



# Inequality and good jobs

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# Inequality and good jobs



## Why focus on labour market inequalities?

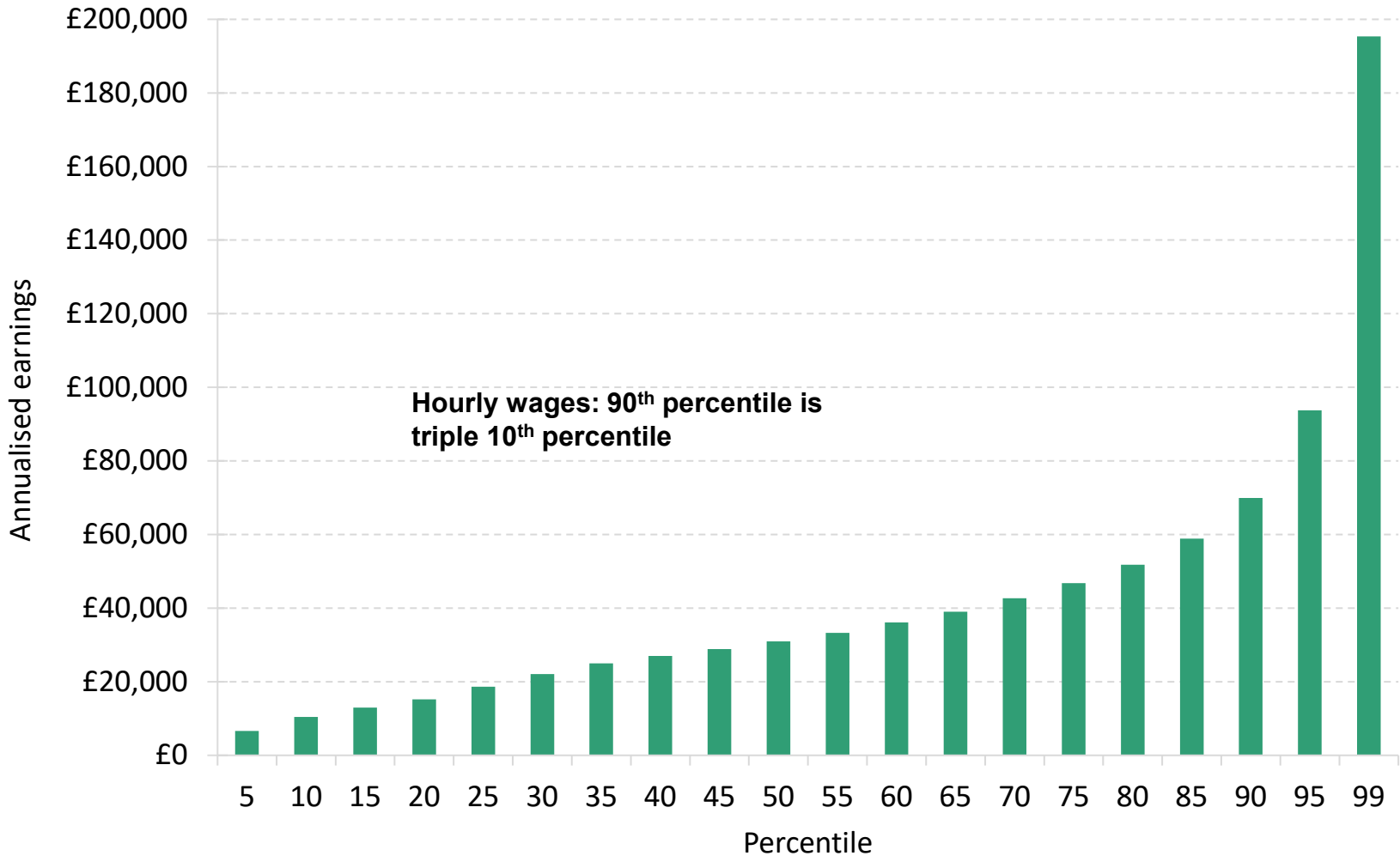
- Primary source of income for most people → income inequality
- Workplace involves hierarchical relationships → relational inequalities
- Educational and geographic inequalities → opportunities in the labour market
- Labour market inequalities affect and are affected by health inequalities
- Significant inequalities in labour market outcomes by disability, gender, ethnicity

