

Britain works

Child Poverty Action Group and Working Families have launched a new project, 'Britain works', looking at in-work poverty and how work can be improved for families living on a low income. Here, Jane Mansour sets out the context, examining a range of evidence on the characteristics of low-paid work in Britain today, and reports on what employers say about their policies on and practices towards their low-paid staff.

WORK HAS BEEN the biggest anti-poverty policy of recent decades, with support delivered under banners of 'making work pay', and calls for people to 'work your way out of poverty'. However, people living in poverty are increasingly likely to be working. Experts predict that both real wages and living standards will fall over the next 12 months as prices rise and employers are unable, or unwilling, to offer higher pay.¹ Since the 2008 financial crisis, the wage fall in the UK has been unmatched by any other large economy.² This will be exacerbated by cuts to universal credit work allowances. Changes in the autumn statement have modified these, but only slightly. For example, a lone parent earning £15,000 a year with no housing costs who would have been £3,170 a year worse off claiming universal credit in 2017 than in 2016, following a series of cuts, will now be 'only' £3,000 a year worse off.

Whether the focus is on stagnant or falling wages, rising prices, use of zero-hour, short-term or temporary contracts, self-employment, the impact of automation, retailers' warehouses, tax credit cuts or universal credit work incentives, work has barely been out of the news in recent years. Political parties have sought to define and appeal to those at the sharp end of changes in the labour market – from 'alarm-clock Britain' to the 'squeezed middle' to the current 'just about managing'.³ Yet, despite this, sustainable solutions to an increasing sense of insecurity have remained out of focus. Indeed, the chasm between the systems set up to support work and the changing labour market seems to grow ever wider with each policy iteration.

International comparison shows the UK to have a lot of people in low-paid jobs.⁴ Just over one in five (21 per cent, or 5.7 million) people are in

low-paid work.⁵ Groups disproportionately represented in the ranks of the low paid are women, young people, part-time workers, temporary workers, those in low-skilled work, and people in the retail, hospitality and care sectors.⁶

Our experience of working, searching for work, learning new skills and our aspirations for future work play a critical part in our lives. The last decade has seen significant changes both in the ways in which we work and in the systems set up to provide support – through social security payments, access to skills training, child-care and trade unions. Employers are facing a number of competing demands from consumers, their employees, government and the wider economic impacts of policy, particularly

around Brexit. Some sectors are under significant pressure from entrants with new ways of working. Changes in support systems often appear to have been conceived in a vacuum that has not understood or engaged with changes in the labour market. As the gap between the two grows, so the lives of many people with a foot on both sides of this chasm become increasingly precarious.

Articles, books and commissions on the future of work abound. The broad argument is that not since the Industrial Revolution have there been so many changes in such a short timeframe. Some researchers and commentators assert that the speed of change is likely to increase as technology and data become ever more embedded; others, that the rise of the robots has been overstated. These visions of the future sit alongside analysis of changes in the current labour market – changes that have seen an increasing use of temporary contracts, fragmentation, an increase in self-employment, and a rise in in-work poverty resulting in a shift in child poverty, increasingly now found in households in which at least one person is in work.

The temporary workforce in the UK is significant – 1.2 million workers in the UK are on a temporary contract via an employment agency.⁷ The rise in zero-hour contracts has had considerable coverage – there are 750,000 more people on zero-hour contracts than in 2006. Perhaps one of the most concerning changes is in the number of workers who could lose jobs at short notice. This has grown by almost two million in the past decade, from 5.3 million workers in 2006 to 7.1 million in 2016.⁸

There has been increasing focus on the demand for flexible work as the default.⁹ Initially, the drive of many campaigns was on the value of retaining or re-engaging mothers in the labour market. Interestingly, interviews with employers undertaken for the ‘Britain works’ project highlight a pressure from a much wider range of workers looking for a different balance between work and their other commitments.¹⁰

Flexibility and insecurity are becoming increasingly interwoven as employers, such as Uber and Deliveroo, defend their on-demand payment models as facilitating flexible working. Similar models used in sectors with contracted workers, notably drivers and carers, have seen the number of jobs or tasks to be accomplished in a day leading to a lack of breaks, earnings below the minimum wage and, in some cases, to court. Despite the focus on the gig economy, the evidence shows that the number of people

with multiple jobs is at a record low.¹¹ This may be because the gig economy is small, but it may also be indicative of the difficulty of managing multiple platforms – so, in reality, gig-ers work for one company, as if employed, but without any of the protections this would afford.

