



**Contemporary Reflections**  
**on**  
**UNEMPLOYMENT**  
**AND THE**  
**FUTURE OF WORK**

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# EXECUTIVE SUMMARY

1. Government policy currently gives priority to reducing the budget deficit, leaving the impression that unemployment is a secondary matter. However, the labour market warrants serious attention.
2. A 1997 church report, *Unemployment and the Future of Work*, is used to reflect on the contemporary labour market. As a matter of social justice, there should be “enough good work for everyone”.
3. The labour market appears to have been remarkably resilient since 2008, in spite of the recession. However, the statistics are open to interpretation.
4. Taking account of unemployment that is “hidden” by official statistics, the Centre for Regional Economic and Social Research calculates unemployment at around 3.4 million in April 2012. In the worst affected areas, the unemployment rate is close to 15%.
5. This is partly the result of globalised markets, which have forced the UK to locate its economy where technology and knowledge are critically important factors of production. A two-tier labour market has resulted with high-skilled workers in full-time employment at high wages, and low-skilled workers employed insecurely at low wages.
6. Flexible labour markets have dampened unemployment but have also allowed employers to transfer economic risk to low-skilled employees, who now lead precarious lives on low pay with less hours of work than they need to make an adequate living.
7. Welfare reforms assume the availability of jobs and that the workless simply need to be motivated to take these up. However, obtaining any form of work in some parts of the UK is outrageously difficult.
8. The government therefore needs to address the demand side of labour market economics in the regions beyond London and the South-east. A serious attempt should be made to define full employment for today’s world. Government policy should target this to ensure a fair distribution of work in the UK.
9. If polarities in wealth and incomes persist into the future, social tensions are likely to increase.
10. Encouraging self-employment and private sector employment is critical, as is the development of career paths within the expanding health and care sector to improve pay and job security.
11. Trade unions need to be encouraged to protect workers’ rights in low-paid private sector jobs.
12. The National Minimum Wage must be protected against increases in the cost of living and the campaign for a living wage needs further support to make sure that work really does pay.
13. Transparency on pay at the top and bottom and bottom of the income distribution in particular would help to limit the widening disparity between those on high and low incomes.
14. The expansion of zero hours contracts is a special cause for concern, given that these represent the greatest opportunity for the exploitation of workers.
15. The system of in- and out-of-work benefits must be sufficiently flexible to mirror the regularity with which many low-skill workers move in and out of employment. Universal Credit purports to be a simpler system, but may not be sufficiently responsive.
16. Affordable childcare is critical to helping single parents and second earners into work, as well as generating better life chances for children.
17. The Work Capability Assessment (WCA) narrows the gateway to disability benefits, pushing people into the labour markets who may struggle to secure employment. If mental health is an issue, they may also struggle to meet the more stringent conditions now attached to employment benefits. Conditionality and the WCA come together in a potentially toxic way.
18. Where conditionality hurries people back into work not suited to their skills, people may become trapped in long-term insecurity. Unemployment benefits are for the purpose of finding the right job, not any job.
19. Politicians need to be honest and fair in their approach to unemployment and work. A rolling quarterly employment report and a national employment forum would assist in facilitating proper debate.
20. A clearer vision is needed of who we are as a nation state in relation to globalised markets and what mutual obligations bind us together as a society. Work is an entitlement. As a result, so are the benefits that support people in and out of work.
21. Work and wealth are intimately connected and come together best when they exist for the benefit of all.

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# Contemporary Reflections on UNEMPLOYMENT AND THE FUTURE OF WORK

## Introduction

In the 20th Century, high unemployment came to be seen as one of the most damaging features of capitalist economies. For about 30 years after 1945, the maintenance of full employment was a primary priority of UK economic policy. Unemployment was kept astonishingly low.

In the 1970s and 1980s, as a result of internal and external crises, inflation was taken to be the greatest threat to economies and full employment lost its overriding importance. Unemployment soared to over 3 million in the early 1980s and has fluctuated since then but never returned to the low levels of the post war period.

The Church has been at the forefront of drawing attention to the human loss and hopelessness caused by high unemployment - see *Faith in the City* (1985) and *Unemployment and the Future of Work* (1997). Both had some influence on subsequent policies.

Unemployment has recently received little attention from either the Church or secular political and economic commentators. Priority is currently given to reducing the Government deficit and restoring economic growth. Reducing unemployment is understood to be a by-product of success in these areas rather than an important goal in its own right.

We would question any suggestion that unemployment and the labour market are secondary matters and do not require serious attention at present. On the contrary, what happens in the labour market has a profound effect on whether human beings flourish or feel a sense of oppression and a lack of hope.

We have therefore returned to the 1997 report, *Unemployment and the Future of Work*, in the belief that it continues to offer guidance. In particular we adopt “*enough good work for everyone*” as the value-base from which to interrogate the dilemmas that confront policy makers today and to work through a policy mix that might best express an on-going Christian concern for both the unemployed and those who have jobs.

It is not possible for CRC to undertake a two year, panel-led interrogation of the current labour market, as happened with the original report, and what follows is no economic blueprint for the future. We simply reflect on what has changed since 1997, how the labour market is now working, and on priorities for the future. We hope this provides a challenging reminder to policy makers about the importance of work and the tragic consequences of unemployment. This is especially relevant at a time when many of the reforms to welfare, in pursuit of deficit reduction, assume the ready availability of jobs across the country as a whole. Our perspective has an inevitable northern slant, given CRC’s sphere of influence and activity.

We begin by reviewing the key elements of the 1997 report. This is followed by an analysis of current trends in the labour market. After reflecting on the original report’s recommendations in the present context, we conclude by asking what can be expected of politicians and of the Church.

### Acknowledgments

*Gratitude is due especially to Prof Alan Deacon and David Price CBE, both of whom had active involvement in the 1997 report, for their support in shaping and editing this contemporary reflection. Thanks are also due to Janet Bryer, Administration and Finance Officer, for the critically important organisational skills she brings to CRC.*

## The 1997 Report

*Unemployment and the Future of Work* was published in 1997 in the run up to the general election. It was the culmination of a two year inquiry by a panel of experts who toured the United Kingdom to engage with unemployment contextually and regionally on behalf of the Council of Churches for Britain and Ireland (CCBI).

