

## A study of inequality, low incomes and unemployment in London, 1985-92

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Since the mid-1980s there have been sharp changes in London. The Greater London Council itself was abolished in 1986. Severe restrictions were placed on the resources and powers of the metropolitan boroughs. Laws to reduce the powers of trades unions and deregulate the labour market were passed. Cuts in public expenditure and measures to privatize public utilities and recast social services have contributed to a process of polarization of incomes, regionally and nationally. This article suggests that such polarization has been more pronounced in London than elsewhere in the United Kingdom. Table 1 illustrates the British evidence of growing inequality in the 1980s.

The erosion and stringent means testing of benefits following new social security legislation in the mid-1980s continued into the 1990s, helping to augment the pressure on low-income households in the name of competition. Housing legislation strengthened the hand of private landlords and weakened the tenancy agreements of households reliant on private rented accommodation, at the same time allowing rents to rise and insecurity of tenure to increase. New building of council flats and houses was greatly curtailed, while the sale of the best units among the existing stock was encouraged and council rents were raised in real terms. A lack of funds for the modernization and repair of public housing also led to a deterioration of properties remaining in local authority ownership. Further, although the Community Charge (a local tax) that was introduced was quickly withdrawn, its replacement continued to incorporate the principle that some contribution to local services should be made by all.

In health and education there has been a marked change in the standard provision of services to all citizens as of right. Many argue that the establishment of decentralized self-managing units via hospital trusts, general practitioner fundholders and school "opt outs" is resulting in a two-tier standard of service, adding to the problems of low-paid and

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Table 1. Shares of real income of the richest and poorest 20 per cent in the United Kingdom (standardized for household size and composition), 1979 and 1989

	Share of total disposable income			Average annual disposable income per person in 1989 (£)		Increase or decrease (%)
	1979	1989	Ratio richest/poorest			
<i>United Kingdom</i>						
Richest 20 %	36.0	42.0 <sup>1</sup>	5.2	13 156	18 460 <sup>2</sup>	+40.3
Poorest 20 %	9.0	8.0 <sup>1</sup>		4 212	4 212 <sup>2</sup>	
(Poorest 10 %)				3 640	3 432 <sup>2</sup>	-5.7

<sup>1</sup> 1988. <sup>2</sup> 1988-89 (in government publications the two years are amalgamated).

Sources: Central Statistical Office: *Social Trends* 22, 1992 edition (London, HMSO), table 5.19 (equivalized disposable income); written answers to parliamentary questions, *Hansard*, 16 July 1992.

unemployed people. Ability to pay is becoming the biggest determinant of consumer choice and of access to health and education services of the best standard. The weakening of trades unions and the withdrawal of wages councils (which set minimum wages) have also led to more "competition" on the labour market at the expense of the low paid. In some important respects labour has been recasualized.

This wider context – not to mention international developments – has to be borne in mind in the search for evidence and explanations of current labour market and social trends. The European and other research literature of the 1990s is increasingly devoted to the awkward interrelationships of deprivation and the labour market (for example, Rodgers and Wilkinson, 1991). Our object is more limited: to find some of the effects of current policies on the low paid and unemployed in London, using for our comparison the detailed information we were able to collect on a cross-section of those in London who were low paid in 1985-86.

A report published in 1987 traced some of the rapid economic and social changes in the London labour market in the early 1980s (Townsend, Corrigan and Kowarzik, 1987). Supporting evidence of social readjustments and growing poverty came from other sources (for example, Oppenheim, 1991). But up-to-date evidence was slow in materializing and disagreement over the scale and severity of the changes remained.

One of the underpinning themes of government policy in the 1980s was that the poorest sections of society would benefit from the "trickle-down effect" of a free market and the greater prosperity all round which would result from the measures introduced to bring that market into being. We chose, then, to test the theory of "trickle-down" by conducting a longitudinal study on the lowest paid from the 1985-86 survey. Seven years of legislative change had occurred by the time the follow-up interviews were conducted. The national economy, and the labour market, had been substantially restructured in the meantime. The traditional manufacturing base in London had been eroded and financial services and insurance had

taken over as prime employers. Lingering long-term unemployment in Greater London meant that the labour market there had been restructured even more sharply than in much of the rest of the country. An attempt could, therefore, be made to verify the regenerative and redistributive claims of some market economists.

