

Low Pay in Scotland

Executive Summary

Low pay in Scotland affects between nearly one quarter and one fifth of all workers. Low pay, as opposed to low income, relates directly to earnings, but many of those on low incomes are low paid workers. This is called in-work poverty.

- At least 370,000 workers in Scotland were paid less than £7 an hour in 2009.¹
- More than 20 percent of women, and almost 15 percent of men, earned less than £7 per hour in Scotland 2009.²
- Between 2005/2006 and 2007/2008 nearly half of adults and children living in families with low incomes were in working rather than workless households.³
- The four local authorities (LAs) with the highest proportion of low paid workers between 2007 and 2009 were Clackmannshire, the Highlands and Islands, Dumfries and Galloway, and Moray: all are rural.⁴
- Dundee and Glasgow were the urban LAs with the highest proportion of low paid workers.
- Women in Scotland are more likely to be in low-paid jobs than men: in 2009, 43 percent of workers earning less than £7 per hour were women in part-time jobs.⁵
- Young men who work full-time are more likely to be in a low paid job than young full-time women workers, but this tendency is reversed as men and women age.
- The industrial sectors with the lowest rates of pay are food, beverage and accommodation, retail, administrative and support services and arts, entertainment and recreation.⁶
- In 2009, 70 percent of jobs in food and beverage service activities paid less than £6.61 per hour

¹ Annual Survey of Hours and Earnings (ASHE), Bespoke table *From 2009 region by age request*: United Kingdom, 2010. Office for National Statistics. Our thanks to Guy Palmer for providing these data.

² Scotland, Location of Low Pay, Graph 2: Compared to the United Kingdom at <http://www.poverty.org.uk/s53/index.shtml>.

³ Palmer, G. (2010) The impact of devolution: Indicators of Poverty and Social Exclusion. JRF: York, p. 17.

⁴ The Poverty Site, Location of Low Pay (<http://www.poverty.org.uk/s53/index.shtml>). Data are from the Annual Survey of Hours and Earnings (ASHE), ONS; updated 2009.

⁵ Scotland, Low Pay by Gender, *Key Points* and Graph 2, *Shares by Gender*, <http://www.poverty.org.uk/s51/index.shtml?2>

⁶ ASHE uses the UK Standard Industrial Classification of Economic Activities (SIC). See http://www.statistics.gov.uk/methods_quality/sic/default.asp. All figures are from ASHE, Table 5.5a, *Hourly pay – Gross (£) – For all employee jobs*, United Kingdom, 2009.

- Directly employed public sector workers account for around a fifth of all those in low pay: nearly all are women and just about all of them work in either education or health (including social work).⁷

This report also contains the real-life stories of three low paid Scottish workers. Based on their experiences, and the discussion of the landscape of low pay in Scotland, we point to the following key messages for policymakers:

1. There is a need for robust, publicly available data on low pay in the Scotland and the Scottish regions.
2. Low pay is linked to the broader issue of poor employment conditions.
3. Low pay thus plays a role in preventing people from planning for the future.
4. Public sector spending cuts are likely to impact on low paid workers: the UK and Scottish governments need to commit to protect, and increase, the wages of the lowest-paid public sector workers.
5. While tax credits are currently vital to ensuring that many low paid workers do not live in poverty, the system is imperfect and overly-complicated
6. The National Minimum Wage has been crucial in addressing the problem of low pay in the UK but must also keep pace with increases in average earnings.
7. Fundamentally, the social and economic costs of low pay should not be borne by workers and the state: employers must be encouraged to act in socially responsible ways to their workers.

The Living Wage Campaigns across the UK are a very practical way of encouraging employers to do so. Trade unions, faith groups, voluntary and community organisations and others should work together to ensure that living wage campaigns develop in communities across Scotland.

Introduction

As the Joseph Rowntree Foundation (JRF)'s 2009 report *Monitoring poverty and social exclusion 2009* noted, one of the reasons that the Labour government's target of ending child poverty by 2020 is not likely to be met is that the number of children experiencing 'in-work poverty' has risen sharply since 2003/04. In-work poverty means that a child is living in a household with at least one working adult that is nevertheless classified as low-income.⁸

While the JRF report clearly illustrates how in-work poverty is affecting British children and families, less is known about the geography of low pay and in-work poverty in the UK. This report examines low pay in Scotland. What does it mean to be in a low paid job in Scotland, and how does low pay affect Scottish workers? Scottish employees

⁷ Scotland, Low Pay by Industry, *Key Points*, <http://www.poverty.org.uk/s52/index.shtml?2>.

