Steep rise in UK workers on low pay

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Responding to the increase in the use of food banks in Britain, Education Secretary Michael Gove blamed the families involved for poor financial management.

Some half million people are now using food banks according to charities. When asked to account for their growth, Gove blamed the poor. Some families faced “considerable pressures” that “are often the result of decisions that they have taken which mean they are not best able to manage their finances”, he said.

Only days before his ignorant remarks, the Resolution Foundation issued its latest report, “Low Pay Britain 2013”. It makes clear that the growth in food banks is directly linked to the austerity measures of the Conservative-led coalition, aimed at driving down welfare and wages.

Among its findings is growing evidence of a two-tier workforce. The report notes: “The jobs market has thus become more polarised, with new jobs increasingly falling into two distinct camps: high-skilled and high-paying or low-skilled and low-paying”. It continues, “While the top has continued to move away from the middle, the gap between the bottom and the middle … has remained relatively constant…” This phenomenon has given rise to the so-called “squeezed middle.”

The number of workers earning less than a “living wage” had jumped from 3.4 million in 2009 to 4.8 million in 2012. The living wage, as opposed to the minimum wage of £6.31 an hour for those over the age of 21, is that considered to meet the basic needs of a reasonable standard of living. According to the Living Wage Foundation, the current figures for a living wage are still a relatively miserly £8.55 an hour in the London area and £7.45 outside London—£342 and £298 per week for a 40 hour week.

One-fifth of workers are classed as low paid—defined as those earning less than two-thirds of gross median hourly pay, or £7.44 an hour.

A senior economist at the Resolution Foundation, Matthew Whittaker, explained, “This is a jobs market where many workers are stuck in low-paid, low-skilled jobs, overwhelmingly in the service economy and often part-time or temporary. Younger workers, women and those living outside London are most at risk.”

An expression of the increasing inequality of earned income is given by the median salary figure. The report notes, “the median salary in Britain is now estimated to stand at around £21,300 some £3,300 lower than at its peak in 2005-06. And according to these projections, the picture shows no sign of recovering in the medium-term. By the end of the forecast period in 2017-18, the median pay is set to amount to £21,000, still significantly lower than the level recorded at the turn of the century.”

The number of workers turning to self-employment as a response to job losses has been rising, but they have not been exempt from enduring low pay. The report notes that “the typical incomes associated with self-employment have been falling, suggesting that many of those moving into this category might also be considered to be part of the bottom tier of Britain’s labour market … the median annual income reported by self-employed workers fell by £4,000 (or 28 percent) between 2001-02 and 2010-11. Again the trend appeared to accelerate post 2008, with a 15 percent decline in evidence between 2007-08 and 2010-11.”

The result of these developments is the rising exploitation of workers as wages fall. Wages fell behind productivity even before the financial crash of 2008. The decline in manufacturing, a “reduced demand for middle-skilled and middle-paying jobs”, combined with “a growing focus on shareholder returns” has increased income inequality, and not only in the UK.

“As a result of these trends … low and middle earners in particular, failed to share equally in the gains from economic growth in the period before the crash”, the reports states. “It is a trend that is in evidence in a number of advanced economies, with the apparent ‘decoupling’ of productivity growth from wage growth appearing more or less established…”

Another indication of this growing inequality is highlighted by research by One Society. In recent research, it calculated that if the minimum wage, which was introduced in 1999, had risen in step with the pay of FTSE 100 directors, the minimum pay figure today would be around £19 an hour rather than the current £6 plus change.

The hourly wage rate does not give a clear picture of low pay. Under-employment is a major factor in the rise in poverty. According to the *Guardian*, in 1975 the 1.1 million part-time workers made up just 30 percent of the low paid population. That has more than doubled today to 2.9 million part-time workers classed as low-paid, making up nearly 60 percent of the total of low-paid workers.

The article concluded: “Whole sectors of the British economy are now dominated by low-paying jobs. In hotels and restaurants 68 percent of workers now earn less than the living wage. In retail the figure is 39 percent. In 2007 the figures were 59 percent and 33 percent respectively.”

The Resolution Foundation report explained that since the financial crisis of 2008, an increasing number of those entering or returning to the job market are doing so on a part-time and temporary basis as well as being low-paid. The report notes that “the concern now is that the change will be locked-in during recovery.”

The entire purpose of the government’s austerity measures—which are supported by Labour—is precisely to “lock-in” the decline in wages and conditions, so as to establish a “new normal.”

A key mechanism for doing this is the growth in zero-hour contracts, now estimated to account for some 5.5 million workers in Britain. Those on zero-hour contracts are only paid for the hours they are required—which can literally be as low as zero hours in a week—and do not receive sickness or holiday pay.

Previous research by the Resolution Foundation found that workers on such contracts are typically paid £6 an hour less than other workers—earning on average £9 an hour, compared to £15 for other workers.

Zero-hour contracts are especially prevalent in the health service—including among temporary doctors, in supply teaching and other vital sectors.

Most of those on the contracts are aged between 18 and 24 years of age, and the numbers in this age range employed on this basis has more than doubled since 2008.