Low pay for key workers after a year on the frontline

Joe Richardson, Living Wage Foundation, March 2021

It is just over a year since Prime Minister Boris Johnson announced the news of a national lockdown, instructing all apart from the nation's key workers to 'stay at home'. While much of the non-essential economic activity that couldn't be done from home ground to a halt, the nation's critical workers were deemed too important to put on hold. Consequently, this group has spent the past year at the vanguard of the fight against Covid-19, risking their own health for that of the nation.

Keeping the nation's key workers working has been a priority for government throughout the pandemic, as is shown by the maintenance of schools and childcare centres for the children of those in critical sectors. However, while great effort has gone into ensuring key workers can continue to work, there has been much less focus on making sure this work allows them to earn enough to live.

This briefing details the financial shortfall these workers have incurred as a result of earning below the Living Wage over the past year. Our analysis finds that 16% of key workers earned less than the Living Wage over the past year. When taken collectively, this group of workers has lost out on £1.6bn compared to if they were earning the real Living Wage. They would each be over £900 better off over the course of the year (on average) if they had been earning the Living Wage.

As we follow the roadmap out of lockdown, the contributions of the nation's critical workers over the past year should not be forgotten. The findings in this briefing demonstrate the need for a re-think on how we value the nation's low paid critical workers.

Who are the nation's key workers?

This paper adopts the key worker definition set out by the most recent government guidelines, within which critical workers come under eight occupational groups. These groups account for 10.6m workers across the UK – that's a third (33%) of the UK's total workforce and a quarter (26%) of the total working-age population[1]. The key worker occupations – as set out by the Office for National Statistics (ONS) – are as follows:

- Health and social care
- Education and childcare

[1] To collect data on these groups in relation to the Living Wage, we approximated the occupational groups into SIC and SOC classifications from Annual Survey of Hours and Earnings (ASHE) published spreadsheets. Each occupational group was identified using either SIC or SOC classifications, to avoid the risk of double counting. This mirrors the way in which the occupational groups for key workers are derived in the first place by the ONS. Our derivation of the key worker occupational groups from ASHE data generated a sample of 10.9m key workers, around 380,000 more than the ONS figure. This suggests our understanding of the key worker population is accurate and broadly in line with the ONS's classification.

- Utilities and communication
- Food and necessary goods
- Transport
- Key public services
- Public safety and national security
- National and local governments.

What are key workers paid?

Our analysis finds that 16% of key workers earned below the Living Wage in April 2020 (which was £9.30 across the UK and £10.75 in London at that time) – this amounts to more than 1.7m workers nationally. The below-Living-Wage figure for key workers is therefore slightly below the figure across all sectors of 20%, as set out in the Living Wage Foundation's *'Employee Jobs Paid Below the Living Wage'* report, but this is not unexpected. The two sectors with the highest proportion of below Living Wage employees are 'Hospitality' (70.8%) and 'Arts entertainment and recreation' (36.8%), neither of which are considered key workers. Additionally, public sector workers, which key workers disproportionately are, are at a lower risk of earning below the Living Wage compared to those in the private and not-for-profit sectors.[2]

That is not to say key workers are particularly well-paid when compared to workers across the economy as a whole. Research by the Institute for Fiscal Studies found median hourly pay to be 8% lower for key workers than in non-key worker occupations. However, this was not the case in key workers sectors with a larger public sector presence, with sectors such as 'Health', 'Education and childcare' and 'Public order' all having higher median pay than the average among non-key workers. Further to this, Resolution Foundation research has unearthed that key workers are disproportionately concentrated in the bottom half of the weekly pay distribution, but are less likely to be in the bottom third than those working in shutdown sectors. The overall picture is that key workers are slightly lower paid than average, but not concentrated among the very lowest paid in the economy – explaining their slightly below-average likelihood of being paid less than the Living Wage.