## The surveys

This article describes the results of a survey conducted in London in 1991-92 as a follow-up to a larger, random survey of the adult population of Greater London carried out in 1985-86 on behalf of the Greater London Council (GLC) under the direction of Peter Townsend, using the professional interviewing staff of the Council. In the original survey the relationships between the labour market and the living standards of men and women in all parts of the city were examined on the basis of two sets of information: (i) data from interviews with a random sample of 2,700 adults representing the total adult population of 5,545,000 and (ii) data from interviews with random samples of over 400 adults living in two London boroughs – one relatively prosperous (Bromley) and the other relatively poor (Hackney). The survey was designed to capture detailed information regarding issues of wealth, incomes and employment patterns throughout London in order to show the development and social context of the labour market. In addition, some attempt was made to explore and measure material and social deprivation in the city and to compare the results with public opinion on employment, income distribution, taxation, social services and poverty.

Nearly all the people in the original sample agreed to be interviewed again for the follow-up survey. Interviews with two subsamples of the original panel were, accordingly, arranged in 1991 and 1992; the results of the latter are reported here. Although it was felt to be inevitable that because of the lapse of seven years some households with low incomes would be untraceable and the subsample would therefore no longer be fully “representative”, we set out none the less to produce findings from a cross-section of experience, or “panel”, which would be relevant.

The intention of the follow-up survey was to provide qualitative and quantitative data to show what happened to the lowest decile of income earners between 1985 and 1992, with the emphasis on individual income units. However, drawing a sample on the basis of lowest decile incomes does present problems with weighting. If we had simply decided to draw a subset of cases from the 1985 survey on such a basis then the sample would have been skewed by a predominance of low-paid women in part-time employment. In order to maximize information derived from the poorest groups in the labour market it was, therefore, decided to take the lowest decile of incomes from each of three groups: (i) men and women in full-time employment; (ii) men and women in part-time employment; (iii) a sample of the survey unemployed.

Whilst low-paid employees were sampled on the basis of membership of the lowest decile of income earners, the unemployed subset was sampled on a random basis. To have included in the sample all those who were unemployed would have weighted the results in one particular direction. We wanted to explore changes in the lower part of the labour market in London and to analyse those unemployed at the time of the last survey who had now found employment, as well as low-income earners who had moved in and out of employment. There was a total of 291 unemployed in the 1985 survey. As we wished to look at low incomes, a subsample of 49 survey unemployed was included to ensure that a reasonable cross-section of people in different types of circumstances was obtained. The resulting panel consisted of 108 full-time employees, 22 part-time employees and 49 survey unemployed; this gave a total of 179 – 94 men and 85 women – for possible re-interview.

## Changing economic status

Since 1985 changes in the structure of the labour market, and the passage of time, have altered the economic status of a large number of those in the original subsample and therefore of the group as a whole. Retirement, redundancy and unemployment, family care commitments and ill health have greatly affected many of the individuals. However, a subsample of 60 was drawn from the group for interview in 1992, matching the original panel as closely as possible in terms of economic status, sex and ethnic grouping. The 1992 panel consisted of 33 full-time employees, 8 part time and 19 unemployed people. Men made up 55 per cent and women 45 per cent.

Comparing the 1985 with the 1992 panels, we find that the proportion in full-time employment fell from 55 per cent to 40 per cent, while the proportion in part-time employment increased from 13 per cent to 15 per cent. But although the number of those who were unemployed had also fallen (from 32 per cent to 25 per cent), there had been additions to the ranks of the economically inactive. Some had found themselves prematurely “retired”, including people in their early and mid-50s as well as people in their early 60s. Others had resorted to work at home or had become chronically sick or disabled. It must be remembered, of course, that the subsample consisted of people who were economically active in 1985: those who had become economically inactive by 1992 were not balanced by incoming school-leavers or those entering employment from home-working status.

The economic status of more than half the subsample had changed over the seven years. Either premature or “normal” retirement (12 per cent) and the slide into unemployment (10 per cent), together with the move from full-time to part-time employment (7 per cent), from paid employment to unpaid work at home (5 per cent) and to chronic sickness or disability (3 per cent), was larger in total (38 per cent) than the rise from unemployment into employment of any kind (12 per cent) or from part-time into full-time

employment (3 per cent), a total of 15 per cent. Although 33 per cent had stayed in full-time or part-time employment, as many as 15 per cent were unemployed in 1992, as they had been in 1985.

