



## Laid low

### The impacts of the Covid-19 crisis on low-paid and insecure workers

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## Institute for Employment Studies

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## Executive summary

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The Covid-19 pandemic has already had a significant impact on the UK economy and taken a particular toll on the low paid and those in less secure work. This report is the final output from a project exploring the labour market impacts of the crisis on this group, with funding from the Standard Life Foundation.

This report sets out new quantitative analysis of the impacts on low paid workers using the Labour Force Survey (LFS); a summary of findings from forty in-depth interviews with workers in low-income households; and the views and input of a range of people that work with, research and/ or advocate for those in low-paid, insecure work. It also makes recommendations for how in future we can improve pay and employment security, raise incomes and living standards and better support the most vulnerable workers during the pandemic and beyond.

### The low paid have borne the brunt of this crisis

Our LFS analysis finds that low paid employees<sup>1</sup> have been significantly more likely to have had their hours reduced, been furloughed or lost their jobs than those not in low pay.

- During the first lockdown, the low-paid were twice as likely to either be on furlough or have had their hours reduced – with two thirds of all low-paid employees (nearly 4 million people) seeing their work affected in one of these ways.
- This was driven by higher rates of low pay in ‘shutdown sectors’, but within every sector of the economy low paid workers were significantly more likely to have been away from work or to have had fewer hours.
- While the low paid were more likely to return to work as social distancing restrictions began to ease, even through the late summer 30% of low paid workers were not working normally compared with 20% of those earning above the Real Living Wage.
- Low-paid employees were also more than twice as likely to leave their jobs – with around one in twenty doing so each quarter (equivalent to over a quarter of a million low paid workers) compared with just one in fifty of those not in low pay.
- This in turn will have led to greater impacts on those who are more disadvantaged in the labour market, as they are over-represented in low-paid work – including disabled people, some ethnic minority groups, the youngest and oldest workers, women and those with the lowest qualifications.

Employment loss in this crisis has been driven by falls in a range of lower-paying jobs – in particular food services, food manufacturing, hospitality, residential care and construction.

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<sup>1</sup> We define low pay as hourly earnings below the Real Living Wage (£10.85 in London or £9.50 elsewhere)

At the same time, employment is growing in higher-paying jobs (including public services, technology and finance). With current lockdown restrictions applying to broadly the same extent in lower-paying sectors as in the first lockdown and with schools again closed, it is likely that we will now be experiencing similar rates of furlough, hours loss and exits from work for low paid workers. This will be driving growing polarisation in the labour market risks widening inequalities too, with disadvantaged groups over-represented in jobs that are being lost and disrupted and under-represented in jobs that are growing.

## **The low paid need more and better support to deal with the impact of lockdowns and the pandemic**

### **Work disruption**

Interviews with low income workers conducted over the summer (after the end of the first lockdown) pointed to a diversity of experiences. Many of those in the most disrupted jobs were put on furlough, usually described as being the employer's decision, leading to lower incomes and fears for the future.

However furlough was not made available to all – with in particular a number part-time, agency and zero hours workers reporting either that they saw significant reductions in hours or lost their jobs entirely but without being offered furlough. Where reasons were given by employers for this, these included believing that staff would not be eligible (despite their meeting the criteria) or that previous pay records had been lost.

Those working in administrative and desk-based roles were more likely to be able to switch to homeworking – albeit with short-term disruption and in some cases longer-term difficulties due to school and nursery closures.

### **Health, safety and wellbeing**

Most of those interviewed who were still in work had continued to travel into a workplace. Retail workers (particularly in large supermarket chains) said that they felt their employer had taken adequate measures to minimise health risks – including social distancing and access to PPE. Workers in hospitality however felt less protected, with for example all of those interviewed expected to pay for their own masks and gloves.

Those working in social care sector had more mixed experiences, with safety measures varying widely. A few interviewees (in domiciliary or residential care) felt that their employer was not taking health risks seriously, especially during early lockdown. Those that raised concerns reported these being rebuffed, with interviewees ultimately either agreeing to take voluntary furlough or resigning.

### **Household finances**

Aside from home workers, most interviewees saw a decline in their household incomes either due to furlough, loss of hours or leaving work entirely. Several also spoke of having

higher food bills due to spending more time at home, which had been managed through stricter budgeting and shopping for reduced items.

A number of interviewees described unexpected benefits from reduced outgoings during lockdown, most notably in spending on non-essential items, hospitality and leisure. However as restrictions were lifted, some were finding the continued limits on what they could spend frustrating and felt it was impeding their quality of life.

Many believed they had limited options to alleviate financial difficulties. Several had depleted their savings, and a number stated being either unsure about their eligibility for state financial support or put off because of past negative experiences for themselves or friends and family in claiming benefits.

### **Support needs**

At the time of the research, many interviewees were concerned about the risks of future waves of Covid-19 and the implications for their work, incomes and health. Some noted that they would be less financially capable of weathering any impacts, while others whose work was still disrupted in the summer were fearful of potential redundancy as the Job Retention Scheme wound down.

Interviewees made a variety of recommendations for future support, including better awareness of their employment rights and legal protections; greater assistance with job searches, retraining and childcare; and improvements to financial support – including access to free financial advice services and increases in the level of benefits.

### **Stakeholders made a range of proposals for future improvements**

Interviews and roundtables with stakeholders, conducted in the autumn, made clear that these research findings were reflective of wider experiences among those in low income. Stakeholders in particular emphasised the wider contextual and structural factors that have contributed to these impacts, as well as the specific effects of the pandemic.

### **Health risks and exposure to Covid-19**

A key concern for many was the ongoing risk of exposure and illness. While safety had significantly improved, it was noted that this varied widely. Furthermore low rates of SSP, hours insecurity and fear of job loss could drive many to continue or take up work even if this increased their and others' exposure to the virus. There was widespread support for raising rates of SSP and expanding eligibility to support self-isolation.

### **Lack of knowledge and resources to assert employment rights**

Underpinning the continued health and financial risks was a concern that individuals did not have sufficient knowledge and understanding of their employment rights nor the means to exercise them. Several noted they did not believe that enforcement was sufficiently structured or resourced to operate effectively, noting in particular a backlog of tribunals cases. To address this, stakeholders recommended measures to increase

accountability for employers, enforce rights and reduce exploitation for those with limited bargaining power. This included introducing the proposed Single Enforcement Body and ensuring sufficient resource and trade union representation to operate effectively.

### **Employer willingness to provide support**

Many were concerned about the apparent wide variation in practice and willingness among employers to support good quality work. Some referred to differences between ‘good’ and ‘bad’ employers – on issues around access to furlough, decent terms and conditions, job security and flexibility at work – and the risk that in a future weaker labour market with more competition for jobs there may be greater risks of low paid, insecure and poor quality work. It was recognised that addressing these issues needed to include working more creatively with employers to support good work, and that this would require investment of time and resource in delivering business support.

### **Household finances**

Financial insecurity was identified as a key risk, particularly with the prospect of current support measures unwinding (most notably the Job Retention Scheme and the £20 uplift to Universal Credit). Some also noted that these support measures themselves had gaps – notably for those off work but not furloughed, and for those who were not eligible for Universal Credit (because they claimed legacy benefits or had no recourse to public funds). Stakeholders also reiterated that many households had seen their savings reduce while some would already be in considerable debt. There was support for a number of measures to address these issues including retaining and extending eligibility for the Universal Credit uplift, additional financial support to help meet childcare and housing costs, better access to financial advice and improved protections for those in debt.

### **The role of Jobcentre Plus and employment services**

Commitments to double the number of Work Coaches and increase investment in employment services were welcomed, but concerns were raised that these would take time to work through. In the meantime, it was feared that rising unemployment and the risks of future job losses would lead to much higher ‘caseloads’ for Work Coaches in Jobcentre Plus, which in turn could lead to those who are most in need of support getting less. Alongside this, a number of stakeholders raised concerns around digital and remote delivery of support – and the limited access that many on low incomes have to IT equipment and fast internet connections at home.

### **Skills and retraining support**

With higher volumes of claimants and likely weaker demand in entry level work like hospitality, high street retail and support services, many stakeholders emphasised the value of investing in skills and training support to better equip those who had lost work, were at risk of doing so or were stuck in low-paid, insecure roles so as to be better able to access decent and well paid work as restrictions are eased. However a range of issues were raised around access to skills and training support – with low investment, low

awareness, inflexibility and costs all raised as particular problems that needed to be addressed. A number also noted that inequalities would be widened if those on low incomes were less able to access skills and training support.

## Action is needed in four main areas to address these issues

### Improve support low-income households through the crisis

We believe that a number of immediate steps need to be taken to support those on low incomes who have been most affected during this crisis. We recommend:

- **Strengthening the safety net** for those on low incomes by maintaining the £20 uplift in Universal Credit beyond March 2021; temporarily suspending the benefit cap until those affected are better able to find new work or move home; improving support for low-income renters, in particular by temporarily increasing Local Housing Allowance to the 40<sup>th</sup> percentile of market rents; and urgently reviewing support available for those with No Recourse to Public Funds due to their immigration status.
- **Extending ‘flexible furlough’** through to Autumn to provide income support for those whose work continues to be disrupted while social restrictions remain in place.
- **Extending the Test and Trace Support Payment** to cover more of those who need to isolate or care for others – ideally removing the means test entirely, but as a minimum widening eligibility to cover all of those in low pay (i.e. earning below £9.50-10 an hour).
- **Reform and improve Statutory Sick Pay.** We would recommend a significant increase in Statutory Sick Pay, to at least £200 a week; alongside the reintroduction of a percentage threshold scheme to offset increased costs for smaller employers.

### Make work better for those in low-paid work

- **Legislate to improve security for low-paid workers** – by implementing in full the Taylor Review of Modern Working Practices; abolishing ‘worker’ status while consulting on new statutory definitions of ‘employee’ and ‘self-employed’; setting a legal presumption of being an employee where status is unclear; introducing a right to reasonable notice of changes to shifts and compensation when these are changed at short notice; a right to usual hours for those on zero zero or flexible hours contracts; and improved legal protections around holiday accrual and continuity of service.
- **Establish an effective, well resourced single enforcement body** for employment rights – this should include increasing the number of inspectors to one per 10,000 workers; shifting the balance to more proactive engagement and enforcement; putting more responsibility on non-compliant employers to improve their practices, alongside more support for small employers (including through the offer of a free, annual HR ‘MOT’); and ensuring that workers receive the settlements that are due.
- **Support employers and social partners to make work better** – underpinned by new, local **Good Work Partnerships** between employers, government and social partners to support sharing of practice, expertise and capability building. These could



be organised at City Region or Local Enterprise Partnership level, and would include new resourcing to support partnership working, collaboration and improvement.