⁸ A household is defined in this case as having a 'low income' if its income is less than 60 percent of the median UK household income for the year in question. See section two for more information on definitions.

have a slightly lower than average risk (compared with employees of other UK regions) of earning less than £7 per hour.⁹ Nevertheless, if we look at average figures for 2005/2006 to 2007/2008, nearly half of adults and children living in families with low incomes were in working rather than workless households.¹⁰

This report addresses the issue of low pay from two perspectives. First, it looks at different measures and sources of data on low pay. This is to provide a general overview of the 'landscape' of low pay in Scotland. Second, it discusses the experiences of individuals and families on low pay, in their own words. Both perspectives inform the discussion in the concluding section, which addresses key policy issues relating to low pay, poverty and social exclusion in Scotland.

Understanding low pay in Scotland

What is low pay?

Low pay is related to, but different from, low income. The term low income refers to the situation in which the total of all types of income (earnings, benefits, income from pensions, investments or property, etc.) received by a household or individual falls below a particular threshold associated with relative poverty. In the UK, the common threshold used to identify when a household is classed as 'low income' is 60 percent of median earnings after housing costs.

Low pay, on the other hand, relates specifically to earnings from employment. There are different thresholds for calculating low pay, and no one is considered standard. The JRF has defined and used two different thresholds in different contexts. In its latest *Indicators of Poverty and Social Exclusion* it defined low pay as hourly pay at the 20th percentile, which has some analogies with the 60 percent of median earnings figure used for low income. According to this definition, those jobs that qualified as low paid in 2009 were those paying £7.27 or less (gross hourly pay) – 60 percent of £10.86, the median hourly wage in Scotland in 2009.¹¹ By this definition, 20 percent of employee jobs in Scotland in 2009 were low paid.¹²

The JRF's Minimum Income Standard (MIS) Project defined the minimum income needed by a family or individual to ensure an acceptable standard of living. The MIS figures show that the majority of UK families would need to have two adults, working full-time, each earning £7.14 per hour (based on a 38 hour week) as of July 2009.¹³

⁹ Scotland, Location of Low Pay, Graph 2: *Compared to the United Kingdom*, The Poverty Site (<http://www.poverty.org.uk/s53/index.shtml>).

¹⁰ Palmer, G. (2010) *The impact of devolution: Indicators of Poverty and Social Exclusion*. JRF: York, p. 17.

¹¹ Annual Survey of Hours and Earnings (ASHE), Table 7.5a *Hourly pay - Gross (£) - For all employee jobs*: United Kingdom, 2009. Office for National Statistics, <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101>.

¹² Ibid.

¹³ The Working Lives Institute (2010) *The impact of low pay on UNISON's families and Children*. London: UNISON, p.9.

Finally the Poverty Site (www.poverty.org.uk), a major source of statistics on UK poverty and social exclusion, uses the threshold of £7 per hour. This threshold has the virtue of simplicity and is roughly two thirds of Great Britain median hourly earnings.¹⁴

This report makes predominant use of the £7 per hour threshold, as well as citing other data (percentiles, for example) as figures or proportions.

The landscape of low pay in Scotland

Scotland has a somewhat lower proportion of low paid workers than other parts of the UK.¹⁵ Nevertheless more than 20 percent of women, and almost 15 percent of men, earned less than £7 per hour in 2009.¹⁶ According to the Labour Force Survey (LFS) in 2009 the proportion of all workers in Scotland earning less than £7 gross averaged around 24 percent.¹⁷

Many workers in Scotland earn well below the £7 per hour threshold: according to the Annual Survey of Hours and Earnings (ASHE), in 2009 10 percent of jobs paid £6.23 or less¹⁸. So while worklessness remains one of the main causes of poverty in the UK, nearly a quarter of households in which one member has some paid work have low incomes. In the three years to 2007/08, the risks of low income among working-age adults in Scotland were: 65 percent for unemployed families, 55 percent for economically inactive families, and 24 percent for those with some paid work.¹⁹

Table 1 shows earnings growth over the last nine years as recorded by ASHE.²⁰ There is a clear upward trend, but this must be understood in the context of inflation (the increase in the general level of prices of goods and services over time). The annual percentage change in the Retail Prices Index (RPI) is given in column four for each year to give an indication of how the annual percentage change in median and below median gross hourly pay compares to the level of inflation in the economy²¹. The average for the percentage change year-on-year (for the number of years data are available) is about 4 percent; the RPI over the same period averaged 2.5 percent.

