

When Work Won't Pay

In-work poverty in the UK

Krisnah Poinasamy

Oxfam GB

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Oxfam Discussion Papers

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For more information, or to comment on this paper, email kpoinasamy@oxfam.org.uk

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Summary

For the past 30 years, the political consensus has held that work is the best route out of poverty. And yet more than four million of the 13.5 million people who live in poverty in the UK are working. There is clearly a contradiction between the consensus and the reality.

This paper is a discussion of some of the issues that Oxfam's work in this area has revealed. It is not a comprehensive overview nor does it list policy solutions. Instead it is a contribution to the emerging debate that is challenging the consensus, and Oxfam will seek with others to identify what solutions could help us all achieve our ambition of decent work for everyone.

Our ambition for a world without poverty is one with decent work; work that serves the needs of people, communities, and the economy. Decent work means that everyone has an adequate and stable income; everyone is protected from exploitation; and everyone has security and power over their own lives through fair labour rights.

The case for action

Work is invaluable for individuals in terms of providing purpose, dignity, and, crucially, an income, enabling them to support themselves and their families. But although work has been advocated as a route out of poverty, for many it does not provide economic independence and may actually damage their health and well-being.

Work is also invaluable to UK society: poor-quality work means an increase in the costs of supporting people, lost opportunities for development, and lost revenues in terms of taxation and profit, and it damages the country's social networks. The social impacts are huge – for example child poverty, which leads to poorer educational and health outcomes. Over 55 per cent of children living in poverty in the UK live in a household where at least one adult is working; to meet the legally binding child poverty targets, policy makers must act quickly to overcome in-work poverty. Poor-quality work also leads to poor health for adults, so that moving people from benefits to health-damaging work merely shifts the balance of public spending and cannot be a long-term solution to reducing costs.

Finally, the cost to business and to the economy is significant, with more fragile domestic demand as millions of people are simply unable to afford goods and services. Businesses that provide decent work have reported lower staff turnover and higher levels of loyalty, better employee morale, lower costs (e.g. sick pay), and higher productivity, while businesses paying below the Living Wage cost society between £5.9bn and £6.3bn a year in extra benefit payments and lost taxation – effectively a form of 'corporate welfare'. The blatant underuse and underdevelopment of the skills, energy, ideas, and talents of large sections of the population are missed opportunities to harness these capabilities to foster development and economic growth.

The causes of in-work poverty

In-work poverty has a number of inter-related causes:

- **Low wages:** Millions of people cannot earn enough to escape poverty, either because wages are too low or because they can't do, or secure, enough work to get by;
- **Inadequate social protection:** Many people, who can't currently support themselves by working because of their individual circumstance, are not adequately covered by social protection;
- **Lack of labour rights:** Labour rights protect workers from poverty, but many labour rights have been eroded over recent decades and others are under threat;
- **Lack of labour rights enforcement:** Some companies flout labour rights and exploit workers to cut costs and achieve a competitive advantage;
- **Lack of progression at work:** Lack of opportunities for progression mean that many workers will be stuck in low-waged, dead-end jobs – without the opportunity to move forward to better-paid work.

Furthermore, certain groups, such as women, ethnic minorities, and migrant workers, are more likely to work in the types of jobs where these factors are prevalent and thus be vulnerable to in-work poverty. Their lack of social status and organising power has meant that in-work poverty has not become the pressing political issue that it should be.

Discussion

The cost of in-work poverty and the gains possible through decent work are so significant that policy makers must start to consider their ambition in this area and the routes through which these gains can be achieved. Clearly the solution is not simply economic growth, as the structure of the economy has substantially changed towards an 'hourglass' jobs market, with 'good' jobs and 'bad' jobs but few middle-tier jobs, and little opportunity for progression between them – and it is the sectors at the bottom of the jobs market where employment is set to grow.

As this paper is intended to stimulate discussion, it considers the following points, but ultimately the solutions will need to be wider and more far-reaching:

- **Work should pay enough to live on.** The National Minimum Wage should be increased to a level which represents a Living Wage (a wage that is considered to be enough to live on).
- **Social protection (the welfare and benefits system in the UK) should provide an adequate safety-net.** People who are unable to earn enough to live on through employment should receive adequate additional support through the welfare system to support them and their families.

- **Labour rights should protect workers, and should be enforced.** Workers should have adequate labour rights, and these should be effectively regulated and enforced.
- **Employers should take responsibility for workers and should support progression.** Employees living in poverty need to be able to develop skills, undertake training, and move from low-paid to better-paid work.
- **Greater social dialogue is vital for businesses *and* workers.** Higher levels of unionisation and union recognition help to protect workers against the causes of working poverty, and enable effective implementation of solutions to it.

Tackling in-work poverty requires the active involvement of all stakeholders, including business leaders, employers, unions, consumers, and workers. It will require creativity and ingenuity to think differently about the relationships between employers and workers, to re-evaluate the way we value and reward work as a society, and to develop a range of policies and practices to achieve decent work. Decent work will boost the economy, improve the health and well-being of individuals, families, and communities, and reduce the cost of welfare and health services. We cannot afford *not* to tackle in-work poverty.

1. Oxfam and in-work poverty

'I want to work, I have always worked. Sometimes I have had two or three jobs ... you have to. Now I work 20 hours a week, but it is going up to 25. I'll lose most of that in tax, but it is better than sitting at home. It is hard to get by and I can't save anything.'

Tracey, single mother

'With over 130 food banks, the Trussell Trust sees the problem at the sharp end. And we are finding that a substantial proportion of our clients now come from working households. It only takes your overtime being reduced, or only being able to get part-time work, to push individuals and families over the edge. The stories we hear from our clients provide clear evidence that there's an urgent need to address in-work poverty, as well as out-of-work poverty. It is a real indictment that working people need to be referred to food banks like ours for emergency help.'

Chris Mould, Executive Chairman, the Trussell Trust

Oxfam believes that no one should live in poverty in the UK. It thinks that, in the sixth richest country in the world,¹ everyone should have enough to live on. Work should enable people who have a job to earn a secure and dignified living. And a lack of decent, secure jobs is one of the key barriers preventing unemployed people from working.

Oxfam's programme experience in the UK has repeatedly shown that most people see having a good job as the best way to move out of poverty, whether they are mothers from minority ethnic communities in Tyne and Wear,² single parents in Bristol,³ or people living on low incomes in Bradford.⁴ Our work with grassroots communities, and with groups of workers from particular sectors,⁵ has also shown us that people in poverty are often willing to work overtime, do double shifts, be constantly on call, or work in two or three different places in order to keep their jobs, and try to earn enough to get by.

Despite the willingness to work, and the flexibility, shown by so many people in finding work, Oxfam also knows that many working adults such as John and Natalie (see case study) simply do not earn enough to live on or support their families. Some struggle to pay for adequate food and heating; some work long hours in conditions which damage their health and well-being; many others can never afford an outing or a holiday – or can't cope with unexpected 'shocks' such as a broken boiler or cooker. Oxfam is grateful to the many people who have shared their stories of working poverty, and their experiences are reflected in this paper.

Oxfam has an ambition of 'decent work': where everyone who can work is able to generate an adequate and stable income; where they are protected from exploitation and given security by adequate labour rights; and where, over time, they are able to progress to better-paid work. This vision is obviously pro-poor, but in an economy that will be increasingly dependent on developing human capital, it is also fundamentally pro-business. This paper aims to stimulate

discussion within Oxfam and amongst key stakeholders on how best to tackle the crisis of in-work poverty and achieve decent work.

