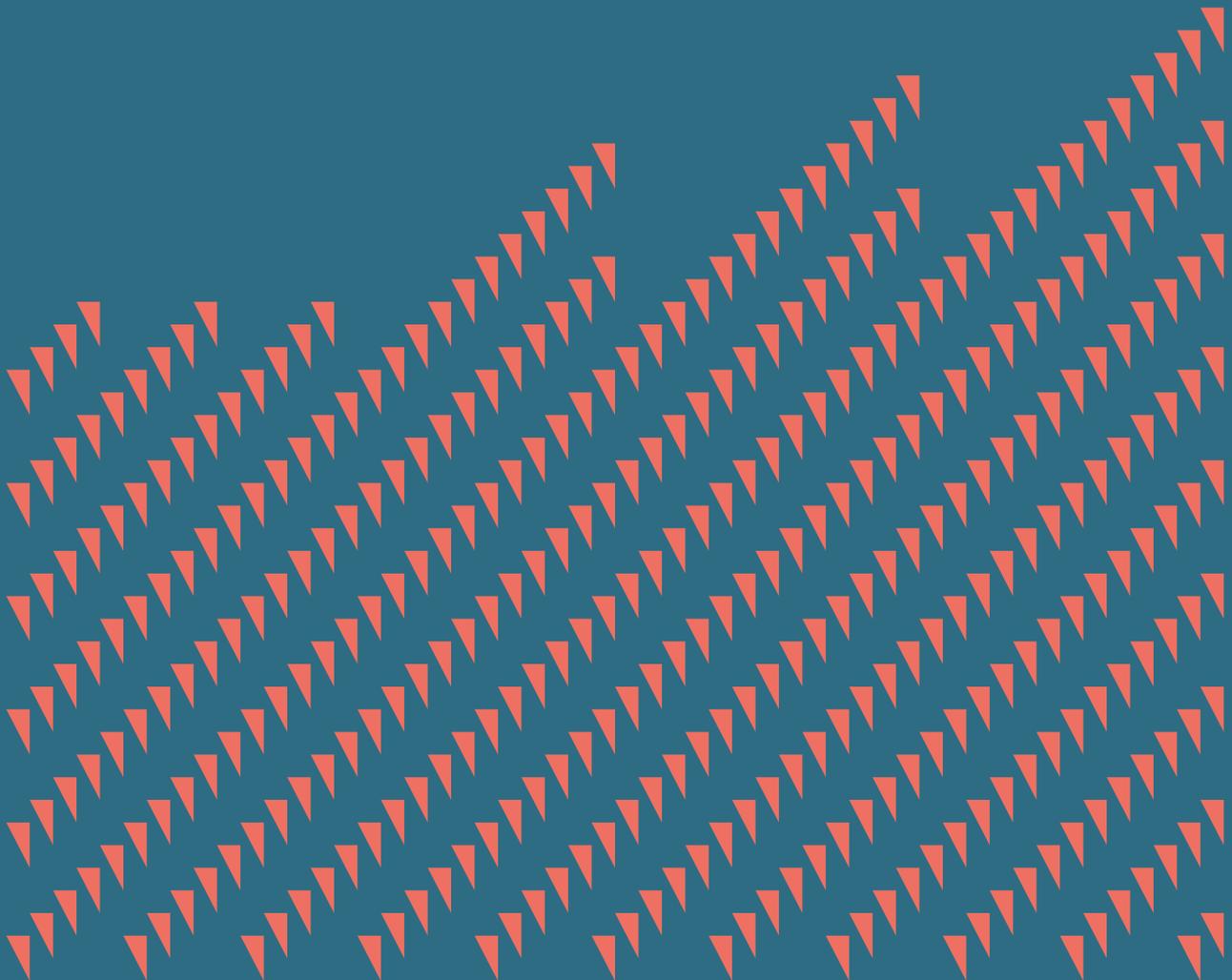


# A new settlement for the low paid

Beyond the minimum wage to dignity and respect

Torsten Bell, Nye Cominetti & Hannah Slaughter  
June 2020



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## Summary

This crisis is shared, but its burden is not. From health risks to job losses, it is the UK's 4.2 million low-paid workers on whom this pandemic has imposed the greatest cost, and of whom the efforts to combat it have required the greatest sacrifice. Lower earners are three times as likely to have lost their job or been furloughed as high earners, and are more than twice as likely to do jobs exposing them to health risks.

It is not by anyone's design that our lowest earners have suffered the most, but it is for the public and policy makers to recognise where the burden has lain. To date, that is what they have done, with politicians of all parties praising key workers from care homes to supermarkets, and the public expressing their gratitude each Thursday night. Rightly, debate has turned to the low pay and insecure conditions of such workers. Half of frontline care workers are paid less than the real living wage, while estimates of those paid below the legal minimum wage vary between 20,000 and 160,000. Delivery drivers are regularly forced into self-employment, missing out on sick pay and the minimum wage. In 21<sup>st</sup> century Britain, an employer can cancel a shift for a zero-hours contract worker who has already paid for a train fare to get to the job.

Predicting what change will follow this pandemic is fraught with difficulty, but there are grounds for hope that the time has come for a significant re-evaluation of the approach we take as a society towards lower-paid workers. This is because it would be building on trends under way pre-crisis that saw public and political concern about the quality of such work move centre stage over the past decade.

A much higher minimum wage has been the main result, with the introduction of the National Living Wage leading to the share of the workforce that is low paid falling to 15 per cent last year, the lowest level in four decades. Post-crisis, further increases in the minimum wage should continue, with the aim of **abolishing low pay by the middle of this decade by raising the National Living Wage to two thirds of typical hourly pay**. But the lack of wider progress in improving the world of low-paid work stands in stark contrast to the forward leaps on the minimum wage. Talking about better-quality work for the low paid did not translate into actually creating it, pre-crisis. Post-crisis it could, and it should.

This paper sets out a significant yet achievable programme of change across five areas that, taken together with a higher minimum wage, would amount to a new settlement for Britain's low-paid workers. At its core is the idea that improving the circumstances of low-paid labour is not just about a higher price tag for that labour, but about showing respect to and providing dignity for the people doing it. Who has control of decisions, or whether low-paid workers are treated in a similar way to higher-paid ones, are central questions that we should pay attention to.

## Control of working hours

Respect means giving low-paid workers more control of their working hours. Workers planning their lives need certainty around both the number of hours they work and when shifts will happen. Too often today they may have neither: two-in-five workers in sales and customer service occupations feel anxious about 'unexpected changes to their hours of work', and zero-hours contracts can offer one-way flexibility that allows an employer to cancel a shift at almost no notice. Flexible work is important to many, but a trilogy of new rights would ensure that flexibility works for low-paid workers, not against them. **Workers should have a right to a contract that reflects the actual hours they work, a right to two weeks advance notice of work schedules, and a right to compensation where shifts are cancelled without reasonable notice.**

Hours worked are as important a determinant of living standards as hourly rates of pay, but low-paid workers now work the shortest hours in our economy. Some of this is voluntary, but workers in the bottom quintile of the hourly pay distribution are three times as likely to be underemployed (i.e. to wish to have more hours) as the top half of earners. Such workers would benefit from a **right to request a longer-hours contract**, mirroring the right to request flexible working that can help workers reduce hours. This would be most useful in sectors where short-hour contracts have become the norm and their inflexible use leaves some unable to work as much as they would like.

## Control of when you are paid

The issue of when workers get paid has received almost no attention over the last two decades, but for low-paid workers it is an area that has been transformed during that period. In 2000, around half of the lowest earners were paid weekly or fortnightly, with the other half paid monthly. Now just 17 per cent are paid weekly, while three-quarters are paid monthly. This change means that 774,000 workers in the bottom decile who would previously have been paid weekly are now paid monthly. This has a substantial impact on cashflow, with workers in effect lending their employers considerable amounts of money. That cashflow matters to families as much as firms – indeed, potentially more so, given that it costs workers more to borrow than firms.

No discussion or policy debate has taken place about this shift, and overseas evidence tells us it was far from inevitable, with the vast majority of US workers paid weekly or fortnightly. Many workers will be perfectly happy being paid monthly, but the huge growth in pay day lending during this period, and the recent emergence of innovations to allow workers to draw down their pay before pay day, indicate that when workers are paid can matter.

Rather than having to rely on expensive credit or innovations, **workers in large firms should have the right to choose how regularly they are paid, and workers should be involved in decisions about payroll regularity even in smaller employers.**

The same rights at work as higher earners take for granted

Lower earners often not only get paid less, but receive fewer rights and protections than higher earners. The pandemic has highlighted one such gap, in that those earning less than £118 a week are not entitled to Statutory Sick Pay, while occupational sick pay schemes are much more generous to higher than lower earners. The way in which entitlements to protections are earned can also discriminate against low earners: to be protected against unfair dismissal, a worker must have been in post for two years, and this excludes a third of lower earners, given their higher turnover rates. **Sick pay should be extended to lower earners, and workers should qualify for unfair dismissal after one year in post.**

Labour market rules actually enforced

Our labour market rules not only give fewer rights to lower earners, but often make it harder for them to enforce those rights. An enforcement system that largely relies on individuals bringing cases to employment tribunals does little to help lower earners who will not be able to risk significant sums in a legal process.

The main exception is minimum wage enforcement, where HM Revenue and Customs (HMRC) directly pursues (and, in the most egregious cases, prosecutes) underpaying firms. But even here we have seen a rise in underpayment, with around one-in-four workers aged 25+ who earn around the legal minimum reportedly under-paid last year (and all this despite HMRC receiving additional resources in recent years). Meanwhile, it is hard not to conclude that employment rights are being systematically ignored in certain sectors, including hand car washes and parts of the cleaning and hospitality industries. **The forthcoming Single Enforcement Body should be introduced and properly resourced, with powers to pro-actively protect workers. Fines for underpayment of the minimum wage should be increased. Particularly during this pandemic, local authorities need to be resourced to carry out health and safety spot-checks to protect those lower paid workers bearing the greatest health risk.**

Institutional innovation to drive up standards

The UK's labour market is an individualised one, with the state providing the rules within which employers and employees form a relationship. Given that union membership has been in long-term decline since the late 1970s, there are few institutions in the UK that could improve standards in low-paying sectors where poor-quality and insecure

work have become widespread. We should welcome the rise in union membership over the past two years, and **unions should be given the right to enter workplaces** to raise awareness among workers.

