



**TELCO**

# Mapping low pay in East London

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a report written for *TELCO's Living Wage Campaign* by

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### Summary

- In April 2001 The East London Communities Organisation (TELCO) launched a Living Wage campaign in East London. Research commissioned by the public service trade union UNISON and conducted by the Family Budget Unit estimated that a lone parent with two children would need a disposable income of £272 a week to sustain a 'low cost but acceptable' standard of living in East London. A family with two parents working, one full time and one part-time, would need to earn £322 a week. If these families were to live without means tested benefits each adult would need to earn £6.30 an hour (see Family Budget Unit, 2001). TELCO is now campaigning to see that public sector bodies in particular, but also a number of high profile corporations, ensure that their own contractors meet this wage standard, by writing into their contracting regulations an obligation to pay all staff a locally appropriate living wage.
- TELCO is the largest and most diverse peoples' organisation in London, presently composed of nearly forty independent grassroots institutions, particularly, churches, mosques, union branches and schools based in East London. In response to growing concern about declining wages and deteriorating working conditions in the area, TELCO's membership decided to launch a campaign. The main thrust of the campaign so far has been to persuade publicly funded institutions across Hackney, Tower Hamlets, Newham and Waltham Forest to introduce Living Wage clauses into contracting procedures for services. In addition, as this research report reveals, corporations in Docklands (and particularly Canary Wharf), are serviced by many of the same companies with the same poor wages and conditions of work as found in the public sector. These corporations are also a target for the campaign.
- This research report maps the gap between the national minimum wage of £3.70 an hour and the living wage of £6.30 an hour. The report outlines the pay and conditions of workers employed by private service contractors across East London. Almost 100

workers have been interviewed, covering health, local authorities, education, transport and the private sector at Canary Wharf.<sup>1</sup>

- Low pay is a serious problem in East London. This research report uncovers wages as low as £3.75 an hour for cleaning buses with *ISS Stagecoach*, £4 an hour for cleaning offices with *OCS* at Canary Wharf and £4.05 an hour for cleaning Whipps Cross Hospital with *ISS Mediclean*.
- The process of contracting out has driven down the pay and conditions of staff providing many public services. While TUPE (the regulations that protect the wages and benefits of staff who are transferred from one employer to another) has maintained the pay and conditions of many transferred staff, private contractors are able to bring in new employees on inferior terms and conditions, inevitably leading to a two-tier workforce in public sector employment.
- This research reveals that the majority of staff working for private contractors who are not protected by TUPE have minimal rates of overtime pay, no London Weighting, sick pay, bonuses, pension or compassionate leave.
- The majority of these staff are entitled to only 20 days holiday a year including bank holidays. This is the minimum required by the Working Time Directive. The prevalence of this minimal standard illustrates the poor working conditions of the sector. At the same time, it also highlights the importance of employment regulation to provide a floor for terms and conditions of work.

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<sup>1</sup> As this research has relied primarily upon the testament of workers themselves, there are instances when the information provided is not consistent across an employer. This might be because workers do have different terms and conditions, or it might be that one worker is adding a bonus or discretionary payment onto their calculated hourly rate. Likewise, there are occasional inconsistencies about the fringe benefits on offer. In these cases, we have given the range of information provided and the figures need to be checked again in the future. The campaign welcomes any corrections and additions to the data provided.

- Very few of the workers with children who were interviewed for this research were found to be claiming Working Families Tax Credit (WFTC), even though they are likely to be entitled to claim. Partly as a result of low levels of union membership, workers in the low paid service economy have few sources of good employment advice. Of the 18 workers with young children interviewed in the health service, for example, only two were in receipt of WFTC and another had just applied.
- People with children are often those who work the longest hours in overtime. One *ISS Mediclean* cleaner with 3 children worked 55 hours a week in a hospital; one cleaner with *Indigo DLR* worked cleaning stations for an extra 20 or 30 hours a week to help support his two children in Ghana. As overtime is usually paid at the standard rate (some getting minimal supplements for working weekends), workers reported having to stay at work for about 60 hours a week to earn about £250, which is still less than the Family Budget Unit calculated a family would need to live in East London.
- A number of workers had to do more than one job to survive. A full time cleaner with *Medirest (Compass)* worked for an extra 12 hours a weekend in a shop in Oxford Street to supplement her wages; one long serving worker with *ISS Mediclean* worked for an extra 20 hours a week in a church; and one cleaner with *ISS London Ltd* at Canary Wharf did another cleaning job with *OCS*, clocking up 11.5 hours a day.
- The majority of the low paid workers interviewed were black, many of them from West Africa. Cleaning companies in the transport industry and at Canary Wharf seem particularly reliant on workers from countries like Ghana, Sierra Leone, Nigeria, the Ivory Coast and the Congo. These workers appear to have little opportunity to find other, better paid, work.
- Workers complained of a lack of respect from managers, high turnover and the low morale that comes from working alongside colleagues who are on better terms and conditions.
- Contracting out is widespread amongst Local Authorities in East London. The 1999 Local Government Act and the Local Government Best Value (Extension of Non-

commercial Considerations) Order 2001 and DETR Circular 02/2001 have amended the 1988 Local Government Act to allow the consideration of employment conditions in the tendering process. The Greater London Authority (GLA) plans to introduce a fair employment clause into its contracting procedures to ensure that employment standards are maintained. There is no reason why other Local Authorities and public bodies cannot act in the same way.