The full implications of these results deserve to be made clear. It is true that during the late 1980s employment in London picked up substantially: despite a return to deep recession in the early 1990s the official total number unemployed in London in 1992 was smaller than in 1985; and the same applied to people at the lower end of the labour market. But the deterioration in the position of the categories listed above (the 38 per cent) together with persisting unemployment (the 15 per cent) more than counterbalance this upward trend.

This is evidence of the precarious labour market position of low-paid and unemployed workers and of the tendency for increasing numbers of them to lapse into the long-term dependency concealed behind such euphemisms as "premature retirement", "claimant" unemployed, or "trainees" to describe low-paid and unprotected part-time workers.

### Labour market status by sex and age

The pattern becomes clearer when economic status in 1985 and 1992 is examined according to sex and age. Table 2 breaks down economic status by sex over the two survey periods. To simplify presentation we have included in the 1985 column only those interviewed both in 1985 and 1992. The table also reveals the employment experience of the two sexes. A similar proportion of men and women moved away from full-time employment: men into early retirement, disability, unemployment and part-time employment, and women into unpaid work at home, early retirement and part-time work. Upon losing paid employment, more women than men tended to consider themselves no longer available for work and to act accordingly.

Table 2. Economic status of men and women in 1985 and 1992 (percentages; panel numbers: 60)

Economic status	Men		Women	
	1985	1992	1985	1992
Full-time employment	32	25	23	15
Part-time employment	—	1	13	13
Unemployed	23	20	8	5
Retired	—	5	—	5
Sick/disabled	—	3	—	—
Unpaid in house	—	—	—	7
Total	55	55	45	45

Some of those in employment in 1985 had reached retirement age, as would be expected, or were men in their late 50s or early 60s who were now either long-term unemployed or prematurely retired. But the main downturn among this section of the labour force had occurred among young people. Of the total who were unemployed in 1992 10 per cent were people who in 1985 were aged between 18 and 39 and in full-time employment; most were still in their 20s in 1992. A smaller group, mostly women, had moved into part-time from full-time employment. A comparison of all economic status groups by sex over the period 1985-92 shows that 10 of the 14 men unemployed in 1985 were still economically inactive in 1992. Two of those were prematurely retired or disabled, but the other eight remained unemployed. For women the figures are less significant because only five women unemployed in 1985 featured in the sample. One of those had found full-time employment and two were working part time by 1992.

Women's part-time employment is not a matter of merely earning "pin-money": it anchors living standards and is a crucial element in the maintenance of household income. A significant proportion of the women interviewed in 1991-92, irrespective of their employment status in 1985, were faced with imminent redundancy in the family. In other examples of the shift from full-time to part-time employment, the real or threatened reduction in working hours and the restructuring of the labour market have resulted in deregulated working practices and a disproportionate reduction of earnings.

Others remaining in employment had experienced an improvement in their economic status. These were predominantly very young employees. Although those interviewed in 1992 may not be fully representative of young low-paid people, some tentative conclusions can none the less be drawn.

Amongst the youngest full-time employed in our subsample in 1985 – those under 20 years of age – two-thirds were still in full-time employment in 1992. (This compared favourably with respondents in their 20s, only half of whom were in full-time employment in 1992.) Although some had slipped into unemployment, others had experienced a dramatic improvement. Thus, whilst the median gross income for the under-20 age group in full-time employment during 1985 was £72.11 per week, this had increased for some to between £200 and £250 and for others to £300 and more per week by 1992. The first of these figures would be approximately £106 at April 1992 prices. So for this, unusual, group among the low paid, wages had doubled or even trebled.

Some of the improvement for the youngest age group is, of course, attributable to their serving probationary periods, or forms of apprenticeship and induction, and then rising to an "adult" wage level. But it is also partly due to the "normal" labour market trajectory of a small proportion of youngsters entering the labour market. There was much greater wage stability among the older people in our subsample, since many had been in low-paid occupations for much, if not all, of their working lives.

For those over 20 and in full-time employment in 1985 the changes were much smaller. In real terms their average gross earnings rose from only £145

to £190, a rise of 31 per cent. The spread of their earnings was between only £97 and £250 per week in 1992, and for a quarter of this group real gross earnings had actually stagnated or declined.

