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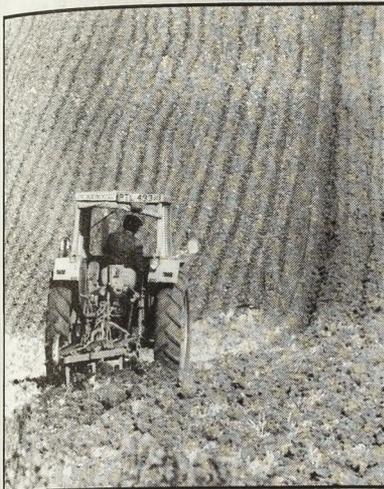
June 1985      Volume 93      No 6  
Department of Employment

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**Agricultural workers' wages and hours**

June 1985 Volume 93 No 6  
Department of Employment  
pages 217-248.



● Cover picture

The earnings and hours of agricultural workers were studied on statistically selected farms in 1984. The results are outlined on pp 227-230.

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Communications about the contents of this journal should be addressed to the Editor, *Employment Gazette*, Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

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Annual subscriptions inclusive of postage £34.50  
HMSO subscription inquiries 01-211 8667.

All communications concerning subscriptions and sales of *Employment Gazette* should be addressed to Her Majesty's Stationery Office at any of the following addresses: 49 High Holborn, London WC1V 6HB; Chichester Street, Belfast BT1 4Y; 13a Castle Street, Edinburgh EH2 3AR; 258 Broad Street, Birmingham B1 2HE; Southey House, Wine Street, Bristol BS1 2BQ; 39 Brazennose Street, Manchester M60 8AS.

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EDITOR  
**David Robinson**  
DEPUTY EDITOR  
**Bob Reid/John Pugh**  
ASSISTANT EDITOR  
**Sue Greaves**  
STUDIO  
**Kenneth Prowen**  
Editorial: 01-213 3562  
Statistical inquiries: 01-213 5551

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## Substitute Bank Holiday dates for 1987 to 1989

In the years 1987-89 some bank holidays in the Christmas period fall on Saturdays and Sundays. The dates of substitute holidays for these days have been announced by Mr Peter Bottomley, Parliamentary Under Secretary of State for Employment. He emphasised that the majority of employers were free to make their own arrangements if they find the official dates inconvenient.

In reply to a Parliamentary Question Mr Bottomley said: "We have been considered carefully whether it would be helpful to have all of these substitute holidays falling in the working week between Christmas and the New Year, but the banks, the only organisations bound by the arrangements we make, require three working days to meet the needs of their customers during that very busy period.

"Many people are uncertain about the status of bank holidays. It is important that they are aware that the majority of employers are free to make their own arrangements (unless they are bound by the Banking and Financial Dealings Act 1971 or by a Wages Council Order or

Agricultural Wages Board Order). I would encourage employers and employees to negotiate other arrangements if they find the official dates inconvenient."

Some of the bank holidays are automatically transferred to weekdays under

the Banking and Financial Dealings Act 1971. In the other cases it is intended to declare substitute holidays subject to the necessary orders being made by Royal Proclamation. The dates of the Christmas and New Year holidays in 1987-89 are shown below.

	In England, Wales and Northern Ireland	In Scotland
1987	Thursday January 1* Friday December 25 Monday December 28*	Thursday January 1 Friday January 2 Friday December 25 Monday December 28*
1988	Friday January 1* Monday December 26 Tuesday December 27	Friday January 1 Monday January 4* Monday December 26 Tuesday December 27*
1989	Monday January 2* Monday December 25 Tuesday December 26	Monday January 2 Tuesday January 3 Monday December 25 Tuesday December 26*

\* To be declared by Royal Proclamation.