The maxim that best summarises the overall argument of the report is “*enough good work for everyone*”. This avoided the term full employment, in part because it implied a measure that referred to full-time work for men in particular; it acknowledged that not all work was necessarily good or useful; and it explicitly understood women as well as men to be part of the labour force.

Theologically, the book adopts a dilemmatic method, attempting to walk a line between Middle Axioms and Liberation Theology. Malcolm Brown explains in the final appendix of the report that a Middle Axiom approach formulates principles from a theological perspective but leaves the task of turning these into policy to the politicians. Liberation Theology, on the other hand, takes sides with the poor in arguing for specific economic choices that are justified by particular Biblical texts. The Church’s role under liberation theology is prophetic, seeking the replacement of unjust (capitalist) structures by prescriptive policy alternatives that liberate the oppressed. Policy makers, however, face real dilemmas that are rarely reducible to right or wrong, good or evil. Brown’s dilemmatic theological approach seeks to collaborate with other academic disciplines to establish a set of core shared values through which to interrogate the dilemmas that confront policy makers. This goes further than a Middle Axiom approach by recommending a policy mix that best

meets the needs of contemporary society.

Under this dilemmatic approach, “*enough good work for everyone*” expressed a theological value-base that members of the panel shared in identifying and wrestling with the dilemmas that political parties were addressing as they approached a general election. It was also the basis for presenting a set of policies on behalf of CCBI that they together believed best met the needs of the United Kingdom at the time.

In 1997, the dilemmas identified were:

- a) the changing nature of work
- b) unemployment and poverty
- c) national and regional variations
- d) work and income

These are examined in detail in part one of the book, *The Need for Decision*. Part two, *The Choices We Can Make*, examines the policies available to government under six headings:

- i. expanding employment
- ii. fair pay and conditions of work
- iii. work for the unemployed
- iv. work and the benefits system
- v. education and training
- vi. the work ethic and full employment

The main findings of the report are summarised on page 174 of the report as follows:

- \* *New technology, economic globalisation and changes in the structure of employment offer great opportunities for human creativity and well-being. They also present very serious challenges to society, because of the increases in both unemployment and poverty.*
- \* *The problem is not just one of creating more jobs, but providing enough good work for everyone to do. By this we mean jobs which produce something of real value, and jobs*

*with decent pay and conditions of work. This will call for some sacrifices, but given the right priority, we believe that the problem can in fact be solved, over a period of years or perhaps decades .*

- \* *The combination of policies most likely to achieve this aim includes:*
  - *reform of the tax system to encourage more employment in the private sector;*
  - *much more employment in the public sector, financed by higher taxation;*
  - *a programme creating good jobs for the long term unemployed;*
  - *a national minimum wage;*
  - *better conditions of work and fairer bargaining over pay;*
  - *reform of social security benefits to reduce reliance on means testing;*
  - *giving priority in education to basic skills for all young people;*
  - *a national employment forum at which such policies could be debated by all interested parties.*

*The problem is not just a technical one of finding clever solutions to economic problems. The spirit in which policy measures are implemented is as important as their design. At every stage there must be justice and compassion. Without them, we may be sure that the evil in society will simply reappear in some other form.<sup>1</sup>*

Part Three went on to ask in a single chapter how churches can best engage in Christian mission to the world of work. It highlighted the importance of Industrial Mission and recorded the significant contribution made by various employment projects run by local churches in different parts of the country. The panel expressed a keen concern that *“the world of work should be taken right into the heart of Christian faith”,<sup>2</sup>* by ensuring that weekly

church worship should include prayer for economic justice and God’s help in working lives.

A final concluding reflection presciently senses *“a new labour force growing around us, working ‘part-time’ or ‘more flexibly’, with contracts, if they are lucky, that have time limited benefits and hardly any security”.*<sup>3</sup> Sixteen years later we find ourselves using the term *precariat* to describe the increasing number of people who now experience a precarious existence moving in and out of work as the original report feared.

## **Trends in Employment - 2013**

### **A. Unemployment in the United Kingdom**

The UK labour market appears to have been remarkably resilient in recent months. This has confused experts, given the scale of the recession that has taken place since 2008. By March 2013, levels of employment had reached 29.7 million people, higher than the pre-recession peak.<sup>4</sup> 2012 was the fastest year for employment growth since 1989.<sup>5</sup> Given the slow rate of economic growth taking place at the time, the mismatch between job creation and output is accounted for by a dramatic slump in productivity – the UK is producing 2.6% less output for every hour worked since the start of 2008.<sup>6</sup> The IFS attributes this to a much more flexible labour market, in which a decline in real wages has allowed firms to continue to employ workers who would have been laid off in previous recessions, and to twenty years of welfare reforms *“that have ensured that the benefit system is doing a much better job of ensuring that people remain in touch with the labour market.”*<sup>7</sup> If this is true, then a flexible labour market may well be a positive contribution to social and economic life by restraining the build-up of long term unemployment and limiting the loss of skills that this implies.

However, labour market statistics may be interpreted and spun in very different ways. Of the one million jobs the Government claims to have created in the private sector in 2011-12, 200,000 are lecturers in further education and sixth form colleges who were simply reclassified as such.<sup>8</sup> Participants in government work schemes also artificially inflate employment figures.<sup>9</sup> Flexible labour markets are also deregulated labour markets that offer few protections to workers, and statistics about them conceal much. There is no straight-line historical continuity with employment markets in the past, where figures recorded the employment of those who worked a forty hour week on a permanent contract. Post-industrial Britain has no standard working week and is home to “a growing army of contract workers may be in work but not necessarily always at work.”<sup>10</sup>

With half a million people now working less than six hours a week, the flip side of a flexible labour market where employers are prepared to keep on workers and accept lower productivity, is the underemployment of workers who would welcome more hours to make a proper living. Add to these the increasing number of people classing themselves as self-employed, often just picking up casual work to avoid being stigmatised as shirkers, and one gains a sense that labour markets are not all they seem to be. To counter misinterpretation and misunderstanding, John Philpott advocates a rolling quarterly *employment and labour market report*, akin to the Bank of England’s inflation reports, which formally presents details on what type of jobs are undertaken, how many hours are worked and how short of work people are.<sup>11</sup>

In this statistical context, the Resolution Foundation focuses on the employment rate rather than simply the level of employment, high as the latter is, in order to present employment as a propor-

tion of the working population. And because the UK population, aged 16 and over, has grown by 1.7 million since 2008, a jobs gap has developed that would require the creation of 850,000 new jobs in order to reach the pre-recession employment rate of 60.3% from its present 58.7%. Furthermore, with on-going job losses in the public sector and continuing increases in the working age population, it is estimated that the private sector would need to create 2.2 million jobs in order to close the jobs gap by late 2016.<sup>12</sup> If that is so, the road to a full recovery is likely to be long and hard.

