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How have employees fared? Recent UK trends

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Department of Trade and Industry

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**EMPLOYMENT RELATIONS
RESEARCH SERIES NO. 56**

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Recent UK trends

EMPLOYMENT MARKET
ANALYSIS AND RESEARCH



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GRANT FITZNER, EMPLOYMENT MARKET
ANALYSIS AND RESEARCH

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The views expressed in this report are the authors' and do not necessarily reflect those of the Department of Trade and Industry or the Government.

Foreword

The Department of Trade and Industry's aims to create the conditions for business success, and help the UK respond to the challenge of globalisation. As part of that objective we want a dynamic labour market that provides full employment, adaptability and choice, underpinned by decent minimum standards. DTI want to encourage high performance workplaces that add value, foster innovation and offer employees skilled and well-paid jobs.

We need to do more to encourage diversity in the workplace and give people choices over how they balance their work and family life. We need to further improve skills and training so that everyone has the chance to make the most of their potential. And crucially, we need to ensure that vulnerable workers are not mistreated, but get the rights they are entitled to.

This report provides a brief overview of trends at work affecting employees. As noted in the introduction, the paper is by no means comprehensive, and we recognise that a more fine-grained analysis of these employment trends is warranted.

There is a need for more robust empirical research to be done around 'quality of work' issues, such as vulnerable workers, unfair treatment at work, and subjective well-being. To that end, job satisfaction and related measures will be the focus of a labour market research conference EMAR is hosting towards the end of 2006.

Additional copies of the report can be downloaded from the DTI website, or ordered from Publications@DTI.

Anyone interested in receiving regular email updates on EMAR's research programme, new publications and forthcoming seminars should send their details to us at: emar@dti.gov.uk



Grant Fitzner
Director, Employment Market Analysis and Research

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Executive summary

The United Kingdom's labour market has performed well in recent years, compared to other countries and to its own history. The rise in employment, combined with successful labour market policies, has led to an overall fall of around 1 million in the number of workless people on benefits in the UK, benefiting disadvantaged groups.

Earnings growth

In the past decade, UK employees have enjoyed strong real (inflation adjusted) wages growth of 2¾ per cent a year in the private sector. Public sector employees saw a slightly lower annual growth rate of around 2¼ to 2½ per cent in real earnings.

Three trends have been evident. First, substantial real wage gains have occurred across all major industries. Second, female employees have received higher pay rises than men. Finally, unqualified and lowly qualified employees have won real wage increases at least equal to those of more highly qualified employees.

Since the National Minimum Wage was introduced in 1998, low paid employees have received the highest wage increases. The minimum wage has not only significantly reduced the incidence of low pay; it has also helped contain wage inequality.

Job polarisation

Since 1998, the share of low paid UK jobs has shrunk and the proportion of high paid jobs has increased. The proportion of jobs in the income range that comprised the lowest income decile in 1998 has fallen by almost 22 per cent, while the share of jobs in the highest income decile has increased by 7½ per cent. The proportion of jobs paying around median earnings has remained relatively unchanged, contrary to the thesis of a 'disappearing middle'.

Not surprisingly, fast growing industries offer better pay than those in decline. The rates of employee pay in expanding industries, which are mostly service sector jobs, have on average paid 5 per cent above the national average earnings. Employees in declining manufacturing industries managed to retain and improve their above-average wages despite a 29 per cent fall in employment levels. The other 7½ million employees in declining non-manufacturing industries, by contrast, saw their relative hourly earnings deteriorate from 7 per cent to 13 per cent below the national average.

Employment security

Contrary to popular belief that employment security has declined, fewer UK employees are being made redundant and labour turnover has been stable.

The overwhelming majority of employees leave their jobs voluntarily, and the share of employees losing their job due to redundancies has fallen by almost a third to under 6 per cent per annum. Both the number of employees starting a new job each year, and the proportion of employees who have held the same job for a year or more, have remained fairly stable.

Working time

UK employees are increasingly able to choose the hours they prefer, whether they are part-time employees seeking full-time jobs, or full-time employees wanting to reduce their hours. Although part-time jobs have remained stable in recent years at just over one-quarter of all employment, the proportion of part-timers who said they could not find a full-time job has fallen from 14 per cent to less than 9 per cent since 1995.

Average hours worked have dropped to 32 hours a week, the lowest on record. There has also been a downward trend in long hours working (over 48 hours). Since the Working Time Directive came into effect, the proportion of male full-time employees engaged in long hours working has fallen by one-fifth.

Temporary employment (including fixed-term contracts and casual work) in the UK peaked at 7½ per cent of employees in 1997 and has since fallen to 5½ per cent, lower than levels in most other European countries. The proportion of temporary employees who say they want but are unable to secure permanent work has fallen sharply, from over 40 per cent to just a quarter in the past decade.

SECTION 1

Introduction

Caveats

A wide array of issues influence employees' living standards, job opportunities, and perceptions of well-being. This paper focuses on several key topics, but is by no means comprehensive. It forms part of a wider, ongoing research programme.

We have published several DTI research reports on age, working time and work-life balance issues. The Employment Rights at Work Survey (Casebourne, et al, 2006) reports on levels of employee knowledge and awareness of their rights, and the incidence and nature of employment problems. Our forthcoming Fair Treatment at Work Survey has, for the first time comprehensively mapped employees' experience of discrimination at work in Britain.

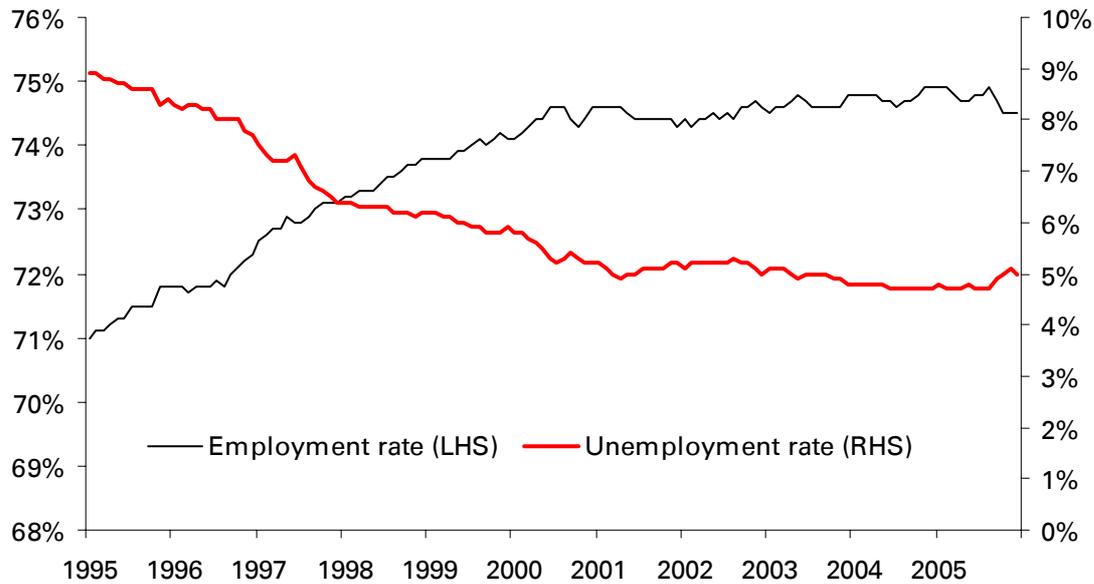
The analysis of earnings growth and distribution that follows does not imply that no major wage inequities remain, nor that all employees have benefited from the UK's labour market's robust performance. The gender wage gap, for example, though narrower now than it was a decade ago, persists – and is particularly wide for women in part-time jobs.¹ Likewise the average hourly earnings of many non-white ethnic minority employees are low compared to those of white British employees. Most of the pay gap experienced by male ethnic minorities and immigrant ethnic minority women remain once age, region and education are accounted for (Wadsworth 2003).

