the UK's productivity.<sup>14</sup> In other words, there exist a lot of companies (often found in retail and low-paying industries<sup>15</sup>) that are not very productive and are holding back the UK economy. For workers, this can mean static earnings. In retail, for instance, around four in ten employees have made little or no progress in terms of pay over the past decade.<sup>16</sup>

On the other hand, and despite record levels of employment, the UK labour market is also registering record levels of vacancies. The number of unfilled jobs in the health industry, for instance, has more than doubled since 2012. It is widely commented that such extensive number of vacancies is indicative of a shortage of skilled labour in the UK economy,<sup>17</sup> with many commentators suggesting that UK unemployment could yet be further reduced. An ongoing problem of extensive underemployment (graduates, for example, who have been unable to find jobs that match their level of qualifications) is, however, continuing to put downward pressure on wages.<sup>18</sup>

## A Broken Public Sector

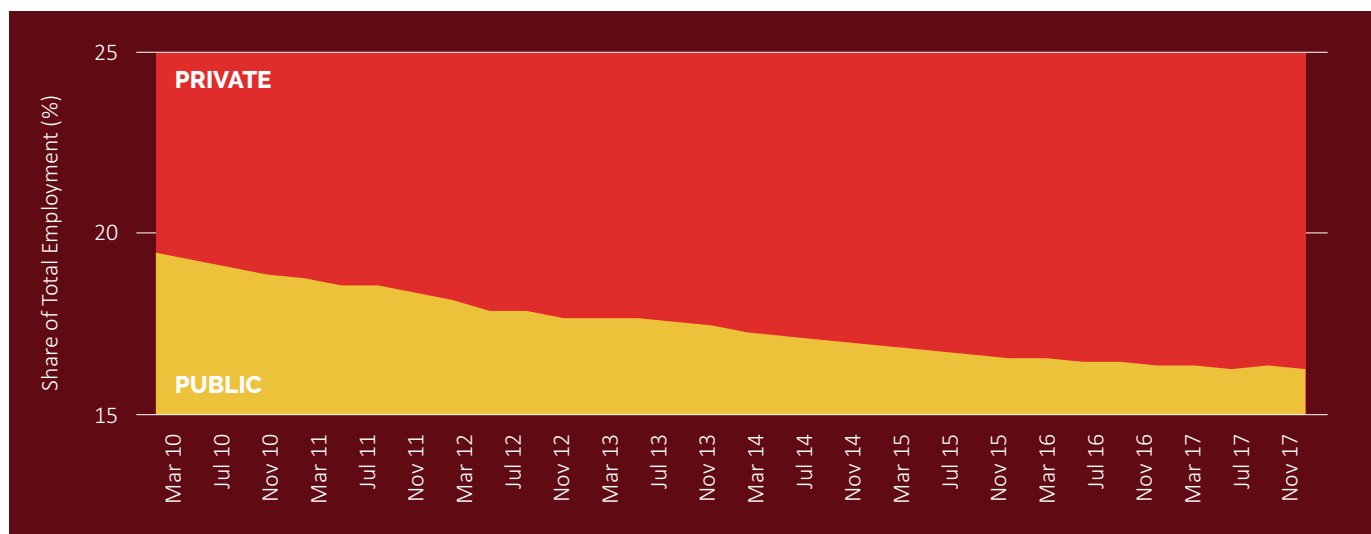
While austerity has been associated with stagnant wages,<sup>19</sup> it has also led to a sustained attack on the public sector. Research conducted by CLASS earlier in the year found that employees in the public sector were more pessimistic about employee stress, workload, redundancies and pay than the general working population.<sup>20</sup> Since 2010, public sector pay has been capped due to ongoing fiscal austerity. Consequently, it is not uncommon to read of public sector workers having to turn to food banks to make ends meet<sup>21,22</sup> with analysis conducted by the TUC showing that 150,000 children of public sector workers will have been pushed into poverty by the end of 2018.<sup>23</sup>

- 14 Haldane, A. (2017) 'Productivity Puzzles – speech by Andy Haldane.' Bank of England. Available at: <https://www.bankofengland.co.uk/speech/2017/productivity-puzzles>
- 15 Thompson, S., Catherine, C., Hatfield, I. and Doyle, P. (2016) 'Boosting Britain's Low-Wage Sectors: A Strategy for Productivity, Innovation and Growth.' IPPR. Available at: [https://www.ippr.org/files/publications/pdf/low-wage-sectors\\_May2016.pdf](https://www.ippr.org/files/publications/pdf/low-wage-sectors_May2016.pdf)
- 16 Harrop, A. and Tait, C. (2018) 'Pathways to Progression. Improving Progression Rates for Young Retail Workers.' The TUC. Available at: [https://www.tuc.org.uk/sites/default/files/Pathways%20to%20Progression%20report%20FINAL2\\_0.pdf](https://www.tuc.org.uk/sites/default/files/Pathways%20to%20Progression%20report%20FINAL2_0.pdf)
- 17 Rolfe, H. (2018) 'NIESR Press Note reacts to the latest ONS UK Labour Market Statistics.' NIESR. Available at: <https://www.niesr.ac.uk/media/niesr-press-note-%E2%80%93-niesr-reacts-latest-ons-uk-labour-market-statistics-13293>
- 18 Bell, D. and Blanchflower, D. (2018) 'The Lack of Wage Growth and the Falling NAIRU.' NBER Working Paper No. 24502. Available at: <http://www.nber.org/papers/w24502>
- 19 Harrop, A. (2018) 'Raising the Bar: How Household Incomes Can Grow The Way They Used To.' Fabian Society. Available at: <https://fabians.org.uk/publication/raising-the-bar/>
- 20 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)
- 21 Full Fact (2017) 'How many nurses are using foodbanks?' Available at: <https://fullfact.org/economy/how-many-nurses-are-using-foodbanks/>
- 22 Anonymous (2017) 'Benefit advisors like me are turning to food banks – and so are other council staff.' The Guardian. Available at: <https://www.theguardian.com/public-leaders-network/2017/sep/30/benefit-advisers-food-banks-council-staff-public-sector-pay-rise-cap>
- 23 The TUC (2018) '150,000 extra children of public sector workers pushed into poverty, says TUC.' Available at: <https://www.tuc.org.uk/news/150000-extra-children-public-sector-workers-pushed-poverty-says-tuc>

# THE TRUTH BEHIND THE UK'S EMPLOYMENT AND UNEMPLOYMENT STATISTICS

Relatedly, the share of public sector employment stands at its lowest since records began. From 2000 to 2010, the share of total employment that was in the public sector stood at around 18 to 19 per cent, however this has gradually declined to its low-point today of just over 16 per cent.

**FIGURE 9** Public Private Share of Total Employment



Source: Office for National Statistics, Labour Force Survey, Public Sector Employment. March 2018 release

The recent high-profile collapse of private-public partnerships such as Carillion<sup>24</sup> (one of the UK's largest construction firms) has brought debates about the public provision of public services back into the political and national spotlight. The argument is now being made that local government should prioritise publicly owned institutions rather than turn to what is being seen as an increasingly parasitic private sector.<sup>25</sup> The work of Mariana Mazzucato has irrevocably shown that the public sector is perfectly capable of value creation and government should take a key role in guiding the direction of the economy.<sup>26</sup>

24 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)

25 Dykes, M. (2018) 'What lessons can we learn from Carillion – and what changes do we need to make?' The TUC. Available at: <https://www.tuc.org.uk/sites/default/files/Lessons%20from%20Carillion%20report.pdf>

26 Mazzucato, M. (2018) *The Value of Everything. Making and Taking in the Global Economy.* London: Allen Lane.

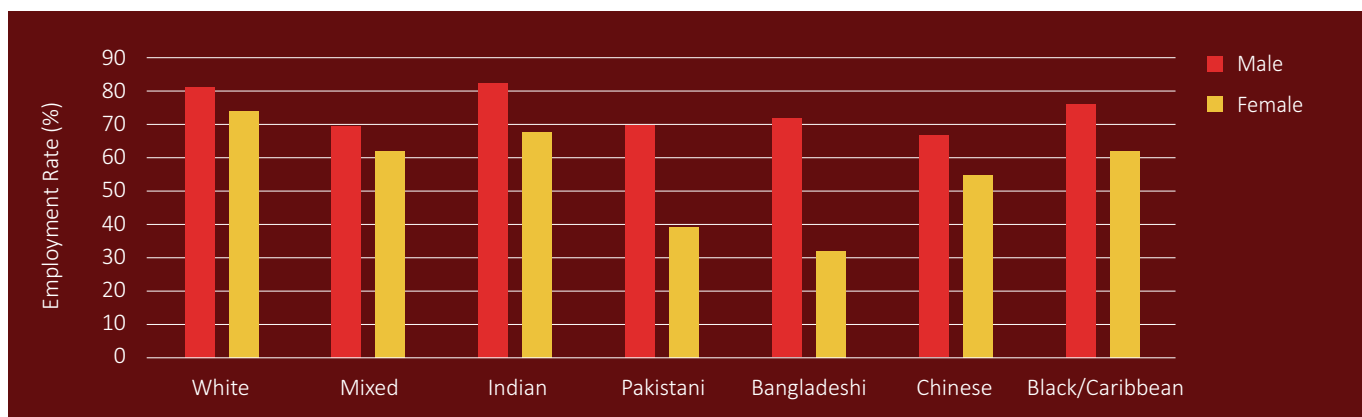


# INEQUALITIES: GENDER, CLASS AND ETHNICITY

## Ethnic Disparities

There are, unsurprisingly, huge disparities across the UK labour market in terms of gender, ethnicity and class. The experience of almost a decade of austerity cuts has, to a certain extent, exacerbated these. While there is little official data, studies have shown that it has been poor, black and ethnic minority women who have been hardest hit by ongoing austerity measures.<sup>27</sup> When it comes to employment, rates for white and Indian men are more than 10 percentage points higher than they are for their Pakistani and Chinese counterparts. Female participation in the labour market is lower across all ethnicities, with Pakistani women (38.9 per cent) and Bangladeshi women (32.3 per cent) suffering from the lowest rates of employment.

**FIGURE 10** Employment by Ethnicity



Source: Office for National Statistics, UK Labour Market, March 2018 release

There is evidence to suggest that despite having stronger educational outcomes, first and second-generation immigrants fail to attain occupational positions commensurate with their level of education.<sup>28</sup> Further still, Indian and Chinese pupils are less likely to get a top degree at university, more likely to be unemployed after graduation, and are less likely to be well paid at work compared to white British pupils despite outperforming them at school.<sup>29</sup>

Work conducted by the Equalities and Human Rights Commission has found significant pay gaps between ethnicities. For men, Pakistani and Bangladeshis had particularly severe pay gaps. This was especially true for those born outside of the UK. The picture for women was largely the same, with the important exception that it was only Pakistani and Bangladeshi women who were born outside of the UK that had a clear pay disadvantage.<sup>30</sup>

27 Intersecting Inequalities. (2018) The Impact of Austerity on Black and Minority Ethnic Women in the UK. Available at: [https://www.runnymedetrust.org/uploads/PressReleases/1%20bme\\_executive\\_summary-A3-01.pdf](https://www.runnymedetrust.org/uploads/PressReleases/1%20bme_executive_summary-A3-01.pdf)

28 Li, Y. (2017) Persisting Disadvantages: Barriers to Ethnic Social Mobility in the UK, in Khan, O and Shaheen, F. (eds) *Minority Report. Race and Class in post-Brexit Britain*. London: LSE, pp: 7–10.

29 Khan, O. (2017) Race and Class: From Analysis to What Next, in Khan, O and Shaheen, F. (eds) *Minority Report. Race and Class in post-Brexit Britain*. London: LSE, pp: 24–27.

