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THE CHANGING SHAPE OF THE UK JOBS MARKET AND THE IMPLICATIONS FOR THE BOTTOM HALF OF EARNERS

Report on Symposium

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This paper reports on two research projects, one of them completed some time ago, the other ongoing. The first project was funded by the New York based Russell Sage Foundation and involved a comparative study of low pay in the five European countries – the UK, France, Germany, the Netherlands and Denmark. This was subsequently extended in a comparative study of these countries and the US. Books on the individual European countries were published in 2008 (Bosch & Weinkopf, Caroli & Gautie, Lloyd et al., Salverda et al. and Westergaard-Nielsen, all 2008) and the comparison with the US (Gautie & Schmitt, 2009) in 2009. The second project is one on labour market segmentation currently being conducted within SKOPE.

Both projects were undertaken against the background of a UK labour market which was much more unequal than it had been in the late 1970s. From then until the mid 1990s there had been a widening at both ends of the earnings distribution. Thereafter the general rise in earnings inequality ceased and indeed the bottom decile of earners improved their position relative to the median. However the very top end of the distribution continued to improve its relative position (Lindley & Machin, 2013). Meanwhile the picture on social mobility remained unchanged (Goldthorpe, 2012). As economic growth proceeds the occupational composition of the labour force changes and the proportion of very low end jobs diminishes. As a consequence absolute chances of escaping one's class background increase. Absolute mobility increased at a more or less constant rate for most of the last century. There had been a golden age in the late 1950s and 1960s when the growth in absolute mobility increased but thereafter longer-standing historical patterns reasserted themselves. Relative mobility refers to relative chances of escaping one's class background and this has remained unaltered for decades.

At the same time successive UK governments have espoused the “high skills vision” and the idea of the “knowledge economy”. Underlying such rhetoric was the conviction that the UK's future in an increasingly competitive world lay in the production of high end products produced with skill/knowledge intensive methods. Indeed the government argued that this was actually happening, pointing to the growth in the proportion of “good jobs” and to the fact that this growth was projected to continue into the future. It made sense therefore to continue to encourage young people to enter higher education or, if that failed, to find a high quality apprenticeship. The country needed and would continue to need more and more skilled workers. The present Government's growth strategy continues to emphasise this (Department of Business, Innovation and Skills, 2010). Yet there are some contrary signals. For example, there is evidence of under-utilisation of people's skills and of graduates entering occupations which had once been “non-graduate” without necessarily any improvement in the productivity of these jobs. Both research projects explore these contrary signals.

The Russell Sage project compared the incidence of low pay in the six countries covered by the study. A worker was defined as low paid if he/she was paid less than two thirds of hourly median earnings in his/her own country. Table 1 summarises the findings. The countries fall into two groups. Denmark, France and the Netherlands have relatively low incidences of low pay. The UK, Germany and the US have relatively high incidences. The research was conducted on mid 2000s data, but preliminary results from a later study confirm these groupings (Oehlsen, 2013). Moreover, as Table 2 shows, in the UK the incidence of low pay had increased over time. At first sight this presents a picture somewhat in contrast to the idea of the knowledge economy. We will return to this apparent contrast later.

Table 1. Incidence of low pay 2003-2005

Denmark	8.5%
France	11.1%
Germany	22.7%
Netherlands	17.6%
UK	21.7%
US	25.0%

(Source: Mason & Salverda in Gautie & Schmitt, p.37)

Table 2. Incidence of low pay: Trends since mid-1970s

- **US: no trend**
- **Denmark: no trend**
- **UK: trend rise, late 70s to mid 90s**
- **Netherlands: trend rise, mid 80s to late 90s**
- **France: trend fall, from early 90s**
- **Germany: rising trend from early 90s**

(Source: Mason & Salverda in Gautie & Schmitt, p.38)

Our labour market segmentation project (Holmes & Mayhew 2012) has been exploring how changes in the structure of the labour market have been affecting earnings outcomes and lifetime mobility prospects. As Table 3 shows, there has indeed been a growth in the employment share of the higher status occupations (defined as the top three in the table) but there has also been a growth in some of the lower status occupations – in particular personal and customer services and sales.

Furthermore there is some evidence that the change in occupational structure has not kept pace with the production of skills – at least from our formal education system. Table 4, for example, shows that the graduate share of employment has been increasing right the way down the occupational hierarchy. It is possible that graduates do these more mundane jobs better and achieve higher productivity than their non-graduate predecessors or contemporaries but what limited evidence that is available suggests that this is relatively infrequently the case. Furthermore, insofar as wages reflect productivity, indirect support for this depressing conclusion is provided by what has happened to wages.

