

CHARACTERISTICS OF THE LOW PAID AND LOW SKILLED

1 INTRODUCTION

- 1.1 This report will support the workstream on the low paid and low skilled client group, which will contribute towards the development of an employability framework for Scotland. It presents:
 - the key findings from a review of the academic literature on low paid and low skilled and
 - some findings from our analysis of data for Scotland.
- 1.2 From the outset, it is important to be clear that the two groups should to be considered separately. Whilst there is overlap between these two client groups, they are not synonymous. Low skilled workers do feature within the low paid group but not all low skilled workers are low paid and most low paid workers are not low skilled. Consequently, low skill and low pay are considered in separate chapters, with an additional section that considers the overlaps between the two groups.
- 1.3 The section on the low paid provides a definition for low pay, considers the measurement of low pay, presents an overview of the characteristics of the low paid and of low paid jobs, and explores the mobility into and out of low pay. Whilst the emphasis of the chapter is upon low pay in relation to employability, there is a section on the relationship between low pay and poverty, and a brief discussion of the impact of the national minimum wage.
- 1.4 The section on the low skilled group provides an overview of the complexities involved in measuring skill levels. It considers measurement of basic skills but the focus is on skill level measured by academic or vocational qualifications. We describe the characteristics of individuals in this group, as well as the characteristics of low skilled jobs.
- 1.5 The final section presents a brief overview of the relation between low pay and low skill. It highlights the similarities and differences between the two groups. It notes that most of the low paid group are not low paid, before concluding that low pay and low skill should be considered as separate concepts.

2 LOW PAID CLIENT GROUP

2.1 Definition of Low Pay

- 2.1.1 There is no single definition for low pay as different organisations use different criteria and thresholds. Some authors define low pay with respect to individual or family needs and consider low pay to be 'pay that is too low to allow a worker and their dependents to be free of poverty without

means-tested support'.¹ However for our current purposes we define low pay in relation to wages.

2.1.2 The Organisation for Economic Co-operation and Development (OECD) defines the low pay group as those who work more than 15 hours per week and receive an hourly wage less than two-thirds the median wage in their country of residence. For this paper, we consider low pay to be two thirds of the median earnings.

2.2 Measurement of Low Pay

2.2.1 The data from our own analysis on earnings comes mainly from the three sources described below. Note that the first two do not have information on income, net of taxes and benefits.

a. Annual Survey of Hours and Earnings

The preferred source for pay statistics is the Annual Survey of Hours and Earnings (ASHE). The ASHE uses a large sample of employee jobs and provides accurate earnings information from employers' payroll databases. The ASHE is carried out in April each year with the results being made available approximately six months later. The ASHE, introduced in 2004, uses new methodology which improves upon that of its predecessor the New Earnings Survey (NES). In 2004 supplementary surveys were included in the ASHE to improve the coverage at the low end of the pay distribution, so that the ASHE could be appropriately used as the basis for low pay estimates. Currently the ASHE estimates are available from 1998. This dataset does not have much detail on personal characteristics beyond age and sex so other sources need to be used.

b. Labour Force Survey

The Labour Force Survey (LFS) has a slightly smaller sample size than the ASHE but is completed quarterly and provides more information on the characteristics of those sampled. There is also an annual dataset, which was enhanced in 2003 to improve estimates and provide data at a more detailed level. This annual dataset is called the Annual Scottish Labour Force Survey (ASLFS) 2003. It is a survey of approximately 28,000 households in Scotland. The LFS earnings information comes from the individual (or their proxy) and not from official records. The LFS tends to understate earnings, partly because of the reliance on recollection and proxy responses.

c. British Household Panel Survey

British Household Panel Survey has more accurate earnings information than the LFS. It follows the same people and allows the movement of individuals

¹ Howarth, C. and Kenway, P. (2004) Why worry any more about the low pay. Retrieved from the World Wide Web (22/12/04): <http://www.npi.org.uk/reports/low%20pay.pdf>

in and out of low pay. The survey size is low in Scotland and the other surveys provide more robust samples.

2.3 The Size of the Low Paid Group in the UK and Scotland

2.3.1 For illustrative purposes, low pay is considered as two-thirds of the median wage. The monetary value associated with this definition will depend upon the survey upon which the measurement is based.

2.3.2 If the ASHE survey is used then low pay threshold might be considered as £5.77. If the LFS is used, the threshold for low pay is £4.88.

2.3.3 Table 2.1 shows the dispersion of earnings across Scottish employee jobs and is based on values from the ASHE survey. Twenty-one per cent of the employee jobs are paid below £5.75 per hour, which is close to the low pay threshold of £5.77 per hour. The table shows that at this point the number people considered as low paid is fairly sensitive to the threshold chosen. Adjusting the threshold by 25 pence either way would change the number of low paid by approximately 70, 000.

Table 2.1: Employee jobs at different levels of pay

All Employees (Scotland)		
Less than	Cumulative Thousands	Cumulative Percent
£4.50	72	3.2
£4.75	172	7.6
£5.00	243	10.8
£5.25	329	14.6
£5.50	401	17.8
£5.75	475	21.1
£6.00	549	24.4
£6.25	617	27.4
£6.50	679	30.1
£6.75	742	32.9
£7.00	799	35.4
£7.25	857	38.0
£7.50	916	40.6
£7.75	976	43.3
£8.00	1030	45.7
£8.25	1082	48.0
£8.50	1128	50.0

Source: ASHE 2004 (including supplementary surveys)

- 2.3.4 There are between 6.5 and 7 million people low paid in the UK, which equates to 1/3 of working females and 1/5 of working males². The ASLFS 2003 estimates that 20 per cent of employees (414,000) in Scotland were paid below the ASLFS 2003 low pay threshold of £4.88. The ASHE 2004 estimates that 22 per cent of employee jobs (486,000) in Scotland were paid below the ASHE 2004 low pay threshold of £5.77.
- 2.3.5 At 22 per cent of employee jobs, the incidence of low pay is higher in Scotland than most OECD countries. In Denmark fewer than 10 per cent of employees are low paid. However, the incidence of low pay in the US is higher (more than 30 per cent of employees).
- 2.3.6 This is in part associated with a higher employment rate in the UK compared to other countries, which means that more of the marginal workers are low paid rather than being unemployed.

2.4 Characteristics of Low Paid Jobs

2.4.1 Industry

Figure 2.1 shows the percentage of employee jobs in each industry that are low paid. The sector that has the greatest percentage of total employee jobs that are low paid is the distribution, hotels and restaurants sector. The agriculture and fishing sector also has a high percentage of employee jobs that are low paid.

