TALKING POINT

Comparisons of medical and industrial salaries in the UK, 1965-76

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In a recent commentary,¹ Rudolf Klein compared the movement in earnings of medical practitioners with other occupations from 1970 to 1975. No one method can be conclusive and this paper tries to supplement Klein's analysis by using salaries rather than earnings, by analysing individual NHS grades of doctors rather than "medical practitioners," and by looking at more than one period of time. This should enable NHS doctors in the United Kingdom to see how their salary position is changing relative to other occupations, and, when taken with Klein's article, to assess their overall position in the UK.

Salaries versus earnings

Earnings are a valid measure of remuneration in an occupation but it requires a survey to establish earnings. Klein used the *New Earnings Survey* of the Department of Employment, which constrains his analysis in two ways. Firstly, the classification is the only one available, so he had to use "medical practitioners," a statistical composite of housemen, general practitioners, registrars, consultants, and dentists, which has no human existence and gives only limited information. Secondly, the dates of the survey are fixed, with the data confined to those dates and not amendable to take account of current developments (such as changes in taxation or incomes policy). Furthermore, earnings measure the total income of the persons in the survey. Thus the private earnings of, say, consultants would be included in "medical practitioners" and this can cause problems when considering changes over a period. For example, in 1970 consultants had a certain level of salary and a certain level of private income. But between 1970 and 1975 inflation rose and salaries were kept down by Government policy. To counteract these facts consultants worked longer hours and increased their private income. So what can we conclude by looking at their earnings in 1970 and in 1975? Similarly, just looking at salaries and ignoring private income (or below-the-line payments to junior doctors) cannot give a complete picture either. What salaries do show, of course, is the basic value placed on someone's services (since for most people, even consultants, salary is the major source of income) and if salary is declining over a period of time, it has profound implications.

Multiple time periods and before and after tax

In economics the use of one time period is inferior to the use of several and three periods are used here—1965-75, 1969-75, and 1969-76.

The final methodological point concerns taxation. The position is similar to the discussion of earnings versus salaries. The pictures before and after tax are both valid parts of the overall scene. The difference between the two is, of course, purely Government policy and the use of before and after tax figures highlights the differing treatments of different income levels; hence both before and after tax data are used here. For the after-tax position the classic assumption of a married man with two children is made. In common with other studies, no other tax allowances against income—for example, mortgage interest, life insurance—are included, otherwise there are problems of defining exactly what allowances an average consultant or an average registrar claim, whether the average consultant or registrar existed at either the beginning or the end of the period being examined, and whether the changes in salaries have caused changes in tax avoidance measures.

Salaries 1965 to 1975

For January 1965, £4000 per annum before tax salary was chosen as representing the monetary reward to a reasonably successful person in a given occupation. Data were collected on the salary paid for the same specified job grade in that occupation at the end of 1975. A comparison was then made between the 1965 salary after tax and the 1975 salary after tax, allowing for the change in the purchasing power of the pound (see table I).

TABLE I—Changes in real net-of-tax pay, 1965 to 1975

	Percentage change
	%
University professor	-19
Hospital consultant	-14
Senior managers in:	
Chemicals	-14
Oil	-12
Nationalised industry	-12
Food	-11
Senior civil servant	-8
Senior hospital administrator	+1
Senior bank manager	+2
Senior accountant in practice	+2
Average manual worker	+13
(Real) gross domestic product	+26

A consultant on the seventh increment of the scale in January 1965 was receiving £4100, giving him £3058 after tax. That point on the scale assimilates to the third point on the scale current at the end of 1975, giving him £9900 or £6469 after tax. Allowing for the decreased purchasing power of the pound, the 1975 salary after tax was worth £2633 in 1965 purchasing power. This decline from £3058 in 1965 to £2633 in 1975 is 14%. This decline

of 14% for the consultant may be legitimately compared with the 26% real growth in the economy over the same period.