¹⁴ Low Pay by Industry, United Kingdom, *Definitions and Data Sources*, The Poverty Site, <http://www.poverty.org.uk/52/index.shtml>.

¹⁵ Scotland, Location of Low Pay, Graph 2: *Compared to the United Kingdom*, <http://www.poverty.org.uk/s53/index.shtml>.

¹⁶ *Ibid.*

¹⁷ Office for National Statistics. *Labour Force Survey Five-Quarter Longitudinal Dataset, October 2008 – December 2009*. Colchester, Essex: UK Data Archive, March 2010.

¹⁸ For differences between the ASHE and the LFS, see Appendix 1.

¹⁹ Scotland, Low income by work status, *Key Points*, The Poverty Site, <http://www.poverty.org.uk/s39/index.shtml?2>.

²⁰ See Appendix 1 for a note on data sources.

²¹ The Retail Prices Index (RPI) is the most familiar general purpose domestic measure of inflation in the United Kingdom. The Government uses it for uprating of pensions, benefits and index-linked gilts. It is also used for wage bargaining. See <http://www.statistics.gov.uk/cci/nugget.asp?id=21>.

Table 1. Hourly pay - Gross (£) - Scotland – For all employee jobs^a, 2000 – 2009

| Description | Number | Annual percentage change | Annual percentage change in RPI | Percentiles (earning below, £ per hour) | | | | | |
|-------------|------------------------------------|--------------------------------|--|---|------|------|------|------|------|
| | of jobs (thousand) ^b | | | Median | 10 | 20 | 25 | 30 | 40 |
| 2000 | 1,916 | 7.50 | 2.3 | 3.0 | 4.28 | 5.00 | 5.41 | 5.80 | 6.59 |
| 2001 | 1,938 | 7.92 | 5.6 | 1.8 | 4.73 | 5.50 | 5.90 | 6.35 | 7.23 |
| 2002 | 1,941 | 8.31 | 4.9 | 1.7 | 4.73 | 5.50 | 5.90 | 6.35 | 7.23 |
| 2003 | 1,960 | 8.49 | 2.1 | 2.9 | 4.98 | 5.74 | 6.12 | 6.57 | 7.46 |
| 2004 | 1,978 | 8.71 | * | 3.0 | 5.09 | 5.89 | 6.29 | 6.75 | 7.65 |
| 2005 | 2,136 | 9.13 | 4.8 | 2.8 | 5.27 | 6.12 | 6.57 | 7.06 | 8.00 |
| 2006 | 2,090 | 9.52 | * | 3.2 | 5.50 | 6.32 | 6.83 | 7.33 | 8.35 |
| 2007 | 2,152 | 9.96 | 4.6 | 4.3 | 5.81 | 6.61 | 7.17 | 7.67 | 8.73 |
| 2008 | 2,197 | 10.39 | 4.3 | 4.0 | 6.03 | 6.97 | 7.50 | 8.01 | 9.09 |
| 2009 | 2,179 | 10.86 | 4.5 | -0.5 | 6.23 | 7.27 | 7.83 | 8.35 | 9.44 |

^a Employees on adult rates whose pay for the survey pay-period was not affected by absence.

^b Figures for Number of Jobs are for indicative purposes only and should not be considered an accurate estimate of employee job counts.

*Data not available.