John and Natalie: working poverty

John and Natalie live in rented accommodation in Ebbw Vale, South Wales, with their two young children. John used to have a full-time job but was made redundant. Keen to work, he took a part-time job in the retail sector, but his job is in the next valley and public transport is very poor, so he needs to use his car to get to work. His employer wants him to work four days of four hours each, rather than working longer shifts – so he spends a significant proportion of what he earns just on petrol.

The couple struggle to get by and in really difficult times have missed meals themselves so they can feed their children. At times, John and Natalie have been referred to a food bank run by Oxfam partner the Trussell Trust to get emergency help to tide them over a crisis. But neither Oxfam nor the Trussell Trust believes that food banks are a solution to in-work (or out-of-work) poverty; food banks may offer some help to tackle immediate need, but the 'solution' must lie in ensuring that work always pays enough to live on.

2. The case for action on in-work poverty

While work should provide a route out of poverty,⁶ the reality is that for many people in 'bad' jobs, work does not provide economic independence and may actually damage their health and well-being. Yet the cost of in-work poverty is not just something that is borne by the individual concerned; it has a huge impact on communities, businesses, and the State, both in increased costs and lost opportunities for millions of people, massive expense to taxpayers though the cost of benefits, and significant lost revenues in terms of tax and profits.

Child poverty

Under the Child Poverty Act 2010, the government is legally committed to ending child poverty by 2020. Yet 55 per cent of all children living in poverty in the UK (1.5 million children) live in a family where at least one adult is in some form of paid employment.⁷ It is a sobering truth that child poverty is more common in working than in non-working households.⁸

Child poverty has clear human and financial costs. A wealth of evidence shows a clear, causal link between income poverty and poorer outcomes for children throughout their lives, in terms of educational attainment at foundation, primary, and secondary school, on many health indicators, and in their future employment prospects.⁹ Poor children are very likely to become poor adults, who may themselves be trapped in low-paid work, and whose own children will live in poverty. It is unlikely that the government's legally binding child poverty targets will be met without significant efforts to reduce working poverty as well as out-of-work poverty.

Health inequalities

The highly regarded Marmot Review¹⁰ on health inequalities clearly identifies 'working conditions and employment' as one of five key areas which contribute to poor health outcomes for those on lower incomes – and which have quantifiable, and significant, human and economic costs. As Marmot outlines:

- People currently dying prematurely because of health inequalities would have enjoyed between 1.3 and 1.5 million extra years of productive life – as workers, consumers, carers, and family and community members.
- More than three-quarters of the population do not have a disability-free life expectancy as far as 68 – the proposed pensionable age in the UK – making it unlikely that they will be able to work and ensuring that they will require care from family and the National Health Service.
- Health inequality in illness accounts for productivity losses of £31–£33bn per year in lost taxes and higher welfare payments, and an additional cost of £5.5bn a year to the NHS.

Significantly, Marmot does not just associate poor health, illness, and disability with individual lifestyles or even unemployment. The report concludes that: 'insecure and poor-quality employment is also associated with increased risks of poor physical and mental health. Getting people off benefits and into low-paid, insecure, and health-damaging work is not a desirable option.'

Effect on families and communities

Oxfam's work with low-income communities has clearly shown the impact of poverty, both in-work and out-of-work, on families and communities. Using a sustainable livelihoods approach,¹¹ Oxfam has worked over many years to assess the assets that people have to help them cope with poverty and try to move forward, and the barriers they face in doing so.

This approach has clearly revealed the importance of social networks for people on low incomes in helping them to get by day to day. Reciprocal child care, help with other unpaid care of relatives or tasks such as shopping, as well as loans of money or equipment or exchange of skills, are vital in helping those on low incomes to cope (whether working or not). It is also clear that managing on a low income is hard work and takes time: for example, needing to shop in a number of places to get basic goods at the lowest prices.

For people in in-work poverty, working may actually *undermine* their ability to cope on a low income. There is less time to spend buying the cheapest foods; there may be transport costs involved in getting to work; and without the money to pay for professional child care, a worker may be more reliant on their social support network but less able to reciprocate. People in working poverty may find themselves sacrificing time spent with their children, or on community activities, and have less time to 'manage' being poor – without the return of a decent income and reasonable employment conditions. These people are both time-poor *and* income-poor.

The cost to business

The consequences of allowing working poverty to increase unabated pose significant long-term risks to the economy and to growth. Supporting the current level of in-work poverty is not sustainable for either business or the State.

Without decent pay and conditions businesses will see a drop in demand, as consumers in working poverty see their incomes further squeezed (by inflationary price rises and below-inflation wage increases) and are less able to buy the goods and services that will stimulate the economy. Because people on low incomes spend, rather than save, a higher proportion of their income, raising pay for this group would be a very effective boost to the economy.

And if working poverty continues to increase, many working people will remain dependent on in-work benefits for the long term, and the government will not succeed in its ambition to reduce the welfare bill, or the deficit. Companies paying below a 'living wage' cost the taxpayer between £5.9bn and £6.3bn a year

in benefit payments and loss of tax¹² – effectively a form of ‘corporate welfare’ from government direct to business.

Conversely, the impact of not being a decent employer leads to higher costs and reduces the quality of the workforce. Professional services firm KPMG has found that a decent work model (paying the Living Wage and improving other benefits, such as holidays, sick pay, and insurance) at its UK facilities led to the following outcomes: turnover amongst cleaning staff more than halved; morale improved; despite improved sick pay, potential abuse did not materialise; productivity improved; attitudes become more flexible and positive; service improved and the help desk received fewer complaints; and suppliers experienced reduced training and other overhead costs as employee loyalty increased.¹³

3. The causes of in-work poverty

'I'm struggling because I've had to give up work ... the hours they gave me wasn't enough so it's got me into debt ... they said I'd have 15 hours a week and they knocked it down to six, which was no good at all.'

White woman, interviewed for 'Recession, Poverty and Sustainable Livelihoods in Bradford'¹⁴

'I work for an agency – but I'm self-employed. They pay me £2.29 per room. I can't clean enough rooms to make the minimum wage. There is no sick pay or holiday pay. And I have to buy my own cleaning materials and uniform from my wages.'

Monica, cleaning hotels in London

There are many causes of in-work poverty and numerous factors which impact on the phenomenon – many of which interact with each other. This section looks at the background context of the globalisation of the late 20th century and the government employment policies that have responded to it over recent decades, and then examine specific causes of working poverty today, including the following factors: who you are; low pay; inadequate and inflexible social protection; lack of labour rights; inadequate labour rights enforcement; and lack of responsible employment.

Background trends: globalisation and the response of government employment policies

While economic globalisation (the integration of global production and distribution chains and the rapid growth in transnational companies) is often considered to have promoted growth and development around the world, it has also had significant (arguably negative) implications for UK workers.

Globalisation has enabled transnational corporations to move production to emerging economies where labour costs are lower,¹⁵ putting pressure on UK suppliers to reduce their own costs to remain competitive.¹⁶ This has resulted in a decline in manufacturing industry as production has moved to other parts of the world; this has both stripped out many thousands of reasonably well-paid jobs from the economy and has encouraged a move to severely cut production costs in those parts of the supply chain remaining in the UK, especially at the lower-skilled ends of the spectrum.

This pressure, as well as growing privatisation of previously public services since the 1980s, has led to an increase in the UK of 'contracting out'. Contracting out means that workers, instead of being directly employed by a business or organisation, are contracted by employment agencies on behalf of that employer – to work only on particular tasks, and for a limited time, as needed. Workers employed by agencies are often required to work extremely flexibly on the

employers' terms, working very part-time hours or on 'zero hours' contracts (where the worker does not have any guaranteed hours of work).

