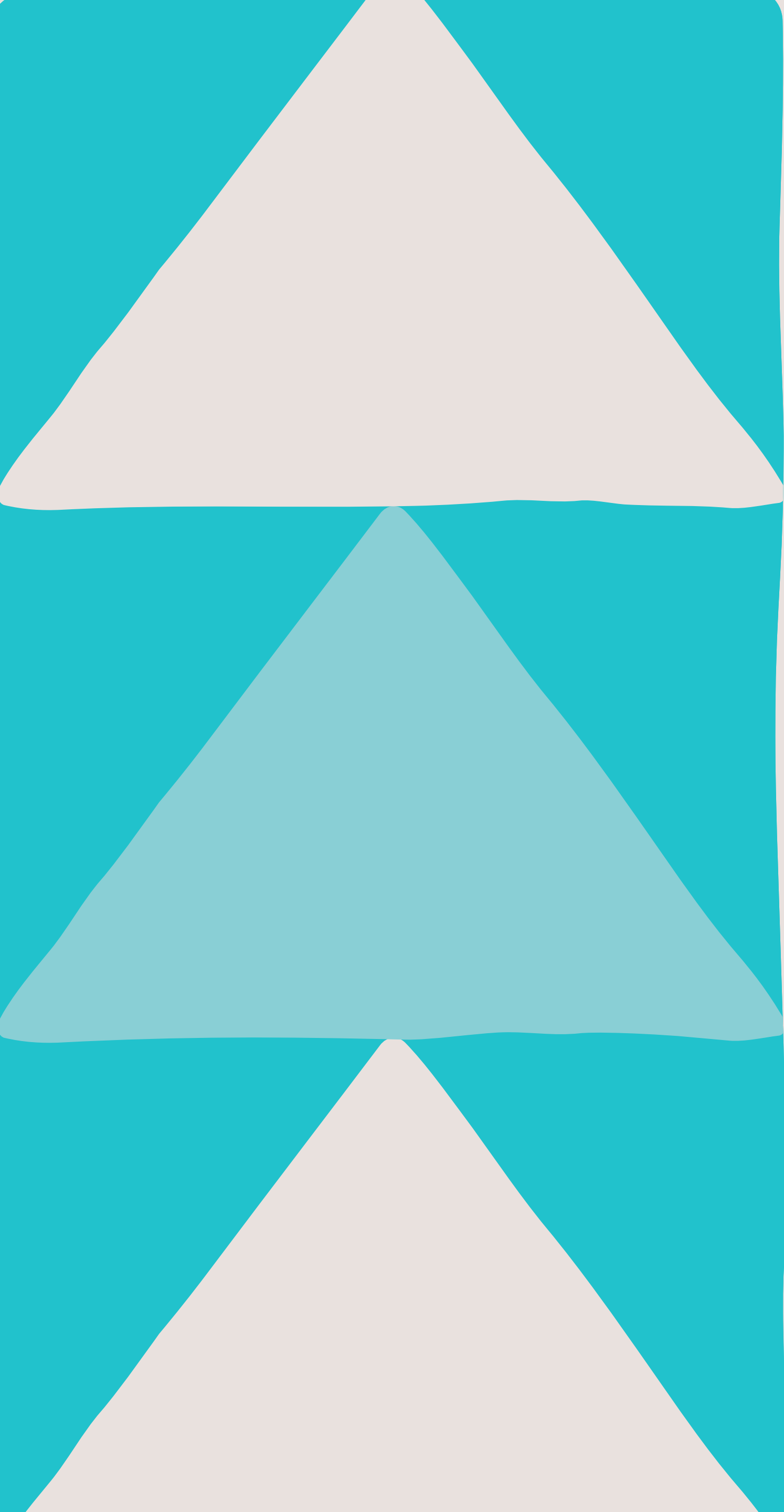


LIFE ON LOW PAY IN THE PANDEMIC

Living Wage Foundation

February 2021





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Our polling of full-time, below-Living-Wage employees also demonstrates the potential benefits of the real Living Wage to both workers and the businesses they work for. When asked what they thought would happen if they were to move from the minimum wage to the Living Wage:

68% said this would improve their overall happiness

63% said it would improve their family life

70% said they would be likely to stay with their employer for longer

68% said they would be more likely to speak positively

about their employer to others. While an ongoing pandemic means 2021 will be challenging for many firms, the experiences of the past year warrant a rethink on how Britain values low-paid work. Our findings make the case for more businesses to pay the real Living Wage – the only UK wage rate rooted in everyday needs – a case that was also clear to the full-time, below-Living-Wage employees we surveyed:

66% thought that there will be a stronger case for employers to pay at least the real Living Wage once the pandemic is over than there was before it – only 7% disagreed.



2 INTRODUCTION

The real Living Wage – currently £9.50 across the UK and £10.85 in London – is the only UK wage rate based on what it costs to live. It was born 20 years ago in 2001, when community organisers from Citizens UK brought together people from local institutions in East London to talk about the problems affecting their lives. Many of them were working in two or three minimum-wage jobs and still struggling to make ends meet. Since then, the campaign for a real Living Wage has led to pay rises for over 250,000 UK workers and put over £1.3 billion back into their pockets.¹

However, 5.5 million employee jobs in the UK (one-fifth of all jobs) still paid below the Living

Wage in April 2020. Half of these – 2.7 million jobs – were those in which employees worked full time.² This briefing explores the experiences of these full-time, below-Living-Wage employees, building on our previous ‘Life on Low Pay’ report (which homed in on the experiences of parents in particular).³ Drawing on polling of 2,128 adults conducted by Survation in December 2020,⁴ we explore the impacts of the pandemic on pay, and the broader implications of being in low-paid work for health, finances and family life.

