

## **GLOBALISATION, BARRIERS TO EMPLOYMENT AND SOCIAL EXCLUSION**

**Vani K. Borooah**

School of Economics and Politics, University of Ulster, Co. Antrim, Northern Ireland  
BT37 0QB.

### **1. GLOBALISATION, ECONOMIC DEVELOPMENT AND SOCIAL COSTS**

Writing about the difficulties of televising the Sydney Olympics in the United States, the television critic of the *New Yorker* observed in its issue of 9 October that the main problem stemmed from the fact that “when it is today here, it is already tomorrow there”. This wry comment is a useful metaphor for the economic performance of several countries: they march in step to – while maintaining a few paces to the rear of – the rest of the world. Output and employment changes in the world are reflected in corresponding changes in these countries, but their GDP per head remains stubbornly lower than the world average – or at any rate, that part of the world with which they wish to compare themselves.

It is easy to forget that less than 150 years ago, the USA was a newly developing nation supplying low-skilled products to more advanced countries and competing on the basis of its cheap labour. Such countries will have their hopes fanned by the experience of the Republic of Ireland. A couple of decades ago, the prospect of Ireland being one day richer than Britain would have been greeted with derision. In 1987, GDP per head in Ireland was only two-thirds that of GB; today, as *The Economist* recently reported (29 July 2000), GDP per head in Ireland is on par with that in GB. The question which should, therefore, exercise British minds is not “are they better off?” but, rather, “how did they become better off?” and, as a corollary, “what lessons does it hold for us”?

The economic climate in which the Irish economy flowered was provided by *globalisation*. Globalisation represents the transfer of technology and capital from high-wage to low-wage countries. Policy makers in Ireland took advantage of globalisation to introduce specific policy changes that vitalised the economy. Other countries, too, have taken – are taking – the opportunities provided by globalisation to restructure and rejuvenate their economies. In many instances, the policy paths that they have followed have been different from that adopted in Ireland; in several cases, they have been similar. For example, while Ireland focused on attracting foreign direct investment (FDI), East Asian countries emphasised building indigenous industry. One the other hand, countries as diverse as China and Ireland have realised the importance of becoming centres of excellence in certain key industries: China accounts for nearly 60% of the world’s \$31 billion toy trade (*The Economist*, 19 December 1998), while Ireland – with investments by *inter alia* IBM, Intel, Dell, Fujitsu – is a leading player in

the computer and electronics industries. But, whatever the policy congruence between the “tiger” economies of the world, it is clear that they could not have roared without the favourable conditions provided by globalisation.

Prior to globalisation - less than a generation ago – developing countries were mainly exporters of raw materials to, and importers of manufactured products from, industrialised countries. Wages in developing countries were low but lack of technology and capital offered few opportunities for translating this cost advantage into industrial strength. Such industries that they had were small and inefficient, sheltering behind a plethora of trade restrictions. Globalisation changed all that. The ease with which know-how could be transferred to developing countries opened the possibility that they too – provided they could use this know-how - could become manufacturing nations. Investments made by developing countries in educating their population meant that their workforce were comfortable with this new technology<sup>1</sup>. In the wake of globalisation – and given the cost advantage that developing countries, with their low-paid workers, already offered<sup>2</sup> - it suddenly made sense for multinational corporations (MNCs) to locate a substantial part of their production in these countries. So countries which earlier earned a living producing jute or coffee switched to producing shirts, trainers, toys and, even, computers<sup>3</sup>.

This is not to suggest that, prior to globalisation, MNCs did not source their production in developing countries. They did. But globalisation has turned what was previously a trickle into a flood, to the extent that the search for the best possible country in which to locate production can, arguably, be described as the *leitmotif* of the economic world in which we live today. Just as the shareholder revolution separated the ownership of companies from their management so, arguably, globalisation has separated the location of ownership from the location of production, with well-known names like Nike being “virtual” companies that subcontract their entire production to anonymous firms in Asia. In the process of effecting this separation, globalisation has laid to rest the belief that being on the periphery is a barrier to industrial development - if globalisation has one lesson to offer, it is that cost and skills advantages can, largely because of modern telecommunications and cheap air transport, readily overcome the handicap of distance. To put it differently, what matters today is a country’s location on the economic, and not on the geographic, map of the world.

In effecting these changes, globalisation has dramatically raised the level of economic performance of which countries are capable. From 1801 to 1851, as Britain underwent its metamorphosis from a rural to an industrial society, its average annual rate of growth was 1.3%. Between 1870 to 1913, when the USA underwent a similar transformation, the annual US rate of growth averaged

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<sup>1</sup> To appreciate the educational achievements of Asian countries, see United Nations Development Programme (2000).

<sup>2</sup> In 1975, the average hourly wage in Korea was only 5% of that in the USA; by 1996, it had risen to 46% (Krugman, 2000)

<sup>3</sup> For example, Taiwan is the world’s third largest computer maker and China is the world’s largest toy maker.

2.2%. Japan, rising out of the ashes of the Second World War, grew at the unprecedented 8% per year between 1953 to 1973. But as the process of globalisation has gathered pace, such high rates of growth have become if not commonplace, at least not unusual. Korea grew by 7% per year between 1963 and 1997; Ireland enjoyed a GDP growth rate of over 6% from 1987 to 1999; China, in less than two decades, has quadrupled its national income – the list of today's "star" economic performers is longer, and their performances more impressive, than at any time in the past (Krugman, 2000).

The reason that the economic performance of many countries today is so impressive is because a necessary concomitant of globalisation is the free movement of capital between countries. With investors searching globally for the highest rates of return, countries that are in favour can receive inflows of capital on a scale that was inconceivable in an earlier era of development. In turn, the scale of these investments has dramatically transformed the economic landscape of these countries. The increase in, and improvement in the quality of, the capital stock of these countries – physical, infra-structural and human – that resulted from these investments raised their productivity and took them, in the space of a few years, from poverty to affluence, from rural flab to industrial muscle. The key to this transformation, however, was to create the initial conditions that would attract international capital – to be in favour with international investors<sup>4</sup>. As the earlier discussion indicated, this took the form of offering competitive advantage – most typically in the form of skilled, but inexpensive, labour – but it also encompassed: financial incentives; sound economic, political and legal structures; respect for human rights; safe working conditions; the eschewing of child labour etc.. The transfer of technology that globalisation has engendered has made it possible for several developing countries to make such an offer and international funds have followed whenever, and wherever, these offers have been judged to be credible.