But more institutional innovation is badly needed if we want to see significant improvements in low-paying sectors. The last decade tested to destruction the idea that flexibility plus high employment and a decent minimum wage could deliver good work in all parts of the labour market. So we should embark on a phase of institutional experimentation by drawing lessons from our own history and recent developments in New Zealand. The 1909 Trade Boards Act created wage boards of employers, workers and independents charged with improving conditions in four problem industries. **21<sup>st</sup> century Wage Boards should be established in a small number of industries in clear need of improved standards, starting with social care.** They should have the power to set sectoral minimum standards, and even wages, to police the blurred boundary between employment and self-employment, and to drive up training. The best approach will only emerge through experimentation, and trade-offs will be real. Higher standards could mean higher prices, or, in the case of social care that is predominately publicly funded, higher taxes. But the status quo is not fit for purpose.

The midst of this crisis, when we look set to have the highest rate of unemployment in 25 years, is not the ideal time to implement reform of the labour market. But now is certainly the moment to lay out careful plans for doing so, not least with the government's welcome commitment to a new employment bill. When the labour market recovery is underway, we need to secure not just more work, but better-quality work.

Many will say these proposals go too far, rightly noting that our labour market already has many strengths. But these are balanced, moderate proposals. The pandemic has reminded everyone that, for too many low earners the world of work we offer is one based on insecurity and exploitation, not dignity and respect: that is something we need to act on, and not ignore. Others will say that these proposals do not go far enough. But it is precisely because this package could feasibly be introduced that it has the potential to form a new settlement for the low paid in 21<sup>st</sup> century Britain.

## BOX 1: New settlement summary

A new settlement for the low paid should include:

### Higher wages:

- Post-crisis, further increases in the minimum wage should continue, subject to the advice of the Low Pay Commission, with the aim of abolishing low pay by the middle of this decade by raising the National Living Wage to two-thirds of typical hourly pay.

### Control of working hours:

- Workers should have a right to:
- A contract that reflects the actual hours they work;
- Two weeks' advance notice of work schedules; and,
- Compensation where shifts are cancelled or changed without reasonable notice.
- Part-time workers should have a right to request a contract with longer hours.

### Control of when you are paid:

- Workers in large firms should have the right to choose how regularly they are paid, and workers should be involved in decisions about payroll regularity even in smaller employers.

### The rights at work that higher earners take for granted:

- Sick pay should be extended to lower earners.
- Workers should qualify for protection against unfair dismissal after one year in post.

### Labour market rules actually enforced:

- The forthcoming Single Enforcement Body should be introduced and properly resourced, with powers to pro-actively protect workers.
- Fines for underpayment of the minimum wage should be increased.
- Particularly during this pandemic, local authorities should be resourced to carry out health and safety spot-checks to protect lower-paid workers bearing most health risk.

### Institutional innovation to drive up standards:

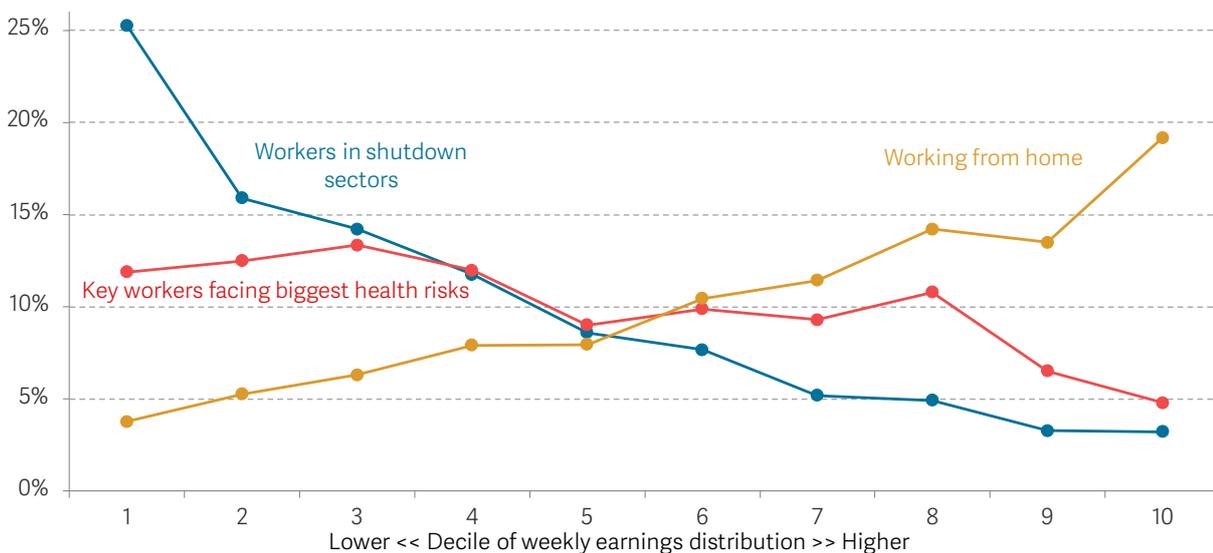
- Unions should be given the right to enter workplaces to raise awareness among workers.
- 21st century Wage Boards should be established in a small number of industries in clear need of improved standards, starting with social care.

## The coronavirus crisis has fallen hardest on the low paid

Low earners have come to the forefront of public debate as the stark differences in the impact of the coronavirus crisis have become apparent. Early modelling work, shown in Figure 1, revealed that not only were low earners more likely to work in the sectors directly hit by the (necessary) Government response to the pandemic – such as the hospitality and non-food retail businesses that were ordered to shut in March – but they are also more likely to be key workers, and so facing the biggest health risk during the early phase of this pandemic.<sup>1</sup>

**FIGURE 1: Low-paid workers face the greatest risk from the health and economic effects of coronavirus**

Proportion of employees aged 16 to 69 in each coronavirus job group, by weekly pay decile: UK, 2019



NOTES: Pay data is from the 2019 quarters of the Labour Force Survey. Workers are assigned to groups based on their industry and occupation of work. The predicted probability of being able to work from home is drawn from analysis of waves 6 and 8 of Understanding Society. For details, see Box 1 in: M Gustafsson & C McCurdy, *Risky business: Economic impacts of the coronavirus crisis on different groups of workers*, Resolution Foundation, April 2020.

SOURCE: RF analysis of ISER, Understanding Society; ONS, Labour Force Survey.

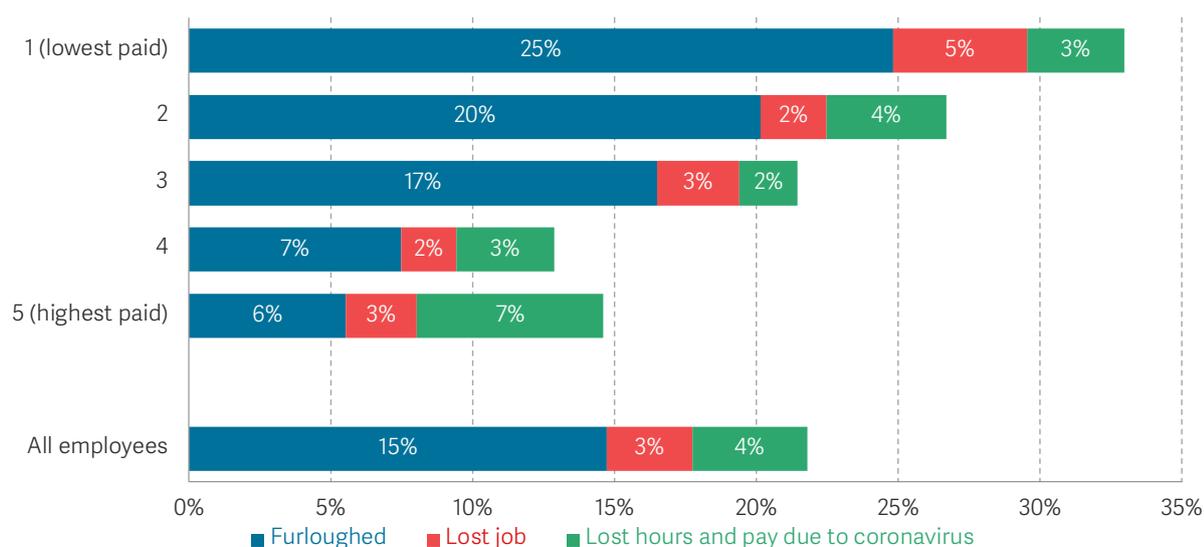
We are now seeing these predictions borne out in the emerging data on who is actually feeling the impact. Figure 2, based on an online survey from early May commissioned by the Resolution Foundation, shows that the crisis has hit the lowest paid hardest: one-

<sup>1</sup> M Gustafsson & C McCurdy, *Risky business: Economic impacts of the coronavirus crisis on different groups of workers*, Resolution Foundation, April 2020.

in-three employees (33 per cent) in the bottom earnings quintile have lost their jobs, been furloughed, or lost hours and pay, more than twice the rate among the highest-paid quintile (15 per cent).<sup>2</sup>

### FIGURE 2: One-third of the lowest-paid fifth of employees have been furloughed, or lost jobs or hours

Proportion of employees who have experienced job changes since the coronavirus outbreak, by employee earnings quintile prior to the outbreak: UK, 6-11 May 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak, and provided information on their usual earnings prior to the coronavirus outbreak (apart from for the 'all employees' category). Earnings quintiles are based on net (take-home) usual employee pay prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