Figure 2.1: Percentage of employee jobs with low pay by major industry sector

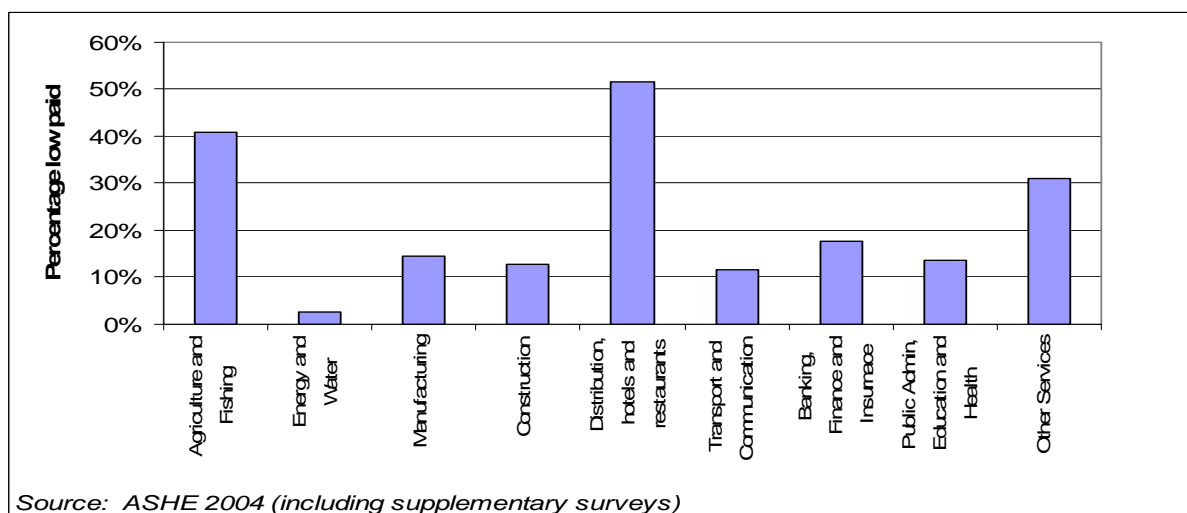
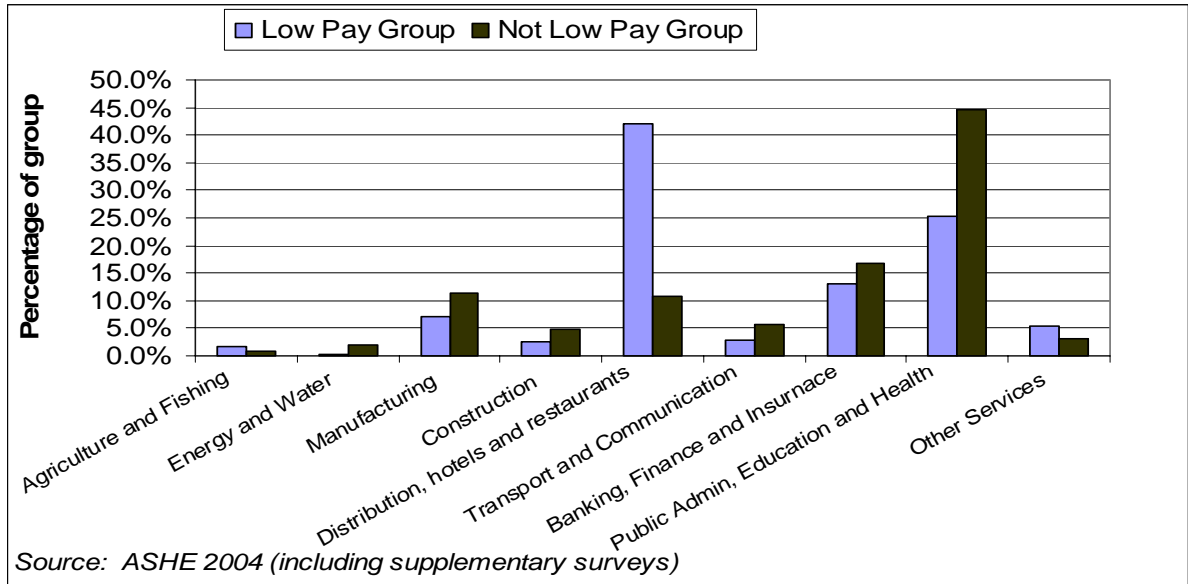


Figure 2.2 shows the distribution of the low pay group and the not low pay group over the major industry sectors. The low paid group is largely employed within distribution, hotels and restaurants, as well as public

² Howarth, C. and Kenway, P. (2004) Why worry any more about the low pay. Retrieved from the World Wide Web (22/12/04): <http://www.npi.org.uk/reports/low%20pay.pdf>

administration, education and health. It should be noted, that public administration, education and health organisations also employ the largest number of those that are not low paid.

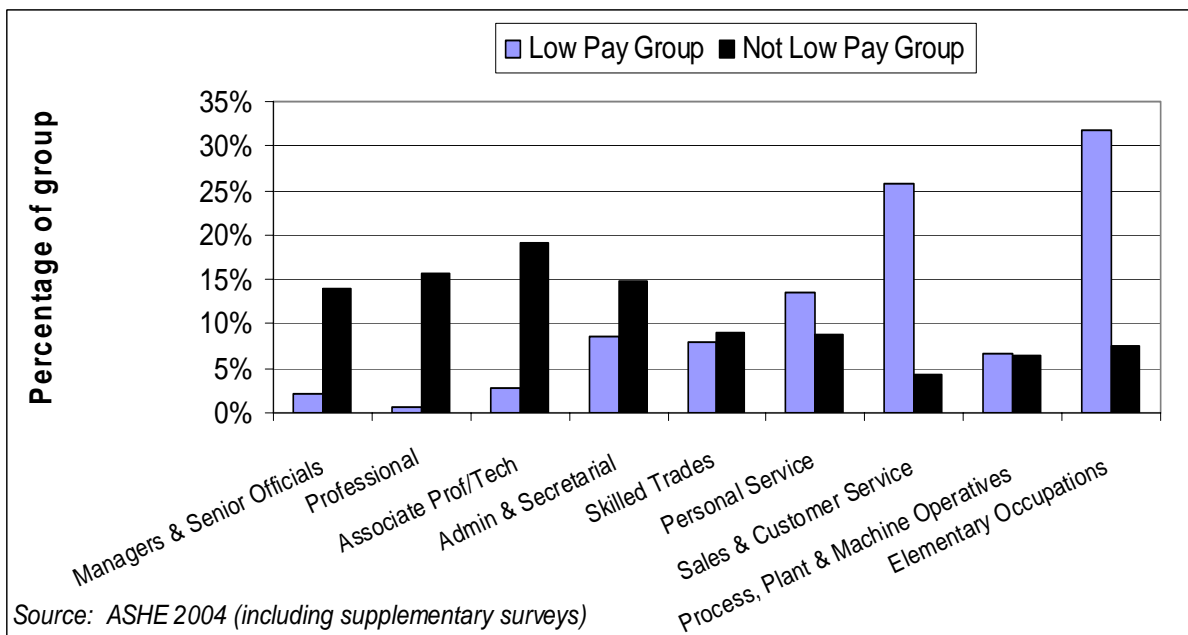
Figure 2.2: Distribution of low pay group by major industry sector



2.4.2 Occupation

The occupations in the low pay group and not low pay group are presented in figure 2.3. The low pay group is dominated by the lower skilled professions such as elementary occupations.

Figure 2.3: Distribution of people that are low paid by major occupation group



2.4.3 Condition of Employment

Part-time jobs are more likely to be low paid than those that are full-time. The ASHE 2004 estimates that 46 per cent of part-time employee jobs are low paid compared to 13 per cent of full-time employee jobs. Furthermore, 79 per cent of these low paid part time employee jobs are filled by women.

It is to be expected that low paid workers are more likely to work fewer hours. For higher paid workers there is an incentive to work more hours and use the income to purchase services such as childcare, gardening etc.

The ASLFS 2003 estimates that those in temporary employment are slightly more likely to be low paid (29 per cent) than those in permanent employment (19 per cent).

2.4.4 Trade Unions

The Labour Force Survey estimates that 17 percent of those in the low paid group are members of a trade union or staff association compared to 36 percent of those that are not low paid.

2.4.5 Length of Continuous Employment

Figure 2.4 shows the percentage of people in each time band that are low paid. This broadly shows that as time in employment increases, the likelihood of being low paid decreases. This is in part explainable through two factors: a) pay rises with experience and b) people are more likely to quit a low paid job.

