EUROPEAN SPATIAL RESEARCH AND POLICY

Volume 5 1998 Number 2

https://doi.org/10.18778/1231-1952.5.2.03

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UNEMPLOYMENT: SKILLS, GENDER AND SOCIAL EXCLUSION[1]

Abstract: The demand for unskilled labour has collapsed across all the countries of the OECD. In the United States, this showed up primarily in falling real wages for less-educated men; in the countries of Europe, it took the form of increased joblessness for the less skilled. Consequently, there was a reduction in both the number of unskilled jobs available and also in the real wages associated with such jobs. In explaining this collapse, US economists emphasise the role of technology, while European economists emphasise the role of trade. In fact the two causes are not independent but highly related. These changes have affected males particularly badly because much of job-creation in OECD countries has been in part-time jobs which have mainly been taken by women. High and stubborn male joblessness has, in turn, led to the creation of an 'underclass' so that a perversion of values and attitudes transforms people from being unemployed to becoming unemployable.

Key words: labour market, unemployment, global economy.

1. INTRODUCTION

Unemployment has emerged as the single most pressing problem facing the countries of the European Union (EU) in the 1990s. The reasons why unemployment matters are that:

> ... it generally reduces output and aggregate income; it increases inequality, since the unemployed lose more than the employed; it erodes human capital; and finally it involves psychic costs – people need to be needed (Layard *et al.*, 1994: 1).

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[1] Revised version of a plenary lecture to the Urban and Regional Development Conference, Victoria University of Wellington, New Zealand, 11 December 1997.

In 1996, some 18 million persons, comprising 11.3% of the EU's labour force, were unemployed. This may be compared to unemployment rates of 5.0% in the USA and 3.3% in Japan (OECD, 1997).[2] Of those unemployed in the countries of the EU, 40% of the unemployed in Great Britain and France, and 50% of the unemployed in Germany, had been unemployed for over a year. Again, comparable figures for the USA and Japan were 10% and 20%, respectively. What makes the emergence of unemployment in the early 1990s particularly frustrating is that over 1986–1990, which was one of strong job growth in the EU, the unemployment rate in the EU fell from 10.8% in 1985 to 8.3% in 1990. Since 1990, jobless totals in the EU have risen sharply.

A further sense of failure is due to the fact that 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 1960–1980 and, up to the first oil price shock of 1974, comparable to that of Japan. However, since 1985, the EU has had 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.[3] As the European Commission ruefully noted (CEC, 1993), the USA and, to a lesser extent, Japan have managed to achieve a strong increase in employment creation. Where the two countries have differed is in the manner in which they have created jobs: the USA has created jobs by combining modest output growth with even more modest productivity growth; Japan, by contrast, has combined strong productivity growth with even stronger output growth. Be that as it may, employment creation in North America and Japan has dwarfed that in the EU. Since 1974, 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 (Balls and Gregg, 1993).

2. MALE INACTIVITY AND UNEMPLOYMENT

There are two routes out of unemployment. The first, the 'high' road, was to escape unemployment by securing a job; the second, the 'low' road, was 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

[2] The unemployment rates, in 1996, for Australia and New Zealand were, respectively, 8.5% and 6.1%.

[3] That is, those unemployed for over a year.

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.

These two forces – job gains or losses on the one hand, and entry into, or withdrawal from, the labour market, on the other – which serve to determine the unemployment total are linked by the fact that they often work in opposite directions. The optimism generated through jobs being created, which causes the unemployment total to fall, could lead 'discouraged' workers, who had given up searching for jobs, to re-enter the labour market and push up the unemployment total; conversely, the pessimism generated by job losses could induce withdrawals from the labour market by discouraging unemployed workers from searching for jobs. An example of these offsetting forces is provided by the fact that the employment rate of working-age males (that is, the percentage of men between the ages 16 and 64[4] who were employed) in Britain fell from 92 in 1975 to 78% in 1996, or, equivalently, the non-employment rate for this group rose from 8% to 22%. However, the rise in the unemployment rate (that is, the percentage of the labour force that is jobless) for this subgroup, from 5% in 1975 to 9.7% in 1996, underestimated the scale of male job loss since there was a parallel in a rise in the male inactivity rate (that is, the percentage of working-age males who are jobless and not searching for work and, therefore, not in the labour force) from 3% in 1975 to 14% in 1996 (OECD, 1997). By 1996, in addition to the two million working age men classed as unemployed, a further two jobless million were no longer actively seeking employment. Thus, according to Schmitt and Wadsworth (1994), the extent of labour market slack in Britain is seriously understated when it is measured by the unemployment rate.