Another feature of flexible global markets in labour, that of migrant workers, has also kept unemployment lower than we may have expected in the UK. 2004 and 2007 saw the opening of UK borders to workers from new EU accession countries. A million people registered for work here but indicated no intention of staying permanently when interviewed by the border agency. They thus became “long term commuters” who were not picked up in the labour force survey or in the population weights used to establish population estimates. When the economy deteriorated, many returned home, some did not work at all, and others operated on substantially reduced hours.<sup>13</sup>

Acknowledging the difficulties in agreeing the statistics for unemployment, Sheffield’s Centre for Regional Economic and Social Research (CRESR) has established figures which expose an alarmingly wide disparity in employment prospects between the regions on the one hand and London and the south east on the other. Using the JSA claimant count alone, which is generally recognised as an accurate and up-to-date measure of those who have registered as unemployed, recent figures show that Yorkshire and the Humber has



been disproportionately affected by increases in unemployment since 2008. Hull, for instance, contains the highest claimant rate at 7.1%, compared with a national average of 3.3%, but this rate has also increased by 2.6 percentage points during the same time, against a national increase of just 1.1%. Bradford has seen similar increases.<sup>14</sup>

But CRESR suggest that the real picture is far worse. The JSA claimant count visibly identifies those 1.5 million people who have actually registered as unemployed. The Government's second official measure of unemployment, the Labour Force Survey (LFS), also includes those who are out of work and available for work, but who do not claim JSA, giving a total figure of 2.5million unemployed. The LFS records, for instance, those who are ineligible to receive means-tested JSA, because of other household income or savings, but who are nevertheless actively seeking employment.<sup>15</sup>

CRESR then go further by noting: *"Across Britain as a whole, incapacity claimants are by some margin the largest group of working-age benefit claimants. Moreover their numbers are nearly four times greater than thirty years ago and it is impossible to explain the increase in health terms alone..."*<sup>16</sup> We should be careful not to suggest that those with accepted levels of disability have not deserved the support they have received under a different set of criteria, but CRESR see every reason to calculate that around 900,000 people have effectively been "diverted" on to incapacity benefits by successive governments in order to reduce formal measures of unemployment. With more stringent definitions of disability now being applied via the Work Capability Assessment, this group will become a formal part of the workforce again, giving a true picture of 3.4 million unemployed as of April 2012. Such "hidden unemploy-

ment" is concentrated in the older industrial areas of Britain and adding together all these figures reveals unemployment at rates of up to 15% in the worst affected areas—Hull, for instance, is calculated by CRESR to have a "real" rate of unemployment of 13.7%.<sup>17</sup> CRESR concludes that it is unlikely that the current welfare reforms, founded on the assumption that the workless need to be encouraged into work, will address structural unemployment as it is experienced outside of large parts of the south of England where the "real" rate is only 3-4%.<sup>18</sup>

## **B. Unemployment, Worklessness and Responsibility**

If CRESR is correct, the labour market thus exhibits wide variations in employment opportunities in different parts of the country. Government policy, on the other hand, has largely addressed the issue of "worklessness" in recent years, referring to all those who are involuntarily excluded from the jobs market and in receipt of benefits - job seekers, those on incapacity benefit, lone parents in receipt of income support, and carers receiving carer's allowance.<sup>19</sup> This focus implies much. In the first place, policy is addressed primarily at those who are in receipt of benefits and unemployed, rather than those who may not be entitled to benefits or do not claim them but still wish to work, with the implication that it a reduction in the benefits bill that is of primary concern. Secondly, it addresses the supply side of the labour market, attempting to remove barriers to work, with the implication that there are plenty of jobs available, but that people lack the skills, aptitude or, in particular, given the rhetoric around "fecklessness" that accompanies government policy, the motivation to take them up.<sup>20</sup> And thirdly, it shifts the responsibility for unemployment on to the unemployed, allowing Government to evade its moral responsibility to aim at full employment

by addressing properly the demand side of labour market economics.

There is much to be said for meeting the working population's need for new skills in order to compete for jobs in a globalised labour market that is quite different from fifty years ago, but are there really large numbers of unemployed people who simply lack the motivation needed to apply themselves to work? In an emotive chapter on the experience of unemployment as loss, Arthur McIvor notes from *Social Attitudes* evidence in 1998 that job losses in the 1980s and 1990s, far from loosening people's attachment to employment, strengthened their belief in the importance of work.<sup>21</sup> People would like to work, but there are places outside London and the South-east where obtaining work is outrageously difficult. There is a moral duty for those who can work to seek out jobs. But there is also an equal and opposite responsibility for Government to ensure that opportunities for employment exist at a level which encourages people in the belief that *enough good work* is actually available.