Indeed, flexibility may be offered in lieu of higher pay, although the evidence suggests that, for the majority of workers, irrespective of age, better pay trumps benefits.¹² While this holds true for employees wanting to maintain their position, the fear of losing flexibility can hold lower paid workers back from seeking progression opportunities. Much employment support tends to focus on ‘now’ jobs, so few workers benefit from advice or calculations that look at potential future financial benefits of using a promotion as a stepping stone. The evidence shows that the most effective way to increase earnings is to move jobs, and this requires confidence in the social security safety net.¹³

Lack of information is compounded by a lack of access to training. The literature shows that employers are more likely to invest in training their higher paid, and already high qualified, staff rather than those in entry-level roles. People in low-wage jobs who want to improve their skills in order to support progression are now expected to take out advanced learner loans to fund their own training. This ‘risk swap’, combined with significant cuts to the further education budget and poor information from learning institutions on the financial and labour market returns to the courses they offer, has seen a fall in the number of adults accessing education and training.

The types of jobs people move to from benefits is important. In the US, the Workforce Innovation and Opportunity Act 2014 has shown that only measuring job outcomes above a certain pay threshold is possible and does have an impact on programme design. In the UK, there is no such mechanism to measure job quality (in terms of pay or permanence) for those entering employment. While there is significant evidence of the value of work for both physical and mental wellbeing, the quality of that work is central to broader positive outcomes. Australian research has shown the importance:¹⁴

Getting a high quality job after being unemployed improved mental health by an average of 3 points, but getting a poor quality job was more detrimental to mental health than remaining unemployed, showing up as a loss of 5.6 points.

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Poor health has a high cost to individuals and to their families. Millions have been spent on active labour market programmes and there is a large international evidence base on their effects. However, the analysis has focused on the short-term outcomes of getting people into jobs, rather than examining the types of jobs people take and their impact on poverty.¹⁵

It was telling that, for many of the employers interviewed for our research, those employees working under the poorest terms and conditions did not work for them directly. They were either part of an outsourced team (often connected to the building), working for an agency (for some employers it was the norm to use agency staff for all positions that were for less than two years), or part of an acquired business with adopted contracts. All employers were unaware of the details of the employment of those working in their supply chains. Little strategic thought was put into their lower paid workforce, focusing much more on the higher skilled and harder to recruit positions.

Replicating good practice in the supply chains of organisations is critical in order to have an impact on the most precarious workers. When this is achieved, the wins can be significant. This can be seen in the adoption of the living wage by Transport for London and also by all its sub-contractors in London.

The rise in self-employment has garnered considerable attention. While the numbers are still relatively small (15 per cent of total jobs), self-employment alone accounts for 40 per cent of the increase in work in the last year.¹⁶ There is an important division between those who enjoy contracting and those who are reluctantly self-employed. The Association of Independent Professionals and the Self-Employed describe the self-employed 'world' as divided between two million 'knowledge workers' and three million 'precariat', requiring different approaches.

There is a significant financial incentive, delivered through the tax system (in the form of national insurance contributions), for employers to use self-employed contractors. Some self-employed workers may be particularly vulnerable because they earn little and are not protected by minimum wage laws or other employment rights protection. Union membership is falling, and less than 10 per cent of the lowest paid are union members.¹⁷ The median income for self-employed people is £209 per week – £175 less (or only 54 per cent) of the median weekly wage of someone in employment. The 'minimum income floor' in universal

credit (the minimum amount of assumed self-employed earnings for the purposes of calculating awards) is higher than £209 per week, meaning significant numbers of self-employed people will miss out on support.

Customers can be seen to be vital in shaping business decisions. IKEA, Aldi and Lidl have all recently introduced the living wage, and describe the benefit in these terms: 'Happy co-workers lead to happy customers'.¹⁸ In practice, this means that the roles valued by customers tend to be better remunerated (even within the band of low pay), with better conditions, flexibility options and progression paths than those that are 'unseen', such as jobs in warehouses, facilities or cleaning. This is despite similar qualification levels required for entry.

Customers also have an important role in holding companies to account. It has long been the argument of some low-paying retailers that low pay is a necessity to ensure low prices (although the differentials between frontline and executive pay point to a certain hollowness in this framing). Nonetheless, the role of consumerism and expectations regarding prices, 'free returns' and immediate delivery are important drivers of retail. Similarly, the increasing cost of social care, the importance of paying carers well, and the implications for taxpayers is a subject that struggles to gain traction.

The ecommerce model has also created a geography that sees a city-based head office, with well-paid, highly skilled staff supported by warehouses and logistics businesses sometimes in very different parts of the country where land is cheaper.¹⁹ This disconnect is deepened when warehouse and transport staff are not employed directly by the head company, but by agencies that offer very different terms and conditions. Tesco has a staff of 6,000 working in its warehouses – 35-40 per cent of these are agency workers.²⁰

Customer service expectations have meant that business costs are pushed down at every opportunity. Items that have become standard, such as free returns, are a significant expense, and only viable when sales are made at scale. The creation of such norms has formed a significant barrier to entry for those retailers without control of their logistics. From product endorsement to bloggers, vloggers and Instagram, understanding the rules of social media has become essential in some sectors. It is also changing and challenging job roles, career paths and blurring the gap between work and home life. In roles where working hours are

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flexible, the division between private and public lives can be complex.

