

A duty of care

In-work poverty in London's
public sector

Jake Shepherd
Richard Hyde

SMF

**Social Market
Foundation**

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ABOUT THIS REPORT

This report draws on 16 semi-structured in-depth interviews with people working in or for the public sector in London. Some were directly employed and others were outsourced, but all were living below the poverty line. Interviews were conducted across October and November 2022.

This report also uses evidence from an SMF-convened expert roundtable event held in December 2022. The roundtable included representatives from anti-poverty charities, local and London government, public sector trade unions, public sector employers and academics.

The content of this report is also informed by numerous other bilateral discussions with councillors from London boroughs, Greater London Assembly (GLA) members, and representatives of public sector employers that took place across 2022.

FOREWORD FROM THE LIVING WAGE FOUNDATION

By Katherine Chapmen, Director of the Living Wage Foundation

This report by the Social Market Foundation provides welcome focus on a growing issue in London and across the UK – in-work poverty. Even before the cost-of-living-crisis hit, living costs in London were some of the highest in the world. The current bout of high inflation has piled more pressure on London’s workforce, with already high costs accelerating further, and wages failing to keep pace. As a result, many in the capital’s workforce face a real term pay cut, as rising rent, energy and food costs erodes workers’ pay packets.

This is particularly damaging for workers in the capital who are earning less than the real Living Wage. These workers face the double-whammy of being low paid, and experiencing a higher effective inflation rate, due to spending a larger proportion of their incomes on items most impacted by inflation, such as food and energy.

Low pay does not mean low value, and many workers earning less than the London Living Wage provide essential services for the UK’s capital. This is particularly true for London’s public sector – the main focus of this report. The pandemic provided a timely reminder of the critical role that the capital’s key workers, such as teachers, nurses and carers, play in the functioning of the London economy. It is surely unreasonable to expect those who navigated us through the last crisis to bear the brunt of this one. As such, it is concerning that many of these workers report significant financial hardship due to low pay and insecure work, including going into debt, being unable to pay bills and visiting foodbanks.

While the experience of low pay has always been worse in London, in previous years, London’s workers have been less likely to experience this than most other regions of the UK, with the higher levels of pay in London meaning fewer workers were earning less than the Living Wage. However, recent evidence shows this is beginning to shift. For instance, Living Wage Foundation research has shown that, for the first time ever, a higher percentage of jobs in London are low paid than across the UK as a whole.

A key driver of this is the lack of regional variance in the National Living Wage, which unlike the real Living Wage, does not account for London’s considerably higher living costs. As a result, the sharp increases to the National Living Wage over recent years have been less effective at pushing workers above the London Living Wage rate. With London’s workforce less protected by the government minimum and the cost-of-living crisis causing prices to soar, it is more important than ever that businesses in the capital that are able to do so, support their employees and pay a wage based on what it costs to live.

That is why Citizens UK and the Living Wage Foundation have launched an ambitious plan to make London a Living Wage City. This campaign, funded by Trust for London and in partnership with Greater London Authority, aims to uplift 75,000 low paid workers onto the London Living Wage over a four-year period. The campaign also seeks to deliver 30,000 Living Hours contracts, meaning workers will get a minimum of 16 hours working hours per week and have decent notice for shifts.

These efforts will make a real difference to low paid workers, and it is encouraging that the workers interviewed for this report cited improved pay and contracts, both of which the campaign to make London a Living Wage City addresses directly, as key areas that would improve their quality of life.

The Living Wage campaign started in London, as local leaders came together to fight for their belief that a hard day's work deserves a fair day's pay. More than 20 years later, the Living Wage movement has delivered pay rises for over 130,000 people, putting more than £1bn into the pockets of London's low paid workers in the process. However, as this research shows, certain sections of London's workforce are still struggling with the core essentials. If London is to continue to thrive as a dynamic, vibrant and international city, it is essential that those who provide critical, yet undervalued services are paid enough to live there. As the UK's capital city and key hub of economic activity, London can and must lead the way when it comes to paying a wage rooted in the cost-of-living. This has never been more important, both for the city and its workers.

EXECUTIVE SUMMARY

In-work poverty is not just a problem experienced by workers in the private sector. There are more than 1.4 million people in London living in what might be deemed “public sector households” i.e. households that rely (to some extent) on a public sector wage. Just under 140,000 Londoners living in such circumstances, are in poverty, equating to almost 1 in 10 (9.7%) “public sector households” in the capital.¹

Largely based around qualitative research findings generated by interviews with workers across a variety of public service positions and organisations, complemented by analysis of existing secondary sources, this report explores the experiences of Londoners in poverty who work in the public sector.

In-work poverty in London and the capital’s public sector

- London is the wealthiest region in the UK, yet poverty is more prevalent in the capital than anywhere else in the country. According to the London’s Poverty Profile 2020 report, 28% of all Londoners were living in poverty. 74% were in working families, a 12 percentage point increase on the previous decade.²
- Due to a number of work- and non-work-related drivers, employment does not always guarantee an adequate standard of living. The most obvious of these factors is low pay, slow wage growth, and falling real earnings.³
- For low-earning Londoners in the public sector, pay is marginally better than it is for their private sector equivalents. But there is still a considerable minority of public sector workers who do not earn enough to make ends meet. Analysis by the Living Wage Foundation and shared with the SMF shows that, in the spring of 2022, 4.3% of London’s public sector workers were earning below the London Living Wage – equating to around 270,000 public employees (excluding outsourced public sector staff).

The experience of in-work poverty among London’s public sector

- Pay rates were at the heart of the reasons why those we interviewed were suffering from in-work poverty. The problem of pay was exacerbated by uncertainty over hours of work; the phenomenon of the ‘one-hour contract’ in particular being mentioned more than once by participants. Frequently, hours were also described as inadequate.
- Employers’ attitudes to participants’ economic situations varied. Some had found their managers indifferent, while others did get some support from their managers. However, that support tended to be limited, not least because of the limited tools available to those managers.
- A negative workplace culture was commonly highlighted by interviewees. Staff said they felt undervalued and there were reports of instances of discrimination, with few opportunities for anyone to raise concerns about workplace problems.
- Obstacles that hinder public sector employers from helping struggling staff were acknowledged by interviewees. They highlighted how some parts of the public sector faced a number of their own challenges and constraints, including structural obstacles like a lack of control over local pay rates and scales.

- The impacts of in-work poverty are manifold. Participants highlighted the mental health, physical health, and relationship impacts of in-work poverty, with many workers unable to live the lives they would like to because of their difficult financial situations. Persistent stress and anxiety about their situation was widespread.
- The cost of living crisis was a recurring topic in the interviews. It made already difficult situations much worse. Every participant reported struggling to pay bills and afford food. Most reported enforced behaviour changes in response to the increases in the cost of living, such as going without heating and altering buying habits. Some said they were now having to rely on (often 'in kind') support from family, friends, or neighbours.
- The public service ethos helped to maintain motivation among some of those we interviewed, with several saying they wanted to continue working in the public sector because of the satisfaction it brings. Others, however, were keen to move to higher-paying private sector alternatives, as soon as it was practical to do so.

The support public sector workers would like from their employers

- In the interviews we conducted with public sector workers living in poverty, we asked what steps they would like their employers to take to help make a material difference to their economic circumstances.
- While pay, precarity, and hours were the main areas for improvement, several participants also raised the prospect of more training opportunities so they could boost their skill levels and increase their earning potential, not least by opening up opportunities for progressing into higher paying roles.
- In addition, specific support for some of the unavoidable costs associated with working was highlighted as likely to be helpful, at least at the margins. These included suggestions for subsidising travel to work costs and the price of food at work.

Towards a new employment standard among London employers

- The primary aim of this report was to highlight the workplace challenges affecting struggling public sector workers both in their jobs and their personal lives. Though their specific wants and needs sometimes varied, the overriding message from interviewees was a simple one: they want – and need – more support from their employers.
- It is important to note that better employment practices are not a silver bullet for solving poverty. We recognise that some challenges are too big for employers to tackle alone, and that factors such as budgets are often barriers to them doing more.
- Nevertheless, employers also have a role to play, as they have a direct influence over a number of the factors that cause or deepen poverty. Incentives have to be put in place to encourage more employers to take steps to improve the economic position of their workers.

To this end, the SMF is working with Trust for London to establish a new business standard, one that encourages London-based employers to do more to tackle working poverty and raise awareness of the issue. The design of our benchmark is well underway.

CHAPTER ONE – INTRODUCTION

In-work poverty is a growing issue in the UK, particularly in its capital. Driven by employment factors such as low earnings and slow wage growth, precarious work, and the high cost of living, the proportion of London households in poverty where at least one adult works full-time has risen by 50% over the past decade – more than any other region in England.

In part, this is a success story. It tells us that the composition of poverty is changing, with more people moving from worklessness to employment. But what it also shows is that while work is the best way of out poverty, it is not always guaranteed. This invites us to think about poverty differently, paying direct attention to employers and the world of work.

The SMF has already published research investigating London's in-work poverty problem. The first report called attention to the scale of in-work poverty in the capital, what drives it and the impact it has on workers, as well as making the business case for companies doing more to take action.⁴ The second explored individuals' experiences of in-work poverty, presenting the views of Londoners working for private companies while living below the poverty line.⁵

It only seems right that attention is also given to the public sector – to the school teachers, care workers, nurses, and countless other key workers that provide vital public services and who are also at risk of experiencing poverty.

This report aims to highlight the scale and nature of in-work poverty in the public sector, and what employers could do more of to support workers experiencing hardship. By reviewing existing literature, it sets out the key issues and debates, providing a timely snapshot of the problem. It also provides new primary evidence, drawing upon in-depth interviews with 16 public services workers living in poverty, building a picture of the work they do, how satisfied they are with their jobs, and, crucially, what they want – and need – to see more of from their employers.

The structure of our research is as follows:

- **Chapter Two** provides a brief overview of the in-work poverty problem, recapping research recently published by the SMF.
- **Chapter Three** reviews existing literature around public sector poverty, highlighting the key issues and challenges that affect struggling workers.
- **Chapter Four** chapter explores the experiences of London-based public sector workers, interviewing employees and outsourced agency staff from different departments.
- **Chapter Five** discusses the actions public sector employers can take to support workers, including the role of benchmarks in helping them come to terms with their pivotal position.

CHAPTER TWO – UNDERSTANDING IN-WORK POVERTY

This chapter builds a picture of in-work poverty in the UK and London. So as not to duplicate evidence already published by the SMF,⁶ it provides a brief overview of the problem, setting out key contextual concepts and statistics.

What drives in-work poverty?

Due to a number of work- and non-work-related drivers, employment does not always guarantee an adequate standard of living. The most obvious of these factors are low pay, slow wage growth, and falling real earnings.

But there are other factors that drive hardship among those in work. For example, research produced by the Joseph Rowntree Foundation (JRF) has identified benefit cuts, rising housing costs, and the reduced availability of jobs offering full-time hours as causes of in-work poverty.⁷ Other determinants include:⁸

- **Terms and conditions of employment:** This refers to insufficient, insecure, or casual work, and is often described as ‘atypical employment’. Atypical employment often falls short of the wages paid to full-time employees, acting as a ‘trap’ whereby it becomes difficult to obtain regular, full-time work.
- **Skills, training, and progression:** Low pay is strongly linked with low skill levels, as well as other employment issues like precarious work and poor in-work progression. In-work poverty can be described as ‘sticky’ because of how difficult it can be for workers to progress out of such circumstances.
- **Employee voice and representation:** Unionisation helps to ensure better working conditions by increasing employee voice in the workplace, increasing the bargaining power of workers. Without it, employees may find it harder to negotiate – and escape – their economic situation.
- **The cost of living:** Living costs also contribute to poverty levels, particularly in London. The ‘London cost of living premium’ reflects the additional burden of being a resident in the capital.
- **Debt:** Debt is a problem for those on lower incomes because of its impact on disposable income and living standards. Despite its importance, debt is frequently excluded from discussions around poverty.
- **Caring responsibilities:** Due to difficulties around childcare and caring for others, some workers – particularly women – are unable to work as many hours as they like and, as a result, earn less and face fewer progression opportunities.