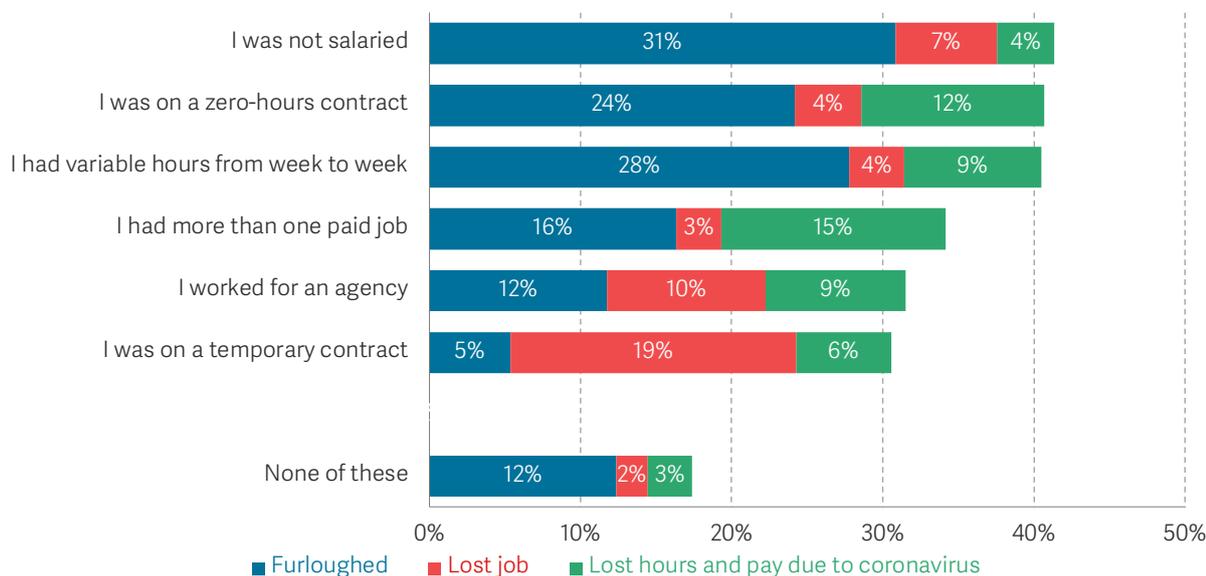
The impact of the crisis has also been bigger for those in insecure work. For example, Figure 3 shows that people who were previously on a zero-hours contract were twice as likely to have been furloughed as people with no atypical work arrangements. More than one-in-ten (12 per cent) have lost hours and pay, compared to just 3 per cent of workers with more secure contracts. A full fifth (19 per cent) of those on temporary contracts have lost their jobs.<sup>3</sup>

<sup>2</sup> The figures relating to pay, hours and proportion of those furloughed or have lost their jobs are not reflective of YouGov statistics and have been analysed independently by the Resolution Foundation. Total sample size was 6,005 adults. Fieldwork was undertaken during 6-11 May 2020. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+) according to age, gender, and region. For more information on the survey and its initial findings, see: L Gardiner & H Slaughter, [The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020.

<sup>3</sup> L Gardiner & H Slaughter, [The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020.

### FIGURE 3: Workers on insecure contracts have been hit much harder by the Government shutdown

Proportion of employees who have experienced job changes since the coronavirus outbreak, by type of work arrangement prior to coronavirus: UK, 6-11 May 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. Employees can fall into multiple atypical work categories. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings. SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

It is not by anyone's design that our lowest earners have suffered the most, but it is for the public and policy makers to recognise where the burden has lain. And, so far, that is what has happened. There has been widespread recognition of how reliant society has been on key workers, whether they work in care homes or supermarkets, and the public have expressed their gratitude each Thursday night by clapping in the street.

Focus has also turned to the low pay and insecure conditions that many such workers face. Half of frontline care workers are paid less than the real living wage, while estimates of those paid below the legal minimum wage vary between 20,000 and 160,000.<sup>4</sup> Delivery drivers are regularly forced into self-employment, missing out on sick pay or the minimum wage.<sup>5</sup> In 21st century Britain, an employer can cancel a shift for a zero-hours contract worker who has already paid for a train fare to get to the job.<sup>6</sup>

The time has come for a significant re-evaluation of the approach we take as a society towards lower-paid workers. This briefing note sets out the extent of low pay and who

<sup>4</sup> N Cominetti, L Gardiner & G Kelly, *What happens after the clapping finishes? The pay, terms and conditions we choose for our care workers*, Resolution Foundation, April 2020.

<sup>5</sup> Work and Pensions Committee, *Self-employment and the gig economy inquiry*, April 2017.

<sup>6</sup> Contact Law, *Zero-hour contracts and your employment rights*, accessed June 2020.

it most affects, before setting out a broad package of reforms that, if introduced, would amount to a new settlement for the low paid.

## Who are the low paid?

It is welcome that low earners have risen up the policy agenda, but low pay has long been an issue affecting millions of workers. Overall, there were 4.2 million people on low pay (below two-thirds of median hourly earnings) in 2019, of which almost 2 million were paid near or below the National Living Wage (NLW).

Women are more likely to be in low pay, with 19 per cent of women paid below two-thirds of the median compared to 12 per cent of men. This is partly, though not entirely, linked to women being more likely to work part time (though some 36 per cent of part-time men are low paid).<sup>7</sup> This gender split reflects the fact that women are twice as likely as men to be (often low-paid) key workers, facing the biggest health risks in this crisis.<sup>8</sup>

Meanwhile, there are significant concentrations of low pay in specific sectors. Some of the sectors with the highest rates of low pay – hotels and restaurants (where 52 per cent of the workforce is low-paid) and wholesale and retail (28 per cent) – are those that have suffered the most from social distancing measures (with the exception of food retail).

Predicting what change will follow this pandemic is fraught with difficulty, but there are grounds for hope that significant improvements to the quality of work for low earners may take place. This would build on trends well under way before the crisis hit, with public and political concern about the quality of such work moving centre stage over the past decade: the previous Government commissioned a major review into the subject of 'good work',<sup>9</sup> and the current Government plans to put an Employment Bill before parliament.

The most visible policy shift brought about by this attention on improving low-paid work has been the introduction of, and successive increases in, the National Living Wage. Since 2016, this has led to very significant pay rises for the lowest earners, with a 6 per cent rise in the last year alone.<sup>10</sup>

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<sup>7</sup> Source: RF analysis of ONS, Annual Survey of Hours and Earnings.

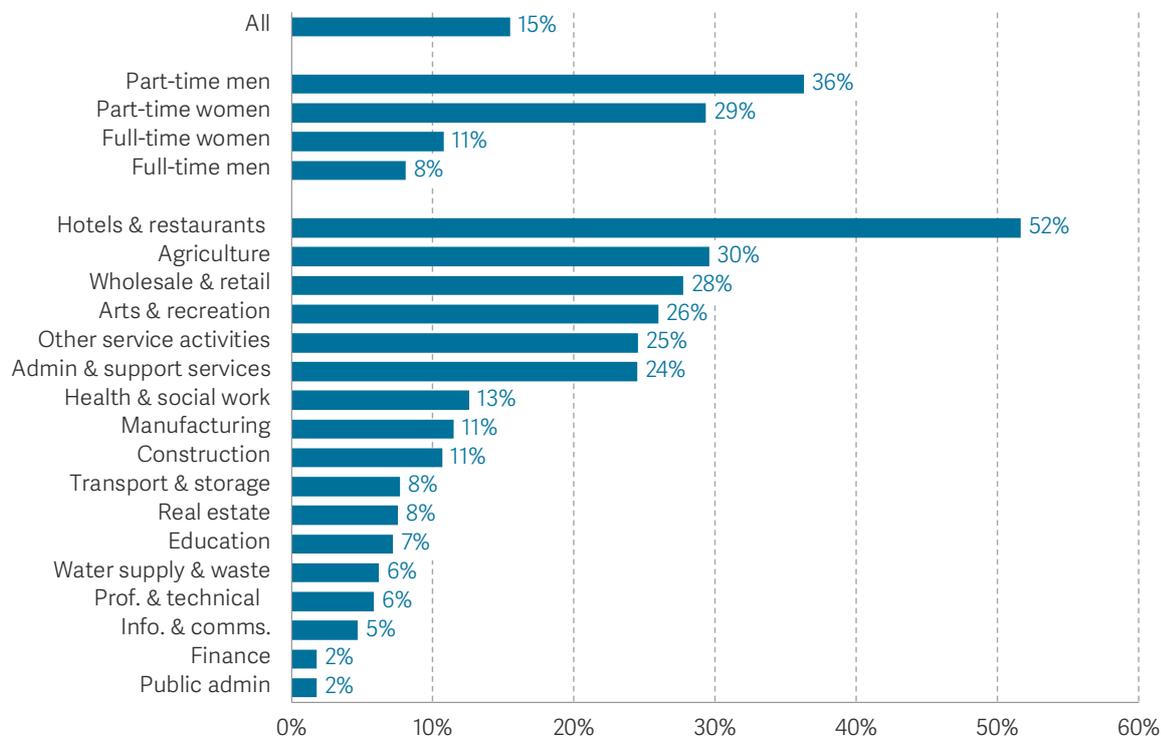
<sup>8</sup> M Gustafsson & C McCurdy, [Risky business: Economic impacts of the coronavirus crisis on different groups of workers](#), Resolution Foundation, April 2020.

<sup>9</sup> Department for Business, Energy and Industrial Strategy, [Good work plan](#), December 2018.

<sup>10</sup> Department for Business, Energy and Industrial Strategy, [National Minimum and Living Wage increases come into effect](#), April 2020.