Figure 2.4: Percentage of people with low pay by time in continuous employment

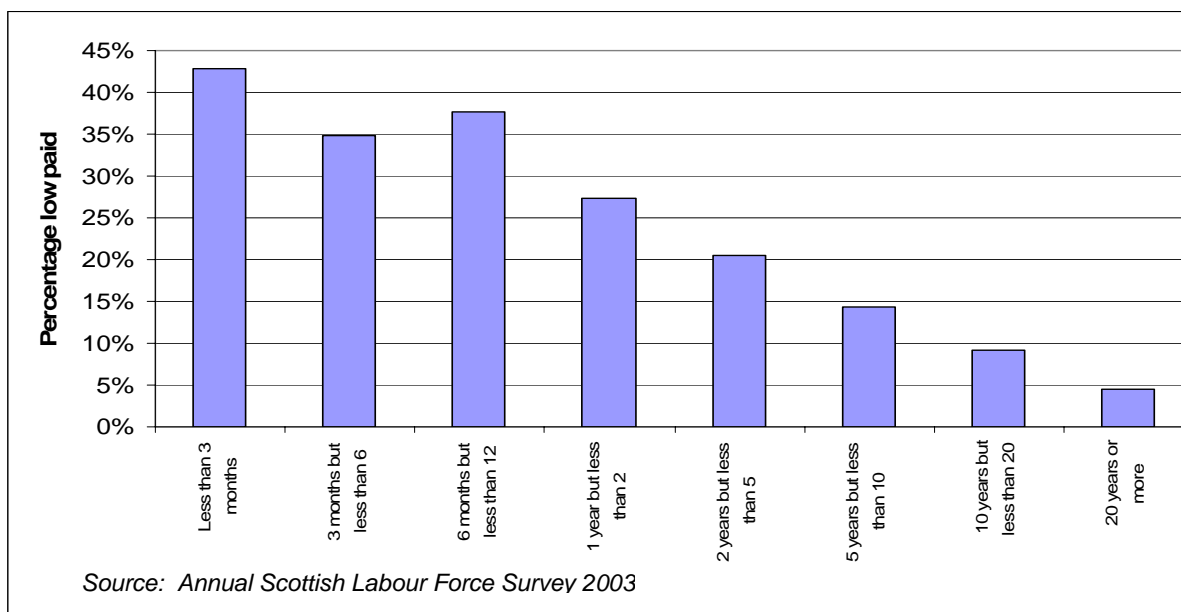
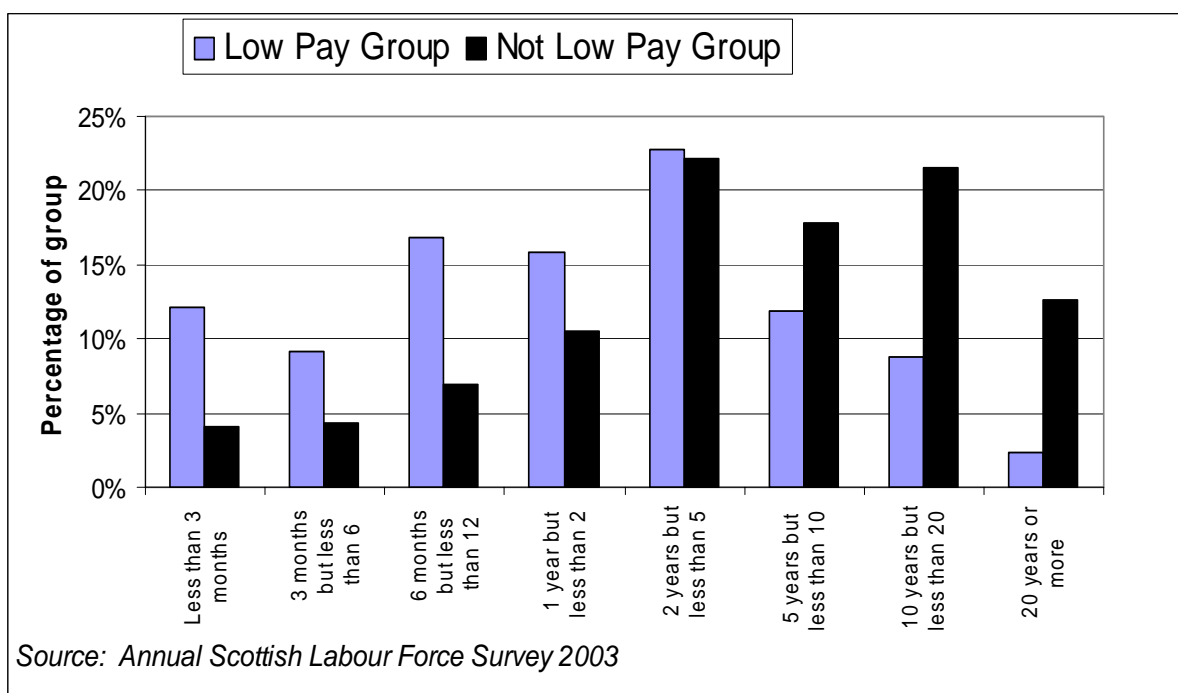


Figure 2.5 shows the distribution of the low paid group continuously employed for differing amounts of time. The percentage of individuals in the low paid group is highest when the length of employment has been between 2 and 5 years. This percentage falls as the length of employment increases.

Figure 2.5: Distribution of low pay group by time in continuous employment



2.4.6 Training and the Low Paid

People in low paid jobs are less likely to have engaged in any job-related and educational training within the last 13 weeks: 28 per cent compared with 35 per cent of those above the threshold. Females in the not low pay group were more likely to undertake training (39 per cent) than their counterparts in the low pay group (25 per cent). Thirty-three per cent of males in the not low pay group undertook training compared to 35 per cent in the low pay group.

If this is indicative of the long-term training opportunities provided by employers then the low paid client group might be considered to have less opportunity (than those who are not low paid) to develop skills that would facilitate the movement into higher paid employment.

2.5 Characteristics of People in the Low Paid Group

2.5.1 Gender

There is a higher probability of females being in low paid jobs than there is of males. The ASHE 2004 estimates that two thirds of low paid employee jobs in Scotland are filled by females and one third of low paid employee jobs in Scotland are filled by male. The difference between men and women is greatest for part-time employee jobs, with the majority (79%) of low paid part-time employee jobs being filled by females. Though this is not surprising since 80% of part-time workers are women.

The gender gap³ in pay for the UK has changed over the last few decades. In 1968 women were six times more likely to be low paid than men, whereas in 1994 women were only twice as likely to be low paid in comparison to men.

The gender pay gap continues to narrow in the UK and Scotland. ASHE 2004 estimates that women's median hourly pay was 84 per cent of men's in the UK. The gender pay gap in Scotland is smaller than that of the UK with women's median hourly pay at 89 per cent of men's in 2004.

The gender gap is measured by the median hourly pay excluding overtime for full-time employees. This measure provides a useful comparison between the earnings of women and men but it does not indicate differences in rates of pay for comparable occupations.

2.5.2 Age⁴

In 1968, low pay in the UK was more prevalent in young men with more than half of those being aged between 16 and 17 years. By 1994 this had declined sharply with only 10 per cent of the low paid group being aged between 16 and 17 years. This decline is attributed to the decline in the number of individuals aged between 16 and 17 years old that are in employment, which is associated with more individuals in this age remaining in full-time education. The number of low paid individuals between 25 and 49 years old almost quadrupled between 1968 and 1994.

Table 2.2 shows that this trend has continued in Scotland in 2004 with only 7.8 per cent of the low paid group being aged between 16 and 17 years old. At the other end, a fifth of the low paid group are 50 years and over. These percentages are driven by the number of paid employees in each age group.

³ Information on the gender gap is based on Stewart, M. B. (1999) Low Pay in Britain. In P. Gregg and J. Wadsworth (eds.) The State of Working Britain, Manchester University Press. Pages 249-258.

⁴ Unless otherwise indicated, information in this section is sourced from: Stewart, M. B. (1999) Low Pay in Britain. In P. Gregg and J. Wadsworth (eds.) The State of Working Britain, Manchester University Press. Pages 249-258.

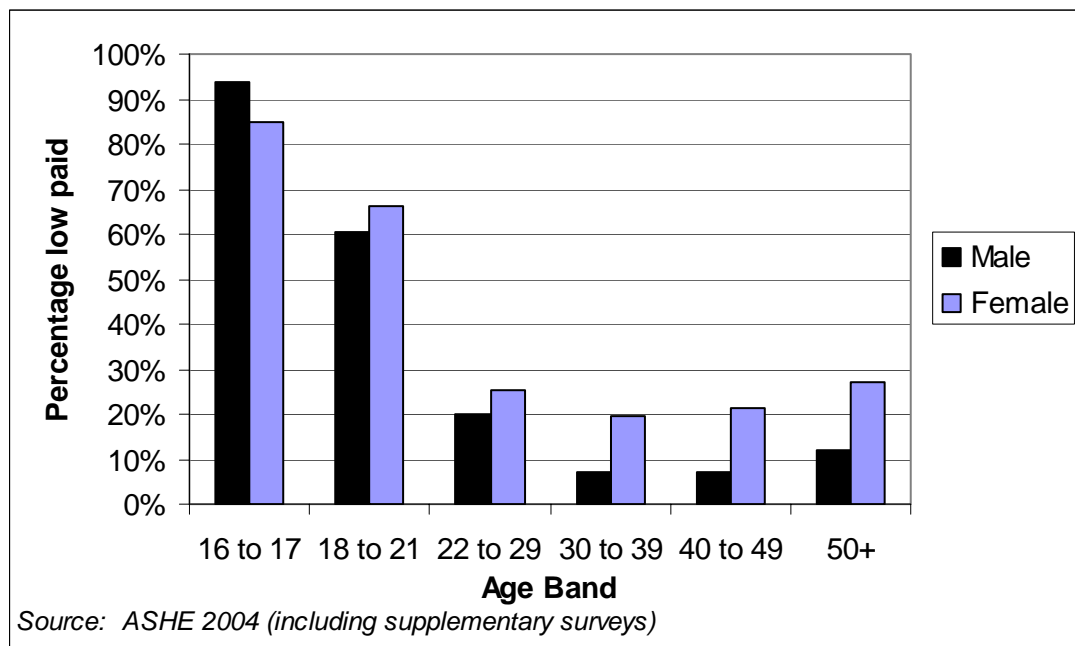
Table 2.2: Distribution of low paid group by age band

