# North East faces growing challenge of low paid jobs



Recent statistics reveal that the North East of England is facing a significant challenge with low paid employment, as nearly one in five workers are now earning below the cost of living threshold. According to the Living Wage Foundation, approximately 189,000 individuals in the region, representing 19.2% of the working population, are in low paid roles. This marks a notable increase from the previous year, where the low pay rate stood at 15.8%, equating to an additional 22,000 people entering low paid work.

The 'real' living wage, defined by the Foundation, is currently set at £12.60 per hour, significantly higher than the Government's National Living Wage, which is set at £11.44 per hour. The Living Wage Foundation highlights the disparity between the two wages, indicating that if a quarter of the low-paid jobs in the North East were uplifted to the real living wage, it could potentially inject £40 million into the local economy.

Katherine Chapman, the director of the Living Wage Foundation, expressed concerns about the rising number of low-paid workers. "Today’s findings show the biggest rise in low-paid jobs we’ve ever seen, with millions of workers struggling to afford the basics as wages fail to reflect the cost of living," she commented. Chapman further pointed out the potential positive impact of increasing wages, stating that such measures could return over £1 billion to the UK economy through higher spending and productivity.

Notably, in the North East, 368 companies, including well-known organisations such as Newcastle United and Bellway Homes, have committed to paying their employees the real living wage. A collaborative campaign was launched last year by local businesses, charities, and the city council aimed at making Newcastle a living wage city.

Analysis by the Living Wage Foundation revealed that 2024 has witnessed the largest annual increase in low-paid jobs recorded, with a total of 4.5 million jobs classified as low paid in the UK as of April 2024. The most severely impacted sectors were identified as hospitality, wholesale and retail, as well as arts, entertainment, and recreation. The Foundation's surveys indicated that close to 40% of those earning below the real living wage had relied on foodbanks within the past year, and approximately one-third had fallen behind on their household bills. Additionally, two-thirds of low-paid workers reported that their financial circumstances had adversely affected their mental health.

In parallel, the broader economic climate in the UK is witnessing an increase in corporate distress, with rising costs contributing to an uptick in insolvency rates. The owners of Petersham Nurseries recently shut down two restaurants and a deli in London, attributing their closure to several factors including the rising minimum wage and increased national insurance contributions set to take effect in April.

Richard Fleming, a managing director at Alvarez & Marsal, remarked that the current geopolitical situation combined with interest rate hikes has not yet led to a more significant shakeout in the restructuring market, but there are increasing expectations of heightened corporate distress. Despite a 5% decline in corporate insolvencies last year compared to 2023, the numbers remain above pre-pandemic levels, with a concerning rise in personal insolvencies noted at 14%.

Citing January 2024 as particularly alarming, Tim Cooper, president of R3, reported the highest levels of corporate insolvency seen in over five years within the UK. He attributed this spike to escalating operational costs and shifting lender attitudes post-pandemic.

Data shows that the manufacturing sector has experienced a staggering 20% increase in insolvencies year-on-year, with construction not far behind. Other sectors affected included recruitment and media, both facing significant challenges from volatile consumer confidence and reduced advertising revenues.

As companies grapple with increased borrowing and operating costs, many are seeking refinancing and restructuring options, particularly within sectors burdened with high levels of debt. The outlook for 2025 is predicted to be pivotal, with some experts forecasting a surge in financial restructuring as smaller businesses encounter difficulties navigating these pressures.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.onrec.com/news/statistics/north-east-outstrips-south-as-pay-rise-capital-of-the-uk> - This article discusses pay rises in the UK, highlighting that the North East has seen more pay increases than other regions, which contrasts with the challenges of low-paid employment mentioned in the article. It also touches on financial concerns affecting the workforce.
* <https://www.livingwage.org.uk/> - The Living Wage Foundation's website provides information on the real living wage and its impact on workers, aligning with the article's discussion on low-paid jobs and the potential economic benefits of increasing wages to the real living wage.
* <https://www.hiringlab.org/uk/blog/2024/12/10/indeed-2025-uk-jobs-and-hiring-trends-report/> - Indeed's report highlights trends in the UK job market, including wage growth and regional job postings, which complements the article's focus on employment challenges and economic conditions.
* <https://www.insolvencydirect.bis.gov.uk/insolvencyregister/insolvencyregister.html> - This UK Insolvency Register provides data on corporate insolvencies, supporting the article's discussion on rising insolvency rates and corporate distress due to economic pressures.
* <https://www.r3.org.uk/> - R3's website offers insights into corporate insolvency trends and restructuring, aligning with the article's mention of increased corporate distress and personal insolvencies.
* <https://www.gov.uk/government/organisations/insolvency-service> - The UK Insolvency Service provides information on insolvency statistics and trends, supporting the article's discussion on the rise in corporate and personal insolvencies.