Salaries 1969 to 1975

In 1976 the Royal Commission on the Distribution of Income and Wealth published *Background Paper No 2*, which gives data on industrial salaries over the period July 1969 to July 1975.² To these industrial data can be added NHS salary data to provide a second set of comparisons (see table II). For each date the salaries (before tax) are shown as a percentage of the house officer's salary at that date—for example, the consultant's salary before tax in 1969 was 3.61 times the 1969 salary before tax of the house officer. Comparison of the columns for the two dates indicates that the relative rankings of medical versus non-medical salaries have been maintained (except that the senior registrar and the superintendent have switched places). Nevertheless, the main point is that a compression of differentials has taken place. Thus while in respect of the house officer's salary the consultant received 3.61 times that salary in 1969, he received 3.22 times in 1975, and the manufacturing manager's relative salary shrank from 5.33 to 4.29.

TABLE II—Gross salaries in medicine and industry

Grade	Index* July 1969	Index* July 1975
House officer	100	100
Foreman	111	104
Senior house officer	124	127
General foreman	148	135
Registrar	148	150
Senior registrar	181	180
Superintendent	193	167
Production manager	274	230
Works manager	357	298
Consultant	361	322
Manufacturing manager	533	429

*Expressed as a percentage of current house officer salary.

The compressions in table II are due to changes in salaries paid; a more important comparison is, of course, in terms of take-home pay. The after-tax positions are shown in table III. The compression of differentials over the period 1969 to 1975 is now much greater. This additional compression is accounted for by fiscal drag (the reluctance, or deliberate policy, of successive chancellors of the Exchequer to reduce tax rates as incomes rise through inflation). Thus over the period 1969 to 1975 the consultant's salary as a multiple of the house officer's salary has gone down from 3.61 to 3.22 owing to decreases in gross salaries paid to consultants relative to house officers, and from 2.91 to 2.58 owing to fiscal drag. The

TABLE III—*Net-of-tax salaries in medicine and industry*

Grade	Index* July 1969	Index* July 1975
House officer	100	100
Foreman	108	103
Senior house officer	118	122
General foreman	136	128
Registrar	136	140
Senior registrar	160	164
Superintendent	169	154
Production manager	229	202
Works manager	290	245
Consultant	291	258
Manufacturing manager	394	308

*Expressed as a percentage of current house officer net salary.

manufacturing manager has had exactly the same experience, from 5.33 to 4.29 owing to his relative gross salary and from 3.94 to 3.08 owing to fiscal drag.

Salaries 1969 to 1976

After July 1975 a new pay policy was introduced, which basically allowed a £312 rise for everyone except those earning £8500 per annum or more. So it is only a computational task to update the commission data and the DHSS scales, and to use these new figures to demonstrate how since July 1969 the real purchasing power of after-tax salaries has changed. As table IV shows, all

TABLE IV—*Changes in real net-of-tax pay, 1969 to 1976*

	Percentage change
	%
House officer	-4
Senior house officer	-3
Foreman	-7
Registrar	-4
General foreman	-11
Senior registrar	-11
Superintendent	-14
Production manager	-18
Consultant	-22
Works manager	-26
Manufacturing manager	-32

grades of professional employment have suffered a decrease in their standards of living when July 1976 is compared with July 1969, though, overall, medicine has not fared so badly as industry. In industry all grades have suffered reductions and there is a clear and simple relationship: the higher the grade of employment, the greater the reduction in the standard of living. In medicine all grades have suffered reductions in their standards of living, but the simple relationship in industry is replaced by a three-step relationship. The house officer, senior house officer, and registrar grades have suffered equally, with the senior registrar doing considerably worse, and the consultant worse still. In 1976 the manufacturing manager had a standard of living two-thirds of that in 1969 and the consultant four-fifths.

