

REVIEW

The labour market in winter: the state of working Britain

Paul Gregg and Jonathan Wadsworth (Editors)
Oxford: Oxford University Press, 2011, 368pp, £28.50 (hbk)
ISBN: 978 0 199 58737 7

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This book is the third volume of the *State of Working Britain* series and focuses on the impact of the current recession and the legacy of the previous Labour Government. It comprises a collection of chapters compiled by economists and split into three sections: employment and unemployment; job quality; inequality. The book provides a wide range of subject matter and a wealth of empirical data. The chapters are concise and easily digestible with bullet point summaries of key findings. The empirical data is generally well presented, clearly explained and easy to follow.

The Introduction paints a surprisingly 'spring-like' picture where it is argued that fifteen years of continuous growth have eased many of the labour market problems that resulted from the deep recessions of the 1980s and 1990s. The authors (Gregg and Wadsworth) also highlight the positive role played by New Labour policies such as the National Minimum Wage, the New Deals and Working Tax Credits. Nevertheless, the intractability and persistence of labour market inequalities are acknowledged as an area of concern. This theme is further developed in Part III of the book.

Part I focuses on employment and unemployment. The 2008-2009 recession has been remarkable for both the depth and length of the fall of GDP but also the relatively modest loss of employment hitherto. This is ascribed to high corporate profit levels that have allowed employers to avoid major labour shedding exercises, and to bank rescues and the fiscal stimulus that maintained demand and cash flow in the economy. Nevertheless, the adverse effects on employment have been socially selective. It was once again a 'male recession'. In addition, employment rates for the less educated and in the most deprived wards have fallen by twice the national average from a depressingly low base. In contrast, lone parent (predominantly female) employment rates have risen.

Young people have fared particularly badly. The youth labour market began to deteriorate in 2004, several years prior to the onset of recession. This is both sobering

and intriguing because 2004 was the year in which large numbers of A8 migrants began to enter the country. A8 migrants tend to be well educated and crowded into the top and bottom parts of the occupational ladder. Many work in unskilled occupations traditionally the preserve of working class youth. Thus, 50 per cent of A8 migrants with degrees work in unskilled occupations compared to just 2.8 per cent of the native born. However, the chapter finds no compelling evidence that such immigration has caused higher youth unemployment. The possible exception is London where the proportion of the foreign-born population has risen from 28 per cent in the early 1990s to 40 per cent. The authors speculate that part of the explanation for the deterioration in the youth labour market pre-dating the recession may be due to the targeting of other 'at risk' groups by Jobcentre Plus.

An excessively high number of workless households has become a defining feature of the UK labour market compared to many other OECD countries. By 1997 the distribution of work across households was more unequal since records began in the mid-1970s. Fifteen years of economic growth had reduced the number, but the long-term increase in workless households has now resumed following the onset of recession. Two contributory factors are identified. First, there are more single adult households. Second, inequality in the distribution of work across households has increased. The growth and persistence of labour market inequalities over the past 30 years is an underlying theme running through many of the contributions.

Part II contains three chapters examining job quality, worker-well-being, and the impact of family friendly policies. I found the chapters on job quality and worker well-being the most partial and unconvincing. The heavy reliance on workplace surveys and official datasets to provide reliable accounts of what is happening in Britain's workplaces is a particular weakness. This approach means that the authors inevitably reflect on what is happening in the more secure segments of the primary labour market. It should, therefore, come as little surprise that the general message is a positive one of improvements in several aspects of job quality such as reduced working hours; increases in paid holiday entitlements; gains in work-life balance; and some rises in skill levels.

In contrast, many would argue that the last three decades have witnessed a profound transformation in the nature of work. Many western countries have witnessed the rise of increased insecurity in certain segments of the labour market. This proliferation of poor, chronically insecure jobs has accompanied the retreat from the Fordist-Keynesian compromise. The degradation of employment conditions, shortening of job tenure, drops in real wages and shrinking of collective protections have been brought about and accompanied by a surge in such contingent employment. It is now thought that, for example, one in three Americans in the labour force is a non-standard wage earner. The reviewer's own research in deprived communities and with groups such as offenders suggests that casualisation has had a profound effect on the type of work that many low skilled workers can now realise in the labour market. Furthermore, the more disadvantaged fractions of the working class are increasingly engaged in informal work to make ends meet. This may have profound implications for social mobility and crime. The problem for the contributors is that this narrative cannot be easily gleaned from official datasets.

Part III on inequality provides some much needed balance to the generally positive picture painted in some of the earlier sections. There are nine chapters here which focus in turn on wage inequality; gender and the labour market; intergenerational mobility; school reforms; ethnicity and second generation immigrants; child poverty; trade unions; public and private sector labour markets; and regional labour markets. I found the chapters on wage inequality, child poverty and trade unions the most informative and interesting.

