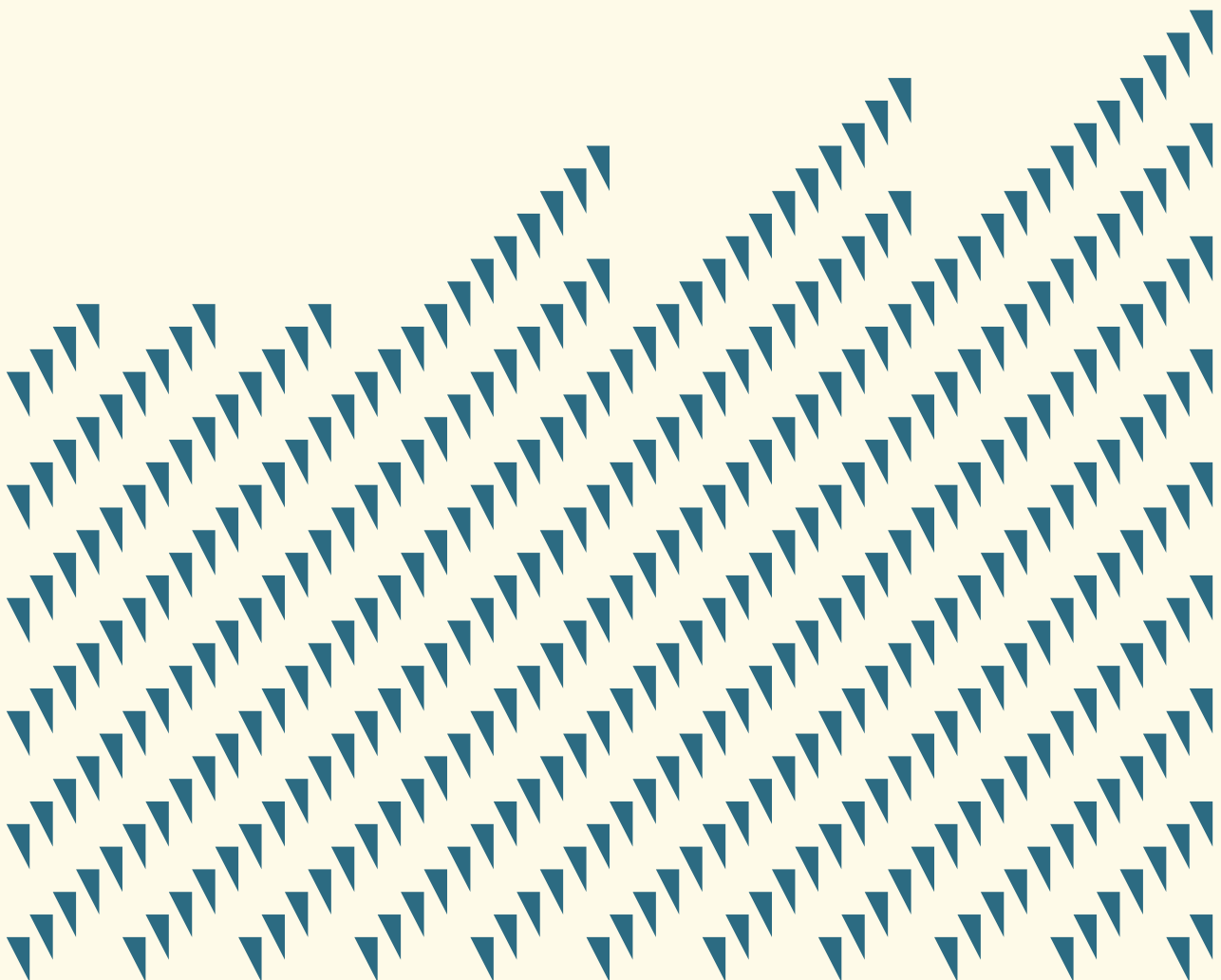


Workertech and low pay

An overview of research on low-paid workers in the UK

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July 2021



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Introduction

Resolution Ventures invests in start-ups that use technology to improve the prospects, power and choices of workers. The Workertech Partnership is a three-year programme to invest in workertech ventures, using technology to change the world of work for those in low pay or precarious work. It is supported by Joseph Rowntree Foundation, Ufi VocTech Trust, Accenture, Friends Provident Foundation and Trust for London.

To inform its work, Resolution Ventures is working with Resolution Foundation researchers to understand in more detail the groups at the sharp end of the labour market – those experiencing the problems that workertech aims to solve. This note aims to summarise our knowledge of these groups, and where the challenges lie.

It is no surprise that low-paid workers are more likely to experience a range of other disadvantages in the workplace. This briefing note brings these issues into focus. It shows that low-paid work affects many groups, but is especially prevalent among the young, women, and those working part-time, and is concentrated in the hospitality and retail sectors. It then discusses the issues – in addition to low pay – facing these workers. This includes higher levels of insecurity, fewer formal employment rights, and a greater vulnerability to labour market abuses than other groups of workers. Concerningly, low-paid workers are less likely to have the support and resources to counteract these pressures, as they are far less likely to be union members or to make use of the employment tribunal system. Many low-paid workers also face a high risk of being stuck in low pay, with relatively few enjoying progression to higher-paying jobs. On top of all these pre-existing issues, low-paid workers have recently borne the brunt of the Covid-19 crisis, thanks to the impact on low-paying sectors like hospitality, retail and leisure.

Technology is changing the world of work, whether you are a business consultant in back-to-back Zoom meetings, or a supermarket assistant on a checkout, with your shift pattern determined by an algorithm, and your checkout queue monitored with heat sensors. But discussions about 'the future of work' tend to be heavily skewed towards the possibilities of remote working, video calls and digital collaboration tools.

Technology is already being used across a range of lower-paid sectors and occupations. But lower paid workers have much less choice about how technology and data is used in their jobs. It is very often done 'to', rather than with, them.

At Resolution Ventures, we are looking to invest in ways that technology can help address some of the problems described in this note, and put more information and power in the hands of lower-paid workers. You can see examples of the ventures we are

supporting at <https://www.resolutionfoundation.org/ventures/>. We would love to see more people tackling these problems with new ideas and approaches.

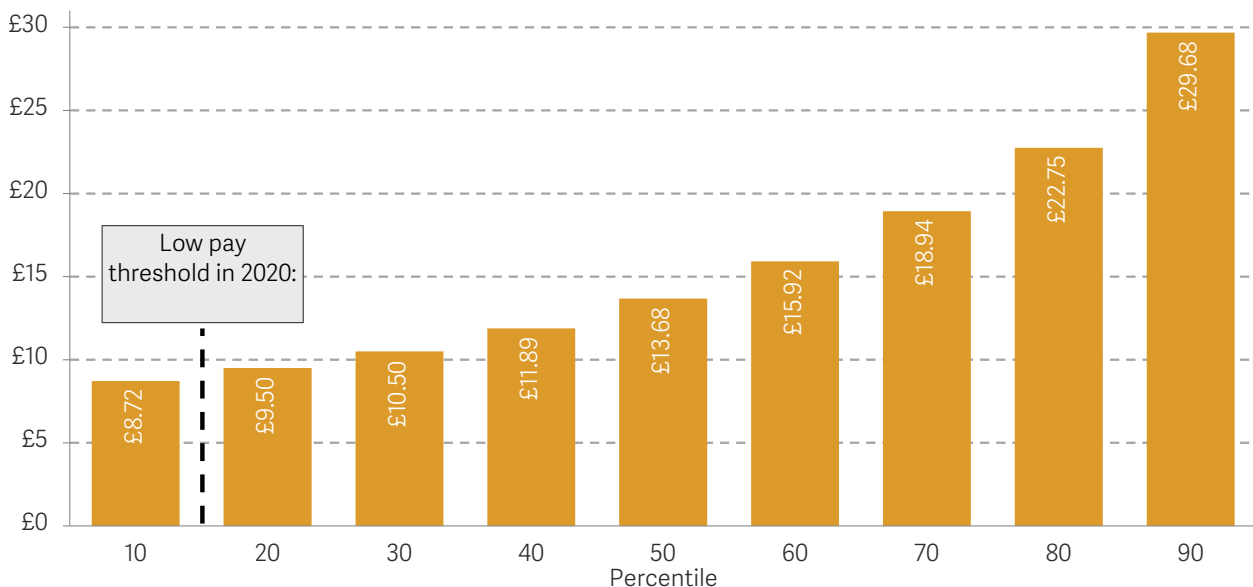
Future Resolution Ventures research will dig into the issues of low-paid and precarious work in more detail, and explore the opportunities for technology to improve the pay, progression, power and prospects of those in these jobs and sectors. Building a fair future of work means a future that works for everyone.