The move towards contracting out has led to an almost four-fold expansion of the agency sector in the past two decades, and the number of workers employed by agencies doubled between 1996 and 2006 – with nearly 1.265 million workers employed by agencies by 2006, or 4.5 per cent of the workforce.¹⁷ This proportion is second only to the USA, and almost three times the level of Germany. The use of agency labour is now common in both the public and private sectors. One study conducted in 2004 found that over 90 per cent of organisations surveyed had outsourced at least one element of activity to another organisation.¹⁸ While in many cases this allows companies to bring in expertise or respond to fluctuating market demands, the reality is that, at the bottom end of the labour market, savings are being made at the expense of livelihoods. In the public sector there are already 1.2 million people employed through contractors¹⁹ and, with estimates that outsourced public services cost 20 per cent less,²⁰ there is concern that squeezed national, and particularly, local government budgets will lead to greater outsourcing of public services and will exacerbate the race to the bottom for workers' pay and terms and conditions.

The result of the economic trends of recent decades has been to create an 'hourglass' jobs market, which sees an increase in the number of well-remunerated 'good' jobs at the top of the jobs market, as the UK continues to perform strongly in sectors such as finance, academia, science, culture, and technology. At the bottom, however, the decline of manufacturing and the rise of service industries such as hospitality, retail, and customer services (call centres), where low pay and employment by agencies are common, has led to a decline in decent mid-level jobs and in increase in 'bad' jobs – with poor conditions and little opportunity to progress up the career ladder.²¹ Where previously it was possible to work one's way up from the 'shop floor' to management, now senior positions require advanced qualifications and social capital and it is increasingly hard to progress up the career ladder.

The response of government policies

Government policies that attempted to respond to the context of globalisation focused on the deregulation of business, with an emphasis on labour market flexibility that arguably promoted growth and was good for job creation (though not necessarily for the creation of 'good' jobs) during the 'boom' years of the 1990s and 2000s. Under the last Labour government, the provision of tax credits and child benefits enabled some people to take up 'bad' jobs that were low-paid and possibly insecure, and maintain an adequate income. But not only did the number of working households in poverty rise, in 2005 the number of working-age adults with jobs living in poverty (3.6 million) overtook the number living in workless households (3.3 million). This trend has continued, and the latest statistics show that 4.1 million working adults live in households in poverty, while 3.8 million live in workless households.²²

The current government has aimed to cut the UK's budget deficit by 2015, and a key strategy to achieve this has been to swiftly reduce public spending (and thus cut public sector jobs), instead emphasising private sector growth and the role of

business in job creation. However, fewer jobs have been created by the private sector than expected; and those that have are often poorly paid and part-time.²³ Of the 220,500 additional jobs created between the first and third quarters of 2010, 95 per cent were in part-time employment, while one in three were temporary jobs.²⁴ Furthermore, men have accounted for 83 per cent of new jobs added to the economy²⁵ at a time when women are losing their jobs in the public sector and female unemployment is at a 23-year high.²⁶

The current government's employment policies have focused on getting people into work (similar in principle to those of their predecessors) through the 'Work Programme', and trying to ensure that 'work pays' through changes to the welfare system, though not to actual pay levels. Oxfam supports the move to ensure that 'work always pays' through changes to welfare reform, although it fears that the reforms, currently being scrutinised in Parliament, do not go far enough. However, Oxfam questions the assumption that 'worklessness' is due only to lack of skills or motivation, rather than the lack of jobs in a fragile labour market, and argues that it is clear that a 'work first' public policy that prioritises taking any job that is going is leading to people simply swapping out-of-work poverty for working poverty.

The Work Programme

The Work Programme is the UK government's active labour market policy, which replaced the Flexible New Deal in summer 2011 and seeks to get the long-term unemployed back into work. The Work Programme focuses on sustainable employment by rewarding providers who ensure that people remain employed (as opposed to rewarding them simply for getting a job).

While this policy aims to ensure that fewer people end up in the cycle between unemployment and low-paid work (known as 'churn'), sustainability must also be assessed against the types of job that people are expected to take. There is a risk of people being pushed into low-paid work with no prospects, and this risk is higher for certain groups, including women. The threat to withdraw social protection (i.e. benefits) for failure to take work, or to take on more hours, while taking no account of individual circumstances, will also have a negative impact.

Oxfam emphasises the need to provide in-work support to ensure sustainability and progression out of working poverty – and also emphasises that the Work Programme must account for the different experiences of men and women in returning to the labour market, and the child-care duties often undertaken by women.

The key causes of in-work poverty

Barbara: no help for single working adults

Barbara does a number of part-time jobs, including teaching, cleaning, and driving. She earns around £500 a month. She shops at charity shops and has become a vegetarian because she can't afford meat. She tries to grow her own vegetables and relies on her family for extras. Barbara says: 'I'm young ... I would love to be able to go out for a drink or to the cinema, but I can't afford it. It's funny ... I would get help if I had children, but it seems that single working adults don't get any help.'

Kevin: worse off working

Kevin was on incapacity benefit for 20 years, after an accident at work. Now he works 25 hours a week as a caretaker. 'I'm worse off now than I was on incapacity benefit,' he says. 'Before I got full housing benefit and help with council tax. Now I struggle to get by. I make sure I pay my rent and council tax as I don't want to lose my home. I go to local shops and buy the cheapest food. I want a good quality of life like everyone else – but I feel like I am living hand-to-mouth. I can't afford holidays and my sofas were given to me by my son. Everything I have is hand-me-down. I can't afford new.'

A. Who you are

'Every job [interview] I've been to from the Job Centre ... for three positions there'll be about 200 people applying ... some jobs you're over-qualified for, some jobs you know somebody else has taken ... the easiest job to get now is at a restaurant.'

Bangladeshi man, interviewed for 'Recession, Poverty and Sustainable Livelihoods in Bradford'²⁷

A significant factor affecting working poverty is 'who you are': your gender, nationality, ethnic identity, relationship status, even your age. Jobs seen as 'female' jobs, such as care work and cleaning, are commonly devalued and underpaid – and almost two-thirds (65 per cent) of low-paid workers are women (2.6 million women are low-paid).²⁸ Furthermore, women's paid work is often taken on in addition to their unpaid caring responsibilities, which can limit the type of work they can do and the number of hours they can work.²⁹

Relationship status significantly affects your likelihood of experiencing working poverty. Overall, single parents with dependent children face the highest risk: 19 per cent of single parents working full-time and 25 per cent of those working part-time live in poverty.³⁰ As 92 per cent of single parents are women, this again increases the chances of women experiencing working poverty.

Oxfam's research and programme experience shows that migrant workers are also highly vulnerable to in-work poverty.³¹ Migrant workers face exploitation due to factors such as language barriers, uncertainty about immigration status, and the prevalence of employment via gangmasters and agencies in the sectors in which they work. Such exploitation can include pressure to work excessive hours, pay below the minimum wage, non-payment of sick and holiday pay, and spurious deductions for work-related clothing or equipment.

People from some ethnic minority backgrounds are again more likely to experience in-work poverty for a range of reasons, from discrimination by employers to a lack of skills and training. Some fields of work most easily accessible to black and minority ethnic (BME) workers – for example, self-employed taxi-driver, employment in restaurants and the hospitality industry, etc. – may demand very long hours, but at a very poor rate of return. Almost half of all Bangladeshi and Pakistani employees earn less than £7 an hour, a higher proportion than in any other ethnic group.³²

Elaine: fitting employment around caring responsibilities

Elaine is a single mother who works as a home care assistant for an agency contracted to a large social services department. When she returned to work after having a baby, she asked if she could work five hours a day so that she could care for her son, but was told that her only option was to work a long split shift at the weekend. She now works from 7.30am until 2.30pm and 4.30pm to 10pm each Saturday and Sunday. Elaine's mum looks after her son while she is at work, even though her mother is 68 and works as a supermarket cleaner from 3.30am until 7am. Elaine says: 'I feel really guilty, but if she doesn't look after him, I can't work. There is no other child care. Even if there was, I think, how could I pay it?'

