Five million people in UK earn less than £8.10 an hour

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More evidence has emerged of the desperate conditions faced by millions of low-paid workers across the UK.

Even as the Conservative government increases the *voluntary* UK Living Wage to £8.75 an hour (£10.20 in London), the Resolution Foundation reports that a quarter of low-paid workers were permanently stuck in low-wage jobs over the last decade.

Nearly half fluctuated in and out of the low-pay bracket, while just one in six escaped into more gainful employment. Low pay is defined by the foundation as less than two-thirds the median hourly wage of £12.10. This means more than 5 million people are earning £8.10 an hour or less.

The emergence of such a low-wage workforce, just 70 pence less than the new supposedly living wage, reflects broader structural changes in the British and world economy following the 2008 financial crash. Full-time employment is now out of reach for many, with growing numbers forced into precarious part-time and self-employment, lacking even basic protections including sick pay. According to the report, 64 percent of those permanently stuck in low-pay were working part-time.

For the British working class, the period of austerity since 2008 has been one of continued and drastic decline in real wages: down 11 percent in 2017 compared with 2007, and with inflation continuing to outstrip wage growth throughout this year. The only section of the workforce to improve its pay was the poorest 15 percent, thanks to the abysmally low level at which these workers started. The Resolution Foundation report highlights sharp divisions in these "gains." The 25 percent of those in low pay who are trapped there saw their wages increase by just 40p an hour—well behind the £4.83 increase for the one in six who escaped and pointing to the creation of a permanent poverty-wage sector of the labour force.

For low-paid workers aged under 25, even this picture is too rosy. They are not entitled to the National Living Wage (£7.50/hour)—instead earning the minimum wage of between £4.05/hour and £7.05/hour depending on age, or £3.50/hour for apprentices. Young workers are being underpaid by between £820 and £6,300 a year for carrying out the same work as older workers, according to a report by the Young Women's Trust. A survey of more than 4,000 young people conducted by the charity found that raising the apprentice minimum wage and extending the National Living Wage to under 25s were the two most popular suggested policies (with 83 percent and 79 percent in favour.)

According to a study by the Trades Union Congress (TUC), 16- to 17-year-olds working 40 hours a week for the minimum wage were £300 a year worse off in real terms compared to 2008, with those aged 18-20 £250 worse off.

Both young and older low-paid workers have been particularly sharply affected by welfare cuts and the rising cost of living, far outstripping meagre wage gains.

Among the more punitive increases in living costs over the past decade has been childcare. Young women in their early to mid-20s are highlighted by the Resolution Foundation as one of the most vulnerable groups when it comes to low-pay.

According to recent research by the TUC, the average cost of childcare increased 48 percent between 2008 and 2016. A single parent in full-time work in 2016 spent, on average, one fifth of their wages to place a one-year-old in nursery for 21 hours a week—compared to one sixth in 2008. Two parents in full-time work saw a jump from 8 percent to 11 percent of their income spent on childcare from 2008 to 2016.

Speaking for the Family and Childcare Trust, Ellen Broome explained, “Low-income families claiming Universal Credit typically take home just £1.96 per hour after childcare costs have been paid, and some get even less than this.”

Crippling expenses, combined with poor wages, have led to serious levels of indebtedness. Total consumer debt from car finance, personal loans and credit cards stands at £200 billion. The annual growth rate of consumer credit stands at 10 percent, compared to a 2 percent annual household income growth. Working people are being forced to borrow money on an unprecedented scale to simply get by. There are 8.3 million people in the UK with problem debts, according to the Money Advice Service. Half of all UK adults are “financially vulnerable—highly reliant on credit or unable to cope with small rises in bills,” according to the Financial Conduct Authority (FCA).

The greatest problems are faced by young people and renters, both typically among the low-paid. Those aged 25-34 hold, on average, five times more unsecured debt as a ratio of income than over-55s (twice as much as 35- to 44-year-olds) and are three times more likely to use credit to pay for essential items like food. Compared to mortgage holders, renters are twice as likely to resort to credit to pay for essential items. Figures from the FCA released in October show that 55 percent of 18- to 24-year-olds are in debt, as are 63 percent of 25- to 34-year-olds, owing an average of over £8,000. Moreover, 20 percent of 25- to 34-year-olds have no savings at all, with an additional 33 percent having less than £1,000.

With the Bank of England beginning to raise interest rates, millions of people are standing on the precipice.

In the light of these figures, the miserly increases planned for the UK and National Living Wage are exposed as a fraud. The recent increase to the UK Living Wage means only 150,000 workers will be affected, with many major companies refusing to pay the higher rate. The plans to increase the enforced minimum for over 25s to £8.75 an hour will still leave an estimated 4.3 million workers in low pay, according to the Resolution Foundation. In addition, the numbers of workers clustered within 1 percent of the wage floor is expected to double to 3.7 million by 2020.

Labour’s proposal is to increase the minimum to £10 an hour, but neither Labour nor the TUC are prepared to seriously challenge employers on low-pay.

Responding to the recent increase in the voluntary minimum, Labour’s Mayor of London Sadiq Khan appealed to businesses, “Paying the London living wage is not only the action of a responsible organisation, but a successful one too. Many of the accredited employers I speak to tell me of the increased productivity and reduced staff turnover that they’ve experienced since signing up.”

TUC General Secretary Frances O’Grady, on the other hand, continues to petition the Tory Government to take up Labour’s plan, “by raising the minimum wage to £10 an hour as soon as possible.”

The Labour and trade union bureaucracy are wholly incapable of addressing the fundamental cause of low-pay, rising living costs and debt: the more and more forcible exertion of the laws of capitalist economy. According to an Institute for Public Policy Research report into wealth inequality in Britain, “Every generation since the post-war ‘baby boomers’ has accumulated less wealth than the generation before them had at the same age.” This is not a question of intergenerational conflict, but of the collapse of the post-war order and a deepening capitalist crisis which recent entrants to the labour market are feeling most sharply.