Low pay has been falling thanks to a rising minimum wage, but remains commonplace

The most commonly-used definition of 'low pay' is that a worker is low paid if they are earning hourly wages below two-thirds of median hourly pay.¹ This is the measure used by the OECD, and has been widely adopted: for example, the Government's intention to 'end low pay' by raising the minimum wage relates to this measure.² On this basis, the low pay threshold (below which pay is considered 'low') was £9.12 in 2020, 89p above the adult rate minimum wage. This is shown in Figure 1, below, which also shows the distribution of hourly pay: in 2020, this varied from £8.72 per hour at the 10th percentile to just below £30 per hour at the 90th percentile.

FIGURE 1: 'Low pay' is often defined as earning below two thirds of median hourly pay, which in 2020 means the bottom sixth of workers are classified as low paid

Hourly pay by percentile and the low pay threshold: UK, 2020



SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings, 2020.

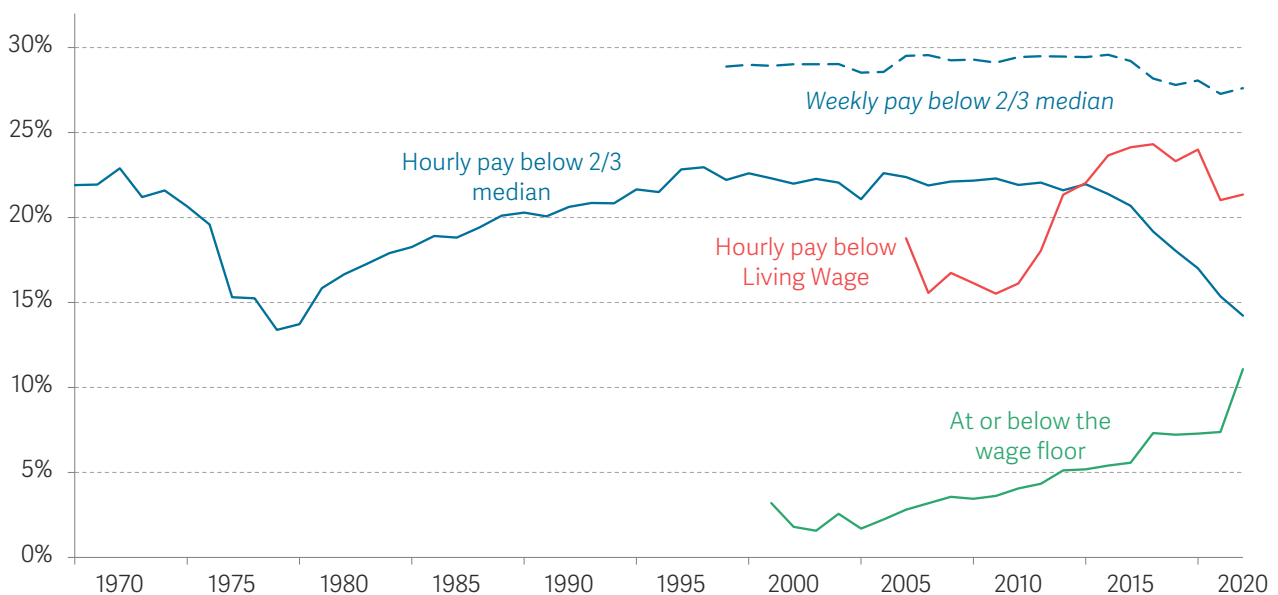
¹ N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020.

² The Guardian, *Philip Hammond plans world's highest minimum wage*, 5 May 2019.

This definition of low pay – ‘hourly low pay’ – is what we will focus on in this briefing note. But it’s worth noting that other measures of low pay are available. Firstly, the two-thirds measure can be applied to weekly rather than hourly earnings – we will refer to this as ‘weekly low pay’. In 2020, weekly low pay would include anyone with weekly earnings below £320 (for context, weekly pay in 2020 varied from £156 at the 10th percentile to £1,043 at the 90th percentile). But there are other benchmarks for defining low pay. One relates directly to living standards, classifying those earning below the (real) living wage – a wage that is based on what people need to get by – as low paid.³ The real living wage is currently £10.85 in London and £9.50 in the rest of the UK. Another relates to the legal wage floor, where those earning at or below the minimum wage (currently £8.91 for workers age 23 and above) are considered low paid.

FIGURE 2: **Low pay was in decline before the Covid-19 crisis**

Proportion of all employees below selected low pay thresholds: GB, 1968 to 2020



Note: ONS approach to filtering ASHE dataset followed. In 2020, observations are excluded if experienced loss of pay due to absence apart from those on furlough, who are included. In previous years all workers experiencing loss of pay through absence are excluded. The hourly pay measure used excludes overtime and shift premiums. For more information, see the report this chart was originally produced for: Cominetti et al, Low Pay Britain 2021, Resolution Foundation, June 2021.

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

On the main low pay measure (those earning below two thirds of hourly median pay), 14 per cent of employees in Britain were low paid in 2020. This threshold is lower than the real living wage, and so using the living wage as a threshold gives a higher estimate of the number of employees in low pay – 21 per cent. The number of workers paid at or below

³ See <https://www.livingwage.org.uk/what-real-living-wage>.

the minimum wage is lower, at 7 per cent. On both our main measure and the real living wage measure, low pay has been falling in recent years. A longer-term perspective shows that the proportion of workers in low hourly pay had been static at just over 20 per cent from about the mid-1990s to mid-2010s, but has fallen rapidly since the introduction of a higher minimum wage in 2016. These trends are set out in Figure 2.

Despite this recent progress, the UK still has relatively high levels of low pay (using the two-thirds hourly measure) compared to other developed countries. In 2019, 18 per cent of full-time employees were low paid; higher than the OECD average of 15 per cent of full-time employees in 2018 (the OECD definition of low pay only includes full-time workers, unlike definitions used in the UK).⁴

An important caveat to the above data is that it relates to employees only – it does not include the self-employed. This is because it is much harder to measure self-employed earnings, and data is less readily available, particularly if we want to measure low pay on an hourly basis. However, this doesn't mean the self-employed should be disregarded. What data we have suggests that weekly low pay is widespread among the self-employed: in 2015-16, 49 per cent of self-employed people had low weekly pay (using the two-thirds measure) compared to 21 per cent of employees.⁵ Low pay among the self-employed is a concern given the fact that the self-employed are a growing share of the workforce, and do not directly benefit from the rising minimum wage, the main policy measure designed to tackle low pay.⁶ Despite the importance of this group, for reasons of data availability, this briefing note will mostly be confined to low-paid employees.

Low pay is distinct from other concepts relating to labour market disadvantage

Before discussing the low paid and the issues they face in work, it's worth noting that low pay is only one way in which workers can face difficulty – there are other important types of labour market disadvantage, such as insecurity. These are not the sole preserve of the low paid but, as we show later in this note, they are more likely to be experienced by low-paid workers. These other concepts – none of which has a set definition – include:

- 'Atypical' work: this concerns the type of contract a worker has. Atypical work may be used to refer to any type of work done by someone who is not an employee working full-time with a permanent contract. On this definition, 60 per cent of jobs would be classed as 'typical' and 40 per cent 'atypical'.
- 'Insecure' work: this usually relates to contracts with variable hours (such as zero-hour contracts), or contracts where there is a particular risk of job loss (such as

⁴ <https://data.oecd.org/earnwage/wage-levels.htm>, accessed 30 April 2021.