- Companies like *ISS*, *Compass* and *OCS* have serious problems with staff retention and turnover. Improving the pay and conditions of workers in this sector would augment the quality of service provided, stimulate greater investment in staff training, improve staff morale and help alleviate poverty in some of the most deprived communities in the country.

## **Introduction**

East London is an area that is emblematic of the social polarisation that now blights world cities. In the plush dock side offices of companies like HSBC, Citigroup and Barclays Capital, the rich and poor work side by side. While financial experts receive thousands of pounds as a bonus, their office cleaners get paid at just above the minimum wage. The city could not function without the labour of thousands of cleaners, caterers, porters, security guards and carers and yet they receive very little respect and reward.

Even though the minimum wage was introduced in 1999, and is now set at £3.70 an hour (due to rise to £4.10 on October 1 2001), it is widely acknowledged that this income is inadequate to live in London and the South East. In July 2000, *Labour Research* estimated that workers living in London needed at least £3,287 a year more than those outside the capital to compensate for higher costs. Housing, transportation and childcare are all much more expensive in London, yet the minimum wage and other benefits for the low paid make no allowance for these extra costs.

When the national minimum wage (NMW) was introduced in 1999, the Low Pay Commission calculated that approximately 1.3 million workers had a pay rise. Two-thirds of these workers were part-timers and 70% were female (Low Pay Commission 2001). While this will have benefited many low paid workers living in East London, the benefit was felt disproportionately in other areas of the UK, particularly the North where costs of living are lower (see Sunley and Martin, 2000). The level of the NMW, both now and when it increases to £4.10 in October 2001 is such that, even with WFTC, it is insufficient to effectively tackle child and adult poverty in London. Statistics released by the Department of Social Security in July 2001 show that when housing costs are taken into account,

London now has the highest proportion of children living in poor households of any region in the UK. This may be explained in part because the anti-poverty measures introduced by the government have had less effect in London because of its high living costs. As documented in Appendix One, East London features strongly in official league tables of poverty, economic and social deprivation.

In order to reverse the prevalence of low pay in East London, The East London Communities Organisation (TELCO) has launched a Living Wage campaign. Research commissioned by UNISON and conducted by the Family Budget Unit into costs of living in the four boroughs of East London calculated that a two-parent family with two children (a boy aged 10 and a girl aged 4) with both parents working (one full time (38.5 hours), one part-time (17 hours)) would need a disposable income of £322 a week. A lone parent working part-time, with two children, would need £272 a week. TELCO has calculated that for the four person family to reach this modest living standard independent of means tested benefit, each parent would need to earn £6.30 an hour.<sup>2</sup> TELCO is now campaigning to see that public sector bodies in particular ensure that their own contractors meet this wage standard – preferably by writing into the contracts an obligation to pay a locally appropriate living wage.

This research report provides evidence of the extent to which workers in East London are falling into the gap between the minimum wage and the living wage of £6.30 an hour. The research was commissioned by TELCO, collated by 19 volunteers, and funded and supported by UNISON (see Appendix Two). Workers were approached at their place of

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<sup>2</sup> As the Family Budget Unit point out, those with debts, special needs, and housing association, private rented or owner occupied housing, will have additional costs.

work and interviewed briefly about their basic pay and conditions, family circumstances and attitudes to work. This research has produced an extraordinary set of testaments from 97 low paid workers in East London.

Low pay in East London is associated with two groups of workers. Those employed directly by shops, bars, restaurants, hotels, factories, nurseries and the public sector (amongst others), and those employed by contract service firms, working for a wide range of clients. Since the introduction of market testing to the NHS (in 1983) and the implementation of Compulsory Competitive Tendering by Local Authorities (following the 1988 Local Government Act), there has been increased commercial pressure applied to the provision of public services. Services have been put out to tender and even if the 'in-house' bid is successful it has often been at the cost of pay and conditions of work. Moreover, if a private services firm takes over the contract, they will invariably employ old and new workers side by side on different terms and conditions. While those transferred from the public sector usually have their terms protected by TUPE, new staff are usually employed on inferior terms and conditions of work. TUPE is the Transfer of Undertakings (Protection of Employment) Regulations 1981 that lays down the conditions for the transfer of employees from one employer to another. TUPE enacts the European Acquired Rights Directive that states that the terms and conditions of employment remain the same until they are changed by agreement. When a service is contracted out, the majority of workers will be covered by TUPE, but as staff leave and retire, new workers fill these positions on new contracts and generally have inferior terms and conditions of work.

There are some very large business support service companies that are now responsible for considerable amounts of public service delivery. A company like *ISS*, the Danish-owned

cleaning company, for example, now employs 250,000 workers in 32 countries and has more than 10,000 staff in the UK. The company reported pre-tax profits of £103 million (DKr 1207) in 2000. Other big players in the support services business include *Compass*, *OCS*, *Rentokil Initial*, *Group 4* and *Securicor*. These companies own very few physical assets but depend on the deployment of very large numbers of staff. Their workforce is typically spread across a range of different sites, working on contracts with different firms and organisations, often on different terms and conditions. There are thus particular challenges in forging collective solidarity within any one firm (see Allen and Henry, 1997, 191; Pinch and Patterson, 2000). We have found that *ISS*, for example, employs cleaners at Canary Wharf, bus cleaners at Stagecoach's depot in Romford, building cleaners in Hackney and Tower Hamlets, domestic and support staff at the Homerton Hospital in Hackney, the Royal London Hospital in Mile End and Whipps Cross Hospital in Waltham Forest. Workers at all these sites have different rates of pay with different conditions of work. To date, there is no forum where these workers can come together to improve their situation across all the sites. Indeed, although UNISON does have some form of national recognition agreement with *ISS*, the unions are having limited impact on the conditions of workers in this sector within East London.