### **Adjustment and loss among the poorest tenth**

The repeat interviews in 1991-92 confirm a general decline in economic activity on the part of those who were lowest paid in 1985. Retirement at normal pensionable age had contributed very little to this change. The critical elements are these:

- (i) About a fifth of low-paid full-time workers and another quarter of low-paid part-time workers were unemployed six or seven years later.
- (ii) Almost half of those unemployed in 1985 were unemployed in 1992; altogether three-fifths were unemployed or otherwise economically inactive.
- (iii) Just over two-fifths of those unemployed in 1985 had secured no form of employment throughout the period between interviews.
- (iv) A fifth of the entire panel had worked in three or more different jobs in the five years prior to 1992.
- (v) Low-paid workers who had experienced a substantial increase of income between 1985 and 1992 were mainly people under 20 in 1985 whose low pay at that time was not representative of their likely long-term economic status, but indicated the temporary "preparatory" status of people getting established in careers which, already by 1992, turned out to be in the middle reaches of income distribution. There were also some older adults (mainly women) who were at the bottom of the labour market in 1985 because of temporary unemployment, disability, temporary interruption of career or reduction of paid hours of work, but whose status in 1992 had become more secure.
- (vi) A quarter of the low-paid in full-time work lost ground in their living standards. Gross earnings declined in real terms. Some jobs were restructured. Fewer jobs carried associated rights to pensions, holiday pay and other benefits. More temporary contracts were introduced. The level of income benefit of some unemployed people also declined in real terms.

The evidence of downward mobility attributable to structured changes in the labour market applied to at least 10 per cent of the entire panel. These modifications to employment conditions were largely the result of changes in the management of public sector bodies such as the National Health Service or the privatization of organizations previously in the public sector, such as transport services.

The shift from employment to economic inactivity applied to both men and women. There was little sign that any significant relative improvement had occurred among women at the lower end of the labour market. More

women than men continue to be employed part time and on a temporary basis – sometimes so that employers can avoid tax and national insurance payments, a practice which is controversial, although it results in fewer women than men being designated unemployed. Unemployment among women remains hidden to a substantial extent. Certainly, the higher rates of part-time employment among them would suggest underemployment. More women than men are in retirement in their early 60s, even though many remain physically and mentally active and willing to take some work, if only part time. A further study found evidence in 1985-86 of a substantial “reserve army” of unemployed women who do not have, or no longer have, the responsibility of care for children or dependent adult relatives (Convery et al., 1987).

## Trends in income

This exposition of labour market changes has already touched on changes in income, especially earnings. Both national and Greater London changes in the distribution of income are of particular interest. First, data collected by the Central Statistical Office show a polarization of both earnings and disposable income during the 1980s for the United Kingdom as a whole: the lower half of table 3 reveals the overall trend. It illustrates two things: the growing gap between top and bottom incomes, and the static and even declining level of low incomes in real terms.

Because of the national context, the trends for London are of special interest. Despite the fact that survey numbers are smaller and sampling varies from year to year, so that the figures for individual years follow an uneven course, it is evident that the gap between the richest and poorest has become more pronounced in the capital than in the country as a whole, with the real incomes of the poorest decile in the early 1990s dropping below those in nearly every year of the preceding decade. In London the ratio of the highest to the lowest decile actually doubled over ten years. In real terms people in the richest tenth in London also improved their advantage over the richest tenth in the United Kingdom as a whole, from about 12 per cent (in 1981 and 1982 combined) to about 25 per cent more (in 1990 and 1991 combined). This change represents a “gain” over the national improvement for the richest decile of £7,000 per year.

Within this account of national and regional trends the detailed evidence for the panel interviewed in 1985-86 and 1991-92 in London falls into place, providing a graphic illustration of relative impoverishment. There are, however, difficulties in handling comparisons of income for households with low incomes in 1985, given the changes in household composition, movements into and out of work, abolition of or changes in the rules of certain benefits and, for many at the lower end of the labour market, increased or new costs due to privatization and restrictions on local authority services. The conventional methods of presenting official statistics on income distribution do not capture all these elements.