⁵ C D'Arcy, *The minimum required? Minimum wages and the self-employed*, Resolution Foundation, July 2017.

⁶ On the eve of the Covid crisis (in the three months to January 2020), self-employment accounted for 15 per cent of all UK employment in, up from 12 per cent in 2000. Source: ONS, Labour Force Survey.

temporary contracts or agency work). Insecurity can also relate to working low hours and wanting or needing more hours. Roughly 3 per cent of workers are on zero-hour contracts, 3 per cent are on agency contracts, and 5 per cent are on temporary contracts.⁷ On a number of definitions, the proportion of workers in insecure work rose after the financial crisis, particularly among low-paid workers (see Figure 3). However, it's worth noting that some people argue that, when cyclical trends have been stripped out, actual labour market insecurity has not been rising, on the grounds that rates of involuntary job loss and measures of workers' perceived insecurity have not increased.⁸

- 'Flexible' work: this usually refers to work with variable hours. Such flexibility can be positive or negative, depending on the amount of power workers have. The issue of 'one-sided flexibility' was raised by the Taylor Review, whose recommendations for improving job security remain largely unimplemented, despite being broadly supported by the previous Government.⁹
- Gig economy: this is task-based or short-term work, facilitated by digital platforms. 'Gig' work shouldn't be conflated with self-employment. Not all gig workers are self-employed (for example, Uber drivers should be classified as workers, according to the recent Supreme Court ruling)¹⁰, and many self-employed workers have nothing to do with the gig economy: there were 5 million self-employed workers from December to February 2020,¹¹ and estimates place the number of gig workers between 1 and 3 million.¹²
- Low income or poverty: by no means does everyone who is low paid have a low income or live in poverty. Low income and poverty are measured at the household level, and take household composition into account. There is some crossover between low pay and low income, but much of the time these do not overlap: in 2020, for example, only 1 in 4 workers in low pay lived in a low income household – higher than the 10 per cent of workers who are not low paid, but still far from the majority.¹³ In 2018-19, the in-work poverty rate was 13 per cent.¹⁴ Despite low pay decreasing in recent years, cuts to benefits and increasing housing costs have kept in-work poverty high.

⁷ RF analysis of ONS, Labour Force Survey.

⁸ A Manning & G Mazeine, [Subjective job insecurity and the Rise of the Precariat: Evidence from the UK, Germany and the United States](#), Centre for Economic Performance, August 2020.

⁹ Department for Business, Energy and Industrial Strategy, [Good Work: The Taylor review of modern working practices](#), July 2017.

¹⁰ M Russon, [Uber drivers are workers not self-employed, court rules](#), BBC News, February 2021.

¹¹ Office for National Statistics, [AO1 labour market statistics summary data tables](#), June 2021.

¹² See, for example: B Balam, [What is the gig economy?](#), RSA, July 2017, and Department for Business, Energy & Industrial Strategy, [The characteristics of those in the gig economy](#), Department for Business, Energy & Industrial Strategy, February 2018.

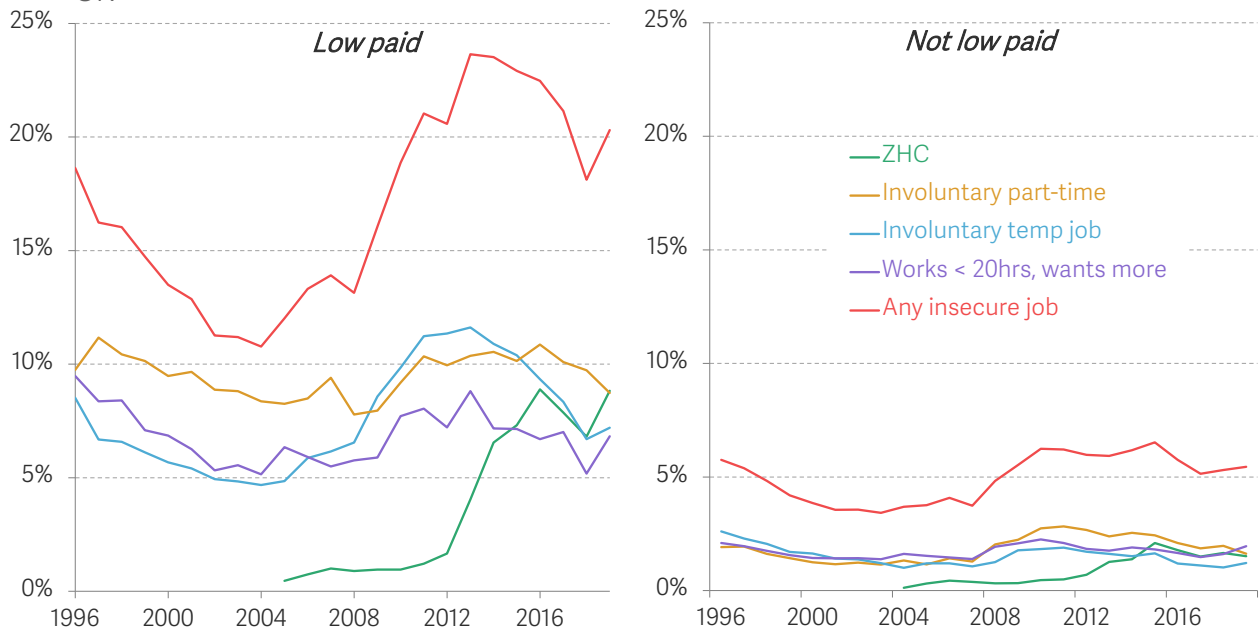
¹³ Resolution Foundation calculation using the ONS Financial Resources Survey. Low income is defined as below 60 per cent of median equivalised incomes after housing costs. Low pay is defined as earning below two thirds of median hourly pay. Individuals are categorised as low paid based on their first job.

¹⁴ Joseph Rowntree Foundation, [UK Poverty 2020/21](#), January 2021.

- Worker power: this can refer to formal structures, such as unions or collective bargaining, or to the degree to which workers have meaningful choices within the labour market.

FIGURE 3: The proportion of low-paid workers in insecure jobs (on a number of definitions) rose after the financial crisis

Proportion of those employed on different forms of insecure work, by whether low paid: UK



NOTES: Any insecure work defined as: zero-hour contract OR involuntary temporary OR involuntary part-time OR working less than 20 hours and would like to work more hours. Low pay is defined as receiving hourly pay that is less than two thirds of the overall median. For more information, see the report this chart was originally produced for: Cominetti et al, Low Pay Britain 2021, Resolution Foundation, June 2021. SOURCE: RF analysis of ONS, Labour Force Survey.

Low-paid workers are disproportionately female, young and working part-time, and many are found in the hospitality and retail sectors

Under our main definition, the low paid are (and have consistently been over time):

- Young: young people are disproportionately low paid. Over two-thirds (69 per cent) of 16-20 year olds and 28 per cent of 21-24 year olds were low paid in 2019. Young people also make up a high proportion of the low paid: 22 per cent of low-paid people in 2019 were aged 16-to-20, and a further 13 per cent of low paid people were aged 21-to-24.¹⁵

¹⁵ N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020.

- Tend to work part-time: part-time workers are disproportionately low paid. Over half (58 per cent) of low-paid people worked part-time in 2019 (and note this is using a definition of low pay that is based in hourly, not weekly, pay).¹⁶
- Are concentrated in hospitality and retail: hotel and restaurant workers made up 20 per cent of the low-paid group in 2019, and wholesale and retail workers made up a further 26 per cent.¹⁷ Some sectors also have a high concentration of low-paid workers. Along with retail and hospitality, of particular note are care workers, where over half (58 per cent) of care workers were paid under the real living wage from 2017 to 2019.¹⁸

The rest of this note explores the issues facing low-paid workers in addition to their low pay. This starts with the impact of the current Covid-19 crisis, but includes much longer-standing issues, such as underemployment, vulnerability to labour market abuses, and lack of progression out of low pay.