The UK labour market

The UK labour market has performed well in recent years, compared to other countries and to its own history. Since 1997, the UK has seen rising employment and has broken its past record of boom and bust. It has coped better with the global economic slowdown than its competitors. During this period employment fell in the US, Germany and Japan. The UK now has one of the highest employment rates in its history, and also the best pattern of employment and unemployment among the major industrialised countries. In particular, for the first time in at least 50 years the UK employment rate is the highest among the G7 countries, and there are very few countries in the world with higher rates.

¹ See Women and Work Commission (2006), and previous Women and Equality Unit research reports.

**Figure 1:
UK employment and unemployment rates***



Source: Labour Force Survey, National Statistics. * Centred three-month moving average

The rise in employment, combined with successful labour market policies, has led to an overall fall of around 1 million in the number of workless people on benefits in the UK. The biggest improvement has been among the number of people claiming unemployment benefit, which has roughly halved since 1997. Since the start of 2001 it has remained consistently below 1 million - the first time this has happened since 1975. The number of people on Incapacity Benefit has now been falling for more than a year, after decades of continuous increase. The number of people on lone parent benefits has also fallen substantially. The strong labour market performance of recent years reflects a conscious effort to build macroeconomic stability, combined with a new approach to welfare.

The rise in employment has included people from disadvantaged groups. Employment rates for disabled people, lone parents, ethnic minorities and older people have all increased over the past 10 years. For all of these groups, this rise has been greater than rise in the overall employment rate.

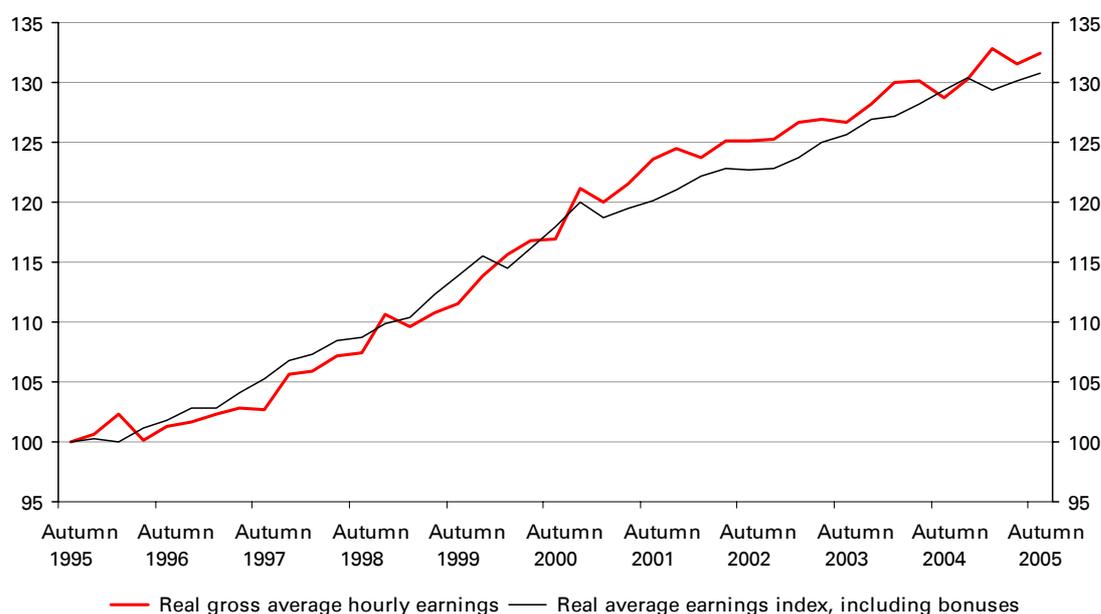
SECTION 2

Earnings growth

Although extrinsic rewards such as pay and remuneration are not the most important factors for all employees, they generally expect a good job to offer a 'fair day's pay'. Earnings can be seen then as a necessary, but not sufficient, condition for high quality work. This section considers not only whether earnings have improved, but also which employees have gained the highest pay increases.

A hallmark of Britain's robust labour market over the past decade has been strong real wages growth. Two widely used measures of employee earnings are the Average Earnings Index and the Labour Force Survey's average hourly earnings. But these measures of nominal earnings don't take into account the effect of inflation on worker's spending power. We have deflated both earnings measures by the Consumer Price Index to derive 'real' earnings series.

Figure 2:
Growth in average real earnings in the private sector*



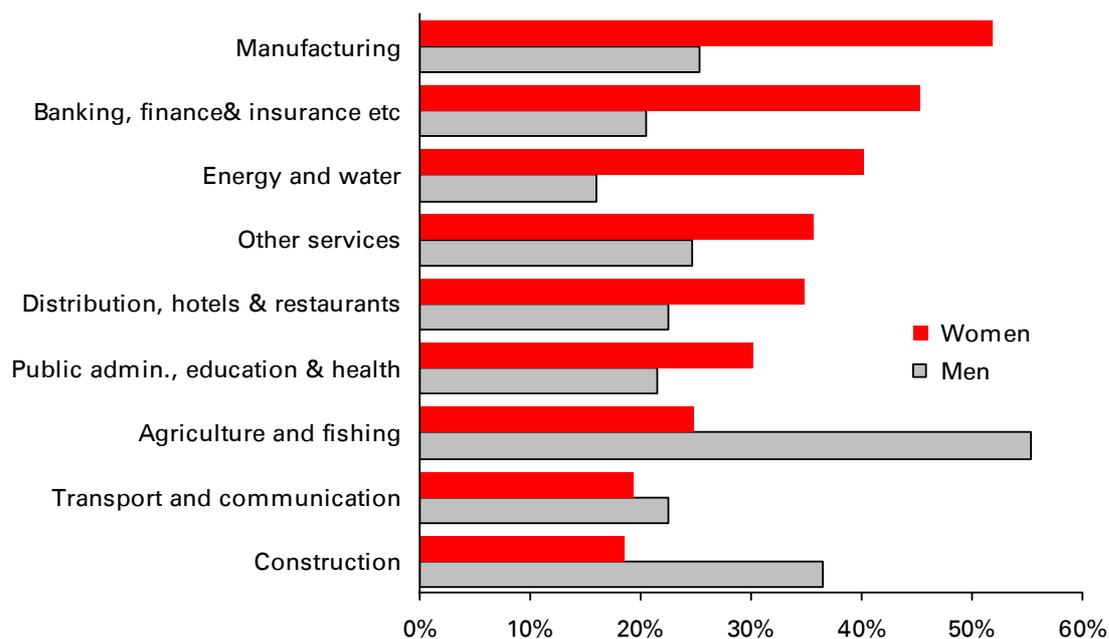
Source: Labour Force Survey, Average Earnings Index and Consumer Price Index, National Statistics.
* Spring 1995 = 100. Gross average hourly earnings and the CPI are not seasonally adjusted.