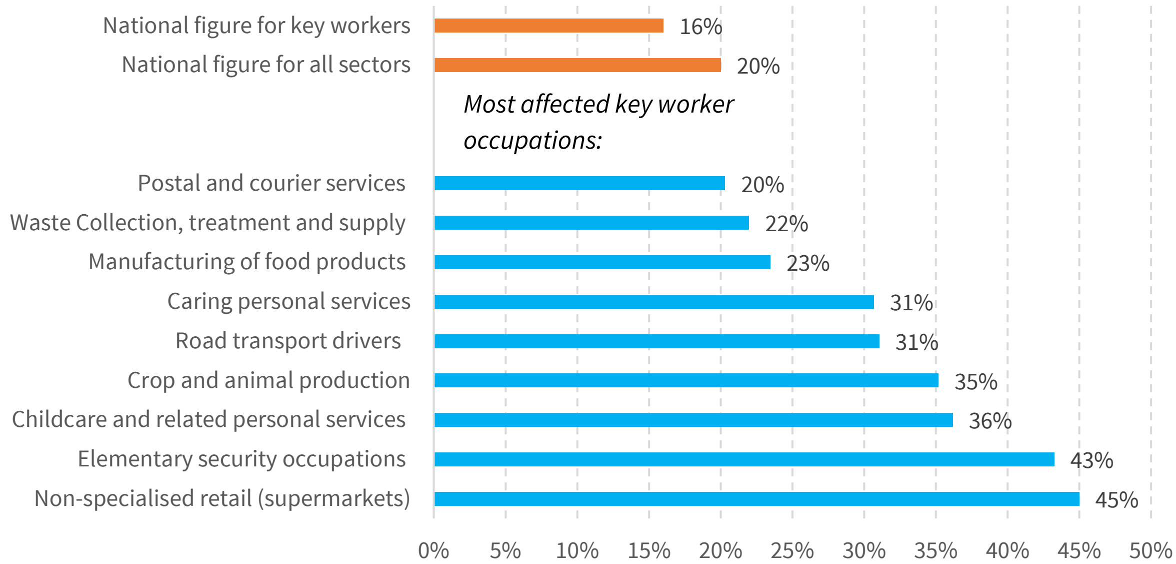
It should also be noted that key workers cover a broad range of workers in different sectors on different rates of pay. With this in mind, broad pay comparisons between key workers and other employees should be taken with a pinch of salt, and it may be more appropriate to look at individual groups as opposed to key workers as a whole.

For example, as shown in Figure 1, there are several sectors within the key worker bracket with sizeable proportions earning below the Living Wage. Those that work in 'Non-specialised retail' (Supermarkets), for example, are particularly at risk of earning below the Living Wage. This chimes with recent Living Wage Foundation analysis which found that Supermarket sector employees were at a disproportionate risk of earning below the Living Wage – despite the industry enjoying an

[2] Research by the Smith Institute for the Living Wage Foundation found 13% of public sector workers are paid below the Living Wage, lower than the figure across all sectors of 20%.

increase both demand and profits throughout the pandemic. Similarly, care work – both for children and the elderly/vulnerable – has a high proportion of below Living Wage workers. There are 393,000 employees in 'Caring personal service' occupations earning below the Living Wage, while the same is true for 280,000 workers in the 'Childcare and related personal services' sector – collectively accounting for more than a third of key workers earning below the Living Wage.

Figure 1: Proportion of key workers earning below the Living Wage, most impacted occupations: April 2020, UK



Notes: The sectors shown here are not the same as the broad occupational groups noted above. This graph looks at sectors by individual SIC/SOC codes within the key worker occupational groups, and the proportions of workers earning below the Living Wage in each of these more specific categories, based on the Annual Survey of Hours and Earnings.

Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings.

How much have key workers lost out on since the start of Covid-19?

