



Britain Works

A discussion paper
Jane Mansour

INTRODUCTION

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 the workplace in such a short timeframe. Some 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 changes in the current labour market – changes that have seen falling wages, a greater use of temporary contracts, agency workers and self-employment, and a rise in in-work poverty: 3.8 million workers in the UK live in poverty.¹ This has resulted in a corresponding shift in the prevalence of child poverty: two-thirds of children growing up in poverty in the UK now live in a family in which at least one person works. Yet ‘work’ continues to be the biggest anti-poverty policy of recent decades, with support delivered under banners of ‘making work pay’ and calls to ‘work your way out of poverty’.

Not only have we seen significant changes in the ways in which we work, but also in the systems set up to support work (through social security benefits, access to skills training, childcare and trade unions).

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. Low pay will be exacerbated by real-terms cuts to working-age benefits, especially to the flagship universal credit.

Working families’ most important resources – time and money – are in short supply. Indeed, only one in five working families feel they have the right time and money balance for their families to thrive.² Parents need decent pay *and* job security *and* respect for their caring responsibilities. Employers who can offer this are rewarded with loyalty, reduced costs, better customer and client service, and an improved corporate reputation. But employers also face competing demands, not only from their employees, but from consumers, the wider economy, government policies and now Brexit. Some sectors are under significant pressure from new competitors with different ways of working.

As the gap between support systems and the labour market grows, so the lives of many people with a foot on both sides of this chasm become increasingly precarious.

BRITAIN WORKS

Child Poverty Action Group (CPAG) and Working Families work with low-income families who face further falls in their living standards over the next five years.³ Both organisations have come together under the umbrella of 'Britain Works' to identify how the labour market and its support systems can work better for families short of time and money.

Through Britain Works, we aim to facilitate and promote a wide and open discussion about how to improve the experience of work both for low-income families and their employers. We invite employers, workers and researchers to engage with us in rethinking the current model.

This initial paper combines a literature review, analysis of Office for National Statistics data, input from attendees at a roundtable of employers, employer representatives, unions, academics and charities, and in-depth interviews with employers about their staff earning £20,000 or less a year. It looks at:

- What is 'decent work'?
- Getting into work
- Progression
- Work/life balance
- Sharing the rewards of work

These headings provide the framework and context in which this partnership project will sit. The interviews, roundtable discussion, literature review and data analysis have helped shape the questions emerging at this stage, and which are listed throughout. Later stages of Britain Works will see employers and families engaged in designing solutions.

We would like to thank all the employers who were interviewed – they were very generous with their time and expertise. Thanks are also due to the Esmée Fairbairn Foundation for its support for this project, and to the Webb Memorial Trust for its support for this report.

WHAT IS 'DECENT WORK'?

'Decent work for all' is one of the United Nations' sustainable development goals. The *Taylor Review* of modern working practices also states as its ambition that 'all work in the UK economy should be fair and decent.'⁴ But what do we mean by 'decent work'?

The TUC's *The Great Jobs Agenda*, published in June 2017, highlights employee voice, fair and decent pay, regular hours, fair treatment and respect, healthy workplaces, and learning and progression as important for a great job. The International Labour Organization's Decent Work Agenda measures employment protection, adequate earnings, work/family/life balance, social security, and the economic and social context. The *Taylor Review* talks about having 'realistic scope for development and fulfilment'.⁵

Oxfam commissioned research in Scotland in 2015/16, in which 1,500 low-paid workers were asked about what decent work meant to them.⁶ Five aspects were repeatedly identified: sufficient pay; job security; paid holidays/sick leave; a safe working environment; and supportive line management.

There is significant evidence of the value of ‘decent’ work for both physical and mental wellbeing. For example, Australian research has shown:⁷

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.

However, despite millions of pounds having been spent on active labour market programmes, the analysis of their impact has focused on the short-term outcomes of people moving into jobs, rather than on examining the *types* of jobs people take – whether the work people end up in is decent and whether it is able to lift people out of poverty.⁸

The Living Wage Foundation has been a very effective advocate for fair pay. The clarity and specificity of the message and business case have brought employers and workers together. The objective is clear and impact measurable. Job security, in contrast, is harder to define and distil into a single priority.