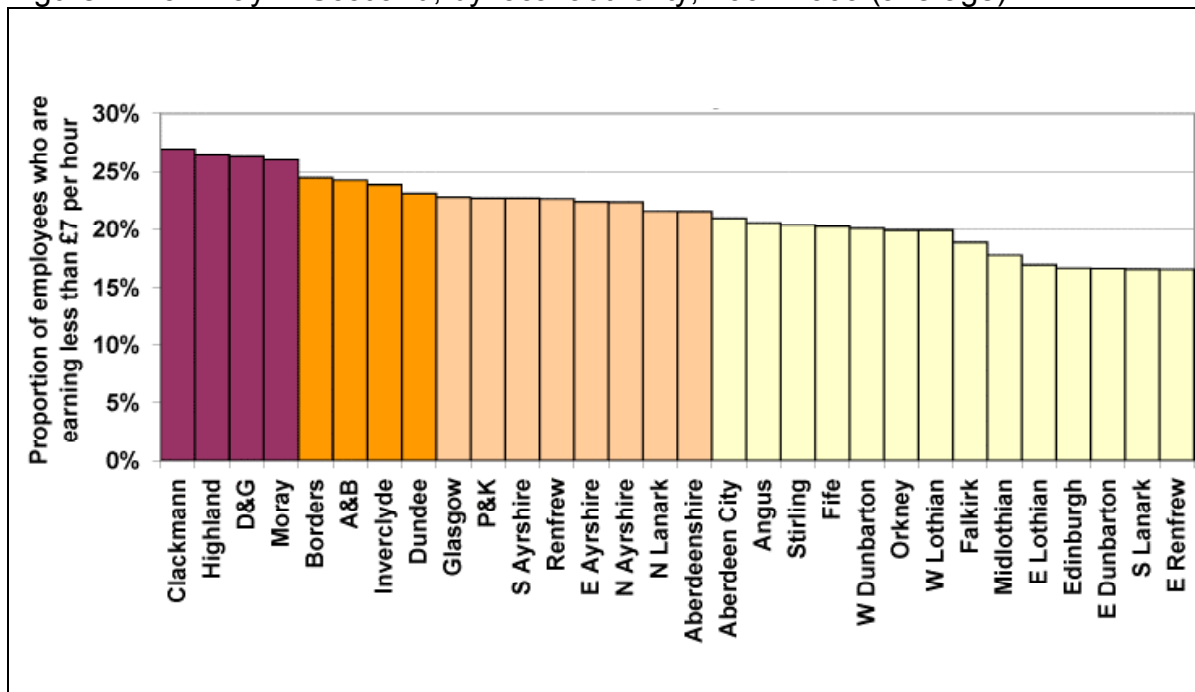
Data are from the Annual Survey of Hours and Earnings, Analysis by Place of work by Local Authority, ONS and RPO2, Retail Price Index (RPI) all items 1947-2010, ONS.

While these figures give a sense of the extent of low pay in Scotland as a whole, the likelihood of being low paid varies on the basis of geographical location, gender, age and sector.

The geography of low pay in Scotland

As Figure 1 shows, the four local authorities (LAs) with the highest proportion of low paid workers between 2007 and 2009 – Clackmannshire, the Highlands and Islands, Dumfries and Galloway, and Moray – are all rural. Dundee and Glasgow were the urban LAs with the highest proportion of low paid workers.

Figure 1. Low Pay in Scotland, by local authority, 2007-2009 (average)



Source: The Poverty Site, Location of Low Pay (<http://www.poverty.org.uk/s53/index.shtml>). Data are from the Annual Survey of Hours and Earnings (ASHE), ONS; updated 2009.

If we look at Clackmannanshire, the LA with the highest number of low paid jobs, and Dundee, the urban LA with the highest number of low paid jobs, we see that:

- In Clackmannanshire in 2009, 25 percent of jobs (approximately 3,000) paid £6.88 or less per hour.²²
- Thirty percent of full-time women workers earned £6.81 or less and 60 percent of part-time female workers earned less than £7 per hour.
- In Dundee 20 percent of all jobs (approximately 14,400) paid less than £7.13 in 2009.
- Ten percent of full-time male workers earned £6.75 or less, but 40 percent of part-time male workers and 30 percent of part-time female workers earned less than £7 per hour.²³

Gender and low pay in Scotland

In general, women in Scotland are more likely to be in low-paid jobs than men. This is because women are more likely to work part-time: in 2009, 43 percent of workers earning less than £7 per hour were women in part-time jobs.²⁴ But because half of