Low-paid workers have been worst affected by Covid-19

Low-paid workers were already disadvantaged going into the Covid-19 pandemic, and the pandemic has exacerbated these disadvantages. Some of the sectors worst-affected by the Covid-19 pandemic (such as hospitality, leisure, and non-supermarket retail) were low-paying sectors, meaning that low-paid workers have borne (and continue to bear) the brunt of the economic effects of the pandemic. Impacts include furloughing (which in many cases has involved a loss of pay, with the Job Retention Scheme only covering up to 80 per cent of workers' wages) but also job loss for some.

Furloughing has disproportionately affected sectors that low-paid workers are in. At the end of July 2020, for example, there were 5 million jobs furloughed, of which 2 million (42 per cent) were in three low-paying sectors: retail, hospitality and leisure.¹⁹ Furlough rates are still high, with 2.4 million jobs furloughed at the end of May 2021.²⁰ Low-paid workers were also more likely to lose out on work than other workers in the early stages of the pandemic: in May 2020, 33 per cent of the lowest-paid fifth of workers lost their jobs, became furloughed or lost hours and pay due to Covid-19, double that of the highest-paid fifth of workers (16 per cent) – see Figure 4.

During the early stages of the pandemic, pay fell the most in sectors where low-paid workers are concentrated. For example, in July 2020 average weekly pay fell by 10.8 per cent in hospitality, 8.2 per cent in construction, and 3.6 per cent in arts, entertainment

¹⁶ N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020.

¹⁷ N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020.

¹⁸ N Cominetti, L Gardiner & G Kelly, *What happens after the clapping finishes?*, Resolution Foundation, April 2020.

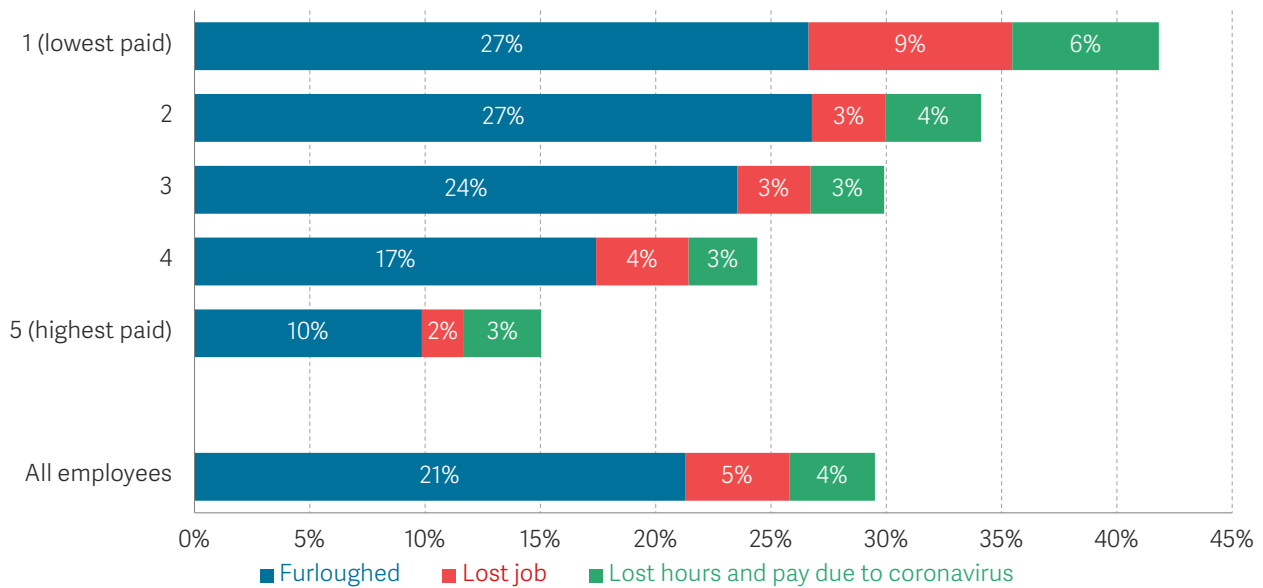
¹⁹ N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020.

²⁰ HMRC, *Coronavirus Job Retention Scheme statistics*, 1 July 2021.

and recreation, compared to the previous year.²¹ While pay grew in some sectors following the first lockdown of 2020, it fell again in many sectors following successive further lockdowns: by 11.2 per cent in finance and business services; 10.8 per cent in wholesale, retail, hospitality and restaurants; and 6.4 per cent in services within a year of February 2021.

FIGURE 4: One-third of the lowest-paid fifth of employees have been furloughed, or lost jobs or hours

Proportion of employees who experienced job changes in the first 2 months of Covid-19, 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 Covid-19 outbreak, and provided information on their usual earnings prior to the Covid-19 outbreak (apart from for the 'all employees' category). Earnings quintiles are based on net (take-home) usual employee pay prior to the Covid-19 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 Covid-19 outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings. This chart originally appeared in: N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020
 SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

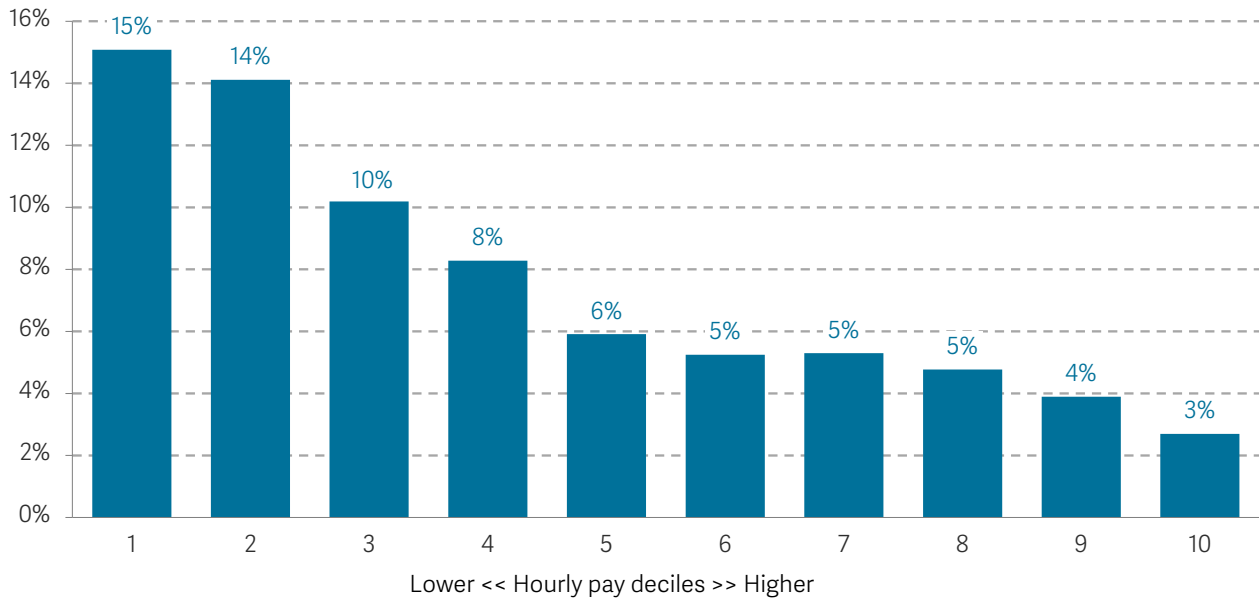
Many low-paid workers don't work as many hours as they would like, and lack control over their work schedules

Low-paid workers are much more likely to be underemployed than their higher-paid counterparts – see Figure 5. Pre-crisis data shows that 15 per cent of people in the lowest-paid decile would like to work more hours, compared to 3 per cent in the highest-paid decile. When workers are unable to work as many hours as they would like, this results in lower weekly pay, and ultimately in lower incomes and living standards.

²¹ N Cominetti & H Slaughter, *Low Pay Britain 2020*, Resolution Foundation, September 2020.

