Why the interest in top pay?

1. All eyes are on the extremes of the income spectrum at the moment. On the stonkingly rich side of the scale, we have rows about bankers’ bonuses and government proposals on top pay. Meanwhile, way down in the church mouse financial bracket, fates are being sealed by crucial votes in Parliament on levels of social security payments.

2. The same messages – about pay responsibility at the top and supposed benefit addiction at the bottom – reverberate from all sides of politics. There are some good reasons, in particular, for their belated interest in the pay packets at the top. After all, over three decades during which – as the UK High Pay Commission recorded – these often increased at tenfold the rate of rises for everyone else, the nation’s leaders did little but sigh that whatever will be will be.

3. So, one cheer for the sudden interest in top pay, but the next thought is: “Why just now?” The answer is not to be found at either financial extreme, but bang in the economic centre. There is absolutely no doubt that this is what dictates whether elections are won or lost.

4. Typical pay has long been stagnant, and will more likely than not remain so for some while. The official income statistics record that median disposable family income has been stuck close to £400 a week for the best part of a decade, inching up by a mere annual average of 0.5% over eight years up to 2009/10. Long before the recent spike in inflation strained family budgets, then, middle Britain was experiencing a squeeze that the elite failed to spot, perhaps because – with easy credit – inadequate pay could be concealed with debt.

5. But it is not the case any more, of course. A recently published Resolution Foundation report exposes how hard times are biting the middle of society in all sorts of ways. Real wages have dipped 4% over the last year, and absolute levels of pay enjoyed just after the millennium will not be seen again for several years to come.

6. Pending cuts to tax credits will compound the misery, while the old British faith in an unstoppable tide of home ownership has also bitten the dust. For people up into their mid-30s, renting versus buying is fast becoming the norm – soaring from 28% to 47% of occupancy in the last six years.

7. A bevy of politicians launched this singularly gloomy report. On Monday, MPs from a range of parties explored the “squeezed middle” themes recently popularised by leaders. Meanwhile, the Deputy Prime Minister – in a big speech for the foundation – returned to his own preferred characterisation of “alarm clock Britain”.

8. Such studied phrases, however, sometimes serve as a well-constructed smokescreen to mask not having substantive comments to share. The truth is that it is difficult to devise a credible plan not merely to boost the lowest wages (a thorny enough problem) but to win a rise for the bulk of the workforce.

9. Difficult, however, is not the same as impossible. Wages are only one slice of the pie of national income, albeit the largest one. And within that slice, the higher earners take a portion much bigger than their simple number would suggest or they ideally need to eat.
10. Recent speeches about refashioning capitalism – both from the Prime Minister and his cabinet members – are asking the right questions. However, for the quest for answers to be successful, they desperately need to focus more on how to foster decent jobs. Quite a leap of faith is needed to think that this will be achieved by the government’s populist moves against well-known ‘fat cats’, such as capping executive bonuses given as either cash or share options, and their dreamy talk of rebuilding the economy on the lines of John Lewis, a capitalist famous for having given his capital away.

11. The main opposition’s more detailed and complex thoughts on reforming company laws would limit executive remuneration and, more importantly, forcibly reduce the gap between the highest and lowest paid within companies. They are a little meatier, but still sketch no more than the first few marks on a blank sheet.

12. Our politicians, if they want to be honest with themselves, are currently scratching their heads for the answers. Those of all party allegiances need to escape from the confused intellectual discussion they are currently engaged in and develop real and feasible answers to the ever-growing issue of squeezed pay in the coming period.
1. What is the main idea of the passage?
A. Politicians are finally addressing high earners’ pay, but pay for those at the bottom end of the scale needs more attention.
B. Politicians have long been concerned by the gap between top and low pay.
C. Politicians have been addressing high earners’ pay for a long time, but pay for people on low incomes needs more attention.
D. Politicians are finally addressing the problems of both top and low pay.

2. According to paragraph 2, what did successive governments do to deal with top pay?
A. They made promises to tackle it in the future.
B. They took coordinated action to limit it.
C. They took no effective action at all.
D. They did very little except condemn the increases.

3. In paragraph 3, what does the word “this” refer to?
A. Interest in top pay.
B. The economic centre.
C. The answer.
D. The next thought.

4. In paragraph 5, what does the word “it” refer to?
A. The fact that there has been a recent spike in inflation.
B. The fact that typical earners have built up a considerable level of debt.
C. The fact that it is easy to obtain credit.
D. The fact that the squeeze on the level of median earnings was not obvious.

5. How are the middle classes now being affected by the squeeze?
A. Their real incomes are fluctuating and they are renting less.
B. Their real incomes are lower and they will benefit from tax cuts.
C. Their real incomes are lower and they face rising taxes.
D. Their real incomes are fluctuating and they are buying fewer homes.
6. In paragraph 6, what does the phrase “bitten the dust” mean?
A. Had to face reality
B. Disappeared completely
C. Diminished
D. Been exposed as doubtful

7. In paragraph 7, what does the word “bevy” mean?
A. An interested group
B. A select group
C. A depressed group
D. A large group

8. In paragraph 8, what does the author suggest about politicians’ key phrases?
A. They are well-researched
B. They are powerful
C. They are deceptive
D. They are believable

9. In paragraph 8, what does the phrase “a thorny enough problem” mean?
A. A problem that will be very costly to solve
B. A rather difficult problem to solve
C. A problem that poses considerable risks
D. A confusing problem

10. In paragraph 10, how does the author feel about the aims put forward in government speeches?
A. They are promising, but insufficient
B. They are too vague
C. They are too skewed toward the public
D. They could succeed, but lack belief
11.
In paragraph 10, what does the word “capping” mean?
A. Limiting
B. Reclaiming
C. Criminalising
D. Taxing

12.
In paragraph 12, what does the author think politicians should do?
A. Work together more closely
B. Propose less confused solutions
C. Be more honest with people
D. Take concrete action
ANSWER KEY

1 A
2 C
3 B
4 D
5 C
6 B
7 D
8 C
9 B
10 A
11 A
12 D