THE EFFECTS OF
THE PANDEMIC ON
OVERALL PAY

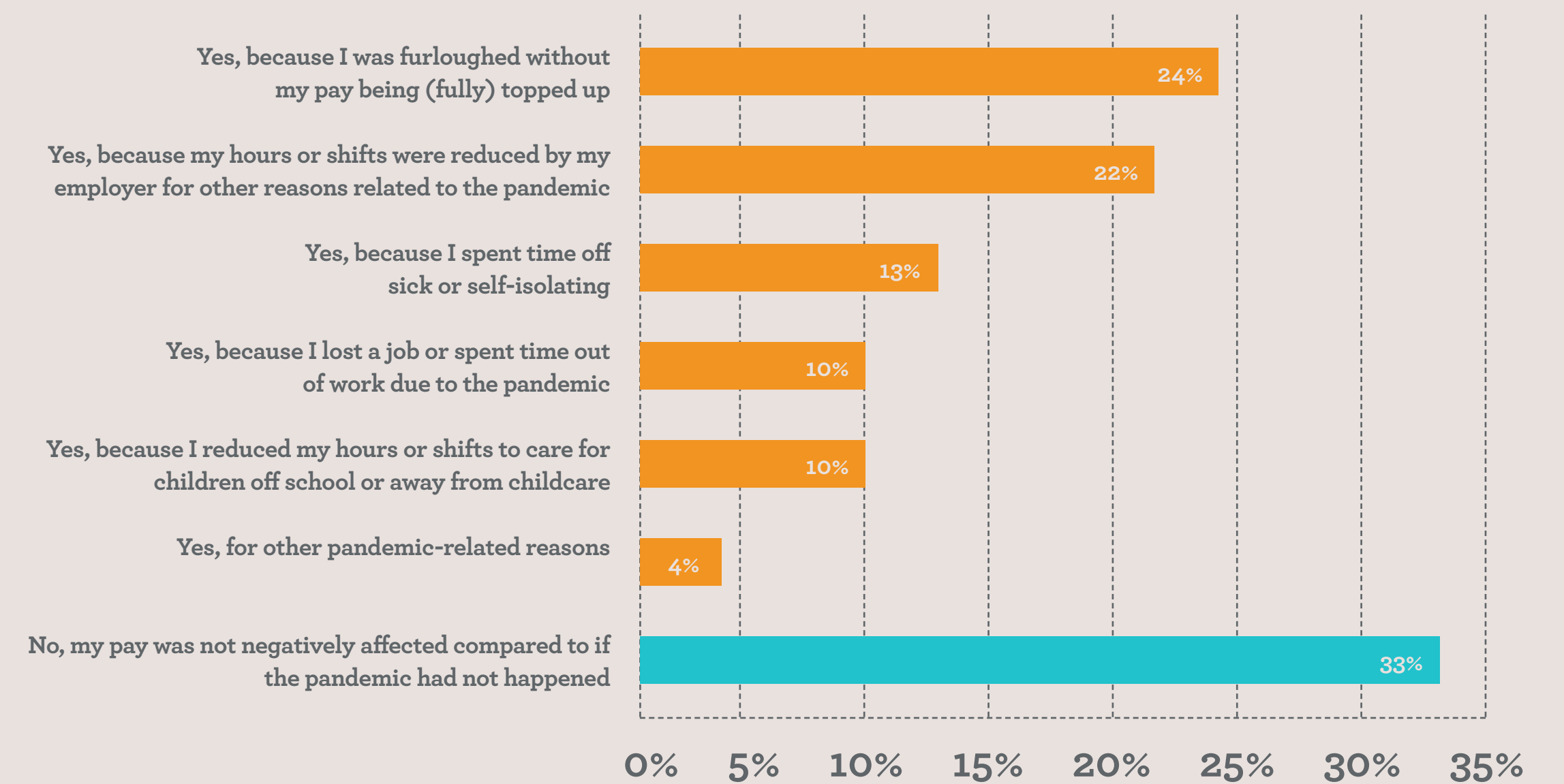


It is now very clear that the coronavirus pandemic has had a larger impact on the earnings and job prospects of lower-paid workers than higher-paid ones. Successive Resolution Foundation surveys have shown that lower earners (defined in relation to weekly pay) were more likely to be furloughed, have lost their job or have lost hours and pay due to coronavirus;⁵ while the Office for National Statistics has found that employees in lower-paying occupations were most likely to be furloughed on reduced pay during the initial lockdown.⁶

Analysis by the Institute for Employment Studies has shown that employees earning less than the Living Wage were twice as likely as others to be furloughed or have their hours reduced, with two-thirds affected in one of these ways in the middle of the first lockdown.⁷

Our own polling of employees working full time on less than the Living Wage underscores the magnitude of these effects, summing up the experience over 2020 as a whole.⁸ Overall, two-thirds of full-time, below-Living-Wage employees surveyed in December 2020 had experienced some form of coronavirus-related pay fall over the past year. Within this group, Figure 1 shows that a quarter had been furloughed on reduced pay at some point; one-in-eight had experienced pay falls associated with sickness or self-isolation; and one-in-ten had experienced lower pay associated with each of job loss, and childcare or home-schooling.

