

Lockdown heroes: will the low-paid ever get a raise?

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Andrew Edgecliffe-Johnson in New York, Claire Bushey in Chicago and Bethan Staton and Anna Gross in London

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The pandemic has created a sense of moral obligation towards key workers but high unemployment could limit their bargaining power



© FT montage

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“Hero pay”, it was dubbed. When coronavirus took hold in the US in March, Christian Zamarrón and his colleagues at an Amazon delivery centre in Chicago were given an extra \$2 an hour — a reward for being thrust into the frontline of America’s pandemic response.

In June, Amazon withdrew the extra pay — one of a number of companies to do so. A few weeks before, Mr Zamarrón says, the company handed out free T-shirts. One was emblazoned with a single word: “Hero”.

Mr Zamarrón was one of the leaders of a series of protests over claims that Amazon was doing too little to protect its workers — part of a burst in labour activism during the coronavirus crisis.

The New Social Contract



Coronavirus has exposed the frailties of our economic and social model. In a series of articles this week, the FT explores the problems and difficult solutions we will confront after the pandemic.

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At the time, he was not complaining about his \$15.50-per-hour basic pay. But that attitude has changed — even if Amazon last week offered a one-time bonus payment for everyone it employed in June. The new T-shirt “feels like a mockery”, Mr Zamarrón says. “Institute some actual protections. Pay us some actual money.”

In the US, they are called “essential” staff, in the UK “key workers” and in France *travailleurs clés*. Unsurprisingly, the Germans have the most elaborate name for the new group: *systemrelevante Arbeitskräfte* or “system-relevant workers”. But the essential are not always treated as essential.

The pandemic has upended the hierarchy of work, demonstrating that many of the people critical to the functioning of a modern economy are also among the least well paid — from the nurses treating Covid-19 patients to the warehouse and delivery workers who provide vital supplies.



Vanessa Carrillo Ruiz, an Amazon employee in Chicago, is one of many campaigning to improve pay and working conditions under the banner of Amazonians United © Alex Garcia/FT

It is not just that real wages have stagnated in recent years for large numbers of these workers in advanced economies. Many also face the kind of precarious existence that results in part from the flexible labour market policies of the last four decades — lack of

job security or control over hours, an inability to save and, especially in the US, little or no paid sick leave.

Politicians have responded to the pandemic's mood of shared sacrifice by insisting they will push for a different social model, one that seeks to address some of the class and racial inequalities that the crisis has exposed.

In an inversion of one of Margaret Thatcher's most memorable statements, the current UK prime minister Boris Johnson declared during his own battle with coronavirus that the crisis proved "there really is such a thing as society."



Mary Kay Henry, president of the Service Employees International Union, has called the pandemic 'a moment of reckoning' that has forced businesses to rethink how they treat staff © Scott Olson/Getty