Elaine is on a 'zero hours' contract and has no guaranteed hours of work each week. She is also under pressure to accept extra shifts in the week at short notice, with the threat that if she does not take them she won't get work at the weekend. Elaine's hourly pay of £8.45 seems quite generous for the care industry, but she is only paid for the minutes she is inside a service user's house, so 15 hours' work often results in only 10 hours' pay.

B. Low pay: from one trap to the next

Debbie: the struggle to pay for basic necessities

Debbie is a learning assistant in a school, and earns just £10,000 a year for a 30-hour week. She says: 'I've had to change the way I shop. I go to three shops instead of one to get the best price. It is not ideal to spend so much time shopping around as I am a working mum. And fuel bills are becoming more of a battle. We switch things off and put on an extra jumper or pair of socks.'

Bill: job insecurity and no chance to save

Bill works for a community project and earns around £250 a week. His wife, who worked for a property development company, has recently been made redundant. Bob says: 'I worry about money a lot. Sometimes I think things are going to be OK, that we'll just get another job, cleaning or something, if we need to – but my job is not secure in the current climate. We've not been on any holidays ... and you can't save on a low income. I'm a musician and there is tonnes of stuff I would love to have, but saving up isn't an option ... we just get by.'

The UK labour market has one of the highest rates of low pay in Europe, with 3.5 million people aged 22 to retirement paid below the low-pay threshold of £7 per hour³³ and almost three quarters (72 per cent) of the working poor in low-paid employment.³⁴ Low pay does not necessarily lead to in-work poverty, if there are other, higher-paid workers in the household, for instance, or if the worker has other assets (e.g. savings) to draw on. However, where this is not the case, low pay is a significant cause of in-work poverty.

The sectors in which low-paid work is most prevalent will come as no surprise: hospitality (69 per cent of all workers are low-paid), agriculture (42 per cent), retail (44 per cent),³⁵ and social care (19 per cent). Low-paid work is also particularly prevalent amongst certain groups, e.g. single parents, BME workers.

Sadly, it is not the case that workers use low-paid jobs as stepping stones to higher-paid work that helps them move out of poverty. Evidence from the British Household Panel suggests that a large proportion of low-wage earners are not moving up from the bottom of the pay distribution scale, even over relatively

long periods of time³⁶. Women, people with no qualifications, BME workers, and people working part-time are most likely to become stuck in low-paid work.³⁷

The creation of the National Minimum Wage (NMW) is widely credited with tackling low pay and improving the wages of one million people.³⁸ However, annual increases to the NMW have not reflected the significant rise in inflation in recent years, as the NMW fell in real terms in 2008 and 2010 (and rose only at the same level as inflation in 2009). In any case, people on low incomes experience a higher inflation rate than other groups, as they spend more of their money on transport, food, fuel, and other essentials, which have risen in price more than other goods.³⁹ The Institute for Fiscal Studies has calculated that the poorest fifth of households faced average annual inflation of 4.3 per cent between 2008 and 2010, while the richest fifth experienced a rate of just 2.7 per cent.⁴⁰ Higher 'real' inflation and static incomes add up to declining living standards for people on low wages and hard choices about what they spend their money on, such as choosing between heating and eating.

In financial terms...

The National Minimum Wage is currently £6.08 an hour for workers aged 21 and over (while the top 1 per cent of earners earn £43 an hour, and the top 10 per cent earn £21.30 an hour).⁴¹ This is significantly short of £7.20 per hour, the recommended Living Wage outside of London; let alone the London Living Wage of £8.30. The Living Wage is calculated as a level of income needed to allow a minimum acceptable standard of living in the UK today.⁴² The Living Wage assumes that people claim all the benefits and tax credits to which they are entitled.⁴³

C. Inadequate social protection

Trisha: hard to find suitable work

Trisha is a single mother with experience of working in child care and in the voluntary sector. She would love to do paid work to boost her income and her self-esteem, but struggles to find work that fits around her child care responsibilities and is not temporary. When she has taken short-term work, her benefits have been disrupted and she has struggled to get back to the right payments.

'I wish I could work, but it isn't worth me working at all. I used to work. I was a cleaner. But I can't earn enough to make it pay [for losing benefits]. And I would need to pay for child care. It just does not add up.'

Jenny, single mother

For those people unable to earn enough to get by because of illness or caring responsibilities, or because better-paid or full-time work is not available, a safety-net of social protection is vital to help them deal with fluctuations in income week-to-week and to ensure that workers always have enough to live on.

Many countries, such as Denmark and Sweden, complement high levels of labour market flexibility with policies that create security for workers in this way.

In contrast, some areas of social protection in the UK are being eroded, and while there are some positive developments in welfare reform policy, overall social protection in the UK does not respond to changes in individual circumstances or in the job market in a way that workers in a 21st century labour market need. The European Commission has described this kind of positive reaction to employment and social security as ‘flexicurity’, which gives workers both the flexibility to transition between jobs and security to maintain or progress in employment.⁴⁴

The components of ‘flexicurity’

The EC and EU member states, drawing on experience and analytical evidence, reached a consensus that ‘flexicurity’ policies can be designed and implemented across four policy components to provide the flexible security that workers need in the 21st century labour market:

- **Flexible and reliable contractual arrangements** from the perspective of the employer and the employee, through modern labour laws, collective agreements, and work organisation;
- **Comprehensive lifelong learning (LLL)** strategies to ensure the continual adaptability and employability of workers, particularly the most vulnerable;
- **Effective active labour market policies (ALMPs)** that help people cope with rapid change, reduce spells of unemployment, and ease transitions to new jobs;
- **Modern social security systems** that provide adequate income support, encourage employment, and facilitate labour market mobility. This includes broad coverage of social protection provisions (unemployment benefits, pensions, and health care) that help people combine work with private and family responsibilities such as child care.⁴⁵

Reductions in protection: Reductions in housing benefit, restriction of the Sure Start maternity grant to the first child only, a three-year freeze on the rate of child benefit, a 10 per cent cut in the amount of child-care costs for low-income families provided by the child-care element of Working Tax Credit, and the switch to increasing benefits annually by the lower Consumer Price Index (CPI) measure of inflation⁴⁶ are among the benefit reductions which will erode current levels of social protection. Benefit levels have also been consistently eroded over time: in 1980, unemployment benefit was worth a fifth of average earnings; today, it is worth a tenth. This steady erosion of protection for the most vulnerable has occurred despite the fact that Britain’s benefits bill has significantly increased.

Universal Credit: At the centre of the UK government’s Universal Credit, a key element of its reforms to welfare, is the aim of ensuring that work pays, and is seen to pay, for people living on benefits. Central to this goal are attempts to simplify the system, and to make sure that people do not lose out by working, particularly by allowing them to keep more of their benefits.⁴⁷

However, the proposed reforms remain in need of improvement. Oxfam is closely engaged in trying to improve the Welfare Reform Bill which is currently going through Parliamentary scrutiny, and has a range of recommendations that touch on issues including the benefit cap, the Social Fund, elements of the conditionality regime, and important issues around the way the Universal Credit

will be paid. However, aside from these wider concerns, and although work incentives will improve for many, the changes are not enough to ensure that 'work pays' across the board.

Earnings disregard: The disincentive to work is still too high. The earnings disregard (the amount you can earn before losing benefits) is currently set too low; and the rate at which benefits start to be withdrawn above the disregard, too high, which, combined with the National Insurance and tax low earners must pay, means that many people will lose 76p out of every pound they earn.