In-work poverty in the UK

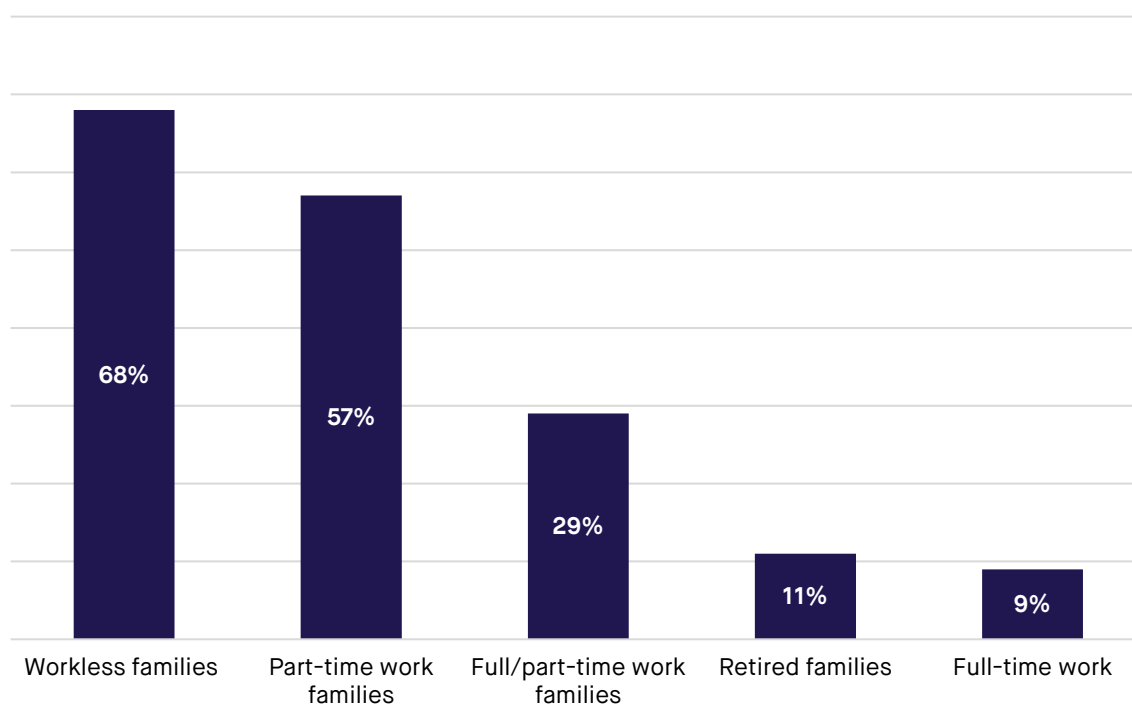
According to the Social Metrics Commission (SMC), 14.4 million people in the UK were living in families in poverty in 2018/19. Of that population, 8.5 million were working-age adults (22% of all working-age adults) and 4.5 million were children (33% of all children). 1.3 million were pension-age adults (11% of all pension-age adults).⁹

In-work poverty is a particular issue. While overall poverty rates have improved since the turn of the millennium,ⁱ in-work poverty has been increasing.¹⁰ A number of sources have highlighted that the composition of poverty has shifted from those that are workless to those in work:

- In 2020, the SMC published poverty rates showing that working-age adults in full-time working families (where all adults work full-time) and full/part-time working families (where some adults in the family work full-time, others work part-time) had risen by two and five percentage points, respectively, since 2000/01.¹¹
- That same year, the JRF found the percentage of working-age adults in working families in poverty grew from 11.2% in 1996-97 to 14.7% in 2017-18.¹²
- In 2019, the Institute for Fiscal Studies estimated that the percentage of people in relative poverty living in a household with one or more adults in paid work has risen from 37% to 58% since 1994.¹³

More people moving from worklessness to employment can be considered a success story. Even if still in poverty, working families are likely to experience more shallow, less persistent poverty than if they were workless. But it also shows that work is not a guaranteed route out of poverty.

Figure 1: UK poverty rates by level of work intensity, 2018/19



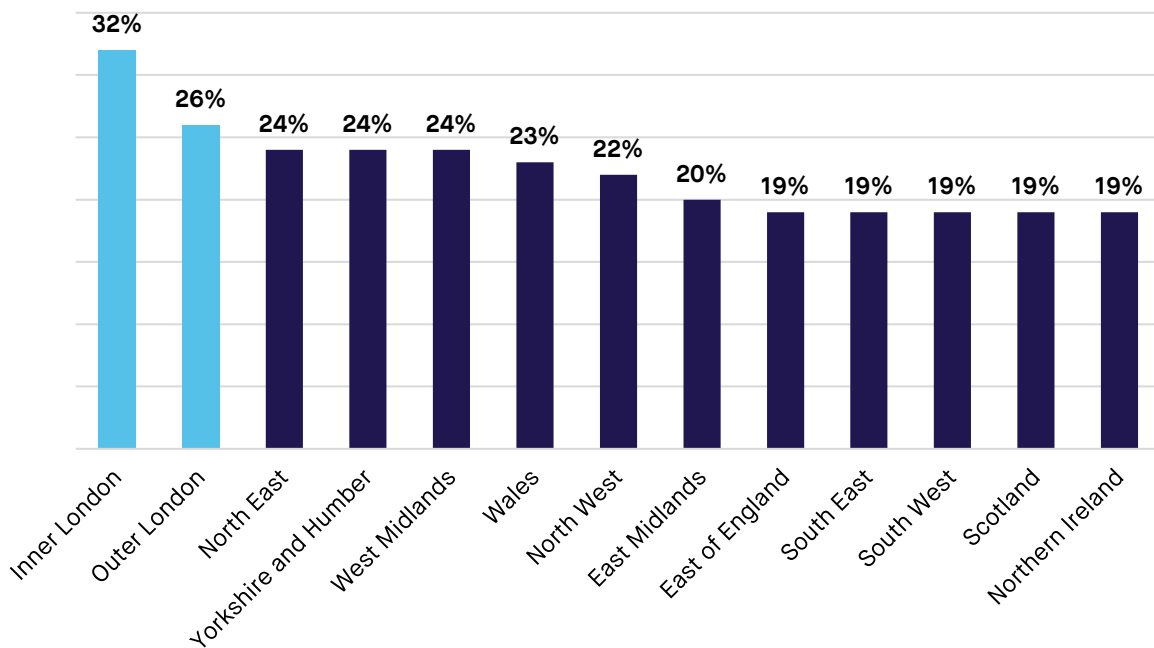
Source: Social Metrics Commission

ⁱ The current rate of poverty decreased from 23% in 2000/01 to 22% in 2018/19.

The London picture

Despite being the wealthiest region in the UK, poverty is more prevalent in London than anywhere else in the country (see Figure 2). According to the *London's Poverty Profile 2020* report, produced by WPI Economics on behalf of Trust for London, 2.5 million people – 28% of all Londoners – were living in poverty. Over 1 million (74%) were in working families, up from 62% a decade earlier.¹⁴ A 2022 version of the report explores borough-level poverty, and shows that, in some boroughs, the proportion of people in in-work poverty levels is as high as 87%.¹⁵

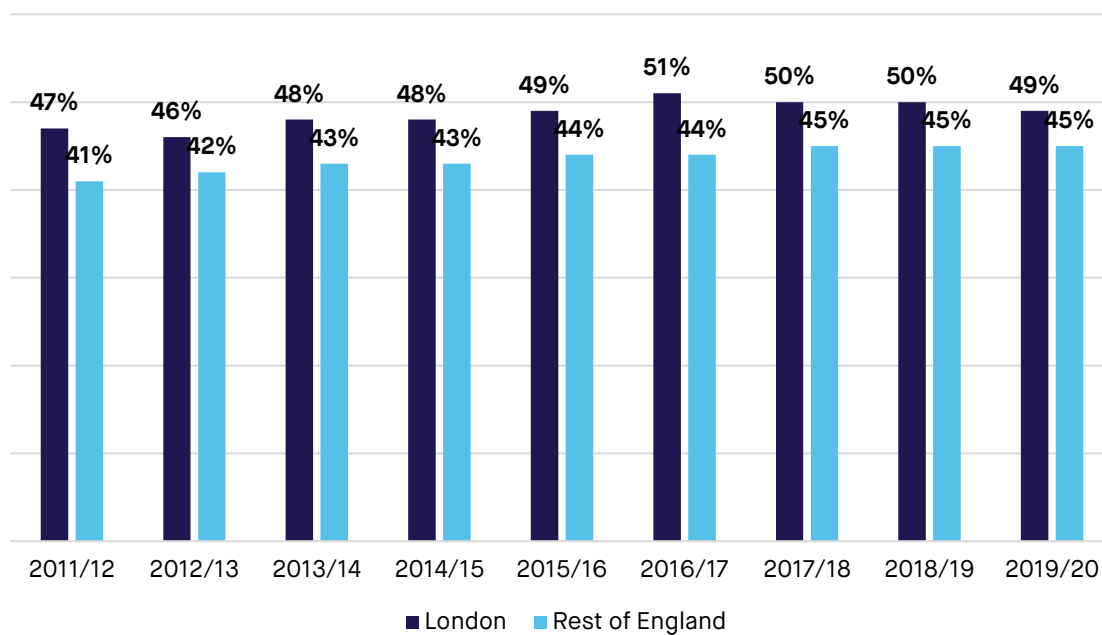
Figure 2: UK poverty rates by region, 2018/19



Source: Trust for London and WPI Economics

As part of its work examining poverty in London, WPI has identified a number of important changes which show in-work poverty has been worsening over time:¹⁶

- The proportion of London households in poverty, where all adults work full-time, was estimated to be 9%. This is in contrast to 6% a decade earlier.
- Among London households where one or more family members work part-time, the proportion in poverty was 49%. This was up from 41% a decade earlier.
- More than three-quarters (76%) of the children in poverty were in working families (555,000), up from 68% (470,000) five years earlier.

Figure 3: Proportion of those in poverty in London that are in employment

Source: Trust for London and WPI Economics

CHAPTER THREE – IN-WORK POVERTY AND THE PUBLIC SECTOR

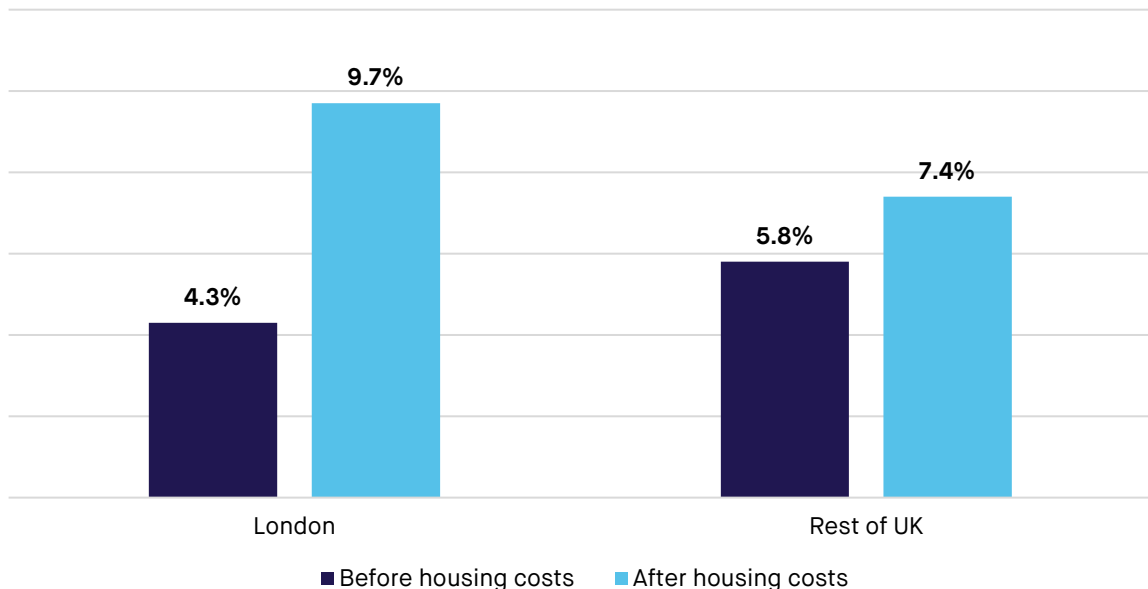
Prior to this report, the SMF has only looked at in-work poverty among those working in the private sector: the extent to which firms care about the issue¹⁷ and the voices of people working for private companies that live below the poverty line.¹⁸

This report highlights the public sector side of the story. As the public sector makes up almost one-fifth (17.7%) of all employees in the UK,¹⁹ it would be short-sighted not to consider the extent that in-work poverty is an issue afflicting those working in it.

Estimates calculated by WPI Economics and shared with the SMF suggests there are almost more than 1.4 million households in the capital with a public sector worker living in them. That same analysis also shows that in 2021, 9.7% of all people living in “public sector households” in London - i.e. households where at least one person works in the public sector – were in poverty (AHC). This equates to almost 140,000 people.²⁰ The rest of the UK has a public sector household poverty rate of 7.4% (AHC). As Figure 4 shows, London’s public sector household poverty rate more than doubles once housing costs are taken into account, reflecting the ‘London cost of living premium’ attached to being a resident in the capital.²¹

In this chapter, we explore the key issues and trends that influence levels of poverty among public services workers, including low earnings, poor working conditions, and the spiralling cost of living crisis. There is a particular focus on work that is outsourced to private companies, and the health and social care system crisis. In short, it will illustrate that, when it comes to in-work poverty, the public sector faces substantial problems

Figure 4: Public sector poverty rates, 2021



Source: Office for National Statistics

Note: Estimates refer to the number of people in households where at least one person works in the public sector.

Earnings and low pay

Low pay often results in workers not having enough money to meet their essential needs. While poverty is rarely defined by a single cause, it is inevitable that low earnings will end up being a key driver for those that are experiencing hardship. Most workers in poverty *will* be low paid.