Figure 2 shows that both measures of real private sector earnings have grown by about one-third since 1995. This is consistent with an average annualised growth rate of $2\frac{3}{4}$ per cent in real private sector earnings – a strong rate of improvement in employee living standards. Public sector employees experienced a slightly lower annual growth rate of around $2\frac{1}{4}$ to $2\frac{1}{2}$ per cent in real earnings over the past decade.

Earnings growth by industry and gender

Of course aggregate numbers may mask significant variation across industries, occupations and gender. A consistent time series by occupation is unavailable due to a change in occupational classifications in 2000. But hourly earnings data for male and female employees by industry certainly is. Figure 3 below shows how real average earnings have changed across major industry groups since 1995.

Figure 3:
Growth in real average hourly earnings of employees, 1995 to 2005



Source: Labour Force Survey and Consumer Price Index, National Statistics. * Change in the gross average hourly earnings of employees, deflated by the CPI All Items, from autumn 1995 to autumn 2005.

Two points are apparent. First, substantial real wage gains have occurred across *all* major industries. Second, female employees have received higher pay rises than men. The average annualised real wage gain was 2.3 per cent for men and 3.2 per cent for women since 1995.²

Women made larger average wage gains than men across six of the nine major industry groups. The largest real wage gains for women since 1995 occurred in manufacturing, the lowest in construction and transport and communication. This faster pace of earnings growth for women has helped to narrow the gender earnings pay gap – though as the recent Women and Work Commission report makes clear, there is still a considerable way to go.

Earnings growth by qualification

Another pertinent issue is how employees with different skill and qualification levels have fared. The worklessness rate of those with no

² Using the Retail Price Index as price deflator produces somewhat lower estimates of real earnings growth than these estimates; but still shows real gains in all industries.

qualifications has been markedly worse than other groups of employees. How has this affected their relative wages?

The answer, perhaps surprisingly, is that it hasn't. As Table 1 shows, between 1996 and 2005, average hourly earnings of employees with no qualifications remained unchanged at 65-66 per cent of the median for *all* prime age employees. Likewise the relative hourly earnings of the lowly qualified ('other qualifications') have also remained quite stable.

Table 1:
Average hourly earnings of prime age employees, by qualification, relative to the median for all employees*

	1996	1999	2001	2003	2005
Degree or higher	1.74	1.55	1.61	1.65	1.58
Higher education	1.31	1.30	1.25	1.21	1.20
GCE A level or equivalent	1.09	1.04	1.00	1.00	0.98
GCSE grades A*-C or equivalent	0.86	0.85	0.85	0.83	0.81
Other qualification	0.78	0.76	0.77	0.75	0.76
No qualification	0.66	0.65	0.66	0.65	0.66

Source: Spring quarters Labour Force Survey, National Statistics.

Note: *Prime age employees defined as those aged 25-54

In other words, unqualified and lowly qualified employees have won real wage increases at least equal to those of more highly qualified employees. Their wages have moved up in line with the national average, while more highly qualified employee categories have seen some decline in relative earnings over this nine-year period.

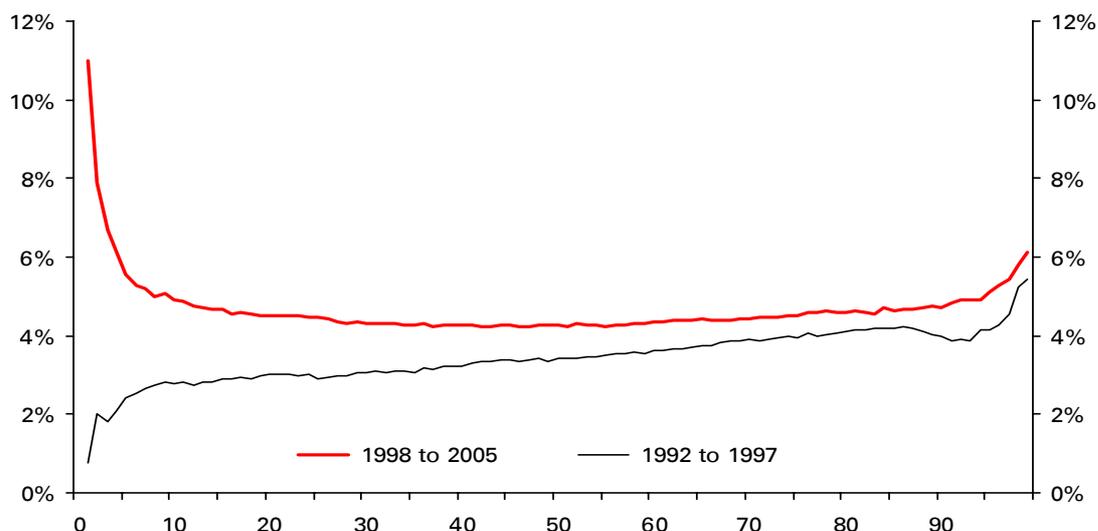
Wage gains across the earnings distribution

Of course, it is possible that not all workers may have benefited from these aggregate increases. Through most of the 1980s and early 1990s, the wages of higher paid employees rose at a faster pace than did those of lower and middle-income earners. Has this also been true over the past decade or so?

Figure 4 below suggests not. It shows annual average growth in hourly earnings across the entire earnings spectrum, by percentile, from very low paid to very high paid employees. Annualised rates of growth are shown for two periods: the five years before the National Minimum Wage was introduced (1992 to 1997) and the seven years since (1998 to 2005). The lower paid are those on the left, average income earners are in the middle, and the higher paid on the right.