Second earner disregard: The Universal Credit taper will negatively affect work incentives for second earners. If there is only one household earnings disregard, second earners will face marginal deduction rates of 65 per cent or 76 per cent on all their earnings, unless the first earner earns less than the household earnings disregard.

Child care: Access to decent, affordable child care is absolutely central to enabling people to choose to work if they are able to, particularly women. Oxfam has called for some time for the decision, taken by the current government, to eliminate the 'hours rule' (which limited child-care support to those working over 16 hours); this will help people on low incomes, particularly women, to work fewer hours. Oxfam has also applauded the government's recent decision to inject an extra £300m into the new child-care regime, which will mean that most parents receive no less child-care support under Universal Credit than they do under tax credits today. However, the poorest families, who currently receive 95.5 per cent of their child-care costs through Housing Benefit, still face a significant reduction in support.

It is worth emphasising the importance of enabling second earner participation in the labour market. Not only will this be pivotal to efforts to reduce child poverty and gender inequalities⁴⁸ (and many second earners subsequently become first or sole earners, so benefit from continued contact with the labour market), but rates of female participation in the labour market are thought by analysts like the Resolution Foundation to have been instrumental in forging what connection there has been over the past 30 years between headline growth rates and general living standards. The value of policy interventions such as those above to the population as a whole is so large that it is difficult to quantify.

Conditionality: Oxfam in general views 'conditionality' requirements, conceived as requirements to work, or engage in activity deemed to be useful to finding work, as problematic and often counterproductive. These rules often do not take account of the reality of people's lives, let alone whether there are jobs available, and thus threaten to erode social protection. A single parent with a young child will struggle to find part-time work that will fit around school hours, and the requirement to prepare for, and be available for, work will erode time available to acquire further skills that will lead to better-paid work – or even to spend more time shopping economically in order to survive on a low income.

Jasmine: the difficulty of child care

Jasmine is a single mother with three children, aged ten, seven, and 17 months. She has worked for five years as a night care assistant, working 12-hour shifts, looking after severely disabled children. When Jasmine wanted to return to work after maternity leave, her request to reduce her hours to two nights a week was refused. Jasmine was told that if she wanted to come back to work she would have to sign a new contract of employment, working seven nights each fortnight. Jasmine works nights because her nieces are able to stay overnight at her house to look after her children. She says: 'Child care with a day nursery costs too much for me to work during the day.' When Jasmine needed to take emergency leave to care for a member of her family, her request was refused. 'When I phoned work they said: "Since you came back [from maternity leave] you have been causing a lot of trouble." They refused to let me even take the time as holiday.'

D. Inadequate labour rights

'I'm cleaning rooms in a small hotel. The hotel pays me £25 for eight hours work. They pay me cash-in-hand – no wage slip. I know they should pay me the minimum wage, but what can I do? After working nine days in a row at the hotel, I hurt my knee at work and was in a lot of pain. The hotel said I could only have a day off if I found a friend to work instead of me. I had to pay the friend, so I did not make any money that day.'

Julia, cleaning hotels in London

Successive governments have reduced regulation of employers since the 1970s, making it easier for them to hire and fire workers, in order to meet what they perceive as their business needs, despite conflicting evidence on this idea. Employment Protection Legislation (EPL) has been steadily reduced since 1992 and the UK now has the third lowest level of EPL in the OECD.⁴⁹

In addition, the current **Employment Status Regime (ESR)** leaves some classes of worker with very few rights. '**Employees**' enjoy full employment rights, but '**Workers**', usually employed by agencies, do not have the right to claim unfair dismissal, redundancy pay, or sick pay, or request time to train. Of particular significance to working parents is the lack of the right to request flexible working, maternity pay or leave, or time off for emergencies. The third category in the employment status regime, '**Self-employed**', refers to workers who produce goods and services for a range of customers and take responsibility for both their own working practices and for setting the price for the work that they do. If the worker is genuinely independent and working for a number of customers they should be able to set a fair price for their work, but the category is open to abuse ('false self-employment') and can be used by companies to evade their responsibilities as employers.

Magda: forced to work long hours

Magda has worked as a care assistant in the UK since 2005, working for several private residential care homes run by a well-known company. 'I had to do a minimum of 60 hours a week for almost two years. I was doing the night shift five to six days a week from 8.00pm to 8.00am,' she says. She reports buzzers going off constantly, indicating the elderly residents' need of constant attention, and the carers having to be on their feet all day with very limited breaks. Magda was too afraid to discuss her excessive workload for fear she would lose her job.

The sectors in which low-paid work is most prevalent – hospitality, retail, and social care – are also characterised by their use of flexible labour contracts. Such flexibility includes very short-term contracts, work paid at piece rates, and zero hours contracts where the worker has no guarantee that they will receive any hours of paid work in a particular week, often under the guise of supposed ‘self-employment’. The UK has the second highest prevalence in Europe of very short hours contracts of less than ten hours per week (8 per cent),⁵⁰ and the highest number of zero hours contracts (5 per cent).⁵¹ While it is clear that part-time work is often a choice to fit around other commitments, the number of ‘frustrated part-timers’, who really need and want to work full-time, has reached 1.26 million – the highest figure since records began in 1992.⁵²

The trend towards flexibility and false self-employment also blurs the boundaries between the formal and the informal economy. As profit margins are squeezed more tightly, businesses such as the hotel where Julia worked (see quote above) often employ workers on a ‘cash-in-hand’ basis, paying below minimum wage rates and with no guarantee of regular work or of employment rights. The vulnerability of workers in the informal economy is compounded for those who are also claiming out-of-work benefits, since they risk criminal prosecution if the authorities become aware of their activities. Recent small-scale research by Oxfam on the informal economy has revealed that workers often engage in it not because they want to work illegally, but because they cannot find a permanent, secure job that will pay enough to live on.⁵³

False self-employment

The status of ‘self-employed’ affords no labour rights – not even the National Minimum Wage. Instead, self-employed people should normally negotiate their terms and conditions with those for whom they provide services or labour. For many people, self-employment is a genuine choice, which offers them flexibility about how, and how much, they work. Some employers in low-paid sectors, where vulnerable workers have little power, use ‘false self-employment’ to avoid giving workers certain rights that they would have as ‘employees’ or ‘workers’, to avoid paying the NMW, and to make charges for work-related expenses. Homeworkers, for example, are frequently classified as self-employed, even though they usually receive all their work from a single factory, which supplies the raw materials and equipment and sets a piece rate and tight timescales for all the work that they do.

F. Lack of labour rights enforcement

‘There were some irregularities with our monthly wages; the payments were never clear. Then one day they called me to the office and just fired me. The advice agency said I had a case against the company, but it is too costly to pursue it.’

Jozef from Poland, works in construction

Citizens Advice reports that it deals with more cases involving denial of paid holiday than it does cases of all other rights.⁵⁴ These workers are nearly always low-paid, with the majority being women, often working part-time. Evidently,

rights that exist on paper do not necessarily lead to employers fulfilling their responsibilities.

Labour rights are only meaningful if they are enforceable. However, in reality, many labour rights exist on paper only, and are not effectively enforced. The UK labour rights enforcement regime is fragmented and under-resourced, with five different departments taking responsibility for enforcing differing employment rights, alongside the Employment Tribunals and the Advisory, Conciliation and Arbitration Service (Acas).

UK labour rights enforcement regime

Employment Agency Standards Inspectorate (EAS): regulates and inspects agencies;

HM Revenue and Customs (HRMC): ensures compliance with the National Minimum Wage;

Health and Safety Executive (HSE): ensures compliance with health and safety at work legislation, including the right not to work more than 48 hours per week;

Gangmasters Licensing Authority (GLA): licenses gangmasters in agricultural, food processing, and associated industries;

Department for Environment, Food and Rural Affairs (Defra) Agricultural Wages Team: enforces agricultural wages.