Age Group	Male low paid group	Female low paid group	All
16 to 17 year olds	12.3	5.3	7.8
18 to 21 year olds	27.9	15.0	19.6
22 to 29 year olds	18.4	15.2	16.3
30 to 39 year olds	11.4	19.1	16.4
40 to 49 year olds	11.7	21.9	18.3
50+ year olds	18.4	23.5	21.7

Source: ASHE 2004 (including supplementary surveys)

Figure 2.6 shows a very strong relationship between low pay and age. The probability of being low paid drops after the age of 21.

Figure 2.6: Percentage of people with low pay by age band



The younger cohorts will be dominated by students and those on training rates, who are expected to move onto a higher level of pay on completion of training. Thus it is useful to consider the structure of the low paid group that are over 22 years old and are not on training rates. The ASHE 2004 estimates that 17 per cent (330,000) of employee jobs held by those over 22 years old in Scotland were low paid. When considering those jobs held by over 22 year olds compared to all employee jobs the types of jobs held do not differ i.e. the distribution, hotels and restaurants sector still has the highest incidence of low pay etc.

2.5.3 Marital Status and Family Structure

Single people in the UK and Scotland are more likely to be low paid than those who are married, separated, widowed or divorced. The ASLFS 2003 estimates that 31 per cent of single people in Scotland are low paid compared to 14 per cent for those who are married, separated, widowed or divorced. This will be associated to age, as more young people will fall into the single category.

2.5.4 Ethnicity

The ASLFS 2003 estimates that 30 per cent of minority ethnic working-age employees are low paid compared with 20 per cent of white working-age employees. The differences are stark for men; 34 per cent of minority ethnic male employees are in the low pay group compared with 14 per cent of white male employees.

2.5.5 Urban/Rural

ASHE 2004 estimates that 27 per cent of employees working in rural areas in Scotland⁵ are low paid compared to 20 per cent in urban areas. The differences for women are more marked with 34 per cent of female employees working in rural areas in the low paid group compared to 24 per cent of female employees working in urban areas.

2.5.6 Household Tenure

The majority of those who are low paid (and those who are not low paid) are buying their house with a mortgage or loan (see table 2.3). Although a smaller percentage of the low paid group are currently buying their house with a mortgage or loan.

Table 2.3: Household Tenure

Household Tenure	Percentage of low paid	Percentage of not low paid
Owned outright	13	12
Being bought with mortgage/loan	51	72
Rented	34	15
Other*	2	1

Source: Annual Scottish Labour Force Survey 2003/04

**Other includes rent free and part rent/part mortgage*

⁵ The following Local Authority areas in Scotland are considered to be rural: Aberdeenshire, Angus, Argyll & Bute, Dumfries and Galloway, East Ayrshire, Eilean Siar, Highland, Moray, Orkney Islands, Perth & Kinross, Scottish Borders, Shetland Islands, South Ayrshire, and Stirling.

A larger percentage of the low paid client group (in comparison to those that are not low paid) are renting property. The majority of people in the low paid group, who are renting, are renting from local authorities, Scottish homes, or new town developments.

2.6 Mobility of People in Low Paid Jobs⁶

2.6.1 The mobility of people into and out of low paid jobs can take a number of different directions. However, this section will focus on the extent to which people move up the earnings ladder and the movement between low pay and no pay.

2.6.2 The Joseph Rowntree Foundation conducted a survey, which explored the movements in and out of low pay between 1991 and 1994⁷. Unless otherwise stated the information in this section is sourced from this study, where low pay is considered as the lower quartile of wage distribution.

2.6.3 Fifty-six per cent of men moving into employment work are low paid.

2.6.4 Those in low paid employment are more likely to move out of employment in the future. Table 2.5 shows the percentage of men and women leaving employment.

Table 2.5 Movements out of employment

Quartile	Proportion of Men Leaving Employment	Proportion of Women Leaving Employment
Bottom	30	33
2 nd	19	25
3 rd	15	15
Top	12	17

2.6.5 The low pay and no pay can be described as a cycle. Those that are low paid are more likely to be out of work in the future and those that are not paid are more likely to be low paid in the future.

2.6.6 It is important to consider that some people will move from not low paid employment into low paid employment. Those are not low paid but were previously low paid, are more likely to become low paid in the future. This probability is lowered with the time spent away from being in the low paid group⁸.

⁶ The statistics on movements in and out of low pay applies across the UK and is not Scotland specific.

⁷ Joseph Rowntree Foundation (1997) Movements in and out of Pay. Social Policy Research 122.

⁸ Stewart, M. B. (1999) Low Pay in Britain. In P. Gregg and J. Wadsworth (eds.) The State of Working Britain, Manchester University Press. Pages 249-258.

2.6.7 In contrast a number of people will move from low paid employment into higher paid employment⁹. Low paid jobs are not a stepping-stone to higher paid jobs over a short period of time. Over a period of one year, low paid individuals have a lower probability of being employed in higher paid jobs than those who were unemployed at the start of the period. However, analysis of earnings transitions revealed that, for over 90 per cent of young men, low pay is a transitory experience. After eight, and more strongly 15, years, most achieve significantly higher earnings status. The following characteristics are associated with transition/non-transition into higher paid employment.

- The longer an individual was low paid, the lower the probability of that individual moving out of the lower paid category.
- Where the low-paid are prime-age or older men, exit from low pay is considerably less likely. Low-paid men over the age of 24 are likely to have been low-paid as young workers.
- In all age groups, the incidence of low pay is higher among women than men and the probability of transition out of low pay are substantially lower for women than they are for men. Where women exit from low pay there is much less progression up the earnings structure than there is for men.
- In all age groups, women who work part-time are vulnerable to persistent low pay. The probability of exit from low pay is reduced by one-quarter when a woman works part-time. There is also a strong likelihood of women, who are employed part-time, moving down into low pay from a higher earnings status.

2.7 National Minimum Wage

2.7.1 The low pay and the low pay client group are often considered alongside the national minimum wage. The national minimum wage was introduced in 1999 and is governed by the national minimum wage act 1998. The national minimum wage was introduced to provide employees with decent minimum standards and fairness in the workplace. It applies to nearly all workers and sets hourly rates below which pay must not be allowed to fall.

2.7.2 The level of the national minimum wage has been changed a number of times since the introduction of the national minimum wage and are set at different levels for those between 18 and 22 years old and those over 22 years old (see table 2.). In October 2004 a rate of £3.00 per hour was introduced for 16 to 17 year olds.

⁹ Information on the people that move into higher paid employment comes from Stewart, M. B. (1999) Low Pay in Britain. In P. Gregg and J. Wadsworth (eds.) The State of Working Britain, Manchester University Press. Pages 249-258.