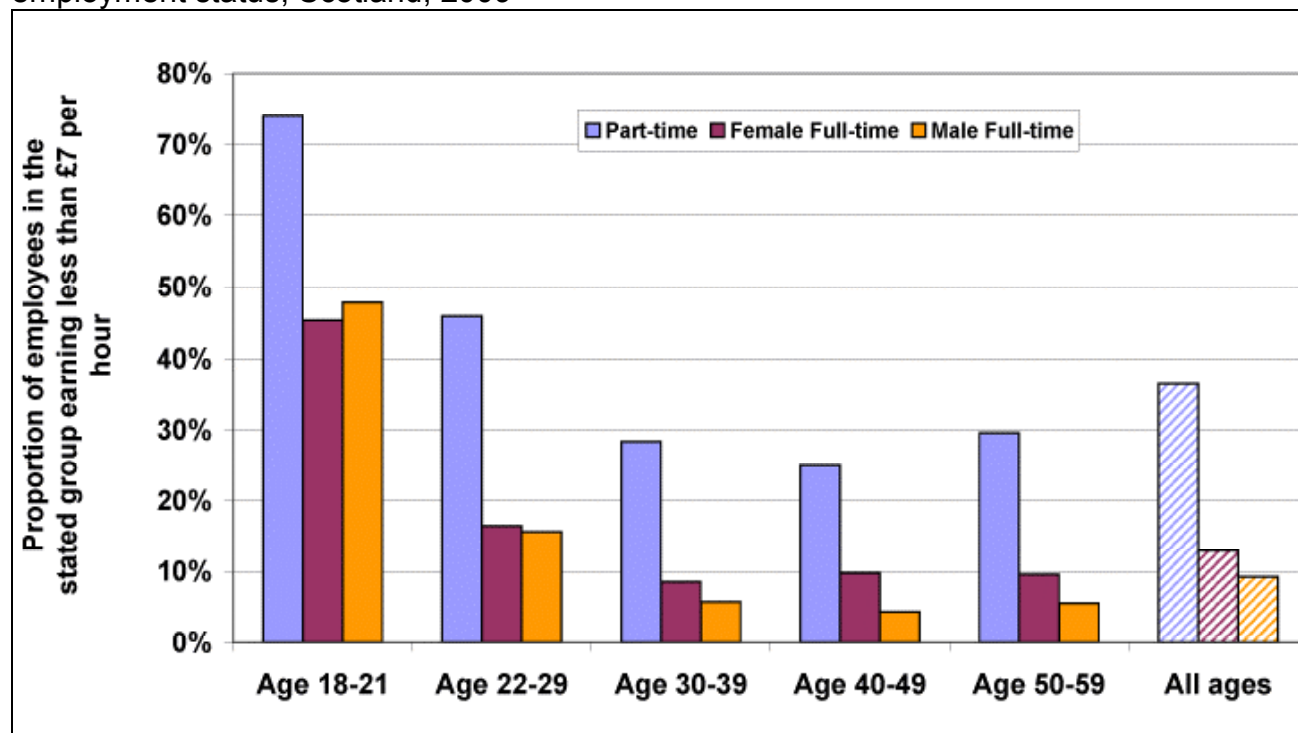
²² All figures are for gross hourly pay excluding overtime. ASHE, Table 7.6a *Hourly pay – Excluding overtime (£) – for all employee jobs: United Kingdom 2009.*

²³ There is no estimate of the number of part-time jobs filled by male workers in Dundee in 2009, but an estimated 16,000 part-time jobs were held by women in the city in 2009. Dundee also has the highest rates of part-time employment for any Scottish city (27 percent of all those in employment worked part-time in 2008, the latest year for which figures are available).

²⁴ Scotland, Low Pay by Gender, *Key Points* and Graph 2, *Shares by Gender*, <http://www.poverty.org.uk/s51/index.shtml?2>

low-paid full-time workers are also female, women represent two thirds of all low-paid workers in Scotland. As Figure 2 shows, young men who work full-time are more likely to be in a low paid job than young full-time women workers, but this tendency is reversed as men and women age, a finding that supports the theory that the gender wage gap is influenced by women’s childrearing and caring responsibilities (which make women more likely to take on part-time work).

Figure 2, Proportion of employees earning less than £7 per hour, by gender, age and employment status, Scotland, 2009



Source: ASHE 2009, ONS, <http://www.poverty.org.uk/s51/index.shtml?2>

Low pay by industry

Low pay in Scotland also varies by industrial sector²⁵. Those with the lowest rates of pay included, in 2009:

1. The **food, beverage and accommodation service** sector:
 - Is the lowest paid: in 2009, 70 percent of jobs in food and beverage service activities paid less than £6.61 per hour
 - In the accommodation and food services activities sector as a whole, 60 percent of jobs paid £6.50 per hour or less.
 - That means more than 51,000 jobs in this sector in Scotland paid a full-time annual wage (based on a 37.5 hour week) of less than £12,000.

²⁵ ASHE uses the UK Standard Industrial Classification of Economic Activities (SIC). See http://www.statistics.gov.uk/methods_quality/sic/default.asp. All figures are from ASHE, Table 5.5a, *Hourly pay – Gross (£) – For all employee jobs*, United Kingdom, 2009.

2. The **retail sector**:

- Forty percent of all jobs (approximately 82,000) in the retail trade (excluding motor vehicles) paid less than £6.28 per hour, and 60 percent (123,000 jobs) less than £7.29 per hour.
3. Other sectors with low rates of pay in 2009 included **administrative and support services** (of approximately 92,000 jobs, 30 percent paid £6.56 per hour or less) and the **arts, entertainment and recreation** sector in which 40 percent of all jobs paid less than £6.41 per hour.