The figure shows that average earnings growth – in nominal terms – was lower from 1992 to 1997 than it has been since 1998. For high-income earners, rates of growth are broadly similar over both periods. But for low income earners they are markedly different. During the first period the low paid received below-average wage increases. Since 1998, they have received higher increases in hourly pay than other employees.

Figure 4:
Average annual growth in hourly earnings by income percentile*

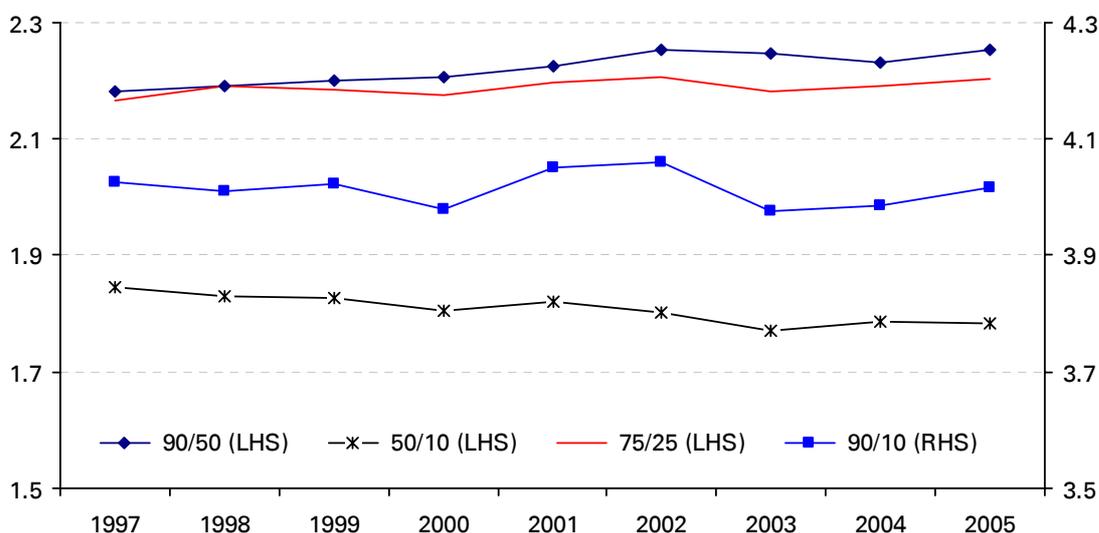


Source: DTI analysis of Annual Survey of Hours and Earnings (ASHE), National Statistics.

* Annualised percentage change in nominal gross hourly earnings excluding overtime for UK employees.

It is likely that this dramatic shift in the pattern of wage increases to the low paid reflects, in part, the impact of the National Minimum Wage – ending the previous pattern of lower wage rises for the low paid. As Lam, et al (2006) note, “the NMW does appear to be reducing inequality at the bottom of the wage distribution” (see also Butcher 2005).

Figure 5:
Key earnings dispersion ratios, 1996 to 2005*



Source: DTI analysis of Annual Survey of Hours and Earnings (ASHE), National Statistics.

Looking at the four standard ratios of earnings dispersion, only one – the 90/50 ratio (90th percentile divided by the median) – has increased since 1997, and then only marginally. The 50/10 ratio has declined, reflecting a modest compression of wage relativities amongst those below median earnings. The minimum wage has not only significantly reduced the incidence of low pay; it has helped to contain wage inequality.

SECTION 3

Job polarisation

As manufacturing declines and the services sector grows, there has been a long and extensive debate in the United States over whether newly created jobs are 'good' or 'bad' jobs. The main point at issue has been whether those occupations and industries that are expanding offer relatively well paying ('good') or badly paying ('bad') jobs.

The disappearing middle?

The general conclusion is that recent decades have seen a big increase in the number of high-paid jobs in the US, but also an increase in the number of low-paid service jobs. This is known as the 'job polarisation' thesis; sometimes it is referred to as 'the disappearing middle'.

There have been few similar UK studies. Based on an analysis of New Earnings Survey between 1976 and 1995, and the Labour Force Survey from 1979 to 1999, Goos and Manning (2003) argued:

There has been a large rise in the number of well paid jobs (MacJobs) in the UK over the past 25 years but also a rise in the number of badly paid jobs (McJobs). 'Middling' jobs have been disappearing. The most likely cause of these trends is technology... The growing polarisation of jobs cannot be explained by the changing structure of the labour force.

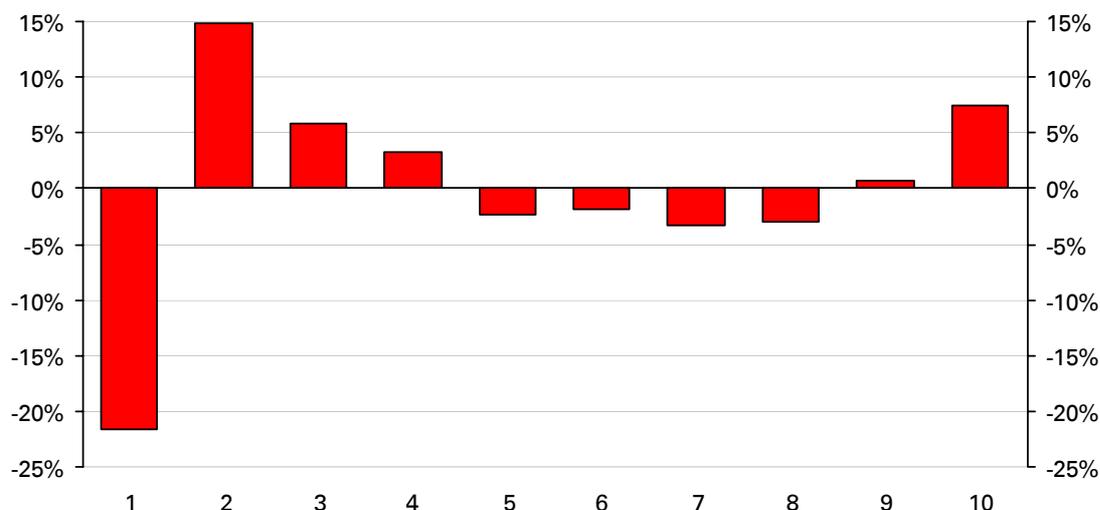
The authors found there had been large falls in the employment shares of the sixth, seventh and eighth income decile between 1976 and 1995, and a large increase in both the top and bottom deciles. However, their analysis is not able to shed much light on job trends since the mid-1990s.

A relatively simple way of establishing if there is any basis to these claims is to look at how the income deciles have changed over the years. Our starting point was the 1998 Annual Survey of Hours and Earnings (ASHE). Employment was allocated into ten equal shares covering 10 per cent of employees each ('income deciles'), and ranking them from lowest paid to highest paid based on their gross hourly earnings.