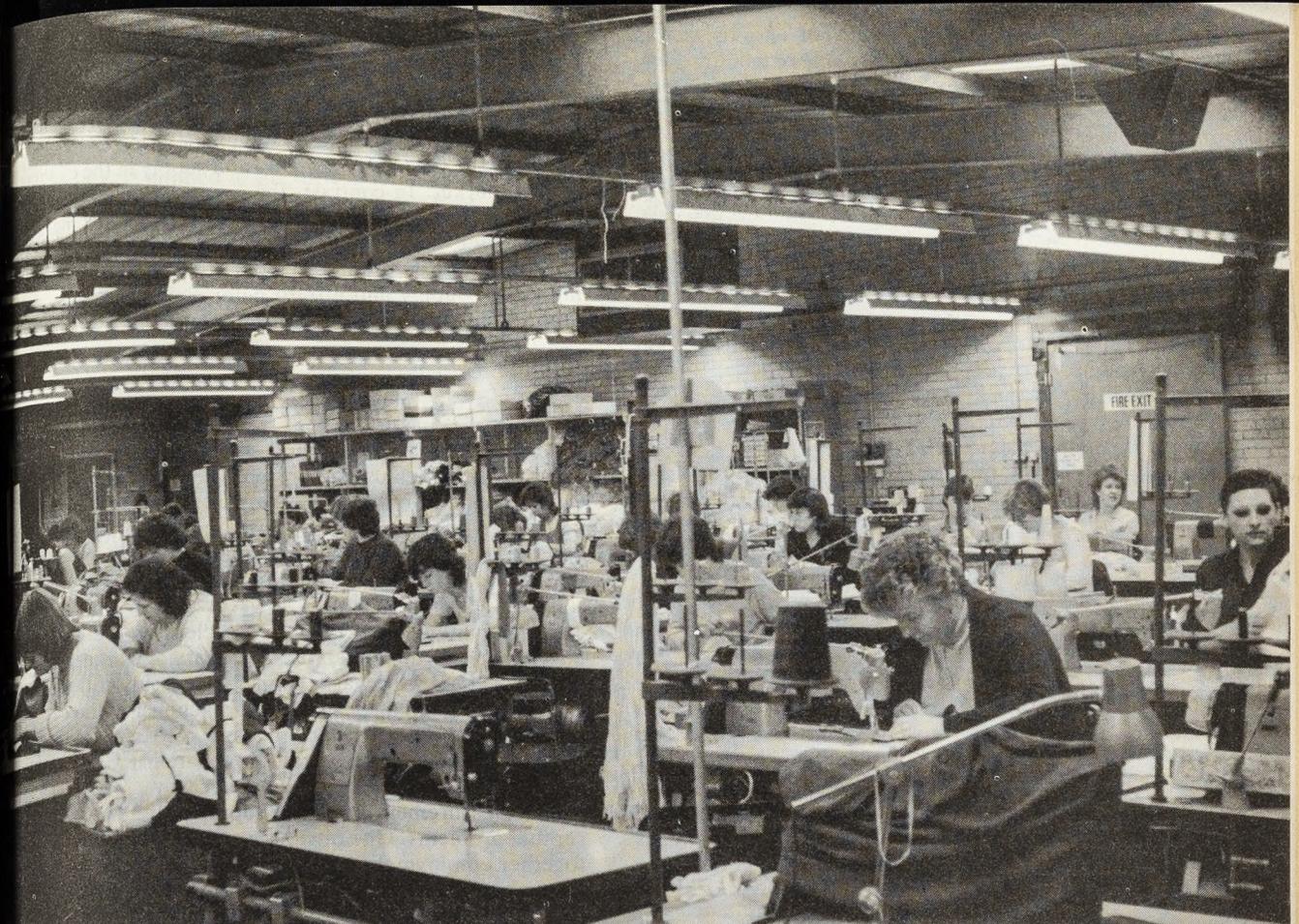


Photo: Clothing and Allied Products Industry Training Board.

### School leavers priced out of training

"This summer, thousands of school leavers will once again find themselves priced out of training by trade union negotiated rates of pay."

Employment Minister Mr Peter Morrison said in Banbury that this message had been repeated time and time again, but there were still some people who blindly refused to believe that a link existed between pay levels and employment levels.