However, there is also a darker side to globalisation, affecting both countries that receive, and countries that dispense, international largesse. In gentler times, the process of development was relatively non-competitive and had something to offer everybody. Now, with capital restlessly prowling the globe in constant search of the highest return, development has become much more of a "winner take all" contest: a few countries, most notably in Asia, attract the fevered attention of international investors while large swathes of Africa and Latin America are totally ignored. David Ricardo, writing in the early part of the nineteenth century (Ricardo, 1815), drew attention to the fact that farmers, desiring greater corn output, had the choice between cultivating an existing plot more intensively (the "intensive margin") or moving to a new, less fertile, plot of land ("the extensive margin"). According to Ricardo, diminishing returns would progressively reduce the marginal return to investment on existing land and, after a point, these returns would be sufficiently low to make it worth moving to a new plot.

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<sup>4</sup> Judging by the recent Asian economic crisis, one might add that it is also important to stay in favour.

A similar analogy can be drawn with respect to foreign investment – investors have the choice between putting more money into the same group of favoured countries or seeking out new countries for their investments. However, in contrast to Ricardo's example, the favoured group of countries can, through their own actions, postpone the time when diminishing returns makes further investment in them less profitable than investment elsewhere. Diminishing returns is the consequence of the fact that the supply of some factor(s) of production is fixed. In the case of agriculture it is land, and in the case of industrial development the scarce factors are infrastructure and skilled labour. Unlike the supply of land, however, the supply of "scarce" infrastructure and skilled labour can, through judicious investments, be increased dramatically, delaying the moment at which diminishing returns begin to bite. How long must Bolivia wait before diminishing returns make investing in it more profitable than investing in China? A realistic answer is – a long time.

But the ability to shake off the feeble grip of diminishing returns is not the only reason why countries that are successful in attracting foreign capital will not easily relinquish their pole position. International investors have a "herd mentality", preferring to drink at watering holes where others of their tribe have already congregated. A country that is renowned for attracting foreign investment will be well placed to attract further investment; unpopular destinations will struggle to overcome their unpopularity. The analogy with a herd can be carried further. Successful countries, particularly after the Asian crisis, live in fear that something – anything – could frighten their benefactors and cause them to flee in search of "safer" destinations. Korea, before it suffered a financial crisis in August 1997, had neither a budget deficit nor a sizeable trade deficit yet it was abandoned by investors as completely as they abandoned high debt countries like Russia and Brazil. Countries like Malaysia and Korea, where financial dealings were relatively transparent, fared no better than Thailand and Indonesia where cronyism was rampant. While under the climate of globalisation success breeds success (and failure breeds failure), success itself walks a tightrope.

The important lesson from all this is that an important corollary of globalisation is that inequality *between* countries will increase. But another, equally important, corollary of globalisation is that inequality *within* countries will also increase. The problem is that with globalisation-induced outsourcing of low-skilled manufacturing to developing countries, there is no longer, in countries of the industrialised world, any demand for the services of persons (mainly men) with low skills who, prior to globalisation, had full-time jobs in these industries. As a consequence, millions of such men have been thrown into unemployment (Western Europe) or have had to take wage reductions of a severity that, at the start of new millennium, has left them worse off than they were a quarter of a century ago (USA). In view of these developments, many commentators see inequality as the Achilles' heel of globalisation – as Friedman (1999) has remarked "there are enormous tensions between those who have the skills, ability and resources to take advantage of globalisation and those who do not" and, because of such tensions, "there is something inherently unstable about

a world that is being knit together tighter and tighter by technology, markets and telecommunications while splitting apart wider and wider socially and economically”.

Society has, however, always had winners and losers and tensions between the two groups have always existed. An important question, therefore, is why the easing of such tensions, in a post-globalisation period, has acquired an urgency which, prior to globalisation, it perhaps did not possess. It is to answering this question, and *ipso facto* to exploring the nature of the tensions that globalisation has created between the “haves” and the “have-nots” of society, that the remainder of this paper turns.

## **2. GLOBALISATION AND UNEMPLOYMENT**

Globalisation has had profound consequences for the structure of industry in industrialised countries but, in terms of social costs, two of these are significant. First, industries have reduced the scale of their labour-intensive activities, either by stopping production of certain products, preferring instead to import them from developing countries, or by splitting the production process so that only the skill-intensive parts are located in them, with the other parts being located in the developing countries<sup>5</sup>. Secondly, in response to developing countries’ competition in labour-intensive products, the industrialised countries have intensified their search for new ways of production that would use less unskilled labour. The totality of the two effects has been to reduce the demand for unskilled, relative to skilled, labour in industrialised countries by approximately 20 per cent. As a result, an inevitable consequence of globalisation has been that either unskilled persons have found it increasingly hard to get jobs (as in Europe) or they have had to take severe wage cuts in order to stay in work (as in the USA).

In consequence, unemployment has emerged as the single most pressing problem facing the countries of the European Union (EU) over the past decade. In 1999, some 17 million persons, comprising 8.0% of the EU’s labour force, were unemployed. This may be compared to unemployment rates of 4.2% in the USA and 4.7% in Japan. Of those unemployed in the countries of the EU: 30% of the unemployed in Britain; 40% in France; and 52% of the unemployed in Germany, had been unemployed for over a year, yielding an EU average of 48%. Again, comparable figures for the USA and Japan were 7% and 22%, respectively (OECD, 2000).

The EU’s sorry record on unemployment is in sharp contrast with the relative success that some other countries of the OECD have had in keeping unemployment low. The unemployment rate in the EU was lower than that in the USA for every year of the period 1960-80 and, up to the first oil price shock of 1974, comparable to that of Japan. However, since 1985, the EU has had

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<sup>5</sup> The advantage of such a strategy is evident from the fact that hourly labour costs in 1993 were less than \$1 in China and Thailand; \$2.40 in Mexico; \$4.90 in South Korea; \$16-17 in the USA and Japan and \$24.90 in Germany (The *Economist*, 2 April 1994).

higher unemployment rates than non-EU Europe, Japan and the USA and has also had a much larger proportion of its unemployed in the form of long-term unemployed (that is, unemployed for over a year). As the Commission of the European Communities (1993) ruefully noted, the USA has managed to achieve a strong increase in employment creation: between 1974 and 1992, both the EU and North America created a little over 5 million public sector jobs, but while North America created another 29.8 million private sector jobs, the EU was able to manage only another 3.1 million.