Figure 1: Whether full-time employees earning less than the real Living Wage have experienced lower earnings for pandemic-related reasons over the past year, by reason: December 2020, UK



Notes: Base = 2,128 respondents aged 18+, who live in the UK and work full time while earning under the real Living Wage. This is a multiple-response question, so responses do not sum to 100 per cent.
Source: Living Wage Foundation analysis of Survation polling.



3. The effects of the pandemic on overall pay

Among these full-time, below-Living-Wage employees, coronavirus-related pay falls were more common still for parents; young employees; and those in black, Asian and minority ethnic (BAME) groups.⁹

The remainder of this report turns to the broader effects of low pay on people's lives, finances and families over the past year. The downward pressure that the pandemic has put on the total earnings of full-time employees paid less than the Living Wage is very likely to have amplified these effects, beyond the usual challenges that living on low pay poses.

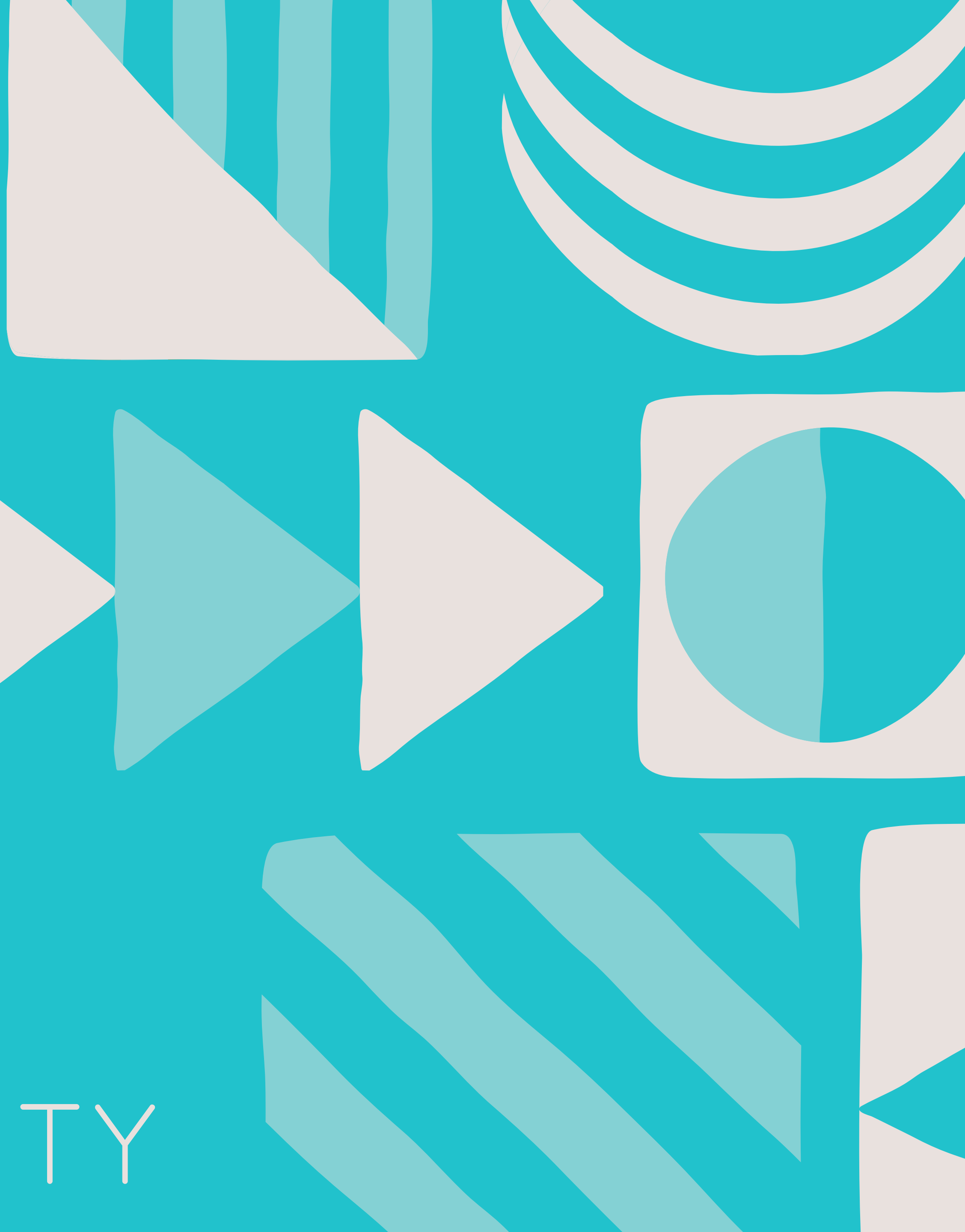
67% of full-time employees earning less than the real Living Wage said their pay had been lowered for reasons related to the pandemic over the past year, rising to:

74% of those who were parents

77% of those aged 18-24

82% of those in BAME groups

THE IMPACT OF
LOW PAY ON
FINANCIAL INSECURITY





Financial insecurity is a fact of life for many employees paid less than the real Living Wage. Research for the Living Wage Foundation by KPMG has previously found higher demand for unsecured credit among people earning less than the Living Wage than among those earning above it.¹⁰ Surveys conducted during the coronavirus pandemic have shown higher levels of financial strain and a greater likelihood of having missed payments on bills among lower-income households and those working in lower-paying industries.¹¹

Our polling of employees working full time on less than the Living Wage shows that financial insecurity was a common phenomenon within this group.