"Some trade union leaders are recognising this simple economic reality. When the Electricians' Union (EETPU) in 1983 agreed with the Electrical Contractors Association to reduce apprentice pay from £41.63 a week to £27.88, it was not particularly surprising that the number of youngsters admitted to apprenticeships more than trebled." But we still had a long way to go, Mr Morrison emphasised.

"We have to make sure that this message is understood. You do not even need to be an economist to follow the argument; you just need to be able to count. If the price of apples doubles, then my 50 pence will only buy half the number. And if the cost of paying a trainee doubles, then an employer's training budget only goes half as far."

### Quality circles—the best way of doing business

Quality circles emphasise the essential point about employee involvement: it's not an optional extra—it's the best way of doing business, of delivering a quality product, Parliamentary Under Secretary of State for Employment Peter Bottomley said at the launch of an Industrial Society video on quality circles.

"Employees are a major resource, and must be fully involved—as people, not as machines—if the company is to be effective," he said. "But management will not communicate properly with the workforce if it cannot communicate among itself.

#### Commitment

"Employee involvement is successful where there is a strong commitment from top management, and where the objective is not short-term cost-cutting but a long-term bid for better quality, and so to larger and securer markets—and possibly more jobs."

Mr Bottomley reaffirmed the Government's commitment to a voluntary approach to employee involvement. "We aren't going to come in with heavy boots, but we do expect to see not only better performance but better demonstrated performance," he said referring to the requirement for employee involvement statements in directors' annual reports. (see pp 237-240).



Mr Peter Bottomley.

The Industrial Society's new video *Quality Circles . . . involvement at the point of work* explains exactly what quality circles are—small groups of employees with a supervisor who meet voluntarily and regularly during working time to devise solutions to work related problems—and shows how they work in practice.

It is available for hire or purchase on Umatic, VHS or Betamax formats. Further information can be obtained from The Publications and Marketing Services Department, The Industrial Society, 3 Carlton House Terrace, London SW1Y 5DG.

### Clothing industry wages floors

by Phillip Morgan, Don Paterson and Robert Barrie  
*Employment Market Research Unit, DE*

This article reports the main findings of a study\* which attempted to determine the effect of, amongst other things, minimum wage rates as set by wages councils on employment within the clothing industry over the period 1950-81.

Minimum wage rate fixing is just one example of a labour market practice which may affect employment. Another example is national collective bargaining arrangements. To ensure that the effects of minimum wage rates are being properly estimated, it is important to allow for other forces acting on the labour market and this implies rather severe data requirements. These include the existence of series for a large number of variables, for example, the capital stock of an industry (which rules out most service industries), and a large number of observations on each variable (at least 20). These requirements were met in the clothing industry.

Although we were able to assemble a satisfactory data base for the clothing industry, we nevertheless recognise that it is subject to limitations and approximations. For example, some of our series apply to Clothing and Footwear and not Clothing alone. This is unlikely to affect the substance of our findings. A further limitation is that we had data available only up to 1981. Consequently, we can say very little concerning developments in the clothing industry after 1981.

In 1950, the start of our data period, around 580 thousand workers were employed in (UK) Clothing and Footwear (74 per cent of these being female) whereas this had shrunk to just over 285 thousand by 1981 (the female proportion remaining much the same at 76 per cent)†. We attempt to explain this decline as the outcome of the interaction of the forces of labour demand and supply in the industry.

#### Research approach

Our method of investigation was to consider what factors are likely to influence the demand and supply of labour for the industry and then to attempt to estimate separate demand and supply schedules using econometric techniques.

\* A full report of the study *Wage floors in the clothing industry 1950-1981* by P. Morgan, D. Paterson and R. Barrie has recently been issued as Department of Employment Research Paper No. 52. Copies are available from Research Administration, Department of Employment, Steel House, Tothill Street, London SW1H 9NF.

† Of course not all of these workers are covered directly by wages councils.

In this way, the employment impact of various factors working either through the labour demand or labour supply sides can in principle be isolated. Male and female employees were dealt with separately to take account of, amongst other things, different movements over time of their employment and earnings.