It is difficult to define full-employment in an era when households contain people who are full-time, or part-time, or unemployed, with various combinations of all three. In spite of this, it is important that the Government remains responsible to the electorate for establishing a target for full-employment which makes proper sense of accurate labour market statistics. As Richard Murphy and Howard Reed point out, the pursuit of full employment as a policy goal makes economic sense, because there is a double cost to society of unemployment: the unemployed are a wasted resource, making no productive contribution to the UK economy; and they need to be fed, housed, clothed, educated and provided with health care with all the attendant costs borne by

society as a whole.<sup>22</sup>

## Globalisation, Technology and the Competition State

Many commentators treat it as given that globalised markets and new technologies make it difficult for governments to pursue full-employment as a policy goal at the level of the nation state. Whilst these factors have clearly altered employment patterns and even people's experience of work, other writers warn also that poorly thought through economic policy responses have exacerbated the situation, leaving a "squeezed middle" where the only jobs available are in either high-skilled or low-skilled work.<sup>23</sup>

The United Kingdom's decision to deindustrialise over the last thirty years in favour of a knowledge economy where services and innovation drive growth has certainly generated demand for high skilled workers. At the same time, what were secure, relatively well-paid jobs in manufacturing, with substantial fringe benefits, have been replaced by part-time work that comes with low wages and, more often than not, no fringe benefits. The effect of these changes continues to be felt most acutely by regions outside of the south east of England, not least by people in the former industrial cities.

Such decisions have come as part of a broader, progressive development of the United Kingdom as what some have labelled a "competition state", over against the Keynesian national "welfare state" that dominated from the middle of the century. This has involved a shift of party and governmental policies away from the general maximisation of welfare within a nation, to the promotion of enterprise, innovation and profitability in the private and public sectors, in an overall attempt to create an environment which makes the UK attractive to



investors. The position may be a little overstated, for Keynes would have recognised the importance of also being competitive, but it is nevertheless true that government now involves far more steering rather than rowing, as politicians exercise less direct forms of control than the prescriptions of the past.<sup>24</sup>

In competitive globalised markets, the United Kingdom has perhaps been forced to locate itself in a place where technology and knowledge have largely replaced capital and energy as the main wealth-creating factors of production.<sup>25</sup> It is worth listing the practical outcomes of this shift towards a tougher competitive stance:

1. Large numbers of industrial workers lost jobs, leaving disrupted communities where manufacturing had been located.
2. Automation and computer systems extend the ability of management to monitor and control the working lives of employees in new forms of business e.g. in call centres
3. A rapid expansion of managerial, creative and professional sectors of the economy
4. A generally better educated labour force as education policy has been directed towards up-skilling people for employment in the new “knowledge economy”.
5. The outsourcing of “bad jobs”, often the dangerous ones, to countries where multinational companies can exploit cheap labour, tax breaks and a more limited regulatory environment.
6. The emergence of an unprecedented wage gap between the highest and lowest earners, after 50 post-war years which saw real wages double across the UK workforce as a whole.
7. The development of a two-tier labour market where those at the top have full-time

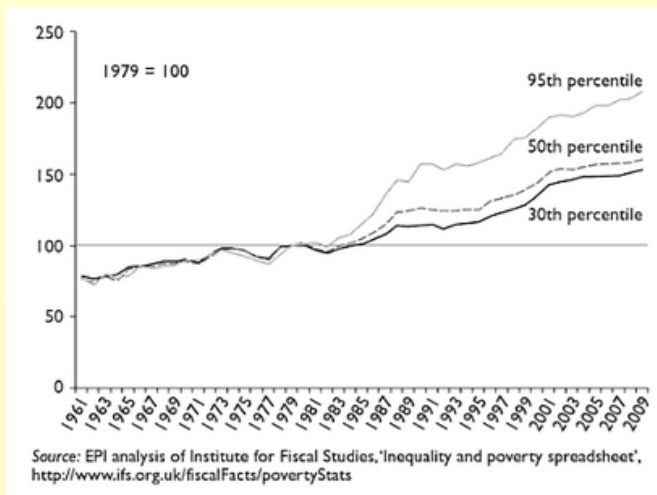
secure employment whilst those at the bottom have no job security, enjoying access primarily to non-standard, temporary and part-time contracts at best, sometimes zero hours contracts, and a lifetime of underemployment in which it is difficult if not impossible to make a living.

8. A fundamental shift in the balance of power in the workplace in favour of management, as job losses, anti-labour legislation, reductions in pension rights and deregulation have exposed workers (and the unions that protected them) to the full force of globalised markets.<sup>26</sup>

To many people in the North (and other regions of the country outside London and the south east), it also feels as though the economy has been tilted towards the south in such a way as to deny access to the same levels of employment, and therefore prosperity, as in the past. The neoliberal ideology that has accompanied the development of the United Kingdom as a competition state offers no guarantee that jobs will be created equally and fairly across the nation. Just as wealth fails to “trickle down” evenly in all directions from the centres of economic activity, so do jobs concentrate in particular places - at the moment primarily, but not exclusively, in and around London. Investment is badly needed elsewhere, by political design and intent if free markets are failing to deliver wealth across the state as a whole.

## **Inequalities In Wealth and Income**

Until the late 1970s, household incomes for rich and poor grew together in the UK. The chart below<sup>27</sup> shows how aggressively incomes have widened since that time. During the 1970s, the bottom half of earners took home a greater share of weekly wages than the top 10%, but the situation had reversed by 1990 and the gap has widened



since. When bonuses are added in, the annual figures show even greater disparity.<sup>28</sup> This suggests that the UK is heading in the same direction as the United States, where pay and productivity have decoupled to the extent that productivity gains have benefited only the upper part of the wage distribution during the last thirty years.<sup>29</sup> Succinctly put, “a rising tide no longer lifts all boats.”<sup>30</sup>

These concerns were already apparent when *Unemployment and the Future of Work* was completed in 1997, but in the aftermath of the 2008 recession, strains in the job market have become even more apparent. Lower-skilled workers are struggling with unemployment and stagnating wages, and employers are short of the high-skilled workers who generate economic growth.<sup>31</sup> If the resulting polarities in wealth and income persist into the future it seems likely, in advanced economies like the UK, that social tensions will increase as large numbers of people grow up poorer than their parents.<sup>32</sup>

The mass entry of women into the labour market since the 1970s has masked the effects of a decline in male wages in recent years. Women’s wages are now an essential income to many households leading to the suggestion that work of itself is no longer the best route out of poverty; living in a double income household is.<sup>33</sup> The

same feature is also partly responsible for the widening gap between the top and bottom of the household income distribution. In the labour market we have been examining, “marital homogamy”, where higher-skilled people couple with each other, has created extremes where some households earn especially well from two incomes, whilst other households have no work at all.<sup>34</sup>