30 Longhi, S. and Brynin, M. (2017) 'The ethnicity pay gap. Executive Summary.' Equalities and Human Rights Commission Research report 108. Available at: <https://www.equalityhumanrights.com/sites/default/files/research-report-108-the-ethnicity-pay-gap-executive-summary.pdf>

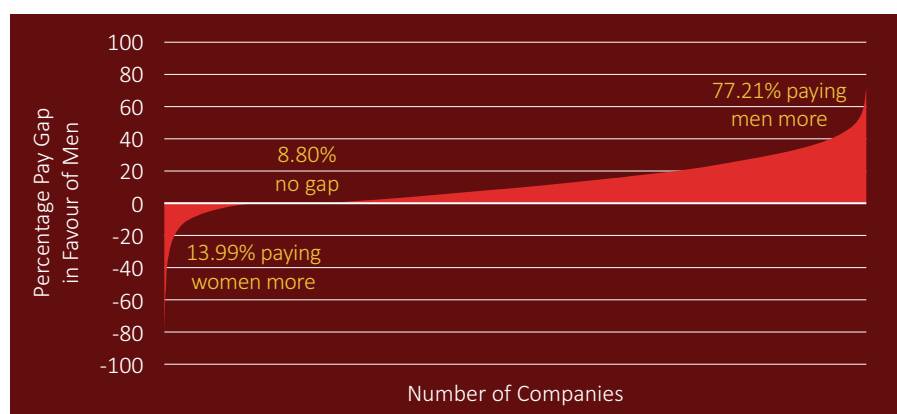
# INEQUALITIES: GENDER, CLASS AND ETHNICITY

## The Gender Pay Gap

Perhaps, however, the most high-profile incidence of labour market discrimination has surrounded the gender pay gap. The UK government recently mandated all companies with over 250 employees to report their gender pay gap by April 2018. Previous government figures for 2017 had a gap in median hourly earnings between men and women of 9.1 per cent. This was driven by several factors including working patterns, length of job tenure and occupation. However, government data has stated that only 37 per cent of the gap is attributable to these factors.<sup>31</sup>

Only companies with over 250 employees were mandated by the government to produce gender pay gap figures. As such, the new figures are different from previously reported government data. This new wave revealed, however, that over three quarters of employers pay men more than they pay women. This is evidenced in Figure 11 where it is only a tiny minority of companies that have pay gaps in favour of women (represented by those companies below the y-axis). This remains true for sectors that have female dominated workforces. Only 9% of employers in education, for instance, pay women more than they pay men.<sup>32</sup>

**FIGURE 11** Gender Pay Gap for Companies with over 250 Employees



Source: CLASS analysis of UK Government, Gender Pay Gap Service, 2017–2018 data

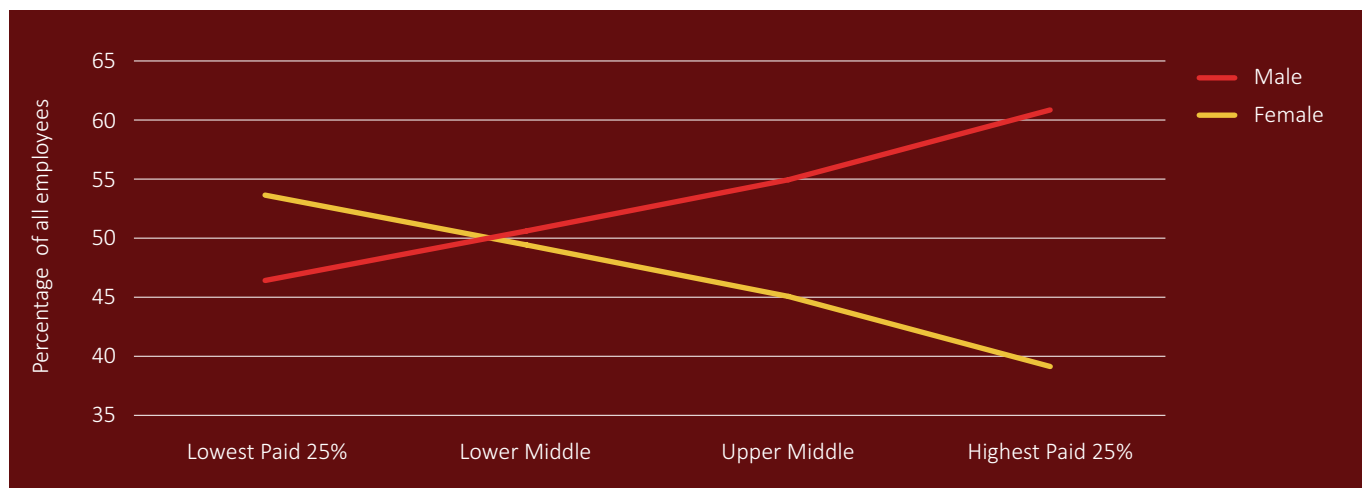
The main explanation for such a large gap is the presence of more senior men than women in the workforce. It is only among the lowest paid quartile of jobs that women are more common, found in 54% of roles, yet this percentage slowly decreases to 39% for jobs that are highest paid. Further analysis has shown that the pay gap between men and women tends to be lower when pay itself is lower.<sup>33</sup> It is therefore important to not view the gender pay gap in isolation from other problems in the UK economy, closing the pay gap in low-paid work will still obviously leave both men and women out of decent, well-paid work.

31 ONS (2018) 'Understanding the gender pay gap in the UK. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/understandingthegenderpaygapintheuk/2018-01-17>

32 Wisniewska, A., Ehrenberg-Shannon, B. and Gordon, S. (2018) 'Gender Pay Gap: How Women are Short-Changed in the UK.' The Financial Times. Available at: <https://ig.ft.com/gender-pay-gap-UK/>

33 Colebrook, C., Snelling, C. and Longlands, S. (2018). 'The State of Pay: Demystifying the Gender Pay Gap.' IPPR. Available at: <https://www.ippr.org/files/2018-05/state-of-pay-may18.pdf>

**FIGURE 12** Percentage of Employees in Each Quartile, by Gender



Source: CLASS analysis of UK Government, Gender Pay Gap Service, 2017–2018 data

The Women’s Budget Group has highlighted how the high cost of childcare has an adverse impact on parents, children and the wider economy. Fewer than half of local authorities in England have enough childcare for parents who work full-time which disproportionately impacts the role of women in the workplace and disadvantaged children.<sup>34</sup>

Ensuring women have fair access to the workplace can have strong intergenerational impacts. Evidence from across a whole variety of countries, including the UK, has shown that adult daughters of employed mothers are more likely to be employed, and if employed, are more likely to hold supervisory responsibility, work more hours and earn higher incomes than their peers whose mothers were not employed.<sup>35</sup> The transition to a more just economy, across the intersections of race, disability, class and gender not only benefit the current generation, therefore, but spill over onto the next.

### Intergenerational Inequalities

This is particularly relevant in the UK where there is a growing recognition that young workers are facing a crisis in the world of work. Back in 2003, people who thought young adults would go on to have better living standards than their parents outnumbered those who didn’t by four-to-one. Today, pessimists outnumber optimists by two-to-one.<sup>36</sup>

Increases in unemployment throughout the past three recessions have always disproportionately impacted young workers. The most recent crash in 2008, however, saw this trend heightened - young workers saw increases in unemployment twice as high as the rest of the general working population.

34 Women’s Budget Group (2017) ‘Childcare: Key Policy Issues.’ Available at: [https://wbg.org.uk/wp-content/uploads/2017/03/WBG\\_briefing\\_childcare\\_Budget-2017\\_final\\_Jeromev2\\_ENfinal.pdf](https://wbg.org.uk/wp-content/uploads/2017/03/WBG_briefing_childcare_Budget-2017_final_Jeromev2_ENfinal.pdf)

35 McGinn, L., Castro, M. and Lingo, E. (2018). ‘Learning from Mum: Cross-National Evidence Linking Maternal Employment and Adult Children’s Outcomes.’ *Work, Employment and Society*. 0(0), pp: 1–27.

36 Kennedy, L. (2018) ‘We March and Strike When Policy Suggestions Aren’t Enough.’ CLASS. Available at: <http://classonline.org.uk/blog/item/we-march-and-strike-when-policy-suggestions-arent-enough>

# INEQUALITIES: GENDER, CLASS AND ETHNICITY

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Being a young worker in the UK today means you are likely to be paid less than the previous generation were at the same age, you are less likely to own a house by age 30 and you are less likely to have a similar level of disposable income as previous generations.<sup>37</sup>

Moving job and region represents the best way to secure a pay rise in the UK labour market. Amidst growing insecurity, however, there appears to be an ongoing crisis of confidence for young workers. Despite being more qualified than previous generations, they are switching from one employer to another less frequently and are less willing to move across the country for a new job.<sup>38</sup>

## Social Class and Education

Finally, social class still plays a pivotal role in defining life chances in modern Britain. Evidence on social class alone shows that those who work in elite occupations whose parents were employed in semi-routine and working class jobs earn on average £6,200 a year less than counterparts whose parents were from elite backgrounds themselves.<sup>39</sup> Even those who go on to university can still expect their socio-economic background to affect their future pay. People whose parents had low-skill jobs when they were young were 13 percentage points more likely to be in a non-graduate job up to five years after graduating. Further still, this gap has shown little sign of closing over time.<sup>40</sup>

There is no doubting that these inequalities originate in the British education system. Recent studies have shown how privately educated children who attend the Clarendon Schools (9 of the leading private schools in the country) are 94 times more likely than a state-educated child to reach the most powerful elite positions in UK society. Clarendon-educated children represent as little as 0.15 per cent of all people aged 13 to 18 but represent almost 10 per cent of 'the elite'.<sup>41</sup> Across the education system as a whole, around £12,200 is spent annually on a privately-educated pupil compared to £4,800 on a state pupil.<sup>42</sup> The UK spends more, as a percentage of their GDP, on private education than all but one of the OECD nations.<sup>43</sup> With such a divisive education system, it is no real surprise that these inequalities persist into the labour market.

37 Resolution Foundation (2018) 'A New Generational Contract. The final report of the Intergenerational Commission.' Available at: <https://www.resolutionfoundation.org/app/uploads/2018/05/A-New-Generational-Contract-Full-PDF.pdf>

38 O'Connor, S. (2018) 'Millennial insecurity is reshaping the UK economy.' The Financial Times. Available at: <https://www.ft.com/content/66149ea8-158a-11e8-9e9c-25c814761640>

39 Friedman, S. and Laurison, D. (2015). 'Introducing the 'class' ceiling.' Available at: <http://blogs.lse.ac.uk/politicsandpolicy/introducing-the-class-ceiling/>

40 Rahman, F. (2018) 'Today's problems of intergenerational inequality risk becoming tomorrow's big social mobility divide.' Resolution Foundation. Available at: <http://www.resolutionfoundation.org/media/blog/todays-problems-of-intergenerational-inequality-risk-becoming-tomorrows-big-social-mobility-divide/>

41 Reeves, A., Friedman, S., Rahal, C. and Flemmen, M. (2017) 'The Decline and Persistence of the Old Boy: Private Schools and Elite Recruitment 1897 to 2016.' *American Sociological Review*. 82(6), pp: 1139–1166.