The UK labour rights enforcement system relies primarily on employers fulfilling their responsibilities, workers knowing their rights, and, crucially, workers being able to raise concerns and report bad and illegal practices. But vulnerable workers are, by their very nature, unlikely to blow the whistle on their employers. Aspects of their vulnerability – lack of language skills, anxiety over immigration status, lack of access to support provided by, for example, trades unions, etc. – make it highly unlikely that the most exploited workers will report abuse, for fear of losing their jobs. The limited resources available to the enforcement agencies mean that employers can break the law with relative impunity, knowing they are unlikely to get caught and, even if they are caught, will rarely face more than minimal punishment.⁵⁵

Each enforcement body has a different legal framework, and is responsible either for a particular type of employer or area of employment protection; in addition, each has its systems and processes and its own enforcement officers or inspectors, thus making it even more difficult for workers to understand to whom they should go if, as is often the case, they face multiple problems at work. In addition, some employment rights (for example, holiday pay) are not covered by any of the five enforcement bodies; instead an employee is expected to take their case to an Employment Tribunal to claim their rights. This is a time-consuming and daunting process, particularly as few employees can afford legal representation, and even if the tribunal finds in favour of the employee there is no official system of enforcement: if an employer still refuses to pay, the employee then has to take their case to the small claims court.

G. Lack of responsible employment

Stella: no guaranteed hours of work

Stella is a single parent and a care worker. She lost her permanent job as a housing support worker when the organisation lost its funding. Stella says: 'My life has not been stable since then because I cannot find a permanent job. I work whenever it is available. I have to push hard to make sure I have a sensible amount of hours for the week – I have no guaranteed work, it is all ad hoc. The organisation I work for does not commit itself to give me work.'

In the last century, many workers and employers adhered to the idea of a 'job for life' in which the employer had a responsibility to the employee, and the employee was rewarded for loyalty and hard work in a particular company. However, this idea has been eroded for some by the increase of flexibility: workers and employers are no longer bound to each other in the same way and the well-being of members of the labour force is often seen as someone else's problem – whether that of government or the individual – rather than that of the employer.

The lack of willingness amongst some employers to take responsibility to protect their less-skilled workers and to help them progress contributes to in-work poverty. Although short hours and short-term contracts suit many employers (and some employees), others can use them to walk away from their responsibilities, often subcontracting work to an agency; and this is particularly the case with low-paid work such as cleaning and hospitality. Such agencies are much less likely to invest in workers, making it harder for the working poor to go on to get better-paid work in the future.

Some low-paid workers are also more likely to have low skills and social capital (confidence, contacts, support networks, etc.)⁵⁶ and to work for small firms with limited opportunities for progression. The UK outspends almost every EU country in helping unemployed people look for work, but spends very little on training or employment support.⁵⁷ This not only lets down employees but also small-scale employers who want to grow their businesses and support their staff. Lack of training and on-the-job progression opportunities mean that working poverty can become a way of life. This is particularly true given the changing nature of the labour market and the near disappearance of 'middle-tier' jobs.

Sharon: lack of progression at work

Sharon is single and works full-time for a well-known hotel chain. She earns less than £7 an hour, even though she has worked for the hotel for 20 years. Sharon has to work whenever her employer needs her, often working very late nights, early mornings, and split shifts at short notice. She never knows in advance when her time off or holidays will be. She needs a car to get to work, but struggles to pay for the petrol, tax, and insurance. When this car packs up, she has no savings to buy another and does not know what she will do. Sharon manages on her wages at the moment as she works so many hours, but she can't afford a holiday and relies on family for occasional 'treats'. Sharon worries about the future and feels that she does not have much to show for 30 years of reliable full-time work.

4. Pro-poor policy responses: discussion

The International Labour Organization (ILO), the UN agency which promotes internationally recognised labour rights, defines ‘decent work’ as including productive and freely chosen work, adequate labour rights, social protection, and social dialogue between employers, employees, and the government.⁵⁸ This paper has outlined how the pillars of decent work have been eroded in recent decades and will now explore how we can move from the current situation towards ‘decent work’ in the future.

The scale, depth, and human and economic impacts of in-work poverty have been sidelined from political debate for decades. However, as the UK seeks to rebuild its economy, creating decent work is not a ‘luxury’ that cannot be afforded. The cost of in-work poverty is too high, and the potential gains to individual and community well-being and the economy are so significant that ending in-work poverty is not a choice – it is an urgent necessity.

Oxfam has identified some possible short-term policy responses in a number of areas that could help alleviate working poverty in the UK (set out below). We welcome further debate and discussion around these areas, as well as consideration of longer-term and more far-reaching strategies to eliminate working poverty and ensure ‘decent work’ for all, involving the full range of stakeholders in this area.

1. Work should pay enough to live on

With almost three-quarters of the working poor in low-paid employment, it follows that addressing low pay would significantly reduce working poverty. Oxfam believes that every full-time job should pay enough to live on, and that those who are only able to work part-time should be supported by adequate social protection to achieve a reasonable income.

The Living Wage

Definitions of what constitutes enough income to live on vary, but the Living Wage is a useful guide. The Living Wage is defined as a wage which is sufficient for ‘every worker in the country to earn enough to provide their family with the essentials of life’.⁵⁹ The Living Wage currently stands at £8.30 inside London and £7.20 outside the capital – considerably higher than the NMW of £6.08,⁶⁰ and providing a full-time income of around £15,000 a year in London and £13,000 outside London.

The concept of the Living Wage, as a voluntary policy taken up by employers, has gained significant support across the UK and has already lifted over 10,000 families out of poverty.⁶¹ The Living Wage Foundation⁶² has illustrated that employers can be convinced of both the business case and the social justice merits of significantly increasing the pay of the lowest-paid workers in their company. Evidence from companies paying the living wage, including KPMG and Barclays Bank, has shown that it helps reduce staff turnover (at KPMG by 50

per cent) and increases worker productivity, thus reducing costs for the company.⁶³

It is vital that employers also look beyond their own, directly employed, staff and consider responsibility for paying a Living Wage lower down the supply chain to staff contracted out to agencies, as these often offer the bare minimum to their employees. Those tendering such contracts would do well to consider the experience of KPMG and Barclays Bank. Oxfam, too, has witnessed businesses such as Adidas and New Look reap the benefits of lower staff turnover and higher productivity in their supply chains across the world by increasing wages.⁶⁴

Long-term uprating of the National Minimum Wage

A further policy solution to eradicate low pay could be to raise the National Minimum Wage up to the level of a Living Wage. However, it must be acknowledged that raising the NMW too swiftly *could* fuel inflation and affect the ability of businesses to create jobs for low-skilled workers. While increases in the NMW have not resulted in significant job losses to date, and there have been no obvious knock-on effects on the wages of better-paid workers,⁶⁵ these potential impacts must be rigorously explored.

Research would need to be undertaken to identify an appropriate rate and time period over which to increase the NMW, such that it better reflects a Living Wage. One possibility could be to increase the NMW by at least average earnings growth, plus 1 per cent, every year, until it reaches the level of the Living Wage. This could ultimately save the Treasury billions of pounds as workers would take less through in-work benefits and return more in tax. An interim policy could be to consider incentives (such as a reduction in corporation tax) for employers to voluntarily pay a Living Wage.

Restructuring of labour market rewards

While the value of a pay floor cannot be overstated in terms of its impact upon millions of workers, it remains an intervention that leaves workers (and employers) at the mercy of government. Other methods of reducing the prevalence of low pay and incentivising employers to pay workers enough to live on must also be considered; these should be solutions that enable workers and businesses to set pay rates themselves.