Revisiting these points in the income distribution, relative to median earnings, in 2005 shows large shifts in employment shares at the bottom and top of the earnings distribution, but much smaller changes nearer middle incomes.

Our analysis shows that since 1998, the share of low paid UK jobs has shrunk and the proportion of high paid jobs has increased. . The proportion of jobs paying around median earnings has remained relatively unchanged, contrary to the thesis of a 'disappearing middle'.

**Figure 6:
Percentage change in employment share by 1998 income decile***



Source: DTI analysis of Annual Survey of Hours and Earnings, National Statistics. All employees, United Kingdom. * Total percentage change in the employment share of each income deciles between 1998 and 2005, by gross hourly earnings.

As Figure 6 shows, the biggest change in employment shares over the seven years to 2005 was a shift in the proportion of jobs from the lowest income decile (the lowest paid 10 per cent of employees) to the second and third deciles, when compared with the lowest income decile in 1998.

The proportion of jobs in the lowest decile fell by almost 22 per cent (-21.6 per cent) between 1998 and 2005, while the share of jobs in the highest income decile increased by 7½ per cent. Changes in employment shares around median earnings – the fifth and sixth deciles – were small, and certainly do not lend much support to the ‘disappearing middle’ thesis.

Pay in expanding and contracting industries

Another popular claim is that expanding industries offer inferior pay and conditions to those in declining industries. In large part, this is an argument about manufacturing jobs (supposedly ‘good jobs’) versus services sector jobs (‘bad jobs’).

Studies of earnings differentials find that rates of pay are highly correlated with the level of skill required in the job. More highly paid employees tend to have better working conditions than lower-paid employees, with less physically demanding or noisy jobs and/or with greater autonomy in their work schedules. This suggests that better quality jobs can be proxied by those with higher pay.

Using the Annual Survey of Hours and Earnings between 1998 and 2005, we compared the hourly earnings paid by those industries that have expanded against those that have contracted. Table 2 summarises the results. It shows that of the total of 97 industries there were more industries whose employment levels fell (56) than rose (41) between

1998 and 2005. The number of employees in expanding industries grew by almost one-third (+32 per cent) over that seven-year period, while in declining industries total employment fell by almost one-quarter (-22 per cent). As a result, the declining industries' share of total employment fell from 56 per cent to 43 per cent of all employees between 1998 and 2005.

**Table 2:
Employment shares and relative earnings by industry, 1998 and 2005***

Industry	No.	Share of total employees		Hourly earnings relative to the UK mean	
		1998	2005	1998	2005
Expanding industries	41	44.0%	57.1%	+5.1%	+5.3%
Health and education #	8	17.3%	24.8%	+5.1%	+8.5%
Other expanding industries	33	26.6%	32.3%	+5.2%	+2.9%
Declining industries	56	56.0%	42.9%	-4.0%	-7.1%
Manufacturing	20	16.8%	11.8%	+2.7%	+8.4%
Other declining industries	36	39.2%	31.0%	-6.9%	-13.0%

Source: DTI analysis of Annual Survey of Hours and Earnings, National Statistics

Notes: * Excludes Fishing industry, due to small sample size # SIC 80 and 85

What is of most interest, however, are the relative hourly wages paid to employees over that seven-year period. In both 1998 and 2005, employees working in expanding industries were paid around 5 per cent above the average national wage.

In declining industries, by contrast, relative wages depended on which industry employees worked in. Those in the 20 declining manufacturing industries actually saw their relative earnings improve, from 2¾ per cent above the average in 1998 to almost 8½ per cent above it in 2005. Over the period these strong relative wage gains were being made, those twenty industries experienced a 29 per cent fall in employment levels.

Employees in the other 36 declining employees, by contrast, received wages almost 7 per cent below the national average in 1998. By 2005 relative earnings had deteriorated further, to being 13 per cent below the average.

There is certainly nothing in these aggregate figures to suggest that industries that are expanding and creating new jobs are paying below-average wages. Quite the opposite.

Expanding industries were spread across a wider range of industries. The eight health and education industries whose employment grew over the period were the largest single group, accounting for 17 per cent of employees in 1998 and almost one-quarter in 2005. Their relative wages rose from being 5 per cent above average in 1998 to 8½ per cent higher in 2005. No doubt this partly reflects the substantial real pay increases that teachers, nurses and other public sector employees in these industries have received. In the other 33 expanding industries, relative wages were 5¼ per cent above the national average in 1998, falling to 3 per cent higher by 2005.

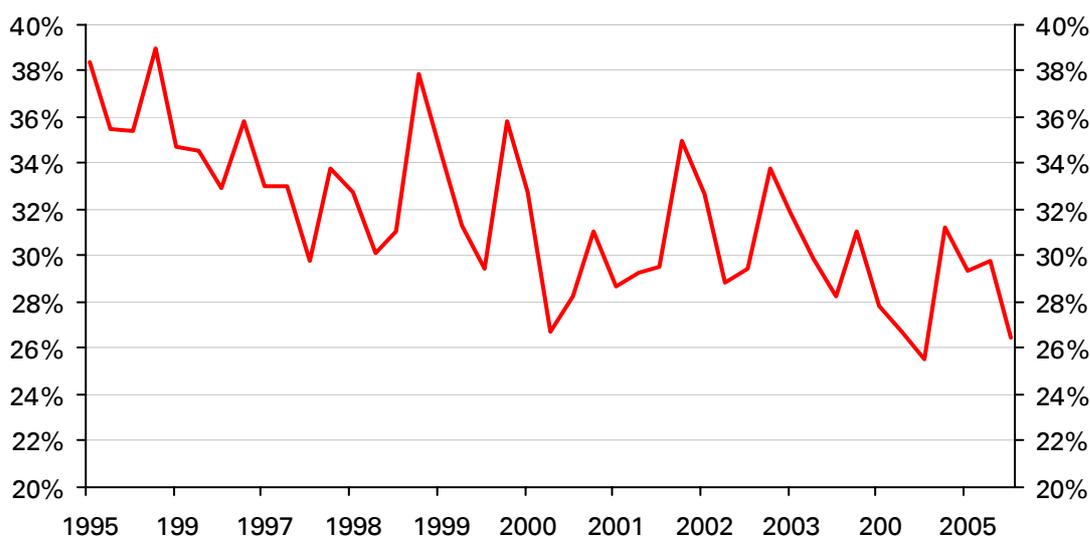
SECTION 4

Employment security

The UK labour market is very dynamic, with around 5-6 million working age people moving into a new job each year and a similar number leaving. Employment change is the difference between these two large numbers. For example, over the last year employment levels have risen by nearly 200 thousand.

Employment change is largely determined by the rate at which people leave jobs, as the number moving into a new job each year tends to be relatively constant. Job separations are far more likely to be voluntary than involuntary, except during recessions when involuntarily job losses escalate.