Insecurity can be discussed in terms of temporary jobs (1.2 million workers in the UK are on a temporary contract via an employment agency⁹), zero-hours contracts (there are 750,000 more people on zero-hours contracts than in 2006) and the chance of losing a job at short notice (this affected 7.1 million workers in 2016, up from 5.3 million in 2006.¹⁰)

DECENT WORK: Questions to consider

Should job quality be measured by the Department for Work and Pensions for Jobcentre Plus and Work and Health Programme-provider jobs? Job quality could be captured by the type of contract (permanent/temporary/short-term/zero-hour), and by salaries above and below the ‘living wage’ as a starting point.¹¹

Is there value in developing a definition of ‘secure work’ that could be adopted by employers and advocacy organisations?

SELF-EMPLOYMENT AND THE GIG ECONOMY

One of the biggest changes in the world of work has been the increase in self-employment – from 3.9 million people in 2010 to 4.8 million in July 2017.¹² Self-employment accounts for 40 per cent of the increase in work in 2016.¹³ London has the highest rate of self-employment of all the UK regions: 18 per cent of all workers.¹⁴

There is an important distinction to be made between those people who enjoy contracting out their services and those who are reluctantly doing so. The Association of Independent Professionals and the Self-Employed describes the self-employed ‘world’ as divided between two million ‘knowledge workers’ and three million ‘precariat’.¹⁵ This distinction can be understood in terms of the amount of control people have over their working lives and how the risk of employment is shared.

However, it is the rate of growth that has sparked concerns about whether all this self-employment is genuine. The law defines someone as self-employed according to the level of control s/he has over when, and for whom, s/he works. This was the basis of a successful claim by two drivers against Uber: they were found *not* to be self-employed because they had to accept the Uber platform, and could not set their own prices. (Interestingly, Deliveroo in the UK has 8,000 self-employed workers, whereas its 1,500 couriers in the Netherlands and Germany are directly employed.¹⁶ The Deliveroo model, then, does not *require* self-employed workers, rather the UK regulatory framework facilitates this ‘cheaper’ model, where the costs to workers are absorbed by the workers themselves – and also by the state via reduced-rate national insurance contributions.)

Some self-employed workers may be particularly vulnerable because they earn little and are not protected by minimum wage laws or other employment protection. They are not entitled to the same family-friendly rights as employees – maternity leave, for example. The calls taken by the legal advice team at Working Families suggest that employers and workers are often unaware of the employment rights of the self-employed.

‘WORKERS’ VS EMPLOYEES

Workers are also limited in their employment rights protection. They are not entitled to the same family-friendly rights ‘employees’ are – parental leave and time off for emergencies, for example.¹⁷ Indeed, some parents in insecure work believe they have no rights at all because of their employment status, and are often afraid of asserting the rights they do have.

It is worth pointing out that even among employees, who have the most protection in terms of employment law, the amount of control people have over their working lives, and how the risk of employment is shared, varies. The British Social Attitudes survey published in summer 2016 shows that, while levels of perceived autonomy at work have risen over the last decade for those in managerial jobs, those in semi-routine and routine occupations (and so more likely to be low paid) have experienced an increase in *employer* control.¹⁸ The impact of this on workers’ health and productivity is significant. The fact that employees have a legal right to request a working pattern that matches their caring responsibilities, for example, is of little, if any, value when there is such an imbalance of power and risk. Union membership for this group of workers is low.

Job security was a key theme in the interviews undertaken for this paper. Although job security is difficult to distil into a clear requirement, the TUC suggests that a good start would be a presumption that all workers should be employees, unless a clear case is made for self-employed or contractor status, and that all workers should have the right to a written statement of terms and conditions. The *Taylor Review* recommended that employees and workers should receive a written statement on employment right from day one in a job, and that individuals should be able to get an authoritative, timely determination of their employment status without paying any fees.¹⁹

SELF-EMPLOYMENT AND WORKERS: Questions to consider

What is the reality of self-employment and the gig economy for low-paid workers?