Table 2.6: National Minimum Wage

16-17		18-21		Over 22	
Period	Amount	Period	Amount	Period	Amount
		04/99 - 05/00	£3.00	04/99 - 09/00	£3.60
		06/00 - 09/01	£3.20	10/00 - 09/01	£3.70
		10/01 - 09/02	£3.50	10/01 - 09/02	£4.10
		10/02 - 09/03	£3.60	10/02 - 09/03	£4.20
		10/03 - 09/04	£3.80	10/03 - 09/04	£4.50
10/04 present	£3.00	10/04 present	£4.10	10/04 present	£4.85

- 2.7.3 It is estimated that between 1.1 and 1.5 million people in the UK were previously paid below the national minimum wage.¹⁰ The greatest beneficiaries of the national minimum wage have been women, part-time workers, young people and some ethnic groups.
- 2.7.4 The NMW has an impact on only the extremely low paid and does not make any difference to the bulk of those that are low paid in the UK¹¹. This is because the threshold for low pay is higher than that of the national minimum wage. There are a number of workers who are considered to be low paid, who are being paid over and above the national minimum wage.
- 2.7.5 The national minimum wage does not impact upon the wages of trainees as this group does not necessarily receive the national minimum wage of £4.85. Information from the ASHE 2004 survey shows that 71% of the trainees are considered as low paid.
- 2.7.6 The ASHE shows that the NMW has increased relative to the low pay threshold (2/3 median earnings) since its introduction in 1999. In 1999 the over 22 year olds NMW rate was 73 per cent of the low pay threshold value in that year, this proportion increased to 77 per cent in 2003.
- 2.7.7 There are claims that all the minimum wage does is supplement and increase the second incomes of middle class families, because most low paid workers are not living in poverty. To an extent this is true. However, the rise in wage inequality during the 1980's and 1990's has resulted in a closer link between low pay - low income - and poverty. With a closing link between pay, income and poverty the national minimum wage could prove an effective tool against poverty if it results in a significant reduction of the number of low paid individuals.

¹⁰ [The National Minimum Wage: Building on Success. Fourth Report of the Low Pay Commission \(2003\)](#)

¹¹ Howarth, C. and Kenway, P. (2004) Why worry any more about the low pay. Retrieved from the World Wide Web (22/12/04): <http://www.npi.org.uk/reports/low%20pay.pdf>

2.8 Low Pay and Poverty¹²

2.8.1 Low pay can be considered to be related to low income and poverty. Only 8 per cent of the low paid have wages on their own that are sufficient to avoid poverty. It is important to stress that not all those in the low paid client group will be living in poverty. The low paid group might avoid poverty because of other family members and/or benefits. Many low paid workers live in households with high paid workers and therefore most are not living in poverty. Family structure and the length of time an individual has been low paid will impact upon the likelihood of living in poverty.

- Young single people who are low paid are often prevented from living in poverty as they are supported by the incomes of others in the household (e.g. parents).
- In households with couples, where both people are earning, low paid people will be prevented from living in poverty by partners' earnings, tax credits and benefits.
- Households with couples, where one person is earning, and where that person is on low pay are at a high risk of living in poverty.
- Lone parents are the least likely to be living in poverty if they are low paid. In these circumstances, tax credits and benefits help in avoiding poverty.

3 LOW SKILLED CLIENT GROUP

3.1 The consideration of a low skill client group in relation to employability is potentially complex because the skills of the individual are separate and not necessarily the same as the skills required specifically for the job. Individual skills might also differ from additional skills (which are not job-specific) that could increase the market value of an organisation. In general, the literature considers the measurement of skill independently in two relatively simple ways: the measurement of basic skills such as literacy and numeracy, and the measurement of qualification level. It does not measure the 'soft' or 'non-technical' skills.

3.2 Literacy and Numeracy

3.2.1 One aspect of the low skilled client group, which has been considered in the literature, is basic skills such as literacy and numeracy. The International Adult Literacy Survey (2000) reported that 23 per cent of adults in Scotland had low levels of literacy and numeracy skills. A further 30 per cent of the population were identified as potentially having difficulty in meeting the demands of a 'knowledge society' and an 'information age'.

¹² Information on low pay and poverty is based on UK figures and is sourced from the following article: Joseph Rowntree Foundation (2004) Low pay, household resources and poverty. Social Policy Research, N64.

- 3.2.2 The characteristics that are associated with those with low literacy and numeracy skills are: having left school at 16 or earlier; being on a low income; being in a manual social class group; living in an economically disadvantaged area; being over the age of 55; having a health problem or disability affecting, learning, speech, sight or hearing; and gender.
- 3.2.3 The improvement of literacy and numeracy skills has the potential to better equip individuals for the 'knowledge society' or 'information age'. However, the impact of these improved skills on employability is limited, particularly for those working in low skilled jobs. Those working in low skilled jobs have little opportunity to use literacy and numeracy skills¹³, thus the benefits of having these basic skills in a low skilled job are minimal. That is not to say that literacy and numeracy skills are not important within employment.
- 3.2.4 There are a number of employers who consider literacy and numeracy to be important basic skills. The Adult Literacy and Numeracy Scotland Report indicates that a third of employers report that there are increasing demands made on literacy and numeracy skills and that these demands are likely to continue to increase over the next five years. Furthermore, a fifth of employers believe that poor or moderate literacy and numeracy skills have been a barrier to productivity.
- 3.2.5 The Skills for Life Survey¹⁴ produced by the Department for Education and Skills considers numeracy and literacy skills in relation to employment but these figures relate to England and not to Scotland. The main findings of the survey were that the level of literacy and numeracy skills were associated with the level of pay.

3.3 Qualification as a Measure of Skill Level

- 3.3.1 The threshold for skill levels is varied across sources of literature. Some literature considers the low skilled group to consist only of those with no formal qualifications, other sources consider low skill individuals to include those with lower secondary education qualifications and other sources consider the low skilled to include the lower 30 per cent of the education cohort. Unless otherwise indicated, the remainder of this review will consider the low skilled group to include those who have below SVQ level 2 qualifications (i.e. below an intermediate 2 or credit standard grade). Table 3.1 gives equivalents for SVQ levels.

Table 3.1: SVQ Level

SVQ Level	Qualification
SVQ 4	HND/DIP HE
SVQ 3	Higher
SVQ 2	Intermediate 2/Credit Standard Grade
SVQ 1	Intermediate 1/General Standard Grade

¹³ Adult Literacy and Numeracy in Scotland, Scottish Executive website

¹⁴ Department for Education and Skills (2003) The Skills for Life Survey: A national needs and impact survey of literacy, numeracy and ICT skills.

3.4 Measuring skill levels

3.4.1 The Labour Force Survey (LFS) collects information on the qualifications of working age people. For a description see paragraph 2.2.1(b).

3.5 The extent of the low skilled/low qualified group in Scotland

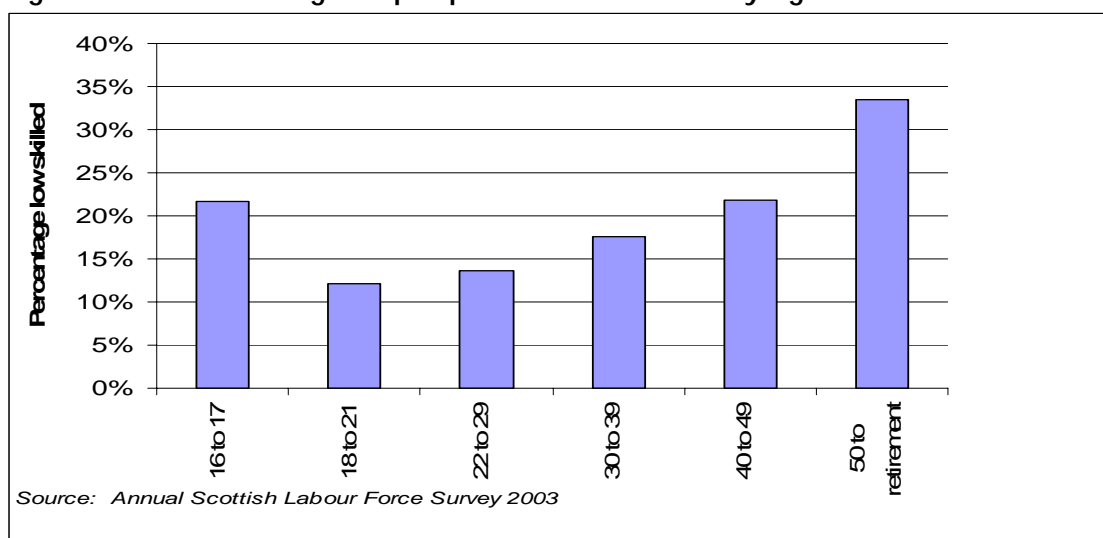
3.5.1 Overall, the education and qualifications of individuals is relatively high. Scotland is ranked 24th out of 74 European regions in terms of higher education qualifications. Nevertheless, there is a proportion of individuals within Scotland who are considered to be in the low skill group. The ASLFS 2003 estimates that 21 per cent of the working age population are low skilled i.e. have qualifications below SVQ level 2.