The poor representation of excess supply in the labour market by the unemployment rate is a feature which many developed countries have come to share and the feeling has, therefore, grown among some economists that excess supply is better measured by the rate of non-employment (rather than by the unemployment rate). As Balls and Gregg (1993) have pointed out, non--employment rates for prime-age males[5] (that is, the percentage of males between the ages 25 and 54, without a job) rose over the 1980s in almost every country of

[4] Excluding students. In the remainder of this discussion, unless stated to the contrary, the male working-age population is defined so as to exclude students. Consequently, inactive males are jobless, non-student, males, between the ages of 16 and 64, not actively searching for jobs.

[5] Focusing on prime-age males (rather than on working-age men) abstracts from international differences in participation rates in higher education (which affects young men) and in retirement rates (which affects older men).

the OECD. For the OECD as a whole, because of the contrary trend in the USA,[6] the non-employment rate for prime-age males, between 1983–1995, was static at around 12%, but in the EU the rise was from 11%, in 1983, to 15%, in 1996. The differences between the countries lay in the accuracy with which this rise was represented by the unemployment statistics. In Australia, Canada, Germany, Sweden and the UK, the rise in inactivity was at least as important as the rise in unemployment and hence the rise in non-employment was understated by the unemployment statistics.[7]

The high rate of non-employment among (non-student) working-age males – which at 23% in 1993, in Britain, was nearly twice the unemployment rate 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. Indeed, the latter may, often, be the cause of the former since a lack of success in finding a job could discourage further search.

The second cause of anxiety about high non-employment rates for working age males is that much of the fall in activity is concentrated among unskilled men. In 1994, the unemployment rate, in Britain, for working-age men with 'low' educational attainments was, at 18.8%, nearly twice that of men with 'intermediate' attainments (9.6%) and nearly four times that for men with 'high' educational attainments[8] (4.6); of equal relevance is the fact that inactivity rates increased with declining educational attainments: the inactivity rates for the above three groups were, respectively, 25%, 10.5% and 6.6% (OECD, 1997). In terms of changes over time, the unemployment rate among men with low educational attainments in Britain rose by almost 14 percentage points between 1979 and 1996, while inactivity rates (that is, the percentage not in the labour force) for this group rose by almost 15 percentage points so that, by 1996, 39% of poorly qualified men, of working-age, were without a job.[9] Nor is the picture painted above, unique to Britain. The non-employment rate for men with low, intermediate and high qualifications were, respectively: 27%, 16% and 11.9% in Australia; 37.9%, 21.9% and 13% for Germany; 29.6%, 14.1% and 8.4% in New Zealand; and 37.6%, 17.8% and 10% in the USA.

The fact that a job not sought is a job not found, only serves to increase anxiety about the large contribution that inactivity makes to the non-employment

[6] Except in the USA, where it fell slightly in the 1980s, after rising in the 1970s.

[7] Participation rates for prime-age males were lower in 1996, compared to 1983, by: 2.5 percentage points (pp) in Australia; by 2.7 pp in Canada; by 2 pp in Germany; by 3.4 pp in the UK (OECD 1997).

[8] Low is less than upper secondary education; intermediate is upper secondary; high is tertiary level.

[9] The corresponding figures for intermediate and high qualifications were, respectively, 19.1% and 10.9%.

of unskilled men. Such worries are compounded when conventional economic explanations fail to account for the steady rise in inactivity rates that has occurred over the last fifteen years. The fall was not cyclical, since the Keynesian style expansion in Britain, in 1987, failed to shift it; it was not the result of an open-ended benefit system, since once unemployment rates are replaced by non--employment rates, the simple correlation between benefit duration and joblessness breaks down; nor was it the result of excessively high wages choking off demand for labour, since relative earnings of low skilled workers were at their lowest level in 1993 in Britain for over a decade, and in the USA (which has a prime-age, male, non-employment rate comparable to Britain[10]), real wages of the unskilled actually fell by a third over the past two decades (cf. Balls and Gregg, 1993).

3. THE COLLAPSE IN THE DEMAND FOR UNSKILLED LABOUR

The fall in male activity rates, associated with which was a rise in male non--employment rates, was largely associated with a collapse in the demand for unskilled male labour that occurred in the 1980s in most countries of the OECD. In the United States, this showed up primarily in falling real wages for less--educated men; in the countries of Europe, it took the form of increased joblessness for the less skilled. Consequently, there was a reduction in both the number of unskilled jobs available and also in the real wages associated with such jobs. As a consequence, unskilled workers left the labour market, either because they were discouraged about the prospects of finding employment, or, because they did not find employment to be sufficiently rewarding.