Table 3. The distribution of disposable weekly household income of lowest and highest deciles (Greater London and the United Kingdom), at current and April 1993 prices (£)

Year	Actual income		Real income <sup>1</sup>		
	Lowest	Highest	Lowest	Highest	Ratio
<i>Greater London</i>					
1981	48.72	270.68	91.58	508.79	5.6
1982	54.05	283.34	93.61	490.74	5.2
1983a	54.49	322.71	90.24	534.41	5.2
1983b	47.94	324.46	73.39	537.31	5.9
1984	47.40	347.00	74.70	546.87	7.3
1985	46.60	367.82	69.25	546.58	7.9
1986	56.60	431.73	81.39	620.83	7.6
1987	56.21	508.57	77.57	701.83	9.0
1988	56.55	541.78	74.36	712.44	9.6
1989	65.79	567.56	80.30	692.71	8.6
1990	63.56	686.67	70.87	765.64	10.8
1991	67.72	692.21	71.32	702.73	10.2
<i>United Kingdom</i>					
1981	45.66	240.96	85.83	452.93	5.3
1982	48.68	253.28	84.31	438.68	5.2
1983a	52.09	271.21	86.26	449.12	5.2
1983b	46.03	271.94	76.23	450.33	5.9
1984	46.90	290.10	73.91	457.20	6.2
1985	48.44	322.59	71.98	473.37	6.7
1986	52.33	354.42	75.25	509.66	6.8
1987	55.06	392.78	75.98	542.04	7.1
1988	58.13	431.44	76.44	567.34	7.4
1989	61.91	466.83	75.56	569.77	7.5
1990	68.10	515.38	75.93	574.65	7.6
1991	74.69	565.13	78.66	595.19	7.6

<sup>1</sup> At 1992 prices for Greater London.

Note: For 1983 attention is drawn to a break in the series, where the implications for the poorest decile cannot be sorted out to all statisticians' satisfaction. For that decile the best estimate seems to be that from a third to a half of the decrease between the figure for "a" (the old series) and the figure for "b" (the new series) represents an artefact of the change in measurement. There are of course other, smaller, difficulties in ensuring that the measurement of trends in disposable income during the 11 years is reliable. These are described in the annual reports of the Family Expenditure Survey.

Source: Annual Reports of the Family Expenditure Survey.

By applying the Retail Price Index we were able to trace developments in both earnings and disposable household incomes. This revealed a downward trend in real income for those remaining unemployed and for approximately a quarter of those remaining in full-time employment, while some who moved to full-time from part-time employment or from unemployment did so on terms that were not as generous as those enjoyed by their predecessors. On the other hand, a

small minority had seen substantial improvements in earnings – especially, as noted above, teenagers.

After allowance was made for changes in economic status as well as household composition, we found that 23 of the 40 individuals in the panel who were in full-time or part-time employment in 1985 had higher real income in 1992, but 17 had lower real income. Only seven of the 20 unemployed in the panel had higher real income in 1992 (including some who had obtained paid employment), but as many as 11 had lower income (and for a further two the position was unspecified). If both low-paid and unemployed in 1985 are combined, 52 per cent had increased real disposable income by 1992, but the remaining 48 per cent had experienced a fall, a third of them by more than half. The observed trend gains in credibility from the answers given to a variety of questions about material and subjective deprivation, which contradict the assumptions made about “trickle-down” during a period of seven years when real disposable income grew on average in the United Kingdom by 22 per cent (Central Statistical Office, 1993c, p. 35).

There are respects in which our informants, who consisted disproportionately of the economically active, fared worse than the poorest decile nationally, in as much as we had excluded pensioners from the follow-up interviews. There is evidence that fewer elderly people are found in the lowest income groups than at the start of the 1980s, partly because of the broader scope of both earnings-related additional pensions and occupational pensions, and despite the abandonment in the 1980s of earnings-related indexation of basic state pensions. There is also evidence, however, that low-income families with children, whether the parents are on low wages or are unemployed, have experienced a fall in real disposable income (see, for example, Timmins, 1993). Some found the purchasing power of their wage reduced. Some were forced into lower-wage jobs or into unemployment. And those already unemployed found entitlement to benefits and services scaled down.

In 1985 all the employees within our London subsample of low-paid earned less than the levels recommended by the Trades Union Congress, the Royal Commission on Incomes and Wealth, the Low Pay Unit and the Council of Europe. This was because, by definition, the sample was drawn from the lowest decile of income earners and therefore nobody in the sample earned more than the £110.80 per week recommended by the Royal Commission in 1985.

