



How unions can *Make Work Pay*

Produced in
association with **class**



GMB

GMB is a general union - which means that anyone can belong to it. GMB has almost 630,000 members working in every part of the UK economy. GMB has one job and that is to help members improve pay and conditions where they work. The best way to do that is to increase the number of GMB members in order to strengthen the Union's power.

www.gmb.org.uk @gmb_union

Class

The Centre for Labour and Social Studies is a new trade-union based think tank established in 2012 to act as a centre for left debate and discussion. Originating in the labour movement, Class works with a broad coalition of supporters, academics and experts to develop and advance alternative policies for today.

www.classonline.org.uk @classthinktank

Acknowledgements

This booklet was commissioned by the GMB union and produced using research and data gathered by GMB.

We would like to thank Martin Smith, Tim Roache, Stephanie Peacock, Mick Rix, Ida Clemo, Steve Pryle and Eamon O'Hearn Large at GMB for their help with drafting the text.

We'd also like to thank Paul Smith, Ellie Reeves and John Usher for their contributions to this briefing. For more info see www.blog.rippedoffbritons.com

Foreword



By Martin Smith, GMB National Organiser and Tim Roache, GMB Regional Secretary Yorkshire and North Derbyshire and President of Class.

The roots of Britain's cost of living crisis lie in the fact that work simply no longer pays for millions of people across the country. Housing costs and utility bills are increasing and childcare and food is becoming more and more unaffordable in the face of declining wages. This GMB pamphlet outlines six ways in which the living crisis should be tackled.

Wealth and income inequality in the UK is now once again at pre-WWI levels¹. Even since 2008, the world of work has changed dramatically as widening inequality has accelerated - with new and more aggressive tactics adopted by many employers to reduce labour costs at the expense of working people across the board. Unemployment is being replaced by state-supported under-employment at a faster rate than ever.

The 2.6 million workers, who earn either minimum wage or no more than 50p above it, are increasingly trapped in a cycle of low pay subsidised by benefits². For the first time ever, most people classed as living in poverty come from working families³. Current calculations for the 'living wage' take into account in-work benefit rates – but we need to be arguing for a rate of pay that provides enough to live on without the need for extra state support. This pamphlet shows that the minimum a single person needs to live on without benefits is in fact much, much higher than the current 'living wage'. That is why GMB are calling for a £10 per hour living wage.

The hourly rate of pay is only half the story. Our members also need enough hours of work from their employer to earn a decent living. 125 years ago GMB formed itself as a

How unions can make work pay

union fighting for a reduction in the working day from 12 hours to 8. In 2014, getting 40 hours' work a week from the same employer is a distant dream for millions of workers in the UK⁴. Jobs that were once 40 hours a week and permanent have been split into two or three through the use of zero hours contracts, agency work or bogus self-employment. Flexible work has just produced flexible wages. Earnings from work have fallen by 13% in real terms since 2008⁵ while the average CEO of a UK company takes a wage 228 times that of the average worker⁶ and the top 1% of the UK population takes 13% of all the income from wages in our economy⁷.

To add insult to injury, many of the employers who have become addicted to taxpayer subsidies of their low pay are also those that engage the most in complex tax avoidance schemes. A new business model is emerging - combining tax dodging and wage dodging while holding taxpayers to ransom with threats to cut jobs and relocate abroad. This is corporate welfare: the state subsidising the activities of big companies so they can make as much money as possible. Tackling the culture of corporate welfare on wages cannot be separated from tackling the culture of tax dodging. They are two sides of the same coin.

If the cost of living crisis is to be tackled; if

workers are going to be able to pay the rent, childcare, food and utility bills; wages and hours of work must be increased. Trade unions in the workplace are best placed for making this happen. But trade unions cannot improve the lives of their members' one Employment Tribunal claim at a time. And now, with government reforms making it even harder for people to get access to justice and secure their legal rights at work, the need for stronger trade union representation in the workplace is even greater. GMB members know that attacks on working hours and wages often target whole workforces – and because of this they require a collective response.