As we will see below, many workers in East London still earn well below the London living wage and many have minimal holiday entitlement, no London Weighting, bonuses, sick pay, pension or compassionate leave.

### **Working for the Health Service**

There are a number of important health service institutions in East London: the Homerton Hospital in Hackney, the Royal London Hospital in Tower Hamlets, Newham General

Hospital in Newham and Whipps Cross Hospital in Waltham Forest. All have tendered out some, or all, of their security, portering, catering and cleaning work to two dominant firms. The decision to contract out services in these hospitals would appear to be driven by cost cutting and the need to put money into front-line services. Data collected from interviews with 34 workers across these sites, vividly illustrates the impact of contracting out on the pay and conditions of staff across the health sector in East London. Pay rates vary from a low of £4.05 an hour for cleaning with *ISS Mediclean* at the Royal London to £6.69 an hour for chargehand porters working for *Medirest (Compass)* at the Royal London Mile End Hospital. Almost all those interviewed earned less than £5 an hour (see Table 1).

**Table 1: Low pay in the health service**

Hospital	Company and work done	Pay	Overtime	Holidays	Other
<b>Homerton</b>	<i>ISS Mediclean</i> Hotel services	Start at £4.13 an hour, then £4.28 an hour after 3 months. Team leaders on £5.36 an hour and catering team leaders on £5.70 an hour.	Extra £1 an hour at weekends, bhs worked are paid at 1.5 and xmas at 2.	20 days including bhs	No LW, pension or compassionate leave, SSP only.
<b>Royal London (Whitechapel)</b>	<i>ISS Mediclean</i> Cleaning	£4.12 an hour (one worker reported being paid £4.20 an hour as he came from an employment agency with that rate guaranteed). £5.60 for supervisor.	Extra £1 an hour at weekends.	20 days including bhs. Staff are limited in when they take time, managers preferring 2*1 week blocks and 1*2 week block.	No LW, pension or compassionate leave, SSP only.
	<i>NHS</i> catering	Range of £4.30 an hour to £4.70 an hour for a cook.	NHS rates apply	28 days including bhs (after long service)	LW, sick pay, pension, maternity, paternity and compassionate leave.
	<i>First Security</i> Security	£5 an hour (works 60 hours a week)	none	1 ¾ days a month	Not clear about any extra benefits.

<b>Royal London (Mile End) (a)</b>	<i>Medirest (Compass)</i> Cleaning, catering, portering and linen services.	£4.94 an hour £6.69 an hour for chargehand porters	1.25 and 2 on bhs	20 days including bhs but one longer serving worker had 21 days +bank holidays.	No LW, pension or compassionate leave, SSP only. One longer serving worker had sick pay after 3 days and for up to 10 days.
<b>Newham General (b)</b>	<i>Medirest (Compass)</i> Cleaning	£4.67 or £4.73 an hour	1.5 or 2 at weekends	20 days including bhs	No LW, pension or compassionate leave, SSP only.
	NHS catering	£4.50 an hour	NHS rates apply	NHS rates apply	LW, sick pay, pension, maternity, paternity and compassionate leave.
<b>St Clements (Tower Hamlets Primary Care Trust)</b>	<i>Medirest (Compass)</i> Hotel services	£4.50 an hour	1.5 for a day off and after 3pm, 2 on Sundays and bhs	20 or 23 days including bhs	Not clear about benefits, one worker reported a pension scheme and another sick pay – but not clear.
	<i>Pall Mall Security</i>	£5.07 an hour	n/a	15 days	Pension but no LW or compassionate leave. SSP only
<b>Whipps Cross</b>	<i>ISS Mediclean</i> Hotel services and security	£4.05 an hour £5.50 an hour for supervisors £4.37 for porters	£5 at weekends £6.50 at weekends for supervisors	20 days including bhs	No LW, pension or compassionate leave, SSP only.

*Note:* LW is London Weighting, SSP is statutory sick pay, bhs are bank holidays.

(a) *First Security* also handles security at Mile End Hospital (b) Linen and Laundry services at Newham General are contracted to *Sunlights Ltd* (the Midland Laundry group) and security is contracted to *CP Plus* (internal) and *Chubb* (external).

There are real differences in the additional benefits available to NHS staff and those covered by TUPE,<sup>3</sup> in contrast to staff employed directly by these private services firms.

The figures for the Homerton Hospital, given below, illustrate the differences between TUPE and non-TUPE staff which were replicated across the health sector sites.

