

Press release: Low pay and progression in the labour market

Low pay is endemic in the UK and there has been little progress in the number of people managing to escape from poorly paid jobs, a new report by the Social Mobility Commission reveals today (Thursday 19 October).

The 'Great Escape?' report, carried out by the Resolution Foundation, explores trends in low pay over recent decades and examines the factors linked to low pay and progression. It tracks individuals' pay over 10 years and divides them into 3 groups:

- 'stuck' – those who are stuck in low pay every year
- 'cyclers' – those who move out of low pay at some point, but who have not consistently stayed above the low pay threshold by the end of the decade
- 'escapers' – those who earn above the low pay threshold in each of the last 3 years, suggesting they have remained in higher pay

The analysis finds that just 1 in 6 low-paid workers (17%) managed to permanently escape from low pay in the last decade. Meanwhile, a quarter of low-paid workers remained permanently stuck in low pay and nearly half (48%) fluctuated in and out of low pay over the course of the last 10 years.

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

However, there has been some long-term progress for women. Excluding those who exit the data over the following decade, the proportion of women getting stuck has fallen from 48% in 1981 to 91 to 30% in 2006 to 2016. In contrast, the risk of long-term low pay has increased for men over the same period (from 20% to 25%). This is likely due to the increasing number of men working in low-paid, part-time work.

The report finds that nearly two-thirds (64%) of workers who are 'stuck' in low pay are working part time, while nearly three-quarters (71%) of people who escaped low pay were working full time.

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

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

compared to 15% of those aged 46 to 55.

The research also finds that in the last decade, low-paid workers were mostly likely to escape in Scotland and least likely to escape in the North East.

It adds that while the National Living Wage is reducing the number of people in low-paid work – last year saw the biggest fall in 40 years – there will still be around 4 million low-paid workers in 2020, highlighting the scale of Britain's low pay challenge.

The Rt Hon Alan Milburn, Chair of the Social Mobility Commission, said:

Britain has an endemic low pay problem. While record numbers of people are in employment, too many jobs are low skilled and low paid. Millions of workers – particularly women – are being trapped in low pay with little chance of escape. The consequences for social mobility are dire.

Britain's flexible workforce gives us global economic advantage, but a 2-tier labour market is now exacting too high a social price. A new approach is needed to break the vicious cycle where low skills lead to low pay in low-quality jobs. Welfare policy should focus on moving people from low pay to living pay. Government should join forces with employers in a new national effort to improve progression and productivity at work. Without concerted action, Britain will become more socially divided and social mobility will continue to stall.

Conor D'Arcy, Senior Policy Analyst at the Resolution Foundation, said:

Britain has one of the highest proportions of low-paid work in the developed world. And while three-quarters of low-paid workers did manage to move into higher paying roles at some point over the past decade, the vast majority couldn't sustain that progress. This lack of pay progress can have a huge scarring effect on people's lifetime living standards.

The National Living Wage is playing a massive role in reducing low pay, but it can't solve the problem alone. Employers need to improve career routes for staff, while government should support them with a welfare system that encourages progression at work.

1. The Social Mobility Commission is an advisory, non-departmental public body established under the Life Chances Act 2010, as modified by the Welfare Reform and Work Act 2016. It has a duty to assess progress in improving social mobility in the United Kingdom and to promote social

mobility in England. It currently consists of 4 commissioners and is supported by a small secretariat.

2. The commission board currently comprises:
 - Alan Milburn (chair)
 - Baroness Gillian Shephard (deputy chair)
 - Paul Gregg, Professor of Economic and Social Policy, University of Bath
 - David Johnston, Chief Executive of the Social Mobility Foundation
3. The functions of the commission include:
 - monitoring progress on improving social mobility
 - providing published advice to ministers on matters relating to social mobility
 - undertaking social mobility advocacy
4. Low pay is defined as hourly earnings below two-thirds of the median hourly wage, excluding tips, commissions or other payments. The low pay threshold is estimated to be £8.25 per hour in 2017.
5. The report draws on data and analysis from the Annual Survey of Hours and Earnings, the New Earnings Survey Panel Dataset and Understanding Society.