**Today: major trends in labour market inequality, and how policymakers should think about them**

# Inequalities in pay



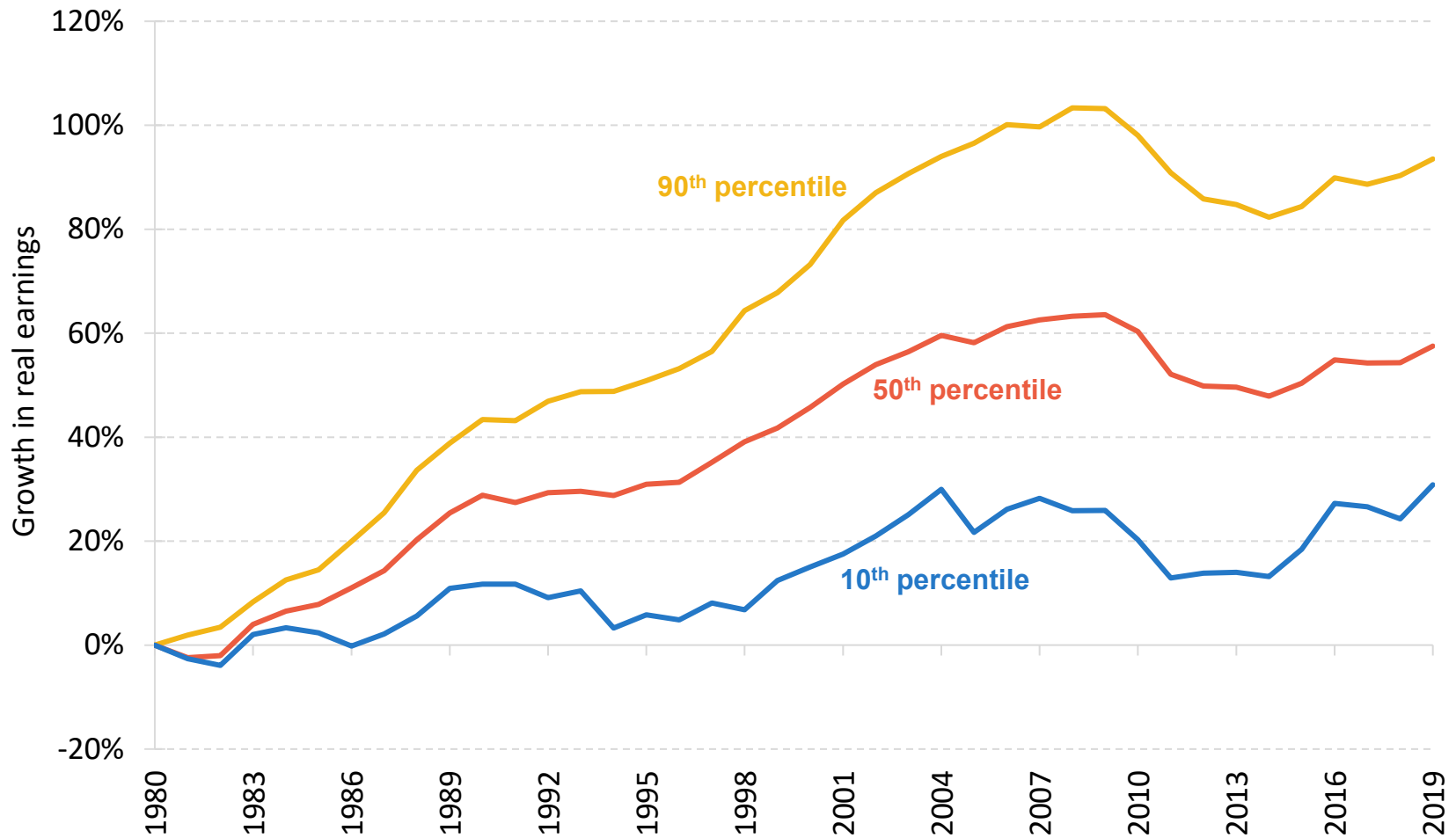
## Annualised employee earnings, February 2026



Author's calculations using HMRC, "Earnings and employment from Pay As You Earn Real Time Information"

# How has earnings inequality changed over time?

## Growth in real earnings since 1980



Adapted from Giupponi and Machin (2024)