More recently, unemployment in the EU has fallen for six consecutive years and France, Ireland, Spain and the UK all record their lowest unemployment rates for two decades: but overall unemployment in the EU is still 8.3%, nearly twice the US rate. The most significant feature about unemployment in the EU today is the divergence in national rates, from 1.8% in the Netherlands to 3.2% in the UK to 9.2% in Germany. Increasingly, therefore, economists are looking to the diversity of labour market institutions across the EU countries to explain the diversity in their unemployment rates. Successful countries either have flexible labour market policies (UK) or they have tripartite agreements between government, employers and unions limiting wage demands (Ireland, the Netherlands). Unsuccessful countries are stuck in a “social market” capitalism mode where labour costs are high because of high wages and overly generous employment benefits, which are impossible to reduce because of powerful trade unions. For example, a car assembly worker in Germany would typically take home DM3,160 but his employer would have to contribute a further DM3,240 by way of indirect labour costs<sup>6</sup>.

### 3. UNEMPLOYMENT AND INACTIVITY

#### 3.1 Male and Female Inactivity

However, the reduced demand for unskilled labour in industrialised countries has had a disproportionate effect on *male* joblessness. There are two routes out of unemployment. The first, the “high” road, is to escape unemployment by securing a job; the second, the “low” road, is to leave the labour force by ceasing to search for jobs (that is, to transfer from unemployment into inactivity). A journey down either of these ways would lead to an *improvement* in the unemployment statistics. By the same token, the pool of unemployed persons is *fed* from two sources: job losses, which cause people to transfer from employment into unemployment (provided, of course, that this is accompanied by job-search); and renewed job search, which results in jobless persons rejoining the labour force by transferring from inactivity into unemployment.

Excluding students, around a quarter of the working-age population in the UK (and 36% of the working-age population in Northern Ireland, one of its poorest regions) is classed as economically inactive. This proportion has not changed much in twenty years but its composition has. Twenty years ago 11% of

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<sup>6</sup> The *Observer*, 26 August 2001.

working age men in the UK and 13% of working age men in Northern Ireland were economically inactive, while today the proportions are 26% (UK) and 32% (Northern Ireland). In contrast, the inactivity rate for women has fallen from 35% to 27% in the UK and from 45% to 39% in Northern Ireland.

Moreover, there has been a dramatic rise in inactivity in men over 50: 28% of such men in Britain and 42% in Northern Ireland are today classified as inactive, compared to around 7% in the 1970s. For women, the fall in inactivity has been concentrated among those between ages 25 and 49, with the most dramatic decreases in inactivity occurring among mothers with children under age 2: only a quarter of this group were economically active in the 1970s, while today over half are economically active (Gregg and Wadsworth, 1998a).

The poor representation by the unemployment rate, of *the excess supply of males* in the labour market, is a feature which many developed countries have come to share. Consequently, the feeling has grown among economists that, for working-age (non-student) males, excess supply is better measured by the rate of non-employment (rather than by the unemployment rate). Non-employment rates for prime-age males (that is, the percentage of males, between the ages 25 and 54, without a job) rose over the 1990s in almost every country of the OECD. In the EU the rise was from 11% in 1990 to 14% in 1999.

The differences between the OECD countries lay, however, in the accuracy with which this rise was represented by the unemployment statistics. In the UK, for example, the inactivity rate for prime-age men *rose* from 5.2% in 1990 to 8.4% in 1999. As a consequence the non-employment rate for prime-age men in the UK *rose* from 10.5% in 1990 to 13.3% in 1999 even though the unemployment rate for prime-age age males *fell* from 5.6% in 1990 to 5.4% in 1999. In Germany, by contrast, the unemployment rate *rose* from 4.7% in 1990 to 7.3% in 1999, but the inactivity *rate* fell from 8.8% to 6.1%: as a consequence, the non-employment rate remained unchanged at 13% (OECD, 2000).

A similar pattern to the UK emerges in Northern Ireland. The inactivity rate for males aged 25-54 was 8.4% in Northern Ireland in (Spring) 1990, but by (Spring) 2000 this rate had *risen* to 12.4%. So while the unemployment rate for prime age males in Northern Ireland *fell* from 14.1% in (Spring) 1990 to 8.6% in (Spring) 2000, the employment rate of this group *hardly changed* over the past decade: from 78.7% in 1990 to 80.1% in 2000. So the fact that the Northern Ireland prime-age male unemployment rate is higher than in the UK as a whole, *is compounded by the fact that the inactivity rate in Northern Ireland for prime-age males is also higher*.

So although the UK has, today, the lowest unemployment rate in 20 years this masks mounting evidence that high levels of worklessness are increasingly concentrated on certain categories of individuals and households; on specific socio-economic groups; and on particular areas. Focusing on the aggregate unemployment rate overlooks these problems in much the same way that focusing on the aggregate wage overlooks underlying wage inequalities (Dickens *et. al.*, 2001). More generally, regions of high unemployment are also regions of high inactivity. On average, an additional percentage point on the regional

unemployment rate is associated with an additional two points on the regional inactivity rate. Inactivity levels mask high unemployment levels due to the poor job prospects of those with low skills. In addition, there is also an asymmetry to the relationship: inactivity rises when unemployment rises, but does not necessarily fall when unemployment falls (Gregg and Wadsworth, 1998a).

### 3.2 Movements Between Labour Market States

Nearly half the moves into employment come from the inactive and not from the unemployed. Similarly, over half the moves into unemployment come from those leaving inactivity, rather than from those losing jobs (Gregg and Wadsworth, 1998b). Although statistical definitions produce a sharp divide between the unemployed (seeking and available for work) and the inactive (not seeking and/or not available) it is more sensible to consider the jobless as belonging to a spectrum.

At one extreme of this spectrum are those actively seeking work; at the other extreme are those who do not want, and do not intend, to work. In between these poles are those who would like to work but who are not seeking, or are not available for, work. These include those who: believe no work is available; are waiting for a child to start school; recovering from an illness; finishing a training course etc. All these different types of "jobless but not unemployed" persons are classified as inactive.

### 3.3 Joblessness and Skills

The high rate of non-employment among (non-student) prime-age males (25-54) in the UK - which at 14.4% per cent in 1999 was nearly thrice the unemployment rate (5.4%) for this group - is worrying for a number of reasons. First, in a group which is traditionally characterised by high participation rates, joblessness, as reflected in a withdrawal from the labour market, is no less worrying than that reflected in unsuccessful, but continuing, job search.