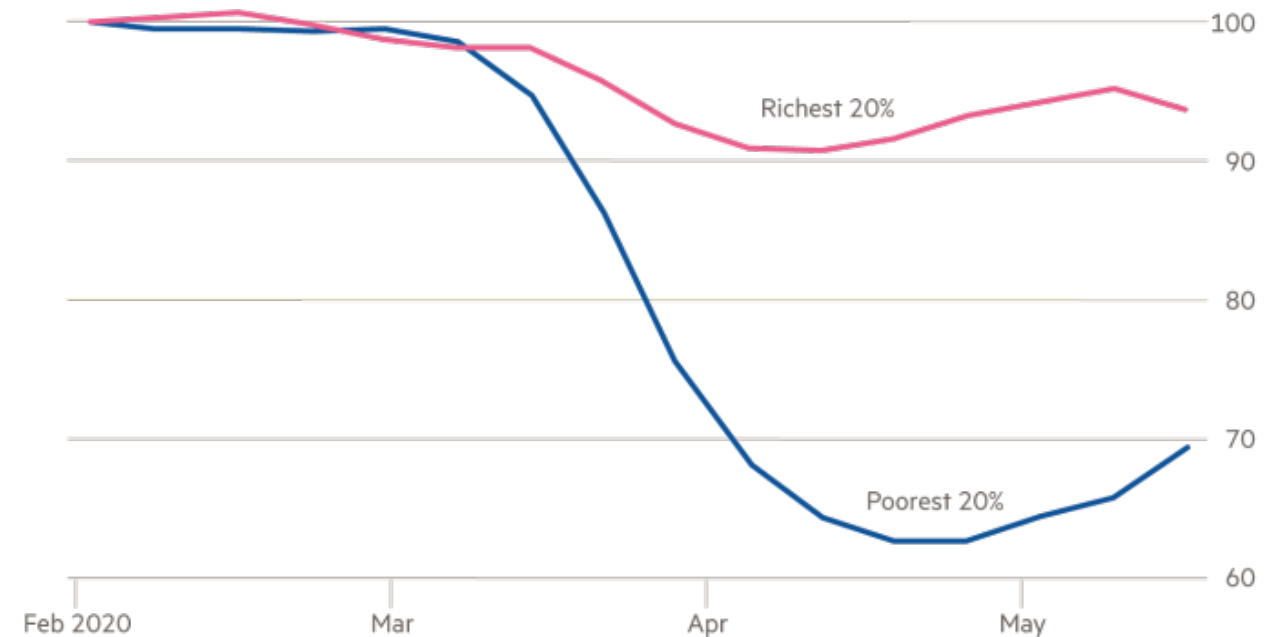
Yet they face a sceptical audience. In the wake of the financial crisis just over a decade ago, there was a similar debate about how capitalism's rough edges should be smoothed, but most peoples' experience of the post-crisis years was of austerity rather than inclusion. That perception fed Brexit and Donald Trump's election as US president.

In the coronavirus era, the fate of the low-paid will be the defining political and economic issue, the litmus test for whether there really is a course correction.

"The essential workers I know are saying 'thank you very much for running those commercials thanking us; now please pay us a living wage'," says Darren Walker, president of the Ford Foundation, the philanthropic group.

The pandemic has created an unemployment crisis for poorer Americans

Change in employment by wage quintile (Feb 2020 = 100)



Source: ADP
© FT

“The fact that it took a pandemic to realise who were the essential workers in our economy is tragic,” he adds. “There are people in this country working 40 hours a week who still need food stamps or other forms of public assistance, which is shameful.”

Although the pandemic has created a sense of moral obligation towards essential workers, higher wages are not inevitable. Despite growing signs of activism, high levels of unemployment could leave the low-paid with even less bargaining power.

The pandemic is “a moment of reckoning” which will force businesses to rethink how they treat their people, says Mary Kay Henry, president of the Service Employees International Union, which represents about 2m nurses, fast-food employees and cleaners in the US.

“The shock to our system has been so severe, and the choice is so stark, that working people and the movement for black lives are going to stay in the streets,” she says. “We’re not going to settle for a few pennies.”



From left: economist Ahu Yildirmaz sees a 'Great Depression' for low-paid workers, while economist Ha-Joon Chang believes there is 'something wrong' with how labour is valued; former PepsiCo CEO Indra Nooyi, says future wage patterns remain uncertain; PayPal CEO Dan Schulman has acted to improve pay and conditions standards for employees. © FT montage/Bloomberg/Alamy

Warehouse work

If there is a surge in labour activism after the pandemic, public sector workers are likely to be at the forefront. But decisions on their wages will be a political choice. It is in the private sector where the post-crisis economic model will really be tested.