At the Homerton, 100% of staff transferred over from the NHS to *ISS Mediclean* in 1996 whereas the balance is now about 50%. In just over 5 years, high rates of staff turnover

have reduced the number of TUPE protected staff by half, saving *ISS Mediclean* considerable amounts of money. There are now 65 TUPE domestics and 69 ISS-only domestics; about 29 TUPE catering staff and 18 ISS-only catering staff; about 17 TUPE and 10 ISS-only porters. The basic wage rates are £4.35 for TUPE staff and £4.28 for ISS-only staff. However, the differences are much greater in the benefits available to the two groups of workers:

- London Weighting is for the TUPE staff only and amounts to 90p an hour, bringing their pay up to £5.29 an hour (in contrast to the £4.28 standard rate for ISS-only staff). With extra shift allowances, paid only to the TUPE staff, their pay rises to £5.53 (and £5.70 in the case of catering staff) an hour.
- TUPE staff get overtime rates of time and a half for ordinary days and Saturdays and the first of their official days off, after that they get double time for Sundays and any subsequent official days off. ISS-only staff just get basic pay and an extra £1 an hour if they work on a Saturday or Sunday.
- TUPE staff get 25 days holiday plus 8 bank holidays after 5 years service and 27 days plus bank holidays after 10 years service. ISS-only staff get 20 days including bank holidays, the minimum required under the Working Time Directive.
- The TUPE staff get sick pay of 6 months full pay/6 months half pay after 5 years service. The ISS-only staff get no sick pay at all – they can claim statutory sick pay but that doesn't cover the first three days – it is paid by the government and amounts to £62.80 a week. In addition, TUPE staff get sick-pay at full pay for an unlimited period if the sickness is due to occupational accident or disease.
- The TUPE staff get access to a pension scheme that is comparable to the NHS scheme. ISS-only staff have no access to any pension scheme.
- The TUPE staff get carers leave, compassionate leave, adoption leave, paternity leave, maternity leave. The ISS-only staff get none of them – and are entitled only to statutory maternity leave. The TUPE staff are also entitled to get all the extra benefits that are negotiated for NHS staff.

Not surprisingly, there is a very high turnover of staff amongst the ISS-only staff in particular. The ISS-only staff need to work about 60 hours a week to earn about £250 a

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<sup>3</sup> Interviewees at the Royal London reported that none of the cleaning staff were TUPE protected when they transferred over to *ISS Mediclean*. All domestics signed new contracts and now have inferior terms and conditions.

week, which is still less than the Family Budget Unit calculated a family would need to live in East London, and they do this with no additional benefits.

Workers for private contractors often do very long hours of overtime to increase their take-home pay. Many do between 10 and 30 hours of overtime every week, at the basic rate of pay. One woman in her mid-40s, with children at home, reported working from 7am to 7pm, 5 days a week (40 hours contracted and 15 hours overtime a week) for *ISS Mediclean*. This woman earned only £226.60 for a 55 hour working week. Despite this, however, her main complaint was about the management rather than pay, as she put it: “Domestics need respect, most of all from their managers and employers. Managers don’t know how to speak to people.” She then went on to describe the ways in which the workload of staff had increased with the contracting out of the service. She had been reliably informed that before *ISS Mediclean* took over, three domestics had been responsible for each ward, whereas now there was only her doing the job.

Another woman in her mid-40s, with children at home, reported that she signed a *Medirest (Compass)* contract instead of keeping her terms with TUPE. This meant that she lost some of her entitlements to extra payments and benefits and usually worked a day extra a week, as she explained: “If I don’t do overtime I can’t manage the mortgage and my daughter is going to university.” This worker had to try and support a family of four (2 adults and 2 children) and sometimes worked as much as 30 hours overtime in a week.

Another woman who reported doing very long hours of overtime every week also highlighted the problem management and health and safety at the hospital, rather than pay. She said: “The work is very stressful and it is very hard to get the managers to listen to you.

The equipment is very old and safety conditions have worsened recently. We have been asking for new uniforms for years. *Medirest's* written statement on health and safety is not remotely followed in practice.” Workers at Whipps Cross Hospital also complained about the dangers involved in carrying and emptying rubbish bins containing medical waste.

Several workers were found to be doing additional jobs to a full time one in a hospital. One Ghanaian woman working as a domestic for *Medirest (Compass)* did an extra 12 hours each weekend in Next on Oxford Street for £6.20 an hour. This woman has since left the NHS to work full time for Next even though she hopes to train as a nurse. One porter from the Homerton reported working for a church in North London for 20 hours a week, at £5.50 an hour. Having two jobs was the only way this man could earn enough to survive.

When asked what they felt about their work, many of these porters, cleaners, caterers and security staff used the words ‘bad’, ‘rubbish’, ‘hard work’ and ‘low pay’. One domestic working for *Medirest (Compass)* actually said he was earning more 10 years ago. Another cleaner working for *ISS Mediclean* commented that “no-one ever says thank you for the work done” and a considerable number of workers complained about the way they are treated by managers. As a domestic at Mile End Hospital put it: “we work so hard and never get a bonus. We do a really good job and get no recognition for that.”

Not surprisingly, turnover is extremely high across these workplaces and many workers said they were hoping to leave and/or that they were demoralised by the turnover of staff. Only six of the 34 workers interviewed had been in post for more than 10 years, and these were generally the workers on better terms and conditions of work (being employed by the NHS or protected by TUPE) and all of them were either white or Afro-Caribbean. In

contrast, the shorter term staff, many of whom were on inferior terms and conditions were of diverse origins including West Africa (and Ghana in particular), Tanzania, the Phillipines, Lithuania, St Lucia and the UK. Remarkably, of the 18 workers with young children interviewed in the health service, only two were in receipt of WFTC and another had just applied.

### **Working for schools, universities and local authorities**

The position of low paid workers in local authorities, schools and universities in East London is difficult to disentangle. As illustrated in Table 2, a considerable number of services have been contracted out to private contractors, added to which, many 'in-house' staff get low rates of pay. More research is needed to map these contractors and the pay and conditions of staff. However, researchers have identified the same trends as already highlighted in the health sector. When contracts are awarded, conditions deteriorate and new staff are employed on inferior terms.