Do we need to re-define what self-employment means?

Is it possible to increase employment protection while maintaining the flexibility of contracting?

PART-TIME AND TEMPORARY EMPLOYMENT

There is a complex picture in the current labour market. There are 8.5 million part-time workers in the UK, an increase from 7.8 million in 2010. However, the proportion of part-time workers who say that they cannot find full-time work has fallen to 12%, from 15% in 2010 (between 2011 and 2014 the proportion who were unable to find full-time work rose to 17-18%).

The proportion of temporary workers has remained relatively stable over the last six years, at about 6 per cent. In 2013, 40% of temporary workers were temps because they were unable to find a permanent job. This had dropped to 27% by 2017.²⁰ We know that many people cycle between low-paid jobs and unemployment because of the nature of the labour market.²¹

The employers interviewed for this paper highlighted the challenges of providing 'secure' work if that brings connotations of a 'job for life', as flexibility for the employer is needed. But 'temporary' for some employers meant anything up to two years.

In some retail settings where the business process dictates the number of hours that need covering, often with little notice, employees are on zero or minimum hour contracts with very little predictability. The lack of clear expectations about earnings and number of hours has consequences for people's ability to plan and manage their time and income, and for working parents fluctuating demands can make childcare arrangements almost impossible.

AGENCY WORKERS AND SUPPLY CHAINS

Some temporary employment is through agencies. According to the Resolution Foundation, there are currently 865,000 agency workers, predominantly from groups that are more likely to be disadvantaged in the labour market, including women and young people.²² Its research shows the trend to be towards long-term agency work. One UK supermarket uses 54 different agencies to provide its temporary warehouse workers.

Although after a 12-week qualifying period with the same employer, in the same role, agency workers are entitled to have the same basic terms and conditions of employment, including pay, as if they had been employed directly, our interviews revealed that they often missed out on other opportunities, such as training.

Many of the employers interviewed did not directly employ the staff with the poorest terms and conditions. Instead they were: 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); part of an outsourced team (often connected to the building); or part of an acquired business with adopted contracts. All were unaware of the employment details of those working in their supply chains, although one noted they had been 'assured that the working practices were to look after their staff'. Little strategic energy was spent on this end of the workforce, as employers focused on the higher skilled and harder-to-recruit positions. Decisions to outsource parts of delivery, for example, were not always decisions at all, and were described in one interview as being down to not reviewing the 'way things are done here'.

There are examples of good practice. One employer working in a well-paid industry had a co-funded nursery on site for working parents and intervened to move all nursery staff onto the London 'living wage', which represented a significant pay rise for those employees. The employer had been initially

unaware, and then shocked to discover, how little nursery staff in their offices earned. Replicating good practice in the supply chains of organisations is critical to having 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 London ‘living wage’ by Transport for London and all its sub-contractors in London. Camden Council has also adopted a no-zero-hours policy for the whole borough.

The public sector, like many of the private sector employers interviewed, is both employer and commissioner of outsourced services. As many low-paid, insecure jobs – from driving to care to cleaning to security and beyond – are outsourced, effective strategies need to address employer behaviour as purchaser as well as hirer.

Gaps between groups of workers were apparent from the interviews carried out for this paper. Whether between office and warehouse staff, permanent and temporary, or consultant and contract, a lot of the variation in experience is in the ability of workers to control how and when they work. Long supply chains can push the risk further from the employer and closer to the individual.

TEMPORARY WORK, AGENCIES & SUPPLY CHAINS: Questions to consider

How can we ensure employers are able to utilise the agency worker model while ensuring agency workers themselves are not disadvantaged in terms of rights and remuneration, because they choose to work in this way?

How responsible should employers be for their supply chains?

What alternatives are there to zero-hour contracts in low-paying sectors such as catering, hospitality and care work?

Is there value in a kite mark to show that supply chain terms and conditions meet a certain minimum standard? Can we learn from the Department for Work and Pensions’ Merlin Standard?²³

Is customer interest in company supply chains a method of creating positive change for workers within them?