Table 4 illustrates how the lowest earnings have lagged further and further behind middle and higher incomes, so that their relative value has been diminished. Indeed, many earners also fall below the minimum standards set by various bodies. Thus the Royal Commission based its threshold on lowest-decile manual male earnings (£169.40 in 1991). From the follow-up interviews we found that 20 of our panel of low-paid employees in 1985 (50 per cent) had weekly incomes below this level in 1992. We also found that as many as 70 per cent (28) were earning less than the Council of

Table 4. Male and female manual weekly earnings, United Kingdom, 1985-91 (£)

Year	Lowest decile		Median	
	Men	Women	Men	Women
1985	110.80	75.60	171.70	110.30
1986	117.50	82.10	183.60	120.80
1987	121.10	81.10	193.70	126.20
1988	131.00	90.80	208.00	135.00
1989	142.40	100.40	229.70	149.10
1990	153.90	108.90	249.60	162.30
1991	169.40	118.10	269.30	180.60
Increase 1985-91	52.8 %	56.2 %	56.8 %	63.7 %

Source: Department of Employment: *New Earnings Survey*, table 116.

Europe's recommended minimum wage (68 per cent of mean incomes). Another comparison showed that over half those employed full time in 1992 earned less than the Royal Commission's standard.

The Council of Europe's norm would mean a minimum wage of £235.82 in the Greater London area. The Royal Commission's standard is lower, at £169.40, yet 56 per cent of the lowest-paid employees in London in 1985 still had earnings of less than this figure in 1992.

What, therefore, are the key results from this analysis? Few among the low-paid experienced a transformation in their living standards between 1985 and 1992. While half gained relatively, when compared with their peers in the lowest decile of earnings, they shared in the absolute as well as relative loss of earning capacity of that tenth of all employees. Some had done so because of a shift from full-time to part-time work, or from employment to self-employment.

Low incomes fell behind median incomes over the survey period: lowest decile male earnings rose by 59 per cent but median male earnings by 92 per cent between 1985 and 1991 (or by 12 per cent and 19 per cent respectively in real terms). Almost three-fifths of those employed in 1985 still had incomes below £150 per week by 1992. Seventy per cent of low-paid employees in 1985 still had incomes below the Council of Europe's defined minimum weekly income in 1992.

Case studies carried out as part of the survey overwhelmingly give the impression of people on low incomes just managing to get by. Some accumulation of material possessions over the period 1985-92 occurred, but on a piecemeal or gradual basis. Holidays or days out with the family were seen as transient luxuries that had to compete with essentials. For example, only just over half of the 1992 panel had taken a holiday in the previous 12 months. Fewer than half of these had taken their holiday in paid accommodation (many for five days or less); the rest had gone to stay with friends and relatives.

Changes in the structure of the economy, together with housing legislation since the late 1980s (the 1988 Housing Act, the 1989 Local Government Finance Act), have also served to reduce security of tenure and to promote growing marginalization and exclusion. Table 5 shows the housing situation of the 1985-92 panel. It will be seen that the majority of tenures were for rented dwellings. Of course, some of those we failed to re-interview will have moved upwards in the housing market. Although a forwarding address enabled us to track down a proportion of this group, some with tenuous links to the labour and housing market proved impossible to trace. We can only assume that the position of many among them has become more tenuous, in some cases worse than that of any of the people we were to interview. Our inability to re-interview as many of the people with the very lowest incomes from 1985 as we wanted may be interpreted as a failure. But it also illustrates a trend which we consider to be symptomatic of the social polarization of the 1980s. The 1985 survey is a most valuable "snapshot" of low income at that time. Our experience suggests that the lowest paid and least secure will always prove the most difficult to follow up in any longitudinal study of low income and poverty.

Table 5. Housing tenure, all cases, 1985 and 1992

	1985		1992	
	Number	%	Number	%
Own – buying	28	32.2	14	23.3
Owned outright	5	5.7	6	10.0
Part rent/part buy	1	1.1	–	–
Rented	48	55.2	39	65.0
Rent-free	5	5.7	1	1.7

## Conclusions

The overall statistical evidence of labour market changes and trends in living standards that emerges from this survey is unambiguous. The theme is polarization: during the late 1980s this aspect of social and economic development took hold. But the phenomenon has been amplified in Greater London, as demonstrated by regional statistical data and also by the longitudinal interview data cited here.