GMB must embrace the new and changing realities contained in this pamphlet to continue to grow and prosper. High rents, high childcare costs, security of employment and working hours have to become central to the GMB agenda on pay in our negotiations with employers going forward. This pamphlet sets out what GMB sees as the 6 biggest challenges facing Britain's working poor and sets out the scale of the challenge ahead. Low Pay Commissions, Living Wage campaigns and charities can, and do, support the work of trade unions. Food banks and in-work benefits can keep body and soul together when pay packets aren't enough to make ends meet. But only trade unions can ensure employers make work pay.

Six **GMB** demands to Make Work Pay

.....

1. **£10 an hour GMB Living Wage – to get working people off benefits and fight corporate welfare**

.....

GMB members will continue to fight collectively for any and all wage increases above the National Minimum Wage (NMW) but employers must understand that our members aspirations are clear—a working wage and enough hours of work to be free of benefits. In 2014 we calculate that to be a

minimum of £10 per hour for a full 40 hour week. As a stepping stone on the way, GMB is developing local and regional living wage rates. We are adopting campaigns to ensure that those employers who have made pledges to pay the current taxpayer subsidised ‘Living Wage’ actually do so and that it is taken into account by local councils when awarding contracts. Further, and to start the process of reducing the taxpayer subsidy to NMW employers, we will campaign for this level to rise from £6.31 per hour to the level of the current ‘Living Wage’ of £7.65 per hour.

Insecure and unreliable work must be tackled, our members need greater security in their working lives. For workers on zero hours or minimal hours contracts, GMB believes that exclusivity clauses should be outlawed and that all contracts should contain a set minimum number of working

.....

2. **The new campaign for an 8 hour day - jobs people can rely on and build their lives around**

.....

hours. As well as this workers should be able to secure contractual hours based on a calculation of the hours they have actually worked in the previous 12 weeks - exactly as holiday pay is calculated. Those forced into taking a zero or minimal hours contract rightly expect and aspire for this to develop into a full-time permanent position within a few months of starting work. GMB has been fighting for the rights of agency workers for decades and there is still much that needs to be done. For workers employed by agencies or Gangmasters, GMB believes legislation should be changed to create a presumption of direct employment after 12 weeks – so

employers can no longer dodge fair practice through legal loopholes. GMB is organising a campaign against employers who use government tax breaks to entice employees to give up many of their employment rights by converting to bogus self-employment, or replacing PAYE jobs with self-employment.

.....

3. **Rent Controls – to end the trap of high rents and scandal of subsidised private landlords**

.....

GMB believes that rent controls, coupled with a huge programme of social house building, would reduce costs at the expense of racketeers and start to put rents back in touch with wages. We must challenge the confidence trick of ‘affordable’ housing.

GMB wants to see a childcare system which is based around the school day to allow for the new patterns of work in the economy.

.....

4. **Free Childcare – to help parents return to work and increase family incomes**

.....

.....

5. **Close tax loopholes – to tackle corporate welfare and make sure all employers pay their fair share**

.....

GMB is calling for the new Corporation Tax loopholes opened by Osborne in 2010 to be closed, alongside those created by New Labour, and for the introduction of a Robin Hood Tax on financial transactions in the City to put the brakes on growing inequality.

GMB is calling for employers who rely on a majority of their workers claiming benefits to top up their pay, to be open to inspection and assessment by HMRC with a view to recovering the costs to the public through taxes on future profits.

GMB are calling for a new right to be introduced for all working people that allows them to call a union into their workplace to advise them on their rights and support them to organise. GMB research shows that most workers want back up where they work - and the right to call a union in to help solve the problems they face.

.....

6. **Access All Areas – to give support, where and when, workers need it.**

.....

Britain needs a pay rise

The realities of the National Minimum Wage

The National Minimum Wage was an important first step in tackling the problem of low pay, but in many cases it has now become the maximum wage millions of workers can hope to earn. Rather than a stepping stone to higher pay, it is estimated that at least 320,000 workers have been trapped in minimum wage jobs for 5 years or more - mostly female workers in cleaning, hospitality and retail⁸.

320,000
workers have been trapped in minimum wage jobs for 5 years or more⁸

In many sectors, the minimum wage has become a ceiling on pay settlements, rather than a base level from which employees could secure better pay. Both the **1.4 million workers on the minimum wage, and the 1.2 million workers paid only 50p per hour more than the minimum⁹**, find their wages set by government rather than their employer.