EMPLOYEE ENGAGEMENT

Employers have an important role to play in creating a positive working environment for their employees at all levels. There is considerable research showing the value of employee engagement, both for developing loyalty and improving performance. However, research also shows a gap between the proportion of workers who can see ways to improve the business they work for and those who feel their ideas are taken seriously.²⁴ One of the reasons for this may be a lack of ability at line management level. Indeed, a number of employers interviewed identified that there were gaps between strategic delivery aspiration and reality on the frontline. In the 2016 Autumn Statement, the Chancellor promised £13 million to support improving UK management skills. However, the commitment to having employees on boards made by the Prime Minister in her conference speech in autumn 2016 appears to have been watered down.

Historically, trade unions have been the main mechanism driving worker/employer engagement, and there are examples of where this still happens effectively. However, membership of unions is falling and is now disproportionately public sector, older, and middle to high earners. Private sector

membership sits at 14 per cent, and only 10 per cent in London. Less than 10 per cent of the lowest paid workers are union members.²⁵

There is a clear role for organisations (including unions) that have a different relationship with employers to work with them and their workers to develop some broader solutions.

EMPLOYEE ENGAGEMENT: Questions to consider

How can employers and low-paid workers be supported to engage in designing better work?

Is there a need for new institutions to play the role traditionally held by employers, supporting contracted workers to pool risk and regulating pay?

BALANCING NEEDS: CUSTOMER, EMPLOYER AND WORKER

Employers face competing demands from Brexit, consumers, employees and government. Some sectors are under significant pressure from new competitors with different approaches to working and hiring. The latter means that the great majority of law-abiding employers face being unfairly undercut by less scrupulous competitors:²⁶

Work without security around terms, hours, duration or working pattern... presents unscrupulous employers with additional avenues to avoid employment rights or pressure employees into forgoing them. The ability of employers to reduce hours, change favourable shift patterns or end a temporary contract can create significant pressure on workers, which stops them defending their rights. For many, these pressures can render their rights useless.

Most attempts to involve employers in discussions about improving pay, conditions and progression opportunities have focused on the business case. This tends to balance increased investment in the workforce against improved productivity, staff motivation and lower recruitment costs. A wider argument can also be made about the positive effects on corporate reputation, customer loyalty and, consequently, higher sales: in other words, enlightened self-interest.

Customers are central to many business decisions. IKEA, Aldi and Lidl have all recently introduced the 'living wage', with IKEA describing the benefit as 'Happy co-workers lead to happy customers'.²⁷

The customer figured prominently in our interviews. For some employers, the emphasis they placed on customer service dictated HR decisions. In practice, this resulted in the roles valued by customers being better remunerated (even within the band of low pay), with better conditions, flexibility options and progression paths than those that are 'unseen' (for example, in warehouses, facilities or cleaning). This was despite similar qualification levels required for entry. One of the employers interviewed talked about the strategic importance of a decision made three years ago to prioritise focusing on customers to increase sales. This meant owning all its call centres in order to 'influence behaviour, language and interaction with customers from the beginning to the end of the process'. For this employer, potential cost savings that come from outsourcing were outweighed by better customer engagement.

For one ecommerce retailer, high customer service expectations (described as 'now, now, now, and fast') have meant that business costs are pushed down at every opportunity. Items that have become standard – such as free and speedy delivery, free returns and immediate refunds – are a

significant expense, and only viable when sales are made at scale. The logistics processes these entail have a significant cost (particularly free returns) which is offset by the use of temporary contracts and/or zero- or minimum-hour contracts in warehouses.

The ecommerce model has also created a geography of a city-based Head Office, with well-paid, highly skilled staff, supported by warehouses and logistics sometimes in different parts of the country where land is cheaper – in essence a two- (or multi-) tiered labour market.²⁸ 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. One large UK retailer has a staff of 6,000 working in its warehouses – 35-40 per cent of these are agency workers.²⁹

Increasing outsourcing and automation are potential threats to jobs in the UK. Although automation was having a significant impact on the way businesses we interviewed operated, many employers perceived little threat to overall job numbers in their organisations because current customer preference was to speak to people. One described the array of ‘live’ support they made available to customers completing online documents, and the staffing required to deliver this. Again, the real difference was in the use of technology 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 reduce the number of jobs, but change them. This raises the question of which jobs and where.