Figure 7:
Percentage of employee job separations that are involuntary*



Source: Labour Force Survey, National Statistics. * Quarterly and smoothed 4-quarter average

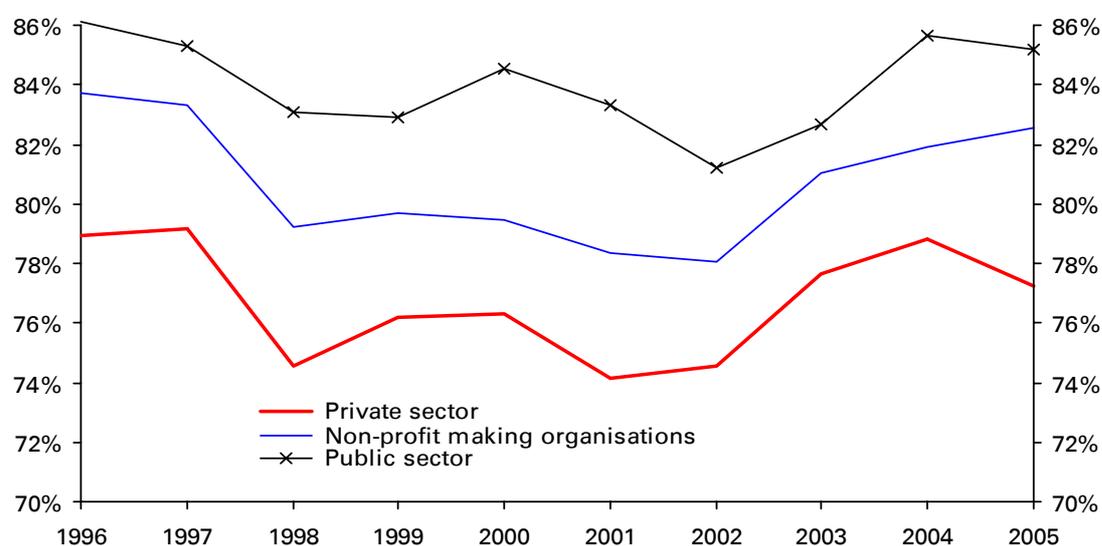
The overwhelming majority of job separations are voluntary, and the proportion that is involuntary has fallen over the past decade. Using ONS definitions, 'involuntary' job separations fell from 37 per cent in 1995 to around 28 per cent in 2005 (Figure 7). However even this number is likely to be inflated, as the ONS definition counts both *voluntary* redundancies and the end of temporary jobs as being 'involuntary' separations – a debateable categorisation.³

³ The ONS define involuntary job separations as those dismissed, those made redundant or who took voluntary redundancy, and those whose temporary job finished. It is unclear if the latter includes employees on fixed term contracts that have expired. See Box 1 in Weir (2003); see also Heap (2005).

Since 1997 the proportion and number of working age people who have been continuously employed (not necessarily by the same firm) for the whole year has been on the increase. Likewise the number of employees who are in the same job as 12 months ago has risen since the mid-1990s (see Figure 8). Job retention is highest in the public sector, as one might expect. But even in the private sector, in 2004 around four-fifths of employees were in the same job as 12 months ago.

Currently, over two-thirds of employees have been in their job continuously for more than 24 months. Of job durations below 24 months, in 1997 the biggest proportion of people had been in their job for less than three months. Since 2000, a larger proportion of people worked for 3-6 months, suggesting that those who joined the employment count have tended to stay.

Figure 8:
Proportion of UK employees in the same job as 12 months ago by sector



Source: Unpublished data from the New Earnings Survey Panel Dataset, National Statistics.

The 6¾ million people who move into a new job each year represent over one-fifth of total employment. The proportions for most groups are a similar order of magnitude. For example, the figures for ethnic minorities, people with no qualifications and disabled people are around 25, 20 and 18 per cent respectively. This turnover rate indicates that there are significant opportunities for even disadvantaged groups to move into work.

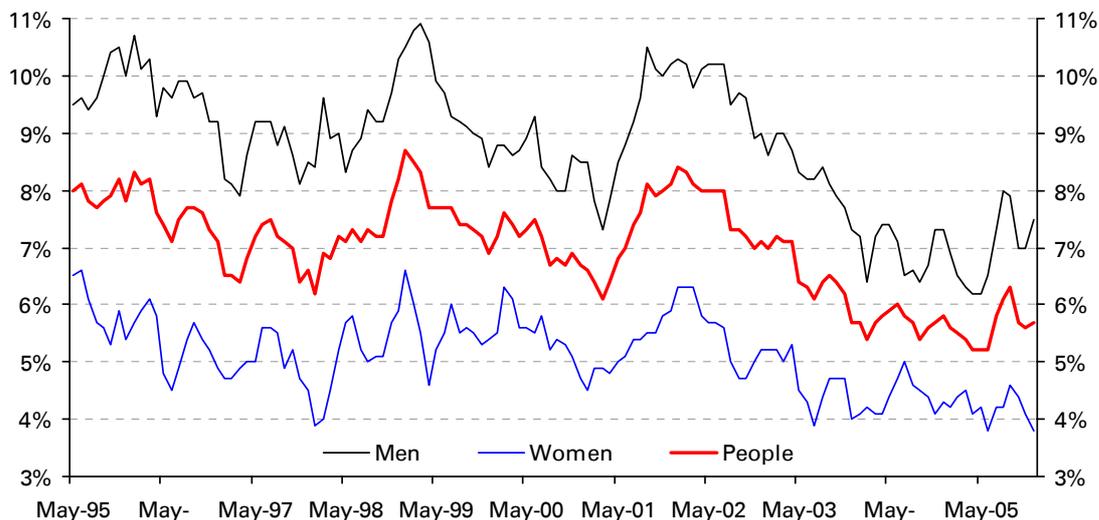
The Department for Work and Pensions has set itself the aspiration of an 80 per cent employment rate for the United Kingdom. Because of the reduction in unemployment since 1997, the majority of people who are still not in employment are those traditionally defined as being outside the labour market. Many have more complex and difficult barriers to overcome, but this does not mean that they do not want to or cannot work. Indeed, given the right specialised and tailored support, many can and want to return to employment and bring with them the substantial skills and experience they have. Supporting these inactive people into

work is crucial to our ability to achieve our aspiration of an 80 per cent employment rate.

The turnover in the labour market also means that, except in recessions, it is unlikely that the employment composition will change substantially very quickly. Thus, the labour market in ten years time will, with a few exceptions, look broadly similar to the current situation.

In summary, employment change is largely determined by the rate at which people leave jobs. The overwhelming majority of job separations are voluntary, and the proportion that is involuntary has fallen over the past decade. The numbers moving into a new job each year tends to be relatively constant, while the number of employees who are in the same job as 12 months ago has risen since the mid-1990s – pointing to greater job stability.

