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Thursday 22 June 2017

Low wages are 'return to pre-industrial Britain', says Bank of England economist

Andy Haldane says rise in self-employment and drop in union membership mirrors weak workforces of pre-1750 era

Workers picking strawberries in Devon; flexible, artisanal work was common in centuries past, says Andy Haldane. Photograph: Phil Clarke Hill/Corbis via Getty Images

The lack of wage growth in Britain's economy is the result of turning the clock back to the days before the Industrial Revolution when there were no trade unions and self-employment was rife, the chief economist of the Bank of England has suggested.

Andy Haldane said the current relationship between pay and employment had more in common with the period between 1500 and 1750 than in the subsequent period, because in the post-1750 era, collective bargaining and the expansion of full-time paid employment meant workers were able to secure generous pay awards when labour was scarce.

> "The move towards greater self-employment and less unionisation is, in some respects, a shift back to the future in the nature of work," Haldane said, harking back to the days before James Watt, a key figure in the emergence of the steam engine, and other pioneers began the transformation of Britain's largely agrarian economy.
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> "Prior to the Industrial Revolution, and indeed for some years after it, most workers were self-employed or worked in small businesses. There were no unions. Hours were flexible, depending on what work was needed to collect the crops, milk the cows or put bread on the table. Work was artisanal, task-based, divisible."

Haldane, whose speech revealed differences with the Bank's governor, Mark Carney, over interest rates, said the read-across from pre-industrial Britain to the 21st century was not exact but that there were parallels with today's gig economy. He added that there was evidence that changes in the nature of work had been a factor in explaining why wage growth was running at just 2% at a time when unemployment was the lowest since the mid-1970s.

The chief economist said a period of "divide and conquer" had left workers less able to bargain for higher wages.

"There is power in numbers. A workforce that is more easily divided than in the past may find itself more easily conquered. In other words, a world of divisible work may reduce workers' wage-bargaining power."

James Watt was instrumental in ushering in the Industrial Revolution. Photograph: Getty Images

Trade union membership has declined from 38% of employees in 1990 to 23% in 2016, and Haldane noted that the downward trend was likely to continue.

"The fact that unionisation rates have been falling within each age cohort over time, and are lowest among the young, suggests the downward trend in rates of unionisation may still have some distance to travel.

"For example, if unionisation rates were to continue to decline at the same average rate as over the past decade, then they are likely to fall to around 10% of employees, or 3 million people, within a generation."

Self-employment had increased from 8% of the workforce in 1980 to almost 15%, or about 4.25 million people. Only one in six of the self-employed hired other workers compared with 30% in 1990.

The number of people on zero-hours contracts had increased from 170,000 (0.6% of those in employment) in 2010 to almost 1 million workers (3% of employees) by 2016. At the current rate of expansion, employees on zero-hour contracts would reach about 7% within a decade.

Haldane said:

"Gigging can be fun for some. But not everyone wants to be a roadie when it comes to the world of work."