29% said they had **fallen behind with household bills** in the past year, rising to:

36% of those who were **parents**

36% of those in **Wales,** and **34%** of those in **Scotland**

20% said they had **fallen behind with their rent or mortgage** in the past year, rising to:

28% of those who were **parents**

of **28%** those in **Wales** and **24%** of those in **Scotland**

4. The impact of low pay on financial insecurity

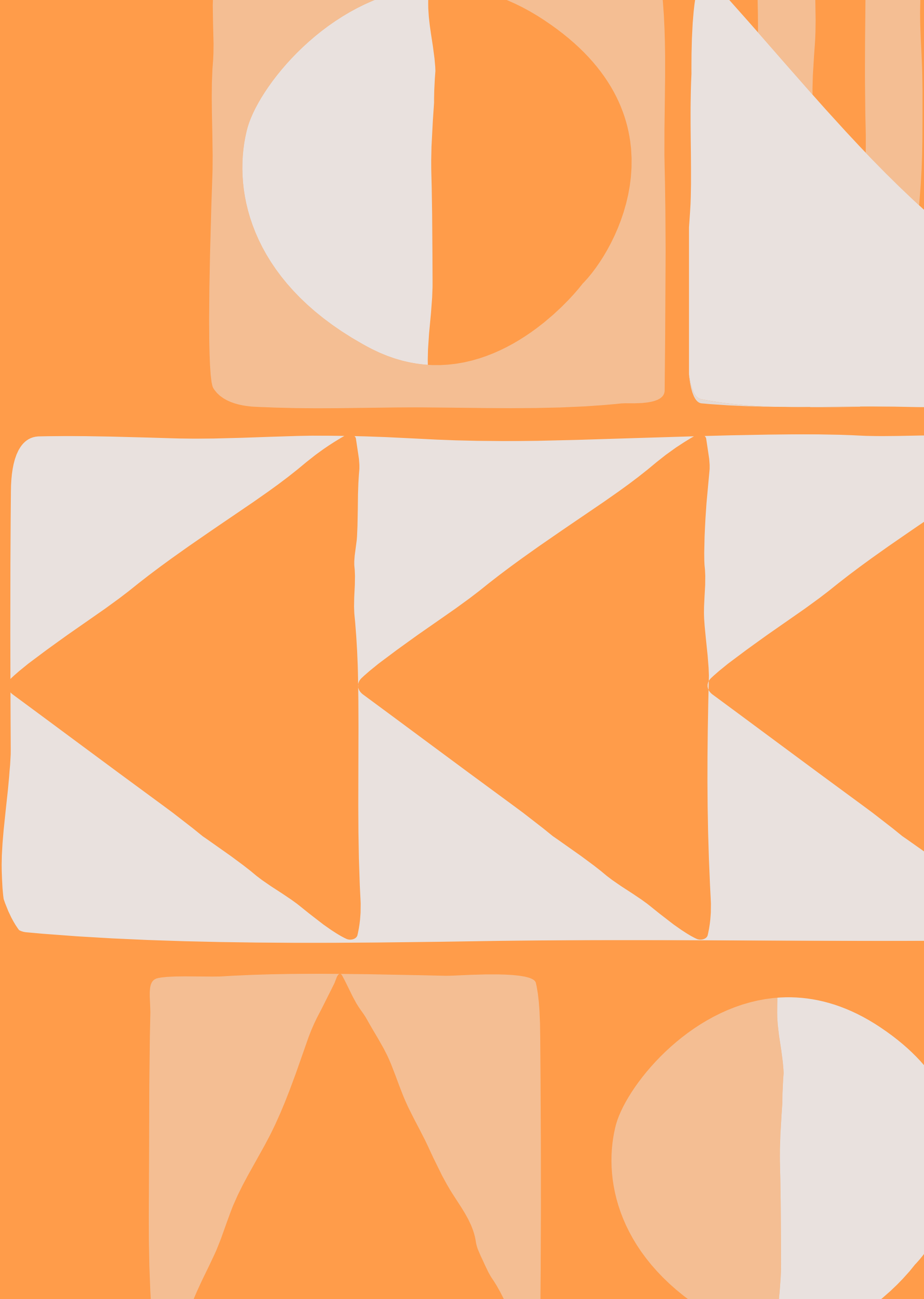
14% said they had **taken out a pay-day loan to cover essentials** in the past year, rising to:

20% of those aged **25-34**

22% of those in **BAME groups**

16% of **key workers**

THE IMPACT OF
LOW PAY ON
HEALTH & HAPPINESS





The impacts of low pay go far beyond the purely financial – low pay also negatively affects the health and happiness of workers and their families. It is well documented that pay is positively correlated with subjective well-being;¹² and that people on the lowest incomes are by far the most likely to experience anxiety and depression.¹³ Low pay affects physical as well as mental health: for example, recent surveys by the Food Foundation have found a significantly higher risk of food insecurity among those who lost jobs or were furloughed during the pandemic (as discussed above, these experiences were themselves much more common among low earners).¹⁴

Our polling of employees working full time on less than the Living Wage provides a concerning picture on aspects of both physical and mental health.