#### FIGURE 4: Many low-paid workers will be particularly affected by the impacts of coronavirus

Proportion of employees earning below two-thirds of median hourly pay, by sex, whether full or part time, and industry: GB, 2019



SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

### A higher minimum wage is a crucial but insufficient to improving low-paid work

The introduction of the NLW in 2016 increased the wage floor from £6.70 to £7.20 for over-25s, and earlier this year the NLW reached £8.72, 30 per cent higher than the pre-NLW wage floor. Fears that raising the minimum wage would cause mass job losses have proved unfounded.<sup>11</sup>

Successive increases in the minimum wage have made a big difference to the lowest-paid workers, with just the increases between 2015 and 2018 delivering a £3 billion pay boost to them.<sup>12</sup> The rising wage floor has driven down the proportion of people in low pay (defined as being paid below two-thirds of the median) from 22 per cent in 2013 to 15 per cent in 2019, the lowest rate in over 40 years. Furthermore, lower earners more widely, not just those directly on the minimum, have benefitted.<sup>13</sup>

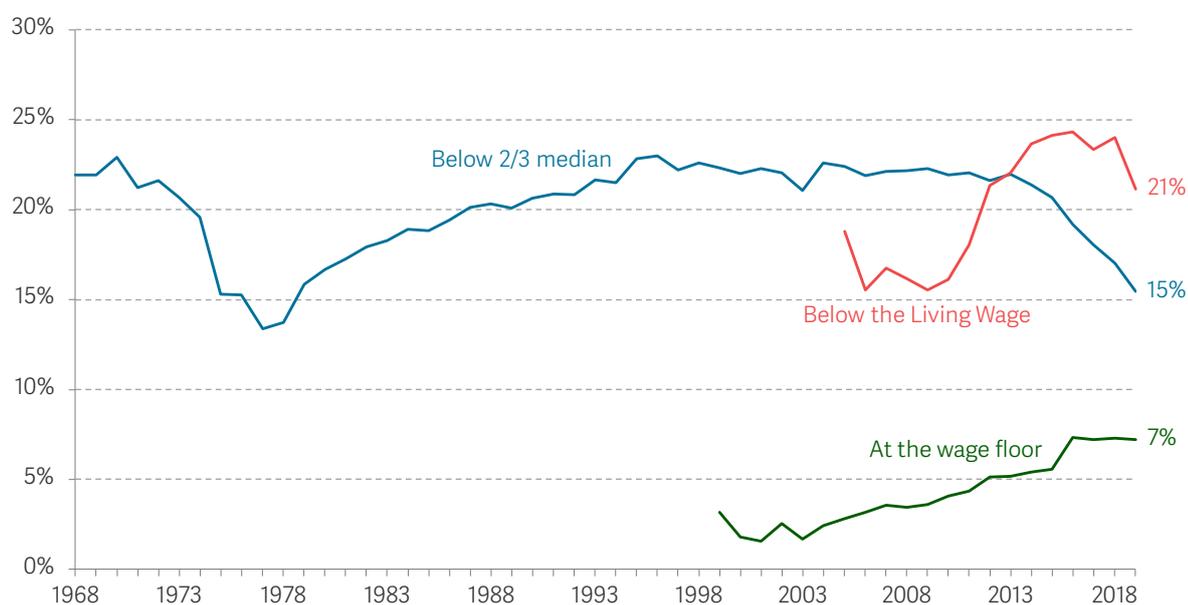
<sup>11</sup> A Dube, *Impacts of minimum wages: review of the international evidence*, November 2019.

<sup>12</sup> N Cominetti, *Ain't no minimum high enough: Minimum wage policy in the 2019 General Election*, Resolution Foundation, November 2019.

<sup>13</sup> N Cominetti, K Henehan & S Clarke, *Low Pay Britain 2019*, Resolution Foundation, May 2019.

**FIGURE 5: Successive increases in the wage floor have supported the decline of low pay**

Proportion of all employees below selected low pay thresholds: GB



NOTES: Pay is usual hourly pay excluding overtime.

SOURCE: RF analysis of DWP, Family Expenditure Survey; ONS, New Earnings Survey Panel Data (NESPD); ONS, Annual Survey of Hours and Earnings.

Pre-pandemic, the Government had committed itself to raising the wage floor further, aiming to eliminate low pay in 2024 by setting the NLW at two-thirds of typical hourly pay, and bringing the age threshold down so that the NLW would cover all workers aged 21 or over. When considering the way forward after this crisis, we will, as ever, need to be alive to the risks of job losses if the minimum wage is raised too high, and balance that risk against that of not paying low earners enough.

Of course, it would be challenging to increase further the NLW or extend it to younger workers in the immediate future, given that the crisis has so far been disastrous for low-paying sectors that employ large numbers of young people, such as hospitality. But the crisis should not have a permanent impact on how high the minimum wage can go relative to typical earnings. Rather than prematurely abandoning the commitment to abolish low pay by the middle of this decade, the Government should maintain its objective and pay particular attention to the advice of the Low Pay Commission. We can take heart from the fact that job losses from minimum wage increases have not materialised so far, and, as Figure 5 shows, we've seen the labour market adjust to the NLW in a way that has avoided a high concentration of workers on the legal minimum (which many, including the Resolution Foundation, had expected).

**RECOMMENDATION: Post-crisis, further increases in the minimum wage should continue, subject to the advice of the Low Pay Commission, with the aim of abolishing low pay by the middle of this decade by raising the National Living Wage to two-thirds of typical hourly pay.**

Of course, the minimum wage is not the only way of increasing pay. Box 2 discusses the important role of the real Living Wage, particularly in heavily publicly funded sectors like social care where state funding has a significant impact on pay levels beyond legal minimums.

### BOX 2: The real Living Wage

Of course, the minimum wage is not enough to improve the pay of all lower earners. Across all sectors, over a fifth of workers still earn below the real Living Wage, a rate higher than the NLW that reflects the cost of living. Policy can help reduce this, but social norms are also important, as demonstrated by the success of the Living Wage campaign, which has now accredited over 6,300 businesses.<sup>14</sup>

Social care workers, who have been on the front line of this crisis, are particularly likely to be paid below the real Living Wage. In this case, the public sector has a direct role to play. Although only a minority of care workers are employed in the public sector, social care is heavily reliant on public funding, and it is the failure to provide sufficient funding that has led to close to three-in-five care workers being paid below the real Living Wage.<sup>15</sup>

Raising the wage floor relative to the typical worker's earnings is important, but the level of those typical earnings matters too. At the end of last year, weekly pay finally returned to its pre-2008 peak (in real terms), thanks to a tight labour market boosting earnings across the distribution.<sup>16</sup> As well as helping low-paid workers directly, the favourable labour market conditions allowed for successive increases in the minimum wage. A return to a tight labour market is crucial to securing lasting pay rises for low earners, as is productivity growth.

So increases in the minimum wage have delivered significant improvements for low-paid workers, and should continue to do so. But those improvements stand in stark contrast

<sup>14</sup> Living Wage Foundation, [Accredited living wage employers](#), accessed May 2020.

<sup>15</sup> N Cominetti, L Gardiner & G Kelly, [What happens after the clapping finishes? The pay, terms and conditions we choose for our care workers](#), Resolution Foundation, April 2020.

<sup>16</sup> N Cominetti, [A record-breaking labour market – but not all records are welcome](#), Resolution Foundation, February 2020.

to the lack of progress elsewhere. Pre-crisis, talking about better-quality work for the low paid did not translate into actually creating it. Post-crisis it could, and it should.

The rest of this paper sets out a significant yet achievable programme of change across five additional areas, that, together with a higher minimum wage, would amount to a new settlement for Britain's low-paid workers. At its core is the idea that improving the circumstances of low-paid labour is not just about a higher price tag for that labour, but about showing respect to and providing dignity for the people doing it. Who has control over matters such as hours worked or the nature of employment contracts, or whether low-paid workers are treated in a similar way to higher-paid ones, are central questions that we should all pay attention to.

## Control over working hours can raise living standards and reduce anxiety

Showing respect to low-paid workers means giving more control of their working hours. Workers planning their lives need certainty around how many hours they will work and when shifts will happen. Too often today, they may have neither: two-in-five workers in sales and customer service occupations feel anxious about 'unexpected changes to their hours of work' (Figure 6), while zero hours contracts too often offer one-way flexibility that allows an employer to cancel a shift at almost no notice. The misuse of zero-hours contracts can result in the implicit or explicit threat of having your hours 'zeroed' used as a management device, even when a worker has in practice been working regular hours for months on end.<sup>17</sup>

This sort of insecurity is impacting the lives of millions of workers. Six million employees are 'very' or 'fairly' anxious about an unexpected change to their hours of work.<sup>18</sup> And, as Figure 6 shows, this is concentrated in the occupations that are typically lower paid. This anxiety isn't surprising: 1.2 million people report that their hours are reduced at short notice (many more than the number on a zero-hours contract<sup>19</sup>), with two-thirds saying this happens often, and three-quarters saying it affects their pay.<sup>20</sup> Most of us would struggle hugely to manage our finances in such a situation, but we accept it as a common experience for low earners.

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<sup>17</sup> Acas, [Give and take? Unravelling the true nature of zero-hours contracts](#), May 2014.

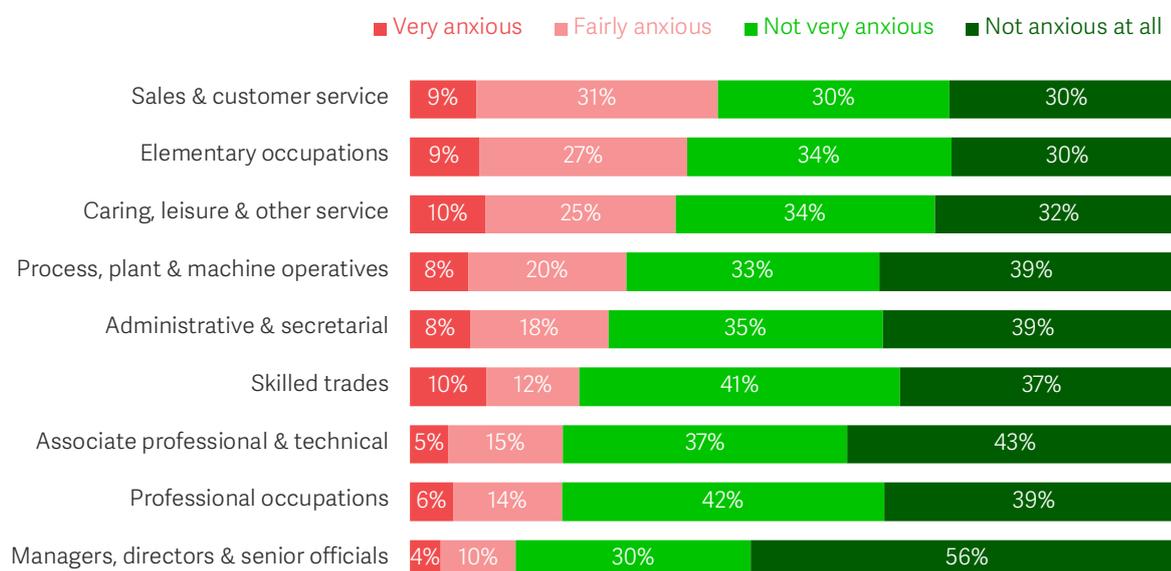
<sup>18</sup> Source: RF analysis of UK Skills and Employment Survey.