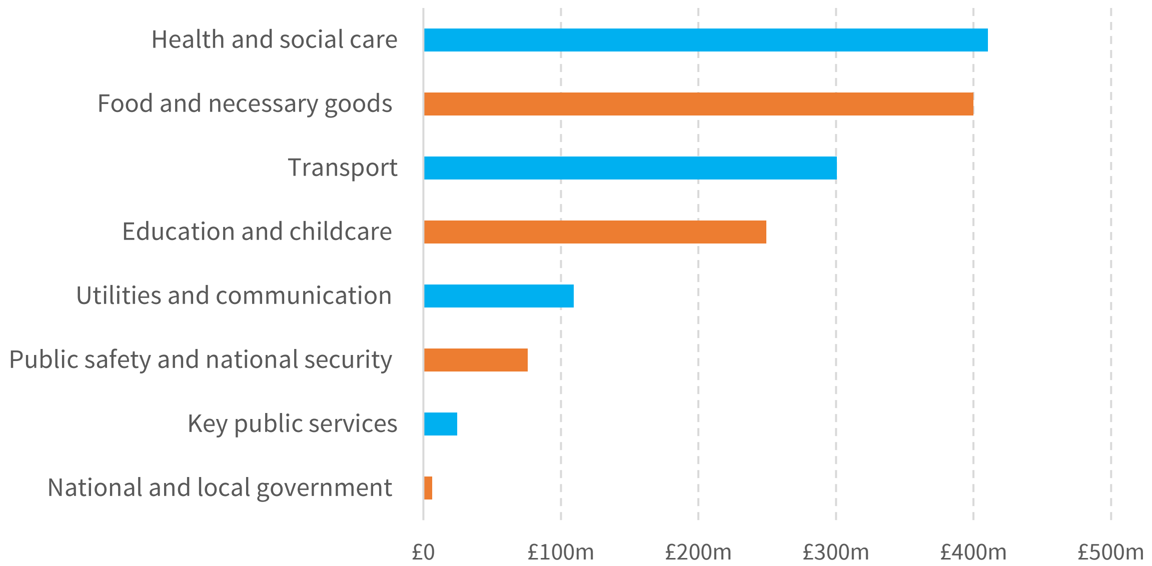
When looking at the key worker group as a whole, our analysis finds that key workers have lost out on £1.6bn as a result of earning below the Living Wage over the past year. At the individual level, if all key workers had been earning at least the Living Wage for this period, those earning below the Living Wage would be around £900 better off, on average.[3]

In terms of the total amount of earnings lost out on relative to the Living Wage, the distribution is uneven across key worker occupational groups. As shown in Figure 2, the majority of the disparity

[3] The figure is an accumulation of all the monies missed out on in each occupational group. These are deduced by multiplying the average weekly hours by the median below Living Wage hourly pay within the SIC/SOC code. This is then annualised, and multiplied by the number of workers earning below the Living Wage. The average is calculated by dividing the total amount lost out by the number of key workers earning below the Living Wage.

comes from those working in 'Health and social care' and 'Food and necessary goods', which account for more than half (over £800m) of the total 'key worker Living Wage earnings gap'. By comparison, those working in national and local government account for just £6 million.

Figure 2: Amount key workers have lost out on as a result of earning below the Living Wage, by occupational group: April 2020-March 2021, UK



Notes: To calculate the amount key workers in different occupational groups have lost out on since the start of the pandemic, we put together the figures from individual SIC/SOC codes that were approximated into the occupational groups categories. These were then aggregated and annualised, as set out above.

Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings.

Looking at the top half of the chart, it is interesting that particular industries/occupations (as defined by individual SIC/SOC codes) tend to shape how the rest of the occupational group fares in relation to the key worker Living Wage earnings gap. A good example of this comes from within the Education and childcare sector: childcare workers make up 92% of all workers in the sector earning below the Living Wage, while also accounting for 91% of the key worker Living Wage earnings gap. A similar scenario can be observed in the 'Health and social care' profession, with those working in social care accounting for 88% of employees earning below the Living Wage and 82% of the broader pay gap. Similarly, supermarket workers carry much of the burden in the Food and necessary goods occupational group, albeit to a lesser extent than in the two aforementioned occupations. These workers make up 73% of key workers earning below the Living Wage and 42% of the key worker Living Wage earnings gap within their broader occupational group.