It was our expectation that the clothing industry labour market, in common with many other labour markets, would not respond quickly to changes in factors determining employment and pay. Initial work provided confirmation and so our main results derive from a framework reflecting this. In particular, we assume that real earnings tend to rise more rapidly in conditions of strong demand and are moderated by the level of unemployment. We did not assume that wages adjust quickly to eliminate excess demand or unemployment in the industry. On the contrary, our framework assumed that real earnings adjust only sluggishly to labour demand and supply imbalances. Under these circumstances, unemployment can persist if real earnings stay too high.

### Labour costs

Theoretical considerations and our empirical results both suggest that real labour costs will be an important determinant of employers' demand for labour (similarly real labour remuneration will be an important determinant of labour supply). Labour costs can be subdivided into wage and non-wage costs (the latter including items such as National Insurance and pension contributions, paid holidays, and so on). It is also convenient to further subdivide average wage costs into that part represented by wages council minimum rates and an additional element which we call the wage premium. The latter can be thought of as the

Machine automatically cuts and sews the cuff opening of a shirt.

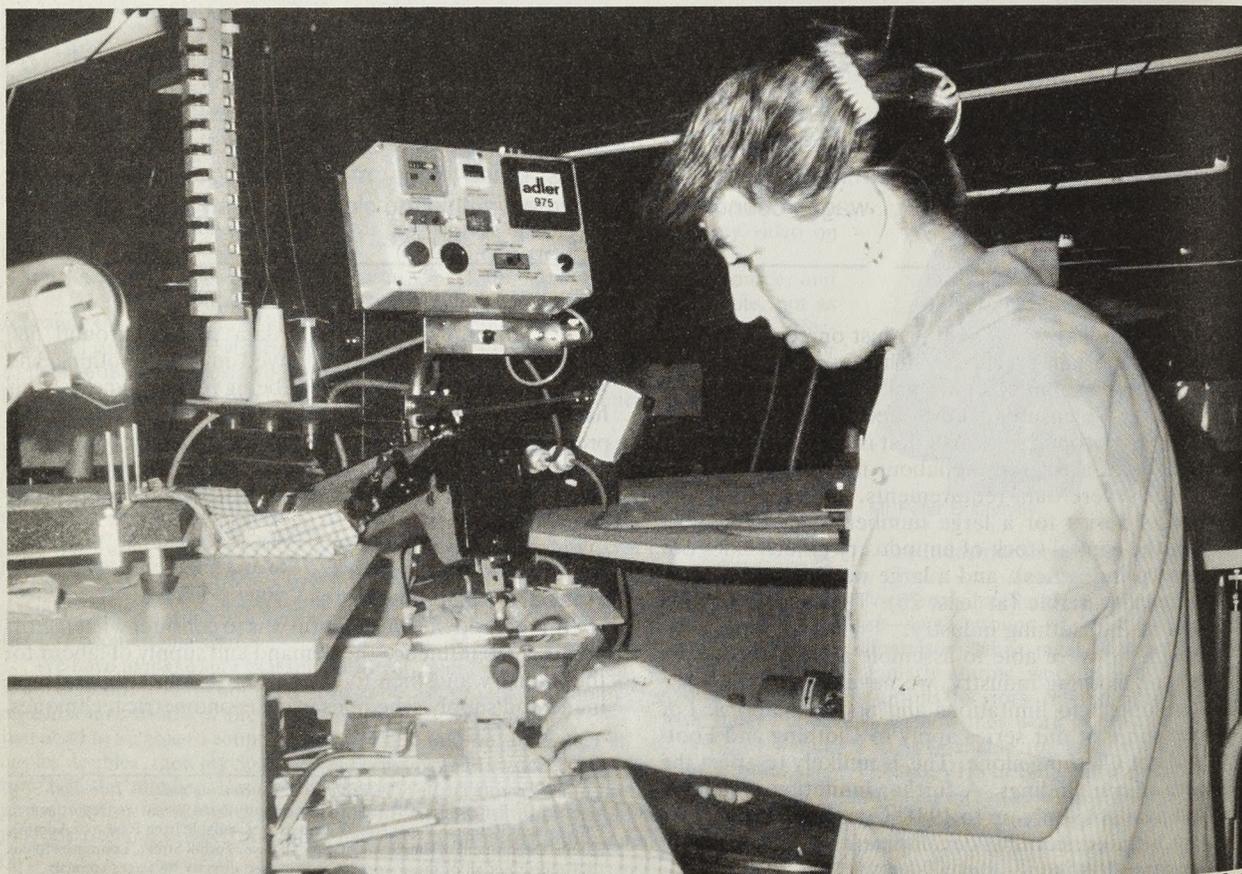


Photo: Clothing and Allied Products Industry Training Board.

extra earnings over and above the wages council minimum rate for a standard working week that employers pay on average to the industry's employees. This is a distinction of some importance in the present context since we assume that wages council minimum rates are determined independently of the balance of demand and supply in the clothing labour market. In contrast, the premium takes the main strain of any adjustment towards clearing the market. Hence, our models comprise three equations or relationships—one determining labour demand, one determining labour supply and a third determining the wage premium. These are estimated as an interacting system.

### Data

All our data are annual and cover the period 1950–81. Most of the series used represent the obvious choice for measuring the variable concerned but we nevertheless recognise the limitations of the data and, in some cases, its approximate nature (details are contained in the full report referred to earlier). One or two of the data series deserve some elaboration, however.