<sup>19</sup> There were 974,000 workers on a zero-hours contract in Q4 2019. Source: Office for National Statistics, [People in employment on zero hours contracts](#), February 2020.

<sup>20</sup> Source: RF analysis of UK Skills and Employment Survey.

## FIGURE 6: Two-in-five workers in sales and customer service occupations feel anxious about changes to their working hours

Level of anxiety relating to 'unexpected changes to my hours of work', 20-65-year olds, by occupation: UK, 2017



SOURCE: RF analysis of UK Skills and Employment Survey.

Flexible work is important to many, but it should be based on respect. A trilogy of new rights would ensure that flexibility works for low-paid workers, rather than working against them, increasing the security of hours worked and incomes.

**RECOMMENDATION: Workers should have a right to a contract that reflects the actual hours they work, a right to two weeks' advance notice of work schedules, and a right to compensation where shifts are cancelled or changed without reasonable notice.**

The upcoming Employment Bill could incorporate these new rights, along with protections against laying off workers for whom such a contract is granted. As currently planned, the Bill is too weak in this regard – promising workers the right only to request a fixed-hours contract that reflects their actual hours, but with employers able, in practice, to refuse.<sup>21</sup>

Of course, it's not just certainty of hours that matters, but the actual number of those hours. Hours worked are as important a determinant of living standards as hourly rates of pay, but those on the lowest hourly pay rates work the fewest hours in our economy, as Figure 7 shows.<sup>22</sup> In addition, more low-paid men than ever before are working part time.

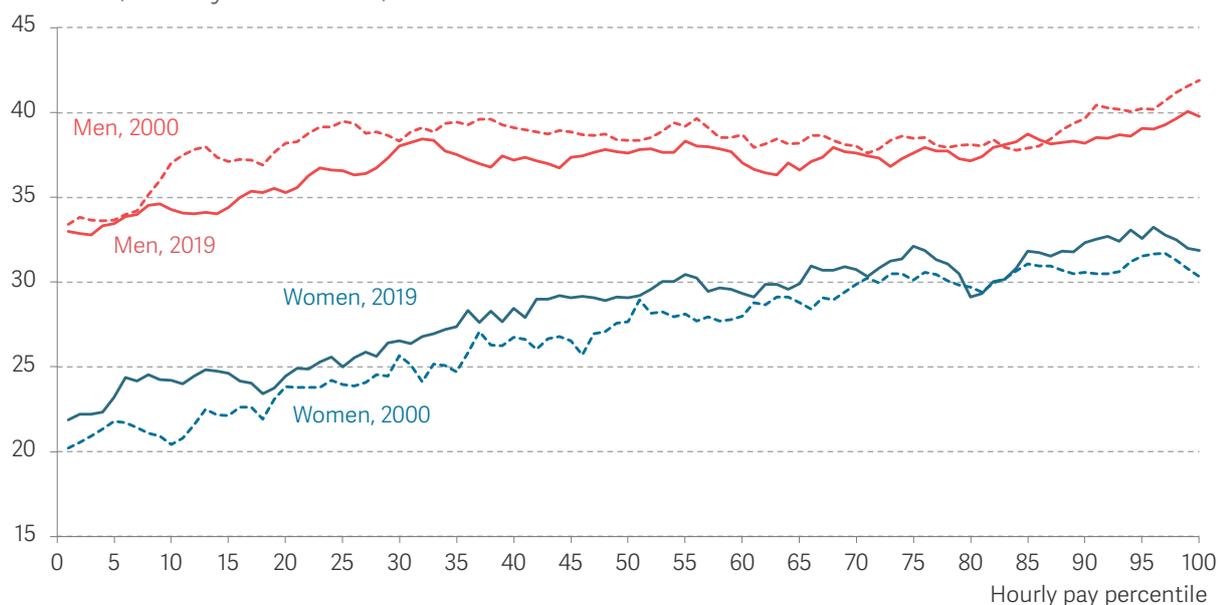
<sup>21</sup> D Ferguson, *Employment Bill 2019-20 Briefing Note*, House of Commons Library, January 2020.

<sup>22</sup> G Bangham, *The times they aren't a-changin': Why working hours have stopped falling in London and the UK*, Resolution Foundation, January 2020.

The shifting gaps in hours worked between higher and lower earners is why inequality in weekly pay (which is what matters for living standards) has not falling to the same extent as inequality in hourly pay.<sup>23</sup>

**FIGURE 7: The lowest earners work the fewest hours**

Average actual weekly working hours among employees, by hourly pay percentile and sex, 18-64-year olds: UK, 2000 and 2019



NOTES: Percentiles are calculated separately in the men's and women's hourly pay distributions. Pay percentile refers to main job. Hours worked is the sum across main and second jobs.

SOURCE: RF analysis of ONS, Labour Force Survey.

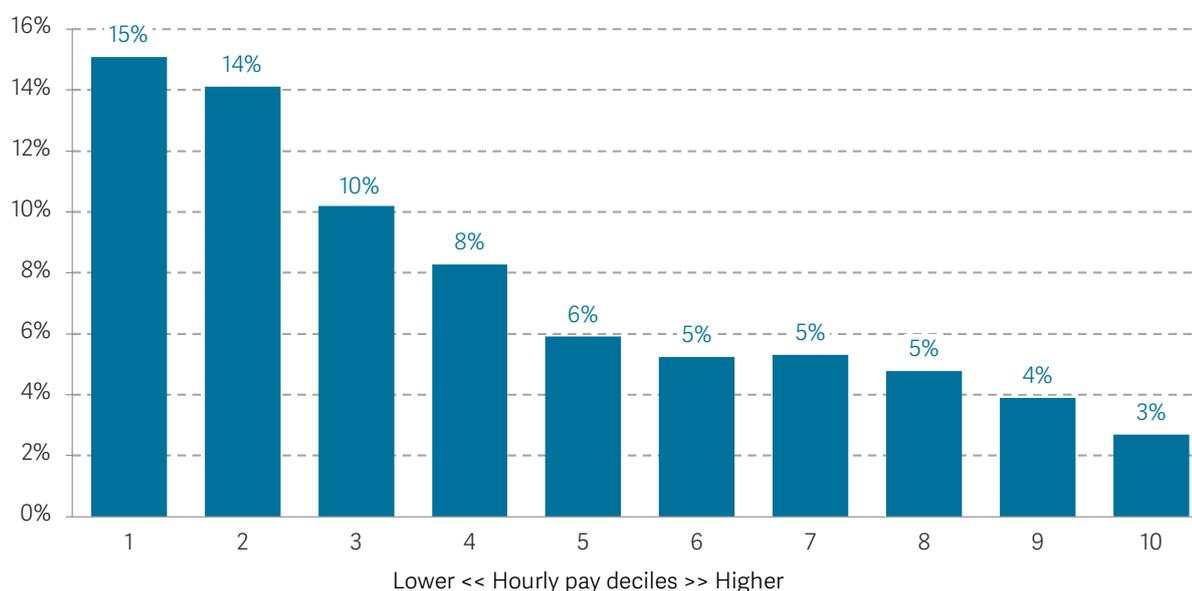
Some people who work short hours do so voluntarily, but Figure 8 shows that workers in the bottom quintile of the hourly pay distribution are three times as likely to be underemployed (i.e. to wish to have more hours) as the top half of earners.

So, for many, low hours are a constraint rather than a choice. This is likely to happen in sectors where short-hour contracts have become the norm and where their inflexible use leaves some unable to work as much as they would like. Full-time vacancies are not evenly distributed across sectors, and part-time opportunities are concentrated in sectors that have traditionally employed more women, such as health, education, retail and hospitality. It's important to keep part-time jobs available to provide flexibility for those who need or want it, but the diverse situation of low-paid workers needs to be recognised.

<sup>23</sup> S Clarke, N Cominetti & K Henehan, *Low Pay Britain 2019*, Resolution Foundation, May 2019.

### FIGURE 8: Underemployment is much more prevalent among low-paid employees

Employees who would prefer to work more hours at current rate of pay, by hourly pay decile: UK, 2019



SOURCE: RF analysis of ONS, Labour Force Survey.

### RECOMMENDATION: Part-time workers should have the right to request a contract with longer hours.

This could mirror the right to request flexible working that can help workers reduce hours. In the same way that long-hour cultures dominate in some workplaces and disadvantage those with other responsibilities, short-hour norms can reflect an outdated view that some low-paid work is only done by people who are not the main earner in their household.

### Low earners should have control over when they are paid

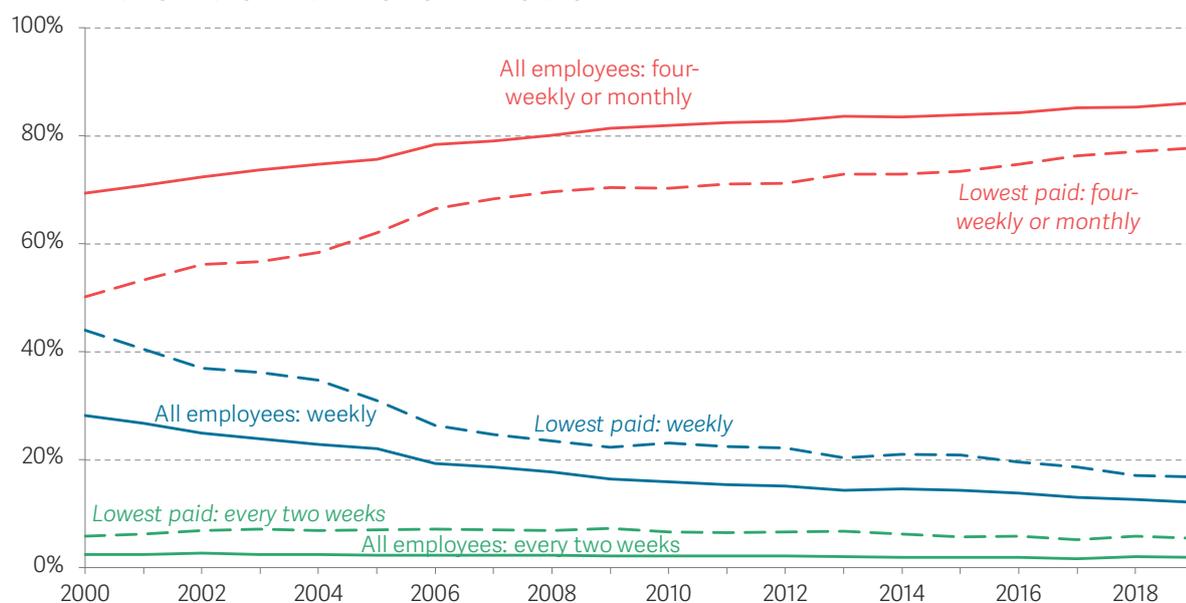
Just as with firms, healthy family finances depend on cash flow as well as income levels. While most of the focus since 2000 has been on rates of pay, other aspects of people's pay have been overlooked – such as when people get paid.