### Reform and invest in employment and skills services

- **Focus on ‘better work’ employment support** – by ensuring that those on Universal Credit in low income working households have access to one-to-one, specialist support to find better work; trialling local in-work progression support as part of the new ‘Good Work Partnerships’; and piloting the extension of access to more specialist support – in particular the JETS and Restart programmes – to those already in low-paid work
- **Invest in skills and training services** – by using a significant portion of the £2 billion left in the ‘National Skills Fund’ to develop and co-fund: sector-based training pathways in low-paying industries like construction, retail, hospitality and social care; demand-led retraining support in growth sectors (including health services, the green economy, technology and finance); and outreach support to engage low-income and lower qualified workers in training. This should be accompanied by measures to support remote delivery, for example through provision of computers and broadband to digitally excluded households and support in building digital capability.
- **Deliver on levelling up for the most disadvantaged areas** – by ensuring that the £4 billion Levelling Up Fund is used transparently and objectively to support investment and growth in good quality, secure work; that the Shared Prosperity Fund at least matches the UK’s allocation from the European Structural Funds that it will replace; and that we continue to maintain investment and remove pay caps in public services, so that we do not risk choking off the recovery in areas more reliant on public jobs.

### A longer-term settlement on security, participation and pay

Finally, this crisis and our response to it have highlighted the precarious nature of low-paid work, the consequences of one-sided flexibility and some of the inadequacies and weaknesses of our social security system. We believe that over the next decade we need to build consensus on a new settlement – with discussions with stakeholders pointing to clear priorities around achieving full employment in decent work; tackling in-work poverty; addressing long-term insecure work; and improving income security through our social security system.

Achieving a step-change in these areas will require fresh thinking, broad engagement and consensus. A range of social partners, research centres, think tanks and foundations are already working across a range of these areas and developing ideas. So, we believe that government should get behind these efforts too, with a new and independent commission on the future of work and social security – to work to build consensus on new proposals for how we support full employment, decent work and security.

# 1 Introduction

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This report presents the main findings from our project exploring the employment and financial impacts of the Covid-19 pandemic on those in low-paid, insecure work, which has been funded by the Standard Life Foundation.

The report summarises the findings from three strands of research, before setting out our conclusions and recommended areas for action to help alleviate some of the challenges and issues raised. This includes:

- A detailed analysis of the Labour Force Survey, which describes the characteristics of those in lower-paid occupations, as well as the early impacts of the crisis on this group in terms of reductions in their working hours, lay-offs and short-term working.<sup>2</sup>
- In-depth interviews with 40 individuals in low-paid work at the start of the crisis, living in low-income households. The interviews explored how their working conditions and arrangements changed since the beginning of the pandemic, and the knock-on impact this had on their health and wellbeing, household finances and future career aspirations.<sup>3</sup>
- A wider stakeholder consultation on these findings involving a series of interviews and roundtable events with representatives from organisations who work with, advocate on behalf of, or research those in low-paid, insecure work. The purpose of this consultation was to identify: further contextual factors that are impacting on low-paid, insecure workers; the future risks they may be exposed to; and policy solutions that may help address these issues.

The research methods used in each strand of research are described in more detail below.

## 1.1 Research methods

### 1.1.1 Labour force survey analysis

The Quarterly Labour Force Survey has been used to analyse the number of employees reporting being either temporarily away from work or working fewer than their usual hours between March and September 2020. This is supplemented by analysis of the Longitudinal Labour Force Survey of the proportion of employees moving into and out of

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<sup>2</sup> Our original briefing note setting out these findings during the early stages of the crisis is available here: <https://www.employment-studies.co.uk/resource/covid-19-and-low-paid-early-analysis-labour-force-survey>

<sup>3</sup> Our interim report setting out these findings in full is available here: <https://www.employment-studies.co.uk/resource/impact-covid-19-low-income-households>

‘disrupted’ work between quarters (January-March, April-June and July-September) as well as the proportions leaving work entirely.

Analysis is restricted to employees as employee impacts is the primary focus for this research. Results are presented both for low paid workers, defined as those earning below the Real Living Wage , and for those with earnings above this level.

### 1.1.2 In-depth interviews

Forty semi-structured interviews were completed with individuals from low-income households from July-August 2020. This included 30 interviews with those in employment at the time of the study and 10 interviews with those who had lost their job over the past 4-5 months.<sup>4</sup> This broader categorisation of individual income was used for the purpose of the qualitative research to ensure that we did not include individuals who were in a low-paid role but who were living in a medium to high income household.

Interviewees were identified as living in a low-income household if their combined income from earnings and benefits after tax was at or below 60 per cent of the median among the UK population. Interviewees’ self-reported household incomes were equivalised to take into account different household sizes as well as the different ages of the people they were living with.<sup>5</sup>

The sample was designed to include individuals living across the UK and working in some of the largest ‘low pay’ sectors including hospitality, retail, administration and support services, as well as health and social care. As noted, the research also included a small sample of interviewees who had recently been made unemployed in the hospitality and retail sectors. Given that these large, low pay sectors are unlikely to recover to the same pre-pandemic levels of business activity, our research wanted to explore the experiences of these individuals and what support they may need to help with their transitions back into employment.

We aimed to include a range of characteristics by age, gender, ethnicity, educational attainment, marital status and whether interviewees had dependent children. We also recognised that certain groups are over-represented in low-paid work and so should feature more prominently in the sample. This includes women, those under the age of 25 as well as people from Black, Asian and Minority Ethnic backgrounds. To increase the diversity of the sample by socio-economic status we also looked to include individuals who had been eligible for free school meals when attending school, as well as those with health conditions that affect their day-to-day lives.

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<sup>4</sup> We did not include anyone in employment who was self-employed. The only exception was for individuals who we identified as being ‘dependent self-employed’ – ie they have self-employed status but have a relationship with single employer/contractor. This includes some agency workers.

<sup>5</sup> We used the Department for Work and Pension’s definition of low-income and equivalisation formula: <https://www.gov.uk/government/publications/how-low-income-is-measured/text-only-how-low-income-is-measured>

### 1.1.3 Stakeholder consultation

The stakeholder consultation for this research was completed from September-November 2020. It involved 16 semi-structured interviews with representatives from stakeholder organisations who work with low-income households, including those who provide direct support (including charities and trade unions), and researchers and policy organisations with an interest in low-paid work.

These interviews were followed by three, themed roundtables on the main topics of focus in this research. These topics include individuals' workplace rights and conditions; household finances; and employment support policies, skills and retraining for those who have lost their jobs or are at risk of redundancy. In total, twenty stakeholders participated in the three roundtables. Again, participants were invited from across a range of organisations who work with, represent and support low-income households. For the roundtables, this also included representatives from central government departments, combined regional authorities, and devolved administrations.

The purpose of the interviews and roundtables was to:

- sense check the findings that emerged from our qualitative research with low-income households;
- identify further contextual factors which are impacting or help explain people's experiences;
- highlight the future risks for low-income households; and
- identify policy solutions to help mitigate some of these risks.

## 1.2 Report structure

The report is structured as follows:

- Chapter 2 summarises the findings from our analysis of the Labour Force Survey and the in-depth interviews undertaken with low-paid, low-income workers on the impacts of the crisis so far.
- Chapter 3 presents the feedback from representatives of organisations who work with, advocate on behalf of, or research those in low-paid, insecure work.
- Chapter 4 sets out our conclusions and recommended areas for action.

## 2 Impact of the Covid-19 crisis on the low paid

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This chapter of the report presents the findings from our analysis of the Labour Force Survey and the in-depth interviews undertaken with low-paid, low-income workers on the impacts of the crisis so far.

It sets out the characteristics of low-paid workers and how their working conditions and arrangements have changed since the beginning of the pandemic. The in-depth interviews also explore the knock-on impact of any changes in employment on individual health and wellbeing, household finances and future career aspirations.

### 2.1 Labour force survey analysis

Our early findings report published in July<sup>6</sup> set out clear evidence that low-paid workers were being disproportionately affected in the early stages of the first lockdown – with those paid below the real living wage<sup>7</sup> being twice as likely to have been furloughed as those with earnings above that level.

The analysis below updates these findings, to take account of the period through to the end of September, and to take account of those working reduced hours as well as those fully furloughed (defined as being away from their usual job). We find that these impacts persisted over the summer – albeit with the gaps beginning to narrow by the end of September.

#### 2.1.1 The number of low-paid people not working normally

As Figure 2.1 shows, during the first lockdown low-paid employees were twice as likely to not be working normally as higher-paid employees – meaning that they were either on furlough or had had their hours reduced. Fully two-thirds of all low-paid workers (nearly four million people) were away from work or working reduced hours through April and May, compared with one-third of those earning above the real living wage.

Our analysis of occupational and sector impacts of the crisis, published in December<sup>8</sup>, sets out that workers in lower paying sectors were more likely to be away from work than

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<sup>6</sup> Papoutsaki, D. and Wilson, T. (2020) *Covid-19 and the low paid: Early analysis of Labour Force Survey*, Institute for Employment Studies

<sup>7</sup> Low-paid employees are defined as those earning less than £10.85 per hour in London, and those earning less than £9.50 outside of London.