For minimum wage rates in the clothing industry, we have taken the rate for a typical category of worker of each sex as covered by the wages council (a measure cutter in the case of males and a conveyor-belt machinist in the case of females). We do not regard this as a restrictive approach since most minimum wage rates in the industry, differentiated by sex, have moved in a similar way.

The measurement of labour supply presents some conceptual problems. One obvious approach would be to add together employment and unemployment in the industry. However, the registered unemployed who state that their

previous job was in the clothing industry seems an insufficient addition to employment since it fails to take account of non-registration and the potential availability of workers registered as unemployed from other industries. Some of our earlier work on the project suggested that a factor of two should be applied to the official unemployment series to correct for these deficiencies. Hence, we measure labour supply as industry employment plus twice industry registered unemployment.

### Results

During the early stages of the project, we estimated a large number of different specifications which led to the emergence of some important findings. Firstly, we found it was particularly important to allow some time for changes in factors determining labour demand to work through. Secondly, for males the data seemed to fit a model where real earnings adjusted fairly rapidly to equate demand and supply in the labour market almost as well as models where real earnings adjust slowly. For females, a model of slow adjustment clearly gave a better explanation of the data\*. Thirdly, our results for the labour demand equation were somewhat different when estimated over the period 1950–79 as compared with 1950–81. We believe this is due to the particularly severe and unprecedented declines in employment during 1980 and 1981, which tend to increase the difficulty of explaining employment movements over the period. We find that the better models for the majority of the period are those based on data up to 1979.

### Main points

Taking all of the preceding points on board, we can summarise the main results as follows. The significant factors determining male labour demand, labour supply and the wage premium in our preferred specification, with signs indicating the direction of the effect, [that is – or +] are:

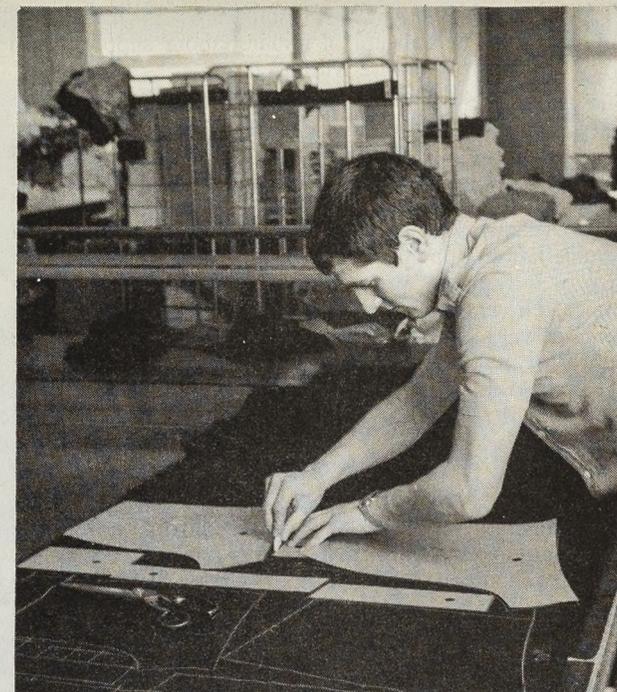
**Male labour demand:** real minimum wage rates (–), real non-wage costs (–), the amount of plant and machinery in the industry (–).