The TUC estimates that between **250,000 - 300,000** people still do not get paid the NMW¹²



subsidising low paying employers will cost **£20 billion** over the next decade¹¹

Minimum wage employers are often also state-subsidised employers. It was calculated in 2011 that in order for a worker to survive on the minimum wage, his or her hourly wage would have to be topped up by state benefits to the equivalent of a **£4 an hour** pay rise¹⁰. The Resolution Foundation estimates that subsidising low paying employers will cost us all **£20 billion** over the next decade¹¹.

Existing legislation on naming and shaming of companies who breach minimum wage legislation is very rarely used. If used more widely, this could act as a significant deterrent for companies who would otherwise pay below minimum wage. Naming and shaming could be detrimental to an employer's ability to secure contracts, and would also allow workers and the public to make more informed choices about who they work for or buy their goods from.

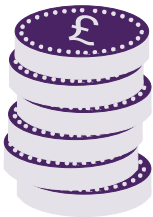
The Living Wage

Workers who are paid a Living Wage often fare only a little better than those on minimum wage. The current calculation of Living Wage is based on both cost of living and benefit rates, and is often misunderstood by many campaigners who believe that alone it can offer decent standards of living to working people.

The cost to the exchequer of workers paid less than a living wage is now £3.23bn in social security spending and lower tax receipts¹⁶

Minimum amount a single person would need to earn to live without benefits (outside London)ⁱ

£9.08 an hour



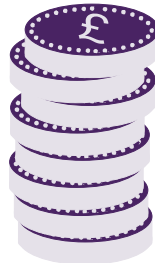
Official Living Wage (including benefits)ⁱⁱ

£7.65 an hour



Minimum amount a single person would need to earn to live without benefits (in London)ⁱⁱⁱ

£11.30 an hour



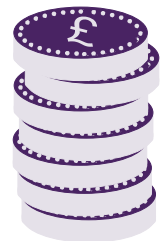
GLA official Living Wage (including benefits)^{iv}

£8.80 an hour



GMB living wage demand (to live without benefits)

£10.00 an hour



ⁱ Amount calculated by the Joseph Rowntree Foundation as the minimum a single person would need to earn to have a reasonable standard of living without benefits—see ¹³. ⁱⁱ See ¹⁴. ⁱⁱⁱ Amount calculated by the GLA Economics Unit as the hourly rate of pay a Londoner could live on without benefits in 2013 for a 37.5 hour week—see ¹⁵. ^{iv} Also see ¹⁵.

The growth of insecure work

Although unemployment figures have fallen, new and emerging types of underemployment and insecure work are on the increase as employers demand ‘flexibility’. The TUC estimate that over 3 million part-time workers want more hours but can’t get them¹⁷.

Since 2009, the proportion of workers who are stuck in part-time employment because they cannot find full-time work has risen by 16% for men and 6.4% for women¹⁸. The average loss of wages as a result of this switch to part-time work is around £357 per week¹⁹.

The rise of bogus self-employment

Over 40% of all the new jobs created since 2010 have been self-employed²⁰—but the recent increase may not indicate the upsurge in entrepreneurial spirit that the Government claim. False self-employment undermines employment rights. Often employees are classed as self-employed when in fact they work for a single company. The fact that they are classified as self-employed means they can be sacked without warning, do not receive holiday or sick pay, have reduced benefit entitlements and are denied access to employment tribunals. Some companies use bogus self-employment to avoid paying National Insurance²¹.



Taking advantage of agency workers

The Agency Workers Regulations that were introduced in 2010 brought in a limited number of rights for agency workers. After 12 weeks agency workers are entitled to the same pay as if they had been hired directly by the company. Agency workers should now be able to access facilities such as childcare, canteen services and transport from the first day of their employment. But there are a number of problems with the Agency Workers Regulations and agency workers are routinely paid less than those directly employed and are often reliant on benefits to top up their wages²².

Agency workers are routinely paid less than those directly employed and are often reliant on benefits to top up their wages²²

A loophole in the regulations called the Swedish Derogation, means that agency workers can be exempt from equal treatment on pay and holiday pay if they have a permanent contract with the agency and the agency pays the worker a minimum amount between jobs. The reality is that agencies simply put workers on one job after another or with the same hirer for many years, but they can never get equal pay with those who are directly employed.