On one argument (Wood, 1994), much of this fall was due to the changing pattern of trade – which, in turn, could be largely ascribed to a progressive dismantling of trade barriers – between developed (the North) and developing countries (the South). This pattern has changed, from one where the North exported manufactured products to the South and received in exchange primary products, to one where, today, the North exports skill-intensive manufactured goods to the South in exchange for (unskilled) labour-intensive manufactured products from the South.[11] These changes have had profound consequences for the structure of Northern industry.[12] Firstly, the North has reduced the scale of its

[10] In 1996, 12% of prime age males in the USA were non-employed compared to 15% in the UK (OECD, 1997).

[11] In 1955, manufactured goods constituted only 6% of the South's non-fuel exports; by 1989, this share had risen to 71% (Wood, 1994).

[12] Indeed, some commentators use the language of warfare to describe the state of economic relations between nations. Luttwak (1993), for example, speaks of expenditure on R&D conquering

labour-intensive activities, either by stopping production of certain products, preferring instead to import them from the South, or, by splitting the production process so that only the skill-intensive parts are located in the North, with the other parts being located in the South.[13] Secondly, in response to Southern competition in labour-intensive products, the North has intensified its 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 the North by approximately 20%.

An alternative view is that the collapse in the demand for unskilled workers in countries of the North has more to do with technological changes than with changes in trade patterns. In manufacturing there has been the advent of Japanese 'lean production' methods embodying three main requirements (Head, 1996): products must be easy to assemble (manufacturability); workers must be less specialised in their skills (flexible specialisation); and stocks of raw materials and component parts must be less costly to maintain (just-in-time methods). The McKinsey Global Institute (1993) study found that ease of production was an important factor in explaining differences between the productivity of Japanese corporations and their competitors and here the 'integrated worker' of Japanese lean production played a crucial role. The problem was that although such a worker was a 'skilled' worker he had, in contrast to the highly specialised craft worker of German industry, few specific skills: the main emphasis placed by Japanese managers were on dexterity, enthusiasm and the ability to 'fit into a team'. In addition to lean production methods, the 'new manufacturing' relies on out-sourcing of production to cut costs even further. Both Chrysler and Toyota out-source about 70% of their component manufacture. Some of this out-sourcing goes abroad, but when even the supplier is a domestic one it relies, more often than not, on non-union labour based on low wage-rates.

In the services sector the main source of technological change has been through computers and has affected industries such as banking, insurance and communications. This change, which goes under the name 're-engineering', uses information technology to streamline many of the routine activities of businesses. Thus tasks which were previously being carried out by separate departments, employing their own specialists, can now be integrated within a single department employing far fewer persons. These new employees, who handle the new software that lies at the heart of re-engineering in the service sector, displace not only armies of clerical workers but also highly qualified employees

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the industrial territory of the future "just as in war [in which] artillery conquers by firepower, territory that the infantry can then occupy".

[13] The advantage of such a strategy is evident form 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).

occupying the ranks of middle-management. In a celebrated example (cf. Head, 1996), IBM Credit Corporation, a subsidiary of IBM providing credit for clients wishing to purchase IBM products, reduced an army of low-level managers and skilled clerical workers to a single employee – known as the 'deal structurer' – who, sitting at his/her computer terminal, aided by a software program which is able to handle all, save a few, questions – handles the entire credit-granting process.

4. PART-TIME EMPLOYMENT AND WOMEN AT WORK

However, the reason that the collapse in the demand for unskilled labour in the developed countries has had such a disproportionate effect on male joblessness is that much of the job creation in the 1980s and the 1990s has been in part-time, service sector jobs which men are unwilling to take. The proportion of part-time employment in total employment in Australia and New Zealand increased from 17.5% and 15.3% respectively in 1983, and to 25% and 22.4% in 1996. In several countries of the OECD, between one-fifth to one-quarter of all employment is part-time employment.[14]

In the battle to contain industrial costs, battalions of part-time workers are a valuable weapon. Part-time workers offer several advantages to employers: they are cheaper than full-time workers because their hourly rates, and also their non--wage costs,[15] are lower; they are also the archetypal 'flexible' workers in that their numbers can be easily adjusted to meet the changing needs of employers. Many of these financial and legislative incentives to employ part-time workers have existed in the UK for the past 25 years. It was, however, the combination of such advantages, with the growing demand from married women for part-time employment, together with the increasing pressure of competition from developing countries in the production of labour-intensive products, that led, in the 1980s, not just to new jobs being concentrated in part-time appointments but also to the repackaging of existing full-time jobs into part-time positions.[16]

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[14] Notable exceptions, in 1996, were: Italy (6.6%), Spain (8.0%) and Portugal (8.7%) (OECD, 1997).