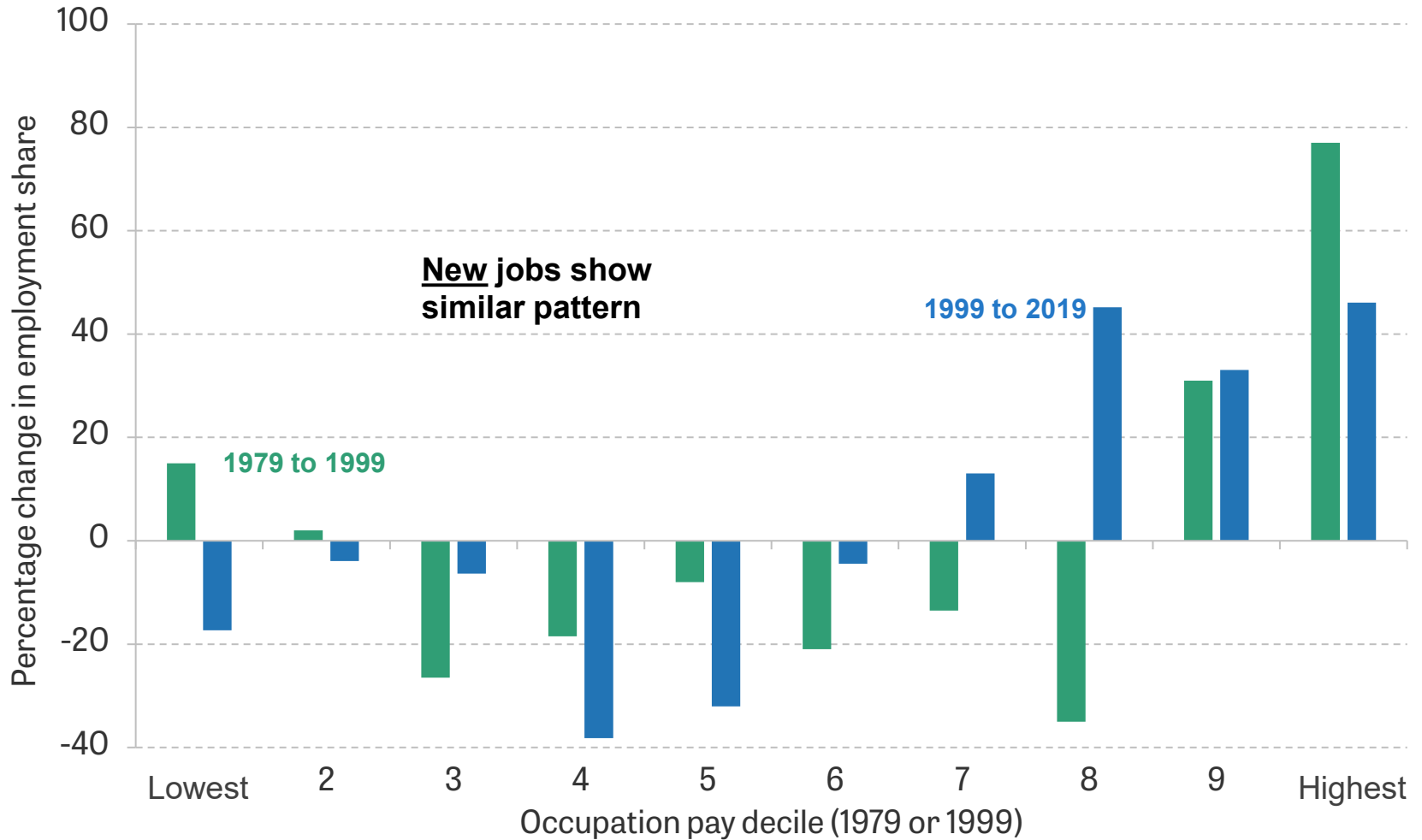
# Key developments in the UK labour market



- **Technology and job polarisation**

# Job polarisation

## Change in employment share by occupation pay decile



Giupponi and Machin (2024)