FIGURE 5: Underemployment is much more prevalent among low-paid employees

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



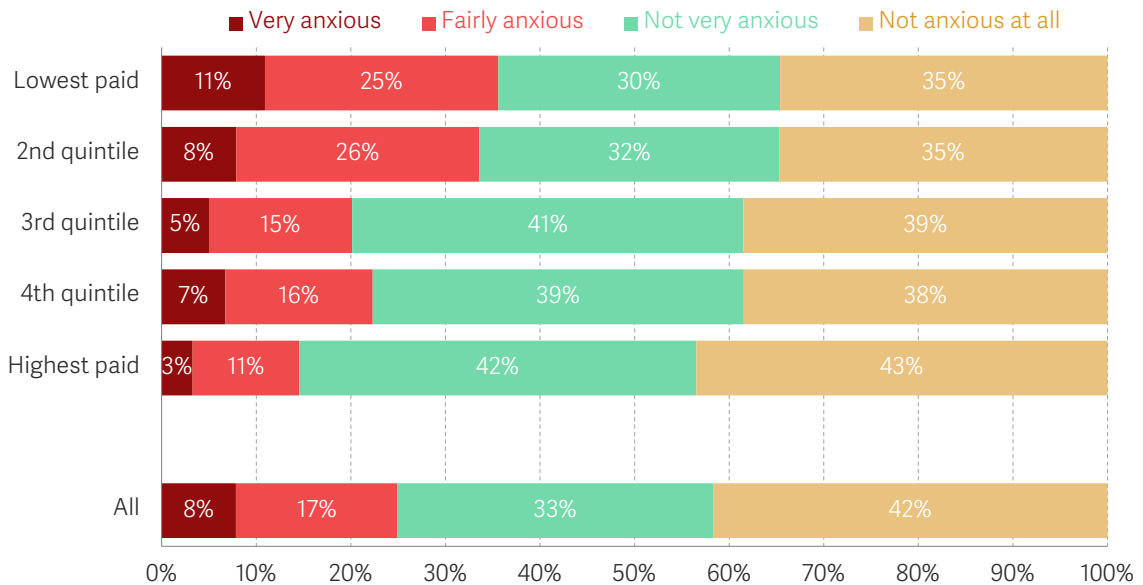
Note: This chart originally appeared in: T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
SOURCE: RF analysis of ONS, Labour Force Survey.

Many low-paid workers also lack control over their work schedule, with workers in some sectors facing changes to their work schedules, which can cause anxiety – see Figure 6. 36 per cent of workers in the lowest hourly-pay quintile feel anxious about ‘unexpected changes to their hours of work’, compared to just 14 per cent of workers in the highest pay quintile. In addition, some workers have their hours reduced at a short notice: 1.2 million people had their hours reduced at a short notice, with two-thirds saying this happens often, and three-quarters saying that this affects their pay. In recognition of the fact that workers’ hours matter as much as their hourly pay, the Living Wage Foundation has launched a ‘Living Hours’ campaign, asking employers to sign up to offering workers a guarantee of at least 16 hours per week, and at least four weeks’ notice of shifts.²²

²² Living Wage Foundation: [Living Hours](#).

FIGURE 6: Unpredictable hours are a significant source of anxiety for low-paid workers

Level of anxiety relating to ‘unexpected changes to my hours of work’, 20 to 65-year-olds, by hourly pay quintile: UK, 2017



NOTES: Occupational categories based on SOC2010 coding. For more information, please see the report this chart was originally produced for: N Cominetti et al, Low Pay Britain 2021, Resolution Foundation, June 2021.

SOURCE: RF analysis of UK Skills and Employment Survey.

Low-paid workers are more likely to be on atypical contracts

Low-paid workers are more likely than higher-paid workers to be on atypical employment contracts (specifically zero-hour, agency and temporary contracts) – see Figure 7. Atypical workers are also lower-paid overall: the average hourly pay for atypical workers is £9.20, compared to £12.80 for full-time employees. When personal and job characteristics are controlled for, there is still a pay penalty for atypical workers; this is 29p for part-time workers, 45p for workers on zero-hour contracts, and 66p for workers on temporary contracts. As discussed above, such contracts may place the worker in a more insecure position (in terms of the likelihood of losing work or having hours reduced) than full-time, permanent contracts.

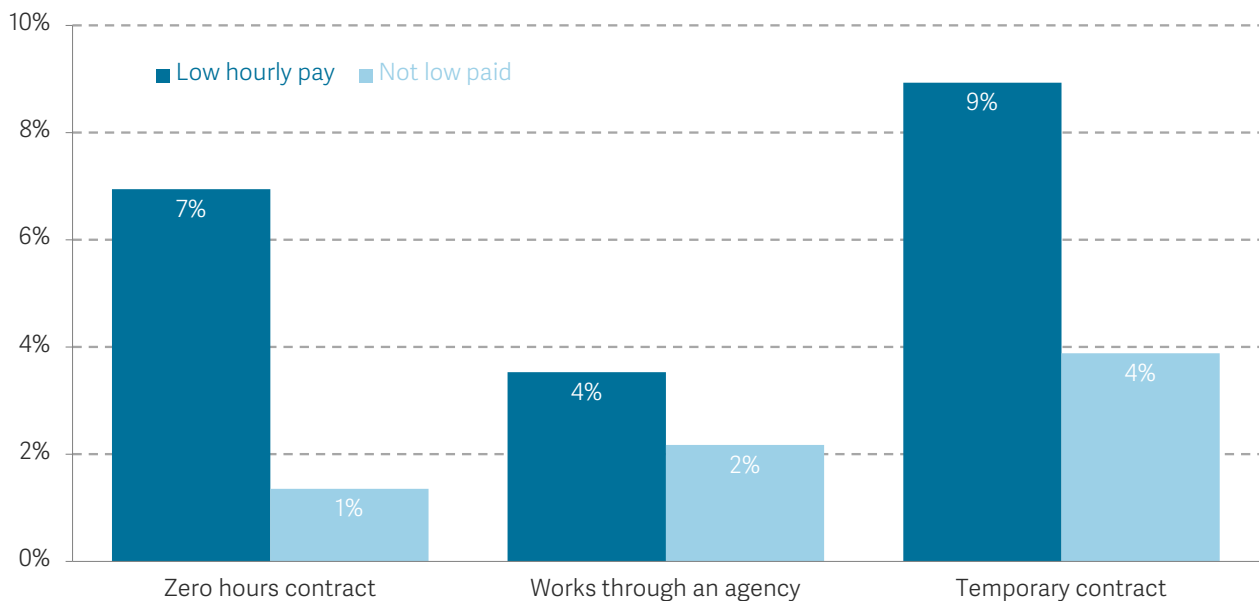
There has been a growth in atypical work following the 2008 recession, with two-thirds of net employment growth since 2008 being from atypical work.²³ This growth has been concentrated in certain industries: hospitality, health and social care, and personal services. Atypical work has also grown in relative terms in sectors where employment has fallen, such as construction (where self-employment has grown), manufacturing and

²³ S Clarke & N Cominetti, *Setting the record straight: how record employment has changed the UK*, Resolution Foundation, January 2019.

logistics (where agency workers are more common), and hospitality (where zero-hour contracts are now more widely used). People who are typically disadvantaged in the labour market have faced above-average increases in atypical work, specifically: women, single parents, young people, and people with low levels of qualifications. Care workers are also more likely to be on insecure contracts; 10 per cent of frontline care workers are on zero-hour contracts, and 6 per cent work through an employment agency.²⁴

FIGURE 7: **Workers in low pay are more likely to have 'atypical' contracts**

Percentage of workers with an 'atypical' contract type, by whether low paid: UK, 2018-20



SOURCE: RF analysis of ONS, Labour Force Survey.