Wage inequality has risen significantly since the late 1970s. Skilled workers have improved their position relative to less skilled workers and there is evidence of labour market polarisation caused by the hollowing out of middle paying jobs. In terms of the latter, there has been very rapid growth in the top two deciles of job quality (as measured by median occupational wages from 1979 to 2008) and positive growth in the bottom deciles, but declines in between. It has also become harder to rise through the wage distribution over time. The introduction of new technologies which require more skilled workers to operate them is identified as another contributory factor.

In 1997 Gordon Brown, as Chancellor of the Exchequer, pledged to abolish child poverty over the next 20 years. It was in this context that a set of reforms were introduced that were designed to 'make work pay' for low income families with children. Child poverty fell over Labour's first two terms, then stalled and began increasing from 2004. Labour failed to meet their targets although about half a million children were lifted out of relative poverty, reversing the previous record increases under the Conservatives. It is argued that the inability of Labour to meet its child poverty targets should not be a surprise since the underlying primary distribution of incomes is moving towards much greater inequality.

More low income households are now in employment as the tax and benefit system has made work more financially attractive for those previously entirely reliant on benefits. However, the role of work in reducing child poverty has been limited. The wages paid in many jobs for low income families are not enough to raise them out of poverty, even with the minimum wage. They have needed assistance in the form of in-work benefits to push them out of income poverty. It is pointed out that this is not necessarily a bad thing. Increased labour market participation may not reduce income poverty on its own, but it has many other benefits for both parents and children such as attachment to the labour market, social inclusion and role modelling. The problem is that the Coalition Government has embarked on a drastic programme to cut public debt which makes it highly unlikely that they will provide the necessary resources to increase work-related benefits to the poor.

The proliferation of poor, insecure work has taken place against a backdrop of declining trade union membership. In 1979 when the Conservatives came to power trade union membership was at an all time high of 13.2 million. By the time Labour returned to office in 1997 it had fallen to just 7.8 million. The figure now stands at around 7.6 million. This decline has not been evenly spread. Trade union membership has fallen faster among men than women; faster among manual workers than non-manuals; faster in the private sector than in the public sector; and faster among young employees. Consequently, the majority of trade union members are now women, three-fifths work in the public sector and they are more likely to be highly educated.

The authors feel that there is a 'tired debate' about whether trade unions will go into terminal decline or we will witness a 'Second Coming' for them. In their view this debate rarely touches on a more likely scenario, namely that unionisation will continue in a similar guise, form and status. It is pointed out that trade unions still constitute the largest voluntary organisation in Britain, negotiating on behalf of one-third of employees and still dominating workplace employment relations in the public sector. All of this is true, but the problem is that trade unions are increasingly becoming relegated to protecting the rights of white collar, well-educated public sector workers. It is my contention that unionisation simply cannot continue in the same way if it is to help meet the challenge of millions of Britons facing growing work insecurity.

The Coalition Government's view that public sector jobs need to be reduced and that private sector employment growth can take up the slack is highly controversial. Consequently, the chapter on public and private sector labour markets provides a few

rays of light to shine on this debate. The authors find that recent claims that public servants are overpaid are misleading, giving rise to 'sector envy' with private sector employees thinking the 'grass is greener' in the public sector. In reality, pay settlements in the two sectors over the past 10 years have been broadly comparable. Public sector workers do earn more than their private sector counterparts but this comparison is misleading because public sector workers tend to be better qualified.

The book concludes with a chapter on UK regional labour markets. There have been huge differences in prevailing economic and social conditions in the North and South of the UK for much of the twentieth and current centuries. While differences in regional performance may have narrowed prior to the latest recession, the North-South labour market divide persists. The North continues to have lower employment rates and wages than the South. It is also more dependent on public sector employment. It is, therefore, likely to bear the brunt of efforts to cut public expenditure. The authors argue that these findings must inevitably raise the issue of the degree to which Britain was right to jettison regional policy in the 1980s. It is difficult to argue with their conclusion that without major shifts of capital toward the North, differential performance will continue for years to come.

It will, perhaps, come as no surprise that the book contains several key messages that run counter to Coalition Government thinking. First, the relatively modest loss of employment hitherto resulting from the 2008-2009 recession was partly a result of the fiscal stimulus from the Labour Government which helped to maintain demand and cash flow. Second, economic growth alone (should it re-appear) is unlikely to be sufficient to tackle labour market inequalities that have grown rapidly over the past 30 years and then refused to disappear even in the 'good times'. Third, work is not enough for most households to lift them out of poverty. They need to improve work skills and be given assistance in the form of in-work benefits to push them out of income poverty. Without Labour's welfare-to-work reforms there would be an extra one million children living in poverty today. Finally, without major shifts of capital towards the North, regional economic and social disparities will continue indefinitely.

The trouble is that few politicians appear to be listening. Intervention and control is currently being re-emphasized in every area of social life with the singular and startling exception of the economy, from whose de-regulated domain the current recession has emerged and where growing social inequalities have been forged. Despite some of the weaknesses highlighted above, this book provides a wealth of empirical data which will interest anyone concerned with the UK labour market.

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