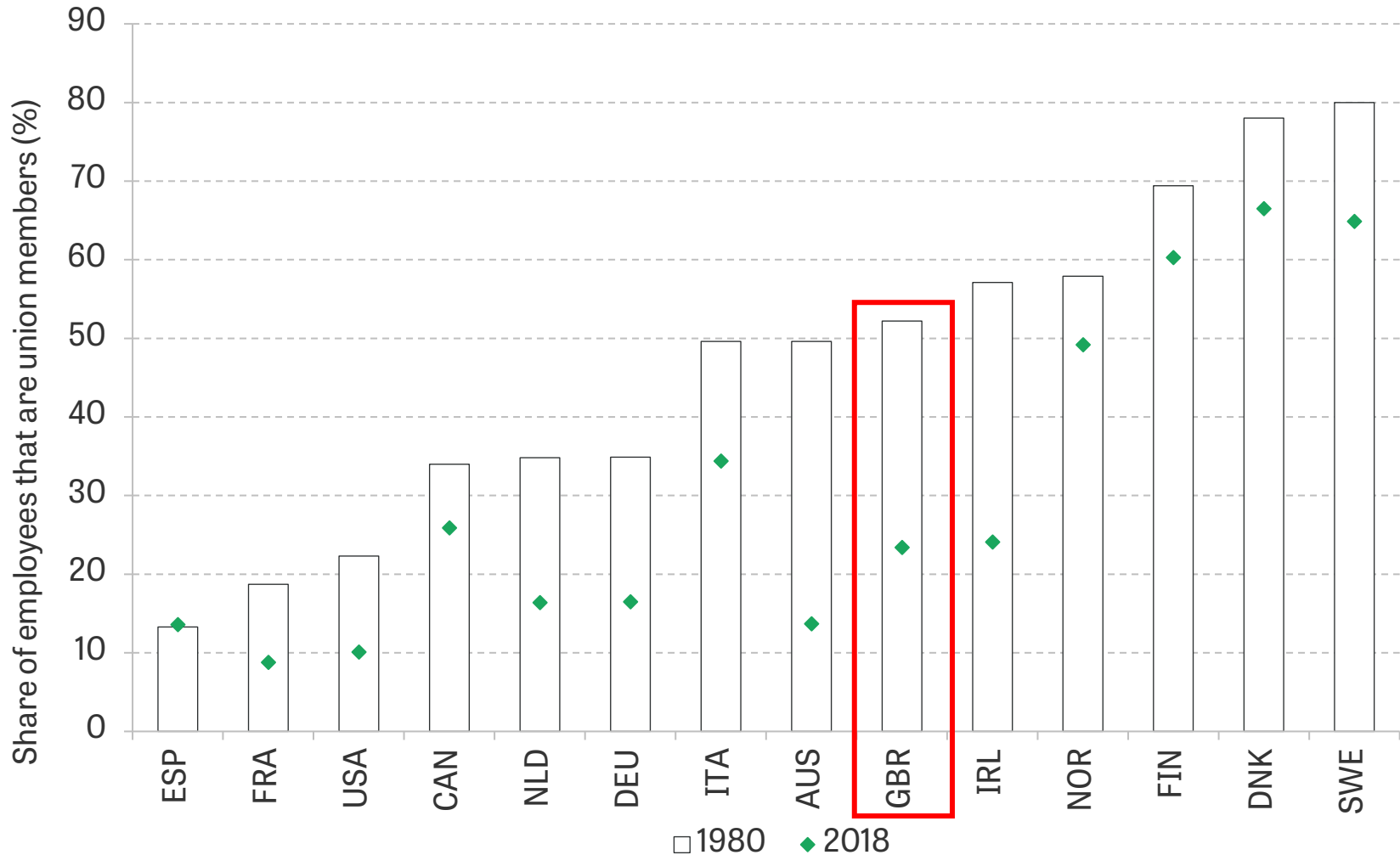
# Key developments in the UK labour market



- **Technology and job polarisation**
  - Routine jobs automated → occupational polarisation
- **Decline in union coverage**

# The decline in union coverage

## Share of employees that are union members



Giupponi and Machin (2024)

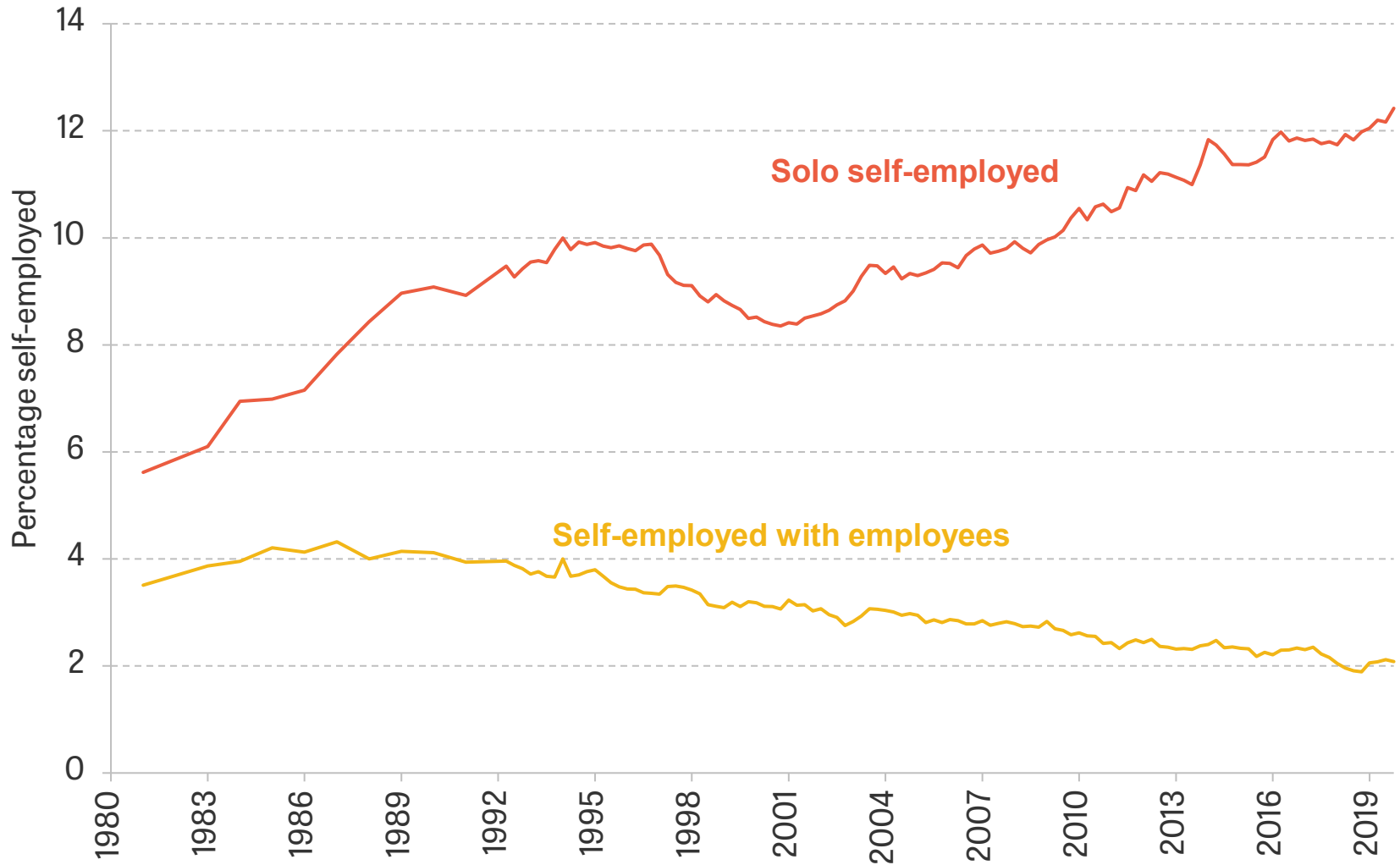
# Key developments in the UK labour market