The second cause of anxiety about high non-employment rates for working age males is that *both unemployment and inactivity is concentrated among men (and also among women) with few or no educational qualifications*. Nearly one-third of all working-age males with less than upper secondary education were inactive in 1998 and the unemployment rate among such men was 13.7%; by contrast, less than 8% of men with degrees were inactive and the unemployment rate among such men was 2.7%. The corresponding figures for women were 48%; 7.3%; 14% and 2.5% (OECD, 2000.). Nor is this picture painted unique to the UK. The inactivity and unemployment rates for men with less than upper secondary education were, respectively: 20% and 9% in Australia; 25% and 18% in Germany; 23% and 14% in France; and 25% and 8% in the USA.

When asked what was the main reason for their inactivity, nearly two-thirds of working-age men in the UK described themselves as sick or disabled and a further 15% described themselves as retired. The rising incidence of sickness among men (and among women) is concentrated among those with few or low educational qualifications. More generally, this development has occurred at a time of generally rising health standards among the population as a whole. This



suggests that illnesses and impairments which, in the past, were not obstacles to seeking and securing work have become so today.

#### 4. BARRIERS TO EMPLOYMENT

The above discussion begs the question of why some persons find it more difficult to find work than others or, in other words, what are the barriers to employment? Whether a person can work depends on more than the availability of jobs. It depends on the *level of wages* – people may be pricing themselves out of jobs. Also important is *work history* – subsequent work life may be scarred by previous unemployment. There might be *discriminatory barriers*. Those receiving welfare benefits might face *work disincentives* through the fact that work would not offer much more income than what they already obtained from benefits. *Personal incapacity*, such as low skills or disability, might make securing work difficult. *Personal circumstance*, such as the presence of small children or the difficulties involved in travelling to and from the workplace might impose a high cost on working. Lastly, *a culture of welfare dependency* might erode the motivation to work by making not working appear to be a “normal” state of affairs.

##### 4.1 Work Disincentives

Much of the job creation in the 1980s and the 1990s has been in part-time, service sector jobs which men are unwilling/unable to take. Over 85% of part-time jobs in the UK are held by women. This is largely a consequence of the fact that unemployed men do not want low-paid, part-time, service sector employment. This, in turn, is largely because the income from part-time jobs is not enough to support a family.

Comparisons of the *average* level of benefit with *average* earnings levels are misleading as a guide to the size of work disincentives. What is relevant to the unemployed is not the average level of earnings but the wages paid to “entry level” jobs (that is, those on offer to the unemployed as they move from welfare to work). The accumulated evidence is that the vacancies filled by those out of work are increasingly dominated by jobs offering very low pay relative to other jobs. Thus the “entry wage gap” – the difference between the average wage and the entry wage – has grown. Nearly 60% of entry jobs in the UK are part-time or temporary and they pay, on average, a weekly wage which is roughly half the average weekly wage across all jobs. Moreover, this gap appears to have increased rapidly since 1979 – the hourly wage gap between entry and continuing jobs rose 15 percentage points between 1980 and 1990 and by a further 8 points between 1994 and 1997 (Gregg and Wadsworth, 2000). Low rates of pay in entry level jobs have several consequences.

First, low entry wages, notwithstanding meagre welfare benefits, provide severe work disincentives to the unemployed and prevent certain types of households from gaining access to earned income. These are primarily those

households which are dependent on means-tested welfare benefits<sup>7</sup>. One would expect that the size of work disincentives - through the interaction of a nationally determined benefit system and locally determined wage levels - are higher in Northern Ireland (and other economically depressed parts of the UK) than in the more prosperous parts of the UK.

The important point, from the perspective of work disincentives, is that a period of unemployment holds the prospect that a return to work, even if it could be effected, would be at much lower rates of pay than the average of the earnings distribution. In fact, weekly entry wages, after a spell out of work have hardly risen over the past 20 years and the earnings loss (the “wage penalty”) after a period in unemployment has increased by 70% since the 1980s. So any attempt to predict the wages of the unemployed, on the basis of their observed characteristics, without taking into account the length of their unemployment, would overestimate their predicted wage. The conventional wisdom about the 1990s is that job insecurity has increased – *the realisation that unemployment and reemployment could seriously affect lifetime income lies today at the heart of people’s anxieties about holding on to their jobs*.

The anxiety of people in employment to hold on to their jobs and the low level of wages paid to people entering jobs has dramatically changed workplace relations between management and workers. Employees, at all levels, are working much longer hours today than they did a generation ago. At the “white-collar” level, this is partly because information technology has meant that the workplace has spilled out of the office into the home, trains, airports, and hotel rooms and that working hours now embrace nights and weekends. Employees are, therefore, always “on call” and they do not dare not to be for fear of losing their jobs with all its attendant implications (Fraser, 2001). This, then, leads to the interesting question of whether the revolution in IT has made us more productive: it has, on an output-per-person basis but not necessarily on an output-per-person-hour basis.

At a “blue-collar” level, low wages means that in many unskilled jobs, workers need to hold down more than one job to make ends meet. In households with a couple, this means that both partners have to work and, for single-parent families, this often means having to do two jobs (Ehrenreich, 2001). The longer hours worked by workers at all levels, but particularly by low-paid single mothers, has considerable implications for child-care.

In general, the bedrock of welfare reform in the US and the UK is getting single mothers back into work. The primary concern of government policy towards women is with the role of women as paid employees and the emphasis is on how child-care arrangements can be modified to encourage the paid employment of mothers (Department of Education and Employment, 1997). The argument that underlies this approach is that it would be economically more efficient to put children into professional care centres and for their mothers to take up paid employment. This would increase GDP and allow an improvement

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<sup>7</sup> This, in turn, may account for the increased polarisation of work between households, discussed in the next part.

in the overall material standard of living. In other words, a vast amount of talent is being used at home which could be better employed outside.

This argument is underpinned by three assumptions. The first is that the time women spend in managing the home is largely wasted. The second is that, in terms of the welfare of a child, care by professionals in a day-care centre is a perfect substitute for the mother's care. The third is that there are economies of scale to be realised through child care in the sense that the same level of care that a child might receive, on a one-to-one basis, from a mother, could be provided by a care worker looking after several children.

All three assumptions are questionable. As many feminists recognise, running a home requires extensive managerial skills. In addition, children need to develop both security and self-worth. While the "quality time" that busy working parents spend with their children may be sufficient for self-worth, there is no substitute for "quantity time" for providing a sense of security. Lastly, the economies of scale argument looks less persuasive when it is recognised that not all child care arrangements are of a high quality and that when the costs of time spent in travelling to drop and pick up children is added to the cost of child care, there is probably not much surplus left from the pay of many working mothers (Dex and Rowthorn, 1997).