5. The impact of low pay on health and happiness

27% said they had skipped meals regularly for financial reasons in the past year, rising to:

30%
of those who were **parents**

36% of those in **Wales** and **34%** of those in **Northern Ireland**

20% said they had been unable to heat their home for financial reasons in the past year, rising to:

28% of those in **Wales** and **25%** of those in **Scotland**

24%
of those aged **55-64**



46% said that the pay they received for their work negatively affects their levels of anxiety, and **44%** said that it negatively affects their overall quality of life, rising to:

53% and 50%
respectively, of those
aged 34-50

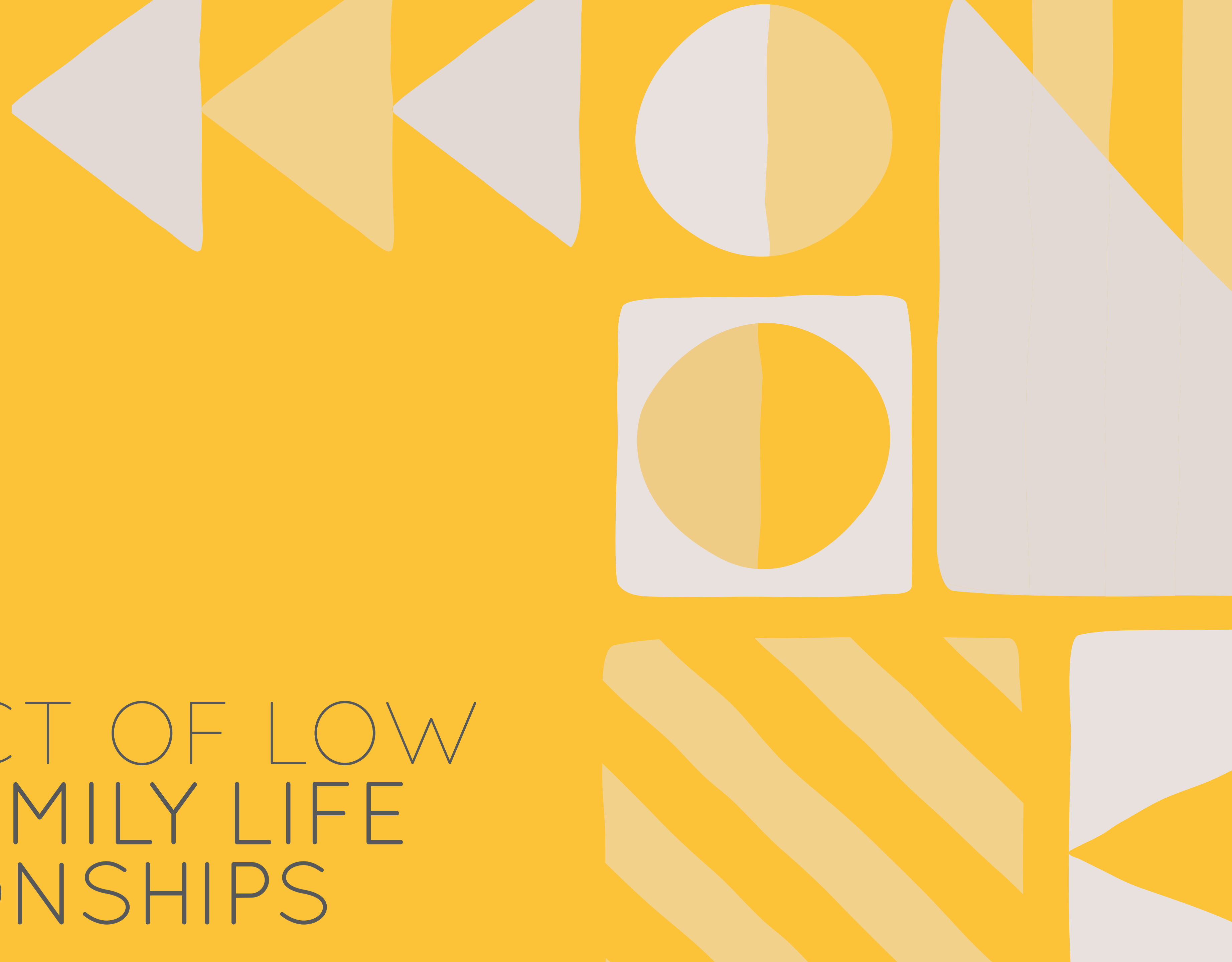
These findings in relation to age will partly reflect wider societal trends, with older households often facing higher average fuel costs,¹⁵ and those in the middle of working life tending to experience the lowest subjective well-being.¹⁶

5. The impact of low pay on health and happiness

Working at the supermarket in the pandemic has had a huge impact on my mental health, it's increased all our responsibilities due to the Covid measures and definitely put more stress and anxiety on me. It resulted in multiple incidents where I needed time off work. Earning a real Living Wage would mean I don't have to live my life pay-check to pay-check. It would also mean I could afford to move out of my parents' house and increase my motivation to do the job.