- **Technology and job polarisation**
  - Routine non-manual jobs automated → occupational polarisation
- **Decline in union coverage**
  - Unions generate a wage premium, reduce within-firm inequality; decline likely contributed to rise in inequality (esp. among men)
- **The rise of solo self-employed**

# The rise of the solo self-employed

## Share of workers that are self-employed



Adapted from Giupponi and Machin (2024)

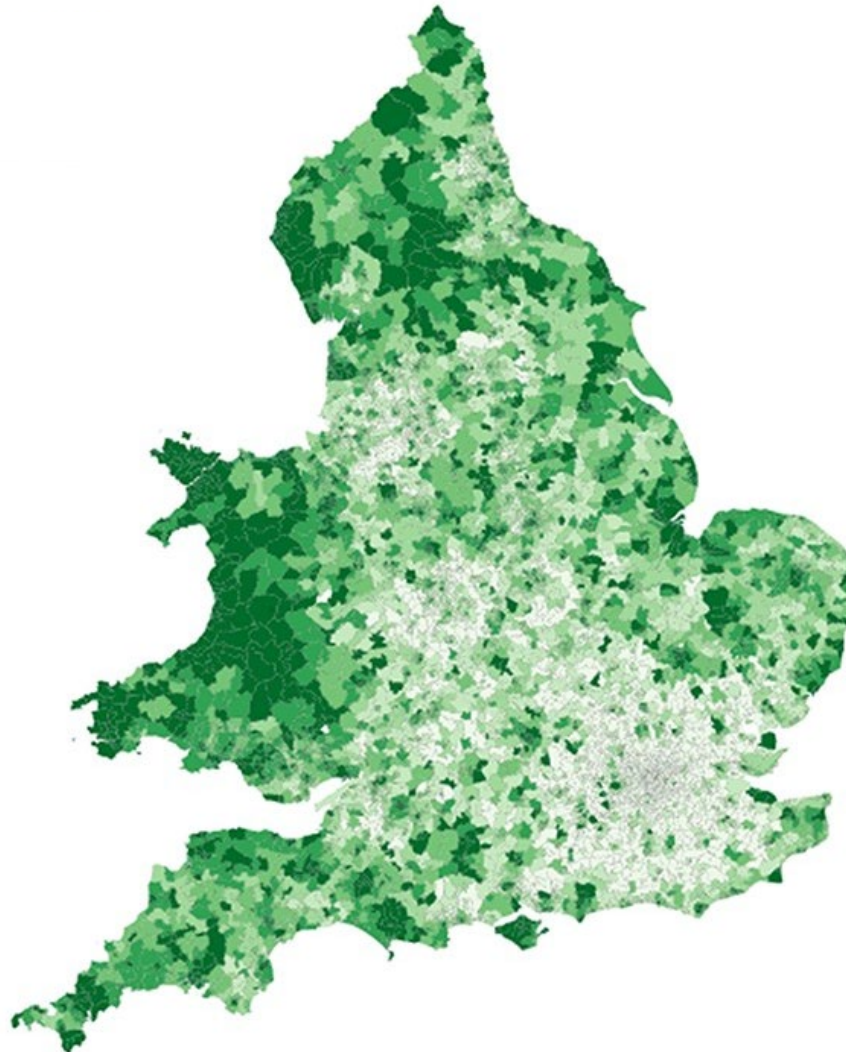
# Key developments in the UK labour market