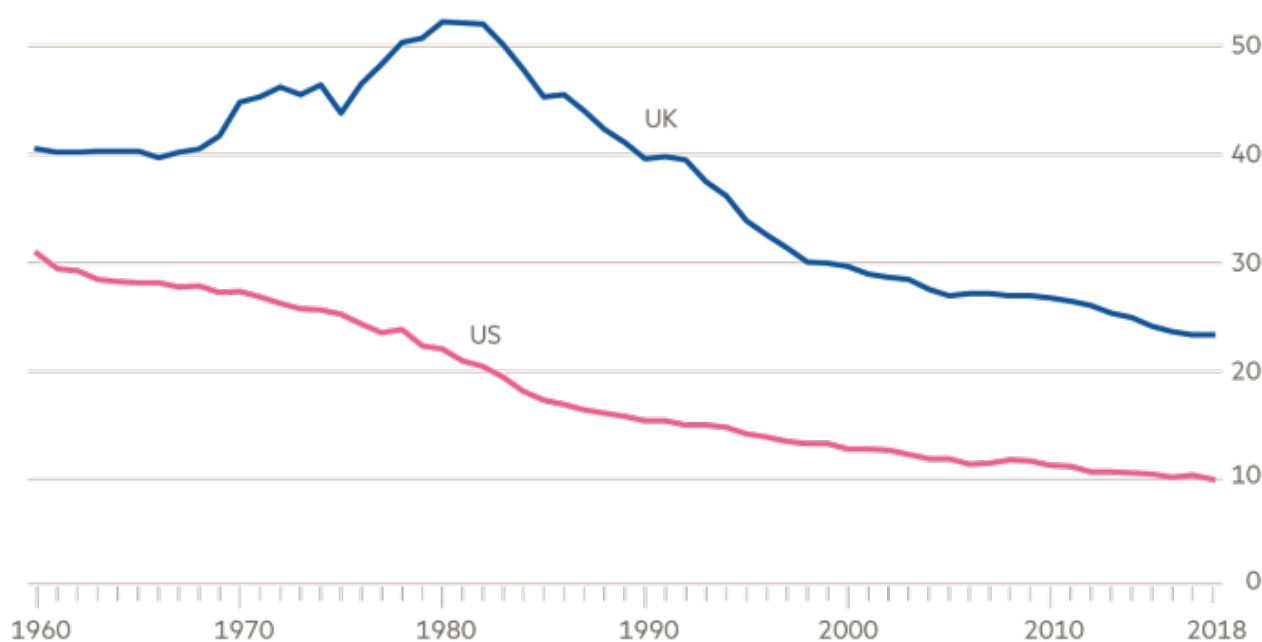
This is nowhere more so than in warehousing, which in both the US and UK has become the new manufacturing. Driven by ecommerce and the consumer economy, it has become an industry that employs many of the school leavers who 50 years ago might have taken jobs at Caterpillar or Ford factories.

While US manufacturing employment shrank 26 per cent to 12.7m people over the two decades to 2019, warehousing employment grew 141 per cent to 1.2m, according to the Bureau of Labor Statistics. Some of that growth has been fuelled by the use of low-paid, non-union staff with little job security.

Amazon instituted a \$15 minimum hourly wage across the US in 2018 — double the \$7.25 federal minimum. But warehouse workers make less in real terms than their factory predecessors: in 2018, the average transportation and warehousing employee in Will County, a former manufacturing hub in the Chicago suburbs, earned \$43,000, according to the US Bureau of Labor Statistics. That matches the average annual wage for a manufacturing employee — in 1998.

Union membership has been falling for decades

Trade union membership rate (% of workers in employment)



Source: ICTWSS
© FT

Agency staff, who make up a significant percentage of the warehouse workforce, earn just \$28,000 a year on average.

Even this salary is at the high end of what the Brookings Institution classifies as “low-wage” in the US, a group that encompasses 44 per cent of US workers, or 53m Americans, who earn median hourly wages of \$10.22, or about \$18,000 a year. In the UK, similarly, last year there were 4.2m people on “low pay” — making less than two-thirds of median hourly earnings of £13.21.

The McKinsey Global Institute calculates that labour’s share of income has been falling across advanced economies for decades but the US has seen a particularly marked drop since the turn of the millennium.

Alan Manning, labour market economist at the LSE, says the UK’s minimum wage increases have helped “prevent the worst excesses” but the US federal minimum wage has not increased since 2009. “The last 10 years have been appalling for living standards,” he says.