The tax and benefits system in the UK is therefore having to do far more to address the disparities in household income. They are now required to top up the incomes of low earning households by four times the amount that they did in 1977.<sup>35</sup> This is in stark contrast to the USA where redistribution does not occur at any where near the same levels. In an age of austerity, such transfers are less affordable without increases in taxation, so it is likely that the Government will need to do more to shape market wages, especially given the weakness of trade unions. The Minimum Wage has proved successful in this respect already, but is now failing to keep pace with rising prices, and a campaign for a living wage is gaining traction. However, at a time when more and more people are working part-time, the acute need is often for the opportunity to work more hours. The sharp edge of the flexible labour market that employers enjoy, is the growing absence of good work and the development of a *precarariat* of workers with little job security. “Unpredictable hours, poor job quality and a lack of fringe benefits matter as much as wages when it comes to understanding living standards - and the data suggests that, by these measures, things are getting worse.”<sup>36</sup>

How to raise household incomes in a globalised economy where firms are under pressure to maximise profits at the expense of wages and hours is a particularly critical question. The practice of off-

shoring parts of the production process along long supply chains, places huge distance between employers and their workers and reduces their accountability for implementing acceptable wages and working standards. The result is low wages for disempowered workers in one part of the world, and unemployment for others elsewhere.<sup>37</sup>

## Reflections On the 1997 Report's Recommendations and Answers

The original 1997 report includes the following simple proposition: *"when the economy is not producing what justice demands, in particular not producing enough jobs to go round, then it is right for the government to take action which will make the market work better."*<sup>38</sup> From this and the inquiry that took place emerged the principle that, as a matter of social justice, there should be *enough good work for everyone*. In the context of the current labour market and a world that has been further transformed since 1997, we use the above proposition and principle to assess the political choices that might be made today about unemployment and the future of work.

### Job Creation and Employment Growth

We noted earlier that the level of employment has been rising sharply in recent months, but that the employment rate has not kept pace with this because of the parallel expansion of the working age population. More work needs to be done in generating jobs, but where will they come from?

1. **Encouraging self-employment** not just as a way of avoiding the stigma associated with claiming benefits, but as a positive way of contributing to economic life and recovering purposeful activity in the wake of unemployment. The Prince's Trust reports that whilst Britain has in the past lagged behind

other countries for entrepreneurship among young people in particular, attitudes are changing. Many find the idea of self-employment preferable to competing for the jobs available in today's labour market. The needs are for start-up funding and mentoring to drive development in this area.<sup>39</sup>

2. **Expanding the private sector** remains important especially as public sector employment continues to contract. However, much of the expansion in private sector employment in recent years has had the habit of transferring risk from the employer to employees. Nowhere is this more manifest than in the zero hours contract, which promises an employee little more than work whenever it happens to be available. But it is part of a broader picture in which employers are reluctant to take on workers on full-time contracts. The Resolution Foundation notes that whilst the level of employment is now higher than ever before, full-time employment has actually fallen by more than half a million since 2008.<sup>40</sup> It is perhaps a principle that needs to be reinforced, even as we seek to encourage private sector employment, that economic risk needs to be shared, with employers taking proper responsibility for ensuring that good jobs bring with them a sense of security as well as an income.
3. **Developing the health and care sector** so that care work becomes a career path rather than simply being low paid work. Given that the need for elderly care is expanding rapidly at the moment and that private companies frequently deliver such work, *"governments will need a clearer strategy to improve pay, job quality and opportunities for progression in the care sector."*<sup>41</sup> A focus on low-productivity sectors like this is

as critical to addressing issues of social inequality, as a focus on high-productivity jobs in the knowledge economy is to generating economic wealth. The two things go together if social and economic life in the United Kingdom is to aim at being fair and just.

4. **Investing in early years education and childcare** carries with it more than just the benefits of generating jobs. Good quality, affordable childcare, much of which is still beyond the reach of low income households, makes a critical contribution to improving the life chances and social mobility of children from families in deprived neighbourhoods.<sup>42</sup> It also allows parents the choice of continuing to work alongside the task of raising their children well, thereby allowing them to maintain skills and an attachment to the labour market that might otherwise be lost. Cutting childcare costs may be one way for the government to reduce immediate costs in an age of austerity, but the longer term consequences of failing to invest in this area may be significant.
5. **Capital investment**, in housing, renewable energy and transportation, is one of the most effective ways of creating jobs.<sup>43</sup> However, we would argue that there is much greater merit in addressing capital expenditure for transport and renewables specifically to those regions where unemployment is high. This needs to be achieved by political design and intent and not simply on the basis of where private investors choose so as to maximise profit. This is one of the ways in which policymakers can rebalance the economy more fairly away from the London and the South-east which is operating close to capacity, and which has already benefited from capital spending in recent years e.g. on the infrastructure associated with the Olym-

pic games.

6. **Measures to stimulate job-sharing**, as takes place in Germany,<sup>44</sup> would not only expand the number of jobs available, but would also allow some people to adopt a work-life balance that better meets their commitments to family and their need for leisure.
7. **The question of taxation** also arises in this context. In particular it is worth asking how much more could be achieved by way of employment expansion if public attitudes to taxation were different. Whilst income tax is progressive in the UK, with the higher earners paying a greater share of their incomes in tax, the regressive nature of VAT and other indirect taxes means that *“the overall tax system is roughly proportional: people at various points along the income distribution pay a similar share of their market income in taxes.”*<sup>45</sup> This is unfair and does not fit with the “vertical equity”, brought about by a more progressive approach.<sup>46</sup> Murphy and Reed argue for a complete redesign of the tax system, first and foremost to make it fair. Secondly, it would be simple enough for the majority to agree with - many would favour a tax system in which people really do pay a progressively larger proportion of their income in tax, instead of just appearing to do so. On the basis that it would be more politically possible to increase the tax take by raising taxes for higher earners, funding would be available to maintain jobs that are currently being cut in the public sector, or to invest more heavily in capital projects as above.