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- **The rise of solo self-employed**
  - Likely to be both at the bottom and the top of distribution
- **Labour market competition**

# Geographic variation in employer market power

**Darker areas – more employer market power**



# Key developments in the UK labour market



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  - Unions generate a wage premium, reduce within-firm inequality; decline likely contributed to rise in inequality (esp. among men)
- **The rise of solo self-employed**
  - Likely to be both at the bottom and the top of distribution
- **Labour market competition**
  - Employer power reduces pay
  - Slight increase in competition since 2000, though existing differences → geographic labour market inequalities

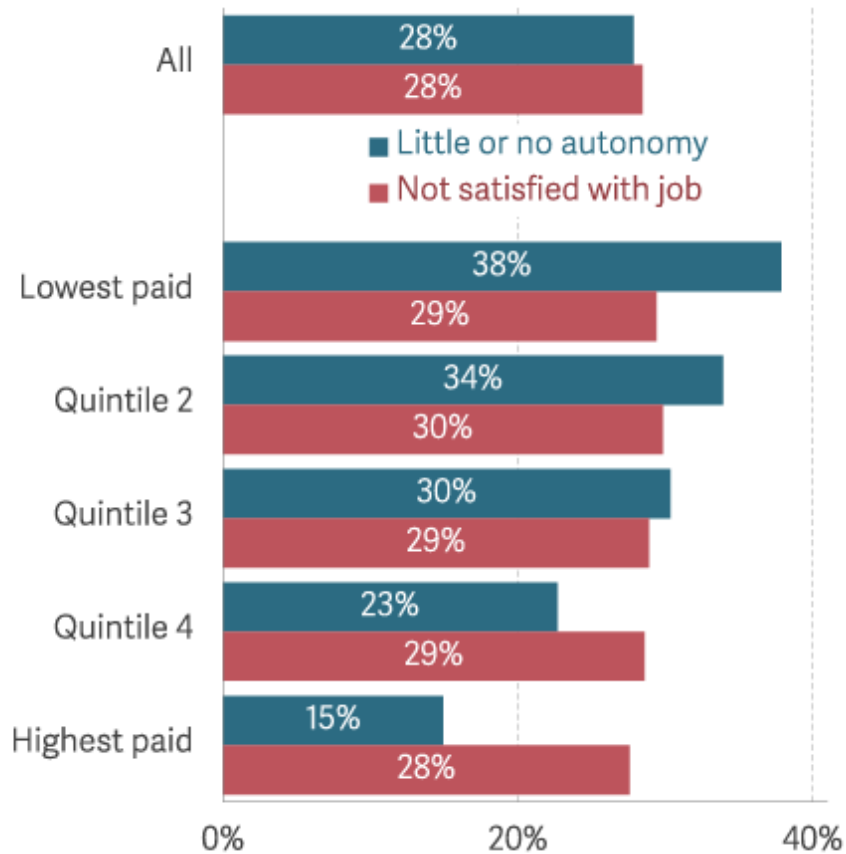
# Beyond pay



- What makes a ‘good job’?
  - *“career progression, access to non-pay benefits, workplace safety, adequate economic security, autonomy, investment in skill development, flexibility and work–life balance, and a sense of belonging to a larger enterprise”* (IFS Deaton Review)
  - *“participation, agency and learning”* (Pissarides Review)
- Importantly, many (not all) positive characteristics are correlated with one another – and with pay

# Beyond pay

## Proportion of employees with jobs with selected features



Cominetti et al. (2023)



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# Policy options

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# Diagnosing the problem

- Before diving into a policy solution, need to diagnose the problem why we might see poor job outcomes:
  - Low productivity
  - Employer has significant market power
  - Lack of information or frictions in searching/applying for work