Karen Harris, managing director of Bain & Company’s macro trends group, says wages have been under pressure because of globalisation and automation. “There was always a warm, beating heart somewhere more efficient and cheaper,” she says. “We were seeing signs of a reversal last year . . . and then Covid hit.”



Despite an outpouring of public appreciation for low-paid essential workers, it is not clear whether their lot will improve in the post-pandemic era © Getty Images

Putting a value on labour

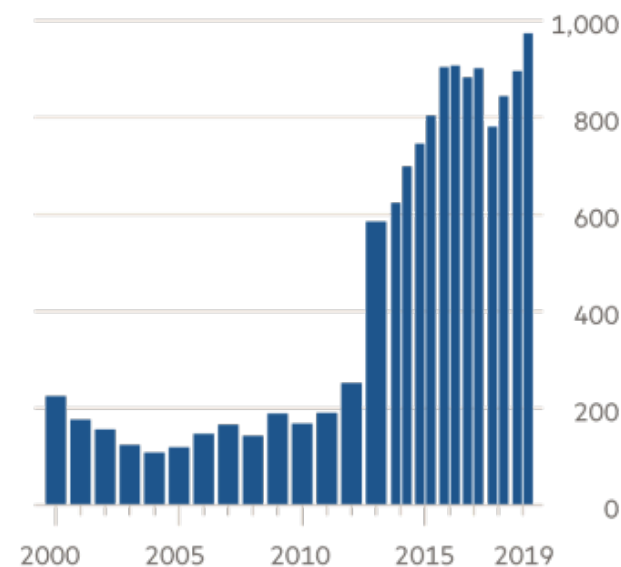
People across society have suffered the economic blow from the pandemic. In the US, more than 47m have filed for unemployment and the lines at drive-in food banks include the suddenly impoverished owners of SUVs.

But the biggest hit has been taken by low-paid workers. “Those jobs are experiencing their own Great Depression,” says Ahu Yildirmaz, co-head of the ADP Research Institute. She notes that employment among Americans earning less than \$15 an hour plunged by 37 percentage points between early March and the end of April. Among those on an hourly wage of \$32 or above, the drop was just 10 percentage points.

“We may recover next year but I think the recession will continue for these [low-paid] workers,” Ms Yildirmaz says.

More UK workers are on zero-hours contracts with few protections

Number of people employed on a zero-hours contract ('000)

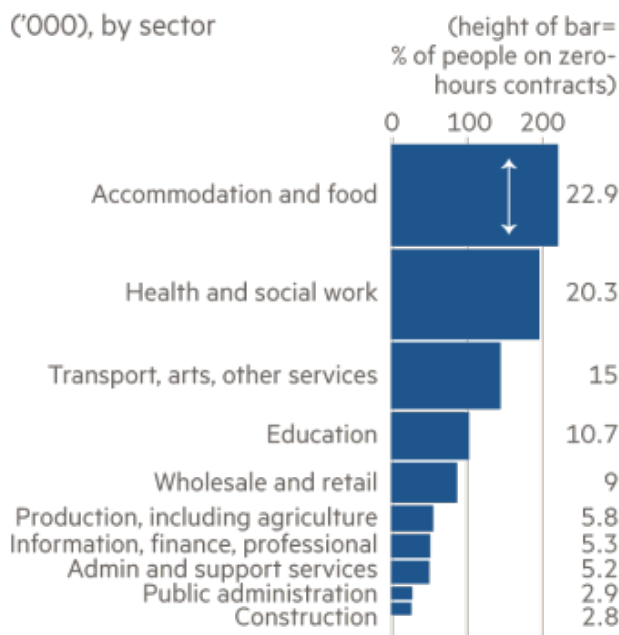


Biannual from 2014

Source: ONS

© FT

Workers on zero-hours contracts ('000), by sector



Source: ONS

In the UK, one in three employees in the bottom earnings quintile have lost jobs, been furloughed or had their hours and pay cut — more than twice the rate among the highest-paid quintile. Those on zero-hours contracts, which do not offer guaranteed shifts, were twice as likely to have been furloughed as people with more secure work, according to the Resolution Foundation, an independent UK think-tank.