### **Reducing the economic and social deprivation of those in low paid work?**

The threat of unemployment alongside a widening acceptance of flexible patterns of employment

is allowing employers to renegotiate contracts with employees, reduce hours of work, withdraw or modify fringe benefits and hold down wages. As a result, whilst workers are holding on to jobs and remaining in touch with the labour market, in-work poverty is increasing sharply. Two overall issues emerge - the need to make sure that work pays sufficient for people to make a living; and the need to make up any difference between the two by way of in-work benefits.

#### **A. Low Pay and Deprivation**

1. **Encouraging trade unions**, especially in the private sector, is an important way of protecting wages. Labour markets are presently failing the low paid so there is a need for some form of collective bargaining that gives a better voice to workers and ensures that employers are meeting a social responsibility to offer good work that pays at a rate which does not leave employees in poverty.
2. **Protecting the minimum wage** is critical to the needs of those on low pay, not just as a way of making sure that work comes close to paying sufficient to live on, but also as a way of limiting inequality. Disparity in incomes has been largely driven by runaway wages in high paid jobs, but evidence does show that the gap in incomes between people at the bottom and in the middle has not widened further since the introduction of the minimum wage.<sup>47</sup> W.S. Siebert argues that the minimum wage has always been set too high for the north and too low for the south and that low skilled workers in the regions are priced out of the labour market as a result.<sup>48</sup> From a regional perspective, and at a time when the labour market and economic activity in general seem heavily skewed towards London, we should be alert to the possibility that Siebert is correct, but his article leaves uncertainties that are mir-

rored in the United States and leave other academics suggesting that on balance *“embracing the minimum wage is a risky but potentially beneficial move.”*<sup>49</sup> In any case, with austerity likely to bite hard at in-work state benefits for the foreseeable future, there will be an on-going need for employers to ensure that wages are adequate to needs.

3. **The campaign for a living wage** has taken off in recent years, in recognition of the fact that the minimum wage does not guarantee that workers are paid sufficient to live on. It is a grassroots call on employers to go beyond their legislated obligation to pay minimum wage. In simple terms, the living wage is *“an hourly wage rate that guarantees a basic but acceptable standard of living.”*<sup>50</sup> It is not an alternative to tax credits, but is intended to operate alongside in-work benefits to address poverty. In November 2013, the hourly rate for the UK was set at £7.65, a good deal above the minimum wage rate of £6.31, with £8.80 the level set for Greater London. As with the minimum wage, there is some uncertainty about the social and economic impact of the living wage which makes further research necessary. The calculated effect of an extreme scenario in which all private sector companies adopt the living wage for low paid staff is estimated to be a rise in pay for 4 million workers, whilst at the same time costing 160,000 jobs.<sup>51</sup> At the same time, the cost of the living wage would vary from industry to industry. Companies in construction, computing, and food production, for instance, would absorb the costs far more easily than those in retail, bars and restaurants, leading to the suggestion that the latter could commit to phasing in the living wage over a period of



time.<sup>52</sup> At the very least, the living wage campaign provides a sort of collective support to low-paid workers, whose voice has been weakened with the decline of the trade unions. It makes pay at the bottom a public issue and highlights those organisations that are making an effort to address low-pay whilst, by implication, drawing attention to those that are happy to pay as little as possible. Transparency on pay, at the top and the bottom of the income distribution, is more than just a useful contribution to the inequality debate, however, it has the capacity to bring about change. The campaign gains further traction as organisations from all sectors of the economy lend it their support.

4. **Addressing underemployment** is a critical support to both minimum and living wages, since the rate of pay is only one factor in addressing in-work poverty. The number of hours worked, as well as fringe benefits, are the others, with the former the most crucial. We have already seen that a flexible labour market is creating a situation where many part-time workers would like more hours. *Enough good work for everyone* implies sufficient hours as well as adequate rates of pay. Zero hours contracts offer the greatest opportunity for exploitation and their use has risen sharply in recent years, to 250,000 according to official figures. Flexible working arrangements can sometimes suit both employer and employee, and the Work Foundation estimates that only 26% of the above figure actually want additional hours.<sup>53</sup> However, with other organisations estimating that the real number of zero hours contracts is one million,<sup>54</sup> the possibility that zero hours contracts are generating insecure employment on a widening scale needs

addressing with urgency.

## B. The Role of In-work Benefits

1. **A flexible system of in-work benefits** is required to counterbalance the existence of low-pay and the shift towards part-time work and flexible patterns of employment. The low pay, no pay cycle that many workers now experience, where they move in and out of work regularly, on different types of contract, at varying rates of pay, means that benefits and tax credits need kick in and out with similar speed to mirror the ways that income varies. Tax credits have delivered a healthy £175.4 billion to low-income households in the last ten years, which has helped to make work pay, but critics regard the overall system as sluggish and complicated.<sup>55</sup>
2. **Universal credit** purports to be the answer. Simplifying the system by reducing the number of benefits and tax credits available in favour of a single payment may well have the effect of encouraging take-up, thereby more broadly alleviating the problems of poverty and low-pay. However, because relationships with the labour market are in an almost constant state of flux under, for instance, zero hours contracts, it seems unlikely that the system will be sufficiently responsive to people's circumstances. In addition, the attempt to incentivise work by widening the gap between out-of-work entitlements and what people receive when they are in work has been achieved under austerity measures almost exclusively by reducing entitlements to the former. In fact, universal credit will apply far less generous withdrawal rates when moving into work than was originally intended. Overall even in-work support will be significantly lower in 2014 than it was under the previous system of tax

credits in 2010.<sup>56</sup> Universal credit, on its own, however, is not likely to address the issue of low pay in a flexible labour market. Even without austerity, an ageing population will mean in due course that an increasing proportion of government revenues will be needed for the elderly at the expense of addressing inequalities in the labour market.<sup>57</sup> It is for these reasons that commentators are stressing the importance of the living wage campaign and other pre-distributive measures that press employers to play a greater role in addressing low pay and other insecurities generated by flexible markets.