Many workers are 'stuck' in low pay; those that move into higher-paid work tend to be young, with better qualifications

It is often difficult for people who are low paid to progress in their careers and earn higher pay (see Figure 8). Of people who were low paid in 2006 (using the 'below two thirds of the median hourly pay' measure), only 17 per cent had 'escaped' low pay over the course of the next decade (which is defined as being paid above this threshold for the last three years of the decade starting in 2006), 25 per cent were stuck on low pay, and 47 per cent cycled in and out of low pay.²⁵

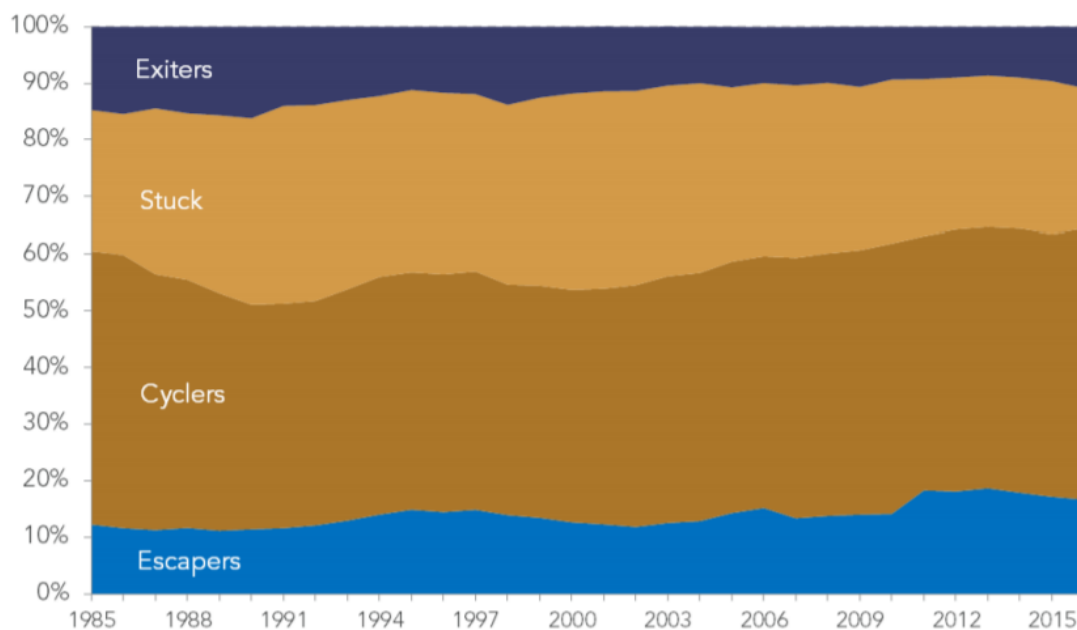
²⁴ N Cominetti, L Gardiner & G Kelly, *What happens after the clapping finishes? The pay, terms and conditions we choose for our care workers*, Resolution Foundation, April 2020.

²⁵ C D'Arcy & D Finch, *The Great Escape? Low pay and progression in the UK's labour market*, Social Mobility Commission, October 2017.

Factors that are associated with escaping low pay include being young, male, having higher qualifications, and working full-time. Most of these factors are associated with groups who have long had advantages in the labour market, meaning that people with historic disadvantages in the labour market are less likely to escape low pay. For example, women are more likely to be stuck on low pay than men; in 2006, 30 per cent of women who were on low pay remained on low pay a decade later, compared to 25 per cent of men, although this gap has narrowed since 1991, when 48 per cent of women were stuck on low pay for a decade, compared to 25 per cent of men. Older workers are much more likely to be stuck on low pay than younger workers; 57 per cent of workers on low pay who were aged 56 or over remained on low pay for a decade, compared to 15 per cent of workers on low pay who were under 25 years old.

FIGURE 8: **Workers struggle to escape from low pay**

Proportion of workers in low pay ten years ago by current low pay status: UK, 1985-2016



Note: For more information on this subject, please refer to the report which this chart was originally produced in: C D'Arcy & D Finch, *The Great Escape? Low pay and progression in the UK's labour market*, Social Mobility Commission, October 2017.
SOURCE: RF analysis of ONS, NESPD.

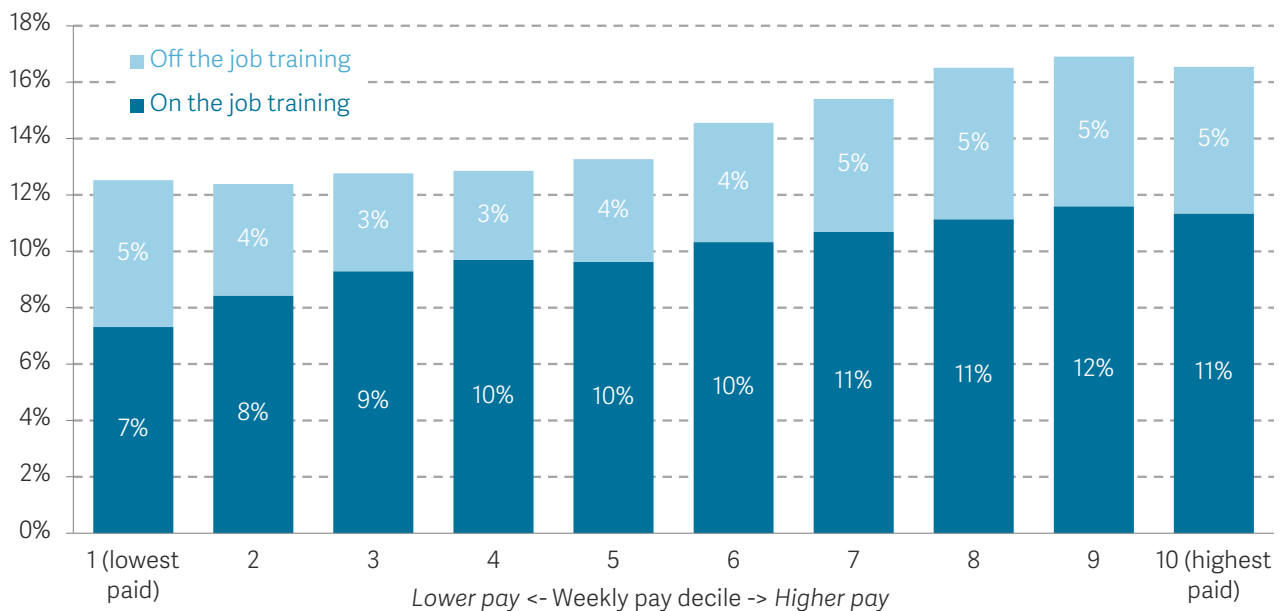
Contributing to the escaping problem is the fact that low-paid workers receive less training from employers. In general, rates of employer training are low in the UK, and have been falling over the past two decades. But, concerningly, it is low-paid workers – who potentially have the most to gain from training – who are the least likely to receive training from their employer. In the period 2018-20, 12 per cent of workers in the lowest-paid decile had received training from their employer, compared to 16 per cent of workers

in the highest-paid decile. This is set out in Figure 9, which also shows that the difference is most pronounced when it comes to the provision of off-the-job training (which is more likely to require employer investment than on-the-job training), with the lowest-paid workers around a third less likely than the highest-paid workers to receive off-the-job training.

It's not just whether an individual receives training that matters for their chances of progressing out of low-paid work, but also the type of training. One recent study suggests that individuals undertaking longer-form courses, at higher levels, and especially in subjects such as engineering and manufacturing, are more likely to escape from low pay than those taking shorter courses, or taking courses in catering and childcare.²⁶ On similar lines, we have found that only full-time education courses have a significant association with making career changes (which is one way in which workers might achieve progression out of low pay).²⁷ In general, however, the evidence base on what specific types of courses can make a difference for which types of workers remains thin, and this is an area where further research is needed.

FIGURE 9: Low-paid workers receive less training from employers

Proportion of workers receiving on-the-job and off-the-job training, by weekly pay decile: UK, 2018-2020



NOTES: This data excludes workers who had been in the job for less than three months.

SOURCE: RF analysis of ONS, Labour Force Survey.

²⁶ Learning and Work Institute and NIESR, *Learning Ladders: The role of adult training in supporting progression from low pay*, Social Mobility Commission, November 2020.