“Coronavirus has shown us that there is something wrong with the way we value people’s labour,” says [Ha-Joon Chang](#), an economist at Cambridge university.

The protests about racial injustice that have swept the world in recent weeks have simultaneously drawn attention to wage inequality’s pernicious racial dimension. The ranks of the low paid have long included large numbers of people from racial and ethnic minorities, and those groups have been worst affected by Covid-19 — economically as well as medically.

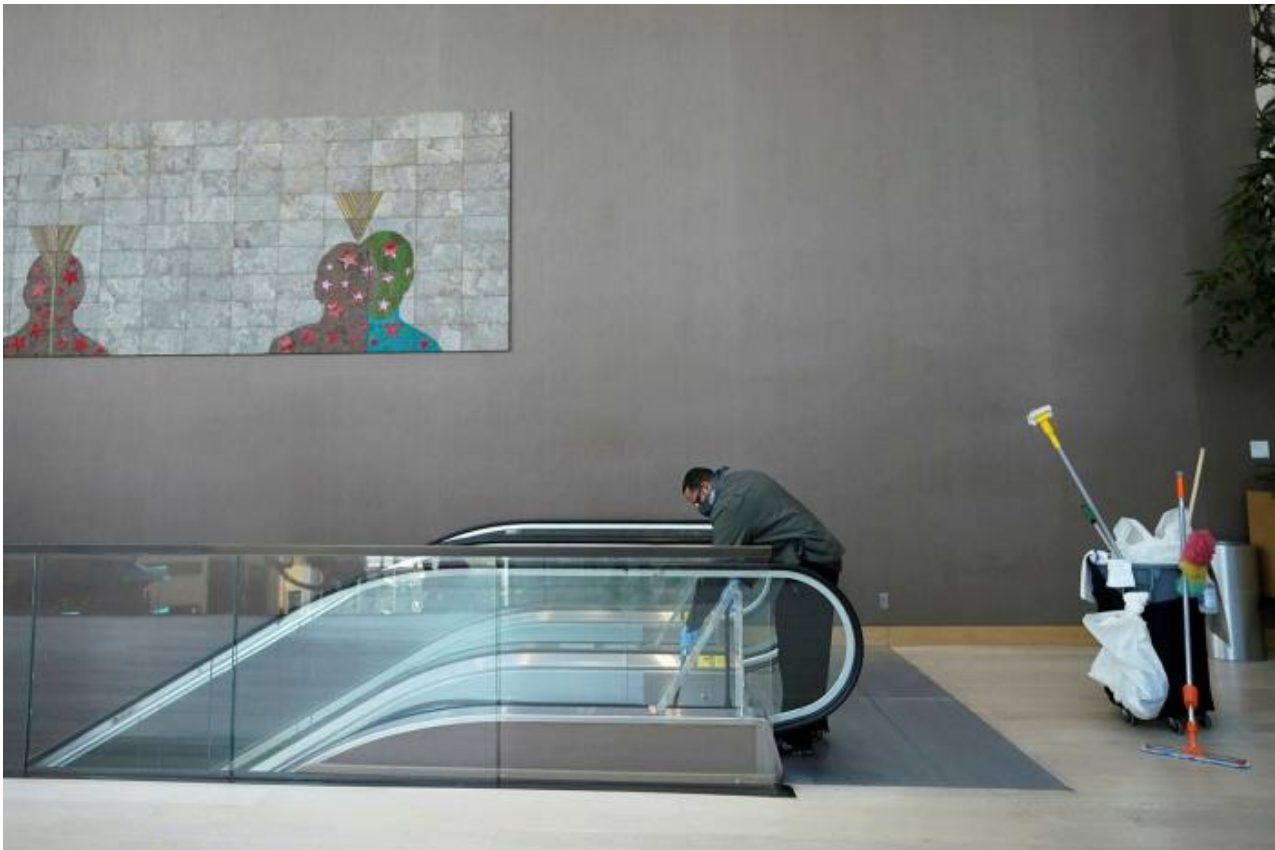


Boris Johnson, UK prime minister, has said he ‘owes his life’ to NHS staff who treated him while in intensive care with coronavirus ‘ © 10 Downing Street/AFP/Getty

