

Low Pay and the Living Wage: Investigating the Issues

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Outline

- **Low pay and in-work poverty: definitions, differences, recent research**
- **‘Living wage’ in UK: origins, assumptions, current position**
- **Living wage in Ireland**
- **Disentangling the issues: policy implications**
 - **Need for gender analysis**
 - **Thinking about in-work poverty**
 - **Thinking about low pay**
 - **Social protection issues**
- **Conclusion**

Low pay

- **Gross hourly wage for individual**
 - **Often below % median wage** (e.g. 66.6%)
 - **Calculation** issues
 - Conceptualised in relation to **labour market rewards (inequality)**
 - Collectively bargained **wage floor / statutory minimum wage**
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- **Extent:** related to inequalities in labour market
 - + esp. certain **occupations/sectors** (McKnight et al. 2016)

Low pay: recent research

- **Groups** on low pay
- **Staying low paid** (D'Arcy & Finch 2017) / **cycling** (McKnight et al. 2016)
- **Other terms & conditions**
- (Bogus?) **self-employment**
- In UK: '**good work**' agenda: Taylor review; future Employment Bill
- Element of **anti-poverty strategy**, esp. long term
- **Impact of wage rise** on households in poverty

In-work poverty

- **Disposable weekly household income**
 - **All** in household versus only **worker** (Hick & Lanau, 2017)
 - **Work: 1 hour's** work in past week (UK/ILO): EU: **7 mths/more** in year)
 - **Poverty**, not inequality
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- **Hybrid**: individual/household
 - 'Hard-working families', 'working households'
 - Household: **not** employment unit, but implications for it (Ponthieux 2010)

In-work poverty: recent research

- Overlap with low pay, growing? but **not same** (McKnight et al. 2016)
- Impact of rise of **2-earner couples**
- **Individual**: labour market presence
- **Household**: low work intensity, single-earner couples (Marx & Nolan 2014)

- In UK: **housing costs** (esp. private sector) (Hick & Lanau, 2017)
- & **inadequate support for families**, especially large (McNeil et al., 2021)
- (+ erosion of individual benefits?)

‘Living wage’ in UK: origins, assumptions, current position

- History of ‘family wage’
- ‘Living wage’: socially acceptable / decent life
- ‘Under-interrogated’ (Gavin Kelly, Resolution Foundation 2012)
- ‘Living wage’: **only game in town** to tackle low pay? (Ozdemir & Ward 2015)
- **UK living wage**
- How calculated, by whom, different rates etc.
- (Leaving aside arguments about **employment impact of higher pay**)

- **Conceptual & practical difficulties**
- Low pay as '**poverty pay**'
- 'Living wage' for **1 family type / averaged?**
- **Assumptions:** people / workers / hours?
- UK: assumes **full-time work**
- Avoids dependence issue – but **best fit?**
- Living Wage Foundation now campaigning on '**living hours**'

- Include **in-work benefits**
 - Government **action on tax & benefits**
 - Based on **Minimum Income Standard - costs**
 - **Cap applied** to increase
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- UK introduced '**National Living Wage**' for 25+ (April 2016)
 - Higher national minimum wage, goal of **2/3 median** by 2024
 - Voluntary living wage now known as '**real**'

Living wage in Ireland (<https://www.livingwage.ie/>)

- **Low Pay Commission now investigating for government**
- **Current calculation**
- **1 adult household**
- **(+ ‘family living income’ for some)**
- **Minimum Essential Standard of Living**
- **Different costs in 4 areas averaged, weighted by % labour force**
- **Increase capped (kept under review)**
- **2020 €12.30; 2021 rate soon**

Disentangling the issues: policy implications

Need for gender analysis

- **Gender paradox?** (Fraser et al. 2011)
- Low pay for women + 'low work intensity'
- Significance of your work **depends on who you live with / role**

- **Social protection for partners** (Bennett & Sutherland 2011)
- Lack of **childcare** provision
- **Lone parenthood**

Thinking about in-work poverty

- Overlap individual/household for **single childless**
- But **whose situation** foregrounded?
- & **what income** seen as key?
- Policy attention on **earner & earnings**
- So **tackle / supplement pay**
- But low pay / poverty may differ (Joyce & Waters 2019)
- & supplements may **subsidise low work intensity?**

- **2nd earners** sensitive to incentives (Allegre & Jaehrling in Fraser et al. 2011)
- **Joint taxation**, transferable tax allowances, dependent spouse allowances etc.
- **Access to independent income:** reforms to these systems needed
- But **thinking may not go beyond** conditionality, 'welfare to work'
- 'Make work pay' policies: consider **gender dimension**

Thinking about low pay

- Majority with hourly pay under 50% median in nearly all EU countries: **women, with many part time** (Ozdemir & Ward 2015)
- **Young** also disproportionate share – but who are **low paid long term?**
- **Traditional argument:** '2nd' earners' low pay not important
- Helps **prevent in-work (household) poverty**
- But **low pay also matters for individual:** life-course effects on poverty risk

Social protection issues

- **Out-of-work benefit generosity** (in-work poverty) (Horemans et al. 2015)
- **More means testing** has gender dimension in unemployment
- But also sickness benefits & maternity/paternity/parental/care leave
- So significance of '**low work intensity**' does not stop at employment
- (In)adequacy of benefits for **children & for housing + childcare costs**
- **Migrants** may not qualify for a range of benefits; so wage crucial

Conclusion

- **In-work poverty:**

- Wages have role, **other policy instruments** too
- **Individual taxation**, less emphasis on **means-tested** in-work benefits
- Wages no account of family size: **child benefits** (Hallerod et al. 2015)
- Individual **non-means-tested social security** (Bennett & Sutherland 2011)
- Employer role for workers with **family responsibilities**

- **Cross-party interest?**

- **Low pay:**

- Inequality of labour market rewards – **decent/fair wages**
- Gendered labour market, **under-valuation** of certain jobs
- Employment **security** (Hallerod et al. 2015) & **progression**
- Focus on **individual in dynamic perspective** over life course
- IFS: those who **find work costly** often live in **poverty in later life**
- **Cross-party interest?**

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