NEW RESEARCH FINDINGS FROM THE CENTRE FOR ECONOMIC PERFORMANCE

New research reports from the Centre for Economic Performance (CEP) at the London School of Economics are highlighted in the autumn issue of CentrePiece magazine (which, like the Chancellor’s autumn statement, uses a loose definition of ‘autumn’).

Among the findings:

**JOB POLARISATION**: ‘Lovely’ jobs for the educated and ‘lousy’ jobs for the low-skilled

**‘SQUEEZED MIDDLE’**: Three decades of declining relative wages for mid-skill workers

**SCHOOL SPENDING**: Increased resources more effective for disadvantaged pupils

**TEACHERS**: Attracting bright graduates requires a better paid, higher status profession

**EATING DISORDERS**: Young women’s peers influence likelihood of being anorexic

**HUMAN RESOURCE MANAGEMENT**: Big potential gains in employee motivation

**BLACKOUT BABIES**: Power cuts in Colombia led to a rise in unplanned births

**ENTREPRENEURIAL SUCCESS**: ‘Smart and illicit’ teenagers show most promise

**GROWTH AND WAGES**: Inequality, not ‘decoupling’, is the real problem

**PUPIL RANKINGS**: Boys better off not going to school with high-performing peers

**Lovely and lousy jobs**

The phenomenon of ‘job polarisation’ is increasing inequality as the labour market splits into high- and low-wage work. According to Alan Manning, who coined the term a decade ago, we cannot ignore job polarisation – but with sensible policies, we can manage it. Aiming for greater equality in the distribution of human capital is as important as ever.

The most compelling explanation for job polarisation lies in the nature of technical progress: machines and software programs have been replacing employees in many routine jobs in the middle of the income distribution. But as Manning explains, while technology will undoubtedly continue to displace humans in some tasks, there is no reason to think that the jobs affected will always be the middle-skill ones.

**Job polarisation has squeezed the American middle class**

Job polarisation has had strong effects on US workers’ relative wages, according to research by Michael Boehm. His study examines whether the decline in manufacturing and clerical jobs has been responsible for the lagging wages of middle-skill workers in the United States.

Comparing the occupational choices and earnings of survey respondents in the 1980s and today, he shows that labour market returns to middle-skill jobs have declined relative to high- and low-skill jobs.

**Does school spending matter?**

Increases in resources for schools are typically more effective in disadvantaged schools and for disadvantaged pupils. That is one of the many findings of a review by Steve Gibbons and Sandra McNally of the research evidence on the causal effects of schools’ resources on pupil outcomes.

In addition to assessing whether increasing the share of Britain’s national income devoted to education would make much of a difference, they ask what is the ideal balance of spending between early years, primary and secondary education. They conclude that there is no compelling case to support a transfer of resources from later stages of education to early years: early years investment may offer higher returns, but the returns erode unless topped up during later phases of childhood.

**The status of teachers**

Governments that are serious about attracting the best people to work in their state education systems must look not only at the salaries they offer but also at the social standing of teachers. That is the conclusion of Peter Dolton, who has conducted the first global comparison of teachers’ status in society.

We will only attract the brightest graduates into teaching if it is seen as both a highly paid and high status profession, he says. At the heart of a country’s social attitudes towards teachers is the question: would you encourage your own child to become a teacher?

**Eating disorders: the impact of self-image and peer pressure**

We need government intervention to prevent a potential epidemic of eating disorders, according to a study by Joan Costa-i-Font and Mireia Jofre-Bonet. Their research confirms the widespread belief that the proliferation of anorexia and bulimia among young women in Europe is heavily influenced by social attitudes towards physical appearance.

They find that younger women are more sensitive to social changes that influence their self-image. In particular, the larger the body mass of a woman’s peers, the lower the likelihood she will be anorexic.

**Human resource management: how much do firms really need?**

More complete systems of human resource management (HRM) could deliver really extensive gains in employee motivation, according to an analysis of representative data from British workplaces by Michael White and Alex Bryson. Their research explores whether the introduction of ‘high-performance work systems’ really make a difference to business performance and whether it is possible for firms to have ‘too little’ or ‘too much’ HRM.
They find that workplace attitudes become steeply and progressively more positive once a threshold of HRM practices has been reached. But in terms of employee attitudes, it might be better to have no HRM than just a little. At present, a half of British workplaces are experiencing slightly depressed employee attitudes.

Blackout babies: the impact of power cuts on fertility
A rolling blackout in Colombia in the early 1990s led to a rise in unplanned births, according to research by Amar Shanghavi and colleagues. What’s more, young women who became mothers after the blackout had worse outcomes in later life. The impact of power outages on fertility is an important policy issue. For example, barriers of access to family planning may translate a temporary increase in fertility into a permanent increase in the population. In addition, if a woman is at a critical stage of life, say in her teens or early adulthood, having an unintended birth could damage her educational attainment, her career development and even her romantic relationships.

‘Smart and illicit’: the making of a successful entrepreneur
Smart teenagers who engage in illicit activities are much more likely to become entrepreneurs, according to research by Ross Levine and Yona Rubinstein. But, they note, being self-employed doesn’t necessarily make someone an entrepreneur: recognising this distinction has enabled them to detect both the key characteristics of successful entrepreneurs and the true rewards to their innovations. The incorporated self-employed earn much more per hour and work many more hours than people on salaries and the unincorporated self-employed.

To measure illicit activities, the study uses survey data on skipping school, using alcohol and marijuana, vandalism, shoplifting, drug dealing, robbery, assault and gambling. The point is not that these are desirable activities or that parents should help their kids get involved in them to encourage entrepreneurship: rather, they can be used to gauge someone’s inclination to build and lead a successful and innovative business.

Wage growth and productivity growth: the myth and reality of ‘decoupling’
Employees in the UK are not being denied their fair share of economic growth, according to research by João Paulo Pessoa and John Van Reenen. Their investigation of claims that wage growth has become ‘decoupled’ from productivity growth finds that decoupling has been overstated and cannot be used to justify redressing the balance between wages and profits.

They show that the share of UK income going to labour is basically the same now as it was 40 years ago. The real problem is inequality among employees: wage inequality has risen massively since the late 1970s. Improving skills in the bottom half of the education distribution will boost productivity and real wages.

Top of the class
Boys may be better off not going to the school with high-performing peers, according to research by Richard Murphy and Felix Weinhardt, which explores how much impact there is on later confidence and exam results from where a child ranks in primary school.

They find that being ranked in the top quarter of your primary school peers as opposed to the bottom quarter improves later test scores by twice as much as being taught by a highly effective teacher for one year (with boys four times more affected by being top of the class than girls). Non-cognitive skills such as confidence, perseverance and resilience have big effects on achievement.

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For further information:

1. CentrePiece is the magazine of the Centre for Economic Performance. It is published three times a year. The Autumn 2013 issue is Volume 18, Issue 2. Cover price £5; subscription rates on application to +44 (0)20 7955 6648.

2. The Centre for Economic Performance is an independent ESRC funded research centre based at the London School of Economics and Political Science. Its members are from the LSE and a wide range of universities within the UK and around the world.

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