Table 3. Total share of occupations

SOC 2000 Major group	1994	2007	2012
1. Managers and senior officials	13%	15%	10%
2. Professional occupations	12%	14%	19%
3. Associate professional and technical occupations	13%	15%	14%
4. Administrative and secretarial occupations	16%	14%	11%
5. Skilled trades occupations	10%	8%	10%
6. Personal service occupations	6%	9%	9%
7. Sales and customer service occupations	7%	8%	8%
8. Process, plant and machine operatives	10%	7%	6%
9. Elementary occupations	13%	12%	11%

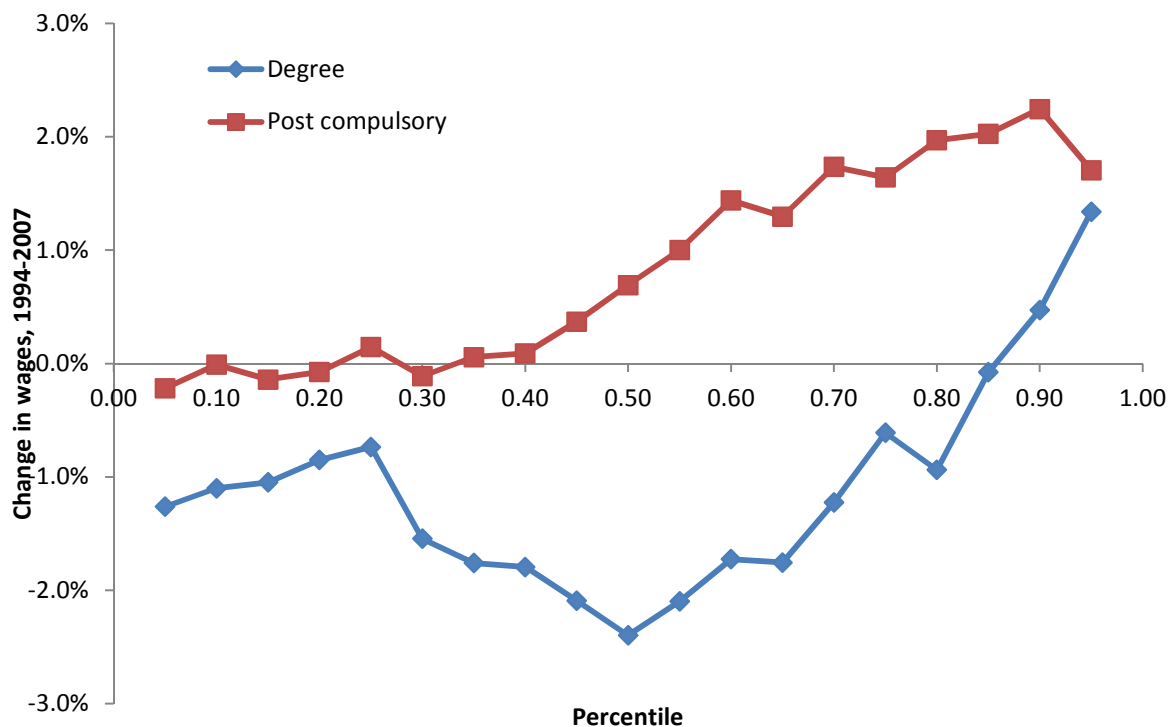
Table 4. Graduate share of occupations

SOC 2000 Major group	1994	2007	2012
1. Managers and senior officials	24%	35%	37%
2. Professional occupations	59%	70%	71%
3. Associate professional and technical occupations	15%	33%	40%
4. Administrative and secretarial occupations	6%	13%	19%
5. Skilled trades occupations	1%	3%	6%
6. Personal service occupations	2%	8%	13%
7. Sales and customer service occupations	2%	7%	13%

8. Process, plant and machine operatives	1%	3%	5%
9. Elementary occupations	1%	3%	7%

Figure 1 takes deciles of the earnings distribution and depicts the change in the premium for graduates in each of these deciles. It shows that the graduate premium has fallen for all except those in the top one and a half deciles. Interestingly the premium for those with a sub-degree post-compulsory qualification has increased across a broad range of the earnings distribution.

