

Low pay has some of the same roots as unemployment. Just as people of working age are not divided sharply into the employed on the one hand and the unemployed on the other, so they are not divided sharply into the adequately and low paid. Pay is differentiated into grades just as jobs are differentiated into strata according to their security and continuity, or indeed according to their other attributes. If we are to understand and explain low pay in itself as well as in its consequences for poverty, two things are therefore necessary: to study every level of pay in the earnings hierarchy, and to study all the occupational and social concomitants of the different levels.

The Concept of Low Pay

There have been three approaches to the definition of low pay, by estimating the income 'needs' of the individual or an average or standard family, by showing whether the pay of the occupational group or industry to which the individual belongs is low compared with other groups of industries, and by finding whether the pay of the individual is low compared with other individuals in the earning population as a whole.

The 'needs' approach is to compare income from employment with a standard of individual, family or household needs. Seebohm Rowntree was one of the first to make this approach explicit in his *The Human Needs of Labour*.¹ Low pay becomes the pay below that required to maintain the unit of comparison - individual or family - at a certain standard of living. The problem is, of course, that workers differ in the number of their dependants, and pay which is sufficient to meet the needs of one person or two persons may be wholly insufficient for five or six. The concept has persisted socially, partly because the 'needs' of an average family of man and wife and two or three children has been a convenient yardstick for trade unions wanting to raise basic wage levels. It has also reflected social values about the desirability of wives staying at home to rear the children and care for returning menfolk, and about

¹ Rowntree, B. S., *The Human Needs of Labour*, Nelson, London, 1918; rev. edn, Longmans, Green, London, 1937.

the desirability of restricting family size. The idea that a wage should be enough to support a family survived the introduction of family allowances, because Sir William (later Lord) Beveridge argued that a man's wage should normally be expected to cover the man's wife and the first child in the family,¹ though he had at least argued for separate subsistence support for the second child. The introduction of Family Income Supplement in 1971 represented a further erosion of the number in the family expected socially to be supported by the wage. Society now conceded that the wage could no longer be regarded as sufficient in all instances to support even a family of three. In the course of this century, therefore, attachment to the family-needs approach to low pay has grown and later weakened.

A second approach has been to examine the pay received by members of different professions, occupations and industries, and compare their pay with other professions, occupations and industries. The emphasis here has been on elucidating the pay, conditions of work, security, expectations, qualifications, prestige and status of the *average* member, or *representative* members of the group, with average or representative members of other groups. Thus, the Royal Commission on Medical Remuneration confined themselves to looking at the pay and conditions of other professions.² And, in a succession of reports on manual workers, the National Board of Prices and Incomes confined themselves to looking at the pay and conditions of other manual workers in different industries.³ The pay of non-manual groups is rarely compared with that of manual groups. Moreover, top salaries are not even compared with the middle reaches of the same professions or industries.⁴ Another point about this *group* approach to low pay is that the publicity often given during a strike or during arbitration, as in the Wilberforce Committee's deliberations during the miners' strike of 1972, amounts to a test of the prestige in which the group is held socially, so that decisions can be made about pay increases.

The third approach is to compare individual pay with that of other individuals in the general hierarchy of earnings. This can be done by taking a cut-off point at some level of the total dispersion of pay, say, the lowest decile or lowest quintile, or a

¹ *Social Insurance and Allied Services* (The Beveridge Report), Cmnd 6404, HMSO, London, 1942.

² Report of the Commission on Doctors' and Dentists' Remuneration (The Pilkington Report), Cmnd 939, HMSO, London, 1960.

³ For example, National Board for Prices and Incomes, Report No. 25, *Pay of Workers in Agriculture in England and Wales*, Cmnd 3199, HMSO, London, 1967; Report No. 166, *Pay and Conditions of National Health Service Ancillary Staff*, Cmnd 4644, HMSO, London, 1971; Report No. 167, *Pay and Conditions of Workers Employed in the Laundry and Dry Cleaning Industry*, Cmnd 4647, HMSO, London, 1971; Report No. 168, *Pay and Conditions in the Contract Cleaning Trade*, Cmnd 4637, HMSO, London, 1971.

⁴ See the Reports of the Review Body on Top Salaries, Cmnd 4836, 5001, 5372, 5595 and 5846, HMSO, London, December 1971-December 1974.

percentage of the mean or median. Each index has advantages and disadvantages, and incorporates particular values. Thus the identification of the earnings of each decile helps to 'fix' the shape of the curve of income dispersion but discounts any further degree of dispersion among the tenth with lowest earnings. And because the distribution of earnings is heavily skewed, earnings (including deciles) which are expressed in relation to the median are 'higher' than when expressed in relation to the mean. The implicit policy 'recommendation' in taking a level of pay in relation to the median is that pay should be raised in relation to the average *worker*. The implicit policy recommendation in taking a level of pay in relation to the mean is stronger. More of the population are shown to be below the mean than the median, and the smaller percentages imply a bigger gap to be filled.

To the difficulty of deciding level of pay has to be added that of defining 'pay' and deciding whose pay is to be compared. The dispersion of earnings received for a working hour or in a week is different from that received in a year or in the course of an occupational career, and different, too, if fringe benefits are excluded from, or included in, the calculations. The exclusion of the value of fringe benefits, for example, will tend to make the dispersion of earnings much less unequal. And doubts can arise about the inclusion in the group whose earnings are being compared of young people under 21 or 18, part-time workers, women as well as men, non-manual as well as manual workers, self-employed as well as employed people, and people from Northern Ireland, Scotland or Wales as well as from different regions of England.

There is no escape from expressing values in the definition of the low paid. Two examples might be given. It is common to define 'full-time' work as work of thirty hours a week or more, and common also to compare the weekly pay of such full-time workers. But since, for example, routine non-manual workers work fewer hours than manual workers, the real difference between them in their rate of earning, which might be brought out by calculating an *hourly* rate of earnings, is obscured. And if comparisons were restricted to hourly rates of earnings, the inequality between the non-manual worker earning a particular hourly rate for thirty hours and a manual worker forced to work sixty hours, including overtime at a much higher rate, to bring his average up to the same hourly rate, would remain.

Another example is the division between male and female earnings. If male and female rates of earnings are kept distinct, similar proportions of both sexes may be found to be low-paid relative to the median or mean for their sex. But the distinction is a conventional one, even if condoned by most social scientists, and is no easier to defend in principle than, say, the production of separate pay distributions for immigrants, Jews or Roman Catholics. By including both men and women in the distribution, a majority of women and a small minority of men will be found to be low paid. This radical approach does itself have two limitations. On the one hand, it ignores what was implicit in the family-needs approach to low pay - namely, that

whether we like it or not, more men than women have dependent children and adults to support from their earnings. On the other, it ignores the 'costs' of the non-employed. In the same way that more men may be 'low paid' according to criteria internal to male earners than criteria applied to both males and females, so more men and women may be low paid' according to criteria internal to the employed of both sexes than to those applied to the employed and non-employed as a whole. The incomes of the non-employed should be considered in any comprehensive analysis of the low paid. This argument leads back to the suggestion that, among alternative conceptions of low pay which deserve to be operationalized, one is in relation to the standard of gross disposable income per head (with possibly some adjustment for young children).

Low Pay and the Lowest Decile

When called upon in 1970 to report on the general problems of low pay, the National Board for Prices and Incomes adopted the third of the approaches listed above, with some reference both to the first and second approaches. The position of men and women were considered separately. 'Otherwise the problem of low pay would be practically synonymous with that of low pay among women, and this would ignore the social significance of the fact that men's earnings are normally the main source of family incomes.'¹ The board went on to define low pay 'where men and women in full-time jobs have average weekly earnings which are lower than the bottom decile of all men and women in full-time manual work in Great Britain. For part-time workers, the comparison is made in terms of the hourly earnings of part-time workers.'²

The application of this approach to earnings in 1968-9 is shown in Table 18.1, in which the results from three separate sources, the New Earnings Survey, the Family Expenditure Survey and the poverty survey, are compared. The first of these three surveys analysed earnings data for the pay week which included 25 September 1968; the second earnings distributed evenly throughout the four quarters of 1968; and the third earnings spread through most of 1968 into the early part of 1969. For this reason, one might expect the figures from the first study to be a little higher than the other two. All three surveys are subject to sampling error. The first was of a much larger sample than the other two, and the second a rather larger sample than the third. For this reason alone, one would expect a degree of variation in the results. There are a number of small differences affecting the definitions of pay, manual and non-manual employees and 'full-time' employees, which *may* also account for some

¹ National Board for Prices and Incomes, *General Problems of Low Pay*, Cmnd 4648, Report No. 169, HMSO, London, 1971, p. 4.

² *ibid.*, p. 5.