Julie,
Supermarket Checkout Assistant

THE IMPACT OF LOW
PAY ON FAMILY LIFE
& RELATIONSHIPS





Families living on less than they need to get by find that it is not only health and financial resilience that suffers, but also their relationships and the quality of their family time.¹⁷ This was echoed in our polling of employees working full time on less than the Living Wage.

34% of both all full-time, below-Living-Wage employees and those who are **key workers** said that **the pay they received for their work negatively affects their relationships with close friends and family, rising to:**

37% of those in **BAME** groups

38% among **men**

31% of parents said that **the pay they received for their work negatively affects their relationships with their children, rising to:**

35% of those in **Northern England**

and **34%** of those in the **Midlands**

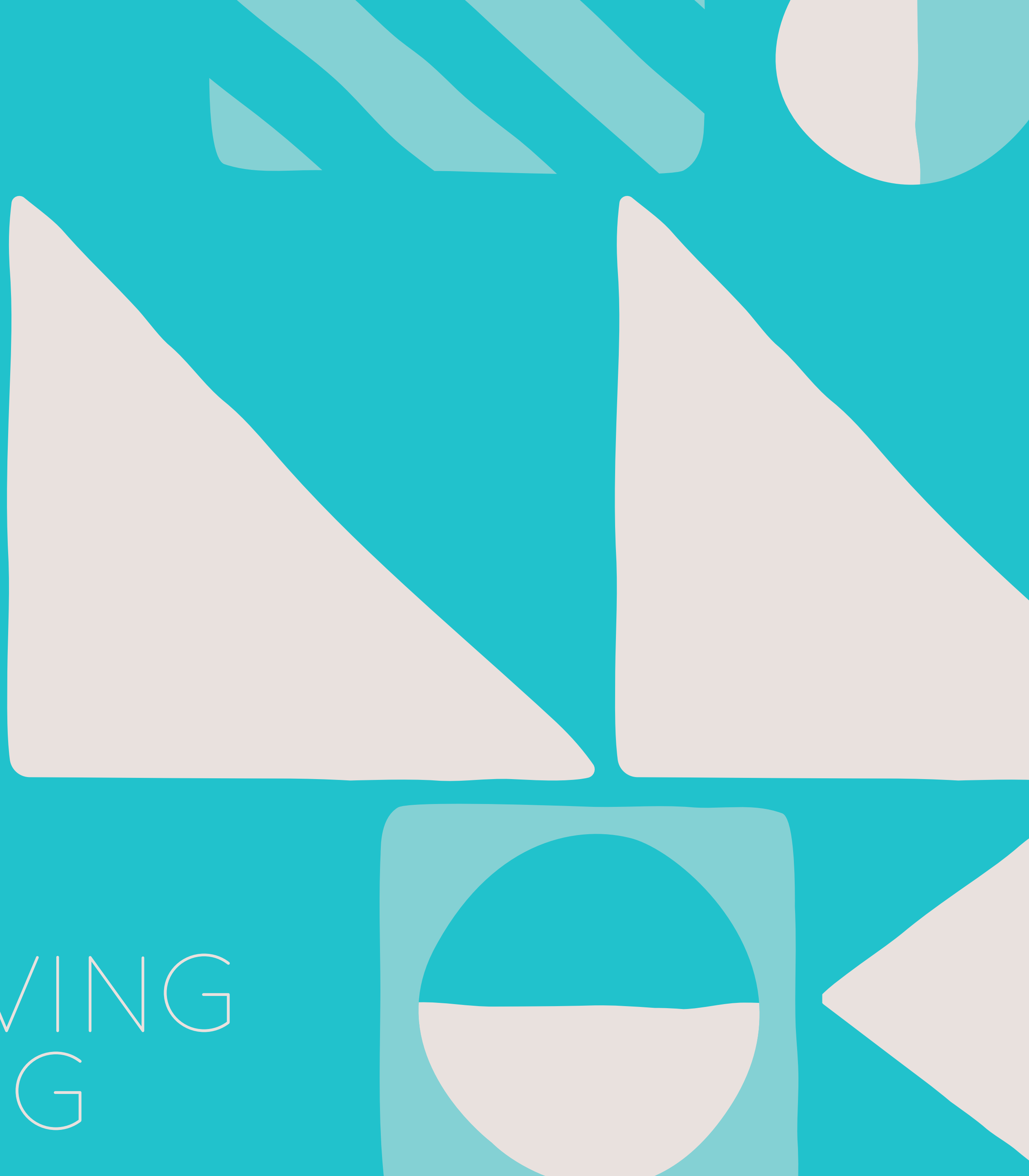
6. The impact of low pay on family life and relationships

Earning the Living Wage means I can spend more time with my daughter doing the things together we enjoy. I can be the dad I want to be.