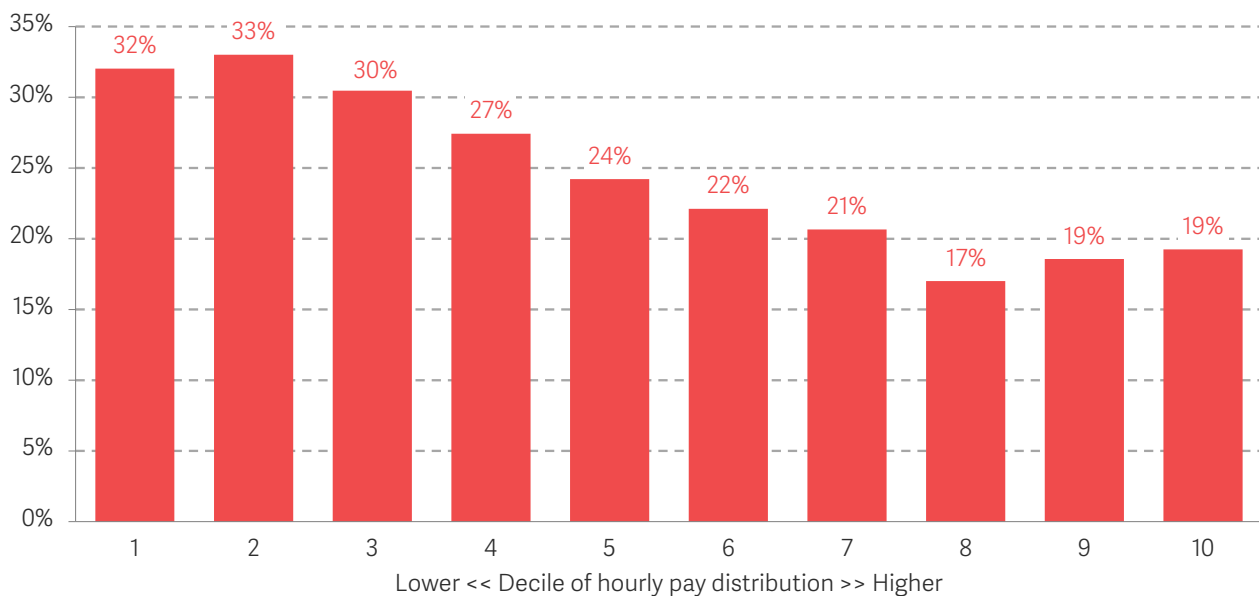
²⁷ K Henahan, *Can training help workers change their stripes? Retraining and career change in the UK*, Resolution Foundation, August 2020.

Low-paid workers often miss out on some of the legal protections that other workers receive...

Low-paid workers are unable to access the same legal employment protections that high-paid workers can enjoy, both for direct reasons related to their pay, and indirect reasons. For example, statutory sick pay (SSP) is available only to employees who earn a least £120 a week, directly excluding workers who earn under this threshold. Low-paid workers are also unlikely to be offered occupational sick pay schemes by their employer, unlike higher paid workers.²⁸ Part-time workers, workers aged 65 or over, women, and workers in customer-facing sectors are the most likely to be ineligible for SSP. This has obviously been highly concerning during the Covid-19 pandemic, as many of the workers who are ineligible for SSP will be unable to afford to self-isolate, due to the insufficient sick pay system.

FIGURE 10: 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



NOTES: Includes only 25+ year olds to reduce distortion from an age effect, i.e. that younger workers are more likely to be low paid (not least because they have a lower minimum wage) and also are more likely to be recent entrants to the labour market. For further reading, see the report this chart was first produced for: T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.

SOURCE: RF analysis of ONS, Labour Force Survey.

²⁸ M Brewer & M Gustafsson, [Time out: reforming Statutory Sick Pay to support the covid-19 recovery phase](#), Resolution Foundation, December 2020.

An example of indirect exclusion from legal protection related to low pay is that low-paid workers are less likely to enjoy protection from unfair dismissal, which only applies after workers have been in their job for two years. As Figure 10 sets out, a third of the lowest-paid workers have been in their job for less than two years, and so do not qualify for protection from unfair dismissal – compared to just under 1-in-5 of workers in the top four deciles of hourly pay.

... and are more likely to experience abuse of the protections they do enjoy

Reliable estimates of the extent of labour market abuses is hard to obtain, but what data there is shows us that too many low-paid workers experience labour market abuses. For example, 23 per cent of people aged 25 and over covered by the National Living Wage (NLW) were underpaid in 2018.²⁹ Of those who are underpaid the minimum wage, 65 per cent are women, 54 per cent work part-time, 79 per cent work in the private sector and 56 per cent are paid hourly.³⁰ Many workers also miss out on having any paid holiday. One-in-twenty workers have no paid holiday: this proportion is highest for workers on zero-hour contracts and temporary contracts.³¹ The Covid-19 pandemic has also put health and safety under the spotlight, and employers' actions to make their workplaces safe have not been satisfactory for many low-paid workers. Indeed, in September 2020, 33 per cent of the lowest-paid workers who raised a concern about Covid-19 transmission at work didn't see their concerns addressed, compared to 23 per cent of the highest-paid workers.³²

Low-paid workers are less likely to be able to draw on formal support structures

Low-paid workers are less likely to be able to challenge labour market abuses, due to their reduced ability to draw on formal support structures. For example, low-paid workers are less likely to have union membership than their higher-paid counterparts, especially in the private sector (see Figure 11). Low-paid workers are also less likely to use the employment tribunal system to challenge their employer, especially those who are women, young or working variable hours.³³

²⁹ L Judge & N Cominetti, *From rights to reality: Enforcing labour market rules in the UK*, Resolution Foundation, September 2019.

³⁰ Low Pay Commission, *Low Pay Commission: Non-compliance and enforcement of the National Minimum Wage*, Low Pay Commission, September 2017.

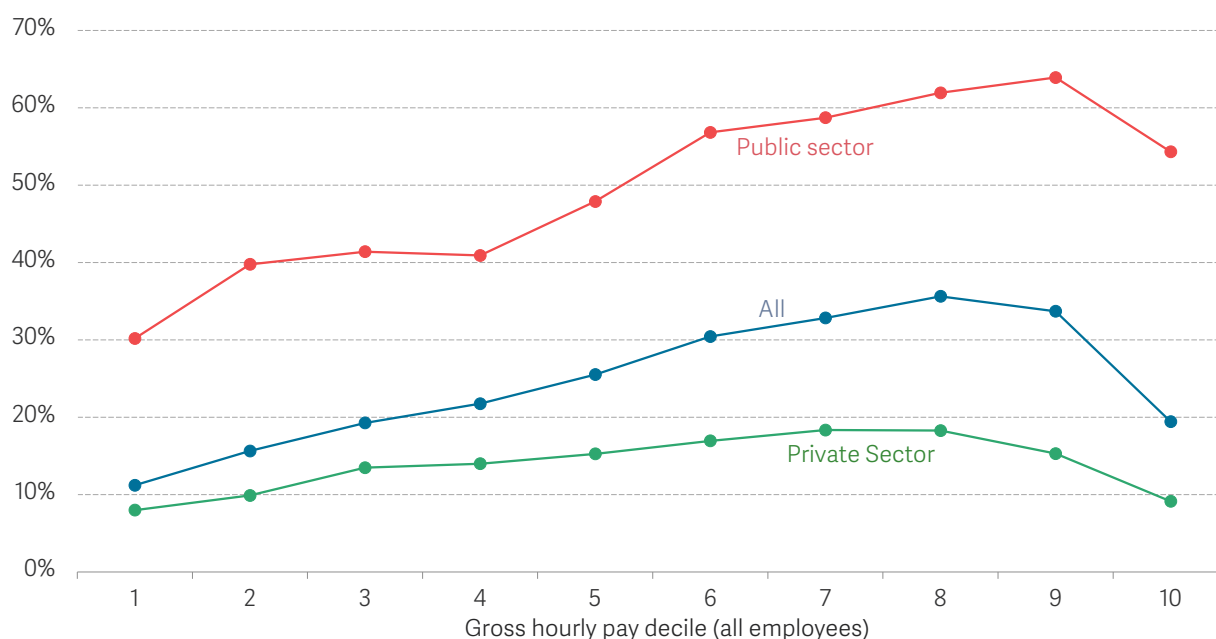
³¹ L Judge & N Cominetti, *From rights to reality: Enforcing labour market rules in the UK*, Resolution Foundation, September 2019.

³² L Judge & H Slaughter, *Failed safe? Enforcing workplace health and safety in the age of Covid-19*, Resolution Foundation, November 2020.

