

This paper describes the diffusion of computer use among jobs in Britain, and shows that the technology is having notable effects on the labour market. By 2006 three in four jobs entailed job-holders using computers, while for two in four jobs computer use was “essential”. Computing skills have a significant impact on pay but, in 2006, much of this effect is interactive with influence skills. The average effect of a unit increase in the Computing Skills index (which ranges from 0 to 4) is to raise pay by an estimated 5.3% and 6.0% for men and women respectively. For men there is an additional 19.2% boost to pay in establishments where at least three quarters of workers are working with computers, compared to establishments where no one uses computers. These effects are greater for those people in jobs with above-average influence skills requirements. Our estimates allow for education, a large number of other generic skills and other conventional controls, which makes them more robust to the critique that they are overestimates because they might suffer from omitted skill bias. IV estimates show only small differences from the OLS estimates. We also find that the direct and interactive effects of computer skills and influence skills have risen over the decade, indicating increased scarcity.