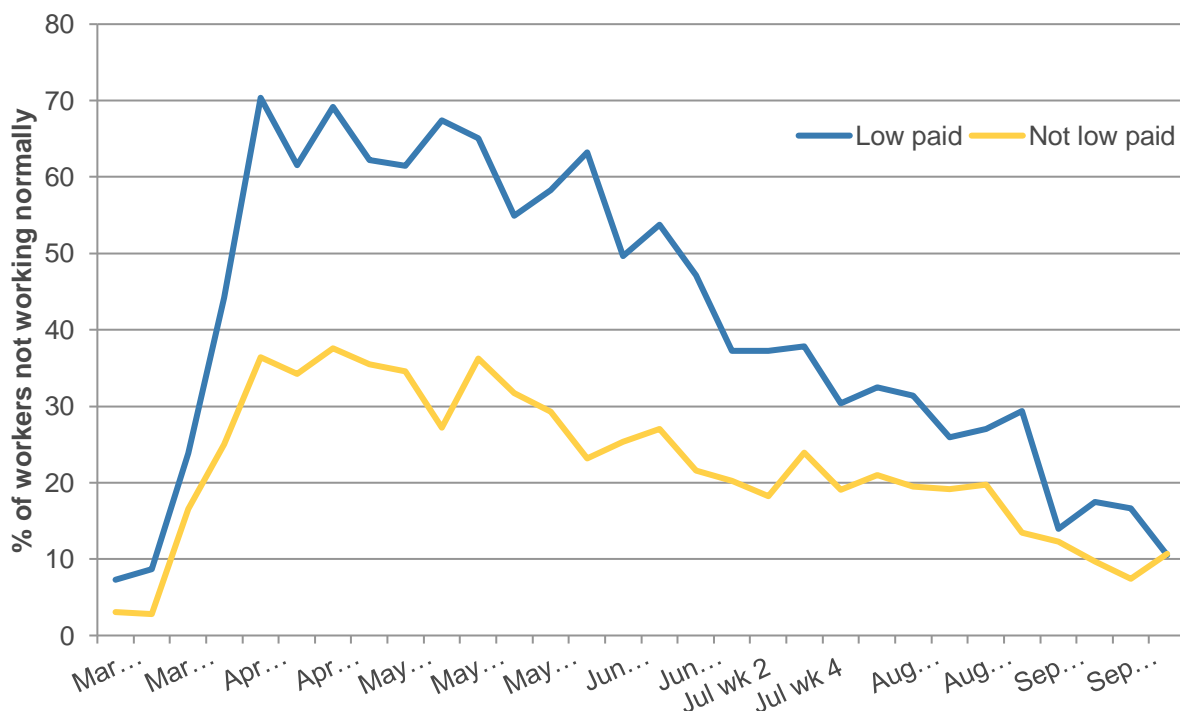
<sup>8</sup> Williams, M., Cockett, J., Boustati, A., Ebanks-Silvera, D. and Wilson, T (2020) *The impacts of the*

those in higher paying industries. This explains the trends below to some extent: for example a quarter (24%) of low-paid employees work in retail and wholesale distribution, and one in six (16%) work in accommodation and food services, compared to just 10 per cent and 2 per cent of those paid above a living wage respectively.

However, it was also the case that within every sector, low-paid employees were more likely than those earning above a living wage to be temporarily away from work or working fewer hours. For example, in professional, scientific and technical activities, three-fifths (59%) of low-paid employees were not working normally compared with one-fifth (22%) of higher-paid workers; while in financial services, half (49%) of low-paid employees were not working normally, compared with one in six (17%) of those earning above a living wage.

Figure 2.1 shows that the gap between the low paid and higher paid only began to close from mid-late July, as many lower-paying sectors began to reopen and those in lower-paying occupations started to work more normally, but even through August around 30 per cent of low-paid employees were not working normally, compared with 20 per cent of those paid more.

**Figure 2.1 Proportion of employees not ‘working normally’ by low pay, UK, Mar-Sept 2020**



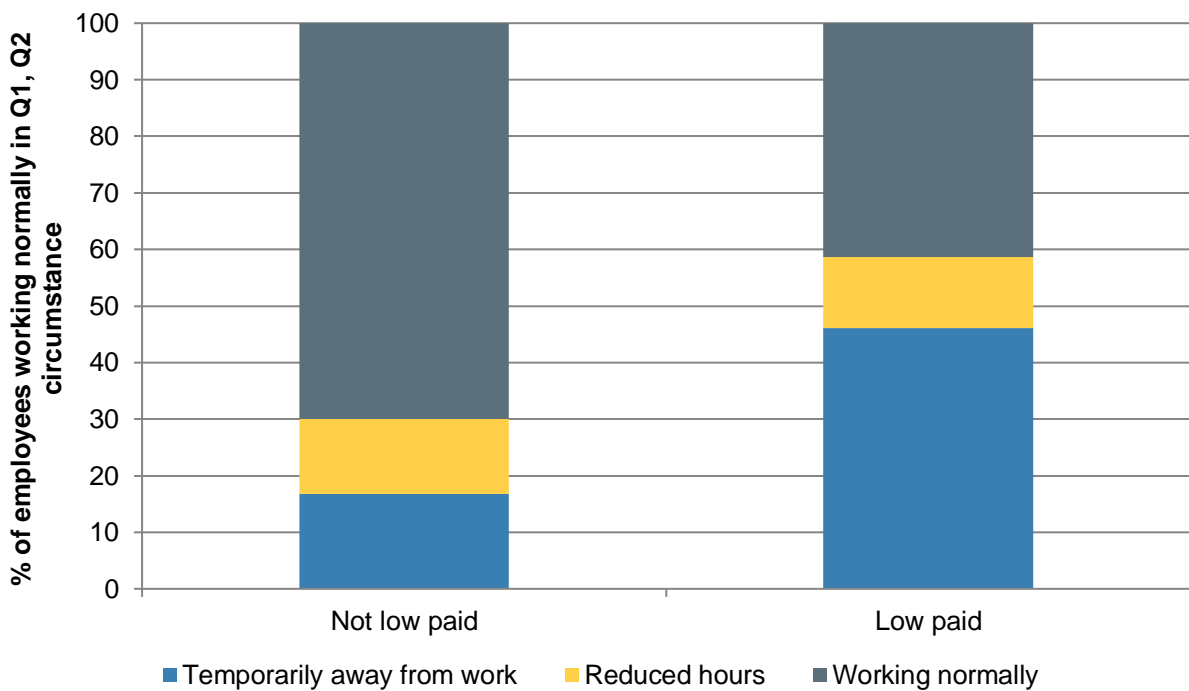
Source: IES analysis of quarterly Labour Force Survey

Looking at longitudinal data – so tracking respondents’ changes in status through the Labour Force Survey – we find unsurprisingly that low-paid workers were twice as likely as those earning above a real living wage to move from working normally in the first

quarter of 2020 to being on furlough or having reduced hours in the second quarter (ie the full lockdown). This is shown in Figure 2.2 below.

Just under half (46%) of all low-paid workers moved from being in work to being away from work between the first and second quarters, while a further one in eight (13%) saw their hours reduced. This means that around 2.7 million low-paid workers were away from work, while over 800,000 saw their hours reduced. Interestingly, the difference between low- and higher-paid employees is entirely explained by furlough – with 13 per cent of higher-paid employees also seeing their hours reduced.

**Figure 2.2 Working normally in Q1 employee circumstance in Q2 2020, by pay status**

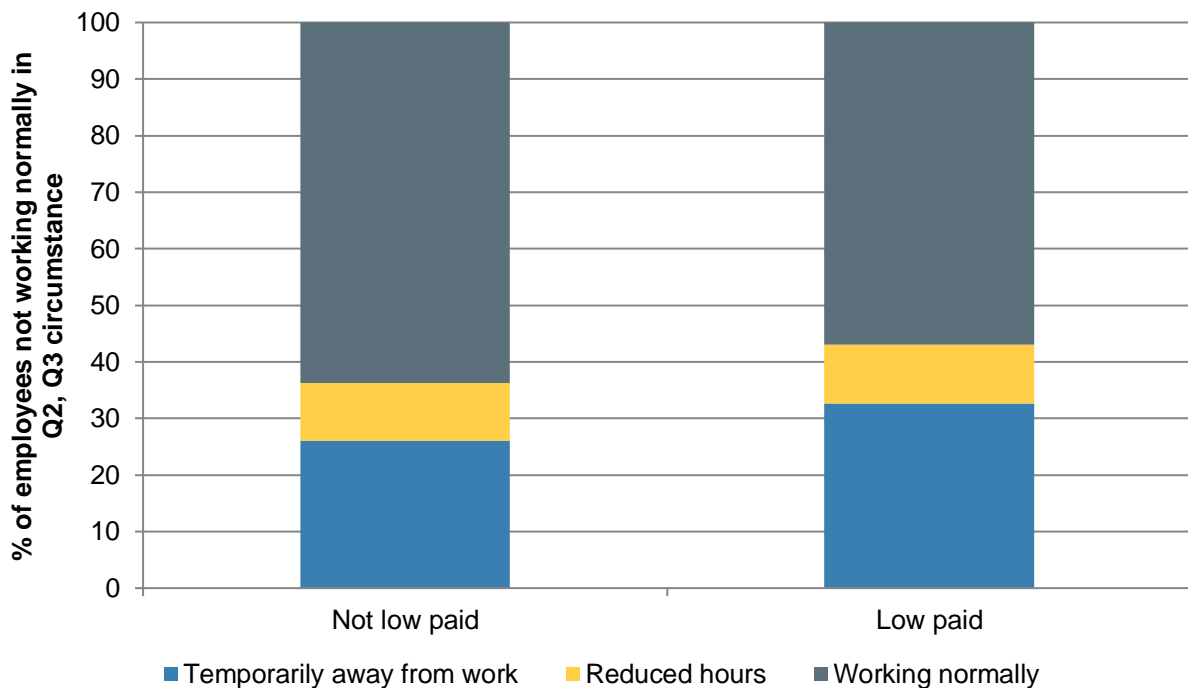


Source: Longitudinal LFS Q1-Q2 2020

As Figure 2.3 below shows, between the second and third quarters – ie from full lockdown to partial recovery – low-paid employees who were away from work were slightly less likely to then return to work than those paid above a real living wage, which explains why the relative gap between the two groups persisted for much of the summer. In both cases, a majority of those away from work went back to working normally, but this was 57 per cent for the low paid compared with 64 per cent for those paid more.

A further one in five of those not working normally during lockdown returned to work on reduced hours – with this figure again being identical for those paid below and above a living wage. This analysis suggests, then, that one-third were still on full furlough through the third quarter of the year.