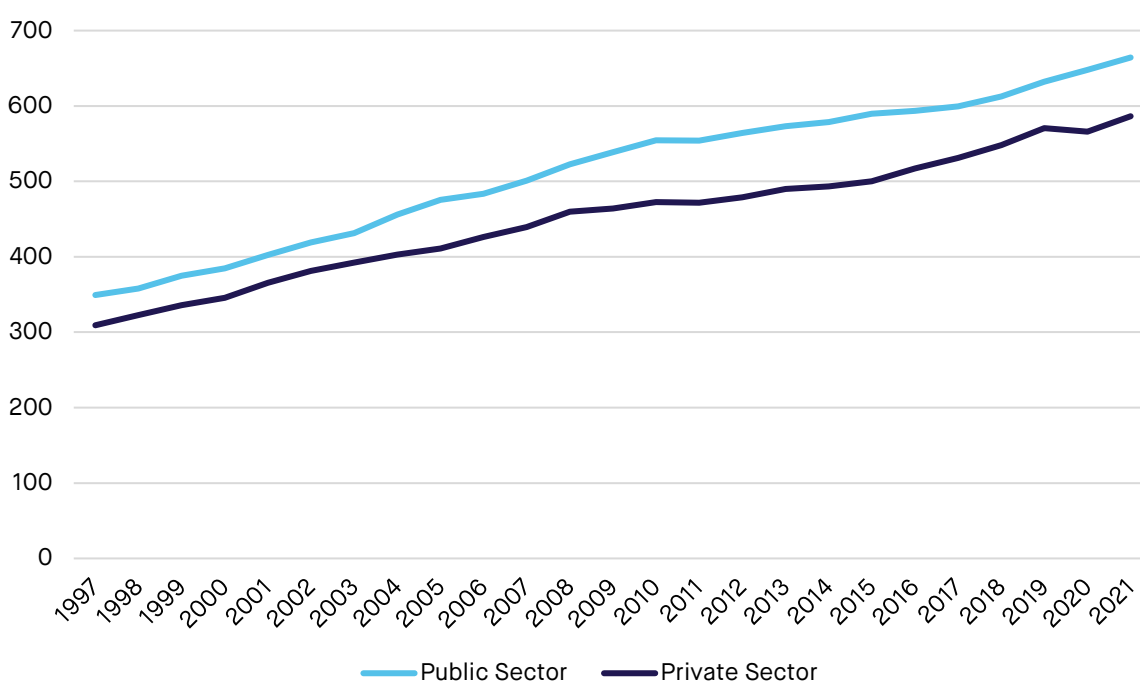
Trends in public sector pay

In 2021/22, the public sector pay bill amounted to around £235 billion, roughly a quarter of all government spending.²² As Paul Johnson of the Institute for Fiscal Studies has highlighted, public pay therefore carries a significant economic and fiscal weight, and that's why decisions about it are so important.²³

Due to rising inflation and a spiralling cost of living crisis, workers' concerns have been increasingly focused on the falling 'real' value of their earnings and reduced spending power. This has been reflected in widespread industrial action across the public sector in 2022 and early 2023.

Wages have failed to keep up with rising inflation. From January 2020 to November 2022 prices rose by 10.7%, whereas average annual public sector wage growth was 3.3% – a 7.4 percentage point difference. Private sector pay has grown faster at 7.2%.²⁴ Although average pay is slightly higher in the public sector – in 2021 full-time employees made £664 in median gross weekly earnings, compared with their private sector equivalents who earned £586²⁵ – growth continues to lag behind the private sector “by record margins”.²⁶ This is due to a public sector pay squeeze over the past decade.²⁷

Figure 5: Full-time employees real median weekly earnings (£) in the public and private sectors



Source: Office for National Statistics

Note: Figures adjusted to compensate for breaks in series.

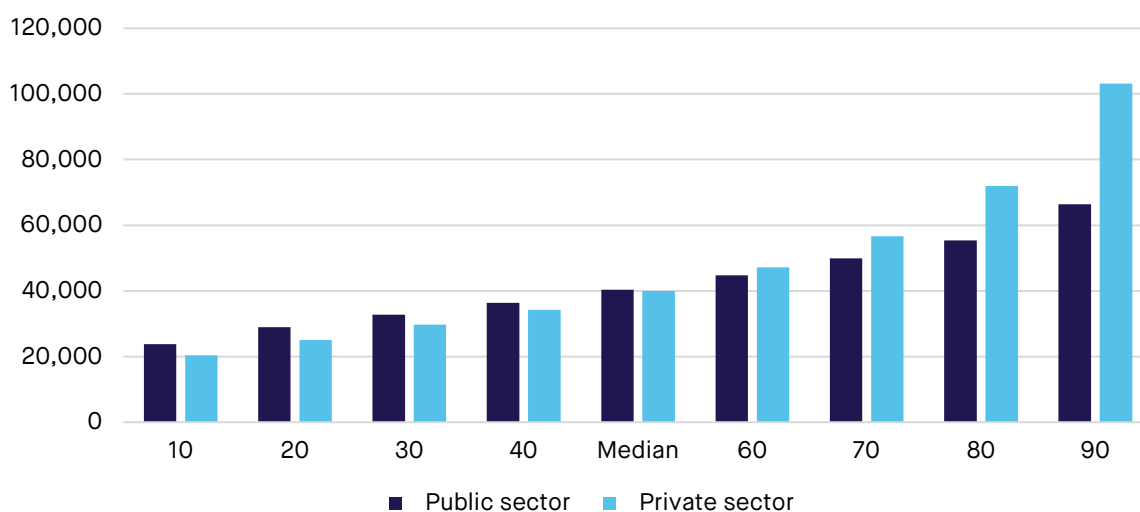
Unison has argued key workers have endured “a lost decade” in which their pay has failed to keep up with price rises.²⁸ Indeed, one analysis has suggested that median weekly public sector earnings fell by 4.3% in real terms between 2009-2021 – before the cost of living shock – while private sector earnings decreased by 1.9%. Some groups, such as police officers (-13%), prison service officers (-10.4%), and train and tram drivers (-12.2%) experienced even greater losses.²⁹

As the Living Wage Foundation has highlighted, as of April 2022, a higher proportion of jobs in London were paid below the real Living Wage than the UK as a whole – the first time this has occurred.³⁰ In terms of public services, data calculated by the Smith Institute on behalf of the Living Wage Foundation has shown that, in 2019, there were just under 1.2 million low paid public sector workers – one-fifth of all low paid workers in the UK – are earning less than the Living Wage. Of that population, 725,000 were employed directly by the public sector, equivalent to 13% of all directly employed public sector jobs. An additional 464,000 were outsourced workers.³¹

It is important to note that the incidence of low pay has declined across the economy since the Institute’s estimates were calculated. In 2019, the proportion of all UK employee jobs paid below the living wage was 20.0%, decreasing to 12.2% in 2022. Data is limited, but it is only logical that the proportion of public sector workers on low pay has also decreased over that period. To help build a better understanding of low pay in the public sector, further analysis is needed. It is an endeavour the SMF will be working towards in the coming months.

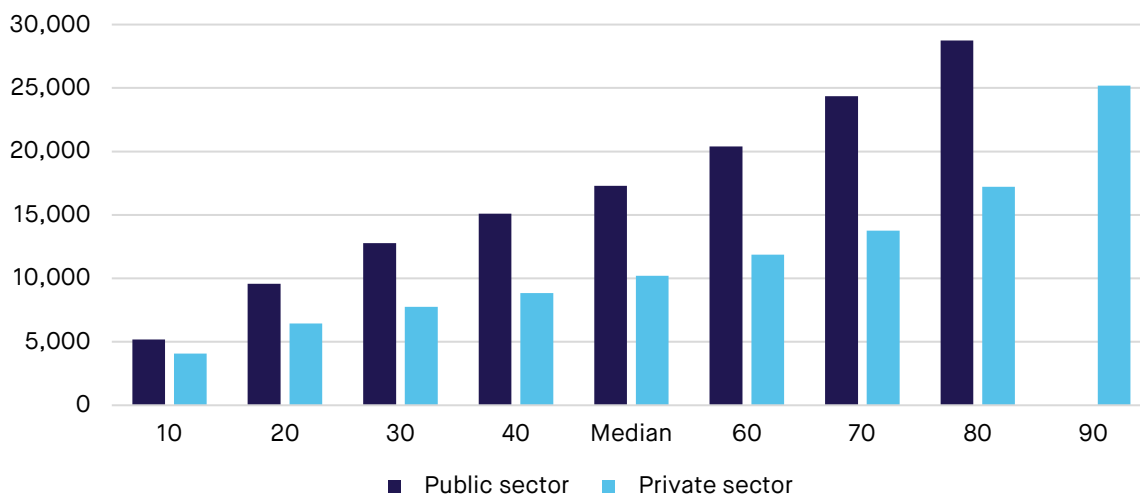
Public sector pay in London

In London, annual gross median pay for full-time employees in the public sector is £40,350, marginally more than in the private sector where it is £40,000.³² Figure 6 shows that earnings potential is considerably higher in the private sector, with public sector workers less likely to be found at the top end of the wage distribution. It also shows that, at the lower end, public sector workers are more likely to earn more than those working for the private sector.³³

Figure 6: Annual gross pay (£) for full-time employee jobs, London, 2021

Source: Office for National Statistics

When looking at part-time pay (Figure 7), public sector employees appear to be significantly better off than their private sector equivalents. Where there is available data, public sector pay is higher across every decile.³⁴ The median annual gross pay for part-time employees in the public sector is £17,300. In the private sector it is £10,200 – a 52% difference.³⁵

Figure 7: Annual gross pay (£) for part-time employee jobs, London, 2021

Source: Office for National Statistics

Note: Estimates for public sector pay in the 9th decile are suppressed as they are considered unreliable.

For lower earners in London, the pay situation appears to be more positive for those in the public sector than in the private. But low pay still means low pay. Internal analysis of ONS' Annual Survey of Hours and Earnings, conducted by the Living Wage Foundation and shared with the SMF, has showed that, as of April 2022, 4.3% of London's public sector workers were earning below the Living Wage. This means around 270,000 public sector workers in the capital are not earning enough to live on.³⁶

Outsourced workers were not accounted for in the calculations. To provide a ‘full’ picture of low pay in the public sector, more in-depth analysis is required.

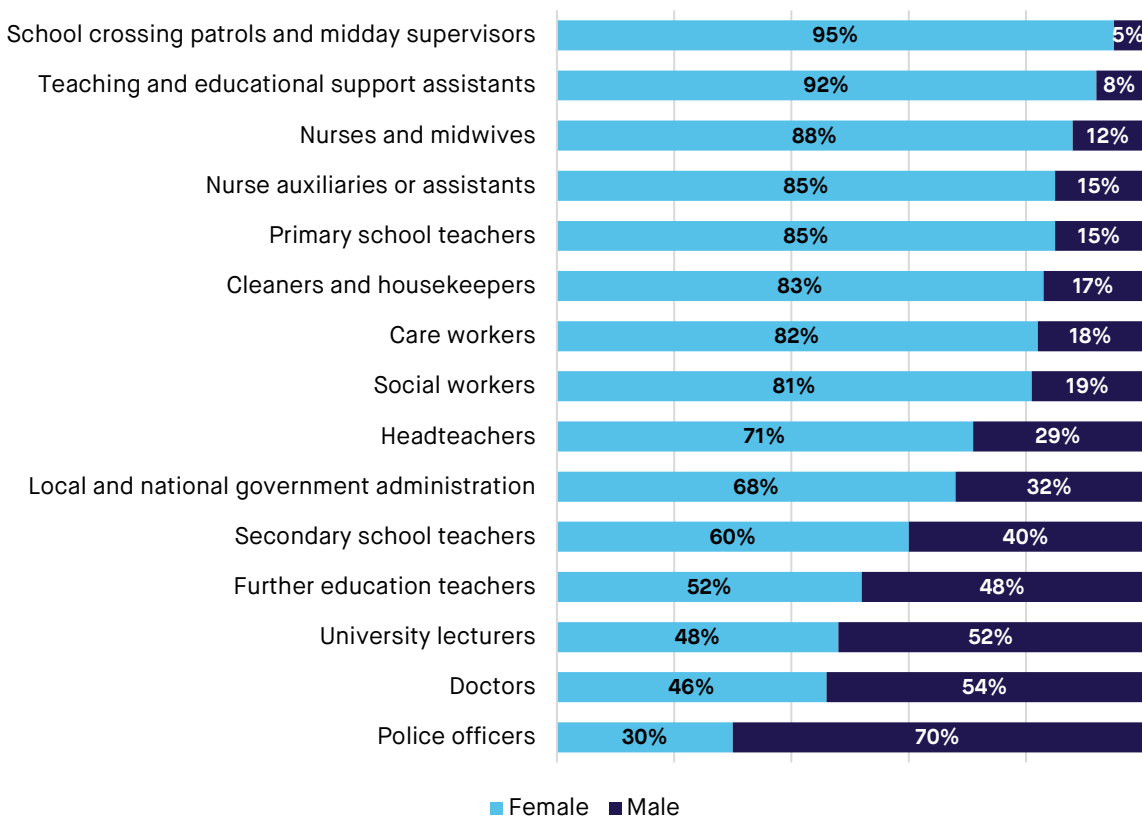
Distributional effects

Despite public sector pay generally offering a premium among low-income earners, the lower end of the pay range is more heavily concentrated with disadvantaged groups. In this respect, the public sector is no different to the private sector.³⁷