Table 18.1. *Distribution of gross weekly earnings in 1968 (or 1968-9): data from three sources compared.*

<i>Earning population</i>	<i>Survey</i>	<i>Lowest decile</i>	<i>Lower quartile</i>	<i>Median</i>	<i>Upper quartile</i>	<i>Highest decile</i>
<i>£ per week</i>						
Full-time men, manual	NES	14.6	17.8	22.0	27.2	33.6
	FES	14.1	17.3	21.2	26.0	31.6
	PS	14.4	16.9	19.9	24.6	31.0
Full-time men, all	NES	15.1	18.4	23.2	29.5	38.0
	FES	14.7	17.9	22.3	28.2	36.4
	PS	14.8	17.5	21.3	27.1	35.4
Full-time women, manual	NES	7.3	8.8	10.6	13.0	16.1
	FES	7.0	8.4	10.2	12.1	13.9
	PS	6.7	7.9	9.8	13.0	15.9
Full-time women, all	NES	8.0	9.7	12.2	15.9	21.4
	FES	7.7	9.3	11.4	14.4	19.0
	PS	7.0	8.7	11.5	15.4	20.3

SOURCE: DEP, *New Earnings Survey, 1968*, HMSO, London, p. 187. Note that, for purposes of comparison, the Department of Employment and Productivity compared NES with FES data using Basis B (defined on p. 3).

of the variation.¹ Unlike the Family Expenditure Survey and the poverty survey, the New Earnings Survey does not include Northern Ireland, and this will tend to make the earnings figures for the latter relatively higher than the former.

But perhaps the most important reasons for any differences in the results may be (a) the construction of the samples, and (b), probably to a much lesser extent, the source of information on earnings. In the New Earnings Survey, a very large sample

¹ For example, the manual group thus includes some groups of wage-earners, such as shop assistants, policemen, and some security, institutional and catering workers, who for Census of Population and other purposes are classified as non-manual workers' - Appendix 2, Definitions, in DEP, *New Earnings Survey, 1968*. HMSO, London, 1969, p. 181. Some commissions, bonuses and advances of pay, applying to a different or longer period than the pay periods were included in the NES but excluded from figures of last week's earnings in the poverty survey (they were, however, included in estimates of annual earnings).

was obtained by approaching employers after identifying employees at random by using the final digits of numbers on national insurance cards. But only 92,500 of an estimated total of 116,000 employees, or 79.7 per cent, were in fact pursued through employers. The explanation offered by the Department of Employment is important, and suggests why the low paid may be underrepresented in the sample of employees who were contacted.

Much of the difference was to be expected because, for various reasons, at any particular time a substantial proportion of employees in the working population are not in employment. These are not solely the registered wholly unemployed, but also those who only take employment intermittently or at particular times of the year, such as many married women and students; those temporarily incapacitated by sickness or injury and not retained on employers' payrolls; and those attending courses at government training centres and industrial rehabilitation units. All cards due for exchange are not exchanged promptly, and it was impracticable to wait for any which were not exchanged within three months. The remainder of the difference arose because some employees were inadvertently overlooked when their cards were exchanged and others were identified but their employer was not.¹

So far as I am aware, no estimates have been made of these different categories.

This has been quoted at length because, among the population who are economically active during a year, a substantial section, up to a fifth, of people who are bound to include a disproportionate number of the lowest paid, appear not to be represented in what is intended to be a comprehensive annual review of earnings carried out by the Department of Employment. This, together with the return of information by employers rather than earners themselves, may explain the rather higher earnings figures obtained from that source than through surveys of households. More relatively low-paid employees were found in both the poverty survey and the Family Expenditure Surveys than in the New Earnings Survey, as Table 18.2 shows. In recent years, the Family Expenditure Survey has continued to differ from the New Earnings Survey in this way. Although the sample for the poverty survey was much smaller than the annual New Earnings Survey, it seems to have been more representative of the employed population.

Like other bodies,² the National Board of Prices and Incomes seemed to have been baffled by the problem of defining low pay and therefore of establishing clear national objectives and clear criteria for the effectiveness of policy measures. The criterion of the lowest decile, which was chosen for special studies carried out be-

¹ *New Earnings Survey, 1968*, p. 185; see also p. 3.

² An interdepartmental working party made little effort to discuss possible definitions and criteria. 'What constitutes "low income" is essentially a matter of subjective judgement and ... there is no universally accepted definition of social need in either absolute or relative terms'. And the working party went on to propose a figure of £15 per week as 'the highest level likely to be envisaged for a national minimum' - D EP, *A National Minimum Wage: An Inquiry*, HMSO, London, 1969, p. 13.

Table 18.2. Percentages of full-time male and female employees with different amounts of gross weekly earnings: data from three sources compared.

Gross earnings	Male employees 21 and over				Female employees 18 and over			
	NES ^a		FES	PS	NES ^b		FES	PS
	1968	1968			1968	1968		
Under £10	1.5	1.0	0.9	1.1	27.9	34.7	26.4	36.3
£10 but less than £15	8.3	10.1	6.6	11.1	42.4	43.3	42.1	36.9
£15 but less than £20	23.4	24.6	21.5	29.3	17.5	13.2	19.0	17.0
£20 but less than £30	43.6	44.4	43.0	39.7	9.1	6.5	9.7	6.9
£30 but less than £35	10.2	8.5	12.1	8.4	1.6	0.8	1.2	1.2
£35 but less than £40	5.3	4.3	5.6	3.4	1.5	1.5	1.6	1.6
£40 but less than £45	2.8	2.6	4.1	2.1				
£45 but less than £50	1.7	1.4	1.8	1.7				
£50 but less than £60	1.6	1.5	1.9	1.1				
£60 or more	1.7	1.5	2.4	2.2				
	100	100	100	100	100	100	100	100
	47,460	4,598	4,289	1,260	19,186	1,702	1,607	514

NOTES: ^aExcluding an estimated 400 with no earnings.

^bExcluding an estimated 100 with no earnings.

SOURCES: *New Earnings Survey, 1968*, HMSO, London, p. 36 (Basis A).

Family Expenditure Survey, 1969; data on 'actual' as distinct from 'normal' earnings kindly provided by the Statistics Division of the Department of Employment. The comparable series for 1968 of 'actual' earnings was not available, but 1968 'normal' earnings have been adjusted in the light of differences in the distribution of 'normal' and 'actual' earnings in both 1967 and 1969.

fore the board was wound up, and has since featured prominently in reports of the annual surveys carried out by the Department of Employment, has a number of disadvantages. It expresses a point just above the lowest tenth in the earnings dispersion. It therefore cannot act as an indicator of any changes in the number or proportion of the low paid, except indirectly by inference from any change that is denoted in its relativity to other points in the dispersion. It tells us nothing about the dispersion of earnings *among* the lowest tenth or their mean earnings. It also represents a technical concept which seems to suggest that low pay is something whose discussion has to be restricted to technical experts.

A definition based on a percentage of average earnings is clearly preferable. It allows a target to be set - the narrowing of the spread of earnings so as to eliminate all low pay which falls below a stated percentage of the average. The only objection to this raised by the National Board for Prices and Incomes - that the choice would have to be arbitrary - applies as strongly to their choice of the lowest decile. For example, why should the lowest decile rather than vigintile or even median be chosen?

Low Pay as a Percentage of the Mean

Table 18.3 illustrates some of the different results that can be obtained by applying different definitions of low pay. In 1968-9, a figure of £15 a week had been quoted as a figure for a minimum wage by both the Trades Union Congress and a government interdepartmental working party.¹ The table shows that if this figure had been applied to the adult employed population as defined by the Department of Employment, 12 per cent of men and 73 per cent of women, or proportionately six times as many, were low paid. The corresponding figures produced from the New Earnings Survey for 1968 were 10 per cent and 70 per cent respectively (Table 18.2).² But we have noted the disadvantages of taking any absolute amount in pounds to define low pay. Instead, the criterion of 60 per cent of the mean was applied. The reasons for this are given below. The criterion is applied in two ways in the table. First of all, like the figure of £15, it is applied to male and female earnings jointly. The figure for mean earnings takes account of the earnings of both sexes. The result is that 4 per cent of men and 57 per cent of women are low paid by this criterion. Secondly, the figure of 60 per cent is applied separately to male and female earnings, with the result that 11 per cent and 20 per cent respectively are found to be low paid. We argue below that there is good reason to develop *both* these approaches in analyses of the pay structure. Compared with the first, the second transforms the picture of low pay. The percentage of low paid who are women slumps from 85 per cent to 43 per cent. On average, the gross weekly pay of full-time adult males was over 80 per cent higher than of females. In consequence, more men and fewer women were found to have earnings below 60 per cent of the mean when that mean applied to the earnings of each sex separately than when it applied to the earnings of both.

One other possibility is illustrated in the table. Because the distribution of earnings is skewed, the median is lower than the mean, and if we were to define low pay as 60 per cent of the median instead of 60 per cent of the mean, the proportion found to be low paid among each sex would be much smaller, as the table shows.³ The effects for the whole earnings distribution of taking the median rather than the mean are compared in Table A.65 (Appendix Eight, page 1042).

The fact that gross pay is averaged over the year in the table also needs to be explained. *Mean* weekly earnings in the year (or total annual earnings) are less widely distributed than earnings for any particular pay period of a week or a month. This is because some workers' earnings fluctuate substantially from period to period

¹ DEP, *A National Minimum Wage*, p. 13.