During the late 1980s and early 1990s the collapse of manufacturing employment continued and, with the deepening of recession, jobs began to go in the service sector, too, including those of prosperous salaried employees and not just those of low-waged men and women, particularly women in part-time employment. The South-East of England, and London in particular, came to the forefront of attention. For much of the period

people in the wealthiest third of the income distribution were doing very well. They had been privileged during a decade that enjoyed one of the fastest augmentations of real income in national history as the result of a variety of factors: economic growth in the early 1980s, the burgeoning values of housing, the regional effects of the deregulation of the Stock Market in the City of London, the attractions of London as an international centre for the activities of the more powerful multinational corporations, the increase in the number of two-salary families, the lower rates of income taxation, and the fillips given to top salaries by the Government's measures of privatization and deregulation.

Since the early 1990s the contentment and confident expectations of that substantial section of the population have been savagely cut down. The reasons are multiple and range from the loss of jobs among those in the higher income groups, the rise in bankruptcies and the greater number of properties repossessed to the ramifying effects of a growing incidence of theft, burglary and crimes of violence and a wider awareness of the insidious nature of both environmental pollution and social instability.

For Greater London table 3 sums up the trends in distribution of living standards. The poorest tenth of the population marginally lost purchasing power from already low incomes (by European standards) in these years, while the richest tenth gained substantially. The difference between the population of Greater London and the population as a whole is pronounced. The poorest tenth of the population in London (constituting more than half a million) began the decade on a higher average real income than did the poor in the United Kingdom generally. But they ended it at about the same level and, in some of the final years investigated, below that level. As noted above, the richest tenth started the decade about 12 per cent better off than the richest tenth in the United Kingdom generally and ended it 25 per cent better off.

Government figures from various sources put the decline in real income among the poorest tenth in the country as a whole at between 1 per cent and 14 per cent, but in London it seems to have been still greater. Tentative estimates based on Family Expenditure Survey (FES) figures and the 1985-92 survey taken together (both sources having certain shortcomings of scale and coverage) suggest a fall of between 7 per cent and 17 per cent (the FES data for 1981 and 1982 were compared with the equivalent data for 1990 and 1991; alternative interpolations were then made for the 1983 data in the series and for the supplementary data from the London interviews in 1985 and 1992). In the same period the richest tenth added 47 per cent (£12,000 per year) according to one measurement ("unequalized" ranked income) and 62 per cent (£16,000 per year) according to the other.

The panel we re-interviewed had mixed experiences during these years. Some who in 1985-86 were young and in the early stages of their careers subsequently obtained permanent, well-paid jobs, and they moved out of poverty. A similar improvement was enjoyed by some women, who moved into the labour market after performing long spells of unpaid work caring for

children and others in the household or who upgraded their existing part-time paid employment. But there are three sets of results which are disconcerting, to say the least, or, from a different theoretical or political perspective, are so damaging as to call for long-term structural action.

## **Erosion of secure jobs**

The first is the evidence of the loss of skilled, stable and productive jobs. Discounting the few people who had reached normal pensionable age, we found that nearly a third of the panel of low paid in 1985-86 were unemployed or prematurely retired by 1991-92. Moreover, only a third of the much smaller proportion of those who had been unemployed in the earlier year had got back into full- or part-time employment. Some had experienced various vicissitudes in the meantime: they had had short periods of successive employment and unemployment and when employed they had been subject to variations in the number and regularity of their working hours.

Career paths can be complex, especially among poorer people. Our study confirms the fact that increases nationally in unemployment are not equally shared across industrial and occupational groups. Such increases are highly selective: people at the lower end of the labour market run the greatest risk of being pitchforked into unemployment. But the follow-up survey also shows that some low-paid men in full-time employment were forced into part-time employment in the late 1980s. This is another effect of the restructuring of employment, excusable, possibly, in the short term but not in the long term. At the lower end of the labour market the structural market changes in London are leading not merely to a much higher rate of unemployment but also to a much higher rate of sub-employment – insecure employment, part-time, seasonal or casual employment and marginal self-employment, as well as simply lower-paid employment.

One harmful aspect of the changes taking place is “deskilling”. Traditional skilled industrial jobs, with apprenticeships and training on the job, have been disappearing and attempts by the Government to reintroduce forms of training have had insufficient relevance to the likelihood of finding work or the real nature of jobs available. The Government has not itself taken initiatives to bring a larger volume of work into being. The failure of the Community Industries training scheme, for example, is evidence of the showpiece character of training schemes in the United Kingdom during the past decade.