The pandemic “is not a shared experience . . . If you are a person of colour in the US or the UK, this disproportionately impacts on you,” says Chuka Umunna, a former Labour MP.

Kate Bell, who leads employment rights policy at the UK Trades Union Congress, says bias often explains why the low paid are in that position.

“They’re female, they’re working-class jobs and they’re often done by people who are black. I can’t think of a better way to put it,” she says: “Years of devaluing working-class jobs, sexism and racism [and] structural inequalities in the market mean the people doing these jobs have been labelled as ‘others’ somehow and that means their jobs have been portrayed as less valuable.”



Cleaners have been at the frontline of the health crisis, tasked with maintaining hygiene in venues that are reopening, such as the MGM National Harbor hotel in Maryland © Kevin Lamarque/Reuters

Surge in radicalisation

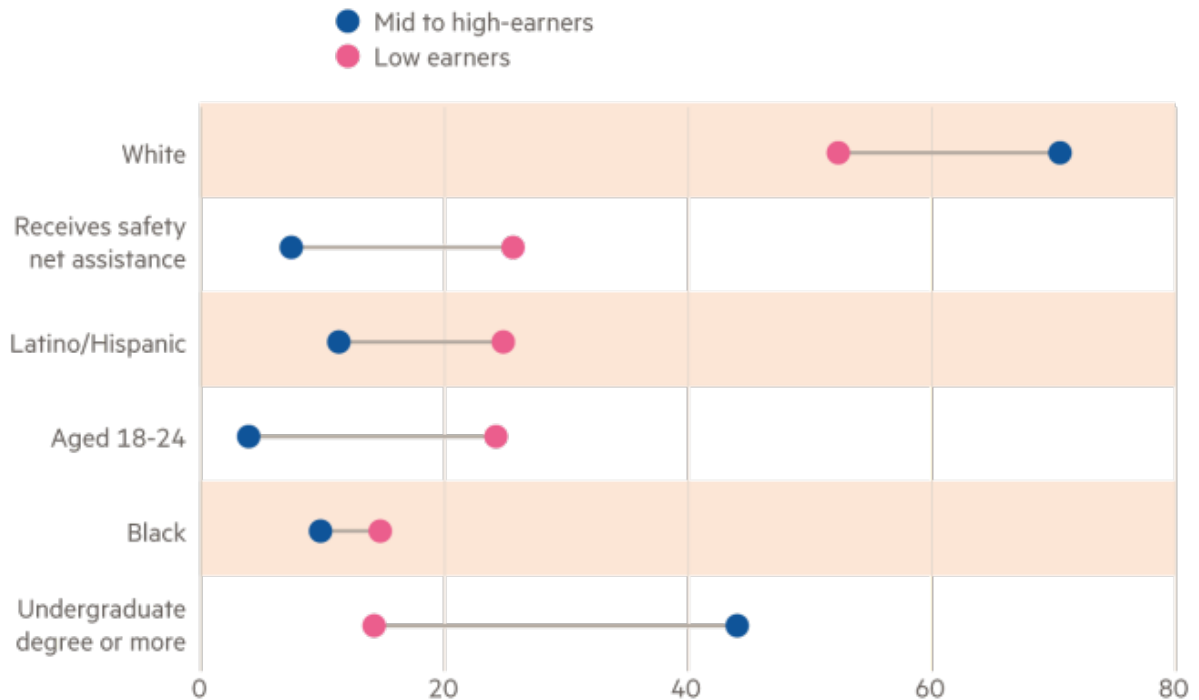
Labour advocates such as Randy Korgan predict the pandemic will lead to a surge in workplace activism, such as the US and UK have not seen for decades. Mr Korgan, a former warehouse worker, now fights to organise the industry as secretary-treasurer of Teamsters Local 1932, a union in southern California's Inland Empire, a major logistics hub.