**Table 2: Local Authority and University services provided by private contractors**

Local Authority/ University	Services Contracted Out	Contractor	Date of current contract
Hackney	Parking	PFM	Sept 1999
	Payroll	IT Net UK	April 1998
	Cleaning buildings	Comatec (Onyx)	
	School dinners	Scolarest (Compass)	1997
	Hackney community college catering, cleaning, caretakers	Sodexho	Jan 1997
	Security at Hackney community college	Argus Shield Omega Security	1998, Jan 1997
	Housing	Sanctuary Housing, Paddington Churches, JSS Pinacle	April 1999
	Stock and management LSVT	Metropolitan, Community HA	April 1999
	Residential Care	Kush housing, Speciality care	January 1995, Jan 1990
	Home care	Keyring	
	Education management	Nord Anglia Education	July 1999
	Refuse/ Street cleaning	Service Team	Dec 2000 - 2002

	Estate cleaning (Stamford Hill)	ISS Mediclean	April 2001
	Estate cleaning (Kingsland Neighbourhood)	Weltons	April 2001
<b>Newham</b>	Housing benefits	CSL	1999 (7/10 yrs)
	Street cleaning	In house but Triangle used as back up.	
	Parks	Brophy	2001
	Newham 6 <sup>th</sup> form college	Cromwell (security)	
	Newham leisure centres	Greenwich Leisure Ltd.	2001
	School cleaning	In house but Grafters used as back up.	
	School catering	In house but Grafters used as back up.	
	Municipal building cleaning	In house but Grafters used as back up.	
<b>Tower Hamlets</b>	Street cleaning, Gully cleaning, Waste transfer	Onyx, Conway, Cleanaway	Oct. 1997-2002
	Refuse collection	Onyx	
	School catering	Scolarest (Compass) has the contract in two schools	Apr. 2000
	Building cleaning	Regent Office Cleaning Services, ISS Public Services, Ocean Cleaning Ltd.	Sept. 1999 – Aug. 2003
	Parks	Continental Landscapes Ltd, Connic Tree Care, Turney Landscapes Ltd. Total Vegetation Management.	
	Leisure centres	CCL now taken over by SFX	Jan. 1997-2004
	Tower Hamlets College Cleaning, security, maintenance.	Ocean Contract Cleaning, Sodexho, Mo's Security Services	
	School cleaners	Some schools use council staff, some employ their own, some schools have contractors	
<b>Waltham Forest</b>	Leisure centres	Greenwich Leisure Ltd.	1995
	Education	Amey and Nord Anglia	2001
	Elderly homes	Waltham Forest Specialist Housing Consortium	1996, no end date, services contracted out indefinitely
	Sewage maintenance	Serco	July 2001-service transferred indefinitely
<b>University of East London</b>	Security	A& M Security	
	Cleaning	Ocean and Trident	1992
<b>Queen Mary, University of London</b>	Office cleaning	Victoria and Medical	
	Grounds staff	Continental Landscapes	2001

As an example of the impact of contracting out on workers' terms and conditions, researchers interviewed a woman in her 60s in Hackney. This woman had worked for the council, cleaning buildings for 30 years and she had retained her old terms when the contract was taken over by *Comatec (Onyx)*, staying on £6.20 an hour. However, when she reached retirement age and decided to keep working 15 hours a week (and four hours extra in term time) she had to sign a *Comatec (Onyx)* contract. On doing so, her pay dropped to £4.50 an hour (a loss of £1.70 an hour) and she also lost her entitlement to sick pay and bonus payments. She reported that the few remaining workers who are protected by TUPE have seen their hours of work and overtime fall as newer workers arrive, on lower rates of pay. It is cheaper for managers to give overtime work to *Comatec (Onyx)* and other agency staff than it is to pay £6.20 plus overtime premiums to ex-Council staff. Indeed, when *Comatec (Onyx)* are short staffed, they use the services of Starlight Employment Agency whose workers are paid only £4 an hour for doing this work.

A similar story emerges from workers at the Atherton Leisure Centre in Newham where the service has just been contracted out to *Greenwich Leisure Ltd*. While existing staff are covered by TUPE, they reported feeling under pressure to take up new contracts or find other jobs. Moreover, their conditions of work have deteriorated very fast. New managers are reported to be less respectful, staff are expected to make up time lost in training, lunch-breaks have been cut down to half an hour and staff meetings are held outside working hours. A number of the long-established managers have been moved away, half the employees have already left and staff feel they are not consulted about new developments. New workers are already being brought on site to work for £5.10 an hour with fewer holidays, no annual increments, longer hours and no overtime pay. As this long-serving member of staff put it: "I am protected by TUPE but the conditions are not good

anymore. Management aren't polite to staff and you feel the pressure is building to get people to leave or sign the new contract." A similar picture emerged in Tower Hamlets where leisure services have been contracted out to *CCL*. As a 36 year-old man with more than 10 years experience put it: "working for the private sector is less rewarding."

Staff in the home care sector also face very poor pay and conditions. A national UNISON survey in early 2001 found that the majority of workers (from 3000 included in the research) earned between £5.12 and £5.44 an hour (UNISON, 2001). In East London, researchers visited staff at a home for adults with learning difficulties that had been contracted out to *Waltham Forest Specialist Housing Consortium* in 1988 (with staff being fully transferred in 1996). Staff were told that there would be no changes to their terms and conditions if they took up new contracts (which most of them did), but pay has not kept up with local authority rates. Moreover, the union representative reported that constant turnover in managers at the home makes it difficult to develop a good working relationship. As he explained: "12 years ago this was a good profession, but now people don't apply for the jobs. Every vacancy has only 2 or 3 applications whereas before the response was much higher. I wouldn't advise young people to enter this profession, there are no rewards and no support."