What policy options might we consider? Many! Consider just a few

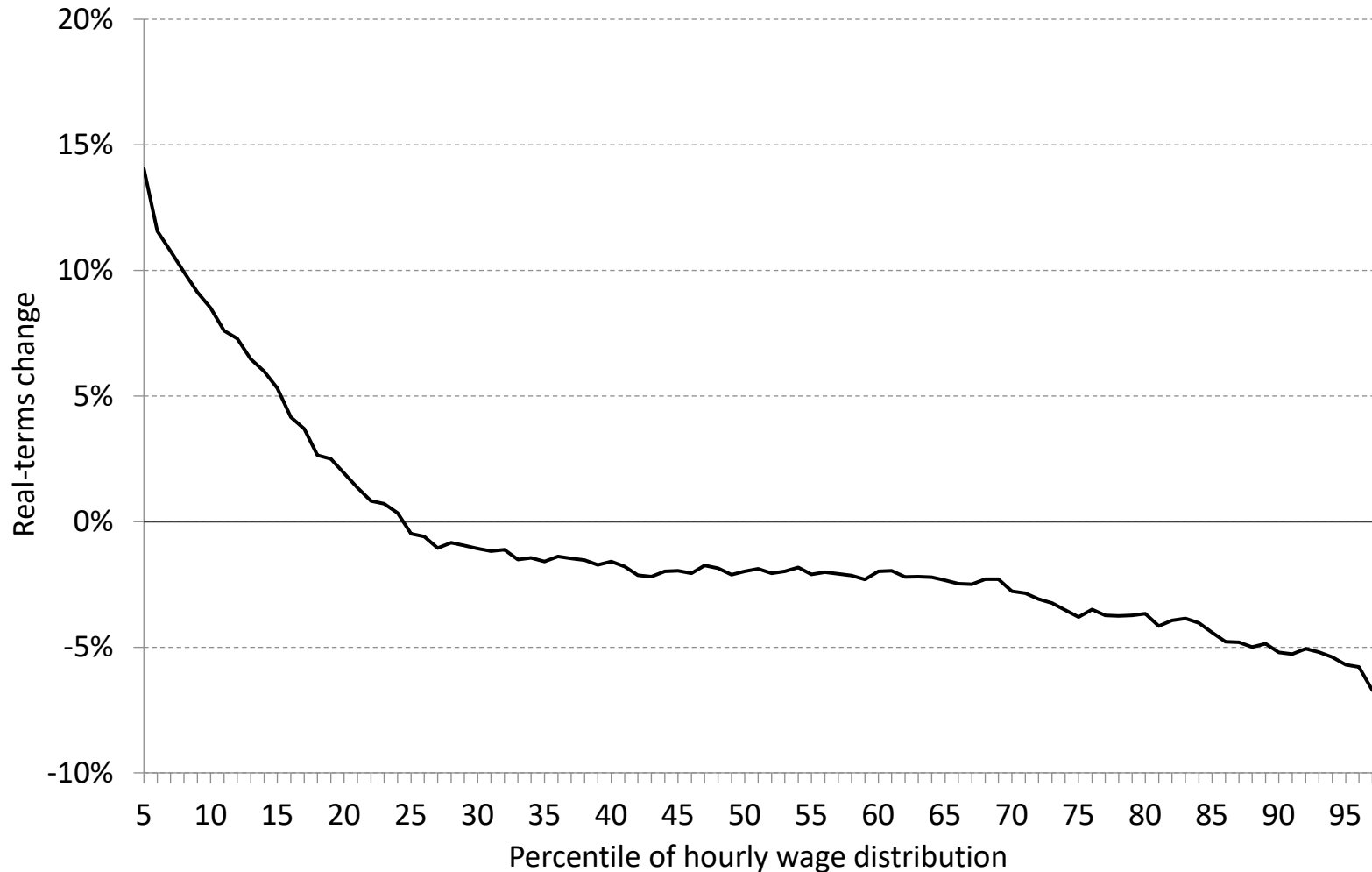
# Minimum wages and in-work benefits



- Primary tools UK governments used in recent decades
- Have had some success in their aims:

# Falling hourly wage inequality

Change in real hourly wage, 2007 to 2019



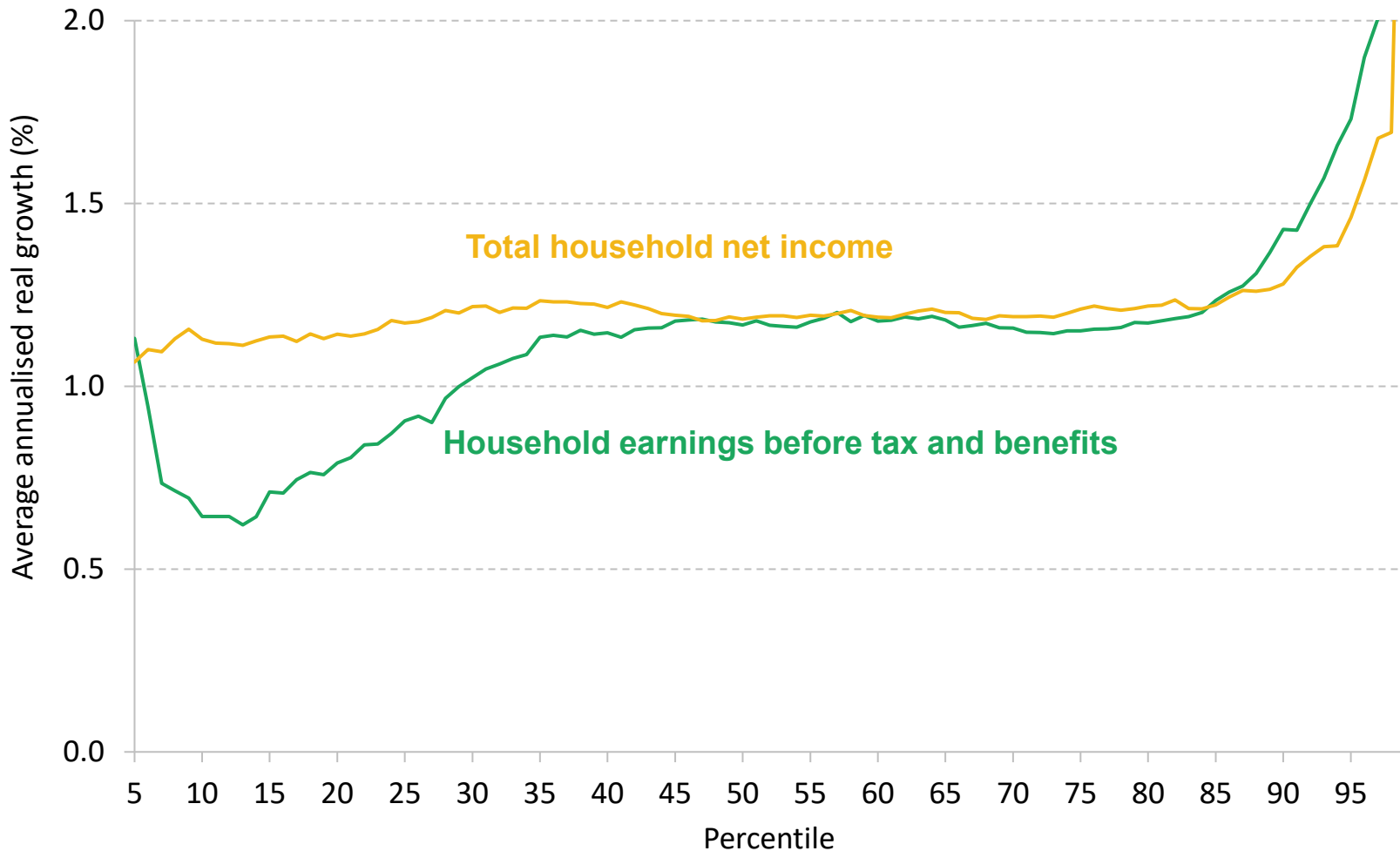
Adapted from Bourquin and Waters (2022)

# Minimum wages and in-work benefits

- Primary tools UK governments used in recent decades
- Have had some success in their aims:
  - Minimum wages contributed to declining hourly wage inequality since Great Recession

# Rising earnings inequality largely offset through taxes & benefits

Annualised change household incomes, 1994-95 to 2019-20



Hoynes et al. (2024)

# Minimum wages and in-work benefits

- Primary tools UK governments used in recent decades
- Have had some success in their aims:
  - Minimum wages contributed to declining hourly wage inequality since Great Recession
  - Changes in in-work benefits and taxes have largely offset rise in earnings inequality → total income inequality little changed

But...

# Minimum wages and in-work benefits

## Minimum wages:

- Target low-middle part of *household income* distribution, not very bottom
- Can increase efficiency (if significant employer power) – but if pushed too far, reduce efficiency (unemployment)
- Compress within-firm pay distribution – weaker incentives for progression
- Employers may reduce job amenities

## In-work benefits:

- Can allow employers to reduce pay
- Withdrawn as earnings rise, weaken incentives for progression

**Key point:** Both are straightforward to implement with quick effects. But do not necessarily tackle the **root issues** causing poor-quality jobs

# Training



- One possible way to tackle a root problem: low productivity
- May be underprovided – firms paying for it face free rider problem
- Case for government provision or subsidy (government does do this already to some degree)
- What sort of training?
  - Leads to vocational qualifications – certification is key
  - ‘Sectoral training programmes’ – work with local employers to design training that develop needed skills
  - ‘Social’ or ‘soft’ skills (working in a team, leadership...) – delivers strong progression for low skilled workers
- Harder – yet more important! – to do if labour market rapidly changed by AI

# Conclusion



- Rising labour market inequality over the past half-century
  - Inequalities in broader 'good jobs' characteristics mirror those in pay
- Job polarisation, declining union coverage, rise of solo self-employed – all important factors
- Major tools used paper over these inequalities, but largely do not tackle root issues
- Confluence of disadvantage may be difficult to break with any one intervention
- If AI substantially disrupts labour market, could create more labour market inequalities – and make it harder to develop good policy responses

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