**Figure 2.3 Not working normally in Q2 employee circumstance in Q3 2020, by pay**



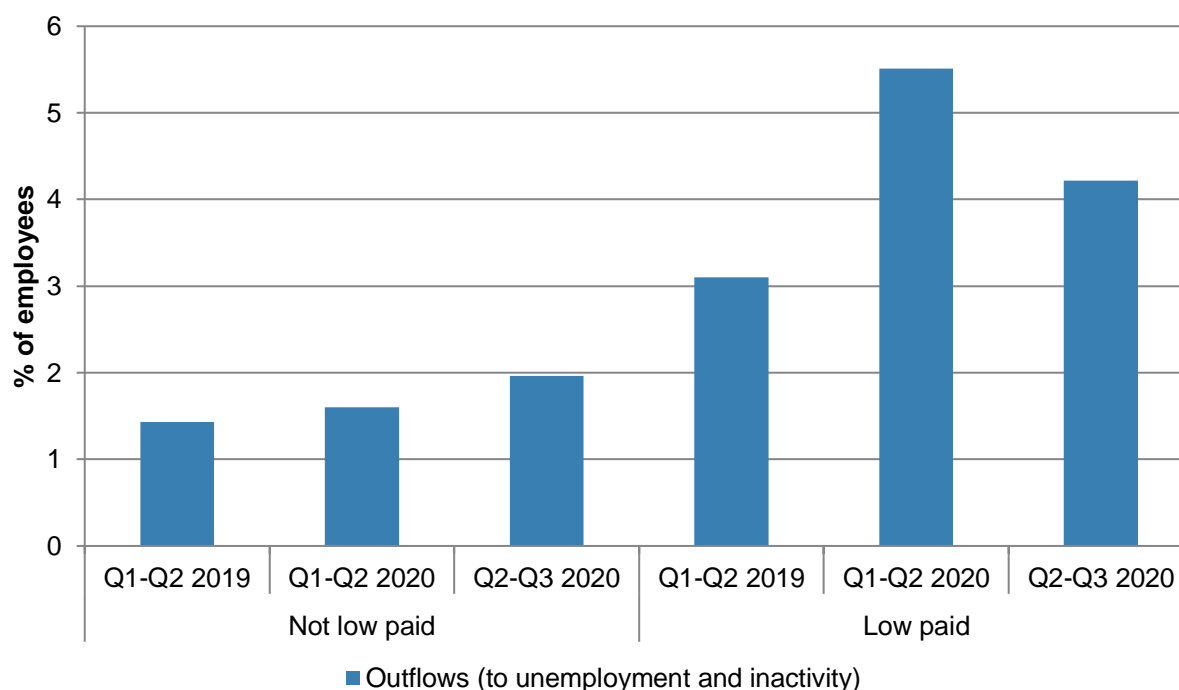
Source: Longitudinal LFS Q2-Q3 2020

### 2.1.2 Movements out of work

Just as lower-paid workers were more likely to be furloughed, analysis of the Labour Force Survey also shows that low-paid employees were far more likely to leave work entirely than those earning above the real living wage.

As Figure 2.4 below shows, more than one in twenty low-paid employees (5.4%) left work entirely during the first lockdown – equivalent to over 300 thousand people – while 4.2 per cent left work between July and September (a quarter of a million people). Both of these rates were well above the rate of outflows from work in the first quarter of 2019. For employees earning above the real living wage, fewer than one in fifty left work during the first period of lockdown or in the following quarter. This means that during the first lockdown, the low-paid were more than three times more likely to exit work than employees paid above a living wage, and even after this lockdown the low paid were still twice as likely to leave work.



**Figure 2.4 Flows out of employment by pay level Q1 to Q2**

Source: Longitudinal LFS Q1-Q2 2020

Drawing together these findings, the lowest paid have been disproportionately affected during this crisis, both during the first lockdown and over the summer. This is partly explained by the fact that often lower-paid industries have been hit hardest, but we see the same patterns for the lowest paid across all sectors. This in turn will have led to greater impacts on those who are more disadvantaged in the labour market, as they are over-represented in low-paid work, including: disabled people, some ethnic minority groups, the youngest and oldest workers, women and those with the lowest qualifications.

Our detailed analysis of LFS data published in December set out in more detail how the crisis has affected different groups in the labour market and also showed how employment overall had contracted in a range of lower-paying jobs – driven by falls in food services, food manufacturing, hospitality, residential care and construction. At the same time, employment is growing in higher-paying jobs – most notably in public services (likely jobs related to the pandemic response), technology and finance.

With current lockdown restrictions applying to broadly the same extent in lower-paying sectors as in the first lockdown and with schools again closed, it is likely that we will now be experiencing similar rates of furlough, hours loss and exits from work for low paid workers. This will be driving growing polarisation in the labour market and risks widening inequalities too, with disadvantaged groups over-represented in jobs that are being lost and disrupted and under-represented in jobs that are growing. This points to the critical importance of focusing effort on supporting those most affected by the crisis, both in compensating for the impacts of losing work and income and in supporting them to access more secure, sustainable and rewarding work.

## 2.2 In-depth interview findings

This section of the report presents the findings from 40 in-depth interviews examining the impact of Covid-19 on low-income households. Interviews were completed with those currently in work - as well as those who had recently lost their job - across low-pay sectors such as hospitality, retail, administration and support services, as well as health and social care.

The interviews explored their experiences in employment since the start of the pandemic. This included:

- how their working conditions and arrangements have changed;
- their feelings of safety and wellbeing within the workplace for those who continued in work;
- the knock-on impact of any changes in working arrangements, conditions and employment status on household finances; and
- the impact of these circumstantial changes on any future aspirations they held for their work and finances.

As noted, these interviews were completed from July-August 2020. Interviewees were commenting on their experiences of the pandemic and ensuing economic crisis so far, which included the impacts of the first nationwide lockdown in March 2020. While the impacts of the two subsequent national lockdowns as well as the varying local restrictions imposed by the government's tier system were not examined by this study, interviewees were asked to comment on the potential impact that further disruption of this kind would have on their work, finances and quality of life.

### 2.2.1 Changes in employment

The changes that interviewees had seen in their working conditions and arrangements since the start of the pandemic necessarily varied depending on the nature of their job role, their employment status and their caring commitments, as well as the decisions made by their individual employer.

For those working in administration and support services, many were able to switch to homeworking with the announcement of the first UK-wide lockdown from 23 March 2020. In making this transition, several saw short-term disruption due to technical difficulties they had in accessing their work IT systems or key pieces of software that they needed in their job. While these issues were resolved relatively quickly, interviewees with young families experienced longer-term difficulties in working from home during lockdown. This was due to the additional childcare commitments they had, resulting from the closure of schools and early years settings during this period.

Another group of interviewees, such as some of those working in non-essential hospitality and retail roles, were put on furlough. This was enabled by the government's Job Retention Scheme (JRS), which was announced a few days prior to lockdown. For many, this decision was taken by their employer. Several interviewees said that they feared they

would lose their job when their workplaces closed at the end of March and so were glad to be furloughed, even if in most cases it meant a 20 per cent reduction in income.

However, this offer was not available to all workers in this study. Some of those who worked on-demand via agencies, such as domiciliary care workers, saw a significant reduction in the hours they were being offered during lockdown. Others, usually working part-time hours and on zero-hours contracts, were made redundant from their job. Several asked their employer why they had made this decision and why they were not being furloughed. The reasons given varied and included their employer questioning their eligibility for the JRS (even though the worker had been employed by them for several months prior to lockdown) and being unable to calculate their furlough entitlement due to losing records of their employment from the past year. Interviewees recalled being extremely angry with this response, and in some cases believed they had been misled by their employer in order to avoid the administration involved in applying for the JRS.

## **2.2.2 Health, safety and wellbeing**

In the context of increased health risks posed by Covid-19, interviewees were asked about the specific risks posed by their work (if any) and their feelings concerning safety and wellbeing in the workplace. For some, such as care workers, this covered their experience of working during the first national lockdown, while others spoke about their return to work following the easing of restrictions from June 2020 onwards. Again, experiences varied markedly by sector.

Retail workers (particularly those who worked for large supermarket chains) said that they felt their employer had taken adequate measures to minimise the health risks posed by their job. These measures included steps to ensure social distancing between customers (one-way systems; limits on customer numbers) and to protect staff from person to person transmission by providing access to relevant Personal Protective Equipment (PPE).

Workers in the hospitality industry, meanwhile, felt less protected. While employers changed the layout of bars and restaurants to ensure social distancing and encouraged better hygiene by installing hand sanitising stations, these measures did not go far enough in some interviewees' view. None of the hospitality workers who participated in this study had been provided with PPE; in all cases, they had purchased their own masks and gloves to help them feel safer at work. Some also stated that they were not always able to stay two metres away from customers, such as when they were taking food orders or collecting glasses.

Those working in the social care sector had more mixed experiences, with the level of safety checks and measures taken by employers varying widely between workplaces. Some who worked in supported living or rehabilitation centres felt the measures put in place by their employer were adequate. This included the provision of PPE, temperature checks for all staff on arrival at work as well as new, stricter cleaning regimes.

However, a few interviewees providing domiciliary care or working in residential care homes felt that their employer was not taking the health risks posed by the virus seriously, especially during the early phases of lockdown. Those who raised concerns about the

lack of measures to protect themselves and clients from Covid-19 reported how their employer trivialised the need for PPE, stating that it was not necessary and that the virus was no different from seasonal flu. These individuals felt it 'paid' their employer to ignore the risks posed by the virus so they did not have to invest in additional equipment for staff. In these cases, interviewees either agreed to take voluntary furlough so they did not have to continue working during lockdown, or saw no option but to resign from their position to protect their health and wellbeing.

### **2.2.3 Household finances**

Aside from home workers, most interviewees saw a decline in their household incomes since the start of the pandemic. As outlined, this was either due to being furloughed, seeing a reduction in their working hours or losing their job. Despite these changes in circumstances, many were able to continue to meet their basic living costs. While several spoke of having higher food bills as they and/or their family were at home more, these individuals had taken steps to manage their spending in this area such as stricter budgeting and shopping for reduced items. Some also spoke of having direct or indirect financial support from family members with the costs of housing. Those cohabiting had other sources of income beyond their own employment, which helped them manage any losses they faced.

Many interviewees described how the suspension of normal life during the first national lockdown had the unexpected benefit of reducing their outgoings. For instance, it limited their spending on non-essential items, food and drink outside of the home, and leisure activities. However, as these national lockdown restrictions were lifted, some interviewees were finding the continued limits on what they could spend frustrating and felt it was impeding their overall quality of life.

In terms of alleviating these difficulties, many believed they had limited options. Several had depleted their savings since the beginning of the pandemic and were no longer able to save to the same levels as they had previously. Interviewees were also unsure about their eligibility for state financial support or had been put off by the experiences of friends and family members who had previously used the benefits system.

### **2.2.4 Future aspirations**

Interviewees were asked to describe how these circumstantial changes in their work and finances brought about by Covid-19 had affected their future hopes and aspirations in these areas. Several of those who had lost their employment or seen a reduction in their working hours stated that it was difficult to look past the short-term uncertainty regarding their employment prospects and the need to achieve financial stability. A few from this group felt that they were now having to consider a career change out of necessity rather than choice. Their previous occupation was no longer viable, and they were not able to sustain themselves or their family on a lower income in the long term.