The rise of Zero Hours Contracts

1.4m

workers are on zero hours contracts²³

There are at least 1.4 million workers on zero hours contracts **and potentially 1.3 million more** - currently under scrutiny by the ONS²³. As the number of job-seekers facing benefits sanctions has doubled since 2010²⁴, many feel forced to take the zero hour contract jobs they are sent to by Job Centre staff, themselves under pressure to hit sanctions targets. Under zero hours contracts workers have no guarantee of hours of work and therefore pay. Many people are only given a few hours each week or have

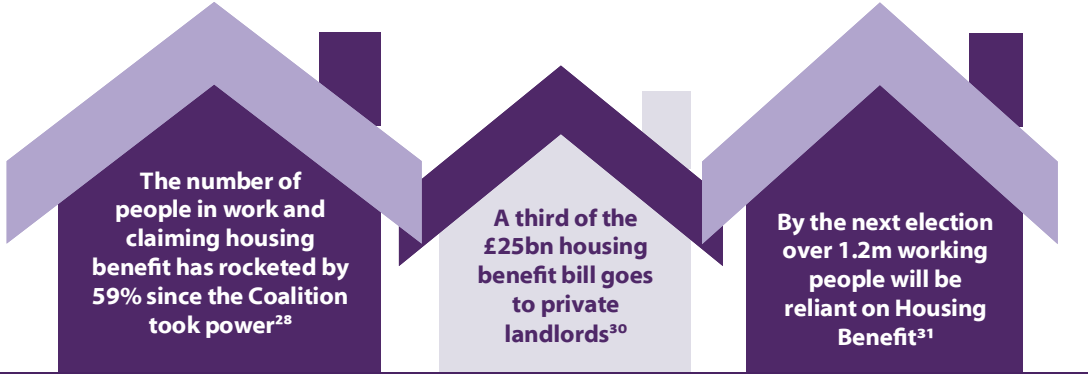
wildly changing working hours and work patterns²⁵. Some work many hours but cannot prove this to a landlord or a bank in order to get a tenancy agreement or a mortgage.

These contracts also affect the ability of workers to claim benefits²⁶. **Zero hour contracts cause major job insecurity with workers not knowing from one week to the next how much money they will earn** and this makes it impossible to plan childcare and caring responsibilities. Many of these contracts prevent workers from agreeing any other contracts, which simply adds to their precarious position in the labour market.

The great housing rip-off

The Housing Benefit bill has surged as the state has had to step in to plug the gap between stagnating wages and rent increases²⁷. The number of people in work and claiming housing benefit has rocketed by 59% since the Coalition came to power and will cost taxpayers an extra £5 billion by the next general election²⁸. The number of private landlords receiving rents paid by the taxpayer grew by 56% between 2008 and 2014²⁹.

Policies like the Bedroom Tax have meant that some people are living under constant threat of eviction and the prospect of temporary B&B accommodation which costs billions more of taxpayers money to fund³². In May 2013, the Bureau for Investigative Journalism found that there were 53,130 households living in temporary accommodation at the end of 2012 – an increase of 9% from the previous year.



The number of people in work and claiming housing benefit has rocketed by 59% since the Coalition took power²⁸

A third of the £25bn housing benefit bill goes to private landlords³⁰

By the next election over 1.2m working people will be reliant on Housing Benefit³¹

Working families need access to childcare

Childcare costs have increased by 77% in the last 10 years³³

In the last 10 years, childcare costs have increased by 77% and represent a larger portion of the average household budget than housing and mortgage payments³³. The Observer reports that childcare costs have leaped by 19% in a single year³⁴, and 24% of unemployed parents said that high childcare costs were the main reason they remained out of work.

24% of unemployed parents said that high childcare costs were the main reason they remained out of work³⁴

IPPR research indicates that households consisting of two working parents experience significantly lower child poverty rates and female employment impacts positively on child development³⁵. The Social Issues Research Centre estimates that 75% of mothers take the main responsibility for childcare³⁶. The UK has a comparably low maternal employment rate of 58% compared to the other 34 OECD countries³⁷. Increasing this figure by just a fraction could benefit the public purse by as much as £700 million³⁸.