It is important to remember that the industrial sectors with the lowest earnings are largely those in which rates of pay are generally low (such as retail). Sectors which include occupations such as carers, cleaners, nursery workers, etc. may have still have very low rates of pay for particular groups of workers, even if the overall level of pay within the industry is not as low as some others.

Rates of low pay also vary between the public and private sectors. Although directly employed public sector workers are less at risk of low pay than those in the private sector, they nevertheless accounts for around a fifth of all those in low pay: nearly all of these are women and just about all of them work in either education or health (including social work).²⁶ These are workers directly employed; clearly if contract workers in areas such as cleaning and care work are included, the numbers of low wage workers employed by the public sector is likely to be higher.

Experiences of low pay in Scotland

This section contains the stories of people in low paid jobs in Scotland. The case studies are based on interviews with workers in cities in the Central belt; names have been changed to preserve anonymity.

Steven, Retail Sector, Edinburgh

Steven is 44 and lives with his partner and their young daughter. When she was born, it was decided that Steven would be the primary carer. He reduced his hours to 20 per week, losing his supervisory role as a result.

“My rate dropped from £7.04 to £6.08. This combined with the cut in hours meant I was earning around £400 less per month.”

Despite qualifying for tax credits, his partner’s income, at roughly £250 per week after tax, means they don’t qualify for housing benefit. Their combined income is less now than before having a child. To further compound matters an over-payment of tax credits in 2008 (to the tune of £1120.06) and gas underpayments (of £520) in 2009 are now in the process of being clawed back. It is this that has put a further squeeze on already tight financial circumstances. The couple are now completely limited when it comes to socializing, instead choosing to

²⁶ Scotland, Low Pay by Industry, *Key Points*, The Poverty Site, <http://www.poverty.org.uk/s52/index.shtml?2>.

spend much of their incomings on 'decent' food. Pressures have been heightened by the affects of the recession on working conditions. Steven has noticed a big difference compared with a year ago.

“People are definitely starting to feel it now. There’s low morale in the store and no new staff are being taken on. People leave and they’re not being replaced. We’re told if we don’t like hard work to go somewhere else. People are on edge.”

Struggling to make ends meet is something Steven and his partner only experienced once they started a family.

“I don’t go about saying I’m poor and I work with people who are in much more difficult circumstances than me, but it is hard.”

Sarah, Catering and Hospitality Sector

Sarah is 28 and has worked in the same role for two and a half years. Her job involves a mixture of catering and bar work. When she first started, she was earning £5.73 on a zero hour contract. With such low pay and no guarantee of set hours she found living on her own and keeping on top of her bills increasingly difficult. Whilst at college in her early twenties she had been entitled to housing benefit but when she finished her course things got complicated. With no sick pay entitlement and 13 week holiday pay calculations there was extra pressure in the workplace.

“When I was working, it was too difficult to apply for anything like that because my situation changed from week to week. We would have to struggle on ill as you couldn’t afford for your wages to be docked and we never really knew what holidays we were entitled to.”

Sarah’s situation is set to improve as the company she works for has been taken over by Cordia (Services) through Glasgow City Council.²⁷ Sarah has now been transferred to a new 35 hours per week contract on £7.30 per hour. Although yet to receive a full month’s new pay, she’s positive that it will make a difference and whilst clearly pleased with the rate increase, having a set hourly contract and wider terms and conditions are benefits that she really values.

“Now I know I’m getting 35 hours I can work out my money better. We get sick pay now and we’re also entitled to 28 days holiday a year. There’s a points system as well for working evenings and weekends that tops up your hourly rate. Things like that were never in place before.”

Despite the positive changes to employment contracts there are still other workplace pressures that Sarah, like many others, has to contend with. Business is noticeably quieter and there are concerns about looming public sector cutbacks. Although she and her colleagues are glad not to be on zero hour contracts, they are aware that reduced business

²⁷ Glasgow City Council were awarded the Scottish Living Wage Employer Award in April 2009.

could mean redundancies in the longer term. Nevertheless, Sarah is definite about the benefits of a Living Wage.

“The cost of living is so high; it’s needed to get by. It’s got to be better than the minimum wage. Who can actually live on the ‘minimum’ – I’m pretty sure that the people who came up with those figures aren’t.”

Amy, Retail Sector

Amy is a young worker who studied at college in her late teens. She is employed in the retail sector, working 25 hours a week earning £6.30 per hour. She first started working for the company when she left school but up until recently has never earned more than £6.00 per hour. Taking on extra key holder responsibilities as Senior Sales Assistant means she now gets 30p more on her basic rate.