Meanwhile, some interviewees who had retained their employment and their normal working hours commented that any future career changes they were planning prior to the pandemic had now been put on hold. They perceived a high risk in changing jobs in the

current economic climate and felt that remaining in their current role would provide greater financial security in the short term.

Several students who participated in the study also spoke of lowering their expectations in terms of their future employment prospects. Aside from those planning to enter public sector or health professions, these interviewees generally felt that they would need to consider a broader range of positions than they would typically prefer in order to find work in what they anticipated would be a highly competitive graduate labour market.

In contrast to these views, several of those who had been working from home since the start of the pandemic noted that their priorities had shifted in terms of what they wanted from their work and home life. For some, maintaining a clear distinction between work and childcare responsibilities had become even more important, while others had achieved a better work-life balance in some respects (eg having some time back in their day by not having to commute) and wanted to extend this in future.

### **2.2.5 Support needs**

At the time of the research in the summer of 2020, many interviewees were concerned about what the autumn and winter months would bring. Several were worried about future waves of Covid-19 infections, and the implications these would have for their job if their workplace again had to close. Some noted that they had diminished savings and therefore a more limited financial buffer to protect them from any future disruption to their work and income. Those who had been furloughed were also aware that the JRS was initially due to end in October, which would limit their employer's ability to keep staff employed during future periods of closure. While the JRS was eventually extended on 31 October 2020, it is unlikely that this late extension will have fully mitigated this risk and protected all jobs at risk of redundancy.

Interviewees were asked what type of support would be most beneficial in helping to protect them against the immediate health risks they continued to face in work, as well as their future job and income insecurity. A wide variety of recommendations were put forward, including: better awareness of workers' rights and legal protections in the context of Covid-19; greater assistance with job searches, retraining and childcare for those currently unemployed; and a range of financial support measures from access to free financial advice services to further raising Universal Credit (UC) standard allowance.

## 3 Stakeholder feedback

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This chapter presents the findings from the wider stakeholder consultation completed as part of this project. The consultation involved a series of interviews and roundtable events with representatives from stakeholder organisations who work with low-income households, including those who provide direct support (including charities and trade unions), and researchers and policy organisations with an interest in low-paid work.

The purpose of these interviews was to:

- sense check the findings that emerged from our qualitative research with low-income households;
- identify further contextual factors which are impacting or help explain people's experiences;
- highlight the future risks for low-income households; and
- identify policy solutions to help mitigate some of these risks and agree priority areas for action.

The individual interviews and roundtables focused on three main themes: individuals' workplace rights and conditions; household finances; and employment support policies, skills and retraining.

### 3.1 Workplace rights and conditions

Overall, stakeholders believed the workplace-specific themes that emerged from this study were consistent with those they were aware of among their communities and from their own research; the particularly challenging experiences for those in the health and social care and hospitality sectors resonated with some.

Stakeholders highlighted the wider contextual factors that were informing these experiences, as well as the future risks they posed to the health and financial security of the low paid and how these might be addressed.

#### 3.1.1 Health risks and exposure to Covid-19

A key concern for many stakeholders was the ongoing risk of worker exposure to Covid-19. While it was acknowledged that availability of PPE and implementation of Covid-19 safe practices have significantly improved, it was noted that this varied by employer. Further, for those in low-paid forms of work there was a concern that low rates of Statutory Sick Pay (SSP), redundancies or fear of loss of income, could drive many to take up opportunities for work even if they increase their and others' exposure to the



virus. Stakeholders therefore supported raising rates of SSP and expanding eligibility to enable and encourage those who need to self-isolate to do so.

### **3.1.2 Lack of knowledge and resource to assert employment rights**

Underpinning the continued health and financial risks facing those on low pay was a concern, raised by stakeholders, that individuals did not have sufficient knowledge and understanding of their employment rights, and do not have the time and resources to try and enforce them. In addition, several stakeholders noted they did not believe the current system of enforcement was sufficiently structured or resourced to operate effectively, noting a backlog of cases in tribunals.

To address these issues, stakeholders recommended improvements to the enforcement system in order to increase accountability for employers, enforce workers' rights and reduce exploitation for those in low-paid roles with limited bargaining power. This included proceeding with the introduction of the single enforcement body recommended by the Taylor review. Stakeholders stressed the importance of ensuring this body is sufficiently resourced and has trade union representation to ensure it operates effectively and in the interests of workers.

### **3.1.3 Employer willingness to provide support**

Underpinning many of the concerns outlined previously was the view that there are high levels of variance among employers in terms of supporting good quality work opportunities both before and during the pandemic. Some stakeholders referred to this as the difference between a 'good' employer (who is supportive of their staff, would support furlough where requested, provide good employment terms and flexibility, and protect staff health and safety) and a 'bad' employer (who threatens redundancies, fires and rehires, does not support furlough for those who need it for shielding and/or caring responsibilities, does not provide good employment terms for staff, and is not concerned about some health and safety risks).

In the context of rising unemployment and increased competition for vacancies, stakeholders believed there is a heightened risk during the current crisis of people entering into employment relationships with the latter group and taking up poor quality job opportunities on uncompetitive terms. It was also noted that with increased competition for roles, individuals may find it harder to make requests of their employers to improve their own wellbeing and financial situation. Further, individual feelings of security at a 'good' employer may encourage them to place limitations on their ongoing career development, with some not wanting to risk changing companies or asking for progression opportunities at this time.

All of these factors were seen to risk contributing to a degradation of living standards for those in low-paid roles and on low incomes. To address these issues, as well as the regulatory changes set out above, some stakeholders recognised a need to work with employers to create better quality job opportunities. This would require a level of public

investment and business support to be effective, acknowledging the financial constraints facing many organisations in the current economic climate.

## 3.2 Household finances

Stakeholders were also asked to reflect on the findings from earlier stages of this research relating to household finances and experiences. Again, stakeholders believed the household-specific themes emerging were consistent with those they were aware of among their communities and from their own research. They also noted the significance of the Covid-19 pandemic in exacerbating existing challenges and risks for many low-paid workers and low-income families, who went into the first of a series of nationwide lockdowns with significant in-work poverty. The specific issues and solutions highlighted are discussed in more detail below.

### 3.2.1 Access to and removal of the Job Retention Scheme

A key concern for stakeholders at the time of the research was the level of access that those in low-paid, insecure roles had to the JRS. This is particularly pertinent where nationwide lockdown or higher tier local restrictions are in place, given that those in low-paid roles are more likely to work in sectors which are significantly affected by these measures, such as non-essential retail and hospitality.

Stakeholders noted that as the furlough scheme was used at employers' discretion, it required employers to act in 'good faith' and 'do the right thing' during periods of disruption, which created challenges for many workers - particularly those on zero-hour contracts or who were working via agencies. Stakeholders highlighted that some employers may not have an incentive to provide support when they do not 'owe' an employee any work.

The end of the JRS (now due in April 2021) was also seen to create a number of challenges, including increased redundancies, reductions in hours and income, and an increased risk to people's health as those who are shielding may be encouraged to return to work.

### 3.2.2 Ongoing changes to incoming and outgoing finances

The issue of financial uncertainty relating to household finances was a key risk identified by stakeholders in the coming months. Regarding incoming finance there is the uncertainty already discussed about possible redundancies and changes in income following the end of the JRS. There is also uncertainty about the duration of the Universal Credit uplift, which is due to end at the same time, and the limited impact this additional income may be having for those already in debt. Some stakeholders also noted the more immediate issue of eligibility for this additional financial support being restricted in some cases, such as for individuals claiming legacy benefits and non-EEA migrants who had no recourse to public funds, but who made up a section of the low-paid workforce.

In terms of outgoings, while some had lower costs during the first nationwide lockdown in some areas of spending and others had reduced food bills when their children could



return to school (excluding non-term time), the winter period would lead to other costs increasing. This would include increased energy costs for heating homes and any knock-on impact this might have on health, as well as the costs of looking after their family during the Christmas period. There were also concerns about the financial stability of renters who had fallen into arrears.

Stakeholders noted households may not have savings to fall back on and could already be in considerable debt. There were also concerns that people may not be able to further reduce their outgoings without health and wellbeing detriments, if sources of income are reduced or removed. There were concerns about the long-term impact of debt and credit ratings over time, and a lag-effect may be seen unless people receive effective advice.

Stakeholders expressed support for a suite of measures to address these issues including retaining and extending eligibility for the Universal Credit uplift, providing those on low incomes with additional financial support to help meet their childcare and housing costs, and providing better access to financial advice services and introducing protections for those in debt.

### **3.3 Employment support policies, skills and retraining**

Finally, stakeholders were asked to reflect on the findings relating to the future employment and earning prospects of participants in this study, given the negative impacts of the crisis for some on their current hours and earnings. It should be noted that in many cases these impacts will have only been exacerbated further since the research was completed with the introduction of higher tier local restrictions and two nationwide lockdowns.

Stakeholders again highlighted further contextual factors and risks, which could present challenges for those on low incomes looking to improve their financial position and/or re-enter the labour market during the current crisis.

#### **3.3.1 Jobcentre Plus Work Coach caseloads and role**

Stakeholders noted that high numbers of redundancies will create an additional burden on Jobcentre Plus: Work Coach caseloads have and will continue to increase significantly. It was observed that a key risk of increased Work Coach caseloads is the extent to which the people who might benefit most from additional support are getting the help they require, or whether the focus is on the less complex cases who may be easier to move back into employment.

The additional funding for Jobcentre Plus and a commitment to double the number of Work Coaches announced as part of the government's Plan for Jobs and the Autumn Spending Review were seen to help mitigate this risk. However, stakeholders had concerns about whether this increase would happen quickly enough to support those currently facing redundancy. Others noted that Jobcentre Plus had seen a reduction in capacity since 2015, and so questioned whether this additional investment would offer sufficient capacity at a time of higher unemployment.

With the imposition of subsequent nationwide lockdowns, the ability of those on low incomes to access this support remotely is also a potential issue given the limited access some may have to necessary IT equipment and an internet connection while they are required to stay home.

### 3.3.2 Access to effective retraining

With higher volumes of claimants and a weaker employer demand in traditional low-pay sectors, such as hospitality and support services, stakeholders believed retraining in the short and longer term would be necessary to help support people currently out of work or at risk of redundancy, as well as assist those in low-paid, insecure roles to increase their incomes when lockdown restrictions are eased.

