FACT SERVICE



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# Stuck with low pay — no great escape

Low pay is endemic in the UK and there has been little progress in the number of people managing to escape from poorly paid jobs, says the government-appointed Social Mobility Commission.

Its *Great escape?* report, with research carried out by the Resolution Foundation, explores trends in low pay over recent decades and examines the factors linked to low pay and progression.

It tracks individuals' pay over 10 years and divides them into three groups:
- "stuck" — those people who are stuck in low pay every year;
- "cyclers" — those who move out of low pay at some point, but who have not consistently stayed above the low pay threshold by the end of the decade; and
- "escapers" — those who earned above the low pay threshold in each of the last three years, suggesting they have remained in higher pay.

The analysis finds that just one in six low-paid workers (17%) managed to permanently escape from low pay in the last decade. Meanwhile, a quarter of low-paid workers remained permanently stuck in low pay and nearly half (48%) fluctuated in and out of low pay over the course of the last 10 years.

The report finds that women are more likely to be low paid than men and are also far more likely to get stuck in low pay. It is particularly difficult for women in their early twenties to escape low pay, with the lack of good-quality, flexible work to fit alongside childcare responsibilities as the most likely barrier.

Nearly two-thirds (64%) of workers who are "stuck" in low pay are working part-time, while nearly three-quarters (71%) of people who escaped low pay were working full-time, according to the study.

Getting stuck in low pay carries a severe pay penalty. On average, people stuck in the low-pay trap have seen their hourly wages rise by just 40p in real terms over the last decade, compared to a £4.83 pay rise for those who have permanently escaped.

Age is also identified as a factor, with older workers far less likely to escape low pay than their younger counterparts. The report finds that 23% of low-paid workers aged 25 or under escaped low pay over the following decade, compared to 15% of those aged 46 to 55.

Alan Milburn, chair of the Social Mobility Commission, said: "A two-tier labour market is now exacting too high a social price. A new approach is needed to break the vicious cycle where low skills lead to low pay in low-quality jobs. Welfare policy should focus on moving people from low pay to living pay. Government should join forces with employers in a new national effort to improve progression and productivity at work. Without concerted action, Britain will become more socially divided and social mobility will continue to stall."

www.gov.uk/government/news/low-pay-and-progression-in-the-labour-market

www.gov.uk/government/uploads/system/uploads/attachment_data/file/652973/The_Great_Escape_-_Report.pdf

# Refund scheme for tribunal fees

The government has announced details of the opening stages of the refund scheme for tribunal fees.

The first people eligible for employment tribunal fee refunds were able to apply from 20 October.

The first stage of the phased implementation scheme came after ministers committed to refunding those who had paid employment tribunal fees following a Supreme Court judgment.

Up to around 1,000 people should now have been contacted individually and given the chance to complete applications before the full scheme is opened up in the coming weeks. The government is also working with trade unions who have supported large multiple claims potentially involving hundreds of claimants.

As well as being refunded their original fee, successful applicants to the scheme will also be paid interest of 0.5%, calculated from the date of the original payment up until the refund date.

The opening phase of the refund scheme will last for around four weeks. Further details of the scheme, including how it can be accessed, will be made available when the scheme is rolled out fully.

For those who have paid employment tribunal fees, but have not been invited to take part in the initial stage, the government is setting up a pre-registration scheme so that they can register an interest in applying when the full scheme is rolled out. Those who wish to do so can register either by email at: ethelpwithfees@hmcts.gsi.gov.uk.

Those who will be eligible to apply for a refund under the scheme are:

- people who paid a fee directly to the employment tribunal or employment appeal tribunal, and have not been reimbursed by their opponent pursuant to an order of the tribunal;
- people who were ordered by the tribunal to reimburse their opponent their fee and who can show that they have paid it;
- representatives who paid a fee on behalf of another person and have not been reimbursed by that person; and
- the lead claimant (or representative) in a multiple claim who paid a fee on behalf of the other claimants.