3.6 The characteristics of the low skilled/low qualified group

3.6.1 Age

Figure 3.1 shows that people aged over 50 are less qualified than those in the younger groups. This may be a result of more varied qualifications and opportunities being made available in recent times.

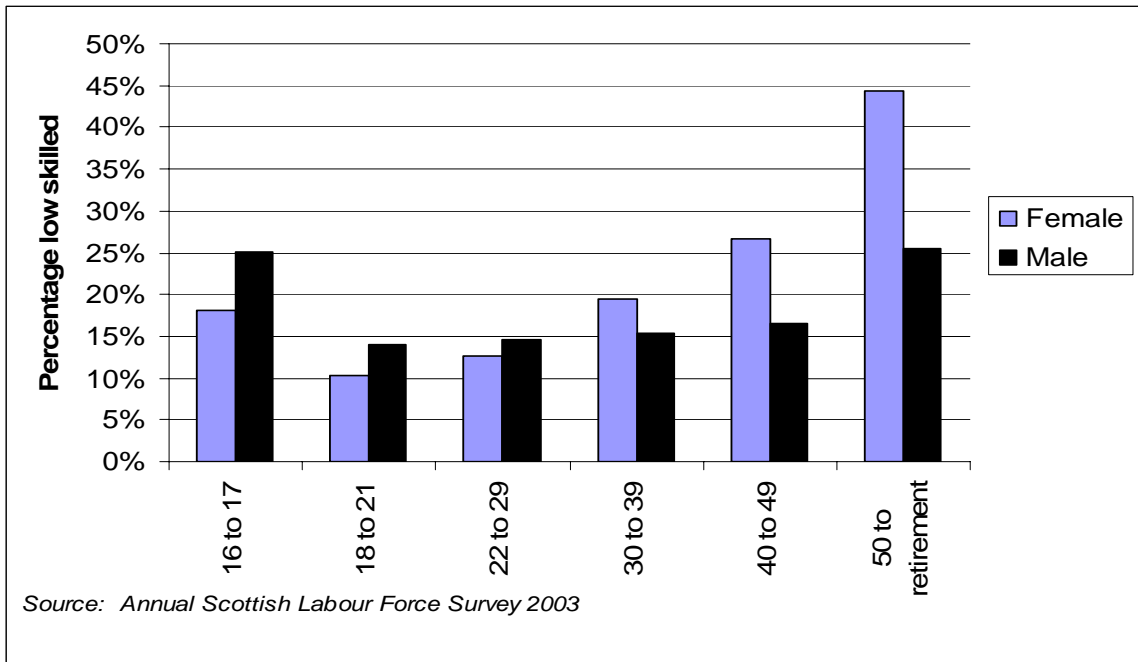
Figure 3.1: Percentage of people with low skills by age band



3.6.2 Gender

3.6.2.1 Twenty-four per cent of working age women fall into the low skilled group compared with only 19 per cent of working age men. However, this pattern is not consistent across all age bands. Figure 3.2 shows that women aged 30 and over are less qualified than their male counterparts but younger women are more skilled relative to men.

Figure 3.2: Percentage of people with low skills by gender and age band



3.6.3 Ethnicity

The ASLFS 2003 estimates that 29 per cent of the minority ethnic working age population are in the low skilled group compared with 21 per cent of the white working age population. The differences are more profound for women; 35 per cent of the minority ethnic working age women are in the low skilled group compared with 24 per cent of the white working age women. However, there is a relatively large proportion of minority ethnic working age women with qualifications that are not recognised in the SCQF.

3.6.4 Household Tenure

The percentages of those with different levels of qualification that are associated with household tenures are shown in table 3.2. The majority of those in the higher skilled category of qualification are buying their property with a mortgage or loan. Those with lower skills are more likely to rent property than those with higher skills. Two-thirds of low skilled people in rented accommodation are in local authority accommodation.

Table 3.2: Household Tenure and Qualification

Household Tenure	Percentage of those with below level 2 qualifications	Percentage of those with level 2 and above qualifications
Owned outright	13	15
Being bought with mortgage/loan	38	63
Rented	47	20
Other*	1	1

Source: Annual Scottish Labour Force Survey 2003/04

*Other includes rent free and part rent/part mortgage.

3.7 The Nature of Low Skilled Jobs

3.7.1 Industry

3.7.1.1 Figure 3.3 shows the percentage of low skilled employed within each of the major industry sectors. Agriculture and fishing has the highest proportion of low skilled workers as defined as those with qualifications below level 2. Energy and water has the lowest proportion of low skilled workers.

Figure 3.3: Percentage of people with low skills by major industry sector

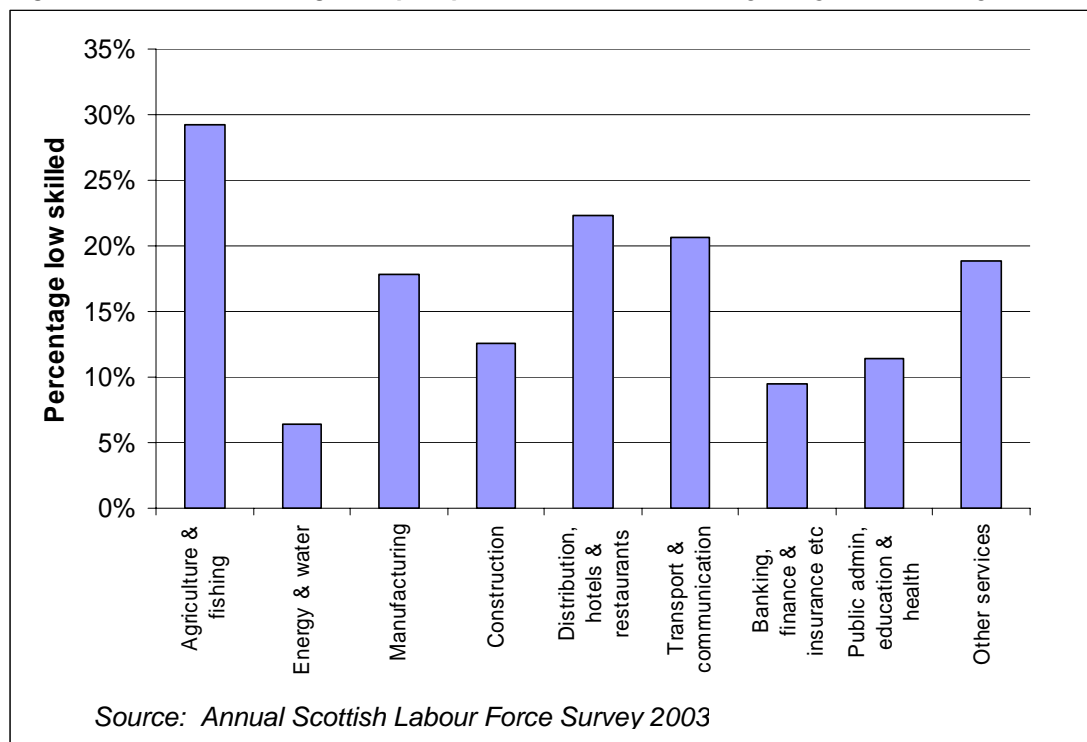
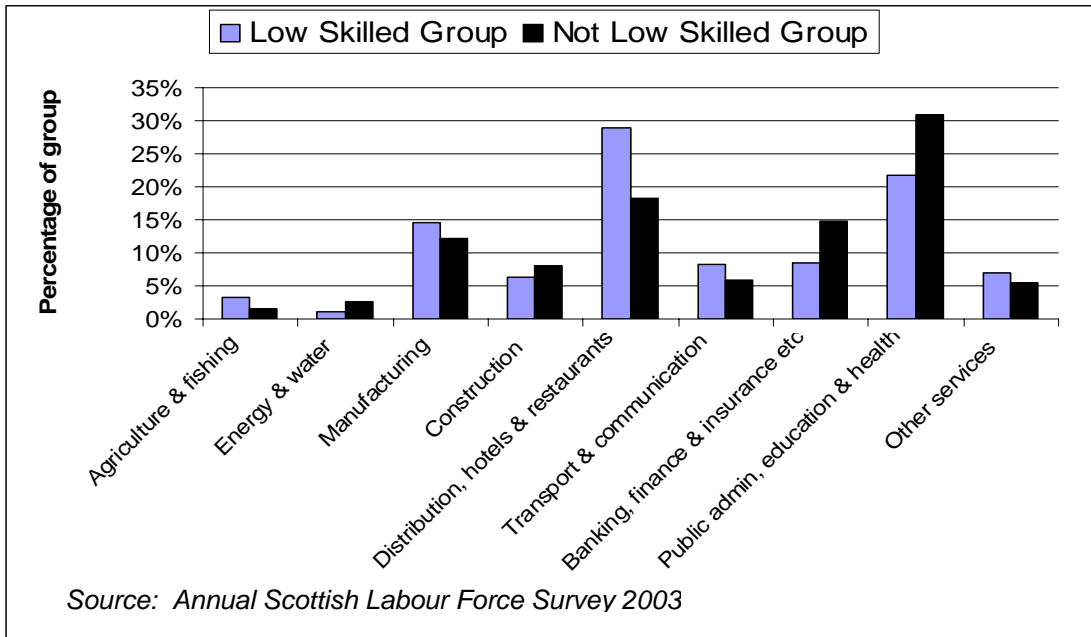