Warehouses stocked with the goods of well-known companies are often operated by smaller businesses that are staffed by employment agencies. The set-up leads to low wages and high turnover, making it hard to organise the transient workforce, Mr Korgan says.

But he believes that the pandemic has radicalised many workers. "This is going to be a breaking point," he predicts. "People's frustration, it's boiled over, it's done. I've been living in their living rooms for almost 30 years. You can just see it."

The characteristics of America's low-wage workers

% of workers (2012-2016)



Source: Brookings Institute

© FT

“It’s like the frog tale,” says Mihai Pisarciuc, who works for a UK contractor making deliveries for Amazon. “You know — when you put a frog in boiled water, he jumps out, but when you put a frog in cold water and turn it up slowly he gets used to it. We are like the boiling frog.”

Union membership in the US has fallen from a peak of 35 per cent to 10 per cent of the workforce since 1954. Membership began to decline in the UK in the late 1970s, falling to below a quarter of employees in the last decade.

Membership has actually risen over the past two years in the UK, including 90,000 new members in 2019 — the first rise of this size this century. Yet data from the Office for National Statistics shows that lower paid workers are the least likely to join unions, in both the public and private sectors.



Breana Avelar, left, protests with other workers outside an Amazon warehouse in Romulus, Michigan © Paul Sancya/AP

“We used to have more state intervention in wages and union friendly laws but from Thatcher onwards, we saw that changing: collective bargaining fell, union membership fell, wage boards evaporated,” says Nye Cominetti, senior economist at the Resolution Foundation.

In the UK, Amazon refuses to negotiate with unions and labour organisers have made little headway in the company's warehouses. Jack Dromey, an MP for Birmingham and a former deputy general secretary of the Unite union, says he has found it “breathtaking” that the company has resisted engaging on health and safety practices during the pandemic. “There’s a climate of hostility towards trade unions which, to be frank, shames a 21st century company that purports to be at the cutting edge,” he says.

Amazon says it has an “open door policy” for workers to bring concerns directly to management, which is “the most effective way to understand and respond” to workers' needs. As well as the \$500m bonus it is paying out, it has spent \$800m on safety measures during the pandemic. “Amazon wages and benefits are highly competitive,” the company says.

However, Amazon represents “a Goliath target” for labour organisers everywhere, says Beth Gutelius, senior researcher at the Great Cities Institute at the University of Illinois at Chicago. The pandemic has exposed the reality of work in warehouses, providing a “moment of cognitive dissonance”, she says: “The hypocrisy of it had been laid really bare for all of us to see.”



From left: Shantrece Johnson (who tested positive for Covid-19), Bekim Mehmedi, Christian Zamarrón and Ms Ruiz stand against Amazon's treatment of staff at a company shipping facility in Chicago last month © Alex Garcia/FT

Enfranchising staff

Some employers have tried to pre-empt criticism as the politics of low-wage work change. Walmart raised its minimum wage from \$9 to \$11 in 2018 and now pays at least \$12 in 500 US stores. Rival retailer Target's starting wage went up from \$13 to \$15 this week.

Few have gone as far as PayPal, where chief executive Dan Schulman was shocked into action by a survey showing that 60 per cent of his call centre staff were struggling to make ends meet at the end of each month. The payments company responded by raising wages, slashing the cost of benefits and giving employees equity. The target was to raise their disposable income after essential living expenses from around 5 per cent of their salary to 20 per cent.