Craig,
Cleaner

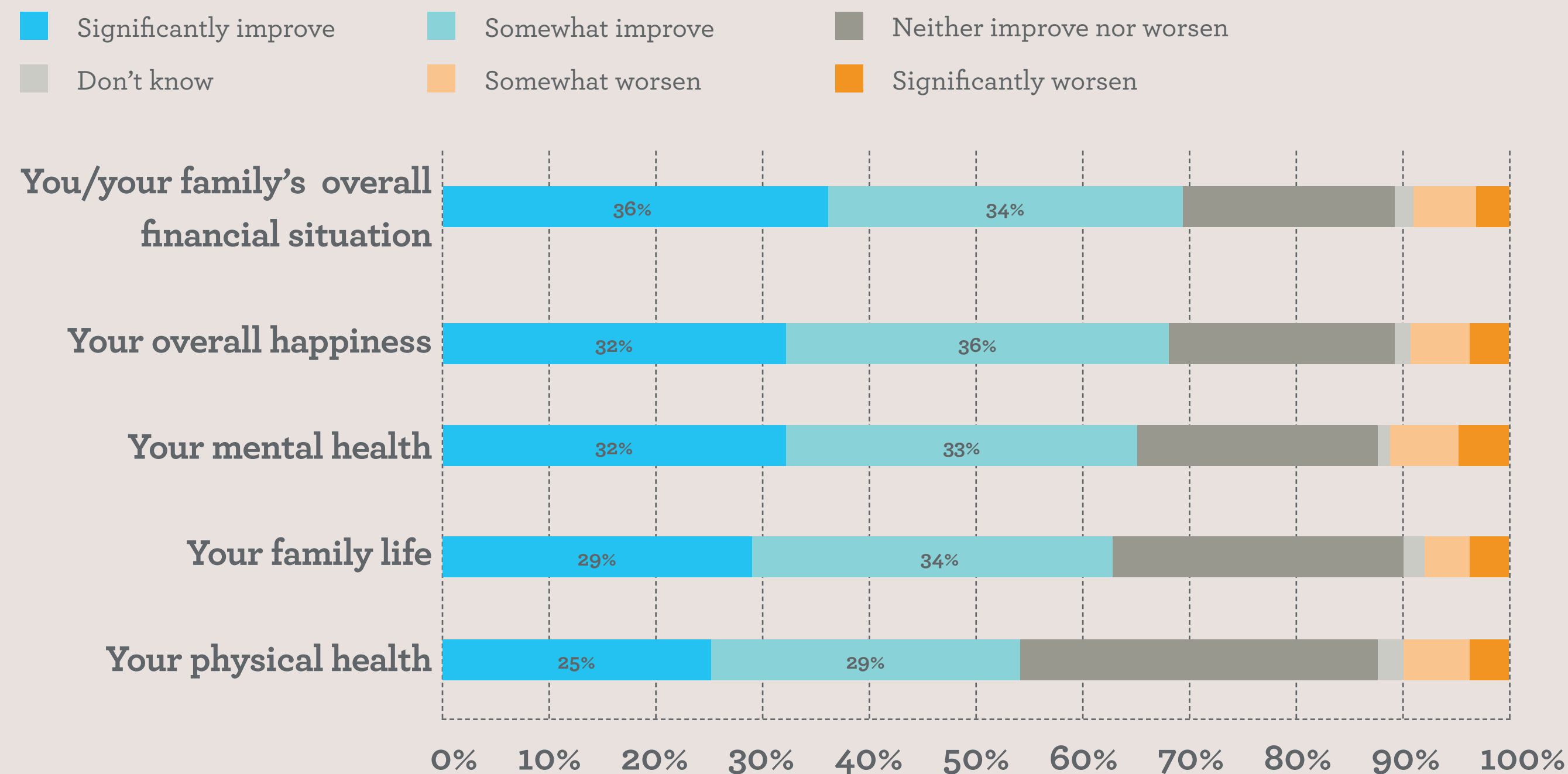
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THE SOLUTION
WHAT THE REAL LIVING
WAGE COULD BRING



A real Living Wage tackles the corrosive effects of low pay by providing workers and their families with security and stability. Therefore, a key action to address the consequences of low pay presented in this report is for more employers to join the nearly 7,000 that have committed to pay the real Living Wage to their employees and sub-contracted staff. As Figure 2 shows, most full-time employees earning less than the Living Wage felt that moving from the minimum wage to a pay rate rooted in what it costs to live would improve their financial situation, health and family life.

Figure 2: Views on the impact of moving from the minimum wage to the Living Wage – among full-time employees earning less than the real Living Wage, by area of impact: December 2020, UK