³³ L Judge & N Cominetti, *From rights to reality: Enforcing labour market rules in the UK*, Resolution Foundation, September 2019.

FIGURE 11: **Low-paid workers are the least likely to be members of a union**

Proportion of employees that are members of a trade union, by hourly pay decile: UK, 2019-2020



Note: a previous version of this chart appeared in T Bell, N Cominetti & H Slaughter, A new settlement for the low paid: Beyond the minimum wage to dignity and respect, Resolution Foundation, June 2020.
SOURCE: RF analysis of ONS, Labour Force Survey.

Financially-insecure workers are more likely to struggle to access technology

Access to technology is key for workers, as it enables them to search for work, access shift schedules, and stay connected with fellow workers and organise for better conditions, among other things. However, the data shows us that many people either do not have access to, or struggle to access, technology. 10 million people, or 15 per cent of adults, are considered non-users of technology, meaning that they do not directly engage with digital systems.³⁴ These people are likely to be older, have health issues, or live in social housing. These rates are higher for those deemed financially vulnerable: in 2019, Ofcom estimated that three-in-ten of the most financially vulnerable didn't have household access to the internet, and one-in-ten of the most financially vulnerable found it difficult to pay for communication services.³⁵

Low-paid workers have lower well-being than higher-paid workers

Pay and well-being are linked, with self-reported well-being lower among those with lower-paid jobs and higher for those with better-paid jobs. The relationship between pay and well-being is shown in Figure 12, where well-being is measured by individuals' perception of their happiness, life satisfaction, their belief that their life has meaning,

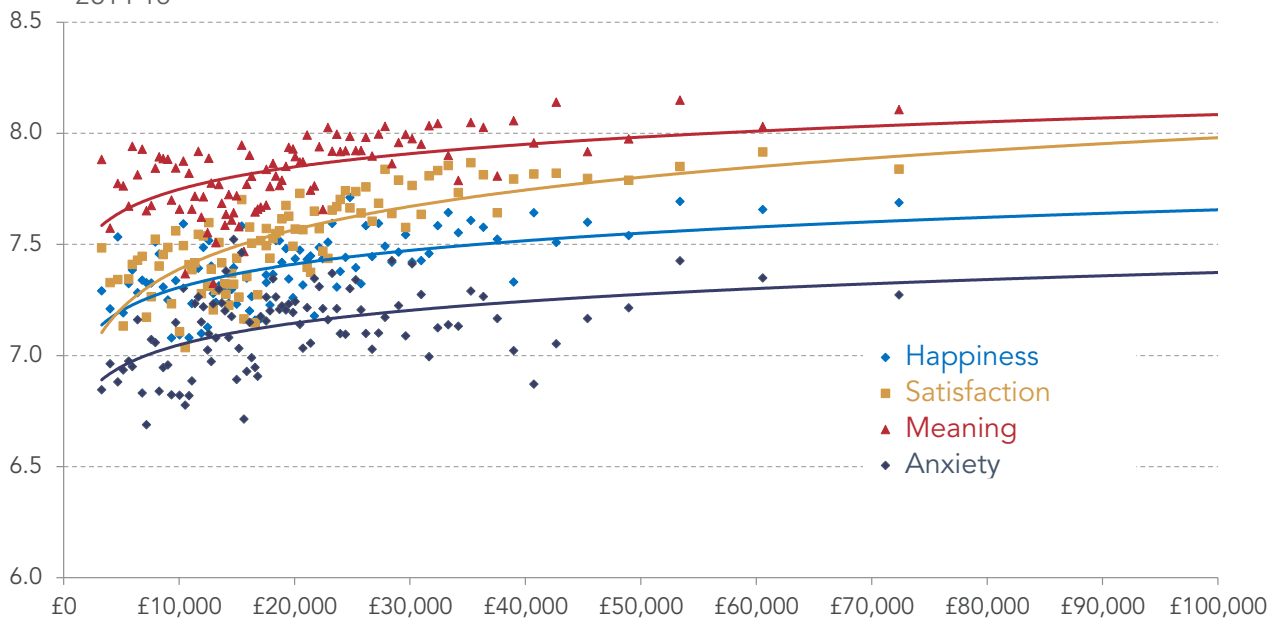
³⁴ S Yates, [New analysis of Ofcom 2020 data](#), Good Things Foundation.

³⁵ Ofcom, [Access and inclusion in 2018](#), Ofcom, January 2019.

and their anxiety expressed on a scale of 1 to 10 (the anxiety score is inversed). The chart shows there is a strong positive relationship between individuals’ wellbeing and pay, particularly at lower pay levels. At higher pay levels there is still a positive relationship but a much weaker one.

FIGURE 12: Well-being and net pay are related, but with diminishing marginal returns

Average level of dimensions of subjective well-being by net labour market pay: UK, 2014-16



NOTES: Chart includes only employees with positive net pay from the labour market. Each dot represents the average well-being for a percentile of net labour market pay, with percentile calculated within each year of the survey data. The lines are logarithmic lines of best fit. This first appeared in: G Bangham, Happy now? Lessons for economic policy makers from a focus on subjective well-being, Resolution Foundation, February 2019.

SOURCE: RF analysis of DWP, Family Resources Survey.

Note that the data below shows an association between pay and well-being – it doesn’t prove that one causes the other, even though it seems likely there would be one. In practice it’s hard to prove there is a causal relationship because this requires tracking individuals’ change in wellbeing after their pay changes, and the data available makes this difficult. We can, however, demonstrate a causal relationship between an individual’s employment status and their well-being because changes in employment status are easier to measure. Individuals experience a significant reduction in well-being when

they lose work, and experience a similar (though smaller) increase in well-being when finding work. In both cases the impact on well-being persists after controlling for other measurable changes in individuals' circumstances.³⁶

Conclusion

This note has set out the facts on who low-paid workers are and the issues they face. Low-paid workers are more likely to be young, on a part-time or insecure contract, or work in retail and hospitality. Many low-paid workers have had their incomes and hours reduced during the pandemic. In normal times, low-paid workers are more likely to be underemployed than higher-paid workers, and many have a lack of control over their work schedules, and face last minute changes to their shifts that can cause anxiety. Low-paid workers struggle to permanently exit low pay, in part because low-paid workers are less likely to receive training, and the training they do receive is more likely to be of a lesser quality. Workers on low pay are often excluded from employment protections that other workers have access to, and often face abuses of the protections they are legally entitled to. Many low-paid workers also lack formal support structures to seek redress for labour market abuses, access to technology and communication, and have lower levels of well-being than higher-paid workers.

This research provides important context for Resolution Venture's Workertech Partnership and will help guide our thinking on what issues to prioritise. Further Ventures research will investigate the effect of the Covid-19 crisis on low-paid workers, as well as consider where and when technology-based approaches are likely to provide useful ways of addressing at least some of these issues.

For further reading on the issues facing low-paid workers, there are a number of Resolution Foundation research papers which may be useful (and which have been drawn on in this note):

- [Low Pay Britain](#), June 2021: this describes the low-paid workforce and measures the number of workers in low pay; explores the impact of Covid-19 on low-paid workers; argues for policies to improve job quality and pay;
- [A new settlement for the low paid: beyond the minimum wage to dignity and respect](#), June 2020: this argues for a range of measures to improve work for low-paid workers, including rights to a regular contract and control over pay frequency;

³⁶ G Bangham, [Happy now? Lessons for economic policy makers from a focus on subjective well-being](#). Resolution Foundation, February 2019.

- A tough gig: The nature of self-employment in 21st Century Britain and policy implications, February 2017: this argues that favourable tax treatment is a driver of the growth in self-employment, and shows there is a big difference between 'privileged' and 'precarious' self-employment;
- The great escape: Low pay and progression in the UK's labour market, October 2017: this looks at the rates at which low-paid workers 'escape' into higher-paying jobs, and the factors associated with progression; and,
- Four of a kind: analysis of trade union membership statistics, May 2021: this looks at recent statistics on union membership in the UK, which is historically low and set to continue falling given low membership rates among younger workers.

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