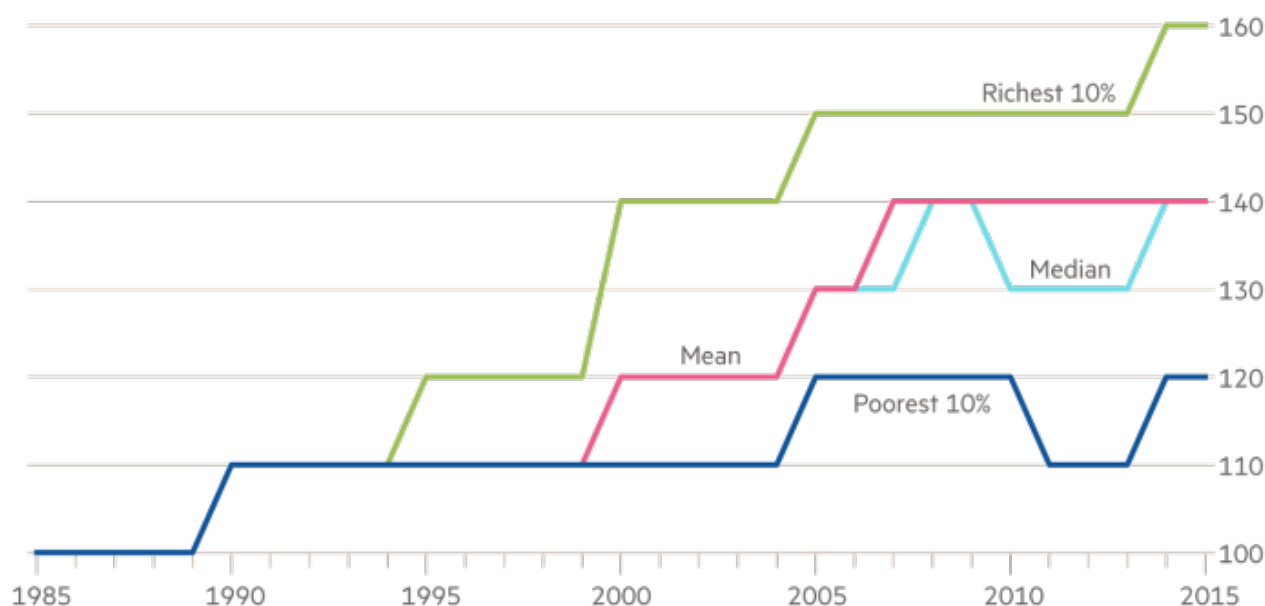
The initiative raised PayPal's operating expenses, Mr Schulman says, "but on the other side of the coin your productivity goes up, your absenteeism goes down [and] your retention rates go up significantly."

He adds: "This crisis has basically lowered the waterline enough that you could see the underlying crisis that was always there".

However, even some executives who embrace the ideas of stakeholder capitalism are reluctant to predict that the reality of the low-paid will change.

Income inequality has grown rapidly in developed economies

Real income trends at the bottom, middle and top of the income distribution since the 1980s
(rebased to 100)



Source: OECD
© FT

“During the pandemic we called them essential workers and we clapped for them,” former PepsiCo CEO, Indra Nooyi, told a recent Yale conference. “Coming out of the pandemic are we going to give them higher wages?” she asked: “I don’t know, so I’m going to hold my judgment.”

Economists, too, fear that historic levels of unemployment will create a buyer’s market, making it harder for workers to push for better wages. Lockdowns have also been a laboratory for the kind of automation that threatens some low-wage jobs, adds Bain’s Ms Harris.

A warehouse worker in Manchester’s Trafford Park, who asked not to be named, shares the doubts about labour’s bargaining power. Now back to earning his pre-pandemic wage of £10.50 per hour on night shifts, and £9.50 for days, he is among more than 40,000 UK Amazon workers who signed a petition asking it to reinstate the £2 hourly coronavirus bonus introduced in the UK, which he says made him feel — briefly — valued.

“People are disgruntled but people are also grateful for having jobs so they don’t want to rock the boat,” he says: “The thing is we can’t force them to do anything. In the cut-throat light of day I don’t think they care about us.”