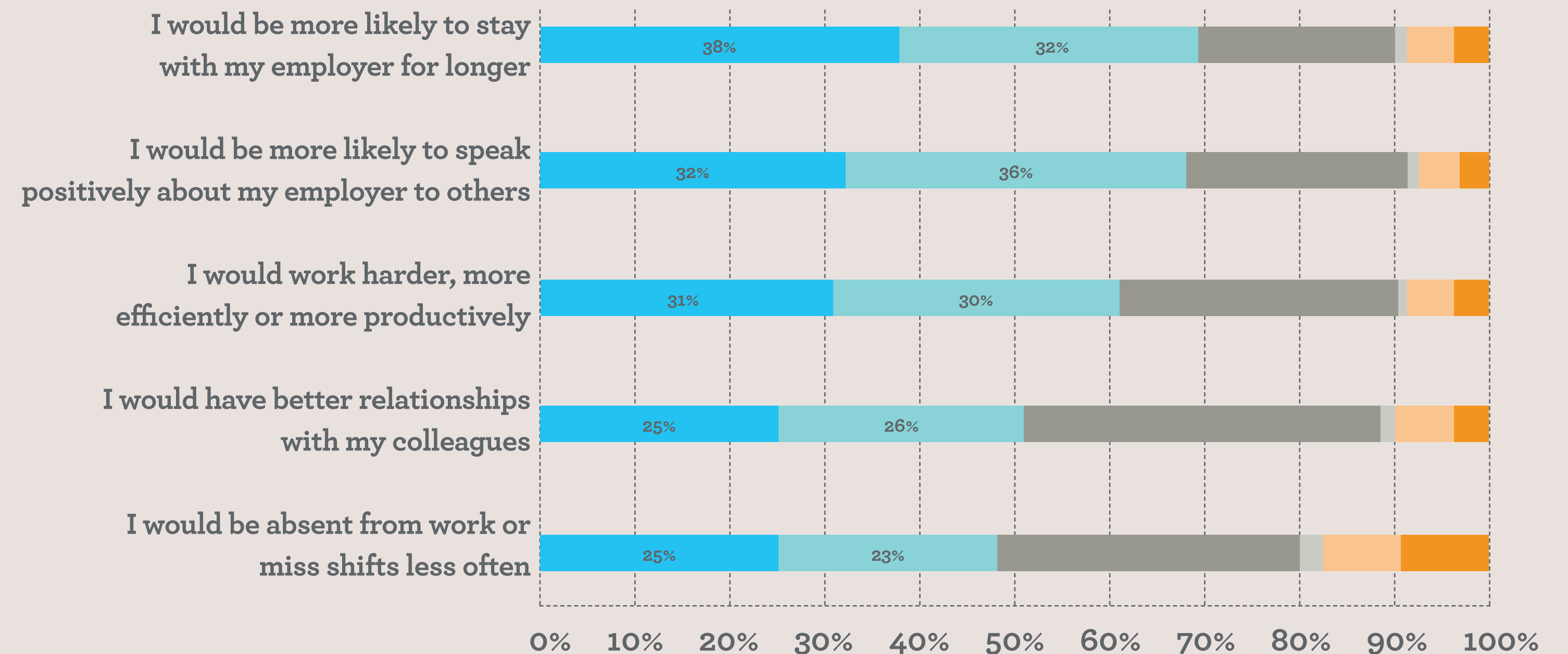
Notes: 2,128 respondents aged 18+, who live in the UK and work full time while earning under the real Living Wage. Question wording: "If someone was working full-time on the minimum wage, and their employer then decided to become an accredited Living Wage employer, this would give all full-time minimum wage staff a £1,500 a year pay-rise. If this was to happen to you, to what extent do you think it would improve or worsen your life in each of the following ways?"
Source: Living Wage Foundation analysis of Survation polling.

7. The solution – what the real Living Wage could bring

Figure 3: Views on the impact on attitudes to work of moving from the minimum wage to the Living Wage – among full-time employees earning less than the real Living Wage, by area of impact: December 2020, UK

■ Strongly agree
 ■ Somewhat agree
 ■ Neither agree nor disagree
■ Don't know
 ■ Somewhat disagree
 ■ Significantly disagree

More employers adopting the real Living Wage would bring benefits beyond the experiences of workers and their families. The full-time, below-Living-Wage employees we polled signalled that moving from the minimum wage to the Living Wage would likely improve their productivity; relationship with their employer and colleagues; and longevity in their current job - as Figure 3 shows. This echoes previous research for the Living Wage Foundation by Cardiff Business School, which surveyed Living-Wage-accredited employers and found that 93 per cent had experienced business benefits as a result of accreditation.¹⁸



Notes: 2,128 respondents aged 18+, who live in the UK and work full time while earning under the real Living Wage. Question wording: "If someone was working full-time on the minimum wage, and their employer then decided to become an accredited Living Wage employer, this would give all full-time minimum wage staff a £1,500 a year pay-rise. If this was to happen to you, to what extent do you think it would improve or worsen your life in each of the following ways?"

Source: Living Wage Foundation analysis of Survation polling.

CONCLUSION





2021 will be challenging for many firms, particularly those in sectors hard-hit by social distancing and restrictions on activity – and forecasts for the economy and labour market are far from rosy.¹⁹ At the same time, the pandemic has precipitated a rethink on how Britain values low-paid work, particularly that done by essential workers who have kept the economy going over the past year, often facing risks to their own health in the process.

These twin challenges were reflected in our polling of full-time, below-Living-Wage employees. Respondents were very pessimistic about the chances of their own hourly pay increasing during 2021, while believing that the pandemic has strengthened the case for people to be paid at least the real Living Wage.

77% thought that their **pay would decrease, stay at the same cash value or rise** only due to minimum wage increases during 2021, with only **2%** believing that their **pay would increase by more than the cost of living**

These figures were **exactly the same for key workers** as they were for full-time, below-Living-Wage employees overall

66% thought that there will be a **stronger case for employers to pay at least the real Living Wage** once the pandemic is over than there was before it – only **7%** disagreed

We frequently hear that the real Living Wage is the difference between struggling to make ends meet and being able to cover the basics like healthy food, a surprise dentist trip, or a new school uniform for growing children. Even in challenging times, this report makes the case for more businesses to do right by workers and their families, by paying a wage rooted in everyday needs.

Earning a Living Wage means I am able to support a household, including my partner, and takes a huge load from my shoulders. To be employed by an organisation that not only treats people with respect but backs that up with decent pay means that I feel valued in a way that no other flexible work has provided. The psychological benefit of this will extend further than me and reminds me that I work for a company that sees further than the person as an employee, but also sees their capacity to contribute to wider society when treated fairly.

Oliver,
Delivery Rider



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