Gender

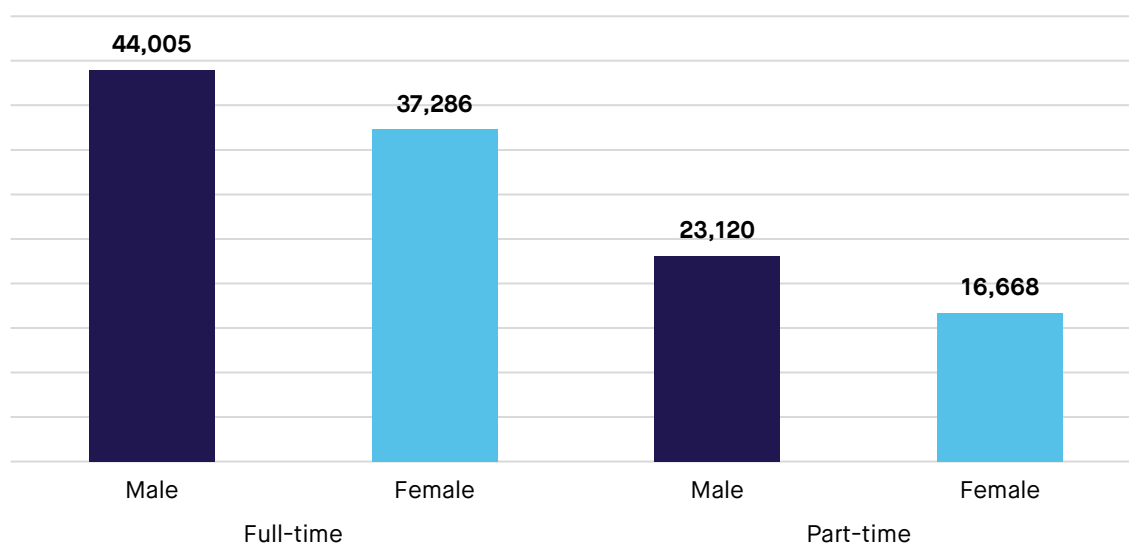
The gender pay gap for full-time employees is slightly narrower in the public sector (12%) than in the private sector (13%).³⁸ Further, it should be noted that across the UK, more women (65%) work in the public sector than men (35%); in the private sector, there are more men (58%) than women (42%).³⁹ But women in the public sector are more likely to be found in lower status, lower paying jobs⁴⁰ and less prevalent in higher skilled roles⁴¹, while pay disparities are particularly pronounced towards the top end of the wage distribution.

Figure 8: Sex of workers in public sector occupations, UK, 2018



Source: Office for National Statistics

The pay gap is narrower in the London public sector (12.0%) than in the private sector (15.1%).⁴² Men earn just over £6,700 a year more on average than women as full-time employees, and around £6,500 more in part-time work.⁴³

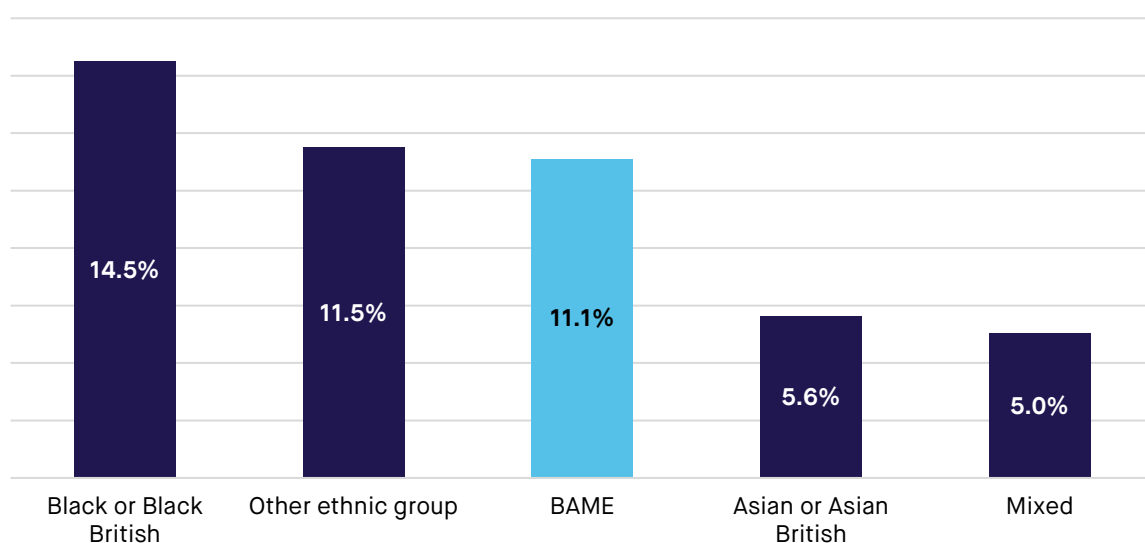
Figure 9: Median annual gross pay (£) for men and women in the public sector, London, 2021

Source: Office for National Statistics

Ethnicity

The public sector has a more ethnically diverse workforce than in the private sector. In fact, people from ethnic minority groups are considerably over-represented,⁴⁴ while significant variation can be seen in public sector occupations.⁴⁵

Research suggests that ethnicity pay gaps exist across the public sector.⁴⁶ This includes the Greater London Authority (GLA), which in 2021 showed there was a median pay gap of 11.1% between BAME and White colleagues among its staff.⁴⁷ In 2020, BAME workers accounted for 46% of the organisation's lower earnings quartile.⁴⁸

Figure 10: Median ethnicity pay gap among the GLA workforce, 2021

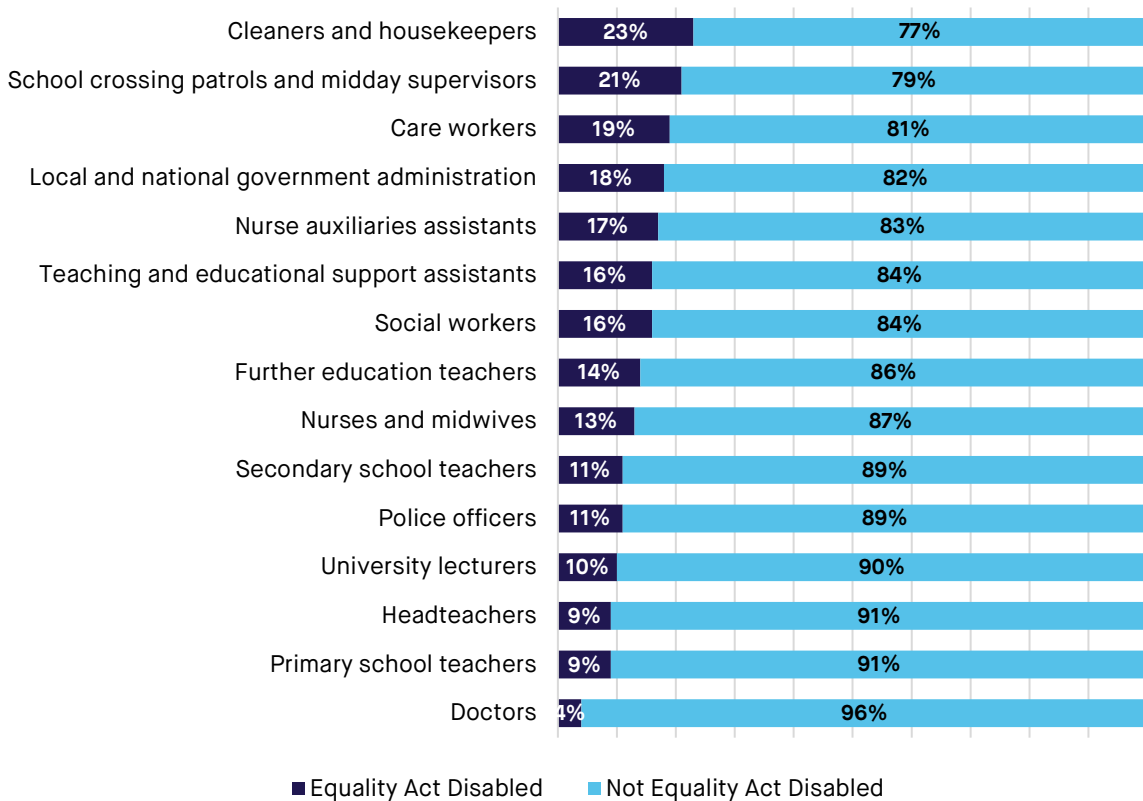
Source: Greater London Authority

Like in the wider workforce, people in some ethnic minority groups are over-represented in certain occupation types; jobs that are low-skilled and which pay less.⁴⁹ But according to Dr Omar Khan, former director of the race equality think tank the Runnymede Trust, public sector employers have become “too complacent” about racial diversity, with not enough organisations providing proportionate representation in work with higher status.⁵⁰

Disability

The public sector is the UK’s biggest Disability Confident employer.⁵¹ However, much like with women and minority ethnic groups, there are fewer people who report having disabilities in more highly skilled occupations, while lower-skilled jobs had above-average reports of disabilities.⁵²

Figure 11: Disability rates of workers in public sector jobs, UK, 2018



Source: Office for National Statistics

There is limited evidence on the experiences of those disabled workers in London’s public sector. However, GLA data suggests that disabled staff are indeed less likely to be employed at higher grades, and are therefore more likely to be paid less (-8.6%), than their peers.⁵³ For those that experience multiple forms of disadvantage, for example disabled BAME staff, pay disparities can be even more distinct.⁵⁴

Working conditions and insecure work

As the Taylor Review has highlighted, pay is just one aspect of determining good quality work. Indicators of job quality also include permanent/temporary status, job security, progression opportunities, predictability of working hours, duration of hours, flexibility, and union presence.⁵⁵

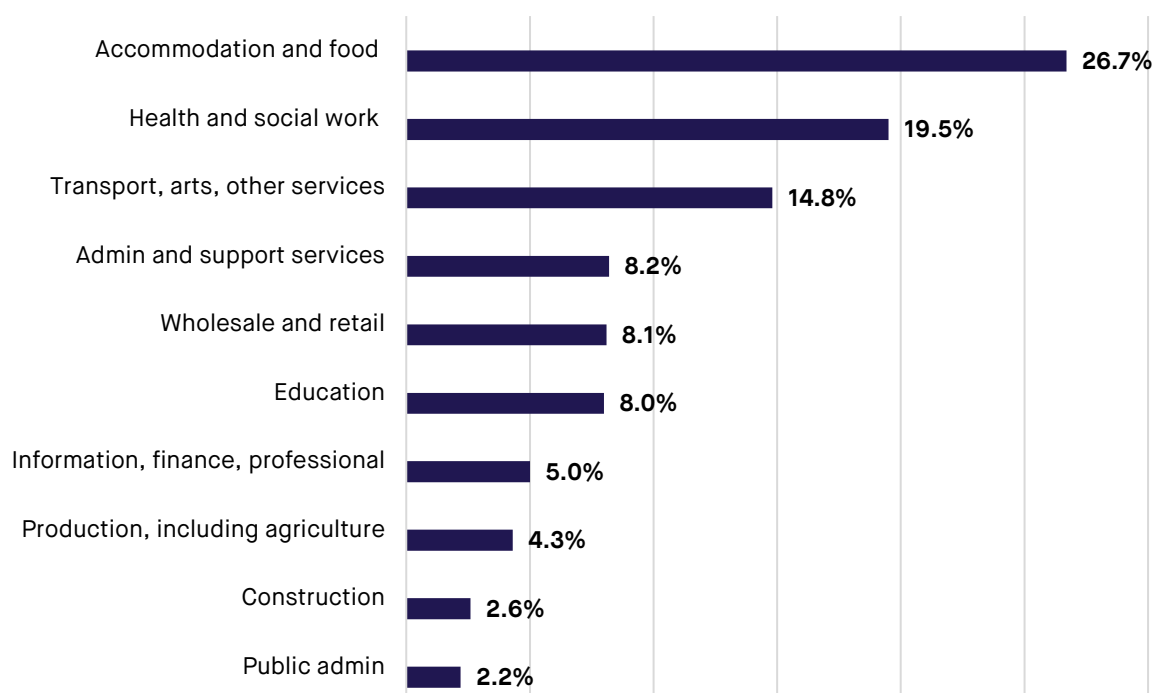
Inadequate terms and conditions and poor treatment

Poor terms and conditions of employment – including inadequate protections and limited access to additional workplace benefits such as sick pay and the availability of support for mental, physical, and financial well-being – are associated with an increased risk of poverty.⁵⁶

Research suggests that workers in the public sector are generally less likely to experience higher levels of job insecurity in comparison to private sector workers.⁵⁷ But that is not to say there are not any public services workers wanting more secure contracts, or that are not overstretched and struggling at work.