As might be expected, workers in waste management and street cleaning have also witnessed the deterioration of pay and conditions in the sector with contracting out. In Hackney, *Service Team* has held the contract for these services since 2000 when 257 staff were transferred over to the new firm. *Service Team* gives non-TUPE staff only 20 days holidays a year, in contrast to 32 days for TUPE street cleaners and 33 days for TUPE rubbish collectors. New starters are only given sick pay (for 5 weeks) once they have

worked for five years, but even then they get nothing for the first three days they are sick. In addition, these workers have no pension, London Weighting, bonus or extra benefits. Moreover, new staff and those brought in from agencies are paid as little as £5 an hour in contrast to TUPE workers who get well over the living wage. Although the unions have retained strong workplace organisation, it is much harder to protect the wages and conditions of new, non-TUPE staff in the sector. As this young *Oryx* worker cleaning the streets in Tower Hamlets put it: “It is very demoralising working alongside people who have been transferred from the public sector on better terms and conditions.”

Increasing numbers of services are being contracted out across the Local Authorities in East London and as in the health service, it is likely that a few large private service companies will win the bulk of these contracts. Workers’ pay and conditions look set to decline.

### **Working in transport**

Interviews were conducted with 25 workers, 3 of them employed by *Arriva* as bus conductors and drivers, 1 in *Café Barista* at a station and 21 employed as cleaners by private sector cleaning companies.

Remarkably, only one respondent was paid over the living wage (at £8.70 an hour) and he had been driving a bus for 11 years. His less experienced colleagues were paid £5.90 an hour for conducting and £6.00 an hour for driving. Paid at only a third above the standard rate, the conductor worked 14 hours of overtime and the driver 8 hours of overtime a week. These workers did have access to a pension scheme and 5 weeks holiday (including bank holidays) a year. All of the men had children and the two lower paid men complained

about their pay and conditions. Only the highest paid respondent, who had two children, was in receipt of Working Families Tax Credit.

However, these workers were considerably better off than the 21 people who were responsible for cleaning the buses, trains and platforms. Amongst workers in this sector, pay did not rise above £5 an hour (for supervising bus cleaners in Bow or cleaning stations for Silverlink) and fell as low as £3.75 an hour for cleaning buses in Romford. The companies involved and the basic terms and conditions provided are detailed in Table 3.

**Table 3: Low Pay in the transport sector**

Company	Work and Workplace	Pay	Overtime	Holidays
<b>ABC</b>	Cleaning stations on Silverlink	£5 an hour	Standard hourly rate only	15 days + bhs
<b>Blue Diamond</b>	Cleaning stations/trains on Underground	£4.10 an hour	Standard hourly rate only	10 days every 6 months including bank holidays (bhs), one longer serving worker with 20 days + bhs
<b>GBM (Woodford)</b>	Cleaning stations/trains on Underground	£3.80 an hour	Standard hourly rate only	12 days + bhs
<b>Indigo DLR</b>	Cleaning stations/trains DLR	Range: £4.00 an hour, £4.50 an hour; £5.00 an hour	2 reported double time at weekends, 2 reported £5 an hour during the week and £6 at weekends, 2 reported standard hourly rate only	Range: 20 days + bhs, 15 days + bhs, 20 days including bhs
<b>ISS Stagecoach</b>	Cleaning buses	£3.75 an hour (supervisor on £4.80 an hour)	Standard hourly rate only	20 days including bhs
<b>OPTIM</b>	Cleaning buses	£4 an hour in Hackney £4.50 an hour in Bow (supervisor on £5 an hour)	Not known	15 days +bhs

One Ghanian cleaner had been doing this work for 10 years but still only earned £4.10 an hour (with a 40p an hour supplement for time keeping) from *Blue Diamond*. This man had 20 days holiday in addition to bank holidays but he was over 65 with no pension.

Not surprisingly, a very large number of the workers interviewed had to work long hours of overtime in order to increase their pay. One man employed by *Indigo DLR* reported working an extra 20 or 30 hours a week while three of his colleagues also did an extra 16 hours a week. These workers did get paid more than the standard hourly rate for working overtime, but the man who worked the longest hours was only paid £5 an hour for overtime during the week and £6 at weekends. Likewise, two cleaners with *Blue Diamond* reported doing 12 and 18 hours of overtime every week, at only the standard rate of hourly pay.

These 21 cleaners, ranging in age from 17 to over 65, had at least 25 children between them and yet only two were claiming Working Families Tax Credit. The words they used when asked how they felt about their work were ‘rubbish’, ‘terrible’, ‘bad’ and ‘poor’. One said that “the money is just too little to live on” and another that they had “terrible conditions of work”. Of those interviewed, 15 were black, originating from Ghana, the Ivory Coast, Nigeria, Congo and the Caribbean. These workers have less scope for finding better paid work and they spanned the age range. In contrast, the 6 white workers fell into two age categories; younger workers who started the job in their teens and those in their mid-40s and upwards. This probably reflects the labour market opportunities available to white, as opposed to newly immigrant black men with few recognised qualifications.