The most persuasive argument for mothers of young children to work is that by continuing to work, in spite of having pre-school children, they do not lose touch with the labour market. But it must be recognised that this continuity of work history could be bought at the expense of the welfare of children. It is the recognition of this dimension – namely, that young children may benefit from the continual presence of a mother at home, and that some mothers may prefer to care for their own children on a full-time basis – that is missing from governmental policy towards women.

#### **4.2 The Employment Prospects of the Unemployed**

Unemployment – *particularly, long-term unemployment* – may damage the economic prospects of the unemployed by eroding their skills and motivation and inducing employers to view them with disfavour as potential employees. Research for Ireland has shown – employers use the duration of unemployment as a signal of worker quality. The longer the duration, the poorer the inferred quality. Hence the long-term unemployed find it difficult to find jobs not because they are bad workers but because employers perceive them to be so (Borooah, 2000). A further scarring of economic prospects may occur if the long-term unemployed, even after obtaining jobs, are more likely to be made redundant than others who had not experienced long periods out of work. In consequence, how easy or difficult it is for a region to solve its unemployment problem depends not just how many of its residents are unemployed but also on how long they have been unemployed<sup>8</sup>.

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<sup>8</sup> For a wider discussion of the "scarring" effects of unemployment on the economic prospects of the unemployed see Ryan (2001).

### 4.3 Low Skills

The previous section commented on the overlap between low educational qualifications and men and women who were inactive or long-term unemployed. A further question here is the composition of “employability” in terms of two of its constituents: experience and qualifications. If the substitutability of experience and qualifications were to fall then, even if the qualifications of the unemployed improved, the disadvantage stemming from their lack of experience would outweigh improvements in their qualifications. This hypothesis is known as the “double skill bias” hypothesis. Some evidence favours this hypothesis: the share of experienced workers within skilled occupations has risen markedly in both France and Sweden (Ryan, 2001).

If the double skills bias were to be combined with national wage setting institutions (for example, a minimum wage), then unemployed persons would face a further disadvantage. The effects on wages of a downward trend in labour demand would be cushioned, and the adverse effects on employed would be amplified. An explanation combining the double skill bias and national institutions of wage setting is consistent with employment outcomes in the four countries that have seen a major deterioration in their demand for unskilled labour: France, Sweden, the UK and the USA.

### 4.4 The Culture of Dependency

On one argument, there is no culture of dependency. People who are “outside the social mainstream”, in the sense of being chronically dependent on welfare benefits for their well-being, are rational in that they pursue what they perceive to be their self-interest. Unfortunately, the situation in which such persons find themselves means that their self-interest requires them not to work and to be dependent for their income on welfare payments. This explanation implies that changing such behaviour requires a change in people’s situations, not a change in their nature. The most articulate proponents of this view (Murray, 1990) argue that the nature of the welfare system provided incentives for people to pursue, out of rational self-interest, behaviour that normal persons would regard as aberrant. Thus, poverty and dependency resulted from people “making decisions that maximised their quality of life under the welfare system” and, the welfare system made “it profitable for the poor to behave in the short-term in ways that were destructive in the long-term” (Murray, 1984).

A central concern, among those who believe that the welfare system provides malign incentives, is the rise in male joblessness and female headed families in the USA since 1965, when the Great Society programs were initiated. These programmes, which had the overall effect of greatly increasing the generosity of the welfare system, created a structure of incentives in which not working was a perfectly rational response to an economic environment (created through government policy) in which having a job was no longer necessary for survival. This environment, by increasing welfare payments to single mothers, also ensured that having children outside marriage made better economic sense than raising a family within the context of a two-parent family. Although the causal

links, outlined above, have been challenged from several quarters<sup>9</sup>, it is the pervasive, and persistent nature of such anxieties that have discouraged the successful East Asian economies - which in terms of industrial structure and performance are very similar to those of Western Europe and North America - from adopting Western style welfare systems.

However, there is an alternative view which argues that to understand long term unemployment and inactivity we need a more complex psychology than simply rational calculation. This complex psychology, which goes under the rubric "culture of dependency" has many different strands but its essential message is that the chronically "welfare dependent" defeat themselves in some away.

One attitude that deters work is resistance to taking the jobs that are available ("the resistance hypothesis"). It has already been argued that men do not take part-time or temporary jobs because such jobs do not pay much more than could be obtained by staying on welfare benefits. A further source of resistance to taking available jobs is that men with industry-specific experience are likely to wait for re-employment in jobs similar to the ones they used to have, rather than accept a less well paid job in another industry<sup>10</sup>.

Another attitude of the "welfare dependent" is that they find the demands of work to be overwhelming ("the defeatism hypothesis" of Mead, 1992). Thus, for example, many lone parents would accept a job but they find the logistics too difficult - arranging transportation; organising child care; coping with days when the child is unwell. Consequently, they conclude that it is impossible for them to work. Thus, in principle, the "welfare dependent" accept mainstream values - such as the importance, indeed, the desirability of work - but, in practice, they cannot live according to these principles. In that light, the "welfare dependent" could be viewed as being "dutiful but defeated". Their being "dutiful" leads them to desire the same lifestyle as the rest of society. However, the harshness and humiliation that is inseparably a part of the lives of the poor, leads them to perceive as insurmountable difficulties and obstacles that a "normal" person would easily overcome. They are thus "defeated".

## **5. THE DISTRIBUTION OF WORK BETWEEN FAMILIES**

There has been, since the 1980s, a changing distribution of work between households. In many industrial countries, unemployed persons tend to live in households in which someone has a job. In the UK, however, unemployed persons are increasingly concentrated in households where nobody has a job. Nearly 58% of unemployed persons and 50% of inactive in 1997 lived in a household where nobody had a job, compared to only 38% and 25%, respectively, in 1981. *This means that in the UK there is a strong correlation between unemployment and household disadvantage.*

Although there has been a considerable increase in female activity in the UK,

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<sup>9</sup> For a useful review see Jencks (1992).

<sup>10</sup> See McCormick (1991) for evidence on this point.

*this has occurred only among women with working partners.* Three-fourths of *mothers* with working partners were active in 1997, up from 55% in the 1970s. Of women without children and living with working partners, 85% were active, up from 75% in the late 1970s. Activity among single mothers has been stable (around 50%) since the early 1980s as has the activity rate of women with partners who were not working (35% for women with children, 50% for those without children).