The United Nation’s International Labour Office (2018) has estimated that 13% of public sector workers in the UK are on a zero-hours contract.⁵⁸ According to the ONS (July-September 2022) just 3.2% of people are on a zero-hours contract across the UK as a whole.⁵⁹ Hourly pay for zero-hours contract workers is 6% lower than pay for people on other forms of contract,⁶⁰ they work 10 hours less per week on average,⁶¹ and can experience ‘one-sided flexibility’ problems such as being given shifts or having them cancelled at short notice.⁶²

Figure 12: People aged 16 and over on zero-hours contracts by industry, Jul-Sep 2022



Source: Office for National Statistics

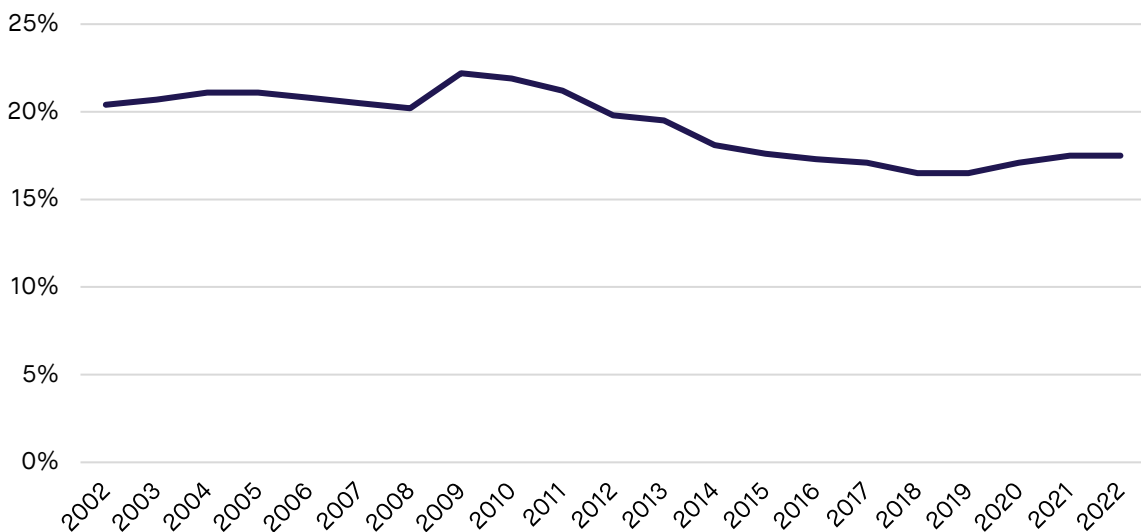
A significant proportion of public sector workers are also putting in unpaid hours. The Trades Union Congress (TUC) has estimated that 25% of public sector workers worked unpaid overtime in in 2019, compared to 16% in the private sector.⁶³ London is the region which relies most on 'free work', with 24% of workers across all sectors in 2019 doing unpaid overtime, compared to the national average of 19%.⁶⁴

In 2022, the House of Lords Public Services Committee reviewed some of the other problems affecting the public services workforce. In particular, it noted staffing shortages, the responsibility public sector employers have in ensuring the wellbeing of their staff, and evidence on why many are considering leaving the workforce. Its report highlighted:

- Public services workers feel overworked. Intense pressure, suffering, and burnout is widely acknowledged. Healthcare workers in particular are reported as feeling “exhausted and overstretched”.
- A lack of empowerment and autonomy is common. According to Brunel University evidence, there is “a focus on compliance, performance and efficiency that often overrides empowerment, care and compassion.”
- Reports of bullying and discrimination in public services. This includes evidence provided by NHS Providers, which said “whilst the NHS is the UK’s largest employer of Black, Asian and minority ethnic people, it is not always a good employer of people from minority communities”.
- A lack of recognition of public sector workers, especially in light of the important and compassionate work they do for others. Staff in adult social care, in schools, and the police feel undervalued – including concerns about insufficient recognition of the value of staff.⁶⁵

These issues and how they reportedly lead to poor staff retention have been echoed by the TUC. Its 2021 polling showed that, as a result of the “toxic mix” of low pay, excessive workloads, and a lack of recognition in the workplace, 21% of public sector workers said they were “actively considering” quitting their jobs.⁶⁶

Figure 13: Public sector employment as a % of total employment, UK



Source: Office for National Statistics

Public sector outsourcing

Public outsourcing and contracting is a significant feature of public services delivery. According to the House of Lords Public Administration and Constitutional Affairs Committee (2018), public spending on outsourcing amounts to £251.5 billion per year, 13.7% of GDP.⁶⁷

Public procurement is defined by the OECD as “the purchase by governments and state-owned enterprises of goods, services and works”,⁶⁸ the main advantages being the encouragement of competition, efficiency, and lower costs. In the words of the government’s Crown Commercial Service, “the over-riding procurement policy requirement is that all public procurement must be based on value for money”.⁶⁹

There is concern, however, that procurement can lower service quality and negatively impact the employment standards of those working to deliver those services. It is argued that private, for-profit providers have strong incentives to reduce costs, but few to improve quality.⁷⁰ For this reason, procurement and the outsourcing of suppliers of public services is a significant challenge for the public sector, as it is where precarious terms and conditions and low pay are more likely to be found.⁷¹

Due to the nature of outsourcing – with contracts being handed to different third parties – low pay can often be ‘disguised’ throughout the supply chain.⁷² A key issue in the public sector is that budget cuts can end up reflected in wage squeezes, and the trimming back of other terms and conditions.⁷³

Looking at outsourcing trends, a 2015 report by the TUC and New Economics Foundation revealed some common issues consistent across all areas of public service outsourcing. It found that workers employed to deliver public services by private contractors tend to have fewer protections and poorer working conditions than their public sector equivalents.⁷⁴

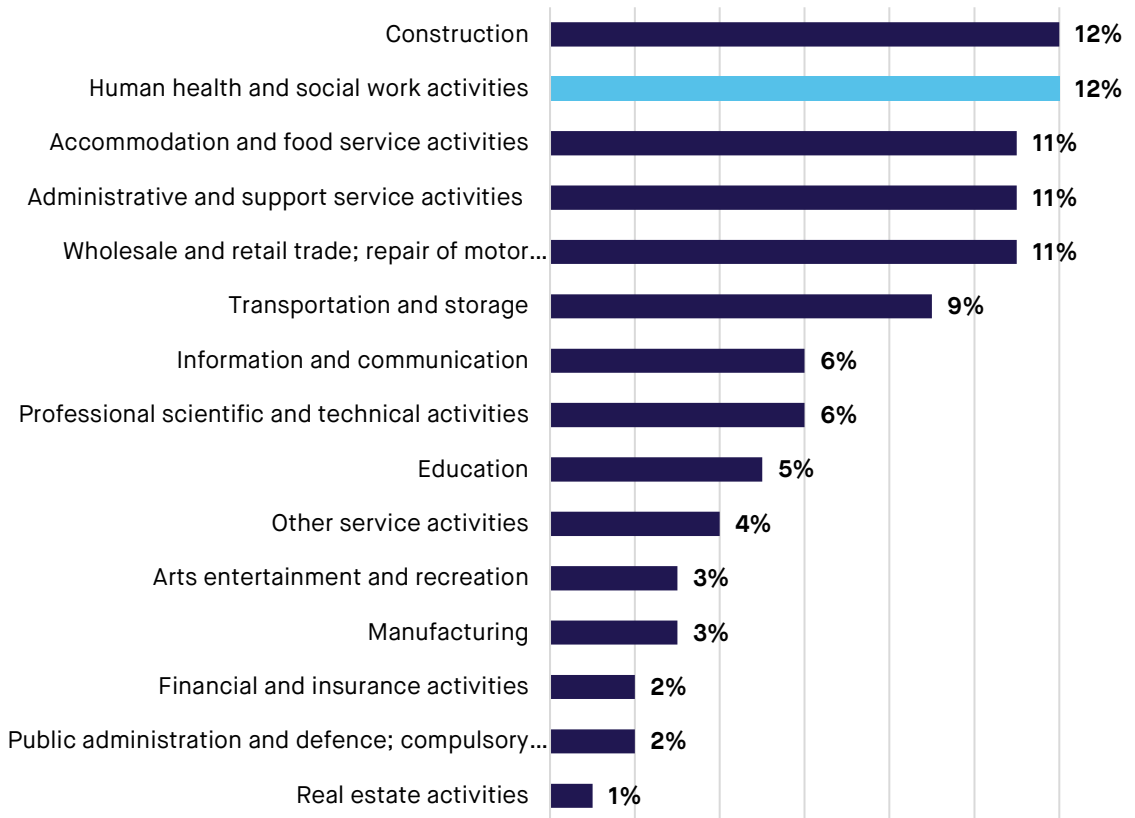
In particular, it noted that accountability is often compromised by a lack of transparency among private providers; quality outcomes are difficult to measure, particularly among human relationship-based services; and margins are increased through “downward pressure” on worker pay and conditions.⁷⁵

Health and social care

The health and social care sector is frequently in the public and political spotlight. Due to cost pressures related to spending cuts⁷⁶ and concerns around increasing marketisation,⁷⁷ there has been sustained reporting of a national “emergency” in the sector whereby underfunding, combined with rising demand, are pushing our care services to breaking point.⁷⁸

A large part of the debate on health and social care provision focuses on the workforce, in which insecurity is often described as endemic.⁷⁹ In London, people experiencing in-work poverty are more likely to work in health and social care than almost any other industry (Figure 14).⁸⁰ Apart from those working in ‘accommodation and food’ (26.7%), ONS data suggests health and care workers are also the group most likely (19.5%) to be on a zero-hours contract.⁸¹

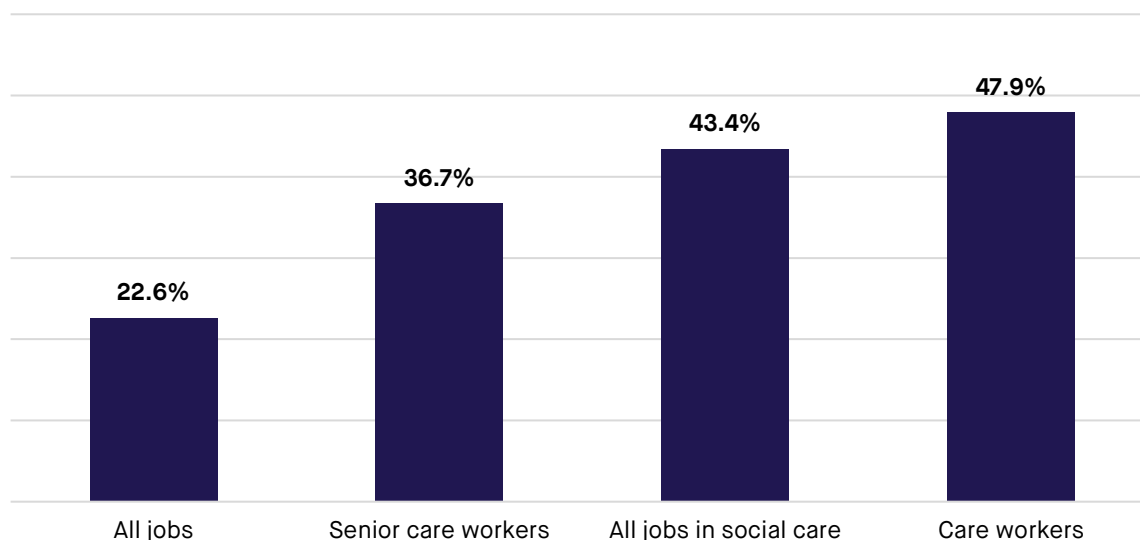
Figure 14: Industry categories for Londoners in in-work poverty, 2019/20



Source: Trust for London

Social care has been described as “the weak link”⁸² the health and social care system. The Institute for Public Policy Research (IPPR) has highlighted how the social care workforce is “characterised by low pay, widespread denial of employment rights, chronic insecurity, low investment in training and a lack of opportunity for progression”.⁸³

IPPR reported that social care jobs (43.4%) were almost twice as likely to earn below the real Living Wage than other jobs (22.6%), while 2.4% of the workforce were being paid below the minimum wage. It also found 9.7% of care workers were on a zero-hours contract, compared to 2.3% of employees across the economy.⁸⁴ In 2018-19, the Work Foundation suggested 35% of adult care workers were on zero-hours contracts.⁸⁵

Figure 15: Proportion of employees earning below the real living wage, 2018

Source: Institute for Public Policy Research

Research published by the Skills for Care charity has showed that, as of March 2022, more than 80% of jobs in the wider economy paid more than the average care worker wage.⁸⁶ This also means many care workers earn below than the UK Living Wage – £9.90 at the time of publishing.⁸⁷

In August 2022, analysis by the King’s Fund found that social care pay struggles to compete with supermarkets, with 9 of the 10 largest supermarkets offering more.⁸⁸ Citizens UK observed in 2021, that almost three-quarters (73%) of workers in the care sector were struggling to afford their day-to-day essentials, including buying food and paying bills.⁸⁹

Because of these issues, many health and social care workers are leaving the workforce, leading to high vacancy rates.⁹⁰

The cost of living crisis

As an ongoing event that did not ‘crunch’ until October 2022, the full scale of the cost of living crisis has not yet been captured by SMF research exploring in-work poverty. Described as the country’s biggest social challenge in decades⁹¹ at a time when living standards face their biggest hit on record,⁹² it would be wrong not to discuss it here in this report.