### **Working for the private sector at Canary Wharf**

Interviews were conducted with 11 cleaners, 1 catering assistant and 2 security guards at Canary Wharf. The cleaners were employed by *ISS London Ltd*, *OCS* and *GBM*, the catering assistant by *Eurest* and the security guards by *Nitelite*. Many worked nights for no extra pay. While the window cleaners employed by *ISS London Ltd* were getting the living wage, the general cleaners and security guards were making much less than this; the majority earning between £4 and £4.75 an hour. Details of their pay and conditions are given in Table 4.

**Table 4: Low pay at Canary Wharf**

Company	Work	Hours	Pay	Overtime	Holidays	Other
<b>ISS London Ltd</b>	General Cleaning	40 hours for window cleaners, 37.5 hours for others	£6.50/£7.50 an hour for window cleaners, £4.70 an hour others	None reported	15 days + bhs	No LW or pension, SSP only, only unpaid time off for emergencies (5 days/year)
<b>OCS</b>	General Cleaning	40 hours (supervisor on 45 hours)	£4 an hour (supervisor on £5 an hour)	None reported	15 days + bhs	No LW or pension, SSP only, unpaid time off for emergencies
<b>GBM</b>	Cleaning at Credit Suisse	35 hours (nights)	£4.70 an hour	Standard rate	10 days	No LW or pension or time off for emergencies, sick pay reported.
<b>Eurest</b>	Filling vending machines	Variable hours	£6 an hour	None reported	Not known	No benefits reported.
<b>Nitelite</b>	Security	86 hours	£4.75 an hour	None paid even if work longer hours	None paid	No LW no pension, SSP only, only unpaid time off for emergencies

Two of the cleaners interviewed had other jobs. One 32 year old Nigerian man was employed by *ISS London Ltd* as a cleaner for 7.5 hours every day and he also worked for *OCS* as a cleaner (paid at £4 an hour) for another 4 hours every day. This worker clocked up a staggering 11.5 hours a day for just £51.25 a day *before* tax. Another West African man in his mid-thirties also worked for *ISS London Ltd* but had an extra job as a chef with another company in Canary Wharf, earning £6 an hour. These were the only two cleaners

who had children at home and they were forced to work the longest hours, doing two jobs. Although they were both in receipt of Working Families Tax Credit, they had to work these long hours to support their dependents, undermining the quality of family life. Another man, working for *GBM* at Credit Suisse for £4.70 an hour, who had children living in Ghana, also reported working overtime of up to 10 hours a week so that he could send £100 home every 2 months.

The 11 cleaners interviewed ranged in age from 25 to 37 and only one described themselves as British, the majority again originating in West African countries, including Nigeria, Sierra Leone and Ghana. These workers complained of poor pay, poor conditions and poor management. They had no lockers to store their belongings, no rest room or facilities for having their breaks, inadequate health and safety, and they were not allowed to talk during work time. Not surprisingly, very few had been doing the job for a long time; six of them being employed for a year or less and the remainder for between one year and two. Turnover is extremely high.

The two security guards interviewed were both white men in their late teens and early twenties reportedly working for 86 hours a week for only £4.75 an hour. Even though both men had only been in post for a few months, they were already looking for other jobs.

## **Conclusion**

This report illustrates the problem of low pay in East London. Workers who perform essential work, keeping the city clean, fed, healthy and mobile, are paid well below the London living wage of £6.30 an hour. Moreover, many get no additional benefits from their employer. These workers often have no pension, no sick pay and only minimal

holiday entitlement. Poverty pay and poor conditions of work are exacerbating social and economic deprivation in London's East End.

For much of the past 20 years, legislation has prohibited public institutions from considering the conditions of staff when contracting out services to the private sector. Section II of the 1988 Local Government Act, for example, prohibited councils from taking 'non-commercial' considerations, such as equal opportunities, training, and staff terms and conditions, into account when awarding a contract (see Reimer, 1998, 117). In addition, in 1983 the Thatcher government abolished a long standing Fair Wages Resolution which had, since 1891, protected the terms and conditions of workers being contracted to work in the public sector. Under the Conservative Party regime, councils, schools and hospitals were unable to ensure that public services were provided by good employers.

However, recent legislation has removed these restrictions. On 12 March 2001, the Labour government introduced new regulations amending the 1988 Local Government Act (Local Government Best Value (Exclusion of Non-commercial Considerations) Order 2001 and DETR Circular 02/2001). Under the new rules local authorities are now allowed to take employment issues, such as terms and conditions, staff training and management practices into account when selecting tenderers and awarding contracts. The new powers are broad and cover all types of contracting, whether or not it occurs under Best Value.

The Greater London Authority (GLA) has already digested the new legislation and announced plans to introduce a fair employment clause into their contracting procedures. This will ensure that private contractors cannot compete for contracts on the basis of lower

pay and conditions and it will remove incentives to privatise in order to achieve savings on labour costs. There is no reason why other local authorities and public institutions cannot act in the same way. By so doing, public bodies will set a new standard for pay in the business support services sector. Conditions for those working in the private sector could also then be improved, not least because in many cases, it is the same firms providing the cleaning, catering and security services required.

Improving the pay and conditions of workers in this sector would augment the quality of services provided, stimulate greater investment in staff training, improve staff morale and help alleviate poverty in some of the most deprived communities in the country.

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## **Appendix One: Social and Economic Deprivation in East London**

Government statistics indicate that in March 1999 there were 12,875 people claiming family credit (the precursor to Working Families Tax Credit) in the four East London boroughs of Hackney, Newham, Tower Hamlets and Waltham Forest (see Table 1). Collectively, these individuals were responsible for 21,155 children aged under 11. Given that they had to be working more than 16 hours a week to claim the benefit, it can safely be assumed that these workers earned very low wages and there will be many thousands more who earn similar pay but are not eligible for extra support from the state.