**Figure 9:
Employee redundancy rates by gender, 1995 to 2005***



Source: Labour Force Survey, National Statistics *United Kingdom, Seasonally adjusted

A third key measurement is to look at those employees who lose their job. Figure 9 shows that annual redundancy rates are not only low as a percentage of all employees, they have been falling for the past few years for both men and women.⁴ It is also worth noting that in recent quarters the number of manufacturing employees made redundant has been only around half that seen in the late 1990s.

The number of redundancies that occur each year is small compared to the 6¾ million people who move into a new job each year. Many employees who are made redundant find new employment quickly, reflecting the quite dynamic nature of the UK labour market.

⁴ Browne (2005). Also <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=9474>

SECTION 5

Working time

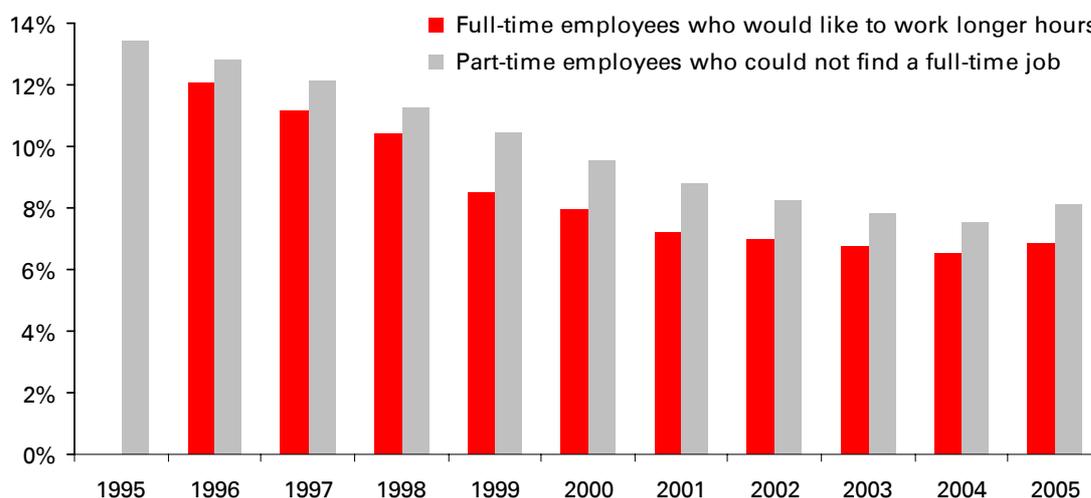
One of the structural features of the UK labour market is the diversity of types and patterns of work, created by the absence of overly restrictive regulations in the terms and conditions of employment. This has enabled workers and employers to choose the patterns of work that suit them best.

This diversity is an important reason why many individuals, including younger and older people as well as women, have high employment rates; the greater choice allows more of them to combine work with their other responsibilities.

Working time preferences

Part-time work remains popular, accounting for just over one-quarter of all paid jobs. Though it has been suggested that many part-timers would prefer to work full-time jobs, according to the Labour Force Survey only 8 per cent of part-timers say they are working full-time because they could not find a full-time job; this is down from 13-14 per cent in the mid-1990s (Figure 10). Almost three-quarters of part-time workers say they do not want to work full-time, while around one-fifth are students.

Figure 10:
Employees who would like longer working hours*



Source: Labour Force Survey, National Statistics. Question on full-timers is only available from 1996.

* Percentage of part-time employees who say they're working part-time because they could not find a full-time job, and full-time employees of working age who would like to work longer hours.

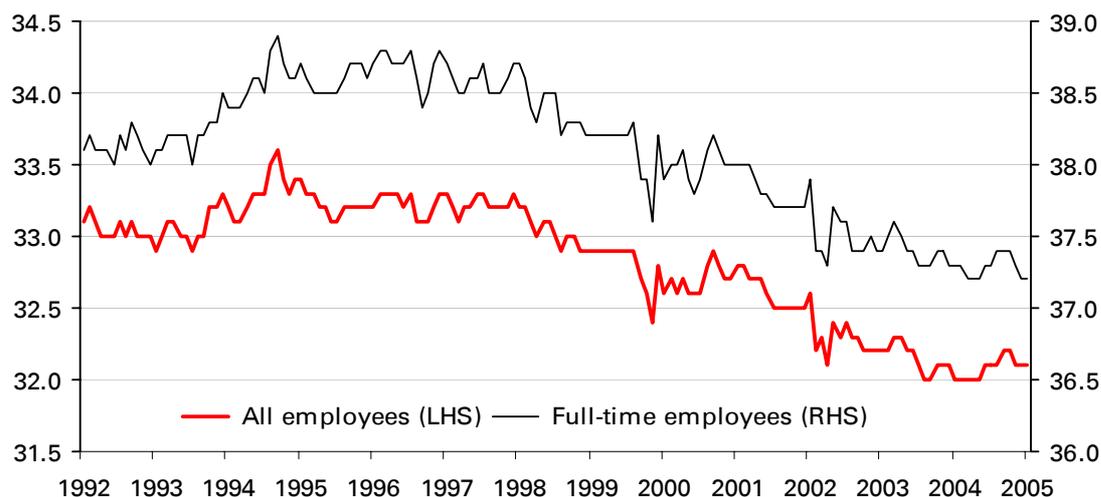
Amongst full-time employees, 7 per cent say that they would like to work longer hours. Again, this is well down from earlier levels.

There has been a gradual downward trend in working hours for a long time, but this appears to have accelerated as a result of the Working

Time Directive. Since its introduction the proportion of full-time employees engaged in long hours working (over 48 hours) has fallen by one-fifth. The fall has been particularly marked for male employees.⁵

The numbers of employees working the shortest (up to 15 hours a week) and longest (over 45 hours) has reduced since 1997, with a rapid growth in the number of people working 16-45 hours.

Figure 11:
Average actual weekly hours of work*



Source: Labour Force Survey, National Statistics *Usual weekly hours worked, UK workers in main job.

The average working week across all types of occupations, full and part-time, has dropped to 32 hours worked for all employees, the lowest on record, compared with a peak of over 33½ hours in 1994. Men still work a longer week than women, with an average of 39 hours compared with 33.6 for women.