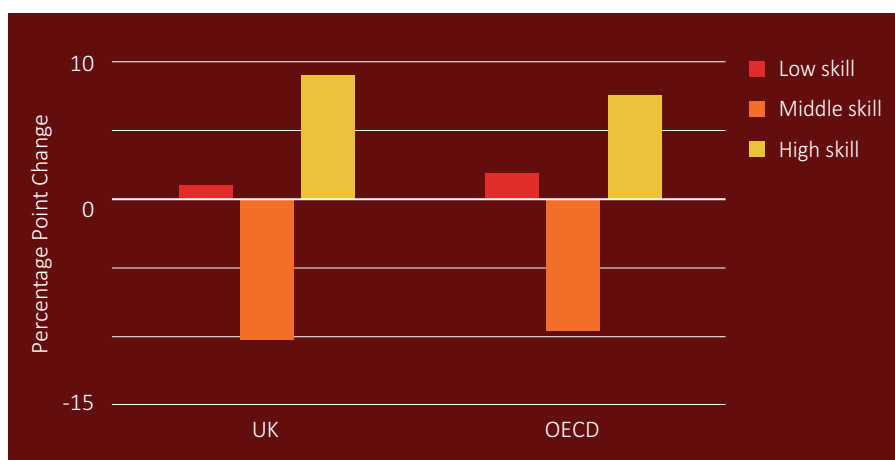
42 Green, F., Henseke, G. and Vignoles, A. (2016) 'Private Schooling and Labour Market Outcomes.' *British Educational Research Journal*. Available at: [http://discovery.ucl.ac.uk/1535649/1/Green\\_berj3256.pdf](http://discovery.ucl.ac.uk/1535649/1/Green_berj3256.pdf)

43 Reay, D. (2017). *Miseducation: Inequality, Education and the Working Classes*. Bristol: Policy Press.

# LABOUR MARKET POLARISATION

One of the most marked trends of the UK labour market over the past few decades has been the rise of in-work poverty. In 1994, only 35 per cent of the UK's poverty profile was non-pensioners in working households. Today, this figure has risen to 57 per cent.<sup>44</sup> This has happened despite increases in the national minimum wage and introduction of the national living wage.<sup>45</sup> Recent government changes to in-work tax credits and benefits have reduced the support given to low-income families in a way that has more than offset increases to the minimum wage.<sup>46</sup>

**FIGURE 13** Percentage Point Change in Share of Total Employment, 1995 to 2015



Source: OECD Employment Outlook 2017

A potential explanation of this has been the polarisation of the labour market. Figure 13 above shows the percentage point change in the share of total employment from 1995 to 2015 for the UK and the average for all OECD countries.<sup>47</sup> As the labour market has hollowed out, the majority of middle-skill jobs have gone to the top with a smaller increase in those at the bottom of the spectrum. While most of the debate around globalisation and the labour market has centred around 'skill-biased technological change', this explanation does not account for the increase in jobs at the lower end of the spectrum. In the case of the UK, those jobs in the middle are easily mechanised and have been lost to what has been termed 'routine-biased technological change'.<sup>48</sup>

It is important to note, however, evidence is limited that labour market (occupational) polarisation is driving wage inequality. Supply-side factors such as upskilling of the workforce and increased female labour market

44 Keiller, A. (2018) 'Poverty in the UK: Past Trends and Future Outlook.' The IFS. Available at: <https://www.ifs.org.uk/publications/11697>

45 D'Arcy, Conor. (2017). Low Pay Britain 2016. Resolution Foundation. Available at: <http://www.resolutionfoundation.org/app/uploads/2017/10/Low-Pay-Britain-2017.pdf>

46 Joseph Rowntree Foundation (2018). 'UK Poverty 2017.' Available at: <https://www.jrf.org.uk/report/uk-poverty-2017>

47 OECD (2017) 'OECD Employment Outlook 2017.' OECD Publishing: Paris.

48 World Bank (2018). 2019 World Development Report Concept Note. Available at: [pubdocs.worldbank.org/en/816281518818814423/2019-WDR-Concept-Note.pdf](https://pubdocs.worldbank.org/en/816281518818814423/2019-WDR-Concept-Note.pdf)

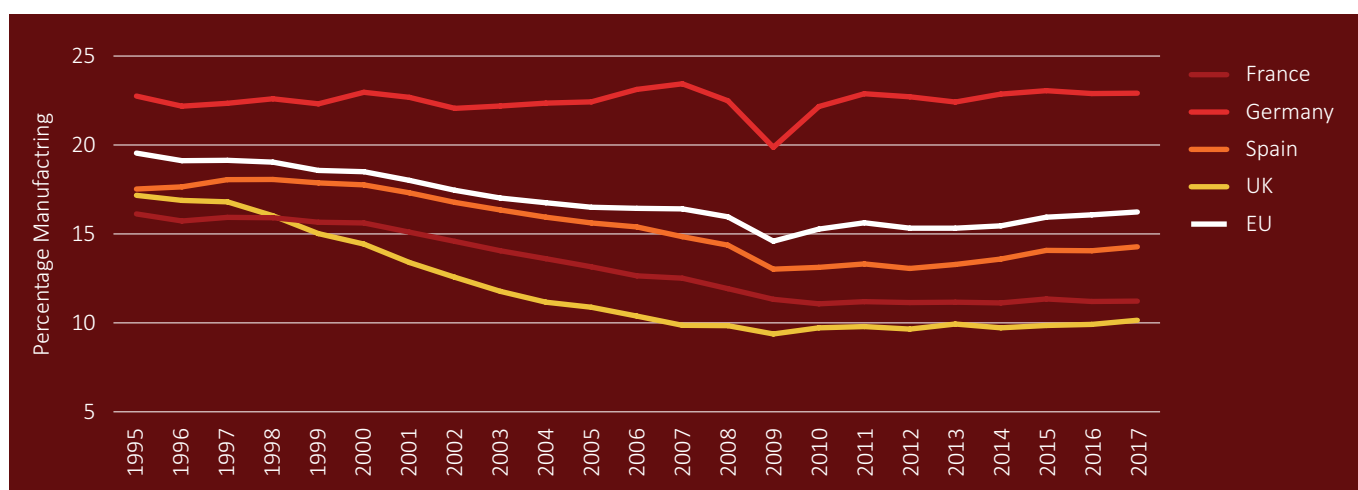
# LABOUR MARKET POLARISATION

participation have offset the impact on wage inequality.<sup>49</sup> This is not to say that inequality is not increasing but that other factors are at play (this will be discussed in later sections).

## Decline of Manufacturing

Over the past few decades, the UK has seen industries with typically strong trade union presence, good apprenticeships and career progression replaced by more insecure, precarious types of work associated with the gig economy. The experience of the manufacturing industry is the perfect example of this. Figure 14 depicts how the UK ranks well below the EU average in terms of its manufacturing base.<sup>50</sup> In fact, since 1960 UK manufacturing employment has declined over 0.4 per cent annually.<sup>51</sup>

**FIGURE 14** Manufacturing as Percentage of Total Gross Value Added



Source: CLASS analysis of OECD, 'Value Added by Indicator' data.

These newer, more insecure forms of work that have emerged have been shown, in certain instances, to have detrimental impacts on people's physical and mental health.<sup>52</sup> More ethnographic accounts have documented the degrading conditions that impinge a sense of worthlessness and lack of value on employees.<sup>53</sup> While no means representative, a sample of Amazon workers, for instance, found that 91 per cent would not recommend their employer, 89 per cent felt exploited and 71 per cent reported that they walked more than 10 miles a day at work.<sup>54</sup>

49 Gardiner, L. and Corlett, A. (2015) 'Looking through the Hourglass. Following Out of the UK Jobs Market Pre and Post-Crisis.' Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2015/03/Polarisation-full-slide-pack.pdf>

50 Corlett, A. (2017) 'Robot Wars'. Resolution Foundation. Available at: <http://www.resolutionfoundation.org/app/uploads/2016/07/Robot-wars.pdf>

51 Powell, J. (2018) 'The decline in manufacturing, charted.' The Financial Times. Available at: <https://ftalphaville.ft.com/2018/04/17/1523941200000/The-decline-in-manufacturing--charted/>

52 Chandola, T. and Zhang, N. (2018) 'Re-employment, job quality, health and allostatic load biomarkers: prospective evidence from the UK Household Longitudinal Study.' *International Journal of Epidemiology*. 47(1), pp: 47–57.

53 Bloodworth, J. (2018) *Hired. Six Months Undercover in Low-Wage Britain*. London: Atlantic Books Limited.

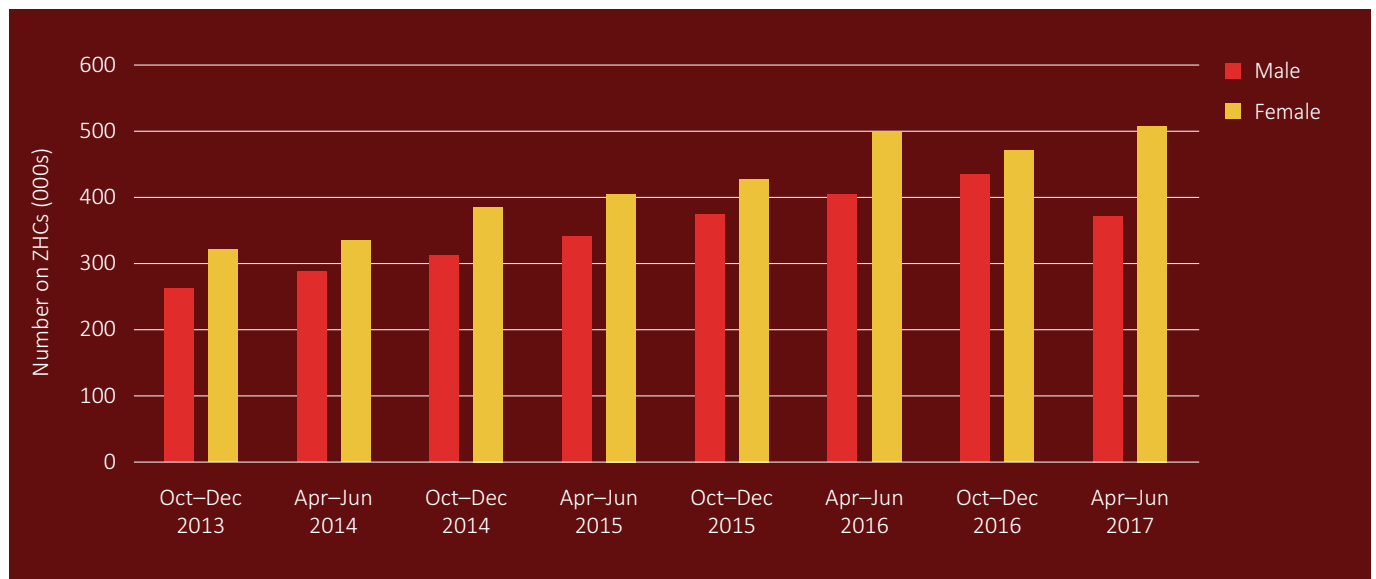
54 GMB (2015) 'Amazon.co.uk: Work with GMB to get temp workers a decent job.' Going to Work from the TUC. Available at: <https://campaign.goingtowork.org.uk/petitions/amazon-co-uk-work-with-gmb-to-give-temp-workers-a-decent-job>



Work conducted by the European Trade Institute has shown that across the UK, the overall quality of jobs has declined over the past decade. Their job quality index incorporates wages; types of employment and job security; working time and work-life balance; working conditions; skills and career development and collective interest representation.<sup>55</sup> The UK fared particularly poorly on work intensity and collective interest representation. CLASS research has shown that around one in four workers are regularly staying at work beyond their contracted hours<sup>56</sup> with the number of people attending work while ill has more than tripled since 2010.<sup>57</sup>

It is fair to say, therefore, that the proportion of low-pay, low-quality work in the UK is too high. Recent evidence suggests that slightly less than 25 per cent of the entire workforce is engaged in low-paid work, with career and pay progression particularly poor amongst this demographic.<sup>58</sup> As we have seen in previous sections, it is young people and women that are most often engaged in this kind of work. Take, for instance, the rise in zero-hours contracts. The most recent government figures state that around 1 in 12 young people are on ZHCs<sup>59</sup> while Figure 15 below details the gendered up-take of such roles.