However, it was noted that availability of retraining was an issue, with many of the schemes announced by Government (such as the Lifetime Skills Guarantee<sup>9</sup>) not being available when redundancies are occurring. This leaves a gap during which time some people may experience scarring effects of longer-term unemployment. Further, some stakeholders felt that the current system for supporting adult training (for instance, through the Adult Education Budget) was underutilised and there was a lack of awareness among local service providers and those on low incomes of the availability of this provision.

In addition, the costs of retraining, including time off work, provision of childcare, and cost of the courses themselves were still seen to be prohibitive. Stakeholders noted that existing inequalities would be exacerbated if low-income families cannot access these opportunities.

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<sup>9</sup> 'Major expansion of post-18 education and training to level up and prepare workers for post-COVID economy' 29 September 2020: <https://www.gov.uk/government/news/major-expansion-of-post-18-education-and-training-to-level-up-and-prepare-workers-for-post-covid-economy> [accessed 11 January 2021]

## 4 Recommendations

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Drawing these findings together, and reflecting feedback and recommendations from stakeholders, we believe that action is needed in four main areas:

- Supporting low-income households to manage through the crisis – and in particular those who have lost jobs or income.
- Making work better for those in low-paid and less secure work.
- Reform and investment in employment and skills services – both for those in low-paid work and disadvantaged groups that have lost their jobs.
- A longer-term settlement for the low paid – including a commitment to eradicate hours poverty.

These are taken in turn below.

### 4.1 Supporting low-income households

#### 4.1.1 Strengthen the safety net for those who leave work or are in insecure work

During the first lockdown, low-paid workers were more than twice as likely to leave work or have their work disrupted as those paid above the real living wage. The Job Retention Scheme helped to mitigate these impacts for most of those who were fully furloughed, but our research has shown that many low-paid workers slipped through the cracks – because they were continuing to work but on reduced hours, were temporarily laid off but not enrolled on the JRS, or had lost their jobs. Labour Force Survey data suggests that even by the end of September, there were likely at least a million low-paid workers affected by the crisis in one of these three ways.

The temporary £20 increase in Universal Credit will have made a significant difference in supporting low-income households affected by the crisis. However, with the prospect that this increase could be withdrawn from April 2021, stakeholders were clear that more measures were needed to support those on low incomes and reliant on social security. We believe that there are four immediate priorities for strengthening the safety net:

- Most importantly, **maintain the £20 uplift in the Universal Credit standard allowance**. As the Resolution Foundation has set out, failing to do this would affect six

million households and see incomes of the poorest fall by 7 per cent - or over £800 a year.<sup>10</sup>

- **Temporarily suspend the benefit cap.** This applies to households where no-one works and where benefit income would otherwise exceed £20,000 a year,<sup>11</sup> and has a disproportionate impact on families with children and living in higher rent areas. The number of capped households had more than doubled by August – rising from 90,000 to 168,000 – with 140,000 of these being families with children (and 100,000 single parent households).

There is a nine month ‘grace period’ for the newly unemployed, so the recent rises are in effect clawing back the £20 increase in UC from households that were previously at or near the cap level. However, we can expect further sharp rises from January as those who made new claims in April start to see their incomes capped. Given that affected households will continue to find it far harder than usual either to find work or to move home, we believe that there is a strong case to temporarily suspend the cap.

- **Improve support for low-income renters.** Low-income renters have been hit particularly hard in this crisis, with Citizens Advice research suggesting that half a million are behind with their rent due to the pandemic.<sup>12</sup> UK governments have now extended a ban on evictions (until 21 February in England, and the end of March in Scotland and Wales) but more is needed both to address problem debt and provide ongoing support for those whose incomes have fallen. In our view, this should include an increase in emergency grant and loan support for low-income renters with problem debt; and a temporary increase in the Local Housing Allowance from the 30<sup>th</sup> to 40<sup>th</sup> percentile of local rents – to slow the growth in housing debt for those who have lost income and are unable to reduce their housing costs.

- **Urgently review support for those with No Recourse to Public Funds.** There may be around one million workers without entitlement to benefits due to their immigration status, and a range of organisations have identified this as a significant driver of increased hardship during this crisis (although there are no official estimates of the numbers of people affected during the crisis). The government has increased emergency funding to local authorities and amended guidance to make clear that this can be used to support those without access to public funds, but there is again no evidence yet on how effectively this is supporting those most in need.<sup>13</sup>

We believe that these arrangements need to be urgently reviewed – with greater efforts made to collect data on those affected by the crisis, to use the discretionary funding to set clear entitlements for those out of work, and to raise greater awareness and encourage take-up locally.

<sup>10</sup> Bell, T., Corlett, A. and Handscomb, K. (2020) *Death by £1,000 cuts?* Resolution Foundation

<sup>11</sup> Or £13,400 for single adults without children. Higher rates apply in London (£23,000 for couple households and those with children, or £15,410 for single adults without children). Some claimants are exempt from the cap, in particular those deemed to have limited capability for work or with disabled children.

<sup>12</sup> Derricourt, R., Hann, C. and Byrne, G. (2021) *New year, same arrears: How the pandemic is leaving private renters with unmanageable debt*, Citizens Advice

<sup>13</sup> House of Commons Work and Pensions Committee, *DWP’s response to the coronavirus outbreak*, First Report of Session 2019–21; June 2020

### 4.1.2 Extend flexible furlough through to the autumn

This research has identified under-employment, rather than full furlough, as a significant driver of work disruption, insecurity and lost income during the first lockdown. Changes to the JRS rules to introduce ‘flexible furlough’ mean that during the current third lockdown, the JRS is being used by employers to address under-employment and support short-time working. In effect, employers can pay furlough (and claim this back from HMRC) for any loss of working hours where this is due to the pandemic.

At present the furlough scheme is due to close at the end of April, although there will almost certainly continue to be ongoing social distancing restrictions and work disruption through to the summer. Even if there is a case to end access to full furlough in April, there will need to be continued access to ‘short-time working’ support for those whose work continues to be disrupted – both to support a return to work for those currently on full furlough and to provide transitional support for those who have seen their hours reduced. The government had recognised this need too coming out of the first lockdown, when it intended to introduce a new ‘Job Support Scheme’.<sup>14</sup>

We therefore think that as the JRS is wound down, the government should either maintain a version of the ‘flexible furlough’ rules or introduce the Job Support Scheme so as to provide income support for those returning to or remaining in work but on reduced hours. Some of the costs of doing this would be offset by lower Universal Credit spending for those on the lowest incomes; while costs could be still more reduced by further targeting eligibility (for example, on those earning below £25,000 a year). This should be introduced as a transitional measure for as long as social restrictions remain in place and for a transition period back to non-distanced working.

### 4.1.3 Use the Test and Trace Support Payment system to support more low-income workers who need to isolate or care for others

All three lockdowns have highlighted the need for improved financial support for those required to take time off work due to the pandemic – whether due to illness, self-isolation or caring responsibilities. Our research has shown that low-income workers have been particularly hit hard, but also that the reliance on the JRS to provide support has seen many people slip through the cracks. This has likely been further exacerbated in this lockdown due to JRS rules now making clear that illness or self-isolation are not eligible reasons for furloughing staff.

The introduction last year of the Test and Trace Support Payment has been welcome, as it has paid £500 directly to the lowest-income households where they have been directed to self-isolate. This has helped to address the most immediate impacts of our inadequate system of statutory sick pay (see below). However, the entitlement to payment is restricted to those who are both on Universal Credit and have been told to self-isolate by

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<sup>14</sup> This would have replaced the JRS and compensated for two thirds of lost earnings when hours were reduced, subject to employees working a minimum of one fifth of their contracted hours.

the NHS, with others in hardship required to apply for discretionary support from their local council. This 'discretionary' element creates uncertainty and delay in accessing funding, and recent reports suggest that in many cases it has been significantly over-subscribed, leading to funds being exhausted and eligibility tightened.

We believe that full entitlement to the payment should be extended to a much wider group of workers where they are required to isolate due to Covid-19: as a minimum, all of those who are in low pay (ie earning below £9.50-10 an hour) but ideally to all workers, as the New Policy Institute has proposed.<sup>15</sup>

Current school closures have also reiterated the need to support those who cannot work due to caring responsibilities. While those who need to reduce work due to caring can be placed on furlough, this only covers eligible employees and is also reliant on employers agreeing to these requests. So, in our view, the Test and Trace Support Payment system should also be used to provide non-means-tested financial support, at £250 per week, for those unable to work due to caring needs. This should continue to be the case when schools reopen, for example to cover school and class closures (as we called for in our recent report with Gingerbread<sup>16</sup> and as was subsequently adopted by the Welsh government).

#### 4.1.4 Reform and improve Statutory Sick Pay

This crisis has shown that our system of sick pay is not fit for purpose – with around seven million workers excluded because of their earnings or employment status, and the statutory minimum of £96 a week equivalent to just one-fifth of the average wage (placing it among the lowest in Europe). It is also unusual in only becoming payable after three days of absence (although this has been temporarily reduced to one day for Covid-19 symptoms). Those in the lowest-paying occupations are also far more likely to only be paid at this minimum, statutory level.<sup>17</sup>

This creates financial hardship for those in low incomes who cannot work; contributes to increased working while unwell; and even with reforms to the Test and Trace Support Payment it increases the risk of virus transmission – for example where people are waiting for a test or for their results, or where they have not sought a test because of atypical symptoms. Our interviews with stakeholders emphasised that SSP was not fit for purpose and needed to be reformed.

Many employers choose to pay above SSP and so are in effect penalised by the rate being set a level where competitors can undercut them by only paying the minimum. A stronger rationale for keeping rates low would be so as not to add costs for smaller

<sup>15</sup> 'Test and trace: paying the £500 to all workers who need it will show society's support for those must self-isolate', NPI, 4 January 2021: <https://www.npi.org.uk/blog/health/test-and-trace-paying-500-all-workers-who-need-it-will-show-societys-support-those-must-self-isolate/> [accessed 11 January 2021]

<sup>16</sup> Clery, E., Dewar, L., and Papoutsaki, D. (2020) *Caring without sharing: Single parents' journey through the Covid-19 crisis*, Interim Report; Gingerbread and Institute for Employment Studies

<sup>17</sup> DWP and DHSC (2019) *Health in the workplace – patterns of sickness absence, employer support and employment retention*, Department for Work and Pensions and Department for Health and Social Care



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employers who are less able to bear long periods of absence, which in the past was addressed through a ‘percentage reduction scheme’ where any sick pay costs above 13% of that month’s National Insurance liability were reimbursed. This was withdrawn in 2016 with the funding redirected to a new ‘Fit for Work Service’, but was not reintroduced when that service was subsequently abolished.