Current debates on pay ratios within companies – the ratio between the highest and lowest paid – present an opportunity. The Hutton Review of Fair Pay in the Public Sector has recommended the need for top-to-median pay multiples to be published, and for all employees who have contributed to increased productivity to share the benefits.⁶⁶ In the UK, the average top-to-bottom pay ratio of FTSE 100 companies (those which disclosed data) was 262:1; the highest was 656:1.⁶⁷ Incentivising lower pay multiples through reduced corporation tax could improve the pay of the working poor, while also having the broader effect of reducing wage inequality. We should also examine the level of ‘corporate welfare’ support that the government gives to businesses in the form of welfare support to those on low wages. It is also likely that the declining share of value

that goes to the wages of the bottom 10 per cent of earners – as compared with the increasing share going to the top 10 per cent of earners and to capital share (profits) – warrants scrutiny as an area for policy intervention to reduce low wages over the long term.⁶⁸

Oxfam believes that employers can also play an important role in the reduction of working poverty by sharing greater responsibility for the well-being and security of workers throughout their supply chains; ensuring healthier, wealthier, and more highly-skilled workers provides customers, suppliers, and employers for growth.⁶⁹ Oxfam's *'Business Case for Fighting Poverty'* suggests that such an approach can improve workplace relations, helping to attract, motivate, and retain staff; improve productivity; create market opportunities (as workers are able to become consumers and can afford goods themselves); and build companies' brand reputations and help gain the trust of consumers.

Ultimately, fostering a stronger culture of shared responsibility to tackle working poverty is vital to the long-term prosperity and well-being of both workers and of the economy. Failure to do so would leave the grinding crisis of working poverty to continue to rise unchecked – while achieving decent work in the UK would boost the economy, improve the health and well-being of individuals, families, and communities, and reduce the cost of welfare and health services.

2. Provision of adequate social protection

Oxfam believes that social protection should ensure that everyone, no matter what their employment status, receives enough to live on as part of a 'universal social floor', which adapts to fluctuations in work and labour market demands.⁷⁰ While working should always result in a greater income than not working, this should not be achieved by putting in poverty people who are not in work. Nor should social protection be confused with perpetual subsidising of low-paid work. Indeed, it is likely that social protection that simply compensates for market failure to pay enough contributes to an unsustainable welfare bill, to the detriment of those who need greater protection.

Higher earnings disregard

As indicated earlier, current welfare reform proposals are unlikely to make work pay for some groups, particularly those working less than 16 hours a week and single parents. One solution advocated by the Centre for Social Justice is a higher earnings disregard (the amount that someone on benefits can earn before benefits are withdrawn) and for only 55 per cent of benefits to be withdrawn above the disregard.⁷¹

Gender-sensitive social protection

It is imperative for social protection measures to be gender-sensitive, offering women an equal opportunity to sustain employment when they have children. Overcoming the high cost of child care for those on low incomes is central to eradicating working poverty. Good quality childcare is so valuable that we

believe investment in childcare support represents excellent value for money. Oxfam welcomes the extension of child care support to those working less than 16 hours, and the UK government's attempts to ensure that most parents will receive no less childcare support under Universal Credit than they do under Tax Credits. However, we do remain concerned that the various changes to the system amount to a significant reduction in support for the poorest families who currently receive 95.5% of their childcare costs through Housing Benefit. In future budgets we would like to see further incentives for parents to work with an increase in the proportion of childcare costs covered, starting with an increase to 80% as soon as possible.

Sustainable work must be accompanied by a rebuilding of non-financial assets

The principle of conditionality must be assessed for its effectiveness in reducing poverty. Forcing people to take jobs that are low-paid and insecure could, at worst, push them deeper into poverty or consign them to work with few (if any) opportunities to earn enough to take them over the poverty line; moreover, it will affect their ability to fulfil caring responsibilities. It is vital that welfare-to-work policies account for the full circumstances of the individual, and that they place significant importance upon the value of rebuilding non-financial assets such as human resources and social capital.⁷²

3. Ensuring adequate labour rights and that labour rights are effectively enforced

The impact of changes to regulatory policies should be rigorously evidenced. The government's attitude towards labour rights has often been that they are a burden on business. But evidence for the proposition that labour market regulation has a negative impact on economic performance is mixed, at best.⁷³ Higher levels of labour market flexibility have not hindered economic recovery in countries such as Germany, while some have found flexibility in the UK to be positively associated with unemployment.⁷⁴ Similarly, the UK's high level of labour market flexibility has not resulted in a rapid return to growth, or increased job creation as expected. As the Chartered Institute of Personnel and Development (CIPD) has recently noted, 'the case for wholesale employment deregulation is thus far from being a no-brainer'.⁷⁵ For example, rather than viewing regulation as a burden, 79 per cent of licensed gangmasters are in favour of licensing by the Gangmasters Licensing Authority because it has created a level playing field between employment agencies; it has also reduced the burden on supermarkets to check that their suppliers are adhering to labour regulations.

It is clear that the highly flexible labour contracts common in a deregulated labour market can contribute to working poverty and create barriers to progression. It is therefore important to ensure that workers have adequate labour rights and that employers are appropriately regulated so as to protect workers.

Reduce precarious employment contracts

The introduction of the EU Agency Workers Directive in October 2011, which gives temporary workers many of the rights afforded to permanent staff after 12 weeks of employment, is a huge boost to the protection afforded to workers. However, its implementation should be carefully monitored to ensure that obligations are not avoided by unscrupulous employers. It should also be noted that half of all temporary employees are employed for less than 12 weeks and will therefore not experience any improvements.⁷⁶

The extent to which the growth of flexible and very part-time contracts has impacted upon the poorest and prevents their progression is not always clear. While flexibility – and the ease of hiring and firing – may encourage the creation of jobs by reducing the risk to employers, at the bottom end of the labour market such contracts have fuelled a low-pay/no-pay cycle (‘churn’) and associated instability; this in turn is detrimental to building confidence in taking up work.

Furthermore, a highly flexible labour market arguably could prevent progress on the government’s policy objective of returning the long-term unemployed to sustained employment (under the Work Programme). It is likely that those at greatest risk of being fired will be those entering the labour market following long-term unemployment, as employers do not routinely take on the challenge of developing those with fewer skills and experience. This must, of course, be carefully balanced against making employment protection so strong that it becomes a disincentive to employers creating decent jobs for those returning to the labour market.

Nonetheless, in the long term, the creation of a single Employment Status that affords ‘workers’ (including temporary workers) the same employment rights as ‘employees’ could reduce the creation of insecure, atypical employment and significantly encourage greater responsibility by employers for workers’ development.

Right to request flexible working

For many single parents, who must fit paid work around child-care responsibilities, the right to request flexible working (on their terms, rather than those of the employer) is crucial. At the moment, the government has proposed that this right should be extended to all those classed as ‘employees’ under the Employment Status Regime.⁷⁷ Flexible working has seen widespread support from key industry voices such as the CBI and the John Lewis Partnership as a means of increasing engagement, productivity, and worker retention.⁷⁸ Denying ‘workers’ the right to request flexible working prevents those who are at greater risk of working poverty from being able to fit work flexibly around their other commitments. The gains to both employers and employees to be made from the extension of this right to ‘workers’, and the impact upon working poverty rates, must be examined as the government takes forward its policies on flexible working.

Employment Tribunals

The proposed fee of £200 to deter frivolous cases being taken to Employment Tribunals – and up to £1,000 before a case is heard – is likely to discourage the most vulnerable from making claims against exploitative employers. Crucially, in the absence of an enforcement body with the appropriate authority, Employment Tribunals constitute the only way of claiming for unpaid holiday pay⁷⁹ – the number one violation reported.⁸⁰ A possible solution could be to exempt low-paid workers, often the most vulnerable, from the proposed fees, in order to ensure that unscrupulous employers do not take advantage of their situation.

