

Wages, productivity and economic performance: the (likely) legacy of the UK Work Programme?

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Key questions

- The Work Programme
- The context: can it work?
- Nature of work and occupations in the C21st
- Visions of the future: transformation or consolidation?
- What will be its likely legacy?

The Work Programme

- The Work Programme replaces previous schemes such as the Future Jobs Fund.
- The task of placing jobless youngsters in work is henceforth shifted away from employers towards third party (primarily private-sector) contractors who are paid a fee for each individual weaned-off benefit. Payment-by-results is the underlying principle.
- But launched in a context of severe economic adversity: rising unemployment, particularly youth unemployment; slow growth declining productivity improvements, rising wage inequalities and real wage cuts.
- Evidence of a growing North-South economic divide. What prospects for the Work Programme in, for example, Hartlepool?

Labour markets and work organisations

- Basic supply and demand analysis suggests that skill biased technological change (SBTC) is:
 - skewing labour demand towards more educated and skilled workers, polarising wage structures, and concentrating joblessness on the relatively low paid.
- Routine and repetitive work is seen to be most at risk, but non-routine manual work (in services and distribution, for example) is difficult to replace.
- What is the evidence base?

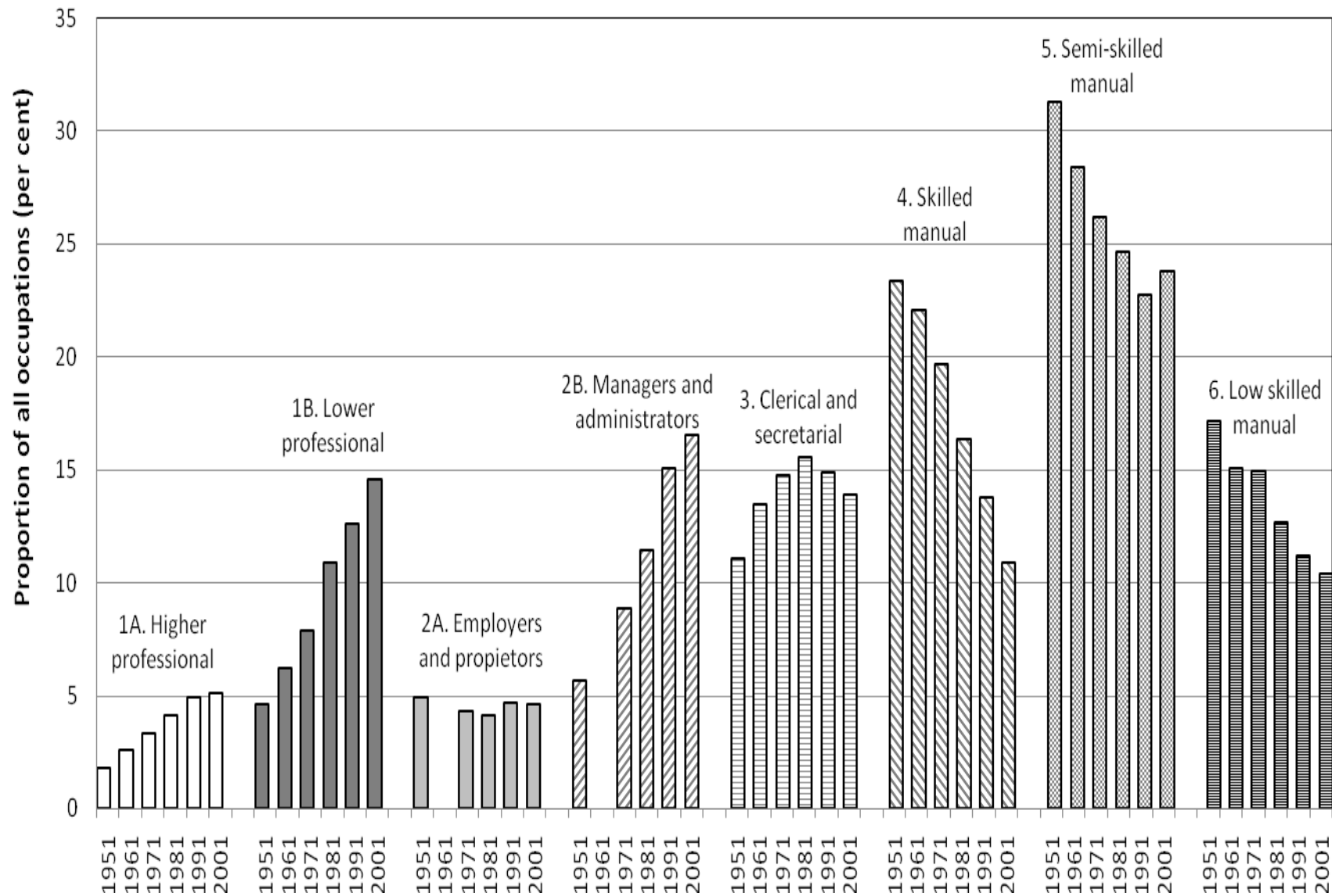
The changing occupational structure: Great Britain 1951-2001

<i>Per cent</i>	1951	1961	<i>Compound growth 1951-61</i>	1971	<i>Compound growth 1961-71</i>	1981	<i>Compound growth 1971-81</i>	1991	<i>Compound growth 1981-91</i>	2001	<i>Compound growth 1991-01</i>
1A. Higher professional	1.8	2.6	4.4	3.3	2.8	4.1	1.6	4.9	2.1	5.1	1.4
1B. Lower professional	4.6	6.2	3.6	7.9	2.7	10.9	2.8	12.6	1.8	14.6	2.6
2A. Employers and proprietors	4.9	} 12.2 ^a	2.0 ^a	4.3	} 1.0 ^a	4.1	-1.0	4.7	1.8	4.6	1.0
2B. Managers and administrators	5.7			8.9		11.5	2.2	15.1	3.1	16.6	2.0
3. Clerical and secretarial	11.1	13.5	2.5	14.8	1.2	15.6	0.1	14.9	-0.1	13.9	0.4
4. Skilled manual	23.4	22.1	0.01	19.7	-0.9	16.4	-2.3	13.8	-1.4	10.9	-1.3
5. Semi-skilled manual	31.3	28.4	-0.4	26.2	-0.6	24.7	-1.0	22.8	-0.5	23.8	1.5
6. Low skilled manual	17.2	15.1	-0.7	15.0	0.1	12.7	-2.0	11.2	-1.0	10.4	0.4
Total employment	100	100		100		100		100		100	
Compound growth '000s	21,705	23,011	0.6	23,481	0.2	22,438	-0.5	23,161	0.3	25,755	1.1

Source: authors' calculations using Census data

Notes: ^a separate breakdown not possible in 1961 due to change in data reporting. Figures reported in table relate to sum of 2A and 2B: employers, proprietors, managers and administrators.

Figure 1. The changing occupational structure: Great Britain 1951-2001



Manual employment share: Great Britain 1992 - 2006

1992		2006		CHANGE
INDUSTRIAL MANUAL	5 265 000	INDUSTRIAL MANUAL	3 862 000	-1 403 000
Share	0.22	Share	0.14	
SERVICES MANUAL	4 855 000	SERVICES MANUAL	6 086 000	+ 1 231 000
Share	0.20	Share	0.22	
TOTAL	10 120 000	TOTAL	9 948 000	
Share	0.42	Share	0.37	-172 000

Source: Labour Force Survey, authors' calculations
(Shares relate to total employment)

Highest absolute growth occupations 2001-2010
(LFS, UK, all in employment)

	Media n wage in occ. 2010	Propn. of overall median	2001	2010	Absolute change	Proportionate change
educational assistants	8.09	0.73	252,358	526,594	274,236	108.6694
care assistants and home carers	8.07	0.73	563,112	725,946	162,834	28.91681
secondary eductn teaching prfsnals	22.43	2.02	340,795	452,552	111,757	32.79303
marketing and sales managers	21.93	1.98	436,153	538,841	102,688	23.54403
prim & nurs eductn teaching profs	21.25	1.92	340,203	440,317	100,114	29.42772
info & communication technol mngr	23.47	2.12	202,899	294,141	91,242	44.96917
medical practitioners	33.26	3.00	148,221	226,756	78,535	52.98507
customer care occupations	8.15	0.73	249,520	318,559	69,039	27.66872
financial managers & chartered sec	27.36	2.47	184,315	249,241	64,926	35.22556
housing and welfare officers	12.40	1.12	110,357	172,992	62,635	56.75671

Lowest Absolute Growth 2001-2010

(LFS, UK, all in employment)

	Media n wage in occ. 2010	Propn. of overall median	2001	2010	Absolute change	Proportiona te change
filing & othr recrds assists & clrk	9.65	0.87	188,760	151,298	-37,462	-19.8464
telephone salespersons	8.73	0.79	93,014	47,657	-45,357	-48.7636
sewing machinists	7.01	0.63	74,480	24,329	-50,151	-67.3349
post wrkr, mail sort, msngr, couriers	9.59	0.86	235,071	181,869	-53,202	-22.6323
accnts wages clerk, bookkeeper	10.53	0.95	566,021	511,389	-54,632	-9.65194
mtl working prod & maintnce fitter	12.51	1.13	255,713	187,922	-67,791	-26.5106
assemblers (electrical products)	7.94	0.72	108,076	36,078	-71,998	-66.6179
counter clerks	10.17	0.92	231,737	153,377	-78,360	-33.8142
shopkprs, wholesale & retail dealr	10.18	0.92	204,638	121,201	-83,437	-40.773
personal assists & othr secretarie	10.98	0.99	421,586	274,304	-147,282	-34.9352

Visions of the Future

- Fast forward to the C19th (the re-constitution of a servile service class)?
- Or modernisation, based on rising demand-side requirements for a trained, skilled workforce?
- Increasing employment opportunities for young people is a central public policy concern, but the understandable priority accorded to quantitative gains must not crowd-out longstanding concerns with the nature of the work that people do.
- The key to improving wages, productivity and performance is to shift the balance of job creation towards skill intensive, high value added activities.

2020 Jobs

- It is projected that the proportion of low-paying jobs will be similar to the present, approximately 22%.
- This trend will be driven by expansion in retail, hotel and catering jobs. And lower-level service occupations (eg., care assistants).
- At the top there will be growth in relatively highly paid jobs, management and professionals, for example in health and education.
- Job losses will likely continue in 'intermediate' positions, including administration and skilled manual.

2020 Skills and Performance

- **SKILLS**

- The supply of workforce skills has risen faster than the demand since the early 1980s.
- In 2006, there were 2.5 million economically-active people with no qualifications, but 7.4 MILLION jobs requiring no qualifications for entry.

- **PERFORMANCE**

- The UK's relatively poor performance on some measures of skills explains a fifth of the country's lower productivity relative to France and Germany.

- Beavan, R, Bosworth, D Lewney, R and Wilson, R (2005), Contribution to Leitch Review of Skills, Cambridge Econometrics and Warwick Institute for Employment Research