A variable measuring international competitiveness was not found to be statistically significant. Neither was the stock of buildings and vehicles in the industry.

**Male labour supply:** minimum wages (+), the wage premium (+), deductions from pay (income tax, etc.) (–), earnings outside the clothing industry (–), and interest rates (+). (Earnings and the components of earnings are measured in real terms).

**Male wage premium:** the minimum wage (–), the excess of earnings over basic wage rates in the rest of the economy (+), retail prices (+) and the amount of excess supply of labour in the industry (–).

An examination of these results taken together reveals that for males the elasticity of employment with respect to real minimum wages is approximately –0.3. This means that a ten per cent increase in real minimum wages would lead, other things being equal, to a reduction in employment of three per cent. Interestingly, we could find no significant effect of unemployment benefits or supplementary benefits on employment. One *a priori* hypothesis which our framework allowed us to test was that benefits may act in a similar way to minimum wages, forming a wage floor which would hinder real earnings from



Manual lay planning and marker making.

Photo: Clothing and Allied Products Industry Training Board.

adjusting rapidly to changes in the labour market. We find no evidence of this†.

An alternative set of results for males adopts a different underlying theoretical model for specifying employers' labour demand. In this model, employers are assumed to be constrained in the amount of output they can sell at prevailing market prices. This leads to inclusion of the level of output in the list of factors determining labour demand. A consequence of this is that the measured impact of real minimum wages (and other factors) on employment is then conditional on a given level of output. This tends to understate the full impact since an increase in real labour costs can be expected not only to lead to substitution of labour by other factors of production at any given output level but also a shrinkage in the actual level of output produced (which further reduces employment).

### Significant determinants

In this alternative model, we find that the significant determinants of male labour demand and supply, and the wage premium are generally the same as before. The exception is the level of output which is found to be a positive determinant of labour demand (we also have to omit the capital stock of plant and machinery from the model on theoretical grounds). The long-run employment/real minimum wage elasticity is somewhat reduced at just over –0.1 but this is quite consistent with the findings of the model described earlier for the reasons outlined in the previous paragraph.

Modelling of the female labour market in the clothing industry proved to be rather more difficult than had been the case for males. One reason appears to be the nature of the data. For example, the female wage premium tended to be rather volatile especially over the earlier part of the data period when female average earnings were not that much

\* These findings coupled with the greater realism of the underlying assumptions led to our preference for the slow adjustment framework.

† The series used to measure benefits are recognised to be of poor quality, however.

greater than wages council minimum rates (at least in absolute terms). The concept of female labour supply is also very difficult to measure with accuracy.

In order to satisfactorily isolate the impact of the various factors operating in the clothing labour market for females, we found it necessary to include the level of clothing output in the labour demand specification. Having done this, we were able to estimate a broadly similar model to that found for males. It might be noted that employers' demand for female labour appeared to be rather more sensitive to the size of the female wage premium than was the case for males. The employment/real minimum wage elasticity for females was found to be approximately -0.1 (similar to the result for males using an equivalent model specification). Again unemployment benefits and supplementary benefits were found to have no significant independent effect on female employment.

### Summary and conclusions

In our study, we attempted to model the operation of the clothing industry labour market over the period 1950-81. We are not able to say anything about developments since that date. We recognise the limitations of our data base and hence would not wish to lay stress on the exact magnitudes given by the results above. Nevertheless, certain themes emerge quite clearly. Taking the clothing labour market for males first, we found that real minimum wage rates over the period 1950-79 exerted a perhaps small but nevertheless clear cut negative influence on employment. Taken cumulatively over the whole period, this amounted to a substantial effect. When incorporating data up to 1981, we found an even stronger negative influence but this may not be appropriate for the majority of the 1950-79 period (for reasons given earlier).

