

**Department for Work and Pensions**

**Working Paper No 68**

# **Review of evidence on the impact of economic downturn on disadvantaged groups**

**Professor Bruce Stafford and Dierdre Duffy**

A report of research carried out by the International Centre for Public and Social Policy, University of Nottingham on behalf of the Department for Work and Pensions

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# Summary

This working paper reviews the evidence on the impact of the last three economic recessions on the PSA 8 (indicator 2) disadvantaged groups (that is, disabled people, ethnic minorities, lone parents, people aged 50 and over, the 15 per cent lowest qualified, and those living in the most deprived local authority wards), as well as ex-offenders and the self-employed. The review was desk-based and used purposive search strategies. The timescale for the review was short, and consequently it does not claim to be comprehensive.

Labour market time series data are presented in Chapter 2. The data show that the recessions of the early 1970s, 1980s and 1990s were associated with both rising unemployment and, to a lesser extent, falling employment. For each recession, high levels of unemployment extended well beyond the initial fall in output. Chapter 2 also highlights that nowadays disadvantaged groups operate in a labour market that is, in many respects, very different from those prevailing during past recessions. There have been major changes in the composition and structure of the labour market, in the benefits (and tax credit) system, in equity legislation and demographic trends.

Evidence on the impact of previous recessions on disadvantaged groups is discussed in Chapter 3. Briefly, disabled people, ethnic minorities and (since the 1980s) less skilled workers have experienced an increase in, and longer duration of, unemployment during past recessions. Little evidence was found for the most deprived wards. However, to the extent that the above vulnerable groups are geographically concentrated in the most deprived local authority wards, then unemployment rates for these areas can be expected to increase alongside rises in national unemployment.

The evidence on the impact of past downturns on older workers and the self-employed is more complex. In the 1970s, unemployment among older workers did increase during the downturn. However, in subsequent recessions the rise in unemployment among older workers seems to have been similar to that for prime age workers; albeit the size of this differential might vary by gender and duration of unemployment. Nonetheless, older workers have longer spells of unemployment and so older workers flowing onto unemployment are at a disadvantage as they

have a lower chance of re-entering employment. For the self-employed, the evidence highlights the importance of fluctuations in house-prices, the severity of the recession in terms of length of unemployment spells, willingness of banks and other financial institutions to lend, and the effect of changes in the Government's approach to local authority service provision.

Although data are only available from the late 1980s onwards, lone parent's decisions about entering employment appear to be influenced by non-recessionary factors, such as age of child and receipt of maintenance. However, recent increases in the lone parent rate of employment may mean that they are now more susceptible to economic downturns.

There was insufficient evidence found about the impact of an economic recession on the unemployment rates for ex-offenders to gauge whether or not their rate of unemployment is likely to increase during an economic downturn.

The public's attitudes towards unemployment and unemployed people are considered in Chapter 4. While there have been times when there has been hostility towards unemployed people ('scroungerphobia'), there is no simple relationship between rates of unemployment and public attitudes towards unemployment policies or jobseekers.

That rising unemployment creates demands for other public services, notably for local authorities, is outlined in Chapter 5.

Chapter 6 summarises the review and presents some possible policy options.

# 1 Introduction

## 1.1 Research aim and questions

This working paper reviews the evidence on the impact of previous recessions on ex-offenders, the self-employed and the PSA 8 (indicator 2) disadvantaged groups, namely, disabled people, ethnic minorities, lone parents, people aged 50 and over, the 15 per cent lowest qualified, and those living in the most deprived local authority wards (HM Treasury, 2007).

The review focuses on the UK and, where possible, considers evidence from 1970 onwards.

The key research questions are:

- What general lessons can be learned about how these groups have fared in recessions?
- What are the impacts of economic downturn on different aspects of employment for disadvantaged groups – recruitment, redundancies, movements on and off benefits and in and out of the labour market?
- Does the impact of a downturn lead to long-term inactivity among these groups?
- Is there an impact on attitudes towards disadvantaged groups and the labour market held by people in those groups, among employers or more generally?
- What is different about the labour market now for each of these groups?

The review does not consider the 'causes' of unemployment.

## 1.2 Review methods and timescale

The review was desk-based and used 'traditional' or purposive review methodologies. As such, 'informed', rather than systematic, searches were conducted. The timescale for the review was short (15 days) and so the review does not claim to be exhaustive. It provides a 'first look' or 'snap-shot' of the literature.