Temporary employment

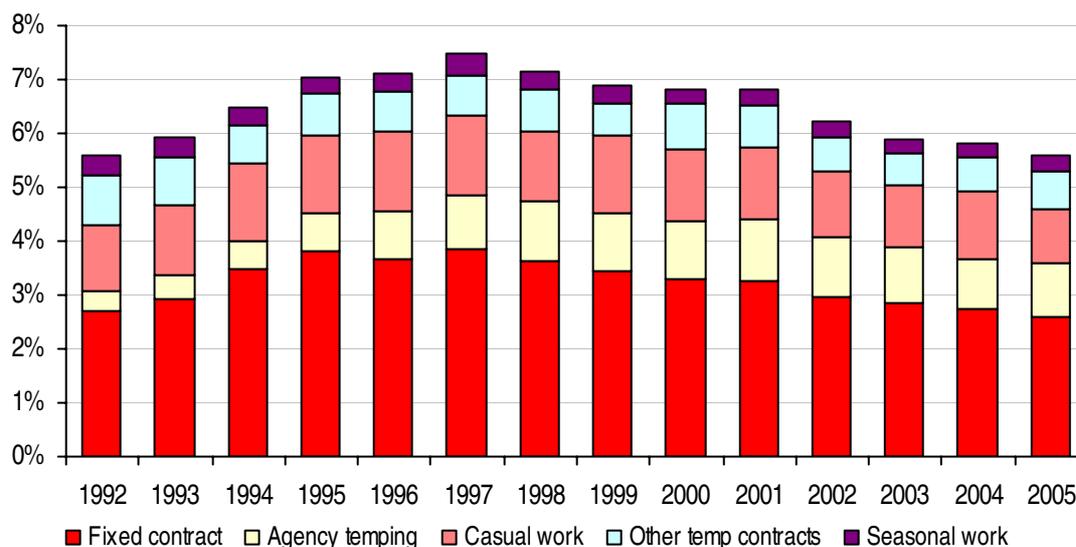
As with most other forms of work, there is a wide range of types of temporary work in the UK, although in total around 5½ per cent of all employees are in temporary work. Temporary employees (including fixed-term contract work) account for a smaller share of total employment in the UK than in many other European countries. Elsewhere strict employment protection legislation channels people into temporary work because employers wish to avoid the cost and inconvenience of employing permanent staff.

As Figure 12 indicates, the proportion of employees in temporary jobs peaked in 1997 and has fallen since. This decline is further evidence of the long period of robust labour market performance.

Fixed contract is the most common type of temporary work – accounting for almost half of all temporary jobs – followed by casual work and agency temping. Employees in fixed contract jobs earn on average

⁵ See Grainger (forthcoming) for more details.

Figure 12:
Temporary employment as a percentage of all employees

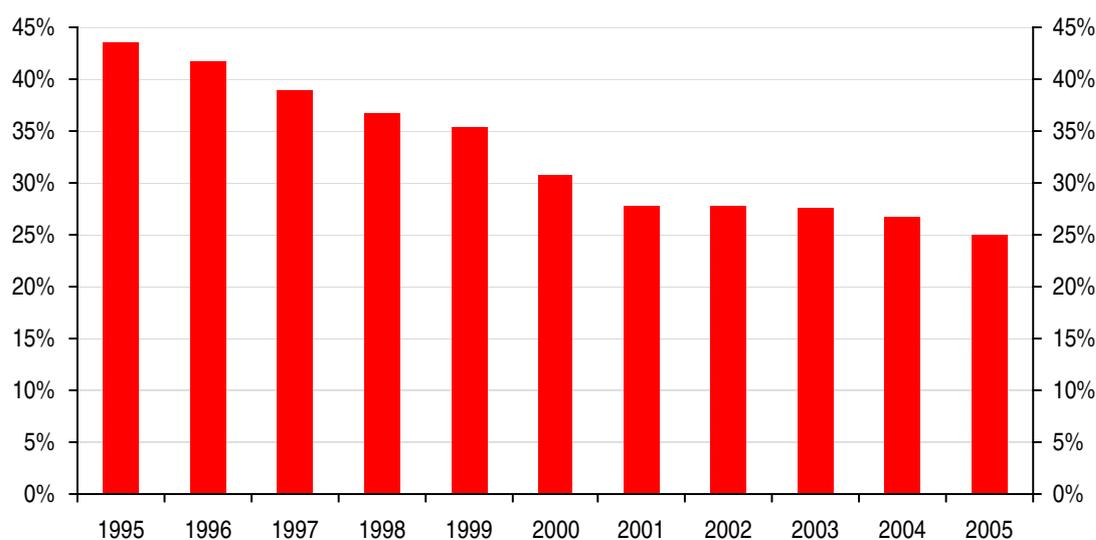


Source: Labour Force Survey, National Statistics, spring quarters

about 4 per cent above the hourly pay rate for all employees. However the picture in the case of other types of temporary work varies, with most being paid below-average wages.

Figure 13 shows that the proportion of employees in temporary jobs who said they could not find a permanent job has fallen from more than two-fifths in the mid-1990s to one-quarter. According to other research, 52% of all temporary workers choose temping for positive reasons such as increased flexibility, better pay or to gain valuable work experience (REC 2005).

Figure 13:
Temporary employees who could not find a permanent job*



Source: Labour Force Survey, National Statistics, spring quarters. *Percentage of temporary employees who say they are working in a temporary job because they cannot find a permanent job

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Annex A: Major surveys

Annual Survey of Hours and Earnings (ASHE)

A survey of approximately 90,000 employers and 245,000 job positions, conducted annually in April by the Office for National Statistics (ONS). It provides information about the levels, distribution and make-up of earnings and hours worked for employees in all industries and occupations.

The ASHE is a new survey, replacing the New Earnings Survey (NES) from 2004. Changes made include improvements to employee coverage, imputation for item non-response and the weighting of earnings estimates.

ONS: <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13101>

Average Earnings Index (AEI)

The Average Earnings Index is Great Britain's key indicator of how fast earnings are growing. It is used to calculate annual rates of increase, based on the average of the seasonally adjusted index values for the latest three months compared with a year earlier.

Average earnings are obtained by dividing the total amount paid by the total number of employees paid, including those employees on strike and temporarily absent. The AEI is not designed to measure levels of earnings - these are estimated by the Annual Survey of Hours and Earnings and the Labour Force Survey. The AEI only covers earnings in Great Britain, as earnings information is not collected for Northern Ireland and regional data are not available.

ONS: <http://www.statistics.gov.uk/STATBASE/tsdataset.asp?vlnk=392>

Labour Force Survey (LFS)

A quarterly sample survey of households living at private addresses in the United Kingdom, conducted by the ONS in Great Britain and the Department of Finance and Personnel in Northern Ireland. It is a random survey of approximately 57,000 households. As well as private households, the survey includes people living in communal establishments (student halls of residence, National Health Service accommodation, etc).

The survey was conducted once every two years between 1973 and 1983, and annually from 1983 until 1991. It has been conducted quarterly since 1992 for Great Britain, and since 1995 for the United Kingdom. The LFS is a sample survey and consequently estimates are subject to both sampling and non-sampling error.

ONS: <http://www.statistics.gov.uk/STATBASE/Source.asp?vlnk=358>

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