**FIGURE 15 Gendered Uptake of Zero-Hour Contracts**



Source: Office for National Statistics, Labour Force Survey: Zero hours contracts data tables. May 2018 release

55 Piasna, A. (2017) 'Bad jobs' recovery? European Job Quality Index 2005-2015. European Trade Union Institute. Available at: <https://www.etui.org/Publications2/Working-Papers/Bad-jobs-recovery-European-Job-Quality-Index-2005-2015>

56 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)

57 CIPD (2018) 'Presenteeism hits record high in UK organisations as stress at work rises.' Available at: <https://www.cipd.co.uk/about/media/press/020518-health-wellbeing-survey#>

58 D'Arcy, C. (2017) 'Low Pay Britain 2017' Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2017/10/Low-Pay-Britain-2017.pdf>

59 ONS (2018). Labour Force Survey: Zero-hours contracts data tables. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/zerohourssummarydatatables>

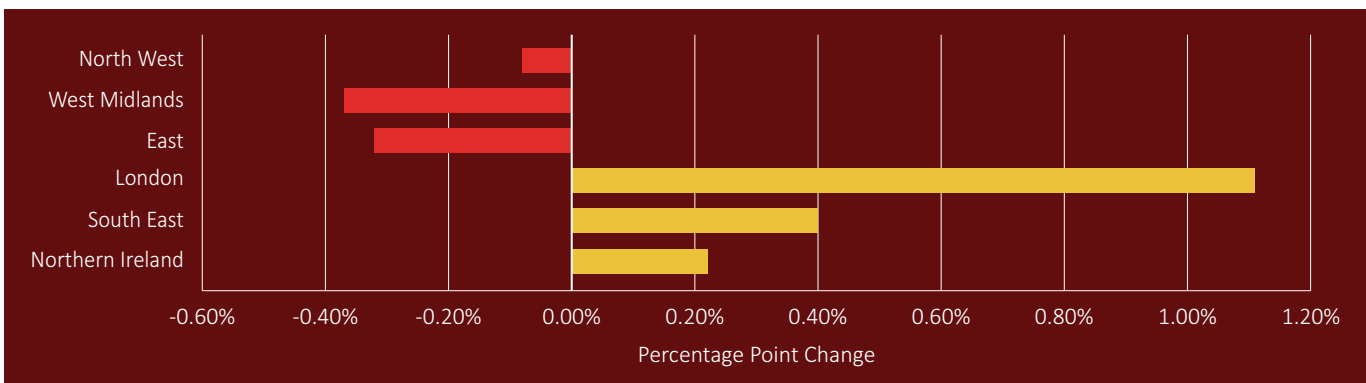
# LABOUR MARKET POLARISATION

## Regional Divides

Furthermore, the aggregate figures for the UK mark key regional disparities in the quality and quantity of UK job growth. In London, for instance, the prevalence of low paid jobs is half of what it is in regions such as the North and Wales. This is to be expected given the extreme cost of living in London. However, in 2017, one in five employees was paid below the living wage in the capital. In some sectors in London, over half of all jobs pay below this rate<sup>60</sup> and poverty rates are higher in the capital than they are elsewhere in the country.<sup>61</sup>

Figure 16 meanwhile shows that London takes up an increasing proportion of all UK jobs. Since 2008, the capital has increased its share of employment in the UK by over 1 per cent. All other regions across the United Kingdom, with the exception of the South East and Northern Ireland, have seen a decrease.

**FIGURE 16** Change in UK Employment Share by Region, 2008 to 2017



Source: CLASS analysis of Office for National Statistics, Labour Force Survey: JOBS05 Workforce Jobs by Region and Industry. Dec 2017 release

Importantly, this trend was largely absent from the UK before the financial crash. Recent work from the Office for National Statistics has shown that while London grew greater than the UK regional average through both the periods 1998 to 2007 and 2010 to 2016, the former period saw growth much more equally shared across different regions. The latter period saw much greater inter-regional divergence.<sup>62</sup> This again can be explained by the continued transition from a manufacturing-intensive to a services-intensive economy.

These regional divides in gross value added are just one instance upon which the UK is regionally divided. The UK government's own Social Mobility Commission noted this in its most recent report – "the chances of someone from a disadvantaged background getting on in life is closely linked to where they grow up and choose to make a life for themselves."<sup>63</sup> In fact, the UK has by far the biggest regional wealth divide across the whole of Europe.

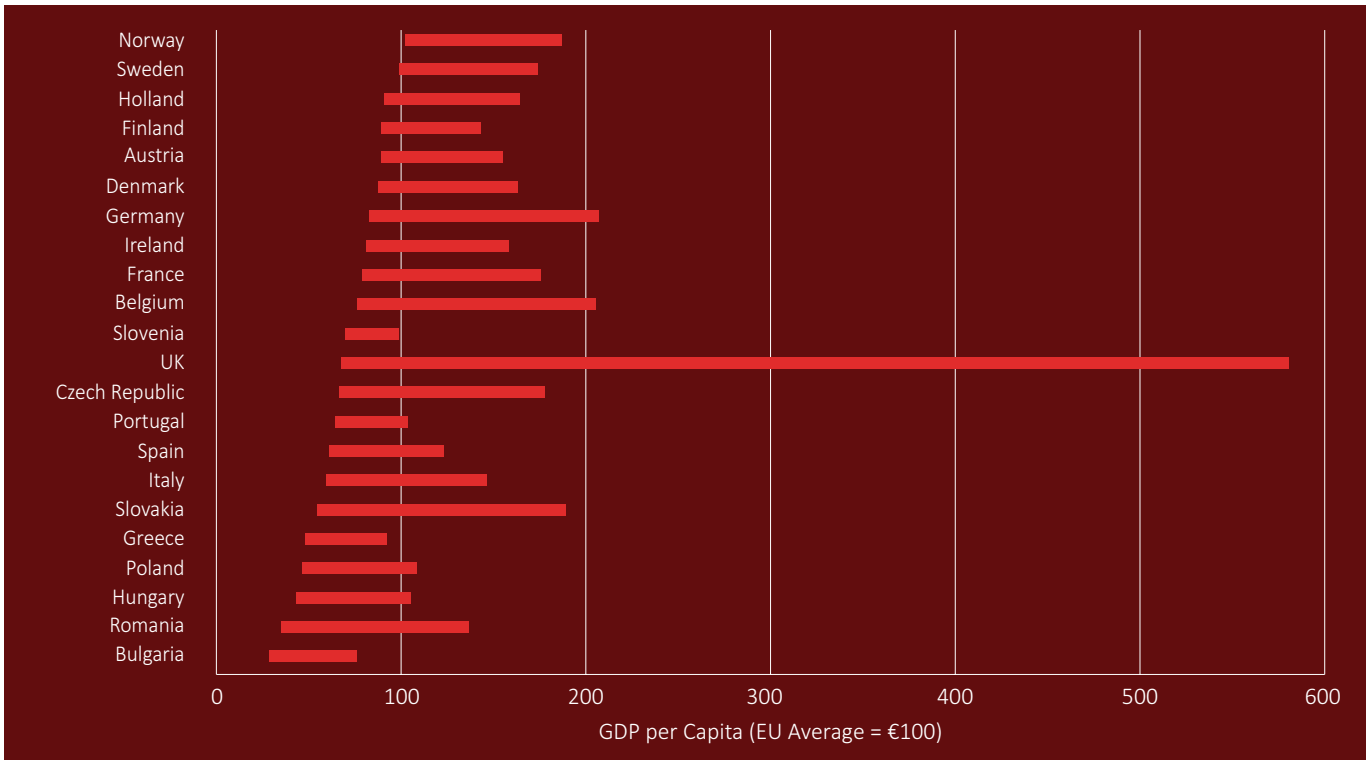
60 Trust for London (2017) London Poverty Profile 2017. Available at: <https://www.trustforlondon.org.uk/publications/londons-poverty-profile-2017/>

61 Ibid.

62 Campos, C.(2018) 'Examining regional gross value added growth in the UK: 1998 to 2016.' Office for National Statistics compendium. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/april2018/examiningregionalgrossvalueaddedgrowthintheuk1998to2016>

63 Social Mobility Commission (2017) 'State of the Nation 2017: Social Mobility in Great Britain.' Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/662744/State\\_of\\_the\\_Nation\\_2017\\_-\\_Social\\_Mobility\\_in\\_Great\\_Britain.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662744/State_of_the_Nation_2017_-_Social_Mobility_in_Great_Britain.pdf)

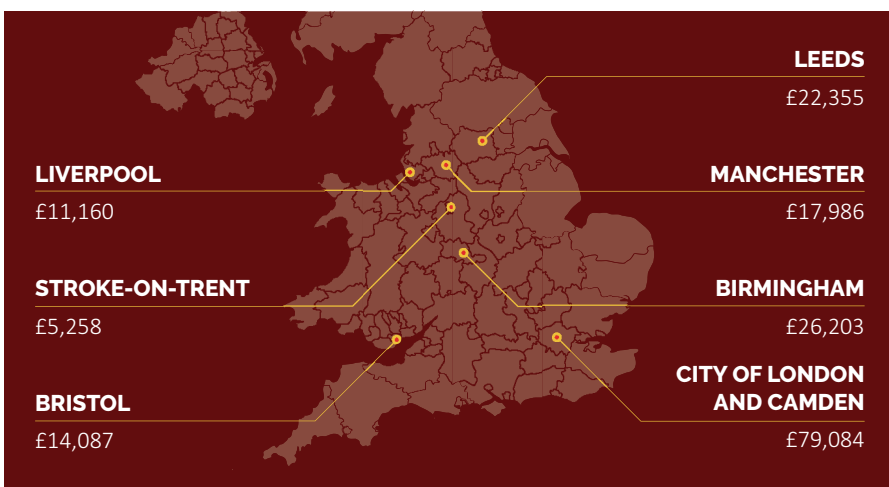
**FIGURE 17** Regional Inequalities across Europe



Source: CLASS analysis of Eurostat, GDP at Regional Level, March 2017 release

This is evidenced in Figure 17 above. In 2016, for instance, the city of Liverpool could have increased its output seven times over and would still have ranked below the City of London and Camden.<sup>64</sup> The fact that the UK is home to the greatest regional disparities in wealth across Europe is driven by a number of factors.

**FIGURE 18** Regional Gross Value Added 2017



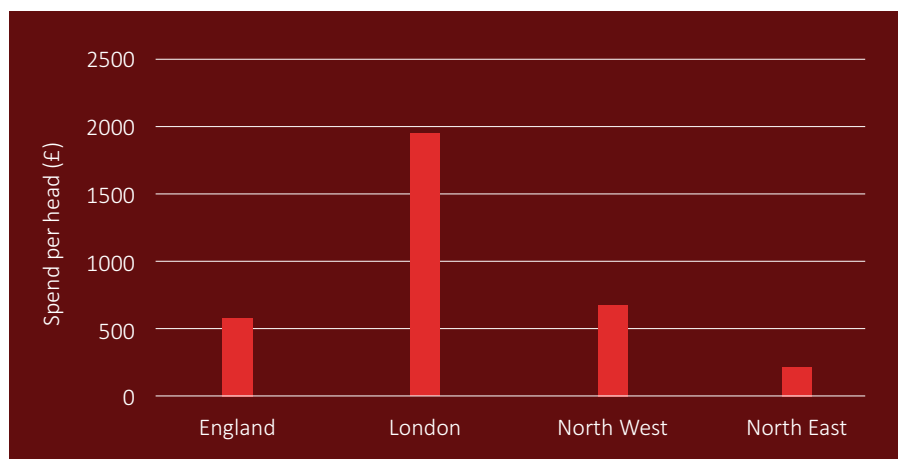
Source: Office for National Statistics, Regional Gross Value Added (income approach)

64 Shaheen, F. and Kennedy, L. (2018) 'These towns and regions are not left behind – they are held back.' City Metric. Available at: <https://www.citymetric.com/business/these-towns-and-regions-are-not-left-behind-they-are-held-back-3801>

# LABOUR MARKET POLARISATION

Figure 19 shows the huge discrepancies in annual government expenditure per head in terms of transport costs. London received over half of all allocated funding in 2016, with expenditure of £1,943 per person while the average across the country stood at £582. Although the North West fared quite well at £682 per head, other regions such as the North East and South West received sums nearer to £200 per person.