Households consisting of two working parents have significantly lower child poverty rates and female employment impacts positively on child development³⁵.

Tax dodgers – the new state subsidised industries

Many large companies who rely on the state to top up their employees' wages or to provide services which allow their businesses to run smoothly, also engage in tax avoidance.

In 2013, Starbucks reportedly paid just £8.6m in corporation tax in the UK over 14 years and nothing in the last four years - despite sales of £400m last year³⁹. This fact came to light at the same time as Starbucks was reducing pay and conditions for its staff⁴⁰.

This example is not isolated: many other companies trading in Britain have been accused of similar tax avoidance schemes, such as Boots, Vodafone, Amazon, and Google. The government must channel more money into HMRC so that it does not have to rely on secondments from private accountants, and implement a genuine anti-avoidance principle to tackle loopholes once and for all⁴¹.

HMRC estimate the tax gap to be about £35bn but Tax Research UK put this figure at a much higher £120bn⁴²

In the city it is time for a Robin Hood Tax

A Robin Hood Tax is a tiny tax on the financial sector that could generate billions of pounds in revenue, which could then be used to lower the cost of living.

Also known as a Financial Transaction Tax (FTT), a Robin Hood Tax is a tiny tax of about 0.05% on transactions like stocks, bonds, foreign currency and derivatives. Globally a Robin Hood Tax could raise £250 billion a year. The Robin Hood Tax is well tested and could be designed to ensure it could not be avoided⁴³.

Globally a Robin Hood Tax could raise £250bn a year⁴³

Access All Areas - union back up in the workplace

The biggest obstacle to building unions is the lack of access workers can secure to union help, advice and support to organise where it matters most - in their workplace. With well-placed fears of being sacked for trying to join or organise unions and the inadequacy of any real legal protection for decades, it is no surprise that many workers who want to organise to improve their lives don't do so.

The biggest obstacle to building unions is the lack of access workers can secure to union help, advice and support where it matters most - in their workplace

Making work pay over the long-term means fighting the battle again to re-build collective bargaining as the main way wages are settled in UK workplaces. This can only be done from the bottom up. Denying workers the right to access unions at work, to build their strength as they bargain, is to hamstring them from day one.

Freedom of Association is guaranteed to all workers under Article 17 of the UN Charter of Human Rights. This includes the right to form and join trade unions where they work, free from fear of reprisal from their employer or Government. This is not currently enacted under UK law.

This model works well in several countries across the world including notably in New Zealand where it has survived several changes of Government from Labour to Tory and back again.

TUC Congress in 2013 adopted a motion calling for union Access All Areas - the right for workers to call union organisers into their workplace, whether or not they have recognition, to advise, support and organise them and to help enforce existing employment law.