Protection from unfair dismissal

Increasing the qualification period for unfair dismissal to two years will increase insecurity for those in low-paid jobs. The impact of this proposal upon all workers must be rigorously considered. Thus far, little empirical evidence has been put forward to justify increasing the qualification period. Instead, evidence from the OECD has shown that less job protection simply makes employment rates less stable over the economic cycle, with little impact upon the structural rates of employment or unemployment.⁸¹ As the CIPD has noted, raising the qualification period yielded no discernible benefit in the 1980s and is ‘detrimental to fostering a culture of genuine engagement and trust between employers and their staff, and potentially harmful to the long-term performance of the UK economy’.⁸²

It is vital that changes to labour rights are based upon rigorous evidence of their impacts on the poorest workers, but also that they assess whether such changes will improve the economy or simply lead to increasingly unstable employment.

Effective labour rights enforcement

While the majority of businesses abide by the law and respect labour rights standards, people in poverty are particularly at risk of having their rights violated because employers know they are less likely (or able) to complain – which of course can in turn become a cause of their poverty.

At the moment, some sectors of the economy (agriculture, forestry, and fisheries for example – under the jurisdiction of the Gangmasters Licensing Authority) are better regulated than others, such as hospitality, where agency workers have their labour rights protected by the Employment Agency Standards Inspectorate. The GLA has considerably raised compliance with labour standards in the sectors of the economy that it regulates, and has been recognised by academics⁸³ and government⁸⁴ as an example of effective, non-burdensome employment rights enforcement.

The creation of a single labour rights inspectorate (to replace the five agencies currently tasked with enforcement) would be the most effective way to ensure appropriate regulation across all industries. Such a public body would proactively act upon intelligence about exploitation and rights violations (rather than wait for workers to report abuse, as the GLA does at the moment), and would have the power to undertake cases on behalf of employees. Clearly such a system would only be effective if it were adequately resourced, with sufficient

inspectors to ensure that all complaints (including anonymous ones) were investigated promptly, and that routine inspections were sufficiently frequent to significantly increase the likelihood that non-compliance would be picked up. It would also be important to ensure that the expertise of bodies such as the HSE, built up over many years, was not lost: by, for example, maintaining specialist inspectors with a focus on particular industries or areas of employment law.

In the current economic climate, the risk of employers breaching the law to avoid giving workers better terms and conditions is high and the need for effective enforcement is greater. On this basis, an effective interim policy to achieving a single labour rights inspectorate could be to apply the practices of the GLA to other sectors of the economy. In this way, sectors such as construction, social care, and hospitality, in which the risks of exploitation and working poverty are high, and in which agency labour is prevalent, would see a significant improvement in labour rights standards.

4. Ensure adequate progression – reducing the gap between ‘good’ jobs and ‘bad’ jobs

Oxfam believes that all work should be decent work, which pays people enough to live a dignified and secure life. In the long term this suggests that some restructuring of the economy, and of the jobs market, will be necessary, to create more of the ‘middle-tier’ jobs the economy currently lacks, and to ensure that jobs at the ‘bottom’ of the jobs market are not actually ‘bad’ jobs but are themselves ‘decent’ jobs and are valued and rewarded appropriately.

While working towards that ambition, it is appropriate to emphasise progression for those at the bottom of the jobs market, ensuring that they are enabled to develop skills and take up training, and are supported to look for better work. Increasing the skill levels of those ‘at the bottom’ will ensure that the workers and the jobs themselves become more productive, and that workers are able to take advantage of whatever advancement is possible within their sector (moving, for instance, from an entry-level to a more senior care worker role), even if in the long term we need to challenge how the current ‘hourglass’ structure of the labour market operates.

Work-based training

In a best case scenario, training and progression to better-quality work will occur in the workplace, particularly as this involves less risk for the poorest workers.⁸⁵ Though there has been consistent investment by businesses in training,⁸⁶ this is likely to be by larger firms. Small and medium enterprises (SMEs) are the least likely to be able to afford investment in staff, and addressing the difficulties faced by SMEs is crucial to eradicating working poverty. The axing of Train to Gain, an initiative to deliver employer-led vocational training on the job, removes an important tool for businesses to support work-based approaches to progression. Alternative schemes to support businesses that would otherwise struggle to provide training should be prioritised.

Training outside the workplace

In the absence of work-based opportunities, development opportunities such as the Lifelong Learning Account will be vital in improving the skills of the most vulnerable and providing choice over training options. However, those in working poverty, who are often already time-poor,⁸⁷ will struggle to take up training opportunities. Research should be undertaken to explore the impact of granting the right to request time to train – which is currently available only to ‘employees’ (not ‘workers’) of companies with more than 250 employees – to everyone, irrespective of the size of their company or their employment status. It would be vital to ensure that extension of the right to request time to train coincides with incentives for SMEs to provide in-house training opportunities for low-paid workers as an alternative to taking time off. Such an approach would ensure that gains in productivity would benefit both the employer and the employee.

Support in seeking employment

Finding work is often difficult for those in working poverty. Support must be provided to reduce the risk undertaken in moving from a low-paid job to a better-quality and better-paid job.⁸⁸ This will involve helping workers to develop connections and networks with others, and greater use of labour market intermediaries that help people find work. NGOs and unions, especially Union Learning Representatives, are particularly well placed to help people gain better employment, as well as matching local business needs with appropriate skills training. Crucially, for low-paid, temporary agency workers there are often few (if any) intra-workplace career ladders available. Thus, in addition to supporting the working poor to find opportunities, businesses should be encouraged to create partnerships with agencies that create progression routes for low-paid workers and (in some cases) facilitate climbing the supply chain.

5. Greater social dialogue is vital for businesses *and* workers

Evidence shows that in countries such as Denmark, where there are high levels of union membership, there are low levels of in-work poverty,⁸⁹ and a higher level of wage bargaining coverage is associated with a reduction of in-work poverty.⁹⁰ In the UK, however, the erosion of union powers and the decline in union membership and recognition by employers have led to a weakened social dialogue between workers and business. It is important that workers have a stronger voice in the workplace, and that unions are seen as protecting and developing workers as part of a successful enterprise, rather than as a negative influence within companies. Unions can help to ensure that workers’ rights are upheld without resort to tribunals, broker training and development opportunities, and support wage-setting – for example, through mandatory representation on wage-setting boards.

There are also now new opportunities to secure greater leverage for workers at any point within a supply chain, irrespective of location or nationality, by building new alliances: for example with consumers who want to buy ‘clean

clothes' (clothes produced without exploitation) or those supporting calls for a Living Wage. Faith groups and community organisations joined the London Citizens' campaign for a Living Wage for cleaners in East London; consumers could seek to guarantee that their shoes are not stitched by children or their crackers made by homeworkers who are denied the Minimum Wage.

Corporate social responsibility (CSR) can be another dimension of this process, as companies (particularly those with high-profile brands to protect) are increasingly recognising that they are 'corporate citizens' and, as such, have responsibilities not only to their shareholders but also to wider society. Thus, for example, the Ethical Trading Initiative – one of the few CSR initiatives based within the UK – produces a 'base code' of minimum labour standards, which its corporate members agree to work actively towards implementing within their supply chains. Although such developments are often criticised as little more than a public relations exercise or, even more concerning, an ethical smokescreen behind which exploitative companies can hide, the existence of an agreed set of minimum standards does at least provide labour rights campaigners and trade unionists with another tool to help gain greater leverage and attention in seeking justice for workers.

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