Figure 3.4 shows the distribution of the low skilled group over the major industry sectors. The largest number of low skilled workers are employed in distribution, hotels and restaurants. Agriculture and fishing has the

highest incidence of low qualifications in a small sector, yet this accounts for few of all the unskilled workers.

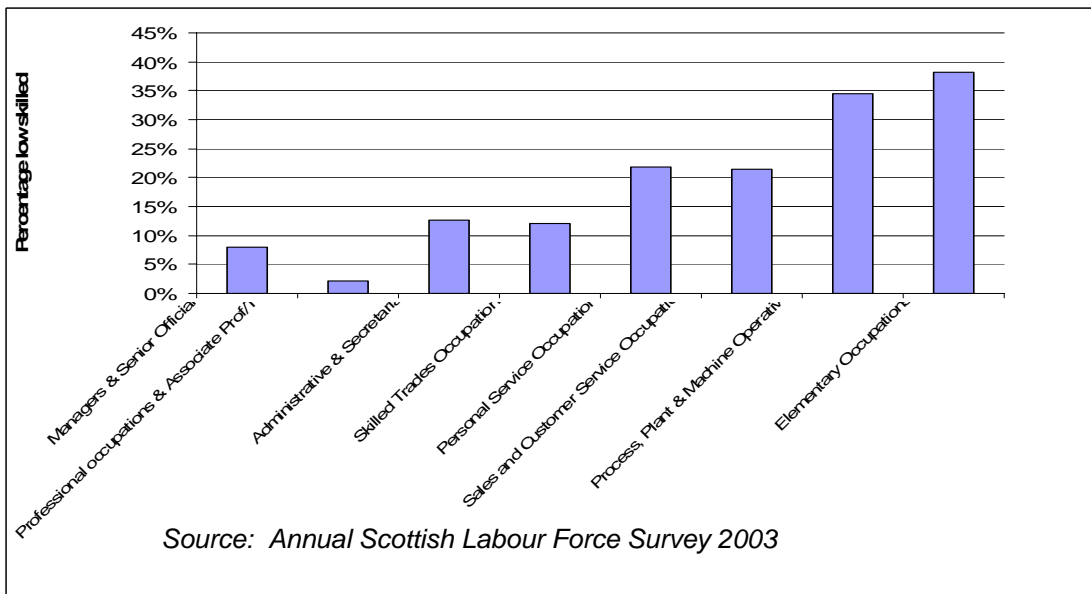
Figure 3.4: Distribution of low skill group by major industry sector



3.7.2 Occupation

Figure 3.5 shows the percentage of low skilled employed within each of the major occupation groups. Professional occupations and Associate professional and technical occupations have the lowest proportion of low skilled workers as defined as those with qualifications below level 2. The elementary occupation group has the highest proportion of low skilled workers.

Figure 3.5: Percentage of people with low skills by occupation



3.7.3 Conditions of Employment

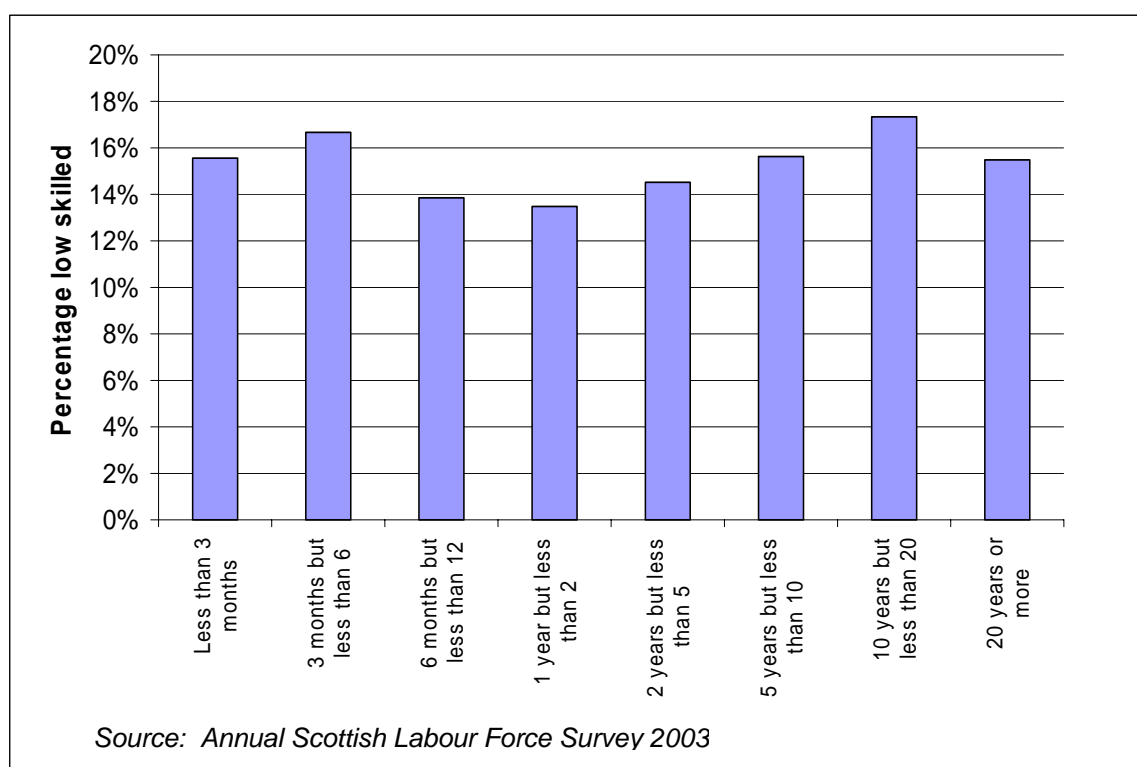
The low skilled are more likely to be in part-time employment than those who are not in the low skilled group. The ASLFS 2003 estimates that 33 per cent of the low skilled group in employment work part time compared with 23 per cent of the not low skill group in employment.

The ASLFS 2003 estimates that 9 per cent of those in a temporary job are low skilled compared to 16 per cent for those in a permanent job.

3.7.4 Length of Continuous Employment

Figure 3.6 shows the percentage of workers with low skills by each time period. This shows that there is little difference in the percentage of low skilled workers for the periods of time in continuous employment.

Figure 3.6: Percentage of people with low skills by time in continuous employment



3.7.5 Progression of People in Low Skilled Group

Sixteen per cent of the low skilled group and 36 per cent of the not low skilled group have engaged in job-related or educational training within the last 13 weeks. However, a larger percentage of those that are low skilled

have received no training than the percentage of those in the not low skilled group that received no training.

The provision of training was measured over a relatively short time. However, if this is indicative of the long-term training opportunities provided by employers then the low skilled client group might be considered to have less opportunity (than those who are not low paid) to further enhance their skills and chances of further employability.

There is little sign of people moving out of the low skill group once they have completed their initial education and training. Although there is evidence of some upgrading in the workforce it is mostly short distance or among people who already have qualifications. Comparing the people aged 20-39 in 1999 with those aged 25-44 in 2004 (i.e. the same people five years later) the proportion with low skills did not change.