These features of female participation are due to the fact that much of the job creation in the 1980s and the 1990s has been in part-time, service sector jobs. Over 85% of part-time jobs in the UK are held by women. This is largely a consequence of the fact that unemployed men, for reasons discussed in the previous section, do not want low-paid, part-time, service sector employment.

However, part-time jobs are very attractive to women who are living with working partners. For such women, part-time jobs offer flexibility - for example, they allow women to return to the labour market as soon as the youngest child is at school - and are also a useful supplement to the family finances. On the other hand, part-time employment, particularly in the UK, is financially unattractive to women whose husbands are unemployed since, after a very low threshold, the wife's earnings only serve to reduce the husband's social security benefits.

A major consequence of the asymmetric attraction of part-time jobs for married women with employed and unemployed husbands is the growing gap between "work-rich" (two earner) and "work-poor" (no-earner) households. The part-time jobs that have been created in the UK have been taken by married women, with employed husbands, who want (and are able) to combine paid employment with looking after their children. Since 1975, in the UK, the percentage chance of moving from non-employment into employment has increased most sharply for women with working partners.

One consequence of the concentration of joblessness in particular families is the increase in income inequality between families. This inequality between families, overlays, and exacerbates, inequality between individuals brought about through an increasing gap in the remuneration received by skilled and unskilled workers.

## 6. SOCIAL EXCLUSION

The further concentration of such families into particular neighbourhoods and housing estates, has given rise to what has come to be termed in the UK and in Europe as the *socially excluded* and, more pejoratively, in the USA, as the *underclass*. The two terms, however, need to be carefully distinguished.

Social exclusion is about *processes*, though the precise nature of the processes that lead to social exclusion are not always clear. Indeed, as has been pointed out, the term may have gained currency precisely because it is capable of meaning all things to all people (Atkinson, 1998). At its most general, it could mean being "shut out from society" (Tony Blair, 23 November 1997). At its most narrow, it could be associated with some clearly identifiable surrogate outcome - like poverty or long-term unemployment. In this narrow sense, being socially excluded is just another way of describing someone who is "poor"

and/or has not found work for a long while.

It is clear that neither approach – the general nor the specific – is satisfactory. Defining exclusion in terms of “being shut out” begs the question of who or what (*the agency?*) is doing the “shutting out of society” (*whatever “shutting out” and “society” might mean?*) and how this is being effected (*the instruments of closure?*). On the other hand, while there might be a strong association between poverty (defined as lack of income) and/or long-term unemployment, on the one hand, and social exclusion, on the other hand, the concepts are not equivalent. The reason that social exclusion attracts so much interest is precisely because it expresses something broader (and more intangible) than simply being poor. In other words, a person may be poor and not socially excluded; alternatively, a person may be socially excluded without being poor.

Even attempts to extend the notion of poverty to include “multiple deprivation” does not fully capture the richness of the term “social exclusion”. For example, the Central Community Relations Unit’s (Northern Ireland) definition of social exclusion (“social exclusion has to do with poverty and joblessness – but it is more than that. It is about being cut off from the social and economic life of our community”) has been criticised as being too narrow because it focuses only on exclusion resulting from a lack of consumption (Hills, 1999). This is not to say that a lack of income and consumption – often, though not always, engendered by a lack of jobs – are not central to social exclusion – but they are not the be all and the end all of social exclusion.

### 6.1 Constituents of Social Exclusion

The problem with the above approaches to defining social exclusion is that they attempt to define what is essentially a process in terms of outcomes – whether broad (“shut out from society”) or narrow (“lack of income”). Instead, it might be more meaningful to consider social exclusion in terms of the processes by which people find themselves excluded. Atkinson (1998) stresses five aspects of social exclusion:

- *Relativity*. People are excluded from a particular society: exclusion refers to a particular time and place.
- *Agency and Instrument*. Exclusion implies an act, with an *agent or agents* employing an *instrument* of exclusion: insurance companies may refuse cover or employers may refuse to hire from certain postcodes.
- *Multi-dimensionality*. Income and consumption may be central to socially exclusion but so may factors such as: treatment by the police; freedom to express political views etc.
- *Multi-layered*. Specific individuals may feel socially excluded because of their personal circumstances, or entire communities may feel socially excluded because of their (perceived) treatment by “mainstream” society.
- *Dynamics*. Social exclusion is less the result of what is currently happening to people but how long it has been happening and how long it is likely to continue.

It is fair to say that tackling social exclusion lies at the heart of social policy in the UK. Tony Blair’s Labour government has established a Social Exclusion

Unit (SEU) in the Cabinet Office to identify and tackle the causes of social exclusion. This Unit, by working co-operatively with Government Departments, focuses on problems and issues which cut across administrative boundaries and which can be best dealt through joint action.

## 6.2 The Underclass

While social exclusion is about processes, belonging to an “underclass” is about *social alienation* and the *outcomes* emanating from such alienation. As conventionally viewed, the underclass is a group comprising persons who lack (or, at least, do not display) the social and cultural skills, and values, of mainstream working-class and middle-class persons and who, indeed, adopt a life-style that normal society would regard as “undesirable”. Failure to work regularly, to postpone childbirth until marriage, to refrain from violence, to cope with school and with social situations are all characteristics of the underclass (Jencks, 1991).

A person may be (or feel) “socially excluded” without displaying any of the pathological behaviour characteristics of the underclass. More specifically, however, the process of social exclusion contained in the rising number of jobless, unskilled, males - and the difficulty with which they enter, or re-enter, the jobs market - is, for a number of reasons, seen as a *cause* of the growth of such an underclass. There are several reasons for this view.

Firstly, the low incomes associated with being out of work, and also the low wages associated with unskilled employment, increase the attractiveness of illegal and even criminal activities<sup>11</sup>. Second, unemployment reduces the marriage rates among young persons. Men who cannot support a family are unlikely to form one, while women who can support themselves, and any children that they might have, find that being single “shields them from the type of exploitation that often accompanies the sharing of limited resources” (Wilson, 1996). The spread in most countries of unemployment among unskilled men, has meant that the ability of men to support families has declined (Borooah, 2002). The parallel rise in the number of jobs held by women, coupled with the fact that a woman is often better off as a lone parent than living with a unemployed man, has meant that women have less need for economic support from men today than they did, say, twenty years ago<sup>12</sup>.