In July, the public services union UNISON won a famous victory over employment fees at the Supreme Court which ruled that fees were illegal.

Adam Creme, head of legal services at UNISON, said: "The government is now making good on its promise to refund anyone who was unfairly charged to take their employers to court.

"The government got it very wrong on fees, as ministers found to their cost when they lost at the Supreme Court in the summer.

"But the real tragedy of the fees fiasco is the thousands of wronged employees who couldn't afford to shell out to get justice and so lost out. Nothing can be done to help them, or to bring the many unscrupulous employers, who broke the law and got away with it, to court."

In a written answer to a parliamentary question, the government has said that the estimated cost of the tribunal fees refund, including interest, is £33 million.

www.gov.uk/government/news/opening-stage-of-employment-tribunal-fee-refund-scheme-launched

www.unison.org.uk/news/2017/10/refunds-tribunal-fees-welcome-news/

www.globalworkplaceinsider.com/2017/10/employment-tribunal-fees-refund-scheme/

# Public – private sector pay question

The government can no longer claim that public sector workers are "overpaid" to justify its crippling 1% pay cap after its own statistics revealed that they earn less than their private sector counterparts, the GMB general union has claimed.

Treasury figures obtained by the GMB show that public sector workers are paid on average 0.6% less than private sector workers in similar positions.

The Treasury had initially rejected a freedom of information request and only released the figures after GMB threatened to report it to the Information Commissioners' Office watchdog, the union claims.

The figures have been reinforced by the Office for National Statistics (ONS), which says public sector pay is 5.5% lower on average than jobs in similarly sized private firms.

Rehana Azam, national secretary for public services at the GMB, hit back at the government's previous claims that public sector workers are "overpaid" in light of the shocking figures.

"This is nothing short of an attempted cover-up," she said. "But it's no wonder that ministers fought tooth and nail to cover up these damning figures.

"The Tories can never again claim that public sector workers are 'overpaid' when the Treasury's own assessment proves otherwise.

"The average local government worker is paid about £20,000 while teaching assistants are paid just £12,000, and all public sector workers have lost thousands due to a planned decade of real-terms pay cuts."

www.morningstaronline.co.uk/a-d476-Official-stats-quash-Tories-pay-myths

## UK economy grows, but who benefits?

The UK economy performed better than expected in the July-September quarter of the year, official preliminary estimates show, but capitalism is not delivering on its promise to raise living standards, a former head of the CBI business lobby has warned

UK gross domestic product (GDP) is estimated to have increased by 0.4% in the third quarter of the year compared with previous quarter – up from the 0.3% quarterly growth posted in the second quarter.

Darren Morgan, head of national accounts at the Office for National Statistics, said: "Growth in the third quarter of 2017 continued at a similar rate as seen in the first half of the year. Services, led by increases in IT, motor trades and retail, continued to drive GDP growth. Manufacturing also boosted the economy with an improved performance after a weak second quarter.

"However, construction output fell for the second consecutive quarter, although it remains above its pre-downturn peak."

In the third quarter, services grew by 0.4% as it did in the second, the preliminary estimates show.

In manufacturing, growth was up to 1.0% in third quarter after a weak second quarter when output contracted by 0.3%.

Construction output contracted by 0.7% in the third quarter, following on from the 0.5% contraction in the second.

GDP in the third quarter of 2017 is initially thought to have been 1.5% higher than the same quarter 2016, the same growth as recorded in the second quarter of 2017 and 2016.

However, Lord Adair Turner, a former head of the CBI employers' body, has warned that economic growth was not feeding through into people's incomes and living standards.

Turner told BBC Radio 5 Live's *Wake Up To Money* programme: "Everybody knows that capitalism is not egalitarian, but the broad promise has been that, over a 10-year period, you can be pretty confident that a rising tide raises all boats and everybody feels somewhat better off, and that's gone wrong."

