

Exclusion, employment and opportunity



The relationships between employment, education, opportunity, social exclusion and poverty are central to current policy debates. CASE has published a collection of papers on these relationships by researchers from a number of institutions, presented at the 1997 British Association for Advancement of Science meeting in Leeds.



Tony Atkinson argues that the concepts of poverty, unemployment and social exclusion are closely related, but are not the same. People may be poor without being socially excluded, and *vice versa*. Unemployment may cause poverty, but this can be prevented. Equally, marginal jobs do not ensure social inclusion.



Andrew Britton, from the Churches' Enquiry into Unemployment, argues that conventional economic analysis misses a key part of the problem of unemployment: the role of work in providing self-esteem and non-material parts of human well-being.



John Hills examines whether new evidence on income mobility implies less worry about inequality and relative poverty. Some low income is transitory, but the 'poverty problem' discounting this remains 80-90 per cent of that shown by cross-section surveys.



Stephen Machin finds that intergenerational mobility is limited in terms of earnings and education, and that childhood disadvantage has effects long into adult life and is an important factor in maintaining immobility of economic status across generations.



Wiji Arulampalam and Alison Booth suggest that there is a trade-off between expanding more marginal forms of employment and expanding the proportion of the workforce getting work-related training. Workers in temporary or short-term contracts, part-time, and non-unionised employment are less likely to receive work-related training.

Francis Green and colleagues compare 1986 and 1997 surveys to show that skill levels for British workers have been rising, not just in the qualifications needed to get jobs, but also in the skills actually used in them. There is no evidence of 'credentialism'.

Further Information

The collection of papers can be found in CASEpaper 4, *Exclusion, Employment and Opportunity*, edited by Tony Atkinson and John Hills, available free of charge from Jane Dickson, CASE, at the address below. It can also be downloaded free from our internet site at <http://sticerd.lse.ac.uk/Case>.

Social exclusion, poverty and unemployment

Tony Atkinson (Oxford University) discusses the three-way relationship between poverty, unemployment and social exclusion. The concepts are related but not identical. In debates about Social Europe, 'poverty' and 'social exclusion' have sometimes been used interchangeably, but they are not the same. 'Social exclusion' has three elements:

- *Relativity*, with exclusion being from a particular society, referring to a particular place and time.
- *Agency*, as exclusion implies an act, with an agent or agents; and
- *Dynamics*: people are excluded not just because they are currently without a job or income, but because they have little prospect for the future.

People may be poor without being socially excluded, or socially excluded without being poor. Unemployment may cause poverty, but this may be prevented, as in a number of mainland European countries, by social security. In countries such as France there has not been the same rapid rise in poverty as in the United Kingdom. Unemployment may cause social exclusion, but employment does not ensure social inclusion. Whether or not it does so depends on the quality of the work. 'Marginal' jobs may be no solution.

In policy terms, tackling exclusion is an inter-departmental matter, and all policy proposals should be tested against the contribution they make to promoting social inclusion. Labour market measures, such as welfare-to-work initiatives, should not be seen as an alternative to cash transfers through social security; they are complementary.

Employment and social cohesion

Andrew Britton was Executive Secretary of the Churches' Enquiry into Unemployment and the Future of Work, which reported in April 1997. He discusses the relationship between economics and theology, in particular how they can come together to address issues of equality and opportunity. He argues that conventional economic analysis is too committed to individualism and too narrowly focused on a material view of human well-being. It therefore misses an important part of the problem of unemployment: the role of work in providing self-esteem and well-being in a wider sense.

The Churches' Enquiry summarised its policy findings as:

- Reform of the tax system to encourage much more employment in the private sector.
- Much more employment in the public sector, financed by higher taxation.
- A programme creating good jobs for the long-term unemployed.
- A national minimum wage.
- Better conditions of work and fairer bargaining over pay.
- Reform of social security benefits to reduce reliance on means-testing.
- Giving priority in the education system to basic skills for all young people.
- A national employment forum to debate such policies.

While several of these are consistent with the new Government's priorities, the second is more controversial, but can be justified in conventional terms, particularly in terms of increasing employment in public services like health and education.

Income mobility and poverty

New data based on panel surveys confirm significant mobility in individual incomes from year to year. This has been used to argue that widening income inequality and relative poverty are of less concern. John Hills (CASE, LSE) reviews evidence on three aspects:

- Analysis of earnings of men aged 25-44 in 1978-79 had suggested that those with the lowest initial earnings also had the largest increase, examining 1992-93 earnings. However, this ignores the large proportion who end up out of work, and is driven by life-cycle earnings patterns. It does not imply the lowest paid are 'catching up'.
- The rapid rise in cross-sectional inequality might be offset by faster income mobility. The evidence is equivocal: earnings mobility appears to have fallen since the 1970s; more people are dependent on Income Support long-term, suggesting low mobility at the bottom, but short-term receipt has also grown; low income families with children were more likely to leave the poorest groups in the early 1990s than in 1978-79, suggesting faster mobility, but the results are affected by the economic cycle.
- Although half of the poorest tenth by income are no longer in the poorest tenth a year later, most observed poverty is not transitory. Many do not move very far in the income distribution, and 'escapers' frequently fall back again. Looking at incomes over four years, only a quarter of low income observations come from less worrying trajectories, where poverty is a one-off affair or is clearly escaped by the end of the period. Allowing for mobility – including those who are temporarily out of poverty – the poverty problem remains 80-90 per cent of that seen in cross-sectional surveys.

Childhood disadvantage and intergenerational links

Stephen Machin (UCL and LSE) shows that an important part of an individual's social and economic status is shaped by the social and economic status of their parents. Intergenerational mobility is limited in terms of education and earnings. For instance, 34 per cent of sons and 37 per cent of daughters of men with the lowest quarter of earnings also end up in the lowest quarter; only 13 per cent of their sons and 12 per cent of their daughters end up in the top quarter. There is strong evidence of an asymmetry such that upward mobility from the bottom of the earnings distribution is more likely than downward mobility from the top. Cognitive achievement of children is significantly related to the earnings of parents, and to parents' maths and reading abilities. The evidence points to an important degree of persistence in economic success or failure across generations.

Factors associated with growing up seem to represent an important transmission mechanism behind this persistence. Research using UK cohort surveys such as the *National Child Development Survey* shows that disadvantage in childhood has effects long into adult life and there are often detrimental effects which spill over into the next generation. Having parents with low income or earnings while growing up is a strong disadvantage in terms of later labour market success, and can contribute importantly to factors like adult joblessness and participation in crime. The persistence of economic disadvantage across generations needs to be taken into account in framing policy.

Labour market flexibility and skills acquisition

Wiji Arulampalam and Alison Booth (Warwick and Essex Universities) explore the nexus between work-related skills acquisition and labour market 'flexibility', which they proxy by contract type, part-time employment and lack of union coverage. Using data from the first five waves of the British Household Panel Survey between 1991 and 1995, they show that workers on short-term contracts, or who are not covered by a union collective agreement, are significantly less likely to be involved in work-related training to improve or increase their skills in their current job.

- A man on a temporary or fixed term contract is 19 per cent less likely to receive such training than an otherwise identical man on a permanent contract, while a comparable woman is nearly 14 per cent less likely.
- A man in a non-union job is 9 per cent less likely to receive training than an otherwise identical man in a union-covered job, while a woman in a non-union job is 11 per cent less likely to receive training than a union-covered counterpart.
- Part-time male workers are 8 per cent and part-time women workers 10 per cent less likely to receive training than comparable full-timers.

The findings suggest that there is a trade-off between expanding more marginal forms of employment and expanding the proportion of the workforce getting work-related training.

Are British workers getting more skilled?

Francis Green, David Ashton, Brendan Burchell, Bryn Davies and Alan Felstead (Leeds, Leicester and Cambridge Universities) compare a new survey of skills in British workplaces in 1997 with a comparable 1986 survey.

- The number of jobs requiring recruits to have some qualifications rose from 62 to 69 per cent. For 'high level' qualifications the rise was from 20 to 24 per cent.
- The proportion of jobs actually using high level skills rose from 16 to 18.5 per cent.
- Skills increases are more pronounced for women than for men. 66 per cent of female recruits required qualifications in 1997, up from 51 per cent. For men the rise was from 69 to 71 per cent.
- There is no evidence for a substantial rise in Britain in 'over-education', that is, being in a job which does not require the qualifications actually possessed. There is also no evidence of 'credentialism'.
- The proportion of jobs requiring under three months training fell from 67 to 57 per cent, and the proportion requiring training of over 2 years rose from 22 to 28 per cent.
- Use of computers has increased – and at increasing levels of complexity. Communication, social and problem-solving skills have become more important.
- Those with least skill improvement are part-timers, the self-employed, those over 50, in low status occupations, in wholesale or health sectors, and those with low earnings.

About the research

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