BALANCING NEEDS: Questions to consider

To what extent are ‘bad’ employers or ‘disruptive business models’ a threat to ‘good’ employers?

Is it harder to be a ‘good’ employer in the current economic climate?

Does a focus on the customer, or the service user, lead to a restructuring of the systems that improve jobs at the bottom end of the pay scale?

GETTING INTO WORK

Employment is now at record levels, but not all jobs are decent. Evidence suggests that people want to work if they can,³⁰ and indeed about 75 per cent of people move off Jobseeker’s Allowance after six months, 90 per cent after 12 months.³¹ But there are barriers to getting into work. Childcare is a key, and huge, issue, which we can only touch on here.

CHILDCARE

Good childcare enables parents to work. But the cost, quality and availability of childcare mean that it is one of the biggest barriers to work for parents, especially those in low-paid, insecure, irregular or part-time work. One in ten parents say the week-to-week unpredictability of their hours precluded the use of more childcare. Affordability and availability are issues for four out of ten parents.³²

An effective childcare strategy needs to encompass the needs of children of all ages, as well as changes in the labour market, which make it more difficult to commit to specific times. Employers have much to offer to this discussion, from offering childcare deposit loans,³³ to creating childcare spaces, to matching employee demand for childcare with local supply.³⁴

CHILDCARE: Questions to consider

What role and responsibility do employers have in supporting the childcare needs of their staff?

What issues do employers see with existing childcare their staff use?

How can the government's free childcare offer better support working parents in the modern labour market?

PROGRESSION

Lack of progression is a significant issue for adults in low-paid work. Once people enter employment, what can be done to ensure they progress – both within jobs and between jobs? Progression upwards may not be possible in all sectors, but the cost of recruitment means employers do have financial reasons to try to retain staff. Progression may not always be about an immediate pay rise – it could mean more flexibility or a sideways move.

SKILLS

The UK labour market has been characterised as 'lots of people working in disappointingly low-wage jobs'.^{35, 36} There are clear links between higher skills and higher pay (particularly the graduate premium), but the links between skills acquisition and progression are less clear. The *Taylor Review* identifies the need for people 'working in atypical or casual work... to obtain, improve and evidence skills and experience over the course of a working life'.³⁷

Employers are more likely to invest in training their higher paid, and already highly qualified, staff than those in entry-level roles. People in low-wage jobs wanting 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. Academic Alison Wolf notes that this has occurred at the same time as the 'evisceration of technical skills', as funding has prioritised apprenticeships and three-year degrees.³⁸

Some employers interviewed identified skills gaps, particularly in science, technology, engineering and maths. Others noted that they wanted to improve the diversity of their higher paid workforce, but found it harder to recruit young women than young men to technical positions with good career progression paths and earning potential. A number of employers interviewed were involved with schools in order to raise the profile of opportunities within their industry.

The employers interviewed used a combination of online and in-person training, almost all of it focused on skills for progression and more readily available for those in more senior roles. It was not available to those on temporary contracts, even those 'temporary' contracts lasting two years.

Skills acquisition can be a way for self-employed people to escape low pay, as they can increase their prices by providing a higher-quality service.³⁹ In sectors, such as construction, where there are recognised qualifications that customers understand, training can enable people to charge and earn more. This route is less apparent in other sectors.

GOVERNMENT SUPPORT

There are concerns about the ability of Jobcentre Plus to deliver effective in-work progression support when it does not capture data on the quality of jobs people enter from unemployment and when such support is conceived, framed, and delivered as 'in-work conditionality'. The focus to date also appears to be on increasing hours rather than supporting people to be in a position to earn more per hour.