The vocational course Amy chose at college was one laced with promises of exciting job prospects. The reality however has been very different.

“The chances of getting a job from the course I did are very slim, unless you have money behind you and able to move to London or somewhere. At the time you’re not really thinking long term and all of a sudden it hits you. You’ve used your grant allocation for fees, racked up student debt, all for something you didn’t properly think through as a career as such.”

As it stands however she feels trapped. Amy lives at home with her parents, but not out of choice.

“I’m relatively happy just now because I’ve got a focus on starting my own consultancy, but it can only be one thing at a time. I get paid just over £100 a week after tax which is nothing really in the ‘real world’. I can’t afford to do much after I’ve given my mum and dad money for lodgings and paid for travel etc. I went on holiday a few years ago and had to save the whole year just to be able to afford it - then once I was home it was back to square one.

Amy believes that all customer service work should get equal recognition when it comes to pay. She also disagrees with the scaling of the minimum wage based on age.

“It’s generally £5.80 or £6.00 wherever you go for the type of work I do if you’re my age. People working in other customer type jobs like call centres get a higher hourly rate and can get bonuses on top, but at the end of the day it’s still the same type of job - customer service...”**“People under 18 where I work get £3.57 per hour. I just don’t understand why, when they’re doing the exact same work, that they get so much less.”**

Discussion: Low pay and policy

The prevalence of low pay in Scotland, while proportionally lower than in many other UK regions, still affects a significant number of individuals, families and households. Moreover, the current juncture is an important one for considering likely future direction and affects of low paid work in Scotland: although technically out of recession, unemployment is still rising in the UK and public borrowing has increased dramatically. The new Conservative-Liberal Democrat government has come to power promising £6 billion of cuts in public spending in it's first year, and its plans to cut the public sector deficit will have an impact on the funding available for public services in Scotland. At the same time, the private sector continues to lose jobs: in the UK in the fourth quarter of 2009 7,000 public sector jobs were added to the economy, while 61,000 private sector jobs were lost.²⁸ In this context there will continue to be a downward pressure of pay in both the public and private sector.

This section discusses three key issues raised by the above discussion of low pay in Scotland: families and in-work poverty, low pay and life chances, and the importance of a living – rather than minimum – wage for tackling in-work poverty.

Families and in-work poverty

The JRF, in its 2009 report on poverty and social exclusion, noted that the lack of progress since 2004 in meeting the Labour government's target of eliminating child poverty is related to the fact that the affects of child tax credits for working families have been cancelled out by the increasing need for them. The number of children in low-income working families fell between 1998/1999 and 2003/3004 (from 2 million to 1.7 million) before rising again to 2.1 million in the last two years: as the Report states, "while the early 1990s recession and the five years to 2003/04 reversed it for a while, the 30-year trend in in-work poverty has been steadily upwards."²⁹

The link between child poverty and in-work poverty means that reductions in child poverty are highly unlikely if:

- a) The incidence of low pay in Scotland increases; and/or,
- b) The policy focus on welfare reform means fewer workless families but more low-income working families.

There are two trends that increase the likelihood of low pay becoming more prevalent in Scotland. The first is public sector cuts. Scotland has a high proportion of the workforce in the public sector, and it is likely that cuts will both reduce the number of jobs in the public sector (pushing workers into lower paid private sector jobs, if available) and the levels of pay in the public sector. The second is competition for

²⁸ Labour Market, Public Sector, 'Employment Increases in Q4 2009', ONS, <http://www.statistics.gov.uk/cci/nugget.asp?id=407>.

²⁹ MacInnes, T., Kenway, P. and Anushree Parekh (2009) *Monitoring poverty and social exclusion 2009*. York: Joseph Rowntree Foundation, p. 9.

jobs in the labour market. General economic theory suggests that if there is an imbalance between supply and demand in the labour market (with demand outstripping supply), wages will fall. It also reduces the power of unions in the context of collective bargaining. There is 'room' for wages to fall in that the median wage, and indeed the low pay threshold of £7 per hour, are well above the legal minimum wage of £5.80 per hour.

As Steven's story suggests, tax credits are not a solution for many families with low earnings. The system is complicated and many of those who transition in and out of work, are on temporary contracts, or change jobs often lose out. Moreover, tax credits effectively subsidise low paying employers. Thus the Government (and by extension, society as a whole) will have to 'top up' low earnings through the social safety net, which will be cast ever wider. This suggests that significant savings will not be realised through the welfare system in the UK even if increasing numbers of working-age people are pushed off benefits and into work, unless that work pays a living wage (or unless the Government cuts tax credits for the less well off, effectively pushing more households into poverty). Moreover, if the Government attempts to generate revenue by raising taxes on goods and services (through an increase in VAT, for example) rather than increasing National Insurance rates, this will impact those on low incomes disproportionately.