And this has meant that a huge change has gone almost totally unnoticed. In 2000, over a quarter (28 per cent) of workers were paid weekly, and just over two-thirds (69 per cent) were paid every month or every four weeks. Now, just 12 per cent of workers get paid weekly, and 86 per cent are paid monthly (see Figure 9). And the change is even more

stark for the lowest-paid: in the lowest decile of weekly earnings, the share of employees who get paid weekly has gone down from 44 per cent to just 17 per cent, while over three-quarters are now paid monthly, up from just half in 2000.

FIGURE 9: The share of workers paid weekly has halved since the early 2000s

Employee pay frequency, by weekly pay decile: GB, 2000-2019



NOTES: The 'lowest paid' category comprises those in the bottom decile of weekly pay.  
SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

This matters a lot, because it means that low-paid workers are effectively lending money to their employers – and on a huge scale. The decline of weekly pay among the bottom (weekly) earnings decile alone is equivalent to 744,000 people shifting from being paid weekly to being paid monthly. Think of the average worker in the bottom weekly pay decile, who earns £96 a week.<sup>24</sup> On any given day, they are owed an average of £48 by their employer if they are paid weekly, compared to £209 if they are paid monthly.<sup>25</sup> In other words, being paid monthly means, on average, they are effectively lending an extra £161 to their employer compared to being paid weekly. Adding that up for all those monthly-paid workers who would have been paid weekly two decades ago provides a stylised figure of £120 million more on an average day being lent to firms just by the lowest 10 per cent of earners. And this matters more for the individuals than for businesses, because individuals have higher borrowing costs: the average interest rate

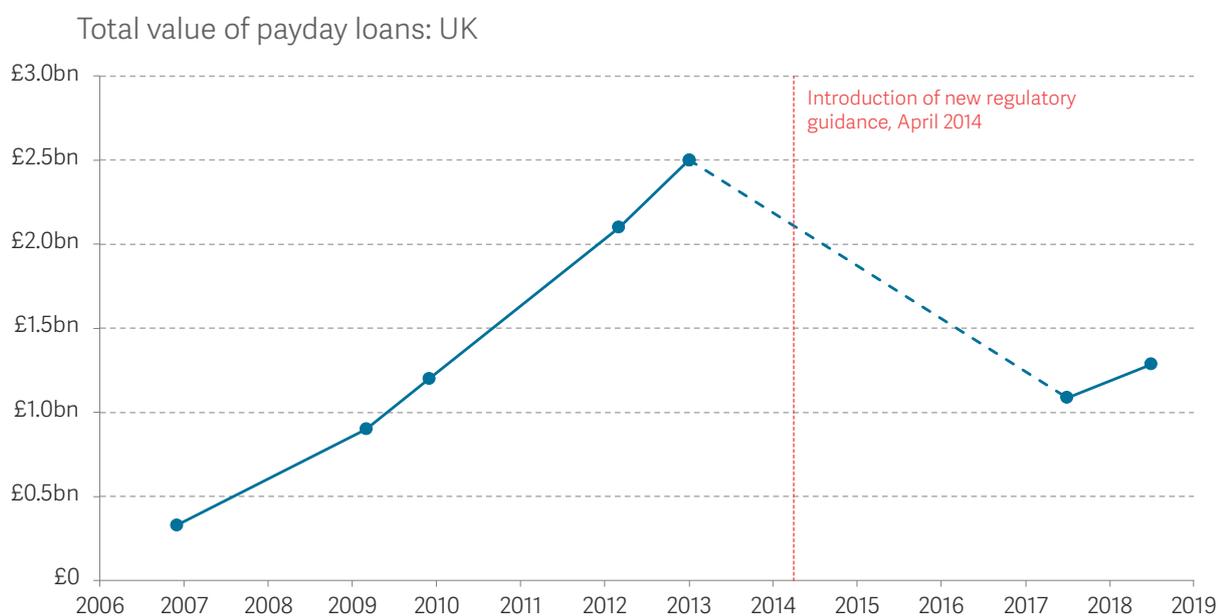
<sup>24</sup> Mean gross weekly earnings in the bottom decile. Source: RF analysis of ONS, Labour Force Survey.

<sup>25</sup> Assumes paydays are uniformly distributed over the week/month. If employees accrue pay at a constant rate over the week/month, on average they will be owed half of that, with the amount owed ranging from zero (just after they are paid) to their full weekly or monthly pay (just before they are paid).

on a company loan was 3.28 per cent in 2019-20,<sup>26</sup> while the average representative rate on a credit card was over six times higher at 20.25 per cent.<sup>27</sup>

For some workers, whether they are paid monthly or weekly may make little difference. But the huge rise in payday lending – that is, short-term but high-cost credit – over the same period should remind us that, although the level of your pay is most important, when you are paid can matter too. As Figure 10 shows, the value of payday loans rose from £300 million to £2.5 billion between 2006 and 2013, and the declines since (the value of these loans stood at £1.3 billion in the year to June 2018) only happened thanks to regulatory changes introduced in April 2014.<sup>28</sup>

FIGURE 10: The value of payday loans rose more than seven-fold between 2006 and 2013



SOURCE: Consumer Finance Association, *A modern credit revolution: An analysis of the short-term credit market*; Office of Fair Trading, *Payday lending compliance review final report*; Financial Conduct Authority, *Consumer credit - high-cost short-term credit lending data*.

A further sign that pay patterns matter is that private-sector innovations are now being dreamt up to get around the challenge posed by workers wanting access to their pay before a monthly pay day. Wagestream<sup>29</sup>, for example, provides a service to employers so they can offer their workers access to their wages as they are earned. This will help some workers, but all low-paid workers should have more control over accessing the pay they have already earned.

<sup>26</sup> Bank of England, *UK MFIs' (excluding central bank) effective interest rates (BankStats Table G1.4)*, May 2020.

<sup>27</sup> Bank of England, *Quoted interest rates (BankStats Table G1.3)*, May 2020.

<sup>28</sup> Consumer Finance Association, *A modern credit revolution: An analysis of the short-term credit market*, November 2016.

<sup>29</sup> <https://wagestream.com/>

**RECOMMENDATION: In large firms, workers should have the right to choose how regularly they are paid, and workers should be involved in decisions about payroll regularity even in smaller employers.**

The move to paying workers less often is important not just because of the material impact it is having on some employees, but also because it reflects the way in which big corporate decisions are taken without paying attention to the lives of their workers. The UK's move towards monthly pay patterns was far from inevitable: the vast majority of US workers are paid weekly or fortnightly.<sup>30</sup> Monthly pay works for many, but this policy change would reduce the cash-flow pressure some workers face, and reduce the risk that they have to rely on high-cost credit to get between pay checks.

## Labour market rules should be built on respect, with low earners protected in ways that higher earners take for granted

The case for valuing good work was already being made before the crisis struck.<sup>31</sup> But there has been little concrete progress on improving labour-market conditions, with the welcome exception of the ending the 'Swedish derogation', legislation that allowed businesses to opt out from paying their agency workers equally with their permanent staff.<sup>32</sup>

This matters particularly for lower earners. Higher earners tend to be able to negotiate provision that can extend well beyond the legal minimum, but the uneven distribution of power in the labour market means that lower earners are most in need of the protection that can be provided by state-set rules.

But our current system of labour market rules actively provides less support to low earners in many ways, depriving them of protections that higher earners take for granted. We cover two examples here: sick pay and unfair dismissal.

Statutory Sick Pay, a policy brought into focus by coronavirus, is unavailable to those earning less than £120 a week<sup>33</sup>, and those lower earners who are eligible are much less likely than high earners to have access to more generous occupational schemes provided by their employer.<sup>34</sup>

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<sup>30</sup> M Burgess, [How frequently do private businesses pay workers?](#), US Bureau of Labor Statistics, May 2014.

<sup>31</sup> Department for Business, Energy and Industrial Strategy, [Good Work: the Taylor review of modern working practices](#), July 2017.

<sup>32</sup> The 'Swedish derogation' was ended on the recommendation of the Taylor review of modern working practices. For more detail, see: Department for Business, Energy and Industrial Strategy, [Good Work: the Taylor review of modern working practices](#), July 2017.

<sup>33</sup> Such workers could however in many cases apply for Universal Credit or Employment and Support Allowance.

<sup>34</sup> Resolution Foundation, [Doing what it takes: Protecting firms and families from the economic impact of coronavirus](#), March 2020.