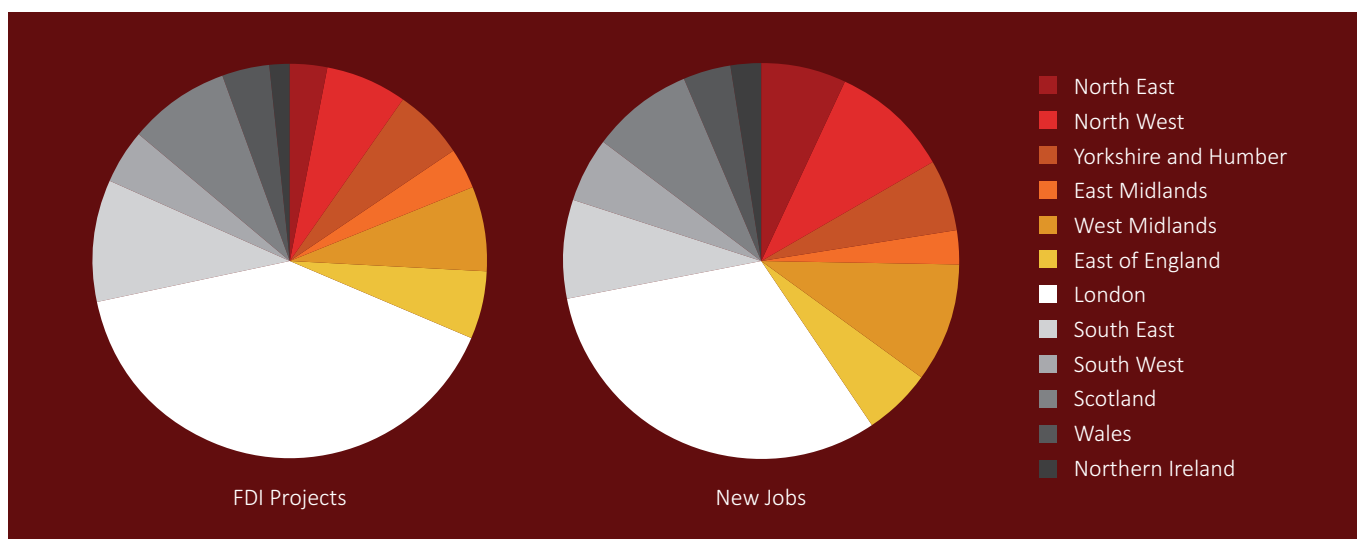
**FIGURE 19** Transport Spend Per Head, English Regions 2016



Source: IPPR North analysis of government data<sup>65</sup>

Foreign direct investment (FDI) is also very London-centric. As depicted in Figures 20 and 21 below, London was home to in excess of 40 per cent of FDI projects and benefitted from a third of all consequently created jobs.

**FIGURE 20 & 21** % of FDI Projects & % of New Jobs from FDI, 2016



Source: House of Commons Research Briefing<sup>66</sup>

65 IPPR North (2017) 'New transport figures reveal London gets £1,500 per head more than the North – but North West powerhouse 'catching up.' Available at: <https://www.ippr.org/news-and-media/press-releases/new-transport-figures-reveal-london-gets-1-500-per-head-more-than-the-north-but-north-west-powerhouse-catching-up>

66 Webb, D. and Ward, M. (2017) 'Foreign Direct Investment into the UK 2016/17.' House of Commons. Available at: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01828>



While London, as a whole, continues to pull further away from the rest of the country, it is important to note that the capital city is home to extortionate levels of inequality. Nowhere in the UK is the gap between the bottom decile of incomes and top decile of incomes greater. In fact, of the 10 local authorities with the highest levels of child poverty, six are to be found in London.<sup>67</sup>

Elsewhere in the UK though, there are pockets of deprivation. Take, for example, Blackpool – a coastal town in the North West of England. Suffering from a decline in traditional industries, such as tourism, the town is a net exporter of more managerial and professional jobs and a net importer of routine jobs. Rates of obesity, smoking and alcoholic liver disease are well above the UK average and the town suffers from some of the lowest rates of life expectancy in the UK.<sup>68</sup> This is not an isolated problem though. Studies have shown how that life expectancy across much of England and Wales is stagnating and falling behind other developed countries.<sup>69</sup>

## Case Study: Regeneration in Liverpool

The Index of Multiple Deprivation (IMD) measure aims to provide a measure of deprivation in small areas across the UK. The index has seven key themes that span: income, employment, education and skills, health and disability, crime, barriers to housing and services, and the living environment.

Liverpool had ranked as the most deprived local authority in the IMD in 2004, 2007 and 2010. However, as of 2015, Liverpool had improved to fourth in the rankings. Yet, today 26 of the city's areas are still categorised as being among the most deprived 1 per cent nationally and a further 134 areas in the top 10 per cent most deprived nationally. This is a higher proportion than most of England's other cities.

Areas such as Toxteth, south of the city centre, had become known as 'problematic' and garnered national media coverage during riots (known locally as uprisings triggered by years of neglect) in 1981 and to a lesser extent in 1985 and 2011. Today, however, enormous efforts are being made to regenerate the area.

Property prices in the area are well below less than half of the national average and across Liverpool as a whole over 5,000 homes sit empty. In order to incentivise home ownership and regenerate the local area, Liverpool City Council initiated a 'Homes for a Pound' scheme where people who lived and worked locally could buy unused houses in an area of Toxteth for £1 under the condition that they would invest a certain amount and stay in the local area. As of 2017, over 100 such properties had been completed.

Community-led efforts also gained national attention in 2015 where residents of Granby won the Turner Prize for their work in regenerating the local area. By setting up a community land trust, residents have been able to provide genuinely affordable housing and community spaces.

67 End Child Poverty (2018) 'Compilation of child poverty local indicators, update to September 2017.' Available at: <http://www.endchildpoverty.org.uk/poverty-in-your-area-2018/>

68 O'Connor, S. (2017) 'Left behind: can anyone save the towns the economy forgot?' The Financial Times. Available at: <https://www.ft.com/content/b6dbf34e-c987-11e7-aa33-c63fdc9b8c6c>

69 Dorling, D. and Gietel-Basten, S. (2017) 'Life expectancy in Britain has fallen so much that a million years of life could disappear by 2058 – why?' The Conversation. Available at: <https://theconversation.com/life-expectancy-in-britain-has-fallen-so-much-that-a-million-years-of-life-could-disappear-by-2058-why-88063>

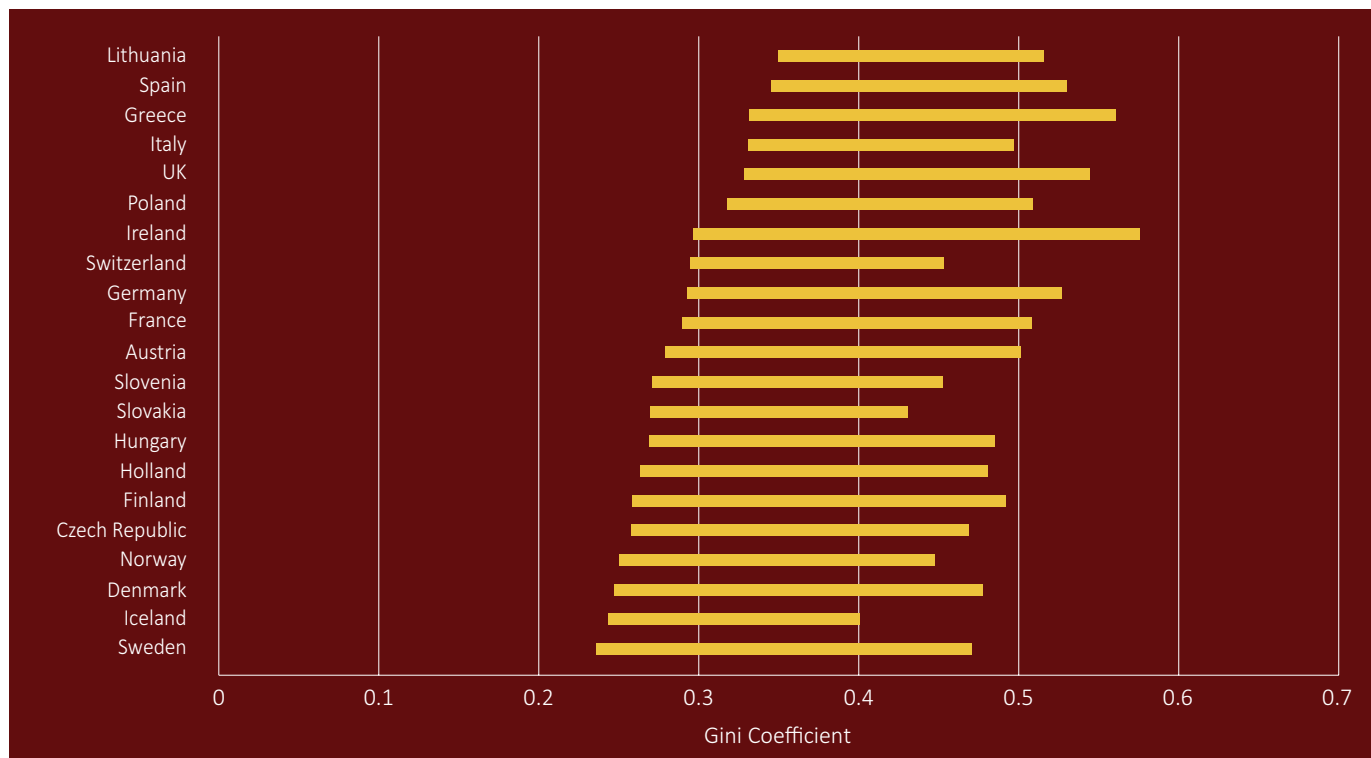


# TRADE UNIONS AND THE FIGHT AGAINST INEQUALITY

## Inequality in the UK

The United Kingdom remains one of the most unequal countries in Europe. Throughout the 1980s there was a huge increase in levels of inequality while today, and despite claims to the contrary, income inequality continues to rise after housing costs are taken into account.<sup>70</sup> The UK's Gini coefficient<sup>71</sup> for both market income and disposable income is among the highest in Europe.

**FIGURE 22** Difference between Market and Disposable Income Gini Coefficients



Source: Luxembourg Income Study, Cross-National Data Center

Market income Gini coefficients represent the inequality of income before the effect of taxes and transfers. Disposable income Gini coefficients, on the other hand, represent the inequality of income after taxes and transfers. In the case of the United Kingdom, our market income Gini stands at 0.54. This is the third highest in Europe behind only Ireland and Greece. The UK disposable income Gini is 0.33 which is the fifth highest as shown in Figure 22. The difference between those two figures is shown by the bars and is indicative of the redistributive impact of a nation's taxes and transfers.

70 Corlett, A. (2017) 'Unequal Results. Improving and reconciling the UK's household income statistics.' Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2017/12/Unequal-results.pdf>

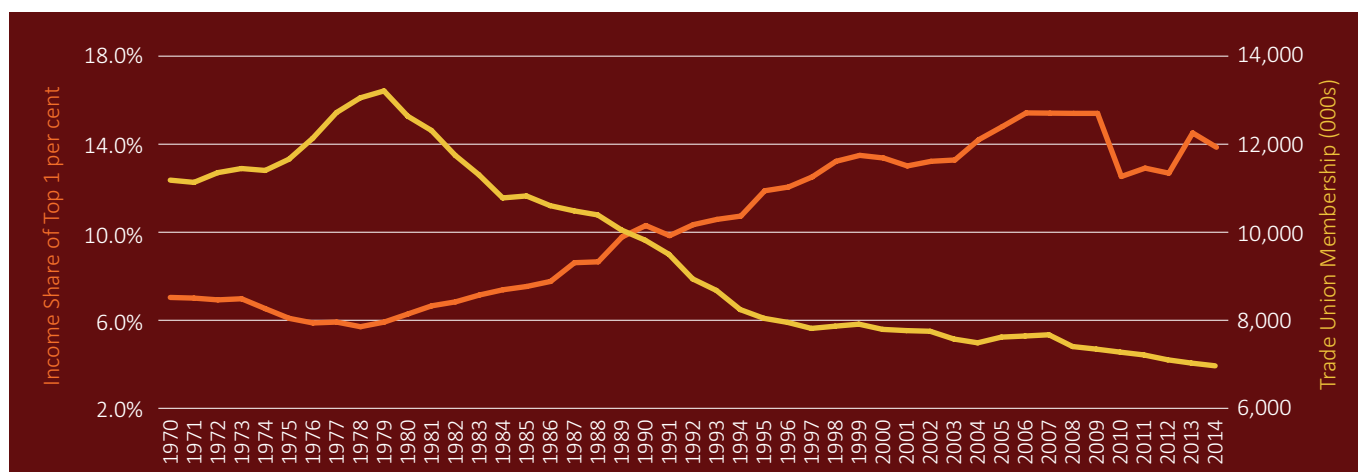
71 The Gini coefficient represents the income or wealth distribution of a nation. The index is rated between 0 and 1 where 0 represents perfect equality.