We would recommend that the government consult on a significant increase in Statutory Sick Pay to at least £200 a week (which would be about half a full-time salary at the real living wage), alongside the reintroduction of a percentage threshold scheme to minimise the financial costs for smaller employers. We would also recommend making eligibility to SSP permanent from day one of illness.

## 4.2 Making work better for those in low-paid work

Our research shows how this crisis has exacerbated job insecurity for many low-paid workers. We believe that action to address this needs to be taken in four areas: legislation, enforcement, employer support and social care.

### 4.2.1 Legislate to improve security for low-paid workers

The government committed on the eve of this crisis to bring forward legislation ‘to protect those in low-paid work and the gig economy’, which would in particular implement a number of the recommendations from the Taylor Review of Modern Working Practices.<sup>18</sup> We believe that our research with low-paid workers has shown that these reforms have become more urgent as a result of this crisis, and this was also a strong theme from stakeholders. In particular, the government’s planned Employment Bill needs to include:

- Simplification of employment status. Our recent research with CIPD<sup>19</sup> sets out how the current system – with three different statuses, ambiguity on how these should be applied, and little recourse for those misclassified – risks leading to workers missing out on employment protections and these problems have likely got worse during this crisis. We have recommended abolishing the ‘worker’ status; consulting with stakeholders on statutory definitions of ‘employee’ and ‘self-employed’; and setting a legal presumption of being an employee where status is unclear.
- A right for flexible workers to reasonable notice of changes to shifts and compensation when these are changed at short notice – as the Low Pay Commission set out in 2018.<sup>20</sup>
- A right for workers on zero or flexible hours contracts to have more stable and secure hours (not just the right to request this) based on their usual actual hours.

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<sup>18</sup> *Good Work: The Taylor Review of Modern Working Practices*, July 2017

<sup>19</sup> CIPD. (2020) *Reforming employment status: building a stronger foundation for employment rights*; Chartered Institute of Personnel and Development

<sup>20</sup> Low Pay Commission (2018) *A Response to Government on one-sided flexibility*.

- Improved legal protections around holiday accrual and demonstrating continuity of service.

#### **4.2.2 Establish an effective, well-resourced single enforcement body**

Alongside strengthening legislative protection for insecure workers, we also need to ensure that they are aware of their rights and that these are appropriately enforced. The government has consulted on plans to establish a single enforcement body for employment rights, bringing together health and safety, agency standards, wages, and equalities and discrimination (among other things).

In our view this crisis has strengthened the case for a well-resourced, effective, single enforcement body. As we set out in recent work with the CIPD,<sup>21</sup> we think that there are five key priorities for achieving this:

- Increase the number of inspectors to one per 10,000 workers, as recommended by the International Labour Organisation. The UK has one of the worst resourced regimes in Europe, meaning that on average employers can expect a visit for wage enforcement once every 500 years, and for agency rights enforcement once every 20 years; while funding for the HSE has halved since 2010.<sup>22</sup>
- Shift the balance to more proactive engagement and enforcement – with a doubling of resourcing for Acas so that it can provide more support to employers and individuals; broad-based awareness campaigns working with sector bodies, unions and advice services; funding for Local Enterprise Partnerships to be able to support and join up employer engagement and compliance efforts locally; and a target of 60 per cent of inspections being proactive rather than reactive.
- Place more responsibility on non-compliant employers to improve their practices: by reinstating the power for tribunals to make wider recommendations on improvements to HR practices and widening this to cover all employment rights; and by introducing ‘joint responsibility’ measures within supply chains so that the brand name at the top of the chain bears shared responsibility for the working practices of their suppliers.
- Provide more support for small employers to improve their practices – in particular by offering all firms with fewer than 50 employees a free, annual HR ‘MOT’ through Acas.
- Ensure that workers receive the settlements that they are due. In particular, the government should ensure that the enforcement is able to take action against employers for non-payment of tribunal awards, and should compensate employees where employers do not pay.

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<sup>21</sup> CIPD (2020) *Revamping labour market enforcement in the UK*; Chartered Institute of Personnel and Development

<sup>22</sup> HM Government (2018) *United Kingdom Labour Market Enforcement Strategy 2018/19*



### 4.2.3 Supporting employers and social partners to make work better

Our previous research on progression in low-paying sectors identified a number of factors associated with better quality work as well as a range of good practices by some employers – often to support retention, improve their productivity and enhance their reputation and brand.<sup>23</sup> The Progression Readiness model, in Figure 4.1 overleaf, sets out eight dimensions of good quality work that can support progression for lower-paid workers.

However, our interviews during the crisis with stakeholders and the low paid highlight that these good practices are far from commonplace, and that low-paid work is still too often characterised by insecurity, one-sided flexibility and inadequate support. So we think that legislative reforms and improvements in enforcement need also to be matched with putting in place more effective and proactive support for employers to create good quality, secure and rewarding work.

We have set out above how our enforcement systems can support this, but we think that this should be underpinned by new, local **Good Work Partnerships** between employers, government and social partners to support sharing of practice, expertise and capability building. These could be organised at Local Enterprise Partnership level, and comprise:

- Public investment to support smaller firms to build their HR capability – through access to annual HR MOTs as set out above, as well as resourcing for LEPs to commission business-to-business HR support.
- Partnership working with Chambers of Commerce, Business Improvement Districts and local sector bodies, and social partners/trade unions to promote sharing of good practice, resources and collaboration.
- Resourcing of local authorities so as to use local levers like planning, licensing and procurement to engage firms in low-paying sectors (particularly, for example, hospitality and social care), and encouragement of engagement with support – including encouraging take-up of JRS/JSS support.
- Alignment with wider employment skills funding to support investment in workplace training and development of skills pathways within sectors (for example building on the Work Advance model in the United States).
- Potentially, offering greater access to support and funding for those firms that can sign up to a small number of commitments around quality and support – like paying a real living wage, guaranteeing hours, employee voice, trade union recognition and providing access to minimum standards of workplace support.

A number of Combined Authorities are already working towards similar models, particularly in response to the crisis – so these Good Work Partnerships could build on

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<sup>23</sup> Bajorek, Z. and Lucy, D. (2020) *Progression in Employment Supporting in-work progression for low-skilled, low-paid workers*; Institute for Employment Studies

this work, perhaps initially trialling and evaluating the approach in three or four areas before rolling out more widely.

**Figure 4.1: Eight dimensions of quality work: the Progression Readiness Index**

Dimension name	Index Question
HR philosophy (16)	<ul style="list-style-type: none"> <li>■ Securing a supply of future skills is essential to the success of our organisation</li> <li>■ The skills and capabilities of our people differentiate us from other employers</li> <li>■ We try our hardest to fill vacancies from within the organisation</li> <li>■ There are no high profile examples of senior staff who have risen through the ranks (-)</li> </ul>
Pay and financial well being (16)	<ul style="list-style-type: none"> <li>■ We pay our staff a 'living wage'</li> <li>■ Employees are aware of how much they can earn without impacting their welfare benefits</li> <li>■ Employees are clear about the ways in which they can increase their pay within the organisation</li> <li>■ We provide employees with contracted minimum hours to provide stability in their pay</li> </ul>
Fair contract and predictable work hours (16)	<ul style="list-style-type: none"> <li>■ We frequently find it hard to provide extra hours to those employees who want them (-)</li> <li>■ Offering more employees permanent contracts would put our organisation at risk (-)</li> <li>■ We have a good record of moving employees onto more secure contracts as soon as practical</li> <li>■ Our employment contracts provide staff with predictable hours</li> </ul>
Pathways to progression (16)	<ul style="list-style-type: none"> <li>■ The career paths which can be followed here are clear to all of our employees</li> <li>■ Every employee is clear what they need to do to get on in this organisation</li> <li>■ Progression opportunities are very limited in this organisation (-)</li> <li>■ Opportunities for progression are open to all regardless of gender, age, ethnicity, race or disability</li> </ul>
Opportunities to develop (16)	<ul style="list-style-type: none"> <li>■ All of our managers are very accomplished at guiding employees towards career development opportunities</li> <li>■ We are very good at spotting &amp; nurturing those employees who have exceptional potential for progression</li> <li>■ We frequently use existing staff to 'act up' for maternity cover or to cover long-term sickness</li> <li>■ We provide a range of formal and informal development opportunities for staff</li> </ul>
Designing jobs for meaning and purpose (16)	<ul style="list-style-type: none"> <li>■ All of our staff get the training they need to do the best work they can</li> </ul>

	<ul style="list-style-type: none"> <li>■ Most of our jobs can only be done one way and have limited scope for flexibility (-)</li> <li>■ We have often craft jobs around the skills &amp; talents of an employee to help them deliver exceptional performance</li> <li>■ Jobs are designed in ways that enable staff to experience different types of work and develop new skills</li> </ul>
Supportive line management (16)	<ul style="list-style-type: none"> <li>■ Career development and staff progression are key responsibilities of all of our managers</li> <li>■ Most of our managers struggle to manage employee expectations of progression and career development (-)</li> <li>■ All of our managers are excellent at coaching and mentoring their direct reports</li> <li>■ Managers are trained in how to conduct effective performance and development conversations</li> </ul>
Flexibility as a default (16)	<ul style="list-style-type: none"> <li>■ Part time or flexible working is no barrier to progression in this organisation</li> <li>■ We can demonstrate that women in this organisation have equal progression opportunities to men</li> <li>■ Training &amp; development opportunities are accessible to staff who need to work flexibly</li> <li>■ Managers are comfortable discussing flexible working options with staff</li> </ul>

Source: Institute for Employment Studies/JP Morgan New Skills at Work

#### 4.2.4 End the crisis in social care

In his first speech as Prime Minister, Boris Johnson set out that the government would bring forward proposals to ‘fix the crisis in social care once and for all’.<sup>24</sup> Eighteen months on and the Covid-19 crisis has not only highlighted the extent of this crisis but exacerbated it – with our research emphasising the impacts specifically on low-paid and insecure workers in adult social care. Overall, around one million people work in front-line care roles, with three-fifths paid below a real living wage and one in ten employed on zero hours contracts.<sup>25</sup> Ending the crisis and properly funding adult social care would be good for those in need of support, good for those in the current workforce in low-paid and insecure work, and it would support the recovery – by supporting job creation and creating new opportunities for those out of work.