**RECOMMENDATION: Sick pay should be extended to lower earners.**

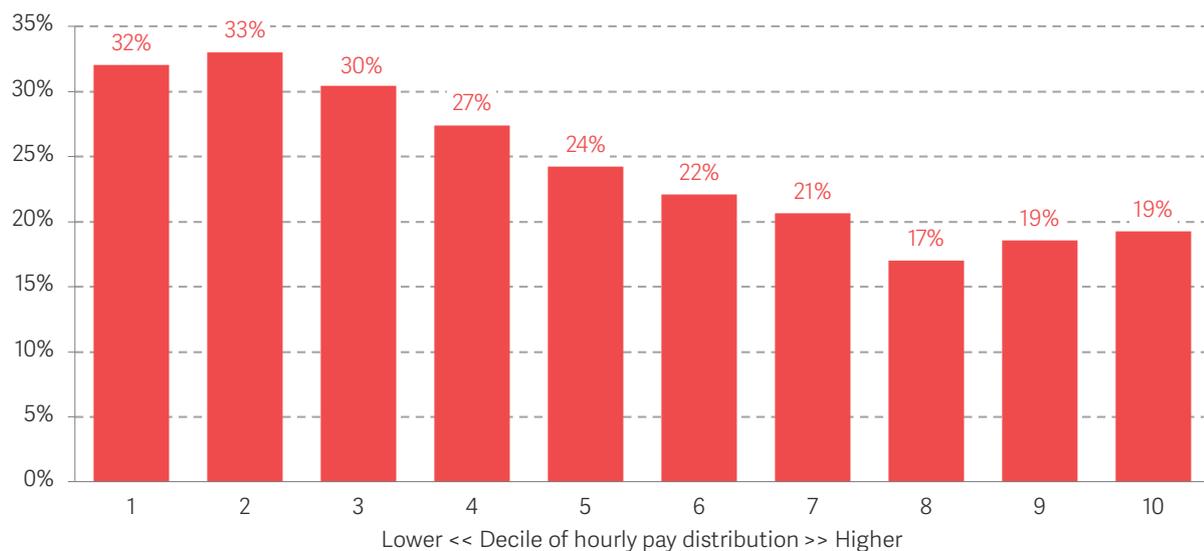
The low-paid are also around 40 per cent less likely to meet the eligibility criteria to claim for unfair dismissal, as Figure 11 shows. Since 2012, employees have been unable to claim for unfair dismissal without having two years in post, a rule that hugely undermines the protection afforded to lower earners, who tend to have higher turnover rates.<sup>35</sup>

**RECOMMENDATION: Workers should qualify for unfair dismissal after one year in post.**

It is noteworthy that these are clear, implementable changes that do not wrestle with the boundaries between employees and workers that complicate some areas of employment law.

**FIGURE 11: One-in-three workers at the bottom of the wage distribution cannot claim unfair dismissal**

Proportion of employees aged 25+ who have been in their job for less than two years, by hourly pay decile: UK, 2019



Note: Includes only 25+ year olds to reduce distortion from an age effect, i.e. that younger workers more likely to be low paid (not least because they have a lower minimum wage) while also being more likely to be recent entrants to the labour market.

SOURCE: RF analysis of ONS, Labour Force Survey.

## The rules must be enforced to be effective

The challenge of ensuring that low earners receive the respect they deserve in the labour market goes beyond their relative lack of legal protections compared to higher earners. N

<sup>35</sup> The [Unfair Dismissal and Statement of Reasons for Dismissal \(Variation of Qualifying Period\) Order 2012](#) increased the required period of continuous employment to claim for unfair dismissal from one year to two years.

ot only do our labour market rules give fewer rights to lower earners, but our laws can also make it harder for low earners to enforce those rights.

The UK operates a labour market enforcement system that largely relies on individuals themselves bringing cases to employment tribunals, rather than the state bringing cases on behalf of workers whose rights are believed to have been infringed. Giving individuals the responsibility for enforcing their own rights might work for some higher earners, but in most circumstances this does little for workers in low-wage sectors, who are most likely to experience breaches of labour market rules:<sup>36</sup> one-in-seven workers in hospitality say they have no paid holiday, and it is hard not to conclude that employment rights are being systematically ignored in hand car washes<sup>37</sup> and in some parts of the cleaning and hospitality industries.<sup>38</sup> Low earners are less likely to be able to risk significant sums in legal processes. We know that those in atypical forms of work are more prone to exploitation than other workers, but have a below-average application rate to employment tribunals. Similarly, those in elementary occupations are highly exposed to unlawful behaviour, but managers and directors are far more likely to take action against their employer.<sup>39</sup>

In what is a very welcome development, the Government has committed to the creation of a single enforcement body (SEB) in the forthcoming Employment Bill. This is likely to consolidate the enforcement capacity currently spread across at least three government bodies.<sup>40</sup> But the debate about the nature of the SEB would benefit from being more open and wide-ranging, with a major role for Office of the Director of Labour Market Enforcement. It remains to be seen whether the opportunity will be taken to instil a different approach to labour market enforcement, starting from the principle that it is the state's responsibility to protect lower earners, rather than expecting them to do it themselves. Indeed doing so would be crucial to ensuring that some of the new rights proposed in this paper lead to meaningful change for lower earners not just more legislation.

**RECOMMENDATION: The forthcoming Single Enforcement Body should be introduced and properly resourced, with powers to pro-actively protect workers.**

The main exception to the idea that it is largely the responsibility of individuals to enforce their own employment rights is minimum wage enforcement. Here, HMRC

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<sup>36</sup> Low-paid occupations and industries are most likely to report zero paid holiday entitlement or to not be in receipt of a payslip, while minimum wage underpayment clearly affects the lowest earners. See: N Cominetti & L Judge, [From rights to reality: Enforcing labour market laws in the UK](#), Resolution Foundation, September 2019.

<sup>37</sup> M Taylor, [Resolution Foundation speech](#), February 2020.

<sup>38</sup> R Wright and C Hodgson, [Foreign cleaners expose lack of protection in UK labour market](#), Financial Times, May 2019.

<sup>39</sup> N Cominetti & L Judge, [From rights to reality: Enforcing labour market laws in the UK](#), Resolution Foundation, September 2019.

<sup>40</sup> These are the Gangmasters and Labour Abuse Authority (GLAA), the Employment Agency Standards Inspectorate (EAS), and the NMW enforcement unit of Her Majesty's Revenue and Customs (HMRC). It is not clear at this point which bodies the Government intends to subsume within the SEB, or indeed on what basis.

directly prosecutes underpaying firms. But, despite additional resources in recent years, underpayment of the legal minimum is painfully common, with almost one-in-four workers entitled to the minimum wage being underpaid.<sup>41</sup> Despite a slight fall in the latest data (for 2019), the broad trend since the introduction of the NLW in 2016 is of rising underpayment, as Figure 12 shows.

FIGURE 12: **Minimum wage non-compliance has risen in recent years**

Estimated rate of underpayment for covered workers (those paid at or below the NMW/NLW-plus-5p), and 'bite' of the NMW/NLW (minimum wage rate as share of median wage), aged 25 and over: UK/GB, 1999-2019



NOTES: Different methods are used to calculate underpayment rates 1999-2003, 2004-05, 2006-10 and 2011 onwards. Data for 2016-19 are for different points in the minimum wage year than all other years, so cannot be directly compared to 2011-15 data. Figures for 2016-19 are GB, not UK. Bite is for April of relevant year. SOURCE: Low Pay Commission analysis of ONS, Annual Survey of Hours and Earnings; RF analysis of ONS, Annual Survey of Hours and Earnings.

Pressure on enforcement is set to build in the years ahead. Rises in the National Living Wage will, all else equal, reduce employers' incentive or ability to comply. Planned tighter restrictions on migration for lower-paid work will also increase the risk of unscrupulous employers exploiting workers with an unstable migration status, and a looser labour market could diminish workers' ability to stand up to a non-compliant employer for fear of losing their job. Previous Resolution Foundation research has demonstrated that, given the current detection rates, current financial penalties are far too low to effectively deter businesses thinking of paying below the legal minimum.<sup>42</sup> Little use is

<sup>41</sup> L Judge & A Stansbury, *Under the wage floor: Exploring firms' incentives to comply with the minimum wage*, Resolution Foundation, January 2020.

<sup>42</sup> L Judge & A Stansbury, *Under the wage floor: Exploring firms' incentives to comply with the minimum wage*, Resolution Foundation, January 2020.

also made of existing powers to bring criminal prosecutions with just 14 taking place since the introduction of the minimum wage in 1999. These findings are even more concerning given that minimum wage underpayment is one of the best-resourced areas of enforcement: in other areas, such as holiday pay entitlement, there is even less of an incentive for firms to comply with the law.

**RECOMMENDATION: Fines for underpayment of the minimum wage should be increased.**

Although the coronavirus means that health and safety in the workplace is now a top priority for many firms and most employees, that has not always been the case, and Health and safety enforcement has also been reduced in recent years. Since 2010, funding for the Health and Safety Executive (which deals with the most dangerous workplaces, like construction sites) has been cut by more than £100 million, or close to half of its 2010 budget, and its workforce has shrunk by a third. Health and safety in workplaces that are deemed low-risk in ordinary times – including shops, restaurants and offices, as well as care homes, which are as far as it gets from low-risk in the current climate – fall within the remit of local authorities, many of whom lack the ability to engage in serious volumes of spot-checks.<sup>43</sup>

**RECOMMENDATION: Particularly during this pandemic, Local Authorities need to be resourced to carry out health and safety spot-checks to protect those lower paid workers bearing most health risk.**

## Lessons from our own history and abroad should encourage institutional innovation to drive up standards in low-paying sectors

The UK's labour market is an individualised one, with the state providing the rules for engagement of relationships that are largely between employers and employees. This framework partly reflects, and partly drives, the nature and relative successes of the three broad approaches that efforts to improve the world of work in the UK have tended to fit within. The first has been to rely on legislation to improve broad employment rights; another is to hold out for a resurgence in collective bargaining and union membership; a third relies on more enlightened human resource management from employers to deliver change. All are important, but the situation faced now by low-paid workers shows that they have significant limitations.