² By April 1972, the figure for men had fallen to 1 per cent and for women to 26 per cent. Six per cent and 58 per cent respectively had less than £20 a week. See Department of Employment, *New Earnings Survey, 1972*, HMSO, London, 1973, p. 25.

³ If the mean of gross earnings plus the value of fringe benefits is taken instead of the mean of gross earnings, then the percentage of 'low paid' is, again, larger, since fringe benefits are more unequally distributed than earnings.

Table 18.3. Percentages of employees' who were low paid, according to different definitions.

Definition of low pay	Percentage			Numbers in sample		
	Male employees aged 21+	Female employees aged 21+	All employees	Male employees aged 21+	Female employees aged 18+	All employees
1. <i>Absolute</i> Gross pay last week was less than £15	12.2	73.2	30.0	1,192	493	1,685
2. <i>Relative, sexes combined</i> Average gross weekly earnings last year less than 60% of mean earnings for earnings of men and women combined	4.1	574	19.9	1,186	502	1,688
3. <i>Relative, for each sex separately</i> Average gross weekly earnings last year less than 60% of mean for earnings of own sex	11.0	19.7	13.6	1,186	502	1,688
4. <i>Relative, for each sex separately</i> Average gross weekly earnings last year less than 60% of the median earnings of own sex	4.1	9.6	5.7	1,186	502	1,688

NOTE: *Self-employed and males under 21 years of age and females under 18 years of age excluded, following conventions adopted by the Department of Employment. Those working fewer than thirty hours in the previous week and fewer than 1,000 hours in the previous year have also been excluded. The fact that categories of earners are more broadly defined in some other parts of this report should be noted.

and are averaged out.¹ For employees working with the same employer throughout a year, and for those changing their jobs but remaining in the same type of occupation, there are good grounds for considering pay received during the year rather than for isolated pay periods. For the much smaller number who have had different kinds of jobs, the mean weekly pay received during the whole year is less relevant. In calculating average earnings, we have also preferred to count sick pay and holiday pay and the appropriate number of weeks for which such pay was received. That this is a relatively conservative procedure should be recognized. We considered averaging pay to cover weeks for which pay was not received as well as weeks for which it was. There is much to be said for the proposition that earnings should be expected to cover weeks of unpaid sickness or holiday for those who have no rights to pay during these periods. But the treatment of the long-term sick, housewives who take jobs only in the school terms, and those intermittently unemployed between jobs, for example, becomes problematical. National insurance and other social security benefits, or husbands' earnings, become major sources of income in periods when such people are not in work.

Below which point in the percentage distribution might low pay be said to begin? We decided there were three grounds for looking at male and female earnings together as well as separately. A large number of the jobs occupied by women are distinct in type and conditions. For example, proportionately more are non-manual, more are routine and hours are shorter. Fewer on comparable earnings experience work deprivation. Fewer also experience social deprivation outside work.

The last two of these three reasons are illustrated in Table 18.4. According to a tentative index of work deprivation (see page 461), more male than female employees were deprived. This held at different levels of pay in relation to the mean earnings of each sex (and jointly). More low-paid male than female employees were also deprived socially. Because the style of living of employed wives is much more likely than that of employed husbands to be conditioned by the earnings of the spouse and not the earnings of themselves alone, the association between earnings and social deprivation can be seen to be much less marked for female than for male employees.

The table gives two examples of the relationship between pay and deprivation. There was an inverse association between higher pay and greater likelihood of work deprivation. Two thirds of men and over half of women with weekly earnings of less than 80 per cent of the mean for their sex were substantially or severely deprived. There was little difference among men between those with earnings below 60 per cent and those with between 60 and 80 per cent of the mean in the number who were deprived. But, among women, there was a marked difference between these two

¹ This is pointed out, for example, by Lydall, H., *The Structure of Earnings*, Oxford University Press, 1968, Chapter 3.

Table 18.4. Percentages of male and female employees with different earnings who experienced substantial or severe deprivation at work or socially.

Form of deprivation	Gross weekly earnings of full-time employees last year as % of mean for own sex						Total
	Under						
	60	60-79	80-99	100-19	120-99	200+	
Substantial or severe work deprivation (scores of 3 or more on index)							
men	67	65	56	44	32	8	53
women	61	49	44	33	24	(12)	41
Severe social deprivation (scores of 5 or more on index)							
men	38	35	22	15	5	(5)	23
women	32	26	23	16	16	(12)	22
Total numbers:							
work deprivation:							
men	221	345	361	218	200	49	1,394
women	99	128	115	81	111	24	558
social deprivation:							
men	248	366	372	235	225	68	1,514
women	105	130	120	80	115	32	584

ranges. A rather similar pattern is evident in the case of social deprivation. While further work may produce reason for choosing a higher point, such as 80 per cent, in relation to the mean, we believe that 60 per cent can be defended as a justifiable cut-off point for low pay. (The discussion in Chapter 12, pages 461-5, on the relationship between deprivation and earnings within occupational classes, is also relevant.)

Because the choice of a cut-off point is bound to be controversial, its advantages and limitations should be stated clearly. The choice depends on the following argument. Levels of pay must be studied not in absolute amounts of money nor only in relation to some limited reference group (such as a profession, industry or even wage-earners as a whole), but in relation to the sum received by the average member of the employed population, including both non-manual and manual workers. The choice of a figure substantially below the mean, such as 60 per cent, has the advantage not just of being demonstrably low but of posing implicit questions about

the fairness or justice of the earnings distribution as well the practicability of redistributive measures to achieve the modest objective of bringing earnings up to at least that level. The earnings of women have to be considered along with those of men, but also separately, because the relationship between earnings and deprivation for the sexes is different both at work and outside work. Employees with earnings of less than 60 per cent of the mean for their sex are much more liable to be deprived than those with higher earnings both at work and outside work, according to a fairly generous spread of indicators, including conditions and facilities at work, the severity and insecurity of work, entitlement to employer welfare benefits, dietary customs, housing facilities and conditions, and experience of holidays, and afternoon or evening outings or enjoyments. Low pay is thus defined by both the relatively poor conditions and facilities of work and of social life outside work. Some of the factors may partly explain the lowness of pay - and others represent its consequences.

Other criteria could, of course, be taken into the reckoning (such as danger, noise, dusty conditions, intensity of effort, repetitiveness, stress, skill), and this must be acknowledged readily. There will always be problems of deciding the weight that should be accorded to individual criteria and how far the same criteria should be applied to different industries, regions and work situations. Essentially a distinction should be maintained between low pay as a societal condition and as a condition relative to some sub-group in society. We have sought to develop ways of defining and appraising the former.

Low Pay and Poverty

The lower individual earnings are, the more likely will income units and households be to live in poverty or on the margins of poverty. Table 18.5 shows the trends for the sample. The correlation is not, in itself, surprising. What may be surprising is that it is not more marked. Within income units, a wife's wage may lift the unit out of poverty. Within households, the wage of an adolescent child who is earning may, if income is aggregated, lift the household out of poverty. Again, the correlation during the year is obscured because of variation in the number of weeks during which people earn. Thus, an above-average earner may have been sick for a long period, and if he failed in that period to receive sick pay (and supplementary benefit), the year's income for the unit or the household might fall to a poverty level. Finally, the number of dependants varies. A man with low earnings may not be in poverty if he lives alone and has a low rent. A man with above-average earnings may be in poverty if he has a large family and a high rent.

The fact remains that, in 1968-9, as many as 14 per cent of men experiencing no interruptions of employment for sickness or unemployment were living in, or on the margins of, poverty. They represented 1,450,000 working men among a total of 10,400,000 in the entire male workforce who had experienced no interruptions of employment in the year. There were, of course, others, usually in full-time employment, who had been unemployed or off sick for at least a week during the

Table 18.5. Percentages of male and female employees aged 20 and over^a with different levels of earnings who were in income units and households in poverty or on the margins of poverty.

Gross earnings as % of the mean for each sex	Percentage of employees				Total numbers ^c	
	Living in households in or on margins of poverty ^b		Living in income units in or on margins of poverty ^b		Males	Females
	Males	Females	Males	Females		
<i>Last week</i>						
Under 50	(41)	46	(68)	60	32	59
50-59	29	(22)	57	(37)	58	27
60-79	23	16	42	34	308	94
80-99	19	8	36	40	338	106
100-19	10	9	21	32	218	75
120-99	4	6	13	27	232	124
200+	7	(3)	7	(18)	57	37
All levels	16	13	31	35	1,243	522
<i>Last year</i>						
Under 50	(35)	(41)	(37)	(43)	26	34
50-59	28	(17)	29	(12)	83	24
60-79	24	9	23	12	305	86
80-99	16	6	16	4	328	87
100-19	10	4	9	5	197	69
120-99	3	5	3	7	184	98
200+	(2)	(0)	(2)	(0)	42	22
All levels	16	9	16	10	1,165	420

NOTES: ^aWorking thirty or more hours in previous week and at least 1,000 hours in the year. ^bblinder 140 per cent of supplementary benefit scale rates plus housing cost.

^cFor households; numbers for income units slightly larger.

year, and who were also living in, or on the margins of, poverty. They accounted for a proportion representing another 1,310,000 working men.