Large cuts to the social safety net, therefore, stem the reduction between market and disposable income inequality. This is exactly what is predicted to happen over the coming years in the UK. After the financial crash, the value of many assets depreciated which disproportionately hit those in the upper end of the distribution and, consequently, while everybody was having a bad time, inequality failed to increase. However, amid continued cuts to benefits throughout the rest of this government, those at the bottom of the income distribution will stuck further behind the rest of the population, fuelling a future rise in inequality.<sup>72</sup>

## The Link Between Declining Trade Unions and Growing Inequality

There has been extensive analysis of the causes of this rise in inequality. Piketty's famous work summarised that inequality will rise when the rate of return to capital is greater than the return to growth.<sup>73</sup> From 2007 to 2015, the United Kingdom stood alone amongst its European contemporaries as being the only economy that continued to grow whilst real wages fell.<sup>74</sup> Part of this puzzle comes down to the diminished role of trade unions in the UK. In fact, the International Monetary Fund<sup>75</sup> and the OECD<sup>76</sup> have explicitly outlined deunionisation as a key driver of growing inequality. As union numbers have fallen since their peak in 1979, the share of national income going to the top has continued to rise.

**FIGURE 23** Trade Union Membership and Top 1 per cent Share of National Income, 1970–2014



Source: CLASS analysis of World Inequality Lab database and UK Government, Department for Business, Energy and Industrial Strategy: Trade union membership 2016

72 Corlett, A., Bangham, G. and Finch, D. (2018) 'The Living Standards Outlook 2018.' Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2018/02/Outlook-2018.pdf>

73 Piketty, T. (2014) 'Capital in the Twenty-First Century.' Massachusetts: Harvard University Press.

74 Romei, V. (2017) 'How wages fell in the UK while the economy grew.' Financial Times. Available at: <https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30>

75 Jaumotte, F. and Buitron, C. O. (2015) 'Inequality and Labor Market Institutions.' International Monetary Fund. Available at: <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1514.pdf>

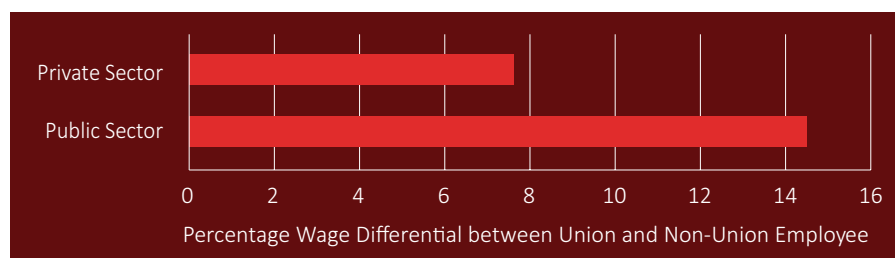
76 OECD (2011) 'Divided We Stand: Why Inequality Keeps Rising.' Available at: <http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm>

# TRADE UNIONS AND THE FIGHT AGAINST INEQUALITY

It is in this context that labour's share of national income has fallen by over 5 per cent since 1970.<sup>77</sup> Successive governments have deliberately undermined union power in a way that not only contravenes various International Labour Organisation<sup>78</sup> and European Union conventions but has led to membership of trade unions falling to their lowest level in a century. Not coincidentally, the number of workers engaging in strike action in 2017 fell to the lowest level since the 1890s.<sup>79</sup>

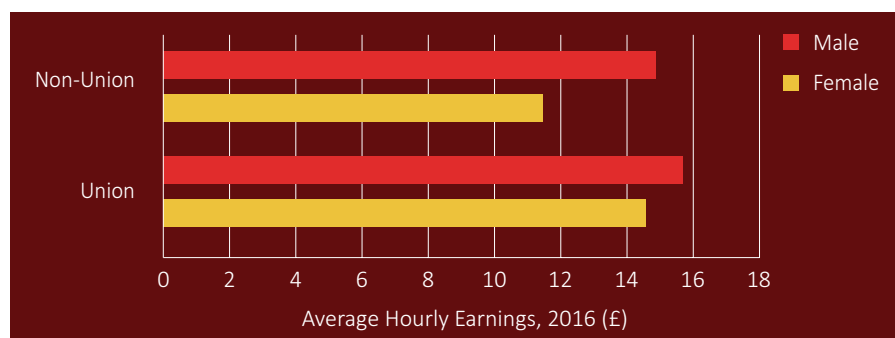
Membership of a trade union still guarantees one of the best ways to secure a pay rise in both the public and private sector. Figures taken from the UK government show that members in the private sector earn, on average, 7.6 per cent more than their non-union members while those in the public sector earn, on average, 14.5 per cent more.<sup>80</sup> The gender pay gap is also much smaller among unionised workers. While both of these relationships will be driven by a lot more than just union membership, it shows that there is a role for unions in higher and more equal pay.

**FIGURE 24 Trade Union Premium**



Source: UK Government, Department for Business, Energy and Industrial Strategy: Trade union membership 2016

**FIGURE 25 Gender Pay Gap for Unionised and Non-Unionised Workers**



Source: UK Government, Department for Business, Energy and Industrial Strategy: Trade union membership 2016

77 ILO and OECD (2015) 'The Labour Share in G20 Economies.' Available at: <https://www.oecd.org/g20/topics/employment-and-social-policy/The-Labour-Share-in-G20-Economies.pdf>

78 Ewing, K. D. and Hendy, J. (2013) *Reconstruction after the Crisis: A Manifesto for Collective Bargaining*. Liverpool: The Institute of Employment Rights.

79 Partington, R. (2018) 'UK worker strike total falls to lowest level since 1893.' *The Guardian*. Available at: <https://www.theguardian.com/uk-news/2018/may/30/strikes-in-uk-fall-to-lowest-level-since-records-began-in-1893>

80 Department for Business, Energy and Industrial Strategy (2017) 'Trade Union Membership 2016. Statistical Bulletin.' Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/616966/trade-union-membership-statistical-bulletin-2016-rev.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/616966/trade-union-membership-statistical-bulletin-2016-rev.pdf)



Moreover, with the rise of the gig economy and shifting nature of work, unions in the UK have adapted and developed. Newly formed unions such as United Voices of the World (UVW) and the Independent Workers Union of Great Britain (IWGB) have won important battles in the fight against the continued degradation of workers' rights. For instance, UVW recently fought a campaign against The Daily Mail to pay the London living wage for cleaners in their headquarters winning the equivalent of a 25 per cent pay increase for those involved.<sup>81</sup> The IWGB, meanwhile, has successfully brought cases to court ensuring that drivers for The Doctors Laboratory are fully recognised as employees and not workers.<sup>82</sup>

Bigger unions have also been involved in important battles. Unite the Union drew national attention when it highlighted the draconian employment practices in place at Sports Direct warehouses back in 2015 and has since enabled more than 3,000 workers to transition onto permanent contracts and away from precarious agency work.<sup>83</sup> GMB, meanwhile, have been at the forefront in the fight against poor gig economy practices having recently brought legal challenges against delivery giant Hermes and successfully defeated Uber over the classification of their workers.<sup>84</sup>

As the inaugural World Inequality Report noted, however, levels of inequality within a country will often be dictated by national institutions and policies.<sup>85</sup> This, does not mean, that action cannot be taken at a much smaller scale. The following sub-sections each highlight what may seem like small wins in the scope of rising national inequality yet they each speak of tangible benefits won for thousands of workers.

### *Unite the Union: Agency Work and Bentley*

There are almost one million workers in the United Kingdom employed through agencies. Working for an agency is often a quick route into precarious low-paid work, with research confirming that agency workers are paid less than their counterparts for conducting the exact same job.<sup>86</sup>

Bentley Motors is a premium car manufacturer based in Crewe (North West England) and is a subsidiary of Volkswagen. Agency workers comprise around 12 per cent of the Bentley workforce with such employees often paid less, receiving little on-the-job training and not entitled to team and individual bonuses.

81 United Voices of the World. (2018). 'Victory for Cleaners at the Daily Mail! Strike Cancelled!' Available at: <https://www.uvwunion.org.uk/news/2018/3/victory-for-cleaners-at-the-daily-mail-strike-cancelled>

82 Butler, S. (2018) 'Couriers carrying blood for NHS win full employment rights.' The Guardian. Available at: <https://www.theguardian.com/law/2018/feb/07/couriers-carrying-blood-for-nhs-win-full-employment-rights>

83 Work Smart (2016) 'What Have Trade Unions Ever Done For Us? Ask 3000 Workers at Sports Direct.' The TUC. Available at: <https://worksmart.org.uk/news/what-have-trade-unions-ever-done-us-ask-3000-workers-sports-direct>

84 GMB (2017) 'GMB scores landmark victory for Uber workers' rights as employment appeal tribunal upholds original ruling.' Available at: <http://www.gmb.org.uk/gmb-victory-uber-workers-rights-upheld>

85 Alvaredo, F., Chancel, L., Piketty, T., Saez, E. and Zucman, G. (2017) 'World Inequality Report 2018.' World Inequality Lab. Available at: <http://wir2018.wid.world/files/download/wir2018-full-report-english.pdf>

86 Judge, L. and Tomlinson, D. (2016) 'Secret Agents: Agency workers in the new world of work.' Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2016/12/Secret-Agents.pdf>



# TRADE UNIONS AND THE FIGHT AGAINST INEQUALITY

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Unite the Union reached an agreement with Bentley that all agency staff are to be given equal pay, training and benefits in line with other Bentley employees. For the average Bentley agency worker, this has led to an annual £7,000 pay increase. Furthermore, the agreement stipulates that any agency worker whose contract is extended more than three times must undergo a review process with the aim of moving towards permanent employment. To date, this has led to almost 1,000 workers transitioning out of agency work into permanent employment.

## *Communication Workers' Union: Pensions and BT*

A recurrent theme throughout this report and the UK labour market is the structural transfer of risk from government and firms to households and families. This is widely evidenced in the move away from defined benefit pension schemes to defined contribution pension schemes. The latter are more susceptible to conditions in the economy and, as such, can fail to safeguard earnings for retirement.

BT has been one company looking to make this transition. Earlier proposals by BT to their pension scheme would have seen employer contributions rise by 3 per cent to receive a pay-out on retirement that was less than one hundredth of an annual salary whilst adopting a more insecure defined contribution scheme.

The Communication Workers' Union, however, was able to strike a deal that not only safeguarded workers' pensions but got them a 6 per cent pay rise over two years. The recently agreed deal secures a continued defined benefit option for BT workers, alongside a 25 per cent rise in employer contributions for most workers and said pay rise. All of which is legally binding.<sup>87</sup>

## *Prospect/BECTU: Terms and Conditions at the BBC*

The British Broadcasting Corporation (BBC) employs over 20,000 people yet is facing ongoing financial pressures. In this context, BECTU (the media and entertainment union), the NUJ (national union of journalists) and Unite have been in ongoing negotiations to update workers' terms and conditions.

The current pay structure at the BBC has many roles that are paid below market value with some terms and conditions such as shared parental leave, weekend working and death in service benefit fraught with inconsistencies and complexity. For instance, the current maternity leave entitlement can be transferred to the father yet they are not often entitled to the same pay.

After 21 months of negotiations, a new deal is being proposed that offers members a backdated pay deal from 2017, updated terms and conditions such as genuinely shared maternity/paternity leave with an independent mediator deciding on extra remuneration for weekend working.<sup>88</sup>

87 CWU (2018) 'BT Pension and Pay Agreement. The CWU Guide.' Available at: <http://www.cwu.org/wp-content/uploads/2018/03/BT-PENSION-PAY-AGREEMENT-The-CWU-Guide-final.pdf>

88 BECTU (2018) 'Unions secure ground-breaking pay offer for BBC staff.' Available at: <https://www.bectu.org.uk/news/2830>

### ***UNISON: Pay in Local Government***

As previously highlighted, the public sector has been particularly hard-hit by years of austerity. From 2010 to 2012 public sector pay was frozen apart from those earning below £21,000 per annum. In 2013, the cap was relaxed to allow nominal pay increases of 1 per cent with this limit still essentially in place to date for many public sector workers.<sup>89</sup>

As part of their 'Pay Up Now!' campaign, UNISON has negotiated with the Local Government Association and secured a significant two year pay deal for thousands of local government employees. For the lowest earners, this rise is equivalent to 16 per cent over two years to March 2020.<sup>90</sup>

Similar proposals are being made for NHS staff, with government recently proposing a three year pay deal with an extra £4.2 billion worth of funding. If accepted, measures, such as a new above living wage minimum and meaningful increases for staff at the top of their pay band, would come into effect from July 2018.<sup>91</sup>

### ***Unite the Union: Overtime and Holiday Pay***

In the UK, workers are entitled to a week's pay for each week of leave they take. The holiday pay they receive is calculated according to their typical work pattern and remuneration. Historically this has not included overtime, short-changing workers out of thousands of pounds of holiday pay.