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/grossdomesticproductpreliminaryestimate/julytoseptember2017

www.bbc.co.uk/news/business-41744127

## Living Wage employers now number 3,500

Two more employers have joined the ranks of those paying the voluntary Living Wage to take the total number of accredited employers to 3,500.

Moyses Stevens Flowers, a network of florists across London, has joined the movement of businesses and organisations voluntarily paying the real Living Wage to become the 3,500th accredited Living Wage employer.

Elsewhere, Sandwell Council in the West Midlands will pay the voluntary Living Wage rate to 150 council employees and 650 school staff from April 2018. Cleaners, learning support assistants, playworkers, nursery staff and school crossing wardens will receive a pay rise of between 6% and 8%.

The voluntary Living Wage is an independently set hourly rate of pay that is calculated according to the basic costs of living. It is currently set at £8.45 an hour for employees working across the UK, and at £9.75 an hour for staff based in London.

The higher London Living Wage reflects the increased living costs associated with living and working in the capital. New hourly rates will be announced in early November as part of Living Wage Week.

The voluntary Living Wage is distinct from the statutory National Living Wage, which currently set at £7.50 an hour and is paid to employees aged 25 and over.

www.livingwage.org.uk/news/news-living-wage-foundation-full-bloom-royal-florist-named-3500th-accredited-employer

www.sandwell.gov.uk/news/article/4481/council_set_to_bring_in_living_wage_for_all_staff

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# The great wealth divide in Britain

The UK is a wealthy nation, but that wealth is very unevenly divided, a report from the IPPR think tank says.

The report, *Wealth in the twenty-first century*, shows how these inequalities exist between individuals and families, between areas of the country, generations and genders, and between people from different ethnicities and class backgrounds.

While wealth inequality fell for much of the 20th century, it is now rising again, and is set to rise further, the IPPR predicts. Underlying these concerns, the report's key findings reveal stark inequalities of wealth and highlight the drivers causing them to rise.

Wealth inequality, for example, is twice as great as income inequality. The wealthiest 10% of households own 45% of the nation's wealth, while the least wealthy half of all households own just 9%. The wealthiest 1,000 individuals and families in Britain have a combined wealth of £658 billion. By contrast, the net wealth of the lowest 30% of households is £200 billion.

Housing inequalities mean the next generation is set to have less wealth. Fewer than half of "millennials" (those born between 1981 and 2000) are expected to own their own home by the age of 45, based on current trends. As it is, every generation since the post-war "baby boomers" has accumulated less wealth than the generation before them had at the same age.

At the bottom of the scale, among the least wealthy half of Britain, the average household has on average just £3,200 of net financial, property and pension wealth. This compares to the £1.32 million held on average by the top 10%. The total wealth of the top 10% of households is 875 times the total wealth of the poorest 10%.

Looking into its crystal ball, the IPPR says debt is likely to rise faster than disposable income over the next decade. At 2017 prices, household disposable income is forecast to rise by 10.3% by 2027 (from £48,000 to £53,000). This implies an average debt per household in 2027 of £85,700, a 21.8% increase from £70,400 in 2017. This includes a projected £28,400 of unsecured debt, a 39.8% increase from £20,300 in 2017.

The North-South divide will widen, the report says, as London and the South East continues to pull away from the rest of the country. The total value of housing stock in London is now greater than the housing stock of all of Wales, Scotland, Northern Ireland and the North combined. Median household wealth in London increased by 14% between 2010 and 2014, but in Yorkshire and the Humber it fell by 8%.

By 2030, it is estimated that a quarter of homes in London will be worth £1 million or more, compared to fewer than 1% of homes in the North East, Yorkshire and The Humber, North West, Wales, Scotland and East Midlands. And, if house prices per square metre continue to grow at the rates they have in different regions since 2009, by 2027, a square metre of property in London will be 10.9 times the price of a square metre in the North East.

https://ippr.org/research/publications/wealth-in-the-twenty-first-century

https://ippr.org/files/2017-10/cej-wealth-in-the-21st-century-october-2017.pdf



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