Consideration of the contribution made by married women to family income reinforces these statements. But for the earnings of wives, far more men would find that their earnings did not match the subsistence requirements laid down by the government for themselves and their families. The proportion of people of different age in income units in poverty rises if the wife is in part-time rather than full-time work, and more sharply if she is not at work at all. Table 18.6 shows clearly the change in percentage in poverty according to different combinations of the

employment status of husbands and wives. It also reinforces one major theme of Chapter 17 that poverty is related to *degree* of access to paid employment.

Studies of women's employment have frequently called attention not only to a smaller emotional investment on the part of women than of men in employment, but to their lesser need for the income from employment. Married women have been said to take employment for companionship, or for 'pin money', rather than to help pay for the necessities of life. Our evidence shows that their motives may often be far more serious than these studies have suggested, and that for a very substantial proportion of married women (our figures suggest about a quarter), paid employment may, in fact, raise their family incomes out of poverty or near-poverty.

Conversely, the contribution made by married women's employment to the reduction of family poverty calls attention more sharply to the inadequacies of the earnings of men with families. If married women's earnings were discounted, the proportion of families of men in full-time work who are in poverty or near-poverty would increase by over 50 per cent.

Low pay therefore has a direct, immediate effect on the numbers in or on the margins of poverty. But it also has specific indirect effects. It may influence future life chances. The figures in the tables represent the situation only at a particular moment of time. They give a snapshot of the circumstances of individuals who are at different points in their own and their families' life-cycles. Low pay in the past can cause indebtedness for years to come, prevent the accumulation of assets, reduce capacity to overcome such sudden adversity as sickness or unemployment when it arises, result in under-nutrition, restrict activities and social experience, and hence leaves permanent scars.¹ As we shall show in Chapter 23, position in the occupational hierarchy in working life affects a person's chances of surmounting the poverty line in old age.

Low pay may also have certain indirect current effects. As part of what we will demonstrate below to be a larger pattern of labour market disadvantage, it may contribute to the acceptance or even creation of various forms of deprivation in the work situation. Certainly it is correlated strongly with those forms of deprivation.

It is sometimes argued that a more equal distribution of earnings would not add much to the living standards of the mass of the population, and hence would not greatly reduce existing poverty. This argument does not hold water. As an exercise, we investigated what would be the effect of raising the earnings of men in poverty to the net weekly mean. Allowing for taxation, we estimated that the number of working men without experience in the previous twelve months of unemployment or sickness who were in or on the margins of poverty would be reduced from 1,450,000

¹ See also Atkinson, A. B., 'Low Pay and the Cycle of Poverty', in Field, F., *Low Pay*, Arrow Books, London, 1973.

Table 18.6. Percentages of individuals in income units in poverty or on the margins of poverty, according to the economic activity of married couples.

<i>Economic activity of married couples</i>	<i>Percentage with income less than 140 % of the supplementary benefit standard</i>						<i>Number</i>
	<i>%</i>						
	<i>0-14</i>	<i>15-29</i>	<i>30-49</i>	<i>50-64</i>	<i>65+</i>	<i>All ages</i>	<i>All ages</i>
1. Husband and wife working 1,000 or more hours last year	14	3	7	4	-	7	762
2. Husband working 1,000 or more hours, wife under 1,000	25	(16)	21	6	-	19	362
3. Husband working 1,000 or more hours, wife none	38	29	29	16	10	31	2,119
4. Husband and/or wife otherwise having some form of work	(12)	(14)	(8)	(17)	53	23	161
5. Neither husband nor wife at work	62	(63)	45	52	67	61	582
All units with married couples	35	23	22	19	60	29	3,986

NOTE: Unmarried adults and adults and children in one-parent families are not included in this table.

to under 300,000 - most of the latter being men with three or more (usually older) children and/or relatively high housing costs.

The Failure of Family Income Supplement

Another way of illustrating the same point is to show how little the Family Income Supplement scheme affects the incomes of the low paid. The scheme was directed at families of the low paid who were in poverty and who were not eligible to receive supplementary benefit. It received Royal Assent in December 1970 and came into operation on 3 August 1971. The Conservative government introduced the scheme instead of making a general increase in family allowances which the Prime Minister had appeared to promise in the election of June 1970. It was much cheaper, costing only £10 million in 1972-3 (or 3 per cent of the cost of family allowances) and £13 million in 1973-4 (or under 4 per cent). The supplement helps low-income families with children where the breadwinner is in full-time work. Half the amount by which a family's gross income falls below a prescribed amount is paid in benefit up to a maximum weekly amount. In October 1972, average male industrial earnings were £35.92 a week, but 50,000 of the 51,000 two-parent families then claiming supplement had incomes below £28 per week (including 25,000 with three, four, five, six or more children).¹ At that time the prescribed amount for a family with two children was as low as £23.50, and even for a family with six children was £32.50, or considerably less than the mean. Despite intensive publicity, the government has admitted that only about half those qualifying for supplement have claimed it.²

The scheme has therefore fallen into disrepute. Our data on earnings suggest the government's estimates of families eligible for supplement have been too low, and therefore that 'take-up' has been overestimated. For example, data collected in the poverty survey suggested there might be between 250,000 and 300,000 families with incomes (including average weekly earnings in the year from full-time work) falling below the prescribed amounts for at least several weeks.³ The failure of the scheme to reach the low paid for whom it is intended may be even greater than has been publicly admitted by government ministers.⁴ There are two further arguments. The

¹ DHSS, *Social Security Statistics, 1972*, HMSO, London, 1973, p. 134.

² By the mid 1970s the fraction was believed to have increased to three quarters. But the estimate was found to depend upon about twenty cases of individuals found to be eligible to receive FIS (including those who were also receiving it) in the annual Family Expenditure Survey.

³ The prescribed amounts for 1972 were expressed as a proportion of average industrial earnings and then applied to the figure for October 1968.

⁴ For a running account of the Family Income Supplement scheme, see *Poverty*, the quarterly journal of the Child Poverty Action Group.

prescribed amounts are extremely low, and the help that is even in principle given to the low paid is insufficient to allow more than a minority comfortably to surmount the poverty line.¹ Moreover, the evidence we have given in this chapter of fluctuating earnings does not suggest that a scheme tied to rigid qualifying rules relating to five weeks' earnings is likely to cover needs successfully.²

Wages Councils

Another major policy measure to help the low paid has existed in statutory form since 1909. There were forty-six wages councils in the mid 1970s, covering retail distribution, hotels and catering, clothing, laundries, hairdressing and other trades, which set legally enforceable minimum wage rates for over 3 million workers. The trouble is that the majority of wages councils have approved very low statutory minimum rates and that the Department of Employment's Wages Inspectorate, which is responsible for enforcing the minimum rates, has not followed a strong enforcement policy. One study concluded that this is due to the inadequate size of the inspectorate, lack of knowledge of the wages council scheme among workers, the policy of persuasion and lack of adequate sanctions.³

For 1968, the Report of the New Earnings Survey showed that 22.6 per cent of full-time male manual workers covered by all wages board and council orders earned under £15 per week, compared with 9.4 per cent of all male manual workers. The corresponding figures for women earning under £10 per week were 54.7 per cent and 39 per cent respectively. Non-manual workers covered by wages board and councils were no better placed.⁴ Later reports for the early 1970s from the earnings survey do not suggest any change in the pattern. Indeed, evidence was published for particular trades of payments below the legal minimum and of other practices requiring searching examination and regulation.⁵ None the less, partly on the basis of recommendations from bodies such as the Commission for Industrial Relations, the government has abolished, instead of strengthening, certain wages councils.

¹ An official survey in 1972 showed that 29 per cent of recipients would have been below the supplementary benefit standard but for Family Income Supplement payments, but that even after these payments, 13 per cent were still below that standard. See Knight, I. B., and Nixon, J. M., *Two-Parent Families in Receipt of Family Income Supplement, 1972*, DHSS, Statistical and Research Report Series No. 9, HMSO, London, 1975, p. 13.

² A survey of recipients showed that 'circumstances had changed for over three quarters of the total FIS sample' and that the scheme was not 'sensitive to the increased needs or reduced income of recipients over a period of time'. See *ibid.*, p.72.

³ Winyard, S., *Policing Low Wages*, Low Pay Unit, London, 1976, p.28.

⁴ DEP, *New Earnings Survey, 1968*, HMSO, London, 1970, pp. 33 and 47-8.

⁵ For example, Brown, M., and Winyard, S., *Low Pay in Hotels and Catering*, Low Pay Unit, London, 1975; Brown, M., *Sweated Labour: A Study of Homework*, Low Pay Unit, London, 1974.

Statutory regulation of wage rates might have been treated as a useful precedent for the development of legislation on minimum earnings. However, our brief review of direct government policies to assist the low paid - incomes policy (see also the discussion in Chapter 4), wages councils and Family Income Supplement - suggests that they have at most had marginal effect. Indirect measures of family support - through taxation, family allowances and national insurance - have had more effect.

Correlates of Low Pay

Why were certain jobs so low paid? The characteristics of jobs and not only those occupying them have to be documented. Low-paid jobs are separately associated with poor conditions, vulnerability to early notice, lack of entitlement to fringe benefits and, in the case of men, unsocial working hours (Table 18.7).