Some sources were identified that appeared to be worth obtaining and reviewing, but time constraints prevented this from happening. These sources are listed in the Appendix. Those doing a more extensive review might find them useful; although this cannot be guaranteed.

## 1.3 Structure of the note

Chapter 2 provides a context to the review by summarising Office for National Statistics (ONS) time series data on the labour market. Evidence of the impact of economic recessions on vulnerable groups (including the self-employed) is discussed in Chapter 3. Public attitudes towards unemployment are briefly considered in Chapter 4. Chapter 5 outlines that rising unemployment has had an impact on other organisations as well as the Department. Some conclusions, including ways in which the labour market has changed since 1970, are presented in Chapter 6.

Given the timescales for this review it was not possible to review all the documentary sources identified, and these potential sources are listed by disadvantaged group in the Appendix. Possible data sources for further analysis are also listed in the Appendix – however, these data sources have not been examined in any detail.

### 1.3.1 Language used

The review draws upon several documentary sources, many published during the 1970s and 1980s. These sources use the then acceptable terminology, and as such may use terms (such as 'the disabled') which nowadays would cause many people offence. Whilst the use of such terminology is minimised in this working paper, there may be examples in the verbatim quotations.

## 2 Trends and changing context

The first two sections of this chapter draw mainly on Office for National Statistics (ONS) labour market time series data. They outline the past three economic recessions (Section 2.1) and their impact upon the labour market (Section 2.2). The third section considers the main economic and social changes that have affected disadvantaged groups' outcomes in the labour market.

For some labour market outcomes, aggregate data are available from 1970 onwards. Unfortunately, data that can be disaggregated and is more directly related to the vulnerable groups of interest tends to be available from only 1992 onwards, that is, after the last of the recessions being considered in this review commenced.

The analysis presented below is 'descriptive', and does not consider the range of factors that might be underpinning the trends. Readers should not assume causation between occurrence of a recession and a given labour market trend.

### 2.1 Previous UK recessions

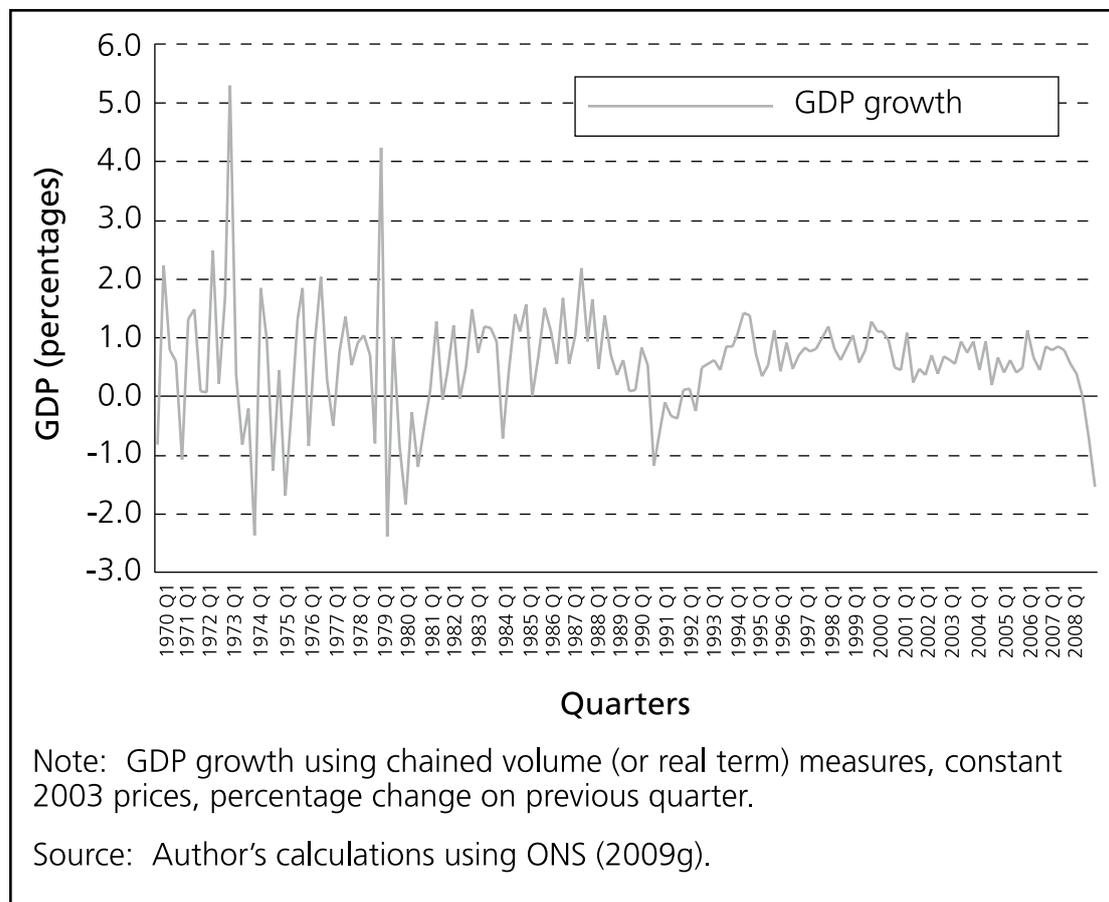
A recession is defined as two or more quarters of falling Gross Domestic Product (GDP). Prior to the current economic downturn the UK has had three recessions since the 1970s (Figure 2.1):