The evidence shows that the most effective way to increase earnings is to move jobs. This requires confidence in the social security safety net at a time it is being weakened both conceptually as a universal right, and in reality as in-work benefits are cut and universal credit evaluations show people may be more likely to move into shorter-term, lower-paid work.⁴⁰

Understandably, much employment support in general tends to focus on 'now' jobs, but workers may also benefit from good quality advice that look at how to prepare and qualify for better work in the longer term.

PROGRESSION: Questions to consider

To what extent will skills investment help progression from low pay – either within or between jobs?

How can employer engagement in skills for their low-paid workers be increased?

Will 'new' jobs require different or higher skills?

How equipped is the adult skills market in the UK to deliver that?

WORK/LIFE BALANCE

Flexibility in the UK labour market is complex. On the one hand, all employees who have 26 weeks of service have a legal right to request flexible working but, on the other, many working parents feel they cannot make use of this right because of the culture and practice where they work. Almost half of working parents are uncomfortable raising the issue of their workload and hours with their employer.⁴¹

FLEXIBILITY AS A DEFAULT

There has been increasing interest in moving to flexible work as the default as a way to change workplace cultures.⁴² Flexibility by default starts from the basis that jobs can be done flexibly (whether part time, compressed hours, flexi-time, shared roles or remotely), and the business case should have to be made as to why flexibility *cannot* happen.

There have been campaigns highlighting the value, to both employer and employee, of flexible working.⁴³ Many of these have focused on the value of retaining or re-engaging mothers in the labour market. But there is also a clear appetite among fathers for flexibility and a better work/life balance. Nearly half of younger fathers are willing to take a pay cut to achieve a better work/life balance.⁴⁴

Interestingly, the interviews undertaken for this paper highlighted a pressure from a much wider range of workers – parents and other carers, yes, but also employees looking for a different balance between work and their other commitments. Three employers identified ‘millennials’ as a group with expectations about hours and their place of work that were at odds with a traditional 9-5 set up. This is reflected in the findings from Working Families’ *Modern Families Index* series.⁴⁵

Flexibility may be offered in lieu of higher pay. Although for many, pay is the focus,⁴⁶ this doesn’t hold true for all. The fear of losing flexibility can hold lower-paid workers back from seeking progression opportunities. This fear is compounded by high marginal tax rates experienced as in-work benefits are withdrawn, meaning that a promotion may mean more stress and less flexibility, with very little immediate financial compensation.

The *Taylor Review* highlights the opportunities presented by platform-based working for “genuine two way flexibility”.⁴⁷ But the extent to which flexibility works for both employer and employee across the workforce varies.

WORKING TO DEMAND

In May 2017, there were 1.4 million contracts in the UK that did not guarantee a minimum number of hours.⁴⁸ So, as employers such as Uber and Deliveroo defend their on-demand payment models as facilitating flexible working, this raises the question of *who* the labour market is flexible for. Similar ‘flexible’ models used in sectors with contracted workers – notably driving and care – have seen increased job insecurity, with the number of jobs or tasks to be accomplished in a day increase, leading to a lack of breaks, below minimum wage earnings 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 record lows.⁴⁹ This may simply be because the gig economy is small, although research in 2016 surveying 8,000 respondents from six countries finds that existing statistics consistently and significantly underestimate its size.⁵⁰ It may also be indicative of the difficulty of managing multiple platforms - in reality gig-ers might only work for one company, as if employed, but without any of the protections that would afford.

For many people on these type of contracts, flexibility is a façade – working hours are imposed on them by their employer. The Resolution Foundation has found that nearly a third of employers expect staff on zero-hour contracts to always, or sometimes, be available for work.⁵¹ A refusal to work shorter, longer or simply different hours can easily lead to there being no work at all. Only a quarter of those on zero-hour contracts work a fixed pattern of hours each week.⁵²

All the employers interviewed articulated that they wanted to do the best by their employees, but were equally clear that they also had financial targets to meet:⁵³

‘I remember the first time I saw ‘zero contract hours’ written down – I asked what it meant, I was told it meant we didn’t have to pay for down-time... Cancelling them now would cost a fortune and we would have to find the costs somewhere else.’