When poor working conditions, unsocial hours, insecurity, lack of entitlement to holidays with pay and to fringe benefits are taken together in the form of an index, the correlation with earnings becomes much more marked. As many as 64 per cent of the low paid, compared with only 5 per cent of the high paid, were found to be substantially or severely deprived in their work situation - that is, scoring 3 or more on the index. At higher levels of earnings, the proportion who were deprived fell sharply (see Table A.66, Appendix Eight, page 1043).

Low earnings were also found to be correlated with poor health and disability, youth and late middle age, migrants (both those born overseas and those moving house lately), and relatively small number of years of education. In these respects, the findings are orthodox.¹ Had we included persons aged under 20 and persons working for fewer than thirty hours in the series presented in the table, some of these findings (e.g. age) would have been more marked. But these characteristics may not so much determine level of pay as the people who are recruited to low-paid jobs. There may be unidentified causal factors of an institutional kind. Certainly the correlations are not marked. In the sample, there is wide variance of earnings within education groups. This corresponds with evidence from other studies.² It indicates that improving workers' education and training would not necessarily eliminate low earnings.

¹ For other countries and not only the UK, see, for example, Bosanquet, N. *Low Pay: An International Comparison of Patterns and Policies*, OECD, Paris, 1973; and Bluestone, B., Murphy, W., and Stevenson, M., *Low Wages and the Working Poor*, Institute of Labor and Industrial Relations, University of Michigan - Wayne State University, October 1971. For a review of both personal characteristics' and structural or institutional variables, see the collection of papers in Field (ed.), *Low Pay*. For a review of British materials which places stress on age (including health and physical capacity) and skill (including education and training) as factors in low pay, see Bosanquet, N., and Stephens, R. J., 'Another Look at Low Pay', *Journal of Social Policy*, July 1972.

² See, for example, Thurow, L., *Poverty and Discrimination*, Brookings Institution, Washington, DC, 1969.

Table 18.7. Percentages of low and high paid, and all, men and women aged 20 and over,^a with specified job, family and personal characteristics.

Selected characteristics	Men			Women		
	Low paid (under 60% of mean)	High paid (200 % or more of mean)	All	Low paid (under 60% of mean)	High paid (200%, or more of mean)	All
<i>Job characteristics</i>						
1. Working entirely or mainly outdoors	39	7	23	0	(3)	2
2. Working unsocial hours ^b	37	11	39	16	(18)	17
3. Poor or very poor working conditions ^c	24	7	23	27	(5)	15
4. No sick-pay entitlement	54	5	36	68	(5)	34
5. No occupational-pension entitlement	62	10	41	93	(14)	60
6. Working 30-39 hours last week	24	25	17	65	(32)	47
7. Working 50 or more hours last week	17	33	23	7	(11)	5
8. Subject to one week's notice or less	60	9	41	74	(8)	47
9. Experiencing deprivation at work ^d	64	5	52	50	(10)	40
<i>Family situation</i>						
10. Children in household	38	62	48	43	(20)	29
11. Less than 1 year at present address	19	13	12	11	(7)	14
<i>Personal characteristics</i>						
12. 20-29 years of age	42	5	26	20	12	36
13. 50 or more years of age	32	28	28	35	(35)	22
14. With disablement condition(s)	17	5	9	16	(8)	12
15. With moderate, appreciable or severe disablement ^c	10	5	6	15	(15)	8
16. Fewer than 11 years' education	71	23	73	81	(27)	64
17. Not born in UK	11	7	8	6	(7)	8
Highest number on which percentage based	102	61	1,337	102	40	581
Lowest number	80	54	1,204	57	28	435

NOTES: ^aThose working fewer than thirty hours in previous week have been excluded.

^bWorking at night; or hours regularly begin before 8 a.m.

^cAccording to scores on work condition index (see page 438). Estimates included for those working outdoors at more than one place of work.

^dWork deprivation index (scores 3 or more) (see page 461).

^eSee pages 692 and 697.

In relation to family situation, high-paid and low-paid men and women are differently placed. Fewer low- than high-paid men were in households with children, but for women this finding was reversed. As in a government survey,¹ our data showed that, with increasing numbers of dependent children, more men worked long hours, and they were predominantly in their thirties, forties and early fifties, when earning rates were highest. On the other hand, more working- than middle-class mothers with children were in paid employment, some certainly because they felt compelled by the low, irregular or fluctuating incomes of their husbands to take work, and others to augment low living standards. They worked relatively few hours (see, for example, item 6 in the table). Perhaps the need of married women with children to work near home and leave work early largely explains why disproportionate numbers among them were either in ill-paid jobs or had relatively low weekly earnings.

Slightly fewer unionized than non-unionized workers were low paid. However, this is partly a function of industry and type of occupation. Fewer in the service industries, for example, were union members. When occupational class is controlled, unionized workers of both sexes were found to have an advantage in terms of mean weekly earnings. A weighted average in the case of men gives an advantage of 12.5 per cent, and in the case of women of 34.4 per cent. These are higher estimates than those produced in national studies in the United States,² though it should be noted that our data are not standardized by industry. For non-manual workers, we have counted members of professional associations and of unions together, and because of small numbers in some categories, too much should not be read into the results. For professional and managerial occupations, the data are too few to draw conclusions, and men in the lower supervisory occupations represent an exception to the general pattern. Unionized men in this class had weekly earnings of only 95 per cent of non-unionized men. But, for both sexes, membership of unions gives a clear advantage in earnings on average for routine non-manual workers of more than a tenth. And for both sexes, the advantage of manual workers is marked, as Table 18.8 shows. Male union members received gross earnings 17.3 per cent higher than non-union members; female members received 32 per cent more. We found that the broad trends of these results were not materially affected when we standardized for age and years of education.

To a considerable extent, the association between low pay and poor conditions or insecurity of work is a reflection of an association between both these factors and

¹ The percentages of men working more than forty-five hours a week were 56, 58, 63, 62 and 68 respectively for those with two, three, four, five and six children. See Ministry of Social Security, *The Circumstances of Families*, HMSO, London, 1967, p.40.

² 'When personal characteristics, occupation and industry are taken into account, the estimated wage for union members is \$5.20, compared to \$4.84 for non-union workers - a difference of 7.4 per cent' - Duncan, G., 'Non-Pecuniary Work Rewards', in Morgan, J. N. (ed.), *Five Thousand American Families-Patterns of Economic Progress*, vol. II, Survey Research Center, Institute for Social Research, University of Michigan, 1974, p. 185.

Table 18.8. Mean gross weekly earnings in previous year of union and non-union members of each occupational class?

Occupational class	Men		Women				Number in sample			
	Union ^a (£)	Non-union (£) as %	Union/ non-union	Union ^b (£)	Non-union (£)	Union/ non-union as %	Men	Women	Union	Non-union
Professional	54.03	53.93	100.2	-	-	-	37	16	-	-
Managerial	36.87	35.29	104.5	-	24.33	-	30	14	-	6
Supervisory high	29.36	27.59	106.4	23.71	14.71	161.2	73	65	34	14
Supervisory low	22.99	24.31	94.6	17.36	13.50	128.6	43	66	14	42
Routine non-manual	18.69	16.88	110.7	13.28	11.53	115.2	30	45	34	178
Skilled manual	23.05	19.60	117.6	13.77	8.63	159.6	308	197	13	26
Partly skilled manual	20.55	17.71	116.0	11.88	9.57	124.1	151	95	56	75
Unskilled manual	17.89	15.07	118.7	11.66	7.81	149.3	57	68	5	24

NOTES: ^aThe table applies only to those working 1,000 hours or more in the previous year. Of the total of 2,060 for whom average weekly earnings were available, 185, or 9 per cent, could not be classified either on grounds of occupational class or membership of unions or professional associations.

^bIn the case of non-manual workers members of unions *and* professional associations.

low occupational class or status. But this is by no means the whole story. At the same level of earnings we found that fewer manual than non-manual workers had good working conditions (Table A.67, Appendix Eight, page 1044), entitlement to relatively long periods of notice and rights to fringe benefits. In other words, manual workers had to endure worse working conditions, longer hours, less security and fewer fringe benefits to earn the same money as non-manual workers. Within both skilled and other manual classes, for example, we found that more high than low earners worked unsocial hours (Table A.68, Appendix Eight, page 1045).

None the less, within broad occupation classes (formed by splitting both manual and non-manual groups into two further groups), low pay tended to be associated with poor working conditions, the shortest periods of notice (Table A.69, Appendix Eight, page 1046) and lack of fringe benefits.

The implication of these findings is that the level of earnings is not only determined by the nature of the job, or its value to an employer, but by the material correlates which largely govern its status. Any variation in working conditions, entitlement to notice, range in relation to custom of working hours and conferment of fringe benefits will tend to correspond with variation of earnings. The prevalence of low pay will therefore depend on statutory and non-statutory measures to limit work deprivation.