3.8 Employment

3.8.1 Table 3.4 shows that the majority of those (53 per cent) who are in the low skilled group (i.e. have qualifications below level 2) are currently in employment. However, a large percentage of the low skilled are economically inactive (40 per cent). Interventions to increase the employability of the low skilled might target the economically inactive. The ASLFS 2003 estimates that 30 per cent of those who are inactive and have low skills want a job.

3.8.2 Table 3.4 also shows that 79 per cent of those that are not low skilled (i.e. have qualifications of level 2 and above) are in employment (79 per cent). This group has fewer economically inactive people (17 per cent) compared to that of the low skill group.

Table 3.4: Economic Activity

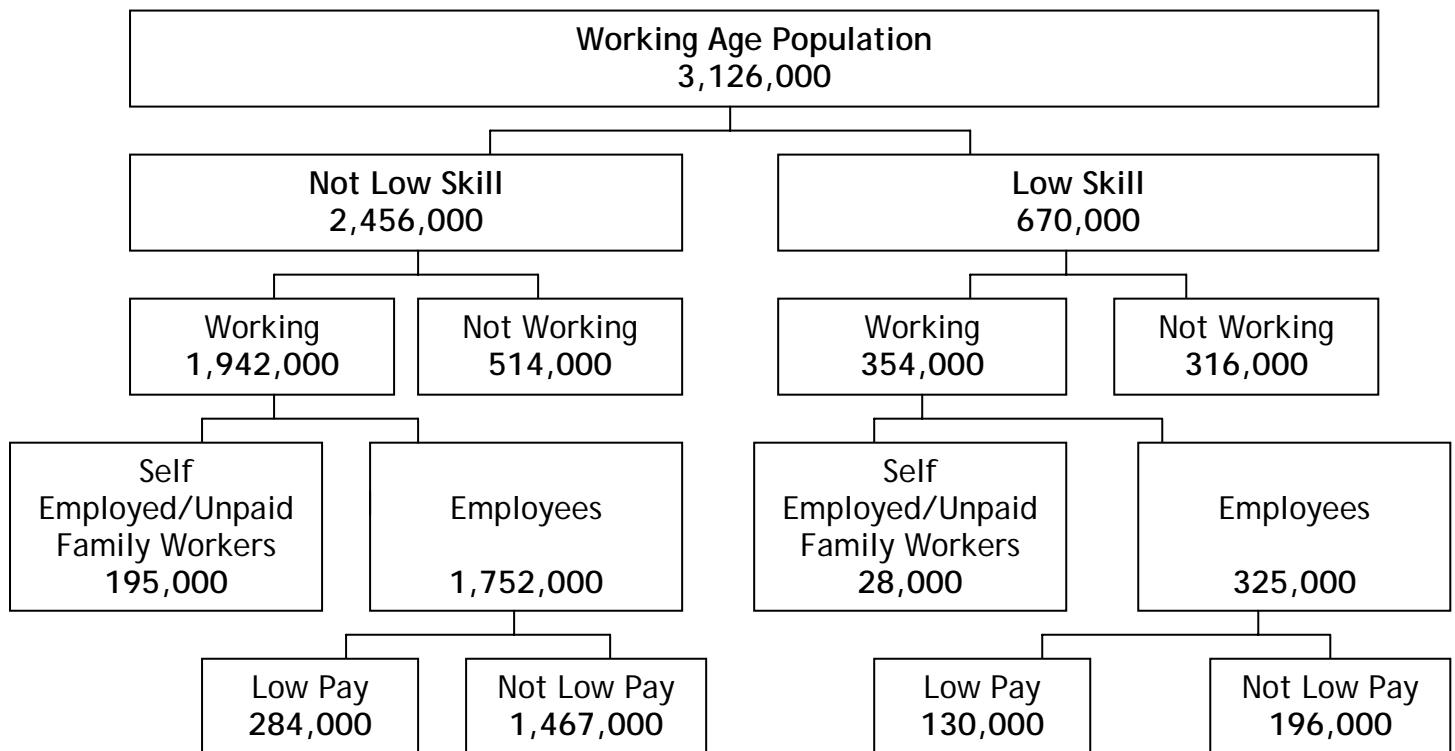
Economic Activity	Percentage of those with below level 2 qualifications	Percentage of those with level 2 and above qualifications
In Employment	53	79
ILO Unemployed	7	4
Inactive	40	17

Source: Annual Scottish Labour Force Survey 2003/04

4 THE RELATION BETWEEN LOW PAY AND LOW SKILL

4.1 Figure 4.1 shows the breakdown of the working population into low skill and then low pay categories. Note that pay information is not available for the self employed. The flow chart shows that 130,000 employees are low skilled and low paid, that is 40% of low skilled employees and 6% of all employees.

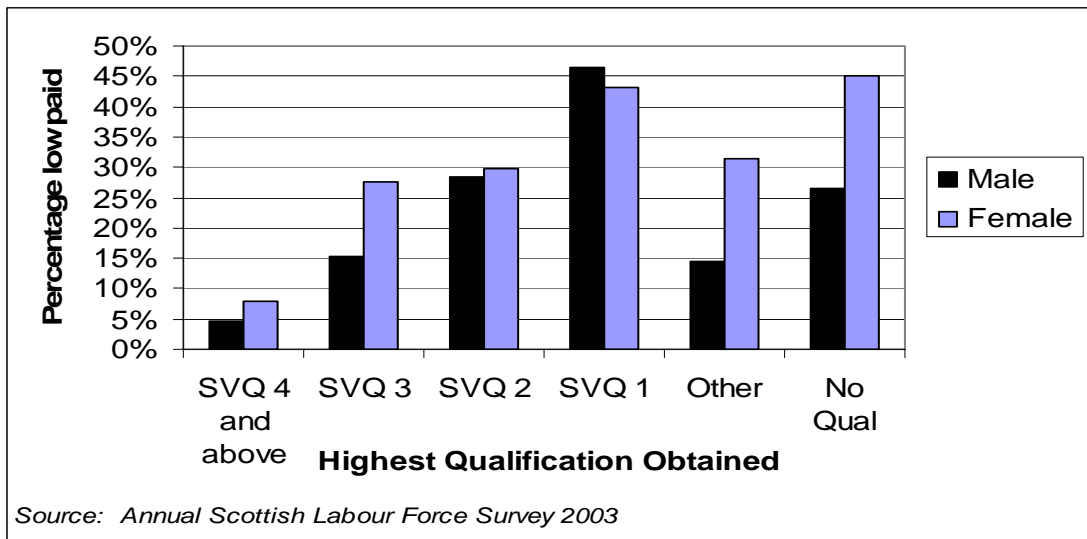
Figure 4.1: Low pay and low skill breakdown



Source: Annual Scottish Labour Force Survey 20003

- 4.2 Low pay and low skill are two separate concepts, with similar components and characteristics amongst those that are employed. A number of characteristics associated with the low paid are also associated with the low skilled (e.g. housing tenure, renting preferences). There are also similarities in the characteristics of the jobs that are obtained by those that are low skilled and those that are low paid (e.g. industry, type of employment).
- 4.3 The higher the level of qualification held by an individual, the less likely that individual is to be part of the low paid client group.
- 4.4 Figure 4.2 shows the percentage of those low paid within the different levels of qualification. Generally, it shows that as qualification level raises the likelihood of being low paid falls. However, males with SVQ level 1 are more likely to be low paid than those with no qualifications. The figure also shows that the chances of being low paid are significantly reduced if a qualification is attained at or above SVQ level 4.

Figure 4.2: Percentage of people with low pay by highest qualification level obtained



- 4.5 The low skilled group do feature in the low paid group. However, it is important to emphasise that the not low skilled group has a stronger presence in the low paid group. Figure 4.1 shows that 284,000 people in the low paid group are not low skilled, that is 69% of the low paid group are not low skilled.
- 4.6 Figure 4.1 shows that 47 per cent of the low skilled group are not working compared to 21 per cent of the not low skilled group. For those that are low skilled and working 40 per cent are low paid compared to 16 per cent for workers with higher skills. That is low skilled workers have a higher chance of being low paid than higher skilled workers. However, the majority of low skilled workers are not low paid.
- 4.7 Despite the similarities and overlap, there are distinct differences between the low skilled and the low paid (e.g. the type of professions, time in employment) and thus low skill and low pay should be considered as separate concepts.