However, the rise in male joblessness is also seen as a *consequence* of the growth of an underclass, since this group is composed of persons whose persistent poverty and chronic joblessness can be attributed to their own, seemingly perverse, behaviour. The view that the real problem of joblessness lies not in a lack demand or of appropriate skills, but in a social pathology which leads a significant proportion of the unemployed, through a distortion of values and attitudes, to be unsuited to the world of work with its requirements of self-

<sup>11</sup> Freeman (1990) points out that the increase in imprisonment in the USA was concentrated among black, male, high school dropouts. In 1986, 26 per cent of this group were in prison.

<sup>12</sup> For a discussion of the problems posed by lone men see Akerlof (1998).



discipline and self-respect, is commanding a great deal of attention from researchers<sup>13</sup>.

## **7. SOCIAL EXCLUSION – SPECIFIC FACTORS**

### **7.1 Inner Cities and Housing Estates**

One feature of poverty and unemployment is its concentration in certain “black spots”. The poor and non-poor, in many instances, do not live as neighbours. Rather, there are several areas where most of their residents are poor and unemployed. The difficulty of securing employment is compounded by the fact that employment opportunities are usually located some distance away from such areas. Moreover, as the concentration of poverty in these areas increases, these areas come to be seen as undesirable places in which to live. Thus anybody who can leave, does leave. Typically the leavers are persons with jobs and who may be more dynamic and ambitious than the people who do not (or are unable to) leave. With this migration, the social buffers - in the form of mainstream values - that surround and protect such areas erode over time and ultimately collapse. Neighbourhoods that have no role models, and that have few legitimate employment opportunities, will result in their residents possessing only a weak attachment to the labour market. Such persons will aimlessly drift in and out of low-wage, low-skilled employment and, indeed, may turn to illegal activities for income thus further weakening their ties to, and respect for, the legitimate labour market (Wilson, 1987).

Areas are intrinsically unequal in terms of distance from work, quality of schools and environment and it is inevitable that poor people and poor conditions group together. Far more seriously poor neighbourhoods tend to group together and form large poverty clusters in cities. Thus social exclusion cuts across whole swathes of cities and, in particular, affects inner cities. The collapse of city areas, which is gathering pace in cities of the UK, is driven by five factors (Power and Wilson, 2000):

- The long-run movement away from conurbations which is creating pressures on green fields
- Council estates have become increasingly unpopular and stigmatised
- People are unwilling to risk home ownership in declining areas
- The outward flow of new investment to city hinterlands has devastated city job markets
- The loss of traditional patterns of work, family and neighbourhood has caused social infrastructure to break down: truancy, disorder, youth disaffection and violent crime are all higher in inner cities than elsewhere.

Many of the solutions to reducing social exclusion are therefore, based on a regeneration and a rebuilding of urban neighbourhoods.

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<sup>13</sup> Some of this research is described in Peterson (1996).

## 7.2 Schools

A review of the recent literature suggests low levels of educational attainment are crucial in generating and sustaining social exclusion in later years. Test scores at school – as well as school attendance – are an effective predictor of many adult outcomes. A major cause of variations in school performance across pupils is social disadvantage but, even allowing for this, school factors can lift performance by up to 14 GCSE points for average pupils. However, the point that needs emphasising is that an approach which seeks to improve average school performance is less likely to combat social exclusion than an approach which focuses on raising the performance of the least able (Sparkes, 1999).

## 7.3 Family Circumstances

Work on the National Child Development Survey has looked at the links between the indicators of adult exclusion and childhood circumstances (Hobcraft, 1998). In summary this analysis shows that the four most consistent childhood factors of unfavourable adult outcomes were:

- childhood poverty
- family disruption
- contact with the police
- and educational test scores

Despite sharing very similar socio-economic backgrounds and coming from the same place, young persons experiences during childhood and youth differ widely. Events in childhood (for example, family bereavement or parental separation) or in adolescence (for example, a good or bad relationship with a teacher) could have significant influences in later years (Johnston *et. al.*, 2000). What is specially worrying is childhood disadvantages transmit themselves across generations and are an important factor in maintaining the immobility of economic status across generations. Parents confer upon their children the same disadvantages they themselves suffered when they were young.

## 7.4 Social Capital

Many of the deficiencies of family circumstances can be ameliorated by *social capital* where this is defined as “features of social organisation – such as trust, norms and networks – that can improve the efficiency of society by facilitating co-ordinated action” (Putman, 1992). But what kind of social capital is needed to combat social exclusion?

Some criminologists argue that, even under poor socio-economic conditions, churchgoing and related activities like scouting movements, social clubs etc. serve as an insulator against crime and delinquency (Evans, 1995). This is consistent with economists’ findings that church attendance is a better predictor of who escapes drug addiction and crime than family structure (Freeman, 1986).

## 8. LABOUR MARKET FLEXIBILITY: THE USA VERSUS EUROPE

A major point of debate in Europe is whether it should address its unemployment problem by adopting US-style solutions crafted around *labour market flexibility*. This point is given some edge by the fact that the relatively low unemployment rate in the UK, relative to that in, say, Germany and France, is often ascribed to the fact that labour markets in the UK are more “flexible” than in continental Europe.

### 8.1 Unpacking Labour Market Flexibility

The term “labour market flexibility” refers to the speed with which employment and/or wages respond to changing conditions in the product market. But behind this broad notion of flexibility, couched in terms of speed of response, lie three very distinct concepts of flexibility (Philpott, 1999). First, there is *numerical flexibility*. This refers to the speed with which employers can adjust numbers employed/hours worked and/or wages paid in response to changing demand conditions. Then, there is *functional flexibility*. This refers to the ease with which workers can be deployed to different tasks. Lastly, locational flexibility refers to the ease with which people can move between regions/occupations/industries as job conditions change.

### 8.2 Numerical or Functional Flexibility?

It is fair to say that the discussion of labour market flexibility has been dominated by considerations of numerical flexibility. The US model is admired because hiring and firing is easy and firm’s can easily adjust the wages they pay to suit market conditions. Consequently, when demand picks up, firms operating under conditions of numerical flexibility expand employment, secure in the knowledge that they can rid themselves of excess labour and/or cut real wages if conditions become tight.

However, it is often argued that firms which are continually adjusting the size of their workforce, and the remuneration they offer their workers, will not invest much in training. Consequently, in terms of their workforce, they may not enjoy a great deal of functional flexibility because the degree of functional flexibility is positively associated with the level of training of workers (Casey, *et. al.*, 1999). There is little doubt that the UK labour market has become more numerically flexible since the 1980s and today is, arguably, more numerically flexible than that of other EU countries<sup>14</sup>.