Low pay and life chances

Although more women than men are affected by low pay, it is revealing that young male workers earn less than their female counterparts. As young men have fallen behind women in educational attainment, and as the labour market in the UK has become increasingly service oriented, the opportunities for young men with few qualifications and little training have shrunk. Moreover, there is a strong possibility that being 'stuck' in a low paid job affects future prospects of even educated young people (as Amy's story suggests), and hence the duration of low incomes. It may also affect the ability of young adults to form stable relationships and households. The lack of access to benefits such as sick pay, holidays, and an occupational pension impact on low paid workers' security and ability to plan for the future.

For women, low pay and part-time work (and hence the gender pay gap) are directly related to caring responsibilities. The lack of comprehensive public childcare in the UK, and related high costs (and in some cases, low quality) of childcare services are one reason that many women work part-time or leave the labour market when they have children: as Stephen's story illustrates, the same issues affect men who are carers. For households headed by a lone parent, most of which are women, the risk of low income is thus doubly high: most part-time work is low paid, but full-time work is often incompatible with caring responsibilities. Moreover, those women who go to work in the care sector, looking after other people's children and relations, are themselves at risk of low pay.

Key policy messages:

1. There is a need for robust, publicly available data on low pay in the Scotland and the Scottish regions in order to understand the problem and formulate appropriate policy solutions.
2. Low pay is linked to the broader issue of poor employment conditions. Workers on low earnings are less likely to receive holiday entitlements, sick pay, and employer contributions to an occupational pension. All of these exacerbate the vulnerability of low paid workers.
3. Low pay thus plays a role in preventing people from planning for the future. Financial inclusion policies, particularly those designed to encourage saving, need to take account of the problems faced by low paid workers and the current disincentives to save that have been created by the complexity of means-tested benefits.
4. Public sector spending cuts are likely to impact on low paid workers both directly and indirectly. The UK and Scottish governments need to commit to protect, and increase, the wages of the lowest-paid public sector workers.
5. While tax credits are currently vital to ensuring that many low paid workers do not live in poverty, the system is imperfect, overly-complicated, and occasionally acts to the detriment of those on low incomes.
6. The National Minimum Wage has been crucial in addressing the problem of low pay in the UK. It has reduced the gender pay gap for low paid employees, and has at least set a floor to wages. It is important that the NMW is not simply allowed to 'wither on the vine'. As the Government has committed to restoring the earnings-link for the Basic State Pension, the NMW must also keep pace with increases in average earnings.
7. Fundamentally, the social and economic costs of low pay should not be borne by workers and the state: employers must be encouraged to act in socially responsible ways to their workers. The Living Wage Campaigns across the UK are a very practical way of encouraging employers to do so. Trade unions, faith groups, voluntary and community organisations and others should work together to ensure that living wage campaigns develop in communities across Scotland.

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Appendix 1 – Note on Sources

In addition to the Poverty Site ([www. povertysite.org](http://www.povertysite.org)) and publications by the Joseph Rowntree Foundation and Office for National Statistics, this report makes use of two national surveys.

Annual Survey of Hours and Earnings (ASHE):

The Annual Survey of Hours and Earnings (ASHE) provides information about the levels, distribution and make-up of earnings and hours paid for employees within industries, occupations and regions in the United Kingdom.

The ASHE was developed to replace the New Earnings Survey (NES) in 2004. The survey is conducted annually. It involves a random sample of all employees with National Insurance numbers (NIs) between the ages of 18 and 65, which are followed through to the employer. ASHE is therefore an employer survey of earnings and hours of employees. See <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101&More=Y> for more information.

Labour Force Survey (LFS):

The Labour Force Survey (LFS) is a quarterly sample survey of 60,000 households living at private addresses in Great Britain. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The survey seeks information on respondents' personal circumstances and their labour market status during a specific reference period, normally a period of one week or four weeks (depending on the topic) immediately prior to the interview.

Because the LFS includes data on reported earnings and income, it may capture low-paid informal and/or temporary workers included in the ASHE sample. It also includes all persons aged 16 or over resident in private households and NHS accommodation. For more information, see <http://www.statistics.gov.uk/statbase/Source.asp?vlnk=358&More=Y>.