Figure 1 Graduate Earnings



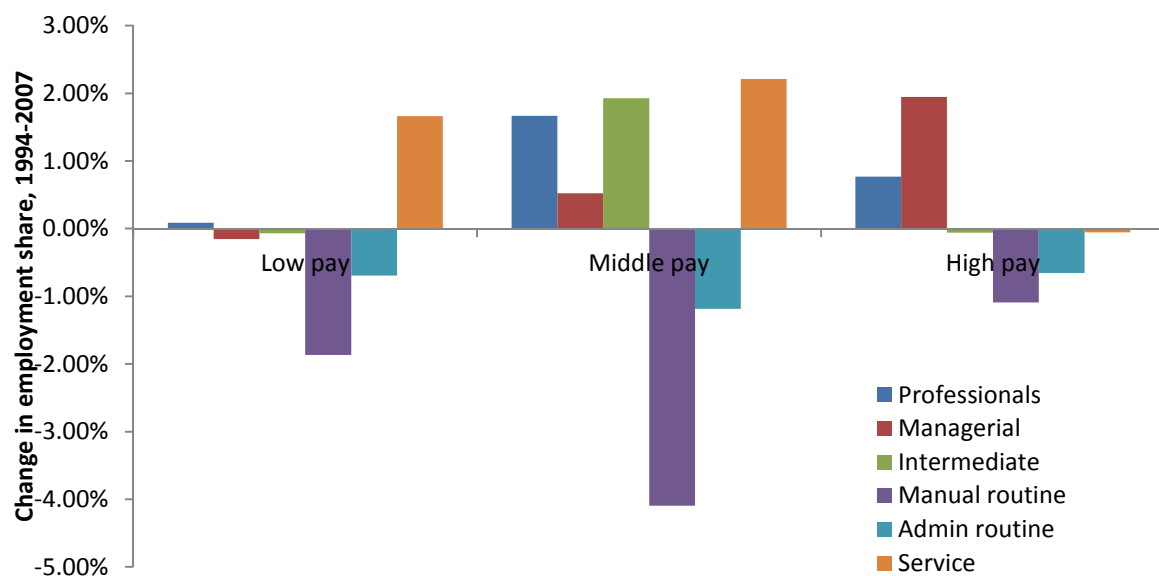
Moving away from specific concentration on graduates, there is broader evidence of the under-utilisation of skills. The OECD's recent PIAAC report (OECD, 2013) documents the extent of over-qualification and over-skilling for all the countries which took part in the exercise. Over-qualification refers to having higher qualifications necessary to obtain a job. Over skilling describes the extent to which a variety of skills are not fully utilised. These skills fall into two categories. The first category is information processing skills – reading, writing, numeracy, ICT skills and problem solving. The second category is other generic skills – task discretion, learning at work, influencing skills, cooperative skills, self organising skills, dexterity and physical skills. Though the UK is by no means alone in exhibiting both over-qualification and over-skilling, the extent of under-utilisation is noteworthy.

So what are we to make from such evidence? Whilst there is clearly an up-grading of jobs over the economy as a whole there is still growth in low end jobs. Moreover even some of the jobs with impressive occupational titles may in fact be relatively low quality jobs and some may have diminished in quality. The rest of this paper explores these issues.

The Russell Sage project examined the same low end jobs in the five European countries concerned. These jobs were call centre operatives, hospital auxiliaries, food processing operatives, hotel room cleaners and retail staff. With few exceptions the design of these jobs differed little from country to country and yet the relative rewards attached to them varied more than evident productivity differences. The extent of low pay was determined not by job design or job quality but by the inclusivity or otherwise of a country's employment

relations system broadly defined. Inclusivity was achieved in different ways in the different countries. In Denmark, for example, union bargaining played a central role. In France, by contrast, a generous national minimum wage together with the legal extension of collective agreements were vital. In other words, different countries have different institutional traditions and policies which have major impacts on the lot of those destined to fill the less attractive jobs which inevitably exist in any economy. Broadly the same set of circumstances and constraints can lead to very different distributional outcomes. As we have already argued, great care has to be exercised in interpreting occupational titles. Occupational groups have become increasingly heterogenous. Figure 2 divides workers into three groups – high, middle and low earners. It then shows the change in employment share for each of six broad occupational groups in the different earnings bands. Perhaps the most striking aspect of the Figure is the large increase in the share of professional, managerial and intermediate groups within the middle earnings band. In other words some of these apparently impressive jobs are not all that they are cracked up to be.

Figure 2 Distribution of jobs



These results are consistent with what Brown et al (2011) describe as a process of digital Taylorisation affecting managerial and professional jobs. Such jobs have been routinised by the use of ICT in defining job content. Certainly the evidence from our segmentation project lends some credence to this idea.

All OECD countries espouse the high skills vision. Yet this vision is accompanied by very different institutional arrangements from country to country. Governments do appear to have some degrees of freedom in how those occupying low end jobs are treated. As part of the high skills vision OECD governments place immense emphasis on increasing the supply of educated labour. Yet there is evidence of underutilisation of the skills produced by the educational system. Whilst this is not in and of itself necessarily a bad thing, care needs to be taken not to inflate the hopes and aspirations of young people in terms of what they think their rewards will be. This also raises the issue of the appropriate level and location of post-compulsory education for many young people.

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