Over the course of four years, Unite has won successive legal battles that not only guarantee that overtime is incorporated into calculations for holiday pay but such calculations must also include voluntary overtime. This includes activities such as standby, call-out work and travel-time linked to that work.

In the particular case brought to the courts, tradesmen at Dudley council had engaged in voluntary overtime (weekend working, standby rotas, etc...) to the tune of £6,000 annually. Not having this reflected in holiday pay was costing these workers up to £1,500 annually. This new ruling, however, sets a precedent for all employees around the country to give workers their due entitlements.<sup>92</sup>

### ***UNISON: Scrapping Tribunal Fees***

In July 2013, the government introduced tribunal fees for workers. Employment tribunals play a crucial role in upholding workers' rights. This meant that anybody who felt they had been illegally treated at work had

89 CLASS (2018) 'Fudging the Funding on Pay'. Available at: <http://classonline.org.uk/files/PROOF-9230-CLASS-budget-ananalysis-booklet.pdf>

90 UNISON (2018) 'UNISON accepts local government pay offer.' Available at: <https://www.unison.org.uk/news/article/2018/04/unison-accepts-local-government-pay-offer/>

91 UNISON (2018) 'NHS pay consultation launched at health conference.' Available at: <https://www.unison.org.uk/news/article/2018/04/healthpay-consultation/>

92 Unite the Union (2018) 'Unite secures landmark holiday pay legal ruling and warns employers 'get your house in order''. Available at: <http://www.unitetheunion.org/news/unite-secures-landmark-holiday-pay-legal-ruling-and-warns-employers-get-your-house-in-order/>

# TRADE UNIONS AND THE FIGHT AGAINST INEQUALITY

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to pay somewhere in between £390 and £1,200 to take their employer to court. Well out of the reach of many workers.<sup>93</sup>

The introduction of these fees saw a huge decrease in claims being brought to the courts. The number of claims from July to September 2013 was 56 per cent lower than the same period for the previous year, from October to December the decrease on the previous year reached 79 per cent. Sexual discrimination and equal pay claims, in particular, saw massive decreases.

Since the introduction of these fees, UNISON has been bringing claims to the High Court arguing for their repeal. After years of unsuccessful claims, the Supreme Court in July 2017 deemed that tribunal fees conflicted with the right to access to justice, and therefore undermined the rule of law.<sup>94</sup> From henceforth, anyone who needs to take their employer to do so without cost, as well as reimbursements for those who had to pay over the previous four years.

## *Usdaw Organising: A Model For Success*

With over 433,000 members, Usdaw is the UK's largest private sector union. Usdaw represents workers in high-turnover industries such as retail, transport, distribution, food manufacturing and chemical trades, meaning the union must recruit around 90,000 members per year just to maintain its membership. Additional challenges include recruiting geographically spread-out members who work in part-time roles with varying shift patterns.

Despite these challenges, in 2017 Usdaw recruited its highest number of new members in 25 years, since the end of the closed shop. After a decline in which membership dropped to 283,000 by 1994, the union revamped its recruitment programme and adopted a new, successful model of organising. Initiatives such as life-long learning and engaging campaigns raise awareness of the union's power.

Ushaw's workplace reps have led its growth, and the union has developed the first-ever Academy programme in the UK, where reps receive intensive training on recruitment and organising. Usdaw also has a wider 'stand-down' programme, where reps take time out from their day job to focus on recruitment.

Although huge progress has been made – with new agreements in B&M Bargains and Ocado, as well as high profile recognition campaigns at Marks and Spencer, Lidl and Aldi – Usdaw is continuing to adapt to the changing nature of retail work in the UK.

Despite these numerous victories and a wealth of empirical and conceptual evidence that promotes the benefits of unionisation, trade unions face an uphill battle in both the United Kingdom and abroad. The final section of this report offers a prognosis for the UK, outlining the role that policy and key institutions need to take if the United Kingdom is going to become a fairer, more just society.

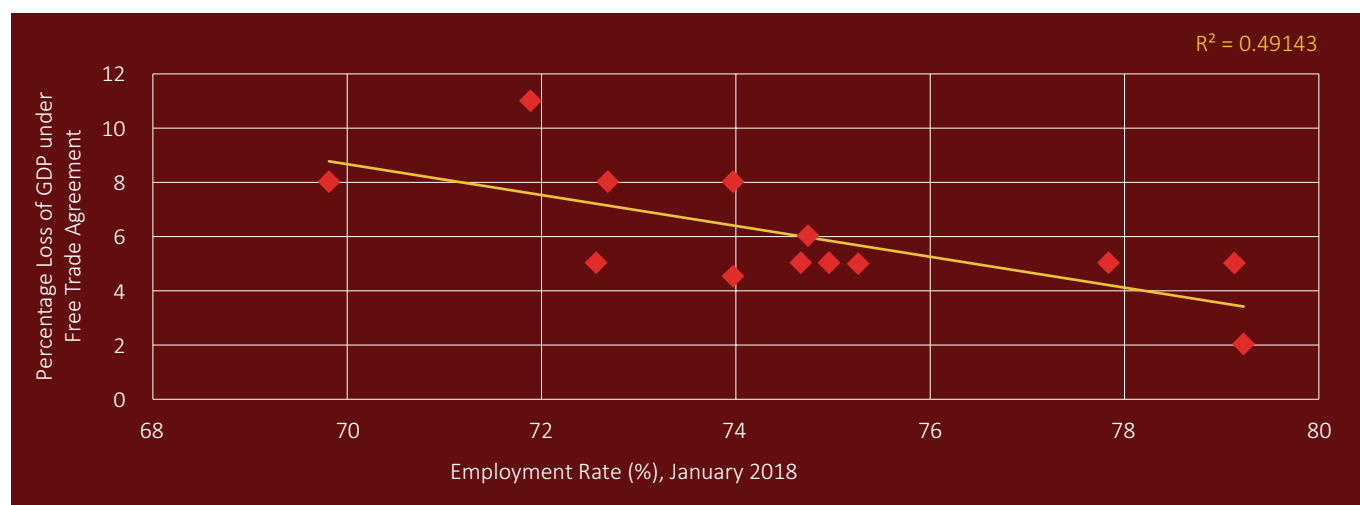
93 Citizens Advice Bureau (2016) 'Written evidence from Citizens Advice.' Available at: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/justice-committee/courts-and-tribunals-fees-and-charges/written/22048.html>

94 UNISON (2017) 'How UNISON changed the law: the story behind our success.' Available at: <https://www.unison.org.uk/news/article/2017/08/employment-tribunal-fees-story-behind-success/>

# LOOKING FORWARD

As Britain prepares to leave the European Union in March 2019, the future looks uncertain. There is a widely held consensus that the economic impact of leaving the EU will be negative. The government's own impact assessments estimate a loss at a national scale of 5 per cent of GDP over a fifteen year period under a free trade agreement.<sup>95</sup> Furthermore, as Figure 26 shows, the regional impact is likely to hit those areas that are already worse off.

**FIGURE 26** Regressive Impact of Brexit, by Region



Source: CLASS analysis of Labour Force Survey, January 2018 release

There is already concern among the trade union movement<sup>96</sup> that Brexit-related uncertainty is leading to job losses. Studies have shown that Brexit runs the risk of further exacerbating the decline of British manufacturing with 1 in 5 jobs at risk as companies look to offset the costs of leaving the EU.<sup>97</sup> Further concerns surround public and private investment, as leaving the EU will also mean losing access to the European Investment Bank which has invested over €100 billion in the UK economy over recent decades.<sup>98</sup> With investment in the UK economy already much lower than in many European countries<sup>99</sup> and the Bank of England citing Brexit as a reason for a recent lack of private sector investment,<sup>100</sup> the issue of investment needs to be front and centre of the debate as the UK leaves the EU.

95 Parker, G. and Hughes, L. (2018) 'What the UK's Brexit impact assessment says.' Financial Times. Available at: <https://www.ft.com/content/06c6ffc0-0cf9-11e8-8eb7-42f857ea9f09>

96 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)

97 The Guardian. (2018) 'Industry planning jobs cull to offset Brexit.' Available at: <https://www.theguardian.com/politics/2018/mar/31/manufacturing-firms-plan-job-cuts-after-brexite>

98 Institute for Government (2017) 'The European Investment Bank.' Available at: <https://www.instituteforgovernment.org.uk/explainers/european-investment-bank-brexite>

99 Mazzucato, M and McFarlane, L. (2017) 'Patient strategic finance: opportunities for state investment banks in the UK.' Institute for Innovation and Public Purpose Working Paper 2017-05. Available at: [https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/iipp\\_wp\\_2017-05\\_patient\\_strategic\\_finance\\_-\\_opportunities\\_for\\_state\\_investment\\_banks\\_in\\_the\\_uk.pdf](https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/iipp_wp_2017-05_patient_strategic_finance_-_opportunities_for_state_investment_banks_in_the_uk.pdf)

100 Bank of England (2018) 'Inflation Report – February 2018.' Available at: <https://www.bankofengland.co.uk/inflation-report/2018/february-2018/demand>

# LOOKING FORWARD

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Any debate regarding the future shape of the UK labour market also needs to engage with automation. Recent work by the OECD found that there is a 43 per cent chance the median job in the UK will be automated.<sup>101</sup> Those most at risk tend to be employed in low-skill sectors or engaged in manufacturing which, as we have seen, represent a large segment of the UK labour market. Worryingly, the upcoming World Development Report (the annual publication from the World Bank) recommends abolishing minimum wages and embracing labour market flexibility to cope with the oncoming wave of automation.<sup>102</sup>

Their report, however, does not deal with the asymmetries of power that are present in the UK labour market. It fails to engage with increasing economic rents<sup>103</sup> and, as a consequence, fails to allocate a role for trade unions in the fight for a fairer, more just labour market and economy. Amidst a moment of political and economic upheaval, the need for a progressive and sustainable vision for the UK economy has never been greater. As they have done over recent years, trade unions have a vital role to play in adapting to, and guiding, the future of work in the UK as well as safe-guarding vital protections for workers that stand at risk.

However, while Brexit continues to dominate both the headlines and policymakers' agendas, the concern is that the many other problems of UK society go undressed. As one trade union official commented in recent CLASS research, "Brexit is not creating these issues but it is exacerbating every single one."<sup>104</sup> There is, however, widespread public support for progressive, redistributive policies across the UK. Recent polling found that more people than not favour tax rises on the top 5 per cent of earners, renationalisation of key industries, a 20:1 salary ratio between the highest and lowest paid and a reversal of recent corporation tax cuts.<sup>105</sup>

Importantly, all of these pledges were included in the Labour Party Manifesto for the 2017 general election. Their manifesto proposed a '20-point plan' for security and equality at work which, as well as the aforementioned policies, stated a desire to guarantee trade unions a right to access workplaces, end the public sector pay cap and doubling paid paternity leave and increasing paternity pay.<sup>106</sup> The TUC's New Deal rally which brought tens of thousands of people to the streets of London in May 2018 shared Labour's call for a hike in the rate of the minimum wage to £10 an hour and a clampdown on tax evasion and avoidance to fund public services.<sup>107</sup>

- 101 Nedelkoska, L. and Quintini, G. (2018) 'Automation, skills use and training.' OECD. Available at: <https://www.oecd-ilibrary.org/docserver/2e2f4eea-en.pdf?expires=1525105612&id=id&accname=guest&checksum=BFEF9A400E4ABB10D2F94AEC53E734F9>
- 102 World Bank (2018) 'World Development Report 2019. The Changing Nature of Work. Working Draft. Available at: <http://pubdocs.worldbank.org/en/816281518818814423/2019-WDR-Darft-Report.pdf>
- 103 Mazzucato, M. (2018) *The Value of Everything. Making and Taking in the Global Economy.* London: Allen Lane.
- 104 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)
- 105 Pickard, J. (2018) 'UK swing voters like Labour policies but not Jeremy Corbyn.' Financial Times. Available at: <https://www.ft.com/content/f2632c6e-4e1d-11e8-a7a9-37318e776bab>
- 106 The Labour Party (2017). 'For The Many, Not The Few.' Northumberland: Potts Print.
- 107 The TUC (2018) 'The Great Jobs Agenda.' Available at: <https://www.tuc.org.uk/sites/default/files/great-jobs-agenda.pdf>

Further suggestions include cancelling just 1 per cent of planned corporation tax cuts (the UK already has one of the lowest rates in Europe) which would raise £2.9 billion by 2022.<sup>108</sup> Such a sum would allow investment in a 'Better Jobs Deal' that tackles worker insecurity, low productivity and lack of opportunity for progression at work. It would also permit further investment in technical education provision and ensuring that workers have access to good quality apprenticeships.