Increasing outsourcing and automation are potential threats to jobs in the UK. Again, there is a difference between jobs where personal interaction is valued and the use of technology ‘behind the scenes’ – for example, in warehouses where an increase in automation was perceived to be likely to lead to a reduction in jobs. Some academics argue that automation will not decrease jobs, but change them. This interpretation raises the question of which jobs, and where.

While technology and contracting out are enabling more people to work remotely, this is also leading to more atomised and potentially isolated working lives. The traditional workplace with a canteen or tea room does not exist for many low-paid workers, especially those delivering care services to people in their homes or cleaning empty offices. This has an impact on social capital, on the ability to network – both for fun and to progress/find out about new job opportunities. For workers in tech, solutions have opened up in the form of shared office and networking spaces. The scope to develop shared spaces for those delivering care services (for example, childminding and adult social care) to meet, learn, work and network is reduced as children’s centres and libraries are closing. The challenge is to develop new ways to deliver.

Work is changing, and with it there is a shift that moves power even further from low-paid workers. Traditional support systems, including social security, advice services and unions, have been cut or show falling membership. Effective, sustainable support for low-paid workers needs a broad focus – on pay, on benefits, on skills, on childcare,²¹ on shared spaces. The challenge is to build a coalition of workers, employers and policymakers to design and deliver it. ■

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1 See, for example, Chartered Institute of Personnel and Development, *2017 Outlook* and T Bell, ‘2016 deserves a better press on living standards: we’ll miss it when it’s gone’, Resolution Foundation, <http://www.resolutionfoundation.org/media/blog/2016-deserves-a-better-press-on-living-standards-well-miss-it-when-its-gone>
 2 R Avent, *The Wealth of Humans*, Allen Lane, 2016
 3 This is not a clearly defined group, but much analysis assumes an annual salary of £18,000–£24,000 per year.
 4 It is listed 15/22 for low pay, measured as % of full-time employees in low pay.
 5 S Clarke and C D’Arcy, *Low Pay Britain*, Resolution Foundation, 2016
 6 National Policy Institute, *London’s Poverty Profile*, <http://www.londonpovertyprofile.org.uk/indicators/topics/low-pay/change-in-low-paid-jobs-by-gender>; see note 5

7 P Kirby, ‘What do we need trade unions for’, in N Tyrone (ed), *What is the Future of Trade Unionism in Britain*, Radix, 2016
 8 J Philpott, ‘More than 7m Britons now in precarious employment’, *the Guardian*, 2016, available at www.theguardian.com/uk-news/2016/nov/15
 9 Working Families, *Modern Families Index*, 2016, www.workingfamilies.org.uk/wp-content/uploads/2016/02/Modern-Families-Index-2016.pdf
 10 A number of employers interviewed spoke about the changing nature of work from younger workers or ‘millennials’, who were more likely to request, or even assume, that their working hours would be able to flex, to fit in with other commitments. This finding was echoed in the *Modern Families Index* survey results.
 11 See www.ft.com/content/cef4d482-a5c0-11e6-8898-79a99e2a4de6
 12 See, for example, J Wright and R Case, ‘Autumn Statement: retail sector too big to ignore in government’s quest to solve productivity puzzle’, Joseph Rowntree Foundation, available at www.jrf.org.uk/press/; and World at Work, ‘Workers still prefer traditional employment’, available at www.worldatwork.org
 13 L Hipp, ‘Insecure times? Workers’ perceived job and labor market security in 23 OECD countries’, *Social Science Research*, Science Direct, November 2016
 14 P Butterworth, LS Leach, L Strazdins, SC Olesen, B Rodgers and DH Broom, ‘The psychosocial quality of work determines whether employment has benefits for mental health: results from a longitudinal national household panel survey’, in *Occupational and Environmental Medicine*, 2011
 15 K Ray, P Sissons, K Jones and S Vegeris, *Employment, Pay and Poverty: evidence and policy review*, Joseph Rowntree Foundation, 2014
 16 All data from Office for National Statistics, *Labour Market Statistics*. Calculations are the author’s own.
 17 N Tyrone (ed), *What is the Future of Trade Unionism in Britain*, Radix, 2016
 18 George Bowden in interview, ‘Ikea boss says paying workers the ‘real’ living wage has been crucial to improving business’, with the *Huffington Post*, November 2016, http://www.huffingtonpost.co.uk/entry/ikea-living-wage_uk_583c2bd4e4b0207d19189ed0?
 19 Employer interview for CPAG/Working Families research
 20 See note 8
 21 Childcare – its cost, quality and availability – is one of the biggest barriers for working parents, and this is exacerbated for those in low-paid, insecure, irregular or part-time work. Parents want good quality, flexible childcare. An effective childcare strategy needs to encompass the needs of children of all ages and changes in the labour market, which make it more difficult to commit to specific times. Employers have much to offer to this discussion, from creating childcare spaces to matching up employee demand for childcare with local supply.

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