3. **Ensuring access to affordable childcare** has been mentioned above on the basis that it has the potential to increase social mobility by improving the life chances of children. It also addresses low pay and poverty by placing single parents (and second earners in a household) in touch with the labour market. If care is too expensive, work no longer pays, and the cost of childcare in the UK is certainly high by comparison with other OECD countries.<sup>58</sup>

## **Addressing the economic and social exclusion of those who are unable to work?**

### **A. Disability and Unemployment**

When addressing disability and work, the crucial issue is that of fairness. Disabled people need access to the labour market so that they can use their skills and abilities in economically productive ways. The gateway to benefits also needs to be set in a way which recognises that disability really does limit the capacity of people to care for themselves through work. In the 1970s, average earnings for disabled workers were less than half of those for the UK as a whole, and just 700,000 peo-

ple, one third of the number registered as disabled, were in work.<sup>59</sup> Unemployment rates are generally much higher for those with mental health disabilities than for those with other forms of impairment. The Disability Discrimination Act did much to improve access to employment, so that by 2002 there were 3.5 million disabled people in paid work. However, there were also far more people defining themselves as disabled, particularly in relation to mental health.<sup>60</sup> The relationship between disability and poverty has been persistent through time and discrimination against disabled people remains deeply rooted. Much care needs to be taken, therefore, in narrowing the gateway to disability benefits, through the new Work Capability Assessment, which potentially pushes people into a labour market where on-going prejudice makes it doubly difficult to find employment.

### **B. Conditionality and Work**

As one strand of welfare reform, the government are operating “activation policies” that strengthen the conditions under which benefits are received – tightening the requirements to search for work and imposing tougher sanctions for non-compliance. Conditionality is not new but the rigour with which it is being applied is, in opposition to welfare provision that is perceived as having created a “culture of entitlement”. Unemployment is thus being made more uncomfortable to encourage people back to work with speed.<sup>61</sup>

This raises two particular questions about the balance between conditionality and work. The first is that it implies a shift in understanding what legitimises a claimant’s benefit. Under a system of social security, benefits really are an entitlement, based on the contributions made in the past. Conditionality is now being applied with an accompanying rhetoric that explicitly suggests that it is primarily a person’s present behaviour rather than

past contribution that legitimates their claim to benefits. Only if someone is applying for jobs and accepting work of whatever nature, are they meeting the obligations that entitles them to the support of their brothers and sisters.<sup>62</sup>

The second follows from this. Unemployment benefit was not originally granted solely as an interim to people taking any other job, but bought them the time to find a job that actually suited their skills and abilities. Rushing people back to work can have the habit of misdirecting labour in the economy to tasks that are not appropriate and can also see skills depleted over the longer term. Job Seekers Allowance, therefore, needs to function in such a way that claimants have time to seek out good work that is personally fulfilling but which also directs a person's skills to their best use in economic life. Where the system actively hurries people into low-skilled work for the sake of removing them from the claimant count, it can end up trapping people in long-term insecurity.<sup>63</sup>

### **C. Public Hostility towards Benefit Claimants**

Government and media rhetoric around a "culture of entitlement" and "benefit dependency" must be countered by painting the bigger picture about welfare. The welfare system is one which aims at social security, not just for the individual who happens to have fallen on hard times through unemployment, but for society as a whole. And social security is about entitlement: in the first place, on the basis of a contributory system into which all pay at some time or another; and in the second place, on the basis that we have a duty of care for each other, especially at a time when full-employment is no longer pursued with the vigour it once was, and when jobs are unevenly distributed within the national economy. The mantra remains as it was in 1997: *enough good work for everyone*.

### **What can be expected of politicians?**

Honesty and fairness are important to a proper political debate about unemployment and the future of work. Where rhetoric around the word "worklessness" prevails, it implicitly denies the existence of structural unemployment, especially as it exists in the regions beyond London and the South-east, and transfers the problem away from the state to the individual, who instead is scapegoated as feckless. People's obligation to work for the support of themselves and their families is taken as given, but the state carries an equal obligation to ensure that opportunities for employment, which pay sufficient to make a living, are distributed fairly within the economy: again, *enough good work for everyone*.

On that basis, it would seem reasonable to suggest the following:

1. A rolling quarterly employment report, along the lines suggested by Philpott above (page 4), which presents the facts about the labour market for debate.
2. A national employment forum, as in the 1997 report, at which the facts about the labour market can be honestly debated by interested parties.
3. The need for a clearer vision of who we are as a nation state in the context of global markets in order to establish what binds us together socially. This will give us greater clarity about the mutual obligations and responsibilities we can fairly expect of each other, as played out in the state. This needs to include an understanding that the United Kingdom positions itself within globalised markets by political intent, with labour market implications for all. Deindustrialisation in the 1980s and 90s, for instance, in favour of

- financial services has led to the regional imbalances in employment that exist today.
4. Genuine care over how work is fairly distributed within the economy. A fair society at the very least aims at equality of opportunity. Where opportunity, particularly access to employment, is hard to come by, then there is also an attendant political obligation to rebalance the economy in such a way that people have a chance to make a genuine living. Too often, “the market” is used as an excuse to avoid political decisions. The result is not just that wealth and income concentrate in particular places, but that social inequality widens. Many of the commentators reviewed above regard the labour market as increasingly two-tiered, polarising as it is into high-pay and low-pay work, in addition to the urban and regional inequalities which ultimately threaten political stability.
  5. That work is seen not just as a duty, but also as an entitlement. People should feel entitled to work in a state where they can make a living by pursuing employment opportunities. They should expect work to pay enough to survive and to shape a home for themselves and their families. If the market fails in this respect, then there is an obligation on government to ensure that employment offers sufficient pay for people to feel confident about the future, or to top up pay to a level where insecurity about the future is no longer a pressing issue. Entitlement to in-work benefits should be understood as a way of acknowledging the full value of the work that people have undertaken.
  6. The need for clarity over what full employment means for today and a commitment to pursue policies that target this. The 1997 report implies difficulty over the issue by simply referring to *enough* good work, but this is no longer adequate. In addition, if the Governor of the Bank of England is to take unemployment as one of the criteria used to set monetary policy then government needs formally to acknowledge that and establish what the target rate will be. There is also a need to recognise that monetary policy directed towards a national rate for unemployment will not necessarily address the labour market problems experienced by a two speed economy. Choking off wage inflation in London by raising interest rates to dampen economic activity, will not help economic life in those parts of the country where unemployment is way above the national average.
  7. Government interventions that must include more than monetary policy as a way of addressing disparities in the labour market. In particular there continues to be a need for a programmes that focus on creating work for the long term unemployed. A DWP report on the Future Jobs Fund, established in 2009 to put long-term unemployed people back to work, acknowledged the significant benefits in relation to costs and yet this was cut on the basis of short-term cost to the taxpayer.<sup>64</sup> It needs restarting. In the same vein, Richard Layard recommends a job guarantee (as does appendix C of the original 1997 report) for those out of work for twelve months to provide meaningful work as part of our moral obligation to one another.<sup>65</sup> It also makes economic sense not to leave people detached from the labour market for long periods of time during which skills deteriorate and employability becomes an issue.
  8. A similar focus on youth unemployment so that detachment from a work ethic does not become embedded for the long term. Re-