Numerous surveys have illustrated just how worried people are about the current economic climate.⁹³ One analysis suggested it would likely lead to an increase of 2.75 million people in poverty compared with pre-pandemic levels – just over a million will be those from working families.”⁹⁴

Another study, published in August 2022 by Unison – before the energy price cap increase in October – examined the impact of the crisis on low paid public sector workers. It found that a significant proportion were experiencing food insecurity due to the rising cost of living, with 31% saying they had started skipping meals and 13% reporting they were no longer able to cook hot food because of energy costs.⁹⁵

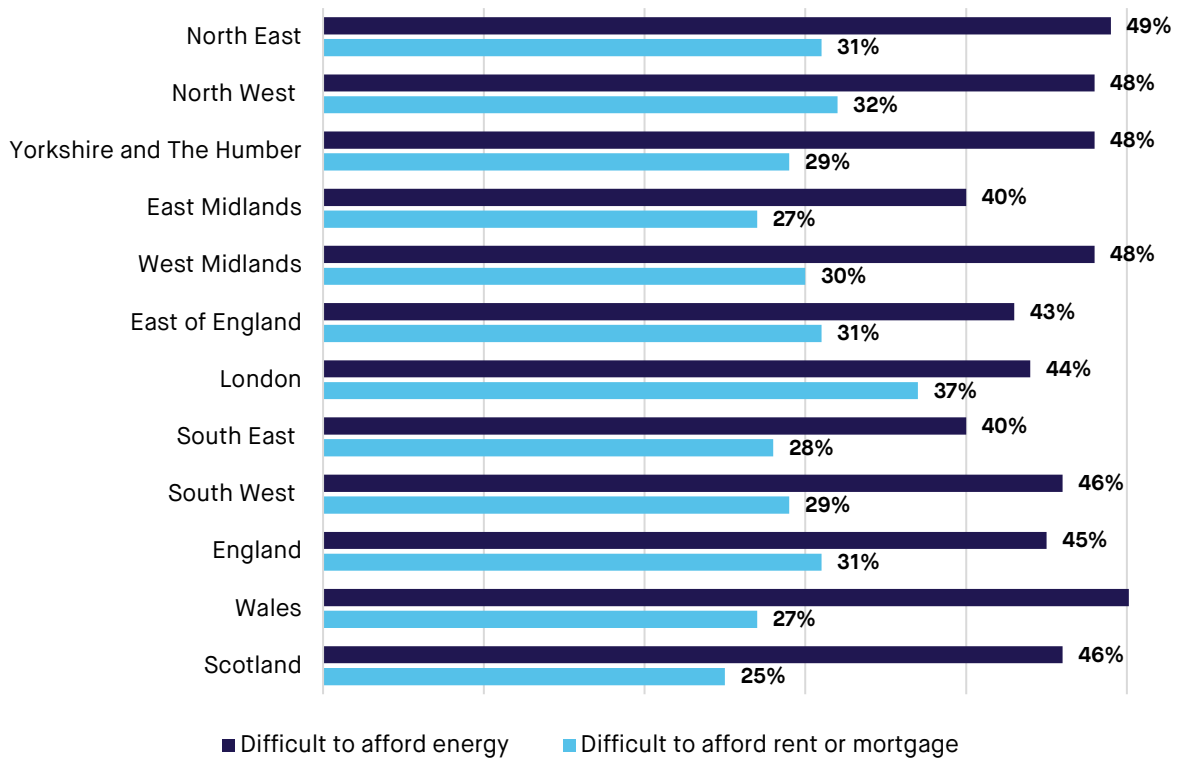
The same survey also found that the public sector experience was starker than that of the population as a whole, with 98% of public service workers taking steps to cut costs compared with 57% of the general public. Speaking to the in-work poverty problem directly, a key message from Unison’s research is that work pays, but the reality is that many public sector workers simply don’t have enough to live on.⁹⁶

Londoners’ experiences

Despite lower regional rates of inflation in the capital, high levels of inequality and living costs mean many low-income Londoners are more vulnerable to increasing prices. A survey conducted by the Learning and Work Institute found that 59% of the expenditure of London households is on essential goods and services, compared to the UK average of 55%.⁹⁷

Similarly, ONS data has showed that, between June and September 2022, 44% of adults in London reported difficulties in affording energy. But they are more likely (37%) than any other region, and more likely than people in England as a whole (31%), to struggle making rent or mortgage payments.⁹⁸

Figure 16: Proportions reporting difficulty affording energy, rent or mortgage payments, Great Britain, June to September 2022



Source: Office for National Statistics

City Hall has also explored the extent to which Londoners are cutting back on their spending. In November 2022, it showed that almost half (49%) are using less water, energy or fuel, while half report they were either 'financially struggling' (18%) or 'just about managing' financially (32%). Half of Londoners (51%) said they have cut back on non-essentials.⁹⁹

CHAPTER FOUR – IN-WORK POVERTY AMONG LONDON’S PUBLIC SECTOR WORKERS

This chapter explores the experiences of London-based public sector workers in in-work poverty. The evidence presented is qualitative in nature and the workers interviewed for this research were either directly employed by the public sector or working for the public sector on a contracted-out basis.ⁱⁱ

In October to November 2022, the SMF conducted 16 semi-structured in-depth interviews. Participants worked across a variety of positions and organisations, were either on full-time or part-time contracts, and in households living below the London poverty line. Interviewees were sampled to be as representative of the London low paid public sector workforce as possible, and were identified and selected by an independent research consultancy.

We were told that, as with workers in the private sector,¹⁰⁰ pay and hours are central reasons as to why some public sector workers in the capital are in in-work poverty. However, it also highlights a range of other factors that have a bearing on the material conditions of workers. Some of these mirror the situations in which private sector workers experience in-work poverty. Others, however, appear to be issues unique to the public sector.

Pay and conditions

Low pay is at the heart of in-work poverty among public sector workers

Inadequate pay stood out in all the interviews we undertook for this research as a clear cause of in-work poverty among public sector workers. The general observation was made by one interviewee that:

“There’s many jobs within the public sector from porters and cleaners in hospitals, to people like teaching assistants who do good work, but just don’t get paid for it.” – Thomas, delivery driverⁱⁱⁱ

Others described the central problem of pay clearly and succinctly:

“The income is the main thing, let’s not kid ourselves. It’s not high enough. We’re severely underpaid.” – Charlie, local authority housing management assistant

“At the moment, I’m down to just under £270 a week. It is about £10 an hour...I’m scraping by every week to be honest.” – James, bus driver

Some respondents contrasted their current low paid public sector job with their previous, more positive private sector pay:

ⁱⁱ For simplicity, both types of workers will be referred to as public sector workers in this chapter.

ⁱⁱⁱ Pseudonyms have been used to protect participants’ identities.

“In private care the pay there was fantastic. In the public sector, I’m on minimum wage. It’s not bearable.” – Kelly, adult care worker

Box 1: Rachel’s story

Rachel is in her late twenties and is a directly employed teaching assistant at a local primary school. She works between 30 and 35 hours a week and earns around £13,000 a year. In her view, Rachel’s challenges, such as paying rent and affording groceries, are directly linked to her employment situation:

“Being a teaching assistant is quite a tough job. It is horrendously underpaid for the level of responsibility that we have with people’s children.”

Rachel believes that public sector employers rely on their staff having a strong ethos of wanting to work for the public good and therefore do not have to provide incentives such as pay and other mechanisms to retain and recruit staff. At the same time, Rachel was cognisant that the public sector faces a number of constraints, which perhaps helped create that culture of relying on commitment to public service rather than financial incentives:

“Working in the public sector, it’s not like working in the private sector, whereby you can just go to your boss and ask for a raise for a job well done. It just doesn’t work like that. You are at the pay scale. It’s all dictated by the council and council budget.”

She added that, while she felt there was some awareness of the struggles she and others working in the public sector might be facing, she was unsure that would lead to those in senior management taking steps to help those in challenging financial positions:

“Everyone knows that people are struggling a little bit, and we all know that wages in this sector aren’t good enough. I’d like to say that they know, but that’s way above my head.”

Another instance that emerged from the interviews with public sector workers, which was illustrative of how low public sector wages can be, was that of an interviewee who described how the salary he received for his job was such that, with the aid of benefits he could reduce his hours, still end-up with the same amount of income each week:

“I was working seven days a week and I was barely breaking even once I paid my bills and I was killing myself just to survive. So I ended up turning to Universal Credit to get help. I’m down to working two days a week at the moment. I’m in the same situation I was when I was working seven days a week.” – James, bus driver

Insufficient and irregular hours is also a problem

As highlighted above, insufficient hours compound the problem of low pay. Our research suggests that working for the public sector is no guarantee of sufficient hours or regular work. As one participant put it:

“I’m only contracted to one hour per week, but probably do about 20. But I’m still not getting the money. I would like more hours so I’m not stressing about bills... Me and my wife try and take as many hours as we can just so we can do the basics like eat and pay bills.” – Michael, residential care worker

Others were in similar situations. The one-hour contract seemed to be common to the employment situations of more of those we interviewed. In addition, for some, the irregularity of working hours (associated with contract work) aggravated the problem of insufficient hours, as one respondent highlighted:

“It’s not being a permanent contract. That’s the issue. It’s the uncertainty with no set hours.” – Janet, local authority caretaker

Because of this, a full-time hours job was a clear aspiration for many participants, believing it would considerably improve their financial circumstances:

“It’s the actual contract, which is poor. If I had 48 hours guaranteed a week, that wouldn’t be a problem. It would be nice if I could get a full-time job.” – Thomas, delivery driver

Caring responsibilities

Working part-time was the only feasible option for interviewees who had caring responsibilities. One pointed out that formal childcare was beyond her financial means; fortunately, she has family members that can support with childcare:

“I do part-time because of my children. So that’s two to four days of work a week... I’m lucky enough to have both of my parents that help with the children on the days that I do work.” – Kim, healthcare assistant

Another participant made a similar point about the unaffordability of childcare:

“I’ve got my mum and my brother. And they really do help out in terms of childcare. If I didn’t have those two, I don’t know where I’d be right now. I’d be absolutely screwed.” – Kelly, adult care worker

The experiences of these interviewees is reflective of SMF analysis which has indicated that childcare costs for those in the bottom quintile for household income account for just under a fifth of their income.^{iv} The same study found that half of part-time working mothers – such as those quoted above – that want to work more, say that affordable childcare would help them to do so.¹⁰¹

^{iv} A third of childcare users in the bottom income quintile are in ‘childcare poverty’ i.e. where costs account for more than 20% of household income. Source: Childcare costs and poverty - Social Market Foundation. (smf.co.uk)

Employers' attitudes towards staff

The general view of participants was that employers' levels of interest in the economic vulnerability of staff was variable. For example, one interviewee said there was complete indifference from their managers. Someone else showed a streak of cynicism about whether employers would want to know about the financial situations of their workers. Another suggested that the public sector's use of temporary agency was explicitly to keep wages down and terms and conditions poor:

"There's emails being sent around about wellbeing, but they don't care. They just care about themselves. You get an email once a month, you could be half dead by then. You think it's the NHS, so they must care, but they don't." – **Susan, NHS administrator**

"There's no way my employers know my situation. It's not like they're going to raise the minimum wage for us. They don't want to, it will cost them too much money." – **James, bus driver**

"The temp agencies are used as scapegoats. They're just the middleman. They know exactly what's happening, and that's exactly why they do what they do. It's exactly why they employ the agency." – **Kelly, adult care worker**

In other interviews, we uncovered examples where managers were concerned about the financial problems their staff might be facing. However, there was little suggestion this led to concrete measures to help:

"I think they're aware, it's pretty obvious. We can talk to people, but there's not really much that gets done. Everything's above the people that we talk to." – **Jenny, healthcare assistant**

"I think they do care, but don't seem to do anything about it. It goes to your line manager, then after that you never get any feedback. No one ever says, 'this is what we've done to rectify it'. I don't feel it's filtered to the ones above." – **Janet, local authority caretaker**

Among the sample, there were a couple of instances of managers that did help interviewees. One participant highlighted how one of her senior colleagues was aware of her challenges, and informally helped her out from time to time:

"One of my main doctors that I work with, we have that kind of relationship and she's very, very down to earth and understands how hard it is. If there was a time when I didn't have money, she would offer." – **Kim, healthcare assistant**

Another had a manager that was also very understanding of her difficult personal circumstances, and consequently allowed her to work flexibly:

"She does give me opportunities to talk, going in a bit deeper into my personal circumstances, because that's where she needs to be made aware." – **April, administrator**

In both instances, these were not a result of formal internal policies in the organisations the interviewees worked in. Rather, they were ad hoc. Although, it should be noted that, particularly in April's case, the structures and policies of the organisation she worked for did allow her manager sufficient leeway to be somewhat supportive.

Poor working culture

A large number of participants reported a negative work culture where they were employed, in which staff felt undervalued, particularly given the public services they help to deliver. This was consistent with some of the research on public sector working conditions described in Chapter Three of this report.¹⁰² Interviewees we spoke with reported that they felt unable to raise many of their concerns with others:

"I know that in the blink of an eye somebody would be in my position. You just keep your head down and get on with it, come home, and hope for the best that one day somebody will value what you've done." – **Janet, local authority caretaker**

"I don't think that people are appreciated enough. You've got to look after those staff because they're doing a really important role." – **Kim, healthcare assistant**

Others spoke about discrimination in their working lives that had tainted their experiences of work. While this research is not broad enough in scope to draw reliable comparisons, this perhaps suggests that discrimination and harassment are by no means exclusive to the public sector, just as findings from Baroness Casey's review into the standards of behaviour in the Metropolitan Police¹⁰³ and the Inspectorate of Constabulary and Fire & Rescue Services' investigation into the culture of England's fires and rescue services¹⁰⁴ have recently revealed.

One observed a steep decline in morale in their part of the public sector:

"Ageism is set against you. Younger people have a greater chance of getting a job. They don't care about experience...The NHS has changed from how it used to be. It used to be admired and seen to be a good job. Now, people are leaving. It used to be a vocation, that's not the case anymore." – **Susan, NHS administrator**

Box 2: Benjamin's story

Benjamin is 30 years old and works for a private company contracted to carry out railway repairs. He lives with his wife, who is injured and is unable to earn, and their young son. Benjamin also has a hearing disability.