Reasons and responses

Tables I to IV, covering three time periods and before- and after-tax salaries, show

absolute and relative declines in basic remuneration to occupations requiring training skill, and responsibility. The declines are greater the greater the amount of training, skill, and responsibility necessary for a grade in a particular occupation. One definite reason for the declines, and the pattern of the decline, is fiscal drag. The consultant in 1965 paid 25.4% of his salary in tax, in 1969 26.4%, and 34.7% in 1975—out of a salary that is less in purchasing power. The second factor is perhaps related to the willingness of the various grades to behave like trade unions (note the distinction between being in a trade union, or professional organisation, and behaving like a trade union, for it is the behaviour which obtains the worthwhile pay rises). Thus the foreman (active and unionised) has not done so badly as the consultant (in a professional organisation), and the consultant has not done so badly as the senior managers in industry who are not members of any bargaining organisation. The third possible reason is that there is a general movement of rewards away from the traditionally higher income occupations and towards the traditionally lower income occupations.

Each of the three possible reasons has its own response for those who see cause for concern in this movement towards the elimination of differentials in salaries.

POSSIBLE CORRECTIONS

Fiscal drag is the easiest to correct and the lobbying of MPs by individuals and of the Treasury by professional organisations is the appropriate way of educating the Treasury and the Chancellor on fiscal drag, and on the existence in other countries of tax rates indexed to the rate of inflation. The second factor noted above was trade union-type behaviour. A body of professional men whether medical or industrial could, if the desire were there, show the TGWU, NUM, and AEWU* several new and dramatic stranglepoints in the economy, and obtain the restoration of salary differentials. The third factor, the underlying movement towards equality, is the most difficult to respond to. The trend is well established and, apart from Canute-like forays against the tide, perhaps the response as the relative rewards diminish is to do less work, work to less exacting standards (where possible), and generally to substitute leisure and pleasure for the disappearing money. The alternative is to emigrate and in the end that decision must be a personal one.

The members of the Royal Commission on Incomes were complacent about their data (except for three members signing a minority report). They could see no problems in the declining rewards to those whose decisions are crucial to UK industry. They could not see, or believe, that in the face of declining rewards for training, skill, and responsibility fewer people would educate themselves to go for the top jobs; that fewer people would be willing to work that little extra needed to gain promotion; that fewer people would wish to be considered

for top jobs with the extra work and responsibility for no extra reward; that those in top jobs might be increasingly inclined to say "to hell with it," and that the up-and-coming person with ambition would look increasingly to Canada, USA, or France.

BALANCE OF MONEY AND NON-MONETARY FACTORS

Nevertheless, all these are true both in industry and in medicine if we make one assumption. If there is a distribution (in the statistical sense) of people with differing views on the importance of money and non-monetary factors in a particular job, then as the relative pay decreases that distribution is being successively truncated so that any given job appeals to fewer and fewer people. This is because the balance of money and non-monetary factors no longer fulfills their needs in the job. As fewer people consider a particular job, the standard of recruitment to that job must fall and the people already in the job will feel increasingly disappointed (again because the job no longer fits their requirements of the appropriate balance of money and non-monetary factors). This is true whether the (statistical) distribution of views is normal-shaped, skewed, or leptokurtotic; the key assumption is that people have differing views about the relative importance of money and non-monetary factors in a job and that is almost axiomatic.

Conclusion

The consultant on the seventh point on the scale in 1965 was paid £4100 per annum, £3058 per annum after tax. If he had maintained that take-home pay in pounds of constant purchasing power he would in 1976 be paid a gross salary of £13 012 per annum. If he had obtained an average share in the economic growth of the country—that is, if every employed person in the UK had received an equal share in the economic growth—he would have been receiving £20 011 per annum in 1976. When these salaries are compared with his actual salary of £9900, the arguments above begin to make sense, for few economies have experienced shifts in rewards of these magnitudes without those shifts being part of, or a prelude to, substantial social, economic, and political changes.

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References

- ¹ Klein, R, *British Medical Journal*, 1976, 2, 126.
- ² Royal Commission on the Distribution of Income and Wealth, *Background Paper No 2*. London, HMSO, 1976.

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