search suggests that there is a wage scar from unemployment early in a working life that sees income some 12-15% lower by the age 42 than would have been the case.<sup>66</sup>

9. Employment rights for non-standard workers to address the problem of employers using “flexible markets” as a way of transferring economic risk to their employees. Flexible patterns of work seem for the most part to generate insecurity for workers, whilst cutting costs for employers.
10. A positive view of state welfare which exists not just to provide a safety net for the vulnerable, but also for the purpose of addressing the inequalities that are driven by capitalism.
11. The further development of early years care that creates opportunities for parents to participate in productive economic activity, at the same time as laying educational foundations that generate better life chances for young children and social mobility in the longer term.
12. Protection for the National Minimum Wage, by ensuring it is properly linked to rises in living costs. And, alongside this, encouragement to the campaign for employers to pay a living wage, in recognition that good work should pay an hourly rate that would actually allow a full-time worker to make a living. Transparency on wages - which employers pay what to whom - throughout the income distribution would also help in limiting the widening gap in pay.
13. Care over the casual creation of toxic policy combinations. The Work Capability Assessment, narrowing the gateway to disability benefits, combines with tougher sanctions applied to those in receipt of JSA in a particularly unhelpful way. People with mental health problems, for instance, may be

passed fit to work under the WCA, but not be well enough to cope with the sanctions that are applied under JSA, leading, at worst, to destitution.

## What can the Church do?

Much of the 1997 report remains commendable even in relation to a labour market that has continued to evolve. In particular, *enough good work for everyone* is still an excellent way of thinking about theology in relation to the labour market – it needs restating in the present context.

The Church needs to challenge political leaders about structural unemployment as it is experienced in some of the old industrial cities that are even now reeling from changes that took place thirty years ago. Unemployment, not worklessness, remains a scourge in many of the most deprived areas of the UK, where it is still the main source of poverty. As tougher sanctions and lower benefits bite harder, the problem is likely to grow, even as other areas emerge from recession with faster growth and rising standards of living.

Whilst it is true that the impacts of unemployment bring the meaning of work into sharp focus,<sup>67</sup> employment itself is now so varied in terms of contract, pay and security that it would be good simply to listen intently to people’s experiences. What is it like juggling part-time jobs, shuttling between work and unemployment, and balancing the family life against working hours that no longer pattern themselves against a standard working day or week? If the Church could help ordinary workers to articulate their experiences it may equip policy makers as they influence and regulate the conditions under which people are employed. Flexible working may suit some people. Other workers may be so insecure in their employment that they struggle even to complain. Such experiences would help the Church to articu-



## Endnotes

late its own view of work as a social good as well as an economic necessity, at the same time as creating a better platform for the low-paid and unemployed to be heard by a wider public.

In similar ways, clergy need to be alert pastorally to the ways in which the lives of their parishioners are changing in the context of work and unemployment. Everyday insecurities about the future generate fears and stresses that manifest in many different ways, not least in the relationships that are shared within the household.

In the context of all this, many churches have already endorsed and implemented the living wage as a minimum entitlement for all employees. This should continue as a lead to wider society.<sup>68</sup>

The Church's story sits within a Biblical narrative that stretches back through time and incorporates the memory of Israelites enslaved to work in both Egypt and Babylon. The redemption and liberation that God subsequently brings to them is fundamental to their identity and fuels a care over how society is shaped politically and economically. Even today, when slavery has no part in the way that formal labour markets are structured, Christian theologians have still warned that work remains "the most immediate way in which human beings dominate and exploit each other".<sup>69</sup> Work is important. At its best, it creates meaning and purpose for individuals; it generates fulfilling social connections and friendships; it raises an income that supports the flourishing of households and family life. It is a social and economic good. On the other hand, work can be mind-numbingly mundane, deprive people of social contact, pay too little, and offer too few hours to provide people with the freedom to live well and be confident about the future. Work and wealth are intimately connected. They come together best when they exist for the prosperity of all.

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December 2013*

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- <sup>23</sup> Parker, S. 2013. *Squeezed Middle : The Pressure on Ordinary Workers in America and Britain*. Bristol: Policy Press, p.2
- <sup>24</sup> Ball, S. 2013. *The Education Debate*. Bristol: Policy Press. p.94-95 and p.217.
- <sup>25</sup> Ibid., p. 23.
- <sup>26</sup> Mclvor, A., p.276-277.
- <sup>27</sup> In: Mishel, L. and Shierholz, H. 2013. A lost decade, not a burst bubble: the declining living standards of middle class households in the US and Britain. In: Parker, S. eds. 2013. *The Squeezed Middle*. Bristol: Policy Press, p. 19.
- <sup>28</sup> Ibid., p.21.
- <sup>29</sup> Ibid., p. 22 and p. 28.

- <sup>30</sup> Parker, S., p.7.
- <sup>31</sup> Dobbs, R. et al. 2012. *The world at work: Jobs, pay, and skills for 3.5 billion people*. [report] New York: McKinsey Global Institute, p.1.
- <sup>32</sup> Ibid., p.2.
- <sup>33</sup> Parker, S., p.6.
- <sup>34</sup> Ibid., p.32.
- <sup>35</sup> Ibid., p.4.
- <sup>36</sup> Ibid.
- <sup>37</sup> Ibid., p. 5.
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