THE ROLE OF TECHNOLOGY

The ability afforded by technology to allow employees to set their work outcomes, and plan work accordingly, was described as beneficial by the employers we spoke to – both for them and their workers. In some organisations, these opportunities tended to be restricted to higher skilled roles. However, two-thirds of the employees at one employer we spoke to earned £20,000 a year or less, and half of these were remotely managed technicians. These workers receive a list of jobs at the start of the week and are able to decide how to manage their time to complete them. This was in a sector with clear progression routes, an employer offering only permanent contracts and apprenticeship entry opportunities.

The same model therefore offers a very different experience depending on the working conditions, and level of employer commitment to the individual and/or position. While technology can enable more people to work remotely, this can also lead to more atomised and potentially isolated working lives. The traditional workplace with its canteen or tea room does not exist for many low-paid workers, especially those delivering cleaning and care services to people in their homes, or in empty offices. This has an impact on their social capital, on the ability to network – both for fun, and to progress or 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 Sure Start centres and libraries are closing.

WORK/LIFE BALANCE: Questions to consider

What are the options for using improved technology to enable workers to manage their own schedule in other low-paid occupations?

What protection is needed to prevent exploitation?

Will work structures have to change to meet the expectations of younger workers?

Can employers and low-paid workers agree a statement on job security that meets the needs of both?

Should the Department for Work and Pensions have to report on the security (permanence) of jobs delivered through Jobcentre Plus and outsourced providers?

Is there scope to develop shared spaces for those delivering care services (for example, childminding and adult social care) to meet, learn, work and network?

Is it possible to introduce job security in a way that is cost-neutral or cost-effective?

SHARING THE REWARDS OF WORK

Rising levels of in-work poverty and concerns about security – of employment and income – mean that work is not a positive experience for many. Despite being much lauded, ‘hard-working families’ often find themselves short of money: poverty is now more likely to be found in working households.⁵⁴ This is an important shift.

CPAG research shows that two parents working full time on the minimum wage are still 13% short of the cost of raising their family.⁵⁵ This gap is exacerbated by the precariousness of jobs in low-paying sectors, and the financial uncertainty that comes from having to move in and out of work frequently.

LOW PAY

The UK has a lot of people in low-paid jobs, with little change in the proportion of low-paid workers in the last 20 years. Just over one in five (21 per cent or 5.7 million) people are in low-paid work.⁵⁶

Women are more likely to be low paid than men – 55 per cent of London’s low-paid jobs are carried out by women.⁵⁷ Women earn, on average, 18 per cent less an hour than men. This gap widens during the 12 years following the birth of their first children – to 33 per cent. This penalty is due to the increased likelihood of women working part time and taking career breaks. Indeed, women’s wages are 2 per cent lower for each year taken out of the workforce.⁵⁸ The gender pay gap is compounded by business practices that see men more likely to be promoted. Other groups disproportionately represented in the ranks of the low paid are young people, part-time workers, temps, those in low-skilled work, and people in the retail, hospitality and care sectors.⁵⁹

It has long been the argument of some low-paying retailers that low pay is a necessity to ensure low prices (although the difference between frontline and executive pay point to a certain hollowness in this argument). Similarly, the increasing cost of social care, the importance of paying carers well and the implications for taxpayers are subjects that struggle to gain traction.

The median income for self-employed people is about half of the median weekly wage of someone in employment. The Minimum Income Floor (the assumed level of earnings based on what an employed person would receive in similar circumstances) in universal credit is therefore higher than the self-employed median, meaning significant numbers of self-employed people will miss out on support as they are not deemed to be working full-time.⁶⁰ This is another risk shifter – and indicative of the chasm between social security policy and those it is intended to support into work.

Part of the difficulty in finding solutions is the lack of clarity in the data. Measures of earnings exclude the self-employed. Gavin Kelly of the Resolution Trust argues that this needs to change: *“In politics...it’s what gets counted that matters. When it comes to work and its reward, it’s time to count everyone.”*⁶¹

THE GAP BETWEEN SUPPORT AND LABOUR MARKET CHANGES

The social security system should cushion the impact of falling living standards and changes in the labour market. Indeed, it has prevented a huge rise in inequality in working households over the last 20 years, even while wage inequality has grown.⁶² The provision of in-work support and a reliable safety net provides people with the confidence to change jobs.