Estimation of models for the clothing labour market for females appears to be more sensitive to the exact assumptions made. In particular, the level of output in the clothing industry is required as an explanatory variable if the influence of other factors is to be satisfactorily isolated. Having entered such a variable into our model, we are able to estimate a similar effect of real minimum wages on female employment as found for males under equivalent assumptions.

Shirt manufacture in Manchester.



Photo: Clothing and Allied Products Industry Training Board.

We were unable to detect any significant effect of unemployment benefits or supplementary benefits on employment in the clothing industry. This may be because minimum wages act as a much more powerful wage floor. Another factor could be the poor quality of the benefit variables available.

### Main concern

Although our main concern was to examine the effect of real minimum wages and real benefits on employment, our results also throw light on the impact of other factors. Over the period up to 1979, the industry did not suffer an absolute decline in the demand for its products as evidenced by the growth of its output\*. Hence, we did not find that employment had been adversely affected due to falling demand. Our models were also unable to detect any significant independent effect of declining international competitiveness on clothing industry employment up to 1979. Our results based on data up to 1981 suggest that declining competitiveness was beginning to become a significant factor towards the end of the period. We also found that non-wage labour costs exerted an important negative influence on employment but one that was apparently declining towards the end of the period (the largest increases in non-wage costs were experienced in the mid-1970s). Finally, we found some evidence that plant and machinery had been substituted for labour. This may itself have been brought about to some extent by rising relative costs of labour to capital but we have not examined this question ourselves.

In closing, we reiterate the point that extension of the data period to take in the severe employment contractions of 1980 and 1981 makes the task of modelling employment movements more difficult and hence that the model estimates become less robust. These estimates indicate even stronger effects for real minimum wage movements and capital substitution, and a role for international competitiveness. However, we would not claim that these findings are appropriate for the 1950-79 period for which our earlier reported results stand. ■

\* Clothing industry output has grown more slowly than output of the economy as a whole, however.