The Institute of Employment Rights has advocated the establishment of a new government department – a Ministry of Labour – to represent the interests of workers.<sup>109</sup> The Labour Party has recently introduced a Shadow Minister for Labour. While a chorus of voices have called for an end to zero-hour contracts for those who want regular hours,<sup>110</sup> ending loopholes that permit the exploitation of agency workers<sup>111</sup> and transitioning to a system of greater sectoral collective bargaining.<sup>112</sup>

Unions in the UK make work pay, they make work safer, they help alleviate gender gaps and eradicate uncertainty, but it is clear that they face an uphill task both at home and abroad. Much needs to be done to challenge the negative portrayals of strike action and antagonistic industrial relations that still tarnish unions' reputation. The Trade Union Act 2016 which made it harder for unions to access workplaces, organise to strike and carry out strikes was widely criticised for not only breaking ILO conventions but continued this long demonization of the union movement. Yet with a labour market that is increasingly leading a generation of young people into insecure and precarious work, the opportunity remains to turn the tide on a new era of decent work. Some unions have noticed an uptick in membership over recent years, long may this trend continue.

108 Resolution Foundation (2018) 'A New Generational Contract. The final report of the Intergenerational Commission.' Available at: <https://www.resolutionfoundation.org/app/uploads/2018/05/A-New-Generational-Contract-Full-PDF.pdf>

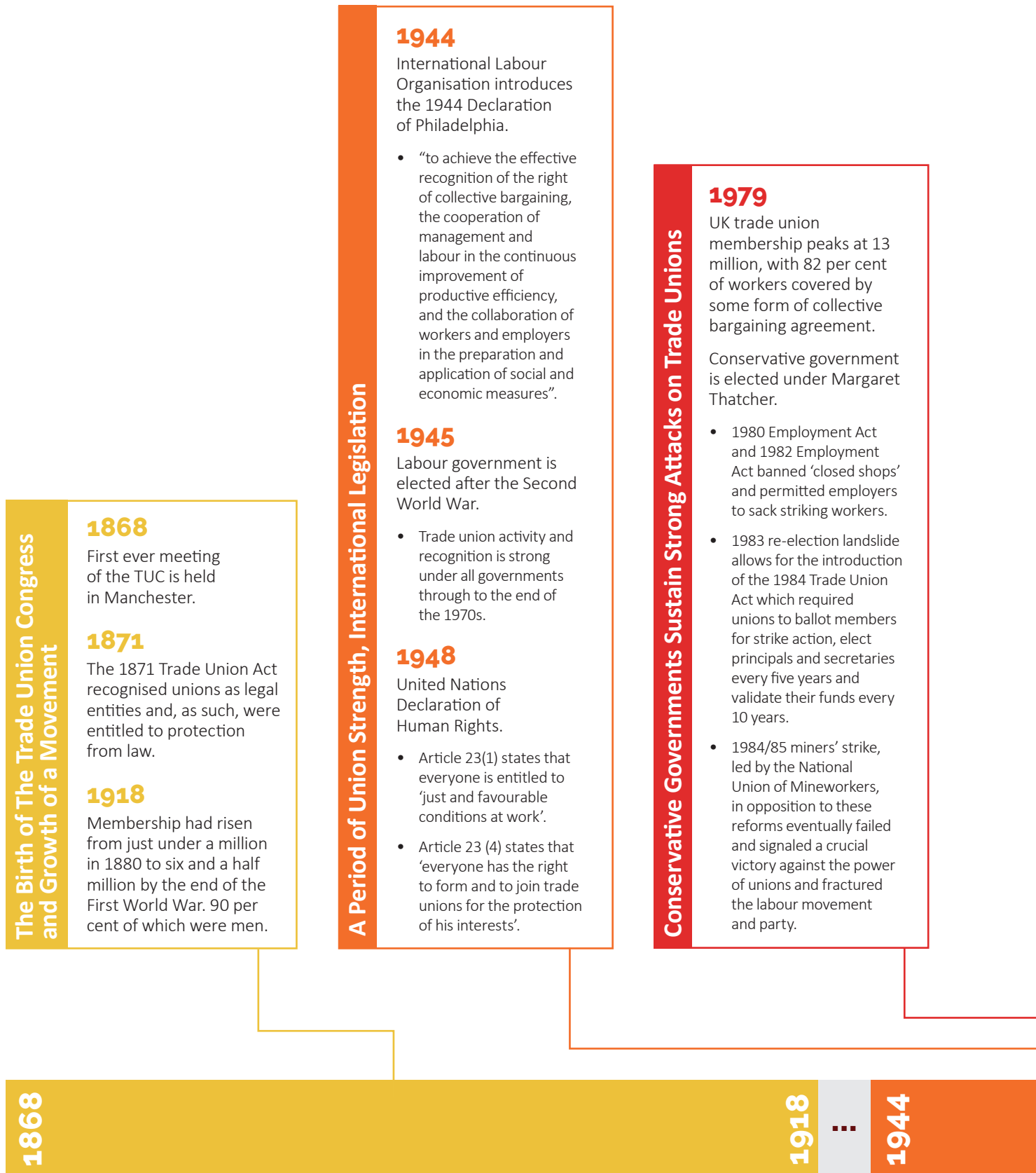
109 IER (2017) 'Trade Union Act 2016: What it says; what it means.' Available at: <http://www.ier.org.uk/resources/trade-union-act-2016-what-says-what-it-means>

110 The TUC (2018) 'The Great Jobs Agenda.' Available at: <https://www.tuc.org.uk/sites/default/files/great-jobs-agenda.pdf>

111 Kennedy, L. (2018) 'Labour Market Realities 2018: Workers on the Brink.' CLASS. Available at: [http://classonline.org.uk/docs/Labour\\_Market\\_Realities\\_Workers\\_on\\_the\\_Brink\\_final\\_3.pdf](http://classonline.org.uk/docs/Labour_Market_Realities_Workers_on_the_Brink_final_3.pdf)

112 IER (2017) 'Trade Union Act 2016: What it says; what it means.' Available at: <http://www.ier.org.uk/resources/trade-union-act-2016-what-says-what-it-means>

# TIMELINE OF KEY UNION AND LABOUR MARKET EVENTS



**The Birth of The Trade Union Congress and Growth of a Movement**

**1868**  
First ever meeting of the TUC is held in Manchester.

**1871**  
The 1871 Trade Union Act recognised unions as legal entities and, as such, were entitled to protection from law.

**1918**  
Membership had risen from just under a million in 1880 to six and a half million by the end of the First World War. 90 per cent of which were men.

**A Period of Union Strength, International Legislation**

**1944**  
International Labour Organisation introduces the 1944 Declaration of Philadelphia.

- “to achieve the effective recognition of the right of collective bargaining, the cooperation of management and labour in the continuous improvement of productive efficiency, and the collaboration of workers and employers in the preparation and application of social and economic measures”.

**1945**  
Labour government is elected after the Second World War.

- Trade union activity and recognition is strong under all governments through to the end of the 1970s.

**1948**  
United Nations Declaration of Human Rights.

- Article 23(1) states that everyone is entitled to ‘just and favourable conditions at work’.
- Article 23 (4) states that ‘everyone has the right to form and to join trade unions for the protection of his interests’.

**Conservative Governments Sustain Strong Attacks on Trade Unions**

**1979**  
UK trade union membership peaks at 13 million, with 82 per cent of workers covered by some form of collective bargaining agreement.

Conservative government is elected under Margaret Thatcher.

- 1980 Employment Act and 1982 Employment Act banned ‘closed shops’ and permitted employers to sack striking workers.
- 1983 re-election landslide allows for the introduction of the 1984 Trade Union Act which required unions to ballot members for strike action, elect principals and secretaries every five years and validate their funds every 10 years.
- 1984/85 miners’ strike, led by the National Union of Mineworkers, in opposition to these reforms eventually failed and signaled a crucial victory against the power of unions and fractured the labour movement and party.

1868

1918

⋮

1944



**Labour Government in Power, But Little Change for Unions**

**1997**

New Labour government elected under Tony Blair.

- New trade union recognition legislation is passed, although membership and levels of collective bargaining continue to fall.
- Introduction of the national minimum wage.

**1998**

International Labour Organisation introduces the Declaration on Fundamental Principles and Rights at Work.

- “Collective bargaining is a fundamental right accepted by member States from the very fact of their membership in the ILO, and which they have an obligation to respect, to promote and to realise in good faith.”

UK government passes the Human Rights Act, enshrining into law the European Convention on Human Rights and Fundamental Freedoms.

- “Everyone has a right to freedom of peaceful assembly and to freedom of association with others, including the right to form and to join trade unions.”

**1999**

Employment Relations Act 1999.

- This introduced the right to be accompanied by a union representative in disciplinary and grievance hearings

**Global Financial Crisis, Ongoing Austerity and Signs of Hope**

**2008**

Global financial crash.

- Major global economies undergo major recession with the UK proceeding to undergo the slowest recovery on record and an era of severe fiscal austerity.

**2008/09**

Beginning of the rise of the gig economy.

- AirBnb is founded in 2008 and Uber in 2009, marking the rise of the platform or gig economy.

**2010**

Conservative-led coalition is elected.

- Decade beginning from 2010 sees a rise in the number of self-employed and those on zero-hours contracts.
- Public sector pay cap was introduced, freezing all public sector workers pay from 2010 to 2012 and only permitting nominal 1 per cent increases thereafter.

**2015**

Unite the Union exposes Sports Direct working practices.

- Unite the Union exposes draconian working practices at retailer Sports Direct, garnering national media coverage.

Jeremy Corbyn is elected leader of the Labour Party.

**2016**

Trade Union Act.

- New legislation mandates unions to ballot 50 per cent of its members and get 40 per cent consensus through a postal ballot, give two weeks’ notice of any strike action takes place, ensure members ‘opt-in’ to political funds and publish details on amount of time dedicated to union matters in the public sector.

Review of Modern Working Practise through the Taylor Review.

- Analysis of the modern labour market and responses to challenges in the UK economy.
- Review is largely condemned by the trade union movement for not offering radical enough change.

UK votes to leave the European Union.

**2017**

Conservative government re-elected.

- Majority is lost in 2017 election, with the Labour party running on a platform of establishing

a new Ministry of Labour, strengthening trade union recognition and repealing restrictive legislation.

UNISON wins Supreme Court case.

- Supreme Court rules that the government’s introduction of employment tribunal fees in 2017 contravened the right to access to justice and undermined the rule of law.

Deliveroo and Uber court cases.

- Deliveroo wins court case that states riders are self-employed and therefore not entitled to sick pay and leave.
- Uber loses court case that states drivers are workers and not self-employed and, as such, are entitled to holiday pay.
- Government response to the Taylor Review promises to ‘address very clearly’ the issue of insecure work and prepare employment rules for new challenges in the UK economy.

**2018**

Thousands attend a TUC March in London on March 12<sup>th</sup> for ‘a new deal for working people.

1979

1997

2008

2018



**class**  
Centre for Labour  
and Social Studies

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