Union membership has been in long-term decline since the late 1970s, falling below a quarter of employees in the course of the last decade.<sup>44</sup> Recent data, though, shows that membership actually rose for the last two years (with the number of workers in unions up

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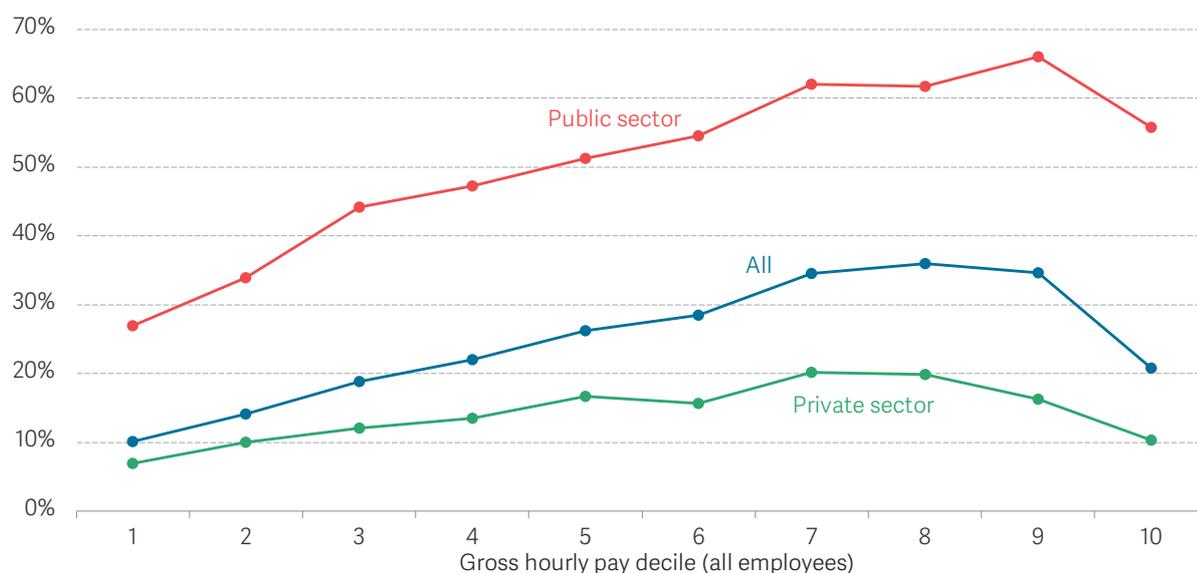
<sup>43</sup> S O'Connor, *We need health and safety at work now more than ever*, Financial Times, May 2020.

<sup>44</sup> Department for Business, Energy and Industrial Strategy, *Trade union statistics 2019*, May 2020.

by 90,000 last year), the first such rise this century.<sup>45</sup> But, crucially, lower-paid workers are the least likely to be union members, as Figure 13 shows.

**FIGURE 13: Union membership is lowest among the lowest-paid**

Proportion of employees in trade union membership, by gross hourly pay decile: UK, 2018-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

Historically, one structural challenge for unions has been the age profile of their members, and so it is noteworthy that the recent increase in part reflects the fact that those born in the late 1990s are more likely to be trade union members at the age of 24 than the generation before them.<sup>46</sup> This rise should be welcomed, but real change in both the legislative environment for unions and the levels of innovation in the sector will be needed to maintain it.<sup>47</sup>

**RECOMMENDATION: Unions should be given the right to enter workplaces to raise awareness amongst workers.**

The last decade tested to destruction the idea that the status quo of a “flexible” labour market, plus high employment and a decent minimum wage, could deliver good work in all parts of the labour market. So more institutional innovation, and indeed experimentation, is badly needed if we want to see significant improvements in low-paying sectors – which, as Gavin Kelly has noted, is a lesson Churchill set out clearly over

<sup>45</sup> See [https://twitter.com/dan\\_tomlinson\\_/status/1265574734181421058](https://twitter.com/dan_tomlinson_/status/1265574734181421058), 27 May 2020.

<sup>46</sup> See [https://twitter.com/dan\\_tomlinson\\_/status/1265578514205605889](https://twitter.com/dan_tomlinson_/status/1265578514205605889), 27 May 2020.

<sup>47</sup> G Kelly, *The future of trade unionism and the next generation*, September 2016.

100 years ago.<sup>48</sup> The weakness of sectoral institutions in the UK is a major feature – or rather, limitation – of our economy. Only agriculture has structures in place to agree pay and conditions collectively, and only in the devolved nations, following the abolition of England’s Agricultural Wage Board in 2013.<sup>49</sup>

So innovation is needed, and the question is how this can be done intelligently in the 2020s. We should embark on a new phase of institutional experimentation by drawing lessons from our own history, as well as recent developments in relatively similar Anglo-Saxon labour markets.

For example, the 1909 Trade Boards Act created wage boards of employers, workers and independents charged with improving conditions in four problem industries. These were then expanded over a period of decades. A more recent example can be found in New Zealand, where their Government is currently proceeding with establishing Fair Pay Agreements with similar approaches and goals.<sup>50</sup> Professor Arin Dube, the author of a recent report into the minimum wage for the UK government, has also explored the case for wage boards in a US context.<sup>51</sup>

**RECOMMENDATION: 21<sup>st</sup> century Wage Boards should be established in a small number of industries that are in clear need of improved standards, starting with social care.**

Wage boards should have the power to set sectoral minimum standards (and even wages), police the blurred boundary between employment and self-employment<sup>52</sup>, and drive up training. They should be based on tripartite engagement between workers, employers and independent representatives to drive up standards. In doing so, they can learn from cases where tripartite processes have been successful, including the Low Pay Commission here in the UK.

The best approach will only emerge through experimentation, and trade-offs will be real. Higher standards could mean higher prices, or, in the case of social care that is predominately publicly funded, higher taxes. But the status quo is not fit for purpose, with the Government’s own Director of Labour Market Enforcement, Matthew Taylor, arguing that we need new approaches to deal with sectors like car-washing, in which legal non-compliance is endemic.<sup>53</sup>

<sup>48</sup> G Kelly, *Churchill, the crisis and a better deal for Britain’s low paid*, Resolution Foundation, May 2020. This piece expands on the arguments and recommendations in this section.

<sup>49</sup> The [Scottish Agricultural Wages Board](#), [Agricultural Advisory Panel for Wales](#) and [Agricultural Wages Board for Northern Ireland](#) set wages and some conditions for the agricultural sector in Scotland, Wales and Northern Ireland respectively. Some workers in England are still entitled to the [agricultural minimum wage](#) if they were employed before October 2013.

<sup>50</sup> D Tomlinson, *More than we bargain for: Learning from new debates on how institutions can improve worker pay and security in Anglo-Saxon economies*, Resolution Foundation, November 2019.

<sup>51</sup> A Dube, *Using wage boards to raise pay*, Economics for Inclusive Prosperity, February 2019.

<sup>52</sup> While we don’t go into this issue in this note, confusion around employment status or being wrongly designated as self-employed can prevent workers from accessing employment rights such as sick pay, minimum wage entitlement, and protection against unfair dismissal. See, for example: A Corlett & D Tomlinson, *A tough gig? The nature of self-employment in 21st century Britain and policy implications*, February 2017.

<sup>53</sup> M Taylor, *Resolution Foundation speech*, February 2020.

Beginning this work with the social care sector would reflect the prominence that it has achieved during this pandemic. It would also recognise that the repeated failure to introduce a reform of the funding and operation of the social care sector has led to a workforce that is facing low standards, low pay and high insecurity.<sup>54</sup> If the broad model of wage boards is successful, then next up could be the larger low-paying sectors, hospitality and retail, which have almost half (46 per cent) of low-paid workers.<sup>55</sup> These are also the sectors most likely to be affected by the lasting changes brought about by the pandemic, and so a tripartite process for managing change may present a valuable way forward.

This approach would be complementary to innovation at the firm level, where the idea of putting workers on boards has gained traction in recent years. The approach was proposed by the then Prime Minister Theresa May and featured in the manifesto of one of the main political parties at the last election.<sup>56</sup> Although this isn't a panacea, nor just about low-paid workers, moves to put the workers' voice at the heart of corporate governance would also be welcomed.<sup>57</sup>

## Conclusion

With the coronavirus crisis has come the recognition both that low-paid workers are essential to keeping our country going, and that the economic costs of the lockdown have fallen heaviest on their shoulders.

This recognition is important, but what matters is whether it translates into concrete policy change that improves the lives of low earners. And such policy needs not only to raise their pay, but also apply principles of respect and dignity to decisions that shape the world of work more broadly.

This paper sets out a wide-ranging reform agenda that, if implemented, would amount to a new settlement for the low paid. It would raise their living standards, broadly defined, with more control at work coming alongside more pounds in pay packets.

Many will say these proposals go too far, rightly noting that our labour market already has many strengths. But these are balanced, moderate proposals. The pandemic has reminded everyone that, for too many low earners, the world of work we offer is one based on insecurity and exploitation, not dignity and respect: that is something to act on,

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<sup>54</sup> N Cominetti, L Gardiner & G Kelly, [What happens after the clapping finishes? The pay, terms and conditions we choose for our care workers](#), Resolution Foundation, April 2020.

<sup>55</sup> Low-paid workers are defined as those earning less than two-thirds of median hourly pay. Source: RF analysis of ONS, Annual Survey of Hours and Earnings.

<sup>56</sup> T Bell, [Doubling down on a bigger state: Assessing Labour's 2019 manifesto](#), Resolution Foundation, November 2019.

<sup>57</sup> It is also welcome that the threshold for the number of employers that need to make a valid request for an Information and Consultation Agreement was lowered from 10% to 2% on 6 April 2020. Government, unions and businesses would do well to publicise this change.

not ignore. Recognition has been building over the last decade that the status quo is far from the best we can do. Now is the time to build a consensus on what change should actually look like.

Of course, the nature and timing of any new settlement needs to take into account the huge challenge of high unemployment in the years ahead. Our view is that this is not an argument against planning today for a better labour market, but it should, of course, be front and centre of plans for implementation. And, although this paper draws on evidence of the views of low-paid workers, including on the security of their hours of work and the prevalence of underemployment, the eventual focus of any new settlement should follow detailed engagement with the views and aspirations of lower earners.

Others will say the proposals do not go far enough. We happily agree that a host of other areas that are material to the living standards of low earners would be worthy of consideration. The differential impact of government tax and spending decisions, and the impact they have on social wages of different groups, deserve more recognition. Low earners are more likely to be in low-income families who have lost the most from cuts to public spending and who face marginal deduction rates of up to 80 per cent,<sup>58</sup> rates that would generally be considered punitive when considered in the context of higher earners. Questions of housing, alongside training and progression at work, should also be centre stage. However, the tighter focus of this package on the world of work for low earners is precisely why it has the potential to form a new settlement for the low paid in 21st century Britain.

The current crisis has led to a welcome but long overdue focus on low-paid work. Now is the time to need to put in place plans to deliver concrete improvements to their pay and working conditions. These could not only raise their pay but provide the dignity that work and workers, however low paid, deserve.

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<sup>58</sup> A Corlett, [The shifting shape of UK tax: Charting the changing size and shape of the UK tax system](#), Resolution Foundation, November 2019.

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