## SPECIAL FEATURE

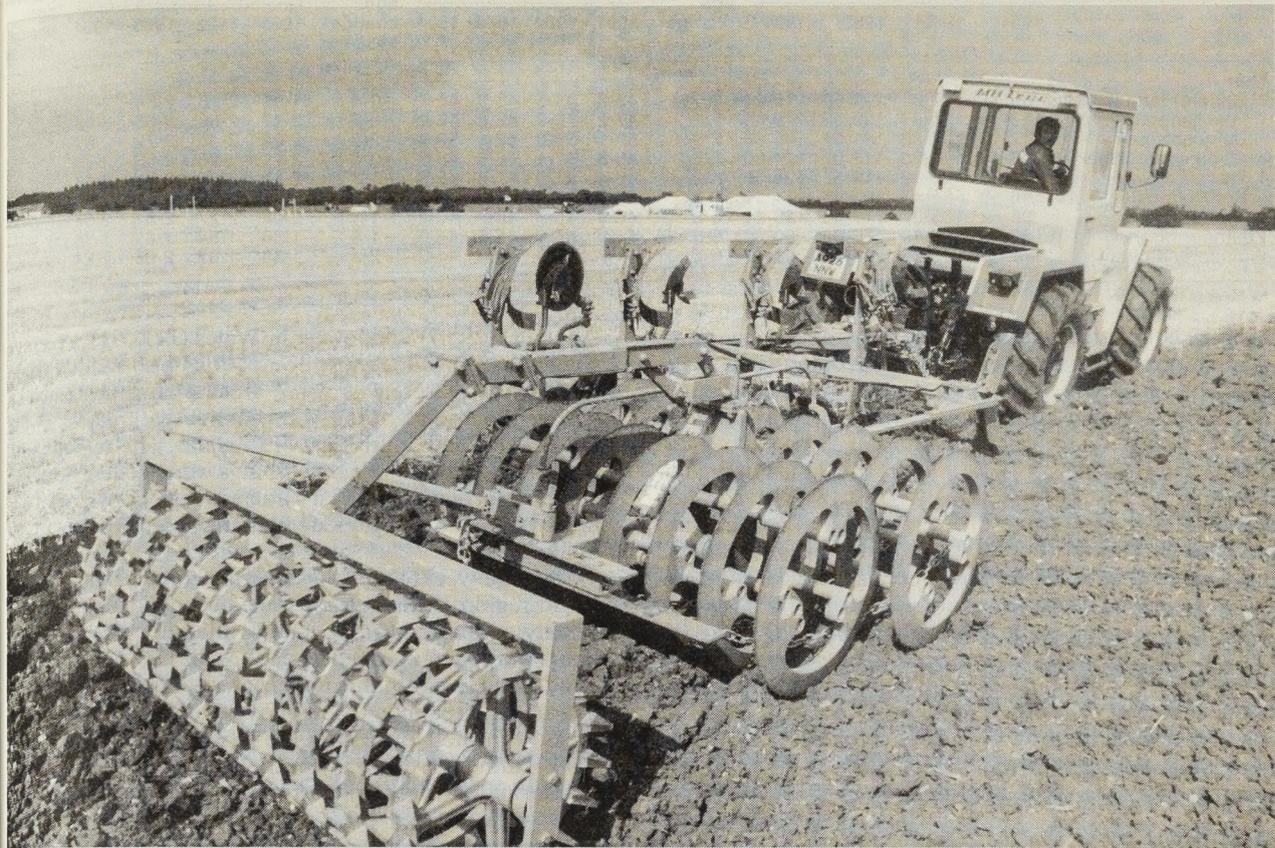


Photo: Farmers Weekly.

## Agricultural workers in Great Britain earnings and hours in 1984

This article provides details of the earnings and hours of full-time hired agricultural workers in Great Britain in 1984. The results obtained are based on a regular series of investigations of statistically selected farms carried out by officers of the agricultural departments.

□ In 1984, the gross weekly earnings of adult male workers employed full time in agriculture in Great Britain averaged £123.11. Earnings varied considerably according to occupation; and ranged from £111.90 for horticultural workers to £149.45 for foremen and grieves. This dispersion reflects different levels of skill as well as variations in the number of overtime hours worked. Regular full-time youths and female workers are estimated to have earned an average of £80.20 and £93.47 respectively during 1984.

Average earnings and hours of full-time hired agricultural workers for the period 1981 to 1984 with percentage changes between 1983 and 1984 are shown in table 1. For full time men the rise in average weekly earnings was 5.2 per cent with increases ranging from 2.8 per cent for dairy cowmen to 10.3 per cent for horticultural workers. Taking all hired men together, hours decreased by 1.1 per cent with changes according to the type of worker ranging from a fall of 2.3 per cent for dairy cowmen, probably reflecting the introduction of milk quotas, to a rise of over one per cent for horticultural workers. The combined effect of

changes in weekly earnings and hours worked means that the increase in hourly earnings ranged from 5.5 per cent for dairy cowmen to 8.9 per cent for horticultural workers. The hourly earnings of youths are estimated to have increased by 7.2 per cent and of females by 8.7 per cent between 1983 and 1984.

The percentage distribution of regular full-time men by earnings band in 1984 is shown in table 2 and a comparison with 1983 is made in the chart. Around three-quarters of these workers earned £100 or more per week compared to two-thirds in 1983. The proportion of these workers earning more than £150 per week rose from 15 per cent in 1983 to 18 per cent in 1984. Thus there was an increased concentration of earnings within the range £100 to £150 per week: the proportion of these workers whose earnings fell between these points rose from 52 per cent to 58 per cent between 1983 and 1984.

Details of earnings by quarter are given in table 3. There is a pronounced seasonal movement in earnings with a peak being reached for all occupations in the third quarter. This is particularly noticeable for those occupations associated



































