He says his favourite aspect of his job is the opportunity he gets to learn. He has an interest in mechanics, and therefore the work he does on railways is a valuable learning process. What he dislikes most is the low pay he receives, which is around £267 per week, an amount he feels is inadequate given the risk involved with his job.

“What I dislike about my job is that it is a low paying job. Pretty, pretty low. And I’m sometimes exposed to risk.”

Benjamin believes that he receives worse treatment as an outsourced worker. This includes a lack of benefits and, in particular, holiday leave. He thinks that good working conditions should be embedded into the public sector’s procurement contracts.

“Ever since I started my job I haven’t had any form of leave, no allowance. Mainly because I’m a casual worker. But I don’t really want to go on leave, because what you get is paid based on the amount of hours you work.”

“They should work for the workers’ welfare and it should be part of the contract that says ‘we’re going to review the way your workers are working for you and the conditions are satisfiable’. That makes sure the public sector gets good conditions.”

As well as being on low pay and receiving no in-work benefits, Benjamin has been racially abused at work. Needless to say, this has a significant impact on his wellbeing.

“I’ve been racially abused at the hands of my managers. I had to take my boy to hospital and I reported late for work. He said some awful words to me because of my colour. I felt really bad. I felt really, really, really bad.”

Unionisation considered unrealistic

Trade unions exist to protect the interests of their members. Whether it be negotiating better pay or offering legal representation during workplace disputes, they help to ensure better working conditions and increase employee voice.¹⁰⁵

Views among those we spoke to about unionisation were broadly positive. One participant said that:

“I feel like unions are a very good way of effecting change, because it’s almost like people will take back their power.” – James, bus driver

However, the practicability of joining a union was questioned. One interviewee found, as a low paid worker, the cost of membership to be beyond his means:

“I couldn’t afford it. Unless they’re saying those earning less than say £10,000 a year can have a free membership, I can’t see people on low pay actually joining a union.” – **Thomas, delivery driver**

The ability to benefit from the solidarity of a union by, for example, striking to improve pay and other terms and conditions, was queried by another worker that participated in this study:

“I wouldn’t strike, it’s just not an option. I don’t think they would give me as much work.” – **Janet, local authority caretaker**

Structural factors in the public sector also contribute to in-work poverty

Several of those interviewed for this research identified particular features of the public sector has having a bearing on their financial situation. As a result, they acknowledged a limit on the ability of individual managers, for example, to help improve their wages and other terms and conditions.

As one participant highlighted, fatalism about pay was not uncommon:

“I think there’s a lot of problems with public sector work. Pay is a big thing. People are not being paid enough. But public sector work, it’s people who want to help people. And yet it’s paid less for jobs that are needed.” – **Charlie, local authority housing management assistant**

They added that:

“You can’t just ask for a pay rise, there are bandings. In the private sector you can maybe negotiate a salary. Or you may get offered a pay rise because you’re working hard. There’s set criteria.” – **Charlie, local authority housing management assistant**

Another suggested the part of the public sector they worked in was bureaucratic and unresponsive, implying that any beneficial changes would be slow to implement, if there were any at all:

“Working for local authorities is a bit like working for a dinosaur. Everything has to go to head office. It doesn’t feel local.” – **Thomas, delivery driver**

The labour market and agencies were also seen as impediments to better work

An agency worker working on a contracted-out basis for public sector organisations put his inability to get the hours he wanted down to the nature of the London labour market and the reliance on agency workers:

“It’s not easy, you’ve got a lot of people. London’s like a hub, isn’t it? So many people think labouring is a quick, easy entry into the job market in some way. But if they can get cheap laborers, they’ll do it. From their point of view, using agencies, it’s better. It’s a quick, easy way.” – **Saad, labourer**

The use of agency workers and all that it implies for wages and terms and conditions, for example access to employment benefits, was a recurring theme among interviewees working through such entities:

“As agency staff, you’re not getting paid very well. You do get paid but, when you’re employed by the council, you get a better wage. Councils have benefits, they have schemes. I don’t really have any of that stuff.” – **Michael, residential care worker**

Indeed, there was a perception among those working for employment agencies that permanent employment would result in more and better benefits. This is consistent with analysis suggesting there is something of a two-tier workforce in the public sector: those employed by public organisations and an ‘auxiliary’ workforce which is bought-in to provide services on a contracted basis.¹⁰⁶

In-work poverty has a significant impact on workers’ lives

Participants highlighted the mental health, physical health, and relationships impacts of in-work poverty, with many workers saying they are unable to live the lives they would like to because of their difficult financial situations. For example, one interviewee mentioned having little quality of life, while others described how they couldn’t afford to see friends or pursue social activities.

“It does have an impact. You’re not having that quality time. I’d love to go out, or go for a meal. Have that bit of time, whatever. It’s a struggle.” – **Michael, residential care worker**

“I can’t remember the last time I went out. It does get you down.” – **Kim, healthcare assistant**

Box 3: Bobbi's story

Bobbi is in her early 30s, disabled, lives in east London with her partner, and is a secretary in a local authority. She works just under full-time hours and earns less than £300 per week, working less hours than she would like to at just above the minimum wage.

Bobbi and her partner have been struggling financially for some time because of pay and insufficient hours. However, the cost of living increase in the past twelve months made their situation even worse.

“Nothing's changed apart from we're all still skint, you know.”

Her financial situation has had a profound impact on her ability to live her life as she wishes. Her main aspirations have been put on hold indefinitely. In particular, her economic struggles were constraining her ability to get married and have the family that she wanted. As she pointed out:

“I do worry about it, because I would like to have children and I would like to get married. But it's not even something you can think of because of my personal financial situation. If I had a child now, it would just be harder. I don't want to have a kid and be skint.”

Stress and anxiety were also highlighted as negative consequences

The psychological and health impacts of in-work poverty are well known.¹⁰⁷ A frequent point made by those that took part in the qualitative research was the stress and anxiety caused by the hardship they were experiencing. The combination of low wages and precarious work was particularly challenging for people:

“It adds a lot to anxiety. Because of the impermanence of it. It just feels impermanent, and there's a lack of money.” – Thomas, delivery driver

“I want to work and I want to be able to provide. When you're not, it's not great, mental health-wise.” – Michael, residential care worker

“There is anxiety around how I'm going to pay for things. Being poor is really stressful.” – Anika, mental health worker

A common experience was financial distress generated by in-work poverty

Financial distress is an almost inevitable consequence of the confluence of low pay and the other factors that cause in-work poverty, as SMF observed in our *Capital Concerns* and *Working Lives* reports.¹⁰⁸ The impact of unexpected costs (i.e. ‘financial shocks’) arising in the context of increasingly tight household budgets loomed large in the minds of a number of those we spoke to.

“If something unexpected happens that you've got to then pay up, not only can it set you off for a week, it could also mess up your whole month.” – James, bus driver

Common among those in such circumstances is the use of credit to cover spending needs that would otherwise not be possible.¹⁰⁹ Our interviewees were no different. The ongoing “debt overhang” was a problem they were acutely aware of:

“I do struggle. I’ve got credit cards and I do have to use them. It feels like they’re never going down.” – **Susan, NHS administrator**

“I’ve got a massive overdraft which I depend on all the time. God help me if the cooker breaks down, because then that is HP payment, or credit cards. But I’ve got no other way of affording stuff.” – **Anika, mental health worker**

Box 4: Laura’s story

Laura is in her late 30s. She is a mother of two and lives with her children and partner in north London. She works as a special needs teaching assistant supporting disabled teenagers in a local sixth form college. She is an agency worker and earns the minimum wage.

Being a low earning household means the family always has to be careful about spending, and have used debt to be able to afford essentials:

“I’ve got debt. I’ve had to just put things on just to survive. Like the car, it breaks down our when our washing machine broke down. You fund your washing machine by putting it on the card. It’s inevitable you’re going to get into debt when you’re not on a big income.”

The recent increases in the cost of living have made the situation worse. As a result, the existing tensions caused by their financial predicament (of which there were several) have worsened:

“It does cause a lot of strain, and money is a big issue. It can be us nagging each other. It does cause a strain on the family. And also the kids...[and]...you get...mum guilt as well”.

The cost of living crisis is making in-work poverty worse

The kind of squeeze that the rising cost of living is having on people at the lower end of the income distribution is highlighted in Chapter Three. Among those we interviewed, the rise in the cost of living has compounded the problems faced by those already in difficult financial circumstances. As a result, the crisis featured prominently in the interviews we conducted with public sector workers:

“It’s a struggle to pay bills and stuff. Now with the rise in prices, it’s very tight.”
– **Jenny, healthcare assistant**

Most interviewees reported behaviour changes in response to the increasing cost of living, such as going without heating and altering buying habits:

“You can see it [rising prices] on little bits like food and things like that. But now I’m making a conscious effort to not put the heating on. Putting a jumper on instead and watch what I’m spending.” – **Michael, residential care worker**

Financial retrenchment was raised a number of times in the interviews:

“We can’t spend money, so I have to keep a tight rein of everything. Everything we do is controlled by how much money we have.” – **Thomas, delivery driver**

“I have to consider subscriptions. I try to limit the amount of time I’ll go to the grocery. I’ll only buy essentials. I’ve stopped giving treats to my son. We’re managing our energy consumption.” – **Benjamin, transport worker**

Reliance on family for ‘subsidies in kind’ and the use of food banks and other cost-cutting actions were reported by participants. As reported in *The Guardian*, many of those who have turned to food banks in recent months include public sector workers.¹¹⁰

“At the minute I struggle. But I’m a very thrifty shopper, and I’m really frugal. My mum and my brother really do help out, in terms of meals, in terms of washing, and sometimes I stay over to save electric and stuff. I will go to food banks.” – **Kim, healthcare assistant**

“I’m having to look at other ways, food banks and things like that, because our incomes are so low.” – **Michael, residential care worker**

“We moved into her mum’s house because it’s starting to get too costly. We can’t afford not to with London’s prices. It gives us a bit of breathing space.” – **Saad, labourer**

Despite concerns, the rewarding nature of public services work helps workers stay motivated

Studies have observed the rewarding nature of public service work such as healthcare and its link with comparatively high job satisfaction levels (despite pay and other terms and conditions challenges) in such sectors.^{v 111} Our research found evidence of this phenomenon, too. For example, a number of those interviewed persisted with their public sector jobs, despite their difficult economic situations. This was, at least in part, because of the fulfilment they bring:

“It’s more about what I can give back to the community and about giving to others and being fulfilled.” – **Anika, mental health worker**

“The past three years has been a bit of a challenge. But at the same time, my job can be quite rewarding in the sense of giving the care that some people need. I like to see that as being a reward, that I’m doing a good thing.” – **Kim, healthcare assistant**

In contrast, there were others who said they’d move jobs if the opportunity came about. Despite the good work they do and the vital services they provide, they want better pay – something, they perceive, the private sector provides:

^v One study of more than 28,000 UK employees found that those working in healthcare and education were generally more satisfied than workers in other sectors, because of a high sense of achievement from their work. However, typically, they were less satisfied about their pay and conditions. Source: Job Satisfaction in Britain: Individual and Job Related Factors (researchgate.net)

"If something better comes along, I'm out of there." – **Susan, NHS administrator**

"I wouldn't have taken that route if I had known what it is really like. Because financially it [the private sector] would have made a lot more sense. I wouldn't be in the position that I'm currently in." – **James, bus driver**

"I'll be moving. I will be looking for a role in the private sector where the money is better." – **Charlie, local authority housing management assistant**

Workers have a mixed outlook for the future

Participants expressed varying levels of optimism about the future. The most optimistic of the participants saw a much better financial future for himself and the public sector coming down the track. Another confessed that his optimism about the future was more dispositional, rather than based on any immediate prospects of his circumstances improving. Others, on the other hand, were in a position where thinking about the future was something of a luxury. They were concerned about getting through the short-term:

"I'm very, very optimistic. I have a lot of opportunity to improve myself, which I'm going to do. I'm hopeful the public sector will get better. I think I will be above the poverty line in five years' time." – **Benjamin, transport worker**

"I'm an upbeat person. I want to try and work for the council and get more money. But I am worried because I'm only working 20 hours maximum a week." – **Michael, residential care worker**

"I feel scared. I don't know what I'm going to do. I'm scared about the next five months, let alone the next 18 months." – **Kelly, adult care worker**

CHAPTER FIVE – THE ROLE OF PUBLIC SECTOR EMPLOYERS

In this chapter, we turn to the role of employers and the actions they can take to help struggling staff and mitigate London’s growing in-work poverty problem. Again, we do not wish to focus too heavily on the drivers of poverty that occur outside of the workplace – structural issues which central government and national policymaking are better placed to confront – but instead to the pivotal position of employers.

We asked participants what they thought public sector employers could do more of to support workers experiencing hardship. As well as presenting workers’ views, we also approached experts for their opinion. In December 2022, the SMF convened a roundtable that brought together specialists from across the public sector and civil society, including London local politicians. Some of those specialist contributions are highlighted in this chapter.