Sources and References

1. **Thomas Piketty** (2014), *Capital in the Twenty-First Century*, Harvard University Press.
2. 1.4 million workers on the minimum wage and 1.2 million paid no more than 50p above the minimum wage. See **Resolution Foundation** <http://www.resolutionfoundation.org/publications/minimum-wage-act-ii/>
3. <http://www.bbc.co.uk/news/uk-25287068>
4. <http://www.theguardian.com/uk-news/2014/may/01/huge-increase-workers-zero-hours-contracts>
5. **ONS** Second Estimate of GDP Q4 2013 Data Set Series ABJR, Published House of Commons Library Budget 2014 Background Briefing 14th March 2014.
6. **ILO** World of Work Report 2013 P83
7. <http://topincomes.parisschoolofeconomics.eu>
8. **Resolution Foundation**, 2013, *Minimum Stay: Understanding how long people stay on the minimum wage*.
9. See note 2.
10. **Jane Wills** <http://www.geog.qmul.ac.uk/livingwage/> and <http://www.blog.rippedoffbritons.com/2012/11/iebrary-cutting-benefits-will-push.html>.
11. **Resolution Foundation**, 2013, *Fifteen years later: A discussion paper on the future of the UK National Minimum Wage and Low Pay Commission*.
12. <http://www.independent.co.uk/news/uk/politics/scandal-of-firms-that-dodge-paying-the-minimum-wage-8580941.html>
13. **JRF** *Minimum Income Survey 2013. CRSP Working Paper: Uprating the UK Living Wage in 2013*
14. http://www.resolutionfoundation.org/media/media/downloads/Minimum_Wage_ACT_II.pdf
15. **GLA Economics**, 2013, *A Fairer London: The 2013 Living Wage in London*.
16. See <http://www.ippr.org/juncture/the-cost-of-low-pay>
17. <http://www.tuc.org.uk/economic-issues/economic-analysis/labour-market/one-million-more-people-have-joined-under-employed>
18. <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/september-2013/sty-employment.html>
19. **Office of National Statistics** *An examination of falling real wages 2010 to 2013*. ASHE 31st January 2014.
20. <http://www.tuc.org.uk/economic-issues/economic-analysis/labour-market/labour-market-and-economic-reports/more-two-five-new>
21. <http://www.theguardian.com/money/2012/oct/12/payee-off-payroll-employers-employees-dodging-tax>
22. <http://www.theguardian.com/money/2013/sep/02/agency-workers-paid-less-tuc>
23. **Office for National Statistics** *Analysis of Employment Contracts that do not guarantee a minimum number of hours*. 30 April 2014
24. **DWP** quarterly sanctions figures <http://www.theguardian.com/society/2014/feb/19/record-number-sanctions-benefits-claimants>
25. <http://www.cam.ac.uk/research/news/zero-hours-contracts-are-tip-of-the-iceberg-of-damaging-shift-work-say-researchers>
26. <http://www.citizensadvice.org.uk/press09072013>
27. <http://www.belfasttelegraph.co.uk/news/local-national/uk/housing-benefit-claimants-up-60-30258939.html>
28. <http://www.independent.co.uk/news/uk/politics/exclusive-socalled-inwork-poverty-soars-by-59-under-coalition-as-more-people-with-jobs-are-forced-to-claim-housing-benefit-9340907.html>
29. **DWP**, *Housing Benefit Claimants in The Private Rented Sector*. Source DWP Stat-Xplore database <http://stat-xplore.dwp.gov.uk>
30. <http://www.telegraph.co.uk/finance/personalfinance/investing/buy-to-let/10787462/Landlords-9bn-housing-benefit-fuelling-bubble.html>
31. <http://www.theguardian.com/society/2012/oct/22/working-people-housing-benefit-report>
32. **Bureau of investigative Journalism** estimate in July 2013 Bed and Breakfast and other temporary accommodation costs in just 12 British cities is running at £91m a year and has exceeded £2bn since 2009. <http://www.thebureauinvestigates.com/2013/05/19/uk-housing-crisis-costing-taxpayer-2bn/>
33. **Families and Childcare Trust** survey 2013 and 2014 <http://www.familyandchildcaretrust.org/News/part-time-childcare-costs-are-now-higher-than-average-uk-mortgage>
34. <http://www.theguardian.com/money/2014/jan/12/soaring-cost-of-childcare>
35. <http://www.ippr.org/publications/childmind-the-gap-reforming-childcare-to-support-mothers-into-work>
36. <http://www.sirc.org/publik/CFOM.pdf>
37. <http://www.ippr.org/news-and-media/press-releases/more-mothers-than-ever-are-the-main-family-earner>
38. <http://www.ippr.org/publications/childmind-the-gap-reforming-childcare-to-support-mothers-into-work>
39. <http://www.bbc.co.uk/news/uk-politics-23019514>
40. <http://www.theguardian.com/business/2012/dec/03/starbucks-slash-lunch-breaks>
41. <http://www.taxresearch.org.uk/Blog/2012/06/20/why-we-need-a-genuine-general-anti-avoidance-principle-to-beat-tax-abuse-2/>
42. **Tax Research UK**. <http://www.taxresearch.org.uk/blog/2012/07/29/whats-the-tax-gap/>
43. <http://robinhoodtax.org.uk/how-it-works/everything-you-need-to-know>



128 Theobalds Road, London, WC1X 8TN

Email: info@classonline.org.uk

Phone: 020 7611 2569

Website: www.classonline.org.uk

© Class 2014

class

The views, policy proposals and comments in this piece do not represent the collective views of Class but have been commissioned by the GMB union and approved as worthy of consideration by the labour movement.