[15] For example, employers in the UK can avoid paying National Insurance contributions if part-time workers are paid less than the qualifying threshold. During a recent study into pay and wages in councils industries, of a 91 vacancies in the retail trade all were part-time and all but four jobs paid above the national insurance threshold (Jonathan Fry, *Low pay network*, letter to "The Financial Times", 29 March 1994).

[16] For example, the Burton retail group in the UK replaced 2,000 full-time jobs with 3,000 part-time positions. In such cases, part-time jobs is no more than de facto job-sharing.

On average, about three-fourths of these part-time jobs, in 1996, were held by women, though this proportion varied from 86% in the UK to 68% in the USA (OECD, 1997). The main reason why men shun such jobs is that low-skilled men who are jobless do not want low-paid,[17] part-time, service sector employment (McLaughlin, 1994). This, in turn, is due to several factors: the income from part-time jobs is not enough to support a family; such jobs are seen as 'women's' jobs; and the capabilities that unskilled men possess are not those that employers seek. Men with industry-specific experience are, therefore, 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 (cf. for evidence on this point McCormick, 1991).

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' jobs (that is, those on offer to the unemployed as they move from welfare to work). Nearly 60% of entry jobs in the UK are part-time or temporary. In the first quarter of 1994, the latest year for which data is available in the UK, median weekly pay in entry jobs at £117, was only half of median pay across 'all' jobs (£232). Moreover, a comparison between 1993 and 1994 suggests that both real, and relative, pay in entry jobs is falling (Employment Policy Institute, 1996). Low rates of pay in entry jobs have several consequences.

The first 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. The conventional wisdom about the 1990s is that anxiety about job security has increased – the 'job for life' is said to be a thing of the past and the 'future of work' has become a fashionable topic of debate. However, a comparison between the mid-1980s and mid-1990s indicates that there has, over the past decade, been little change in the median length of job tenure of (approximately) 6 years. However, the realisation that unemployment and reemployment could seriously affect lifetime income lies at the heart of people's anxieties, in the 1990s, about holding on to their jobs.

The second is that low levels of entry wages, notwithstanding meagre welfare benefits, provides severe work disincentives to the unemployed: only those jobless people with working partners find it worthwhile taking such jobs. Every year, in the UK, some 1.5 million people enter employment, having previously been jobless. This is about 20% of the jobless population. The chances of someone entering employment, from a household where someone is already in work, is around 25% but the chances of someone entering employment, from a household where nobody is in work, is only 15% (Gregg and Wadsworth, 1996).

[17] For example, average weekly income in respect of the 91 part-time vacancies cited in an earlier note was £39.05.

Part-time jobs are very attractive to women married to men who hold full--time jobs. 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 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,[18] the wife's earnings only serve to reduce the husband's social security benefits. Indeed, in the UK, since April 1992, a married man who was unemployed would lose entitlement to Income Support if his wife worked more than 16 hours per week.[19] 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.[20] Since 1975, in the UK, the percentage chance of moving from non-employment into employment has increased most sharply for women with working partners: it 1994, this probability was 23.3% compared to 13.5% for single women and 6.7% for women with non-working partners (Employment Policy Institute, 1996).

5. SOCIAL EXCLUSION AND THE UNDERCLASS

The terminology of 'work-poor' and 'work-rich' households has already entered the vocabulary of politicians. In the UK, the percentage of work-poor households increased from 6.5%, in 1975, to 18.5% in 1994; correspondingly, the proportion of work-rich households rose from 56% to 60%. One consequence of the concentration of joblessness in particular families is the increase in income between families. This inequality between families overlays, and exacerbates, inequality between individuals brought about an increasing gap in the remuneration received by skilled and unskilled workers. The further concentration of such families into particular neighbourhoods and housing estates has given rise to what has come to be termed the underclass. This 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

[18] £5 per week for married women and £15 per week for single mothers.