Employers should do more to help struggling staff

Similar to comments made by those working in the private sector, which are reflected in our previous publication *Working Lives*,¹¹² there was a feeling among public sector workers that employers could improve their efforts to make staff feel valued and understand their financial difficulties. Above everything, participants said they wanted employers to be more caring in general towards their staff:

“There’s nothing in the public sector. There’s nothing that says ‘we care about you, we want to make sure you guys are doing OK’.” – **James, bus driver**

When asked who they thought should be providing support, participants were in agreement their employers had a role to play, not just the government. One interviewee said she believed it is her employer who should be the first point of help.

“I think it should be the employer first. The employer should fight for me.” – **Janet, local authority caretaker**

That being said, there was some understanding of the difficult position employers can find themselves in, particularly in today’s tough economic climate. As one worker put it:

“Sometimes I do feel sad. I feel [employers] should care more, you should be given incentives and all that. But on a business front, you see that some...are laying off workers. That’s how bad it has got. You have to look at it from a human perspective.” – **Benjamin, transport worker**

Employers could do more on pay and precarious work

We acknowledge that increasing public sector wages is not a straightforward process. Decisions about public pay and government spending require careful consideration, and just less than half of all public sector staff are covered by lengthy review body processes¹¹³ and not employers themselves. With little financial flexibility, employers feel limited in what they can do to help.

“We are stuck under the police remuneration review body, which sets pay for the whole of England and Wales policing. So we’re really, really stuck. We can obviously offer overtime, when needed, but beyond that we feel really restricted. We can’t under legislation set up our own welfare funds.” – roundtable participant, policing

Despite these difficulties, interviewees felt they simply do not earn enough to live on. Unsurprisingly, a sustainable wage was said to be important to many of the workers we spoke to. As the University of Cambridge has highlighted, the most important thing any employer can do to reduce poverty is pay its employees a living wage.¹¹⁴ One participant discussed how they thought work should pay:

“People should have a fair working wage. If you’ve got the ridiculous situation where people are better off not working, [we need to] increase the amount of money for people who do work. It should make a difference. They should have better incomes.” – Thomas, delivery driver

As we have highlighted, low earnings are often a symptom of insufficient hours, not just pay rates. One roundtable attendee mentioned the beneficial impact of employers providing security of hours. According to the Living Wage Foundation, the Living Hours scheme calls on employers to provide decent notice of shifts, the right to a contract that reflects accurately the hours they work, and a guaranteed minimum of 16 hours a week.¹¹⁵

“I think the [measure] that will probably make the biggest impact for those at the lower end of the pay distribution, apart from the Real Living Wage, is Living Hours.” – roundtable participant, campaign group researcher

In interviews with public sector workers, the precarity of being on a zero-hours contracts emerged as a significant recurring theme. As one possible solution, one interviewee suggested that employers who used zero-hour contracts should be obliged to offer full-time contracts to those who had been with them for long periods of time, helping to reduce some of the precariousness of long-time workers.

“There should be some kind of system in place where maybe once you’ve been on a zero-hours contract for six months, nine months, a year, there should be some kind of next step where you’re on a fixed contract or employed full time.” – Jenny, healthcare assistant

This echoes previous SMF research exploring the experiences of private sector gig workers. In that study, the possibility of a ‘two-tier’ system that rewards workers with high commitment to the company was also raised as a potential avenue for improvement.¹¹⁶

Workers want employers to help them improve their skills and increase their earning potential

In-work poverty can be described as ‘sticky’ because of how difficult it can be for workers to leave it. Developing new skills, or building upon existing ones however, is an effective route towards higher wages through progression.

While numerous respondents professed an interest in becoming more skilled through training opportunities, prospects were often few and far between. As such, the chances of moving out of their low-wage situations were limited. One respondent described the absence of any upskilling opportunities:

“There’s no training at my hospital. They just chuck you in at the deep end, which is why there’s such a big turnover.” – **Susan, NHS administrator**

Similar observations were made by another participant. He described how there was no structured approach to training and improving skills at his workplace. Experience was the only route to learning, or it did not happen at all:

“There’s no set training. You are left to do your own thing to progress, it’s more ‘on the job’.” – **Charlie, local authority housing management assistant**

A lack of training opportunities stood out as a particular problem for agency workers. One interviewee, a labourer under the pseudonym of Saad who carries out maintenance and other kinds of caretaking and repair work, told us of the dilemma he experienced as a low paid outsourced worker looking to improve his situation:

“Skills would be good. If you’re getting skilled, you’d hope that you’d have more opportunities. But then it’s who pays for that training. The agency doesn’t pay. The employers who I work for, they don’t pay because I’m just a labourer to them.” – **Saad, labourer**

He added that, due to being on low pay, he needs to work long hours to keep enough money coming in – meaning there is little opportunity for him to invest in himself:

“I’m not in full-term employment, so it’s difficult. I don’t have the money to invest in myself...it goes back to time and when to make the time to do it.” – **Saad, labourer**

Saad’s account of life as a public sector worker illustrates the ‘trap’ that many in low paid and precarious work find themselves in. Having neither the money nor the time to access training and get more skills, a key avenue to better pay and less precarious work remains unavailable.

Subsidies and in-work benefits would help to deal with workers’ living costs

When asked about other ways employers could help, many interviewees mentioned various kinds of employer assistance schemes. Such measures were seen as helpful in relieving the burden of some unavoidable expenses when budgets are tight.

“There’s something that could be done, maybe financial aid or financial help”.
– **Charlie, local authority housing management assistant**

Employer support for helping with daily food and travel¹¹⁷ was as a recurring suggestion among interviewees:

“Little schemes would help. Help with things like food, or a little bit of help with your gas or electric. I don’t know, something.” – **Michael, residential care worker**

“They could offer subsidised canteens. Because of the price for electricity et cetera, it’s quite expensive to cook something.” – Thomas, deliver driver

“Benefits or any kind of contribution to travel. They could provide lunches at work. Tiny things would help.” – Jenny, healthcare assistant

One of the interviewees suggest that subsidised food might be the most beneficial form of support. She indicated that such an additional incentive might help ease the staffing crisis in her workplace:

“Food at work would be more of a benefit. And then I guess you’d be more motivated to go in more often. Sometimes people don’t turn up, probably because they can’t afford to get there. It makes us understaffed and makes shifts harder”. – Jenny, healthcare assistant

Subsidies were also supported by experts attending the SMF roundtable. One attendee told us of their surprise at the amount of workers they’d encountered that have been mandated to go back into the office. They argued this was indicative of a lack of understanding of people’s financial circumstances – especially those on low incomes:

“In London in particular, two of the biggest costs are going to be transport and housing. If you are mandated to go into the [workplace], your transport costs are going to be higher.” – roundtable participant, campaign group researcher

Another roundtable participant believed commuting to be a particular burden for those in roles where travel is a necessary part of the job, for example social care. They said that, because their work is neither in the office nor at home, meeting people – and patients – can involve significant ‘hidden’ costs:

“One of the issues that comes up is the costs associated with travel, and a failure for employees. To mitigate those costs, things like hardship funds and making sure that any kind of internal comms around support that is available is strengthened.” – roundtable participant, social care sector

But there are barriers to public sector employers confronting workforce poverty – despite the potential benefits

As we have highlighted (albeit briefly), the public sector faces some significant structural challenges. Those challenges invariably limit the extent to which employers are able to care for and invest in their staff. Central to this is resources. When the purse strings are tight, it can be difficult for employers to offer much beyond the basics.

A good example of this is local government. As one roundtable attendee explained, the sustained financial pressure it faces often undermines their aspirations as an employer, and eventually leads to problems in the workforce:

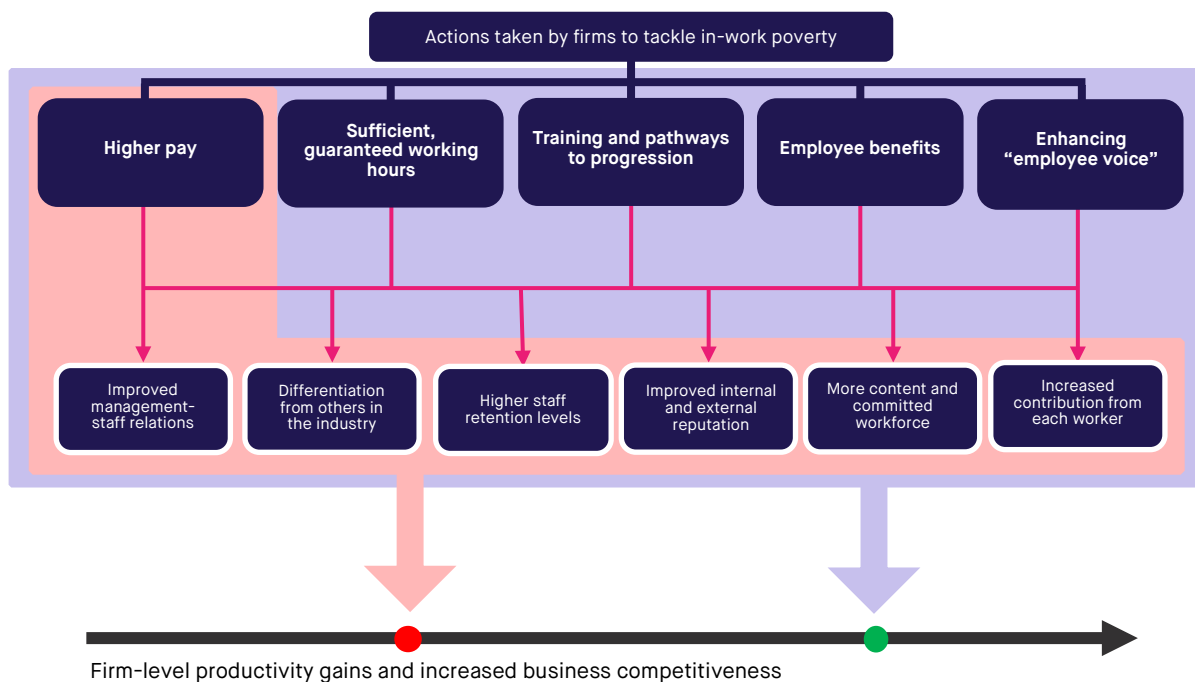
“We at local government level are getting huge cuts to what we get as a central government settlement. Every year, we’re having to review our budget. And we’re very much aware that that means we’re squeezing staff.” – roundtable participant, local councillor

Because of difficulties around funding, another participant said they lacked adequate autonomy to provide suitable support to their staff. Consequently, they had to resort to more informal forms of ‘soft’ support instead:

“We’re doing a lot of soft support. Because I feel like that’s the only thing I can do. I can’t increase wages. I can’t give allowances. I can’t give loans. I can’t reduce mortgages, or all the other things that private sector organisations can do. You’re very, very restricted in the public sector.” – **roundtable participant, policing**

Such barriers prevent public sector employers taking measures to help their staff. In turn, they also stave off a wide range of potential benefits. As the SMF has called attention to in previous research, the business case for employers doing more to tackle poverty in their workforce is a strong one.¹¹⁸ Diagram 1 illustrates the kinds of benefits that can accrue as a result of actions taken by employers to help tackle in-work poverty.

Diagram 1: The benefits that accrue to employers from measures that help tackle in-work poverty



Source: SMF

The economic case for raising employment standards was also raised by roundtable attendees, who believed good local jobs help to support the economy. They said that if public sector pay was raised, then the potential gains from the additional spending power would be significant.

“[We want] residents to feel like they have a borough where there are local jobs. We’re very well aware that people go into central London to work, but it’s also about being able to work locally.” – **roundtable participant, local councillor**

“Because of the complicated nature of the wider supply chain, it tends to be that if local boroughs can become a living wage place, the uplift can be quite substantial. For example if people are paid more, particularly those that are lower paid, they have much stronger consumption habits. And they're also more likely to spend that kind of extra money locally. So it does have a local economic benefit.” – roundtable participant, campaign group researcher

These claims are supported by TUC and Landman Economics analysis. It estimated that England’s economy would get a £3.3 billion boost by restoring the real value of public sector pay to what it was in 2010/11. The boost to London’s economy was estimated to be £741 million.¹¹⁹

Towards a new employment standard among London employers

The primary aim of this report was to highlight the workplace challenges affecting struggling public sector workers both in their jobs and their personal lives. By speaking with some of those workers directly, we were told about the impact those issues have on them and their families. Crucially, we also heard what they needed from their employers in order to help improve their situations.

Though their specific wants and needs sometimes varied, the overriding message from interviewees was a simple one: they want – and need – more support from their employers. They reported the following as key avenues for improvement:

- Better pay and contracts
- More skills training and opportunities for progression
- Improved benefits (including subsidies for unavoidable costs such as travel)

It is important to note that better employment practices are not a silver bullet for solving poverty. We recognise that some challenges are too big for employers to tackle alone, and that factors such as budgets, are often barriers to them doing more.

Nevertheless, employers also have a role to play, as they have a direct influence over a number of the factors that cause or deepen poverty.

Incentives have to be put in place to encourage more employers to take steps to improve the economic position of their workers. To help with such a shift, employers would no doubt benefit from additional guidance and other support i.e. a roadmap they could follow.

To this end the SMF is working with Trust for London to establish a new business standard, one that encourages London employers to do more to tackle working poverty and raise awareness of the issue. The design of our benchmark is well underway, and an expert advisory group consisting of businesses, relevant civil society groups, academics, practitioners, and others is guiding the project through its final steps.

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