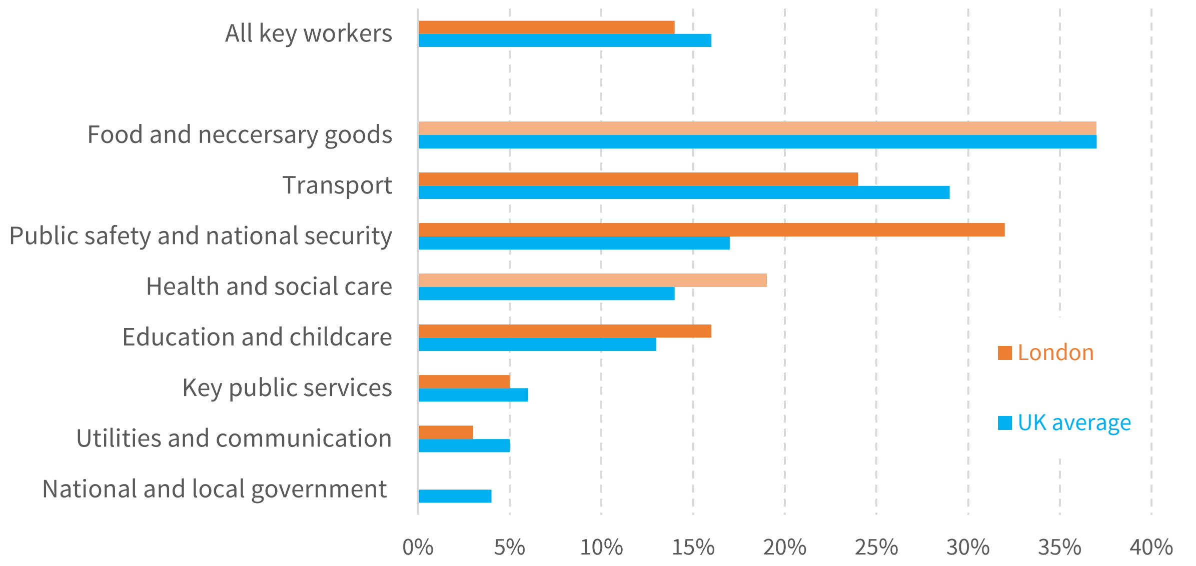
Therefore, our findings suggest that it is not a case of all key workers being at a high risk of earning below the Living Wage, but rather, that particular sectors *within* the key worker bracket fall short. This helps to explain, albeit partially, the blurred picture outlined above – whereby key workers were at a lower risk of earning below the Living Wage than workers across the wider economy, while also being disproportionately concentrated in the bottom half of the pay distribution.

Key workers in London

14% of key workers in London earn below the Living Wage, slightly lower than figure for the whole of the UK (16%). This is broadly consistent with previous research by the Living Wage Foundation which found that across all sectors, London had a similar proportion of below Living Wage jobs to the rest of the UK (19.5% and 20.3%, respectively).

That said, there are some noteworthy differences between key worker occupational groups in London compared to the rest of the UK. As can be seen in Figure 3, London-based key workers are considerably more likely to earn below the Living Wage than their UK-wide counterparts in 'Public safety and national security', while also being at a slightly higher risk in 'Health and social care' and 'Education and childcare'. Meanwhile, London-based key workers are less likely to earn below the Living Wage than workers across the UK in 'National and local government', 'Key public services', 'Transport' and 'Utilities and communication'.

Figure 3: Proportion of key workers earning below the Living Wage in London and UK, by occupational group: April 2020



Notes: In some occupational groups, the sample of workers was not large enough to deduce the proportion of employees earning below the Living Wage in London – these are represented by the lighter-coloured orange bars. In these instances, results for these SIC/SOC codes were scaled in line with the relationship seen in the broader occupational group between the UK and London. The figure for 'National and local government' in London is zero. Estimates below 10% also come with a high degree of uncertainty and should be treated with some caution.

Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings.

What is driving these differences between London and the UK as a whole when it comes to low-pay prevalence within key worker occupations? While many factors are at play, a key one is the greater presence of office workers in London. For example, occupational groups where London workers have lower levels of below-Living-Wage pay than the national average are usually ones where office workers predominate in the capital, such as 'Utilities and communication', 'National and local government' and 'Key public services'. It is also not surprising that these are the occupational groups with the lowest proportion of below-Living-Wage workers, given generally better pay conditions for office-based employees. In contrast, occupational groups which tend to require employees to work outside of an office – with the exception of 'Transport' – are those where London-based key workers are more likely to earn less than the Living Wage.

Conclusion

As lockdown measures begin to ease up over the coming months, many will consider the past year as one to forget. However, it is important to remember how the nation's key workers kept the economy going through one of the most difficult periods in modern memory. Indeed, the fact that nearly a fifth (16%) of those workers nationally have earned below the Living Wage while being critically relied upon should prompt a re-think in how we value them.

There has been much debate about the 1% pay increase being awarded to NHS staff as of April this year – these employees have arguably had the most difficult job since the start of the pandemic. Questions as to whether this is sufficient abound. Amid this debate we should remember that hospital workers make up just 1.5% of key workers earning below the Living Wage. There is still some way to go before all critical workers earn enough to meet basic living costs. Even in challenging times for firms, there is an increasingly strong case for employers in key worker sectors to do right by workers and their families, by paying a wage rooted in everyday needs.