<sup>24</sup> ‘Boris Johnson's first speech as Prime Minister: 24 July 2019’:

<https://www.gov.uk/government/speeches/boris-johnsons-first-speech-as-prime-minister-24-july-2019>  
[accessed 11 January 2021]

<sup>25</sup> ‘What happens after the clapping finishes?’, Resolution Foundation, 19 April 2020:

<https://www.resolutionfoundation.org/publications/what-happens-after-the-clapping-finishes/> [accessed 11 January 2021]

Work by The Health Foundation estimates that increasing funding in order to meet future demand and delivering pay increases in line with the NHS Pay Deal would cost £6 billion per year, while raising local authority budgets by 10 per cent would add a further £2.3 billion.<sup>26</sup> We would support recent proposals made by the Resolution Foundation for a new Health and Social Care Levy on earnings above £12,500 (alongside reforms to employee National Insurance),<sup>27</sup> which if implemented would increase funding for social care by £6 billion a year.

## 4.3 Reform and investment in employment and skills services

In both its summer Plan for Jobs and autumn Spending Review, the government has announced a range of measures to support those out of work to prepare and look for new employment. This has included: a doubling of the number of Work Coaches supporting unemployed claimants of Universal Credit; a ‘Job Entry Targeted Support’ programme for the short-term unemployed; a ‘Restart’ programme for the long-term unemployed, and a number of measures for young people (including temporary job creation, training and improved incentives to create apprenticeships).

However there has been relatively little focus so far on measures to support those still in work who have seen their hours cut, or to support retraining for new opportunities. We set out three actions below to improve employment and skills support for low-income households.

### 4.3.1 A focus on ‘better work’ employment support

Our analysis shows that substantially more low-paid people have seen their hours cut in this crisis than have lost their jobs – with over 600,000 low-paid people now working reduced hours. We saw similar impacts in the last crisis too, with around half of the impact of the 2008/09 recession being felt in reduced working hours rather than unemployment. However, in the early 2010s, as now, employment and skills support effectively ignored those who were trapped in low-paid and insecure work, focusing only on those who left work altogether and were claiming benefits.

With forecasts for the increase in unemployment already having been halved since the summer, it looks increasingly plausible that this crisis may be characterised as much by a rapid rise in under-employment and insecure work as by mass unemployment. In recent years we have seen more efforts to improve support for those in low-paid work, including through: trials of ‘in-work conditionality’ support through Jobcentre Plus; trialling of locally-led models, most notably in the West of England and London; and through voluntary and community sector led provision like the Step Up programme. It is imperative that we learn

<sup>26</sup> ‘Social care funding gap: Our estimates of what it would cost to stabilise and improve adult social care in England’, The Health Foundation, 20 October 2020: <https://www.health.org.uk/news-and-comment/charts-and-infographics/REAL-social-care-funding-gap> [accessed 11 January 2021]

<sup>27</sup> Corlett, A., Leslie, J., Pacitti, C. and Smith, J. (2020) *Unhealthy finances: How to support the economy today and repair the public finances tomorrow*; Resolution Foundation

from these experiences and ensure that our services are flexible and resilient enough to support those in low-paid and insecure work.

So first, we would recommend that the expansion of Work Coach capacity is used in part to ensure that all of those who are in low-income working households and on Universal Credit have access to one-to-one, specialist employment support. This should be focused on: support to find better work; careers information, advice and planning; support with financial advice including debt; and providing access to additional support where needed like essential skills, job-specific training, childcare and health-related support. This will need to be accompanied by investment in building the capability of Work Coaches and advisers to work with those in low-paid work.

Alongside this, we would recommend the trialling of local in-work progression support as part of the 'Good Work Partnerships' set out in 4.2 above. This could build on work in a number of combined authorities that are already using their devolved powers to better support low-paid workers, particularly through Adult Education Budget provision, and align employment, skills and employer-facing support – bringing together locally commissioned services, colleges and training providers, Jobcentre Plus, employer bodies and social partners.

We would also recommend that we should trial extending access to more specialist support – in particular the Job Entry: Targeted Support (JETS) and Restart programmes – to include those in low-paid work. This could be done on a similar basis to how eligibility for those out of work is determined, by basing it on the duration spent either out of work or in low-paid work – with voluntary referral for those who want support to find new work or increase their earnings.

Finally, strong feedback from stakeholder interviews was that the application of 'conditionality' in employment services has been far too punitive and has inhibited effective engagement and support. This has improved in the last couple of years, and easements during this crisis have seen benefit conditions and sanctions applied far less stringently. We believe that there is a strong case for reforming the very harsh sanctions regime introduced in 2012, but that in the meantime the default in our employment programmes should be for lighter-touch application of work-related conditions and a greater focus on positive engagement and delivering quality services.

### **4.3.2 Investment in skills and training**

So far, investment in skills and training support has been far less of a priority than investment in employment services – with around £130 million allocated at the Spending Review for additional pre-employment training next year, and around £140 million for technical training in potential growth sectors. This is somewhat surprising, given the distinctly sectoral nature of this crisis – with employment growing strongly in higher-paying jobs in technology, finance and public services even as jobs are shed in lower-paying

roles – and the fact that apprenticeship enrolments have fallen by two-fifths since the early part of the year.<sup>28</sup>

In order to make up these shortfalls in training, to support transitions to better work and to improve prospects for those in low-paid roles, we think that there is a strong case for increasing investment in work-related training for those both out of work and in low-paid work. Our stakeholder interviews and workshops also identified this as a key priority for action.

As a first step, we would recommend that a significant portion of the £2 billion remaining in the new ‘National Skills Fund’ is used to help to develop and co-fund:

- Sector-based training pathways in industries with high numbers of low-paid staff – including for example construction, retail, hospitality and social care. This could learn from the Work Advance model in the US and from local and national work in the UK to develop these, particularly related to major construction projects (like HS2).
- Demand-led retraining support in growth sectors – including health services, the green economy, technology and finance.
- Outreach support to engage low-income and lower-qualified workers, who are often least likely to take up training support. This should build on the outreach and engagement pilots funded by government last year – in particular by encouraging workplace promotion of skills and training support, and tailoring messages to the needs of different groups.<sup>29</sup>

This provision will need to be carefully aligned with wider adult skills provision and employer engagement, and in particular with devolved activity being led by Local Enterprise Partnerships and Combined Authorities in England; with local Recovery Boards where these exist; and with new employment services, including the proposed Restart programme.

Alongside this, particular focus will need to be given over the coming year to how we support remote and socially distanced delivery of support. So far, these efforts have been focused on improving digital resources and online services – but this needs to be matched by support with digital access, for example through provision of computers and broadband to digitally excluded households, and support in building digital capability.

### 4.3.3 Deliver on levelling up

A strong theme in our stakeholder interviews was that we need a far greater focus on raising living standards, employment, and household incomes in areas where incomes have historically been lower and demand weaker. So far in this crisis, the economic and labour market impacts have been fairly broad-based, reflecting the national reach both of social restrictions and the sectors most affected (in particular retail and hospitality).

<sup>28</sup> DfE (2020) *Apprenticeships and Traineeships, England: October 2020*, Department for Education

<sup>29</sup> Learning and Work Institute (2019) *Cost and outreach pilots evaluation: Interim report*, Department for Education Research Report 943



However, as we start to plan for recovery, there are risks that those areas that are relatively weaker are slower to recover (due to having more low-income residents where crisis impacts have been greater). This could then be exacerbated if public sector budgets are cut too quickly in the coming years, as happened in the last crisis (as weaker areas are generally more reliant on public sector employment than more affluent areas).

Furthermore, even if all areas recover equally, this would return us to a status quo ante where worklessness, low pay and job insecurity were far more prevalent in some areas than others – with for example those in the North East of England one-fifth more likely to be out of work than the population as a whole; and around one in five of those in the north of England, Midlands and Wales in low-paid work (compared with just one in seven in the South East and one in twelve in London).

So supporting a strong recovery, job creation and investment in more disadvantaged areas should be a top priority. This should include ensuring that:

- the government's new £4 billion Levelling Up Fund is used transparently and objectively to support investment and growth in good quality, secure work in disadvantaged areas;
- investment in the new Shared Prosperity Fund at least matches the UK's allocation from the European Structural Funds that it will replace – so around £2 billion per year – and that this is also targeted at areas that are more disadvantaged; and
- we continue to maintain investment and remove pay caps in all public services – not just ring-fenced budgets – over the next Spending Review period, so that we do not risk choking off the recovery in those areas more reliant on public employment.

## **4.4 A longer-term settlement on security, participation and pay**

This crisis and our response to it have clearly highlighted the precarious nature of low-paid work, the consequences of one-sided flexibility in the labour market, and some of the inadequacies and weaknesses of our social security system. Our interviews and workshops with stakeholders made clear that these are not new challenges, and have been a growing area of focus for government, campaigners and social partners. However these discussions also emphasised that coming out of this crisis, we have an opportunity without recent precedent for fresh thinking and longer-term reform to promote employment security, labour participation, and decent work and pay.

We believe that our interviews and discussions with stakeholders pointed to four clear priorities for the next decade, around:

- Achieving full employment in decent work – ensuring that we invest in employment support for those furthest from work, and that we build on the work of the Carnegie UK Trust-RSA Working Group on Measuring Job Quality.<sup>30</sup>
- Tackling in-work poverty – with a focus on tackling under-employment, supporting ‘living hours’<sup>31</sup> and continuing to raise minimum wages towards two-thirds of median hourly pay.
- Addressing long-term insecure work – so reducing insecurity for all workers by strengthening employment protections, and ensuring that where people do enter insecure work then it is a stepping stone to decent, secure employment.
- Improving income security – with a social security system that provides income security and prevents long-term poverty for those out of work or on low incomes.

Achieving a step change in these areas will require fresh thinking, broad engagement and consensus. A range of social partners, research centres, think tanks and foundations are already working across a range of these areas and developing ideas. So finally, we believe that government should get behind these efforts too, with a new and independent commission on the future of work and social security – to work to build consensus on new proposals for how we support full employment, decent work and security.

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<sup>30</sup> Irvine, G., White, D. and Diffley, M. (2018) *Measuring Good Work: The final report of the Measuring Job Quality Working Group*, Carnegie UK Trust

<sup>31</sup> See in particular the Living Wage Foundation’s ‘Living Hours’ Campaign: <https://www.livingwage.org.uk/living-hours> [accessed 11 January 2021]