Level of earnings is also associated with continuity of employment. Fewer of those who were continuously employed than of those who had been unemployed for short or long periods of the year, or employed only seasonally or for fewer than twenty-six weeks of the year, were low paid (Table 18.9). People experiencing short or long periods of sickness were not markedly at a disadvantage.

Table 18.9. *Percentages of discontinuously and continuously employed males and females aged 15 and over who were low paid.*

<i>Continuity of employment in previous 12 months</i>	<i>Percentage with average gross weekly earnings of less than 60% of mean</i>		<i>Total number</i>	
	<i>Males</i>	<i>Females</i>	<i>Males</i>	<i>Females</i>
Sick or disabled, 1-4 weeks (no unemployment)	10	11	272	142
Sick or disabled, 5 or more weeks (no unemployment)	19	(17)	104	46
Unemployed, 1-4 weeks (whether or not additional weeks of sickness)	(24)	-	49	7
Unemployed, 5 or more weeks (whether or not additional weeks of sickness)	26	(24)	61	25
Employed, 1-25 weeks (no sickness or unemployment)	(41)	(23)	17	31
Employed, 26 weeks or more (no sickness or unemployment)	14	18	941	327
All employed in previous 12 months	15	17	1,444	528

Fluctuations in Manual Pay

There is another good reason for shifting our attention from the characteristics of persons to the characteristics of jobs in explaining low pay. The population receiving different amounts of pay is much less stable than the structure of pay - understood in the sense of the frequency of amounts of pay relative to the mean or median. Some of the low paid remain low paid, at least for several years, but others

soon experience higher levels of pay. There is a considerable movement across any boundary by which low pay is defined. In the survey, for example, 54 per cent of men and 33 per cent of women said their pay varied. For non-manual workers, the figures were 37 per cent and 27 per cent respectively, and for manual workers 63 per cent and 41 per cent. For rather more than a quarter of these men and women, the lowest pay had been less than 50 per cent of the highest pay received during the previous twelve months.

There is a great deal of movement between strata; especially during periods longer than twelve months. This is illustrated for the years 1970-72 in Table 18.10. Fewer than half of the lowest paid tenth of male manual employees in 1970 stayed in the

Table 18.10. Percentages of full-time male manual employees in relation to the lowest paid tenth (1970-72).

<i>Whether above or below</i>			
<i>£17.7 in 1970</i>	<i>£19.8 in 1971</i>	<i>£22.0 in 1972</i>	<i>%</i>
above	above	above	83.2
above	above	below	2.7
above	below	above	2.4
above	below	below	1.7
below	above	above	3.1
below	above	below	1.0
below	below	above	1.3
below	below	below	4.6
Total			100
Number			27,752

SOURCE: DEP, *New Earnings Survey, 1972*, HMSO, London, 1973, p. 259.

lowest tenth in 1971 and 1972. Another group started in the lowest tenth, rose above that tenth, and then fell back again. Altogether, as many as 17 per cent of male manual employees were in the lowest tenth in at least one of the three years.

The fact that a substantial proportion of manual employees are liable to be low paid for at least some considerable period of a short span of years is only one (if major) consequence of the insecurity of the wage system for manual workers. Far fewer non-manual employees experience fluctuations of earnings; far fewer experience any decrease of earnings; and far fewer experience really substantial decreases of earnings. This can be illustrated from official earnings data. Between 1971 and 1972, 54 per cent of male manual employees, earning £40-45 a week, compared with only 11 per cent of non-manual employees, experienced a *decrease* of earnings. As many as 21 per cent had a cut of £10 per week or more, compared with 3 per

cent. The same difference existed between female manual and non-manual employees (Table 18.11). The higher the earnings the higher the proportion of manual workers who were liable to experience drastic reductions in the following

Table 18.11. *Percentages of manual and non-manual employees with selected earnings in April 1971 who experienced a change of earnings by April 1972.*

<i>Change of earnings</i>	<i>Males aged 21 and over working full-time, earning £40-45 p.w.</i>		<i>Change of earnings</i>	<i>Females aged 18 and over working full-time, earning £25-30 p.w.</i>	
	<i>Non-manual</i>	<i>Manual</i>		<i>Non-manual</i>	<i>Manual</i>
<i>Decrease</i>			<i>Decrease</i>		
over £20	1	3	over £8	2	4
£15-20	1	6	£6-8	1	3
£10-15	1	12	£4-6	1	6
£5-10	3	16	£2-4	2	10
£0-5	5	17	£0-2	4	13
No change	2	0	No change	2	2
<i>Increase</i>			<i>Increase</i>		
£0-5	32	20	£0-2	10	21
£5-10	36	13	£2-4	33	19
£10-15	13	5	£4-6	29	9
£15-20	3	3	£6-8	9	5
over £20	3	4	over £8	7	8
Total	100	100		100	100
Number in sample	1,856	1,240		1,551	203

SOURCE: DEP, *New Earnings Survey, 1972*, HMSO, London, 1973, p. 264.

year. Thus, among the most affluent male manual employees in 1971, those earning £60 per week or more, 36 per cent experienced a fall of £20 per week or more by the following year, and 55 per cent a fall of £10 per week or more.¹

On average, non-manual employees with the same earnings as manual employees can expect to be earning more twelve months later; and on average, male manual employees with relatively high earnings can expect to be earning less twelve months later. Both these findings are clearly illustrated in Figure 18.1.

¹ *New Earnings Survey, 1972*, p. 264.

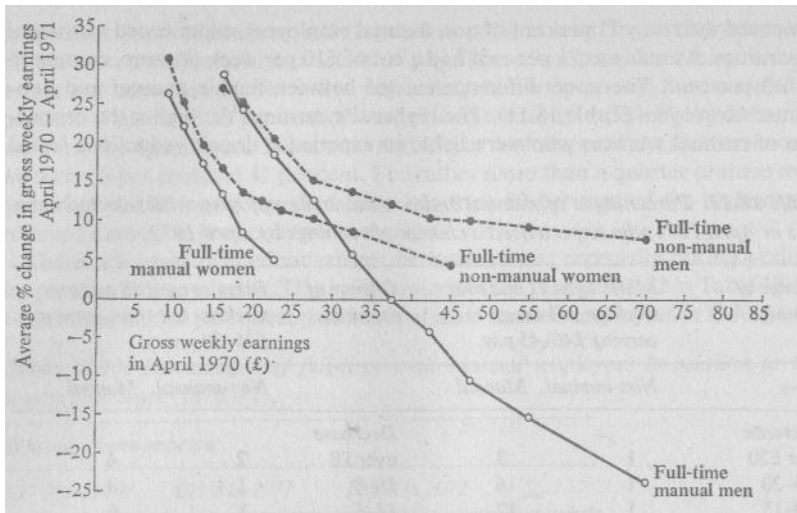


Figure 18.1 Average percentage changes in earnings against level of earnings.

SOURCE: Department of Employment, *New Earnings Survey, 1972*, HMSO, London, p. 262.

The Instability of the Pay and Conditions of Manual Work

The variability, indeed the instability and insecurity, of conditions and of pay during the careers of the great majority of manual workers remains to be thoroughly documented. Even those who do not change their jobs for periods of five or ten years can experience marked fluctuations of earnings, can be subject to short notice and may have poor conditions of work as well as few or no rights to fringe benefits. In Chapter 17 we found that three times as many men and five times as many women as were unemployed in the week previous to interview had been unemployed for a week or more during the previous twelve months. Among male manual workers, 9 per cent had been unemployed during the year. It may be that, during a period of three years, the number unemployed would be at least double that figure. In this chapter we have seen that during the three years 1970-72, 17 per cent of male manual workers were among the poorest tenth in at least one of the (relatively brief) survey periods in those three years. Even allowing for overlap, it is very likely that between a quarter and a third of manual workers are either unemployed or low paid according to the Department of Employment (i.e. below the lowest decile of earnings) for at least part of a period of three years. Perhaps during ten years the fraction may rise to over a half.

A Case-history of Low Pay, Unemployment and Poverty

The story of one man and his family, living in Manchester, with whom we kept in touch between 1968 and 1972, illustrates several of the points about the low paid made in this chapter and the unemployed in the last chapter.

When we first visited Mr Hanniman in 1968, he and his family would have had an income of little more than the state's poverty line but for his wife's earnings. Both he and his wife were then 34, with two children of 10 and 8, living in a ground-floor council flat with one living room and three bedrooms. His take-home pay as a builder's labourer for the previous week was £12.10, though during the year it had fluctuated between £12 and £15, averaging about £12.50. His wife was then a machinist with a clothing manufacturer. Her previous week's take-home pay had been £7, but because she was paid according to piece-work rate's and demand fluctuated considerably, her earnings during the year had varied between £5 and £18 per week. One had worked for fifty-one weeks in the year and the other fifty weeks. When a third child was born at the end of that year, Mrs Hanniman gave up full-time work. She did 'outwork' and had an industrial sewing machine. But the flow of work was irregular and ill-paid - 'That stopped in 1971. They haven't even enough work for machinists in the workshop.'