**Table 1: Claimants of Family Credit, March 1999**

	<b>Total number of claimants</b>	<b>Number of children under 11</b>
<b>Hackney</b>	2875	4650
<b>Newham</b>	3700	5780
<b>Tower Hamlets</b>	3890	7380
<b>Waltham Forest</b>	2410	3345
<b>Total</b>	12875	21155

*Source:* Department of Social Security Information Centre, Analytical Services Division), data available from <http://www.statistics.gov.uk/neighbourhood/catalogue.asp>

Not surprisingly in the context of historically persistent poverty and the prevalence of low rates of pay for many workers, East London features strongly in league tables of deprivation in the UK for 2000.

- In terms of child poverty, Tower Hamlets had the 4<sup>th</sup> (Blackwall), 17<sup>th</sup> (St Peter's), 20<sup>th</sup> (St Dunstan's), 28<sup>th</sup> (East India), 29<sup>th</sup> (Bromley) and 32<sup>nd</sup> (Limehouse) most affected wards in the UK in 2000 (for further data see Table 2).
- In terms of income, the ward of Spitalfields in Tower Hamlets was the 15<sup>th</sup> poorest, Queensbridge in Hackney the 46<sup>th</sup> poorest and Ordnance in Newham the 81<sup>st</sup> poorest out of 8414 wards in the UK in 2000 (for further data see Table 3).
- In terms of an index of multiple deprivation, Tower Hamlets was the most deprived local authority in the country (when deprivation was calculated as an average of ward ranks), Hackney the second most deprived and Newham the third most deprived. Waltham Forest was the 53<sup>rd</sup> most deprived local authority in the country, from a total of 354 local authority districts (for further data see Table 4).

**Table 2: Index of Child Poverty, 2000**

<b>Greatest poverty by ward</b>	
<b>Hackney</b>	Wenlock (108 <sup>th</sup> ), Queensbridge (109 <sup>th</sup> )
<b>Newham</b>	Stratford (160 <sup>th</sup> )
<b>Tower Hamlets</b>	Blackwall (4 <sup>th</sup> ), St Peter's (17 <sup>th</sup> ), St Dunstan's (20 <sup>th</sup> ), East India (28 <sup>th</sup> ), Bromley (29 <sup>th</sup> ) and Limehouse (32 <sup>nd</sup> )
<b>Waltham Forest</b>	Leyton (502 <sup>nd</sup> )

*Source:* Department of the Environment, Transport and the Regions, Indices of Deprivation 2000 data available from <http://www.statistics.gov.uk/neighbourhood/catalogue.asp>

*Note:* The ward with a rank of 1 is the most deprived, and 8414 the least deprived.

**Table 3: Index of Income, Ranked, 2000**

	<b>Rank of income scale by LA District</b>	<b>Range of Income Ranks by ward</b>
<b>Hackney</b>	17	Queensbridge (46 <sup>th</sup> ) to S. Defoe (598 <sup>th</sup> )
<b>Newham</b>	7	Ordnance (81 <sup>st</sup> ) to Greatfield (1423 <sup>rd</sup> )
<b>Tower Hamlets</b>	16	Spitalfields (15 <sup>th</sup> ) to Grove (1644 <sup>th</sup> )
<b>Waltham Forest</b>	44	Cann Hall (614 <sup>th</sup> ) to Endlebury (4535 <sup>th</sup> )

*Source:* Department of the Environment, Transport and the Regions, Indices of Deprivation 2000 data available from <http://www.statistics.gov.uk/neighbourhood/catalogue.asp>

*Note:* The ward with a rank of 1 is the most deprived, and 8414 the least deprived. The LA District with a rank of 1 is the most deprived and 354 the least deprived.

**Table 4: Index of Multiple Deprivation, Ranked, 2000**

	<b>Rank of average of ward ranks by District</b>	<b>Range of Multiple Deprivation Ranks by ward</b>
<b>Hackney</b>	2	Queensbridge (69 <sup>th</sup> ) to N. Defoe (839 <sup>th</sup> )
<b>Newham</b>	3	Ordnance (35 <sup>th</sup> ) to Greatfield (1027 <sup>th</sup> )
<b>Tower Hamlets</b>	1	Spitalfields (46 <sup>th</sup> ) to Grove (1391 <sup>st</sup> )
<b>Waltham Forest</b>	53	Leyton (619 <sup>th</sup> ) to Endlebury (5319 <sup>th</sup> )

*Source:* Department of the Environment, Transport and the Regions, Indices of Deprivation 2000 data available from <http://www.statistics.gov.uk/neighbourhood/catalogue.asp>

*Note:* The overall IMD 2000 has two strands of data. The first is the Index of Multiple Deprivation Score and the second is the Rank of the Index of Multiple Deprivation. The ward with a rank of 1 is the most deprived, and 8414 the least deprived, on this overall measure. The IMD 2000 was constructed by combining the six transformed domain scores, using the following weights: Income (25%), Employment (25%), Health Deprivation and Disability (15%), Education, Skills and Training (15%), Housing (10%), Geographical Access to Services (10%). For further information see DETR (2000) *Measuring multiple deprivation at the small area level: The indices of deprivation 2000*.

## **Appendix Two: The researchers**

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