In turn, this increase in numerical flexibility may be related to policy changes in the UK during the 1980s. In particular, employment protection was diluted by extending the period for which an employee had to work, before he/she could challenge an employer on grounds of unfair dismissal or become eligible for financial compensation in the event of redundancy, from six months to two

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<sup>14</sup> One evidence of greater numerical flexibility is that movements in the unemployment rate followed the business cycle more closely during the early 1990s recession than it did during the 1979-81 recession.

years. In general, the power of trade unions to resist redundancies was eroded through a step-by-step process of trade union emasculation. For this reason, the point is often made that the strong employment creation in the US (and, to a lesser extent in the UK) cannot be reconciled with the German model of a strong welfare state built on partnership between unions, industry and government.

However, there is some debate as to the relative performance of the UK labour market when performance is assessed across *all* the dimensions of flexibility. In particular, the consensus is that poor skills continue to limit functional flexibility and this, in turn, contributes to relatively low productivity levels in the UK. For this reason, many commentators urge caution against Europe attempting to create US style labour market flexibility. Labour market flexibility in the USA, built around massive real wage reductions for unskilled workers in conjunction with a tightening of welfare regulations, has led to an increase in poverty and in inequality in the USA. Consequently, it is felt that Europe would not gain much by converting its *non-working poor* into (US-style) *working poor*.

## 9. POLICY

It was argued above that, compounding the problem of high unemployment rates in the EU, relative to the USA, is the fact that a much greater proportion of its unemployed consists of persons who have been unemployed for over a year (the “long-term unemployed”). The duration of unemployment matters because the longer a person has been out of work, the less the likelihood of him/her finding work. Why duration acts as a barrier to employment and, even if employment is found, increases the probability of future unemployment, is discussed in the next part. But a wider point is that many of the long-term unemployed in three different countries – Britain, Germany and Sweden – felt lonely, stigmatised and a loss of self-respect. They relied on families and friends for support and felt that they had been abandoned by society at large. In addition, the long-term unemployed (particularly in Britain) were more likely to be unable to afford basic necessities and to be in serious debt. In short, there appeared to be a strong correlation between the duration of unemployment and a sense of social exclusion (Clasen and Gould, 1997).

It does not need emphasising that getting its long-term unemployed into work remains one of the most serious, and certainly among the most intractable, problems facing the countries of the EU. In policy terms, the critical question is where the burden of intervention should lie. Should it be lie in making the long-term unemployed more “employable” by investing in improving their employment-related attributes in the hope that such improvements will be sufficient to find them jobs? Or should the emphasis be on finding jobs for the long-term unemployed / (perhaps by offering employers suitable incentives to hire from their ranks) and allowing improvements in attributes to be concomitant with, or to follow in the wake of, such employment?

While those who were long-term unemployed, quite possibly, had less employment-friendly attributes than those employed or in short-term unemployment, there were only a few of these attributes that were susceptible to

policy intervention. Most prominent among such attributes was education. But, as has been shown in a different context, even the most generous investment in improving the skills and education levels of those who were unemployed in one year would have done relatively little to improve their chances of employment in the following year.

A major handicap that the unemployed, particularly the long-term unemployed, suffer from is the very fact of being unemployed. This handicap, in conjunction with the benefits that being in a job confers upon those who are employed, means that, even after controlling for attributes, the chances of moving from unemployment into employment are low if the duration of joblessness has been long. As Layard (1998) notes, "even if employers have vacancies they prefer to deal with people who have not been out of the labour market, at least not for very long" (p. 25). The best way, therefore, of improving the "employability" of the unemployed is to find them jobs. That would be a more productive strategy than investing in improving the skills of unemployed persons in the hope that, with these improved skills, it would be easier for them to find jobs for themselves. But this begs the question of how this is to be achieved.

Perhaps a good starting point to answering this question is to examine the labour market policies of countries that do not have a long-term unemployment problem. The Employment Policy Institute (1997) has suggested that during the 1990s a number of countries - Denmark, Switzerland, Australia - have converged on the Swedish system. This system has a number of elements among which the most significant are: job-search measures, including counselling and job placement; recruitment rebates; job-creation projects; adult training. But, as the Employment Policy Institute (1997) argues, of these elements, the central plank should be recruitment rebates since "it would be far better to get people back into contact with regular employers than have them in some temporary situation on benefits plus, outside the regular labour market" (p. 2). The basic idea of the rebate is that the benefit money instead of being used to keep people idle or on the margins of the labour market, is used instead for the better purpose of placing them in regular employment. The issue of a recruitment rebate is not without its problems. One issue is that, at least in the short-term, employers, attracted by the rebate, may sack existing workers in order to recruit from the ranks of the unemployed. The other issue is that of training. The new workers, who were previously unemployed, will need training to bring them on par with the quality of the existing workforce. Even if off-the-job training was provided from public funds, day release would disrupt the schedule of the firm's work. If the acquisition of training was made the obligation of the individual worker, then this would stigmatise workers who were recruited from the unemployed.

Complementing recruitment rebates, the aim of which - as discussed above - is to place unemployed persons in normal jobs, would be the fall-back of direct job creation. This would provide additional employment which would, however, be "inherently temporary" - and, therefore, would not provide as credible an employment record as the jobs flowing from recruitment rebates -and which would be remunerated on a benefits plus basis.

The "New Deal" programme of Britain's Labour government provides a good example of a labour market strategy that combines many of the above elements. Under this programme, after six months of unemployment, persons under 25 - though the scheme has been recently extended to include all persons unemployed for over six months - enter a period of intensive counselling from "which they will either get an *unsubsidised* job or be placed in one of four activities: a *subsidised* job with a regular employer; work on an environmental project; voluntary work; or full-time vocational education. The approach encapsulated in the New Deal programme is a major social experiment which could well become a benchmark for other European countries (Layard, 1998). This approach takes as its priority objective that of getting unemployed people into normal jobs at the regular work place. But failing that, unemployed persons would be prepared for the world of normal employment through further education or through work experience on job-creation projects. The one outcome, however, that this anathema to this approach is that unemployed persons should continue in their state of unemployment. Without strenuous policy efforts of the New Deal variety, there is considerable danger that many of the long-term unemployed in the countries of the European Union will continue to languish in joblessness.

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