Mr Hanniman worked as a labourer with several firms, and then in 1969 obtained a job as a chainmaker for coal belts. He had £25 a week take-home pay and regarded this as a very good job. 'I had one job from leaving school for ten years and then had many jobs. I never got the chance to settle. I fell to pieces. Then I got this job as a chainmaker. But after two years it folded up. I always seemed to be the first to go when there was a redundancy. When I went for jobs it was always, "We'll let you know" or "Sorry, it's taken".' After many months' unemployment, constantly looking for work, he went on a course at a government training centre. 'I know this course is my last chance. Either I get a job now or I go under.' When visited in April 1972, he had been at the training centre for six months. At that time the income for man and wife and four children was made up of £2.90 family allowance and £18.98 supplementary benefit (allowing £1.98 for bus fares and money for meals at the training centre).

Mrs Hanniman was fully aware of the effects of this work history upon her husband. 'He has no confidence and has trouble with his nerves. Everything was getting him down. He picks on everything. When I tell him, he says, "I know I do".'

Two years earlier she had lost a baby of six months through pneumonia. Whether or not this was related to their poverty is, of course, debatable, but she gave various illustrations of that poverty. 'The HP people don't want to know you if you're on t'dole. I want a washer very much, but they need a £10 deposit. I have asked them to alter my electric meter so that I get less electric and save the deposit that way, but they won't.' ... They have not been on holiday for eight years. 'The children are

going mad to go away. Oh, I would love to give them a holiday.’ The family have fresh meat only at the weekends.

When Mrs Hanniman was asked whether she’d had a new winter coat in the four years since we had first met her in 1968, she said, ‘No. All my clothes are what I’ve had given me’ ... ‘I’ve not been able to get myself a purse. I can’t afford it. But what good is a purse to me? I’ve nowt to put in it ... It’s the children, you see. They can’t understand why they can’t have things. You feel awful when they keep moithering on for things that they can’t have. It’s him too. He would love to give us everything. He’s a good man and never kept us short when he had it to give ... Look at my cooker. I’ll have to wait until I can afford some Brillo and Ajax, we’d have to go short of food. People say being poor is no excuse for being dirty, but I say if you’re poor and feeding your family properly you can’t be clean. Stands to reason. If you buy those things it comes off the food.’

On the day we saw her in 1972, she was visited by two men from a local shop who came to examine a loaf in which she had found a maggot. She was told that she could visit the shop to replace the bread and choose a ‘nice cake’ in addition. Our interview was interjected with remarks like, ‘Fancy a nice cake on Tuesday. He did say that, didn’t he? You heard him, didn’t you? The kids will be that excited.’ Excitement at having a cake on a Tuesday could fairly be regarded as symptomatic of a state of poverty.

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I have quoted this example at some length because it illustrates the existence of the hierarchies of employment and earnings, and the way in which employment security and level of earnings combine with the extent of family dependency to bring about prosperity or poverty. The vulnerability of a man at the foot of the occupational hierarchy in an unskilled manual job, especially when his wife is completing her family, is evident. They start with few assets (in their case £32 savings, few household durables and a second-hand car worth £40). As an unskilled manual worker in a relatively insecure industry, he is subject not only to a week’s notice but a working life characterized by relatively short spells with different employers. While his wife is young and strong, the family small and she able to get work, they can keep their heads above water, but only just. Their situation is highly precarious. And so it proves. She loses her job at a time of contraction of employment and has a third baby, loses another, and then has a fourth child. He strives to better himself and manages to obtain a reasonably good job. But when business is obliged to contract a man like him in his late thirties with only two years’ service and an unskilled background is almost bound to be at the head of any queue for redundancy. Once redundant, it becomes that much harder, at a time of higher or rising unemployment, to find any job, least of all a secure job. Displacement from work is a handicap not just because it can result in unemployment but because it remains a source of

discrimination. Employers often assume the loss of job is the fault of the individual rather than of his former employer or the fluctuations of the economy. Therefore he may have difficulty in finding work, or in retaining it, and in obtaining promotion. He is likely to be particularly subject to the practice of 'last in, first out', and once he has lost jobs two or three times, especially if he is in his thirties or forties, he becomes the object of further discrimination. For the rest of his working life he is liable to carry scars which are supposed to have been self-inflicted, so remorselessly do we translate institutional into individual causation.

The Dual Labour Market Theory

The situation of the sub-employed and low paid is sometimes explained in terms of dual labour market theory. Classically, the labour market was assumed by economists to be a single system in equilibrium, meaning that workers with similar training and ability would receive the same earnings. If some jobs were paid more, everyone would flock into them and equality would quickly be restored by the competitive process. In this model the price of labour is determined by 'pure' market forces unencumbered by restrictions and preferences imposed by employers, groups of workers or governments. This conception of a perfectly competitive labour market has been frequently criticized, most devastatingly by Barbara Wootton in her *Social Foundations of Wage Policy*, and modern economists increasingly favour a concept of a segmented labour market.¹ Sometimes emphasis is placed on segmentation due to different degrees of control by trade unions,² or geographical,³ occupational⁴ and industrial⁵ segmentation. Sometimes emphasis is placed on there being an internal labour market within a firm or plant which is largely insulated from the outside labour market. Jobs are arranged in a hierarchy with entry limited to certain points at the bottom of the hierarchy, and most vacancies higher up the hierarchy are filled by promotion. As a result, most jobs are protected from external competition. This model has been used to help explain large variations in pay observed within single occupations in a local labour market.⁶

¹ For a succinct review, see Atkinson, A. B., *The Economics of Inequality*, Oxford University Press, 1975, Chapter 6.

² Kerr, C., 'The Balkanization of Labour Markets', in Bakke, E. W. (ed.), *Labor Mobility and Economic Opportunity*, John Wiley, New York, 1954.

³ Robinson, D., *Local Labour Markets and Wage Structures*, Gower Press, London, 1970.

⁴ Reder, M. W., 'The Theory of Occupational Wage Differentials', in McCormick, B. J., and Owen Smith, E. (eds.), *The Labor Market*, Penguin Books, Harmondsworth, 1968.

⁵ Mackay, D., et al., *Labour Markets under Different Employment Conditions*, Allen & Unwin, London, 1971.

⁶ 'Seventy-five jobs in a local labour market of forty firms were examined: the large majority showed enormous spreads of average hourly earnings for the same job' - Robinson, *Local Labour Markets and Wage Structures*, p. 20.

Sometimes the model has been developed into the concept of the dual labour market, which consists of a primary sector, itself largely incorporating an internal labour market, and a secondary sector.¹ The primary sector is characterized by stability of employment, strong trade unions and high pay. The secondary sector is characterized by unstable employment, poor prospects of promotion, low pay and a low level of unionization. Little mobility between the two sectors is assumed to take place. Although the division between the two sectors leaves certain industries and firms wholly, or almost wholly, in one sector or the other, the division normally cuts across both industries and firms.²

The virtue of the dual labour market theory is that it restores the demand side of the labour market to an important place in theories about the determination of wage levels. Many economic explanations of low pay are heavily supply orientated: they concentrate on personal characteristics, including age, health, skill, intelligence, education and training. In the 1960s, many economists came to adopt the so-called 'human capital' approach.³ Yet personal characteristics are clearly subsidiary in any explanation of expansions or contractions of the labour force, or of its subdivision into secure and less secure groups. Through the concept of the secondary labour market the problems, for example, of the unemployed can more easily be explained. They tend to comprise a kind of reserve' army for this market. And who would attribute wage or salary increases, and any change as a consequence in differentials as well as earnings levels relative to other industries, to the personal characteristics of the workforce?

The disadvantage of the theory is that it is oversimplified and insufficiently related to the occupational class structure. Some low-paid jobs are stable and have low turnover rates. This applies particularly to two groups: (a) 'family' employers with few employees; and (b) public services, including nationalized industries. Some high-paid jobs, especially in building and construction, are very unstable and have high turnover rates; these industries have a high proportion of temporary and marginal jobs. The characteristics of the two posited markets do not coalesce nearly as often as hypothesized. The variations are perhaps best understood as compensations or privations affecting pay, or security, or work conditions, but not

¹ Doeringer, P., and Piore, M. J. *Internal Labour Markets and Manpower Analysis*, Heath Lexington Books, Lexington, Mass., 1971; Bosanquet, N., and Doeringer, P., 'Is There a Dual Labour Market in Britain?', *Economic Journal*, 1973; Bluestone, B., 'The Tripartite Economy: Labor Markets and the Working Poor', *Poverty and Human Resources Abstracts*, July-August 1970.

² Some writers have added a third sector - the 'irregular' economy consisting of undeclared second jobs, undeclared activities within the self-employment, subcontracted activities, as well as illegal activities like gambling, peddling or prostitution. See Ferman, L. A., *The Irregular Economy*, Institute of Labor and Industrial Relations, University of Michigan - Wayne State University, mimeo, 1969; Bluestone, 'The Tripartite Economy', loc cit.

³ For example, Becker, G. S., *Human Capital*, National Bureau of Economic Research, New York, 1964.

affecting all or even most of the characteristics defining occupational class position.