[19] Although the wife, if her earnings were low, would be entitled to claim family credit (the income supplement paid to low-earners) the family would lose assistance with mortgage interest payments and free school meals that come with income support but not with family credit (cf. Hewitt, 1993).

[20] Richard Thomas, *Right jobs for the right people,* letter to the "Financial Times", 15 March, 1994.

persons and indeed, who 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 (cf. Jencks, 1991). The rise in male joblessness among unskilled men is seen as a cause of the growth of such an underclass. 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.[21]

Second, unemployment reduces the 'marriageability' of young men. 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. 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 an unemployed man, has meant that women have less need for economic support from men today than they did, say, twenty years ago. Result: men can't marry, women won't marry.[22]

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 of demand or of appropriate skills, but in a social pathology which leads a significant proportion of the unemployed, through a perversion of values and attitudes, to be unsuited to the world of work with its requirements of self-discipline and self-respect, itself contains distinct strands, each of which stems from a particular explanation for the existence of an underclass.[23]

The first strand regards persons comprising the underclass as being rational, in the sense 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 for the existence of an underclass implies that changing such behaviour requires a change in people's situations, not a change in their nature. The most articulate proponent of this view is Murray (1984; 1990), who argued that the nature of the US welfare system provided incentives for people to pursue, out of rational self-interest, behaviour that normal persons would regard as aberrant. Thus, according to Murray, poverty

[21] Freeman (1990), points out that the increase in imprisonment in the USA was concentrated among black, male, high school dropouts. In 1986, 26% of this group were in prison.
[22] For a discussion of the problems posed by lone men cf. Akerlof (1998).
[23] These are described in detail in Peterson (1996).

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,[24] 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.

Another strand is provided by those who believe in a 'culture of poverty', whereby life-styles of the chronically poor are not conducive to holding down a job and also are self-perpetuating and self-reinforcing. As Peterson (1996) graphically puts it:

> ... street life in the ghetto is exhilarating ... in a world where jobs are dull, arduous, or difficult to obtain and hold, it is more fun to hang out, make love ... and exhibit one's many purchases or conquests.

Referring to teenage pregnancy in the USA, Anderson (1996) observes that two life-styles tug at people in underclass neighbourhoods. The stable family with its emphasis on education, marriage and work is one; the other is 'the culture of the street'. A young girl whose life is dominated by street culture may be so isolated from the wider world that she actually thinks she is doing well by becoming pregnant and receiving welfare, since her role models are other girls who too have become single mothers. At the same time, the pregnancy is an important proof of sexual prowess for the presumed father while a loose relationship with the mother allows him to maintain a free life-style.

Wilson (1987) has provided a penetrating analysis of how deviant norms come to be adopted. 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 the

[24] For a useful review cf. Jencks (1992).

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.

Lastly, a view that tries to steer a middle path, between the one which holds that the underclass phenomenon is a rational response to the incentives embedded in the social security system, and that which sees the underclass as embodying a perversion of mainstream values and culture, has been put forward by Mead (1992). He argues that the idea of an underclass holding 'deviant' values does not stand up to scrutiny. Survey data shows that the poor consistently reaffirm their attachment to 'middle-class' norms such as the importance of work, stable families, completing school and being law abiding. The problem is that they live less often by these norms than, say, middle-class persons.

The reason for this, according to Mead, is not that the poor are insincere in their affirmation of mainstream values, but that their competence to live consistently by these values is limited. The poor do not face great obstacles to finding employment if one assumes a normal level of competence, namely the confident competence of affluent persons. Given this assumption, the behaviour of the chronically poor and perpetually unemployed does appear perverse. However, it is precisely this competence assumption – the ability to live ones life as one chooses – that Mead questions. He sees the poor as being 'dutiful but defeated'. Their being 'dutiful' leads them to desire the same life-style as the rest of society. In that sense, an underclass does not exist. 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' and in that sense, from a middle-class perspective, an underclass appears to exist.

The anxiety for Europe is that it is beginning to develop its own underclass.[25] With the long-term unemployed constituting nearly half of the total unemployed in many European countries, social marginalisation and alienation is driven by

[25] Cf. "The Economist", 30 July 1994.

the persistence of mass unemployment. As a consequence of such alienation, Europe is beginning to develop urban ghettos possessing all the frightening characteristics – crime, drugs, poverty, unemployment – of those in the USA. Unfortunately, the measures – education, skills, jobs – required to reverse this trend are extremely difficult to implement.

Acknowledgements. I am grateful to Bob Stephens for comments that have substantially improved the paper. Needless to say, the usual disclaimer applies.

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