Although 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 ‘just about managing’,⁶³ cuts to working-age benefits and increased work conditionality are at odds with the realities of the labour market.⁶⁴

For many low-income families, the social security system has more impact than wages on whether work makes them better off. Together with housing and childcare costs, it is, for many, what determines whether work 'pays'. Cutting universal credit work allowances (the amount of income someone can have before their benefit is affected) will make families worse off: it will have a significant effect on the decisions families make – particularly on whether it makes sense for second earners to work, or whether it is worth seeking to increase hours or pay. Overcoming disincentives in the social security system to move into work, to work more, or to earn more is one of the original objectives of the creation and (costly) introduction of universal credit.

PAY AND SUPPORT: Questions to consider

What are our expectations in terms of the number of hours people should have to work to move out of poverty?

What are the implications for children?

Is it possible to package support for individuals so that it is easy to understand rights, entitlements, and how these move between jobs or contracts?

PRODUCTIVITY

The UK's poor productivity has been a cause of concern for some time. A number of arguments have been put forward to explain this, ranging from an abundance of labour and resulting low wages preventing employers investing in productivity-boosting machinery,⁶⁵ to increased flexibility at work stalling productivity.⁶⁶ Some US analysts have posited that increased productivity threatens, in particular, manufacturing jobs as the number of people hours required for each \$m of output decreases. Productivity is harder to define in service industries – serving more customers in retail or hospitality, or seeing more patients an hour, may look more productive on paper, but the experience of the shopper, guest or patient may be worse as a result.

Research commissioned by the Joseph Rowntree Foundation looked at some of the interactions between flexibility, productivity and low incomes. The paper suggests that a) raising wages means that people work harder; b) increasing flexibility enables part-time staff to get promoted and prevents attrition of quality, experienced workers; and c) engagement of employees in process decisions leads to positive impacts. The latter, the paper argues, occurs habitually in manufacturing under the guise of continual improvement.⁶⁷

PRODUCTIVITY: Questions to consider

How do firms increase productivity to meet the increased cost of pay, or will increasing pay lead to increased productivity?

BRITAIN WORKS: NEXT STEPS

The changes in the labour market and social security systems affect both employers and, particularly low-paid, workers. Britain Works will seek to better understand the needs of both in order to develop collaborative solutions. We are particularly interested in: how to better share risk; ensuring that 'flexibility' is not being used as a mask to hide increasing insecurity; engaging and understanding supply chains and two-tier labour markets; and how customers and service users can open up new ways of designing systems that work better for all.

We are calling for employers to join us to examine what we can do to ensure more parents can move into good work, progress within their jobs, balance their work and family life, and share the rewards of work with their families. We'll be working with employers and parents to find solutions that work for organisations and families.

Contact Lizzie Flew at Child Poverty Action Group or Julia Waltham at Working Families to get involved:

lflew@cpag.org.uk

policy@WorkingFamilies.org.uk

NOTES

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- ¹⁰ J Philpott, investigation and analysis for *The Guardian*, <https://www.theguardian.com/uk-news/2016/nov/15/more-than-7m-britons-in-precarious-employment>
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- ³⁸ A Wolf, CPC talk, November 2016
- ³⁹ See note 14
- ⁴⁰ Department for Work and Pensions, *Estimating the Early Labour Market Impacts of Universal Credit*, 2015
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- ⁴⁵ See note 2
- ⁴⁶ See, for example, Joseph Rowntree Foundation research on retail workers and progression, 'Autumn Statement: retail sector too big to ignore in Government's quest to solve productivity puzzle', <https://www.jrf.org.uk/press/autumn-statement-retail-sector-productivity>; and US research with millennials, 'Workers still prefer traditional employment, competitive pay', <https://www.worldatwork.org/adimLink?id=80993>. This was also reflected in some of our employer interviews.
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