## **Fall of low incomes**

The second result emerging from this follow-up survey is the enforced reduction of living standards at the bottom of the labour market and among those who are marginal to the labour market. We documented one case of a low-paid man in public sector employment who found he had to apply twice

to regain his old job, first when it was privatized and then when it was contracted to a different employer. This is instructive, because it shows what can be done in a very short span of time to restructure the labour market. The man's wage was reduced on each re-application. Privatization of public services has resulted not only in a "shake-out" but in a ratcheting down of the employment rights and the wages of the workers retained.

Of the London low paid whom we interviewed, far more faced the risk of unemployment than they had previously. In a substantial number of households neither husband nor wife was in work, while in richer households, paradoxically, both husband and wife remained in work or had obtained work. When low-paid people had jobs, moreover, the work they did was less well remunerated and was liable to interruption and downgrading by employers who wanted to cut costs and could do so.

Among other, complicating, factors perhaps the most important has been the reduced compensation for those who become unemployed. Eligibility for unemployment benefits has been restricted, earnings-related benefits abolished and the real value of some benefits lowered. A recent report on the question shows that the value of unemployment benefit for a married man previously on average earnings with two children, and with an income above the tax threshold for the whole year, has been cut by 43 per cent in real terms since 1979 (Lynes, 1992). Other evidence emerges from a two-year study sponsored by the Joseph Rowntree Foundation to devise low-cost budget standards for different types of family. For an unemployed couple with two children the level of income support from the Government turned out to be £36 per week lower than the low-cost standard (Bradshaw, 1993). The means-tested safety net has become more threadbare at the same time as it has had to be used instead of insurance benefits by far more families.

The low-paid and unemployed have also been disproportionately affected by rises in the price of goods and services that were formerly free or subsidized. For example, nearly a third of our panel had children of school age who either no longer qualified for free school meals or were obliged to pay relatively more for them in real terms. The abolition of the Greater London Council brought an end to various services for minority groups like the disabled and one-parent families. It also resulted in fewer resources (previously provided via the Inner London Education Authority, now also abolished) for hard-pressed schools in inner-city areas. Council rents have been raised disproportionately. The introduction of the Community Charge weighed very heavily on low-paid men and women. In some cases it can be argued that the Government has introduced countervailing measures such as the improved version of Family Credit (the means-tested benefit on which other means-tested benefits are calculated). The problem is, however, that such schemes are clumsy. They cost much less than the systems they replace and do not cover low-income families who need help: indeed, they do not guarantee assistance even to a majority of the poorest whom they are intended in principle to benefit. In practice, more than half those

theoretically eligible for means-tested support do not obtain such support. They do not apply. Information about uprating is not available. Many in that situation are not aware of their legal entitlement, the administrative system is painfully slow and grudging and many are deterred from standing in line or from seeking to redress administrative mistakes over payments (Noble, Smith and Munby, 1992). Each of these structural changes has put further pressure on London incomes.

## Deepening of multiple deprivation

The third result from our follow-up study is a confirmation that multiple deprivation is deepening. Statistically, qualifications have to be attached to this result. We did not trace a sufficient proportion of the original sample to be able to claim that the 1992 panel interviewed were "representative". There is no doubt, however, that the follow-up interviews covered a wide cross-section of the low paid and unemployed in the London population and that because of the sheer extent of information collected from individuals both in 1985-86 and in 1991-92 the results may be said to be reliable and not merely revealing.

The evidence, based both on the subjective perceptions of the low paid and unemployed and on the hard data collected at interview, is that there was some deterioration in their quality of life over the period 1985-92. During that time there had been, as we expected, some accumulation of consumer goods, such as telephones, refrigerators and videos, but we were surprised at how little material progress had taken place. Statistical evidence of an increase in the ownership of consumer goods was unexpectedly slight and the increase was certainly disproportionately small in relation to national trends. Any gain was more than counterbalanced by the deterioration reported in working, housing and environmental conditions and in the extent and satisfaction of social relations. Thus in 1985, and again in 1992, we applied in interview an elaborate index of subjective and material deprivation, using exactly the same questions. For both the unemployed and the low-paid in 1985 conditions worsened for the majority in 1992, though they improved for the minority.

In the early 1990s government ministers directed attention to the increased ownership of certain consumer durables among people on low incomes to offset evidence that real incomes were falling. The ownership of such durables is now featured in government statistical reports (for example, Department of Social Security, 1993). Yet the results of this study show that more comprehensive measurement of material and social deprivation bears out the conclusion that incomes are falling.



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