- **early 1970s** – broadly a W-shaped recession with GDP falling between the end of 1973 and early 1974, rising GDP during mid-1974 and negative growth, again, during mid-1975;
- **early 1980s** – a V-shaped recession with negative growth rates for 1980 and the first quarter of 1981;
- **early 1990s** – an L-shaped recession with a fall in GDP towards the end of 1990 before a modest growth rate from the end of 1991.

As Figure 2.1 shows, during the 1970s and 1980s there were also other isolated quarters with negative GDP growth rates, that is, short economic downturns that were not technically recessions. The impact of the recession will also vary geographically across the UK.

Moon and Richards (1985) provide an overview of the key political and economic events from 1970 to mid-1980s, and place the first two UK recessions in an international context.

**Figure 2.1 GDP growth, UK, quarterly, seasonally adjusted**



## 2.2 Recessions and the labour market

### 2.2.1 Recessions and economic activity

Falls in GDP have effects on unemployment and employment. The effects are prolonged, with rises in unemployment and falls in employment following and extending beyond the initial decline in output.

Using the unemployment claimant count as a measure of unemployment, Figures 2.2 and 2.3 and Table 2.1 show that all three recessions were associated with increases in unemployment that extended beyond the duration of each recession<sup>1</sup>:

- **early 1970s recession** – rate of unemployment increased from 1.6 per cent in December 1973 to 4.3 per cent between September and December 1977, and then briefly declined before the next recession. A trough to end of peak unemployment duration of 49 months;
- **early 1980s recession** – rate of unemployment rose from 3.7 per cent in January 1980 to 10.6 per cent in March 1986, when it remained steady until August 1986 and then fell. A trough to end of peak unemployment duration of 80 months;
- **early 1990s recession** – rate of unemployment increased from 5.2 per cent in May 1990 to 9.9 per cent between December 1992 and April 1993 and then declined. A trough to end of peak unemployment duration of 36 months.

The extended impact of economic recessions on unemployment is further highlighted by considering the time taken before the rate of unemployment returns to the rate prevailing at the beginning of each recession:

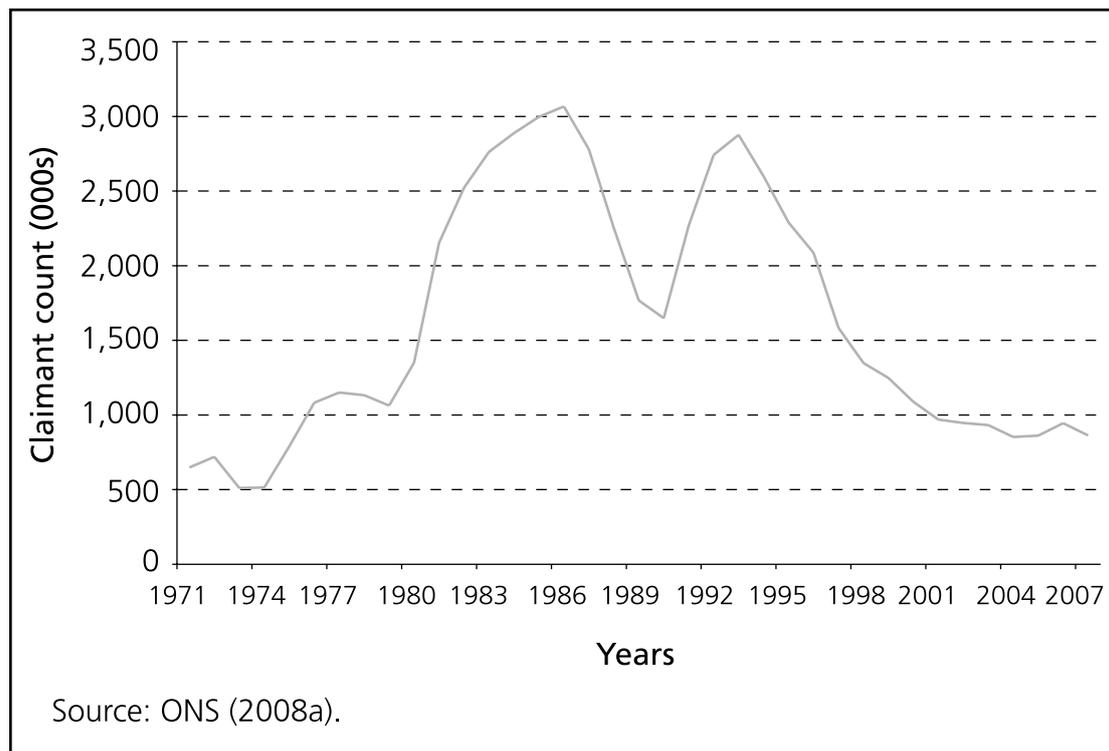
- **early 1970s recession** – unemployment has never returned to 1.6 per cent;
- **early 1980s recession** – unemployment returned to 3.7 per cent after 20 years and two months (in March 2000);
- **early 1990s recession** – unemployment returned to 5.2 per cent after seven years and one month (in June 1997).

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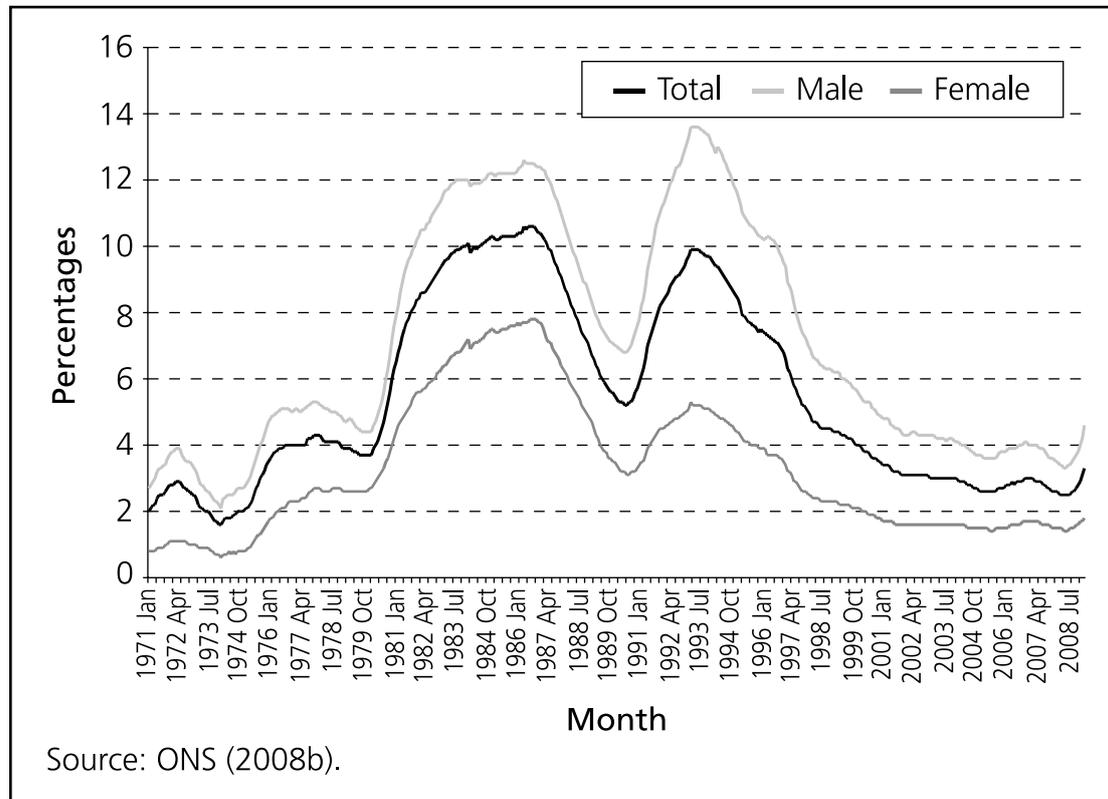
<sup>1</sup> Data using the International Labour Organisation (ILO) definition of unemployment is also available from ONS. The definition of the claimant count figures has been controversial, with claims that changes to the definition have led to an undercounting of the number unemployed. For instance, in mid-1991 the count was around 2.2m, but had the definition not changed another million could have been added to this figure, and another two million were possibly looking for work but not registered as unemployed (Millar, 1991:27-28; see also Balloch *et al.*, 1985:1-2; Taylor, 1987:77-79). The definition and measurement of unemployment is not straightforward. Green (1998) briefly discusses alternative measures of unemployment and non-employment.

**Table 2.1 Rises in unemployment extend beyond the recession**

	Start	Recession		Unemployment (claimant count)		
		Finish	Duration (quarters)	Trough	Peak	Duration (months)
Early 1970s	1973(Q3) 0.8%	1974(Q1) -2.4%	3	1973 Nov 1.6%	1977 Dec 4.3%	49
	1975(Q2) 1.7%	1975(Q3) -0.2%	2			
Early 1980s	1980(Q1) 0.8%	1981(Q1) -0.5%	5	1980 Jan 3.7%	1986 Aug 10.6%	80
Early 1990s	1990(Q3) 1.2%	1991(Q3) -0.4%	4	1990 May 5.2%	1993 Apr 9.9%	36

**Figure 2.2 Total claimant count, UK, seasonally adjusted (000s)**

**Figure 2.3 Percentage unemployment (claimant count), UK, seasonally adjusted**



So, while recent past recessions have been short-lived (lasting no more than five quarters), relatively high levels of unemployment persisted for some time. By their very nature disadvantaged groups are likely to be susceptible to long durations of unemployment. Implying that following the current recession there may be a need for medium to long-term policy responses to assist some members of disadvantaged groups secure sustainable employment.

Brief accounts of the performance of the labour market during all three recessions are provided by Nickell (1999) and Yeandle (2003).

Relative to the falls in GDP (Figure 2.1), the increase in unemployment for the early 1990s recession was '*sharper*' or more pronounced than for the two previous recessions (Oxford Economic Forecasting (OEF), 2001:5). However, the rate of unemployment continued increasing over a longer period of time for these two earlier recessions. Some commentators (for example, Sinfield (1981) and Balloch (1985)) point out that throughout the 1970s and 1980s the rate of unemployment was above a (1950s and 1960s) 'frictional' two per cent (or what might be regarded as a 'healthy' level of unemployment to allow for the turnover in jobs). Indeed, while the rate of unemployment has come close to two per cent in recent years, the rate has not been below two per cent since before the early 1970s recession. That unemployment was perceived as relatively 'high' in non-recessionary years (that is, above two per cent) during the 1970s and 1980s means

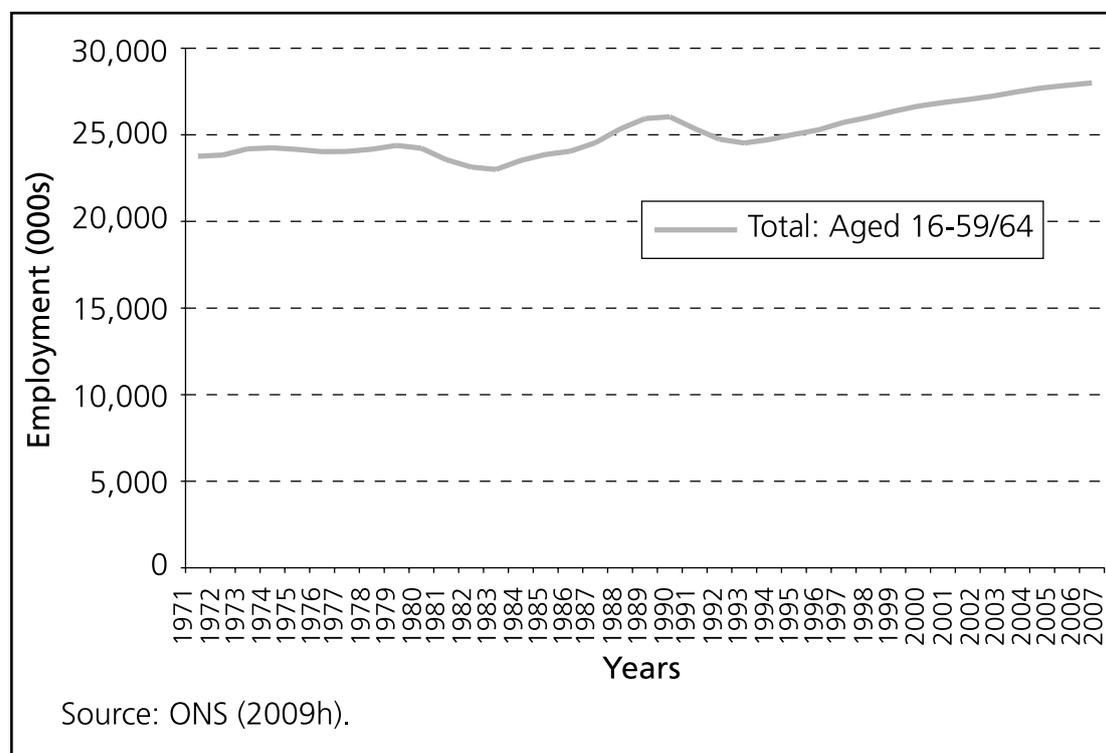
that much of the literature considered in the next chapter explores the impacts of high unemployment during recessionary **and** non-recessionary periods. In general, there is no literature that associates impacts either for unemployed people overall or for particular vulnerable groups with specific recessionary periods, which tend to be of a relatively short duration.

During the early 1980s recession, there was a particular policy concern about its effect on young people. The number of unemployed school leavers increased from 14,000 in September 1973 to 280,000 in September 1981 (Moon and Richardson, 1985:29).

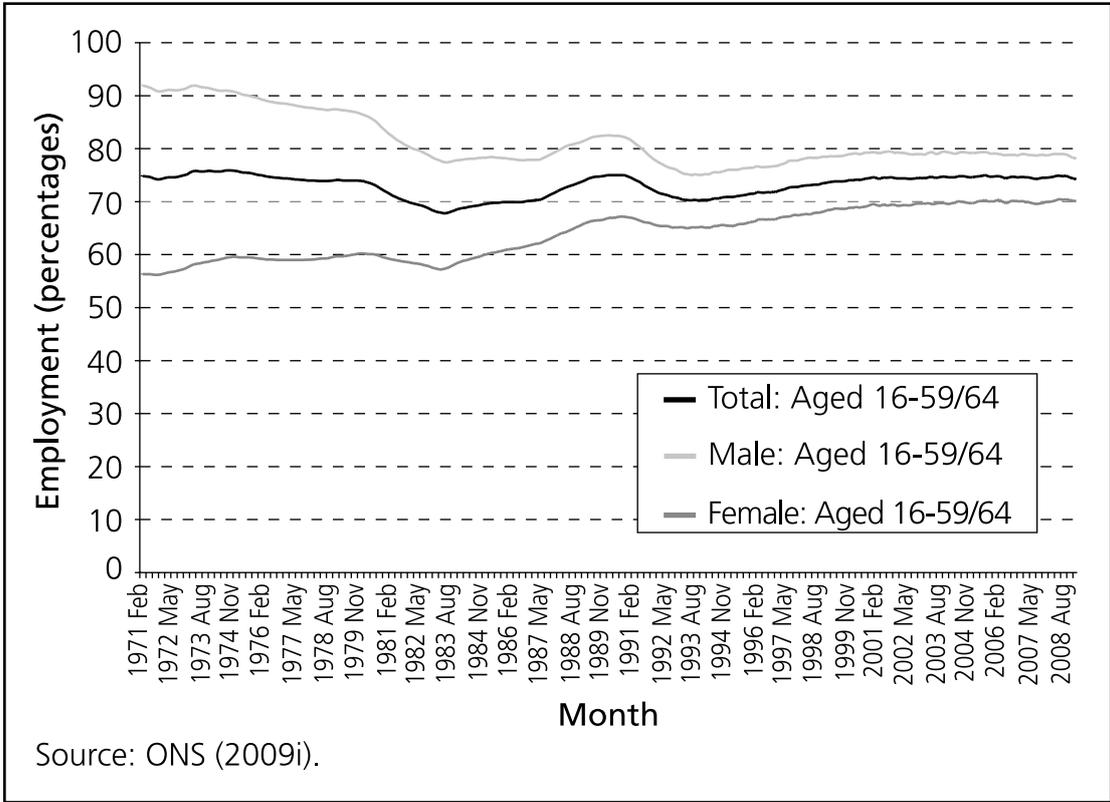
Recession can also be associated with falls in the level of employment (Figures 2.4 and 2.5):

- **early 1970s recession** – the rate of employment was relatively stable, varying between 75 per cent and 76 per cent between end-1973 and end-1975;
- **early 1980s recession** – rate of employment fell from 74 per cent in November 1979 to 67.8 per cent in April/May 1983;
- **early 1990s recession** – rate of employment fell from 75 per cent in July 1990 to 70.2 per cent in March 1993.

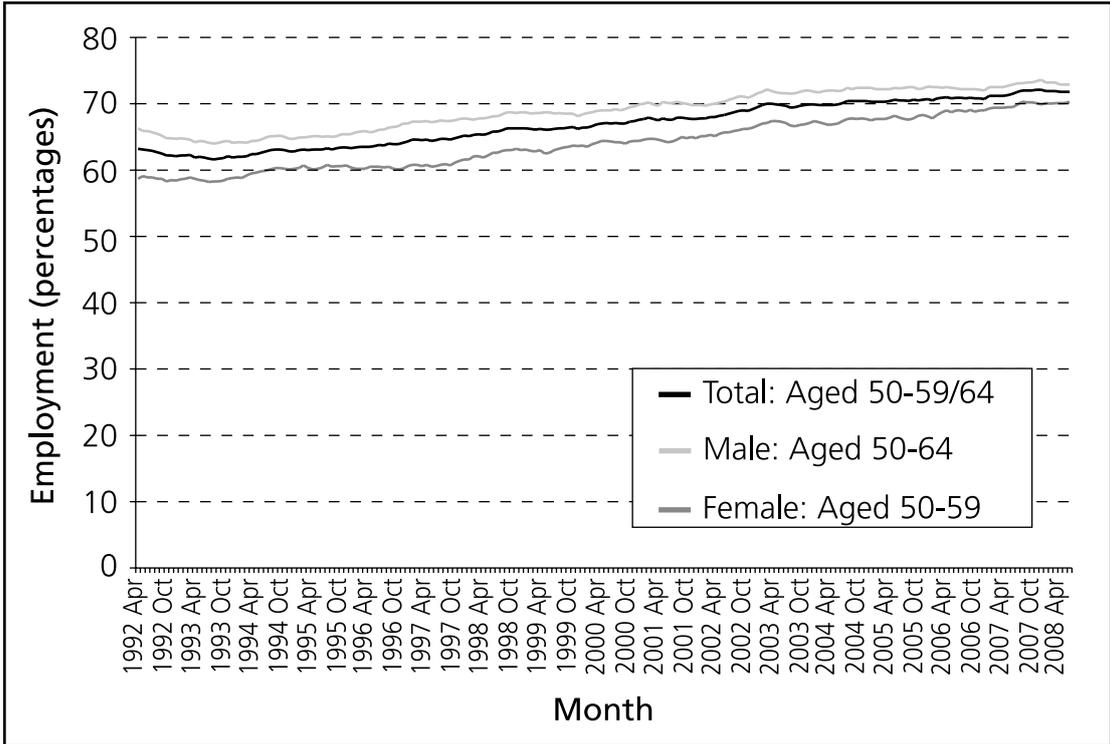
**Figure 2.4 Total working age employment, UK, seasonally adjusted (000s)**



**Figure 2.5 Proportion working age employment, UK, seasonally adjusted (percentage)**