In some hands, the theory gives spurious justification to deprivation. Among other things, the secondary labour market is presumed to be a necessary creation of employers having to adjust their policies according to fluctuations in product demand. There have to be employees who can be easily dismissed, it is supposed, if the market contracts. A group of temporary jobs and employees defined in various ways as temporary workers allows that contraction to be effected with least difficulty and disruption. Therefore there has to be a pool of temporary jobs, with a pool of people willing to take them. But this applies only if the presumption already exists that there are greater and lesser jobs, and greater and lesser people filling those jobs. Otherwise contraction might take the form of a shorter week shared by everyone. It also ignores statutory regulation of the market and the existence of massive public services.

Although little attempt has yet been made to trace and explain the origins and history of the hypothesized dual labour market, some writers seem to suppose it is largely a post-war phenomenon, arising because of the need in modern economic conditions to establish a primary sector. However, there is clear evidence of segmentation at much earlier stages¹ - which implies long-standing *occupational class* division of the labour market. It may be that knowledge of the occupational class structure of work organizations and the social class structures of local and national communities determine, to a very substantial extent, decisions on changes in work organization, work conditions and earnings, and hence perpetuate those structures.

It was not one of our objects to collect evidence of a possible segmentation of the labour market into internal and external markets, or into primary and secondary sectors, but the evidence presented in Chapters 12 and 17 and this chapter of the marked division between non-manual and manual workers, and of a more graduated segmentation into classes of each of these groups, certainly appears to reduce the possible significance of either the distinction between internal and external markets or primary and secondary sectors.

The rather amorphous structure of a dual labour market may indeed depend on the existence of occupational classes. The manifestations, for example, of an internal labour market may simply be reflections, to be found in any established firm, of the occupational class hierarchy at large. The form of the market probably draws heavily on the historical examples of the class structure of the traditional community, and the system of employer-employee relationships within the family firm, based on benevolent paternalism on the one hand and grateful compliance or acquiescence on the other. The policy responses of employers using or organizing the market to new situations are likely to be governed by their knowledge of existing

¹ As pointed out by Barron, R. D., and Norris, G. M., 'Sexual Divisions and the Dual Labour Market', in Barker, D. L., and Allen, S., *Dependence and Exploitation in Work and Marriage*, Longman, London, 1976. They cite as an example, Rowntree, B. S., and Lasker, B., *Unemployment: A Social Survey*, Macmillan, London, 1911.

inequalities or differences of circumstance and values they hold about those differences. Moreover, through the home, the school and the further education system, the tentacles of occupational class reach out to affect many of the personal characteristics of those whom the different labour markets will recruit. Many of the personal characteristics which are listed to account for differences in working skills and propensities, as well as levels of pay, are themselves a product of occupational class differences. Both job-opportunity structure and many personal strengths and shortcomings thus stem from the same origins.

Approaches to Policy

In the mid 1950s, the growing importance in contemporary wage and salary settlements of conventional and social, as contrasted with purely economic forces, began to be recognized. As Barbara Wootton declared. 'The pattern of income distribution is essentially a political question.'¹ In the 1960s, successive governments attempted to develop an incomes policy without giving any evidence, as argued in Chapter 4 above (pages 128-32), that incomes other than wages were going to be controlled or that practical alternatives to collective bargaining were even being considered.

Yet if low pay in the sense defined in this chapter is to be eliminated, and poverty thereby reduced, an incomes policy which is comprehensive will have to be considered. Existing measures for the low paid include Wages Councils and Family Income Supplement. As we have seen, they have had minimum effect. In the short term, there is no doubt that some improvements could be made in Wages Council machinery,² and that poverty could be reduced by substantially increasing family allowances. An Incomes Gains Tax could pave the way for a fairer structure of incomes³ and minimum earnings legislation might make a small contribution to a fairer structure. But in the absence of strenuous attempts to introduce alternative principles of distribution across the whole range of incomes, the latter may have only a marginal effect or actually have negative effects, as appears to have been the case in some countries.⁴

In the long term, low pay can be eliminated only by recognizing that it is but one of the institutional ramifications of class inequality, and therefore by tracing the

¹ Wootton, B., *The Social Foundations of Wages Policy*, Allen & Unwin, London, 1955, p. 166.

² See, for example, Winyard, *Policing Low Wages*, and issues of the *Low Pay Bulletin*, 1974-6.

³ Wootton, B., *Incomes Policy: An Inquest and Proposal*, Davis-Poynter, London, 1974.

⁴ Bosanquet, N., *Low Pay: An International Comparison of Patterns and Policies*. For the United States, Minimum wage legislation has had practically no effect on raising the wage of the peripheral sector employee. Minimum wage standards have always been set so low that even where wages have been raised by legislation, the effect on a worker's total income is slight' - Bluestone, Murphy and Stevenson, *Low Wages and the Working Poor*, p. 424.

ramifications to the institutions themselves and reconstructing them accordingly. The most critical inequality in incomes is that between incomes from employment and incomes in non-employment, and the most critical inequality in status is that between people in, and people outside, paid employment. Paradoxically, therefore, the low paid can be helped most by indirect measures designed to increase the relative income and status of those outside paid employment, including redefinition of the roles of the workforce, improvements in the work situation, and full employment (giving opportunities for occupation as of right to the non-employed, including the disabled and elderly).

In the early stages of a radical programme, new forms of taxation, like incomes gains tax, could encourage the process of social adjustment. But experience suggests that the institutions of inequality respond to such devices by offsetting their effects. Increases in the rates of tax, for example, have often been countered either by disproportionate increases in the gross salaries paid, or by a proportion of remuneration being switched to fringe benefits. In making its recommendations, the Review Body on Top Salaries has taken careful account of increases in gross salary required to produce the same *real* net salary at different dates.¹ Quite apart from actions by managements to assist the high paid in ways other than through salaries, this is a good example of the methods by which government intentions in incomes policies are subtly contraverted.

Summary

Three approaches to the definition of low pay have been tried - by comparing earnings with the 'needs' of the individual or family, with the earnings of occupational groups or industries, and with other individuals. In outlining these approaches, the view taken here is that there is no escape from expressing values in the definition of the low paid. Measures adopted in government studies are criticized and grounds are given for adopting instead a measure of 60 per cent of the mean weekly earnings during a year. That level is correlated with both deprivation at work and social deprivation.

Because of variation in income other than earnings, in the income of a spouse, in the number of dependants and in housing costs, the correlation between low pay and poverty is not found to be marked. Among the low paid, those with children (especially with three or more) are most likely to be in poverty. We found that, but for the employment of married women, far more families of men in full-time work would have been in poverty or on the margins of poverty.

Far less emphasis is placed in our analysis than is usual upon the personal characteristics of the low paid in explaining wage differentials. There are two reas-

¹ Review Body on Top Salaries, Report No. 6, *Report on Top Salaries*, Cmnd 5846, HMSO, London, 1974, Appendix M.

ons. First, the surface correlations between level of pay and personal characteristics are quite weak. For example, we found there were considerable numbers of people with relatively few years of education, who were not born in the United Kingdom, who were older and even in poor health who were numbered among those with relatively high earnings. And even allowing for a range of 'personal' factors of these kinds, women's earnings remain much lower than men's earnings. This difference is perhaps an incontrovertible reason for abandoning any idea that the level of earnings is individually 'deserved'.

Secondly, certain kinds of evidence make necessary a distinction between the characteristics of jobs and the characteristics of the people who occupy them. While the hierarchy of pay is in many respects resistant to change, the number of people passing up and down the hierarchy is quite large - for example, we found that over half the men and a third of women experienced variations in pay, a substantial proportion among them quite marked variations, in the course of a single year. Again, this applies much more to manual than to non-manual workers. And data from an annual Department of Employment survey for periods of three years shows that those who are low paid are not a stable group, and even that male manual workers who are high paid usually experience a drastic reduction of pay during the following year.

It would be hard to believe from this evidence that personal characteristics, or even the distribution of such characteristics generally in the population, play more than a very minor part in determining pay structures. More important are the material attributes of jobs - which greatly influence the regard in which particular jobs and classes of job are held.

Low pay is associated with various forms of deprivation in the work situation - poor working conditions, small period of entitlement to notice, unsocial working hours, and lack of fringe benefits. The severity and scope of low pay must therefore depend in part on statutory and non-statutory measures to limit work deprivation. These measures could usefully be studied in future research and could be improved or augmented as a deliberate act of government policy. Conditions and terms of work are therefore important, and not just the strengthening of Wages Council legislation or the introduction of minimum-earnings legislation.

In explaining the incidence and scope of low pay, current dual labour market theory has the advantage of restoring to importance the demand side of the labour market. Classically, the labour market was assumed to be a single system in equilibrium, where personal characteristics such as age, education, skill and training were paramount. By contrast, the dual labour market is presumed to consist of a primary sector, characterized by stable employment, strong unions and high pay (itself largely incorporating an internal labour market) and a secondary sector characterized by unstable employment, poor prospects of promotion, low pay and a low level of unionization.

The theory is oversimplified and insufficiently related to the occupational class structure and the evolution of the labour market to that structure. Some low-paid jobs are stable and have high turnover rates, while some high-paid jobs have the opposite characteristics. Our analysis has called attention to the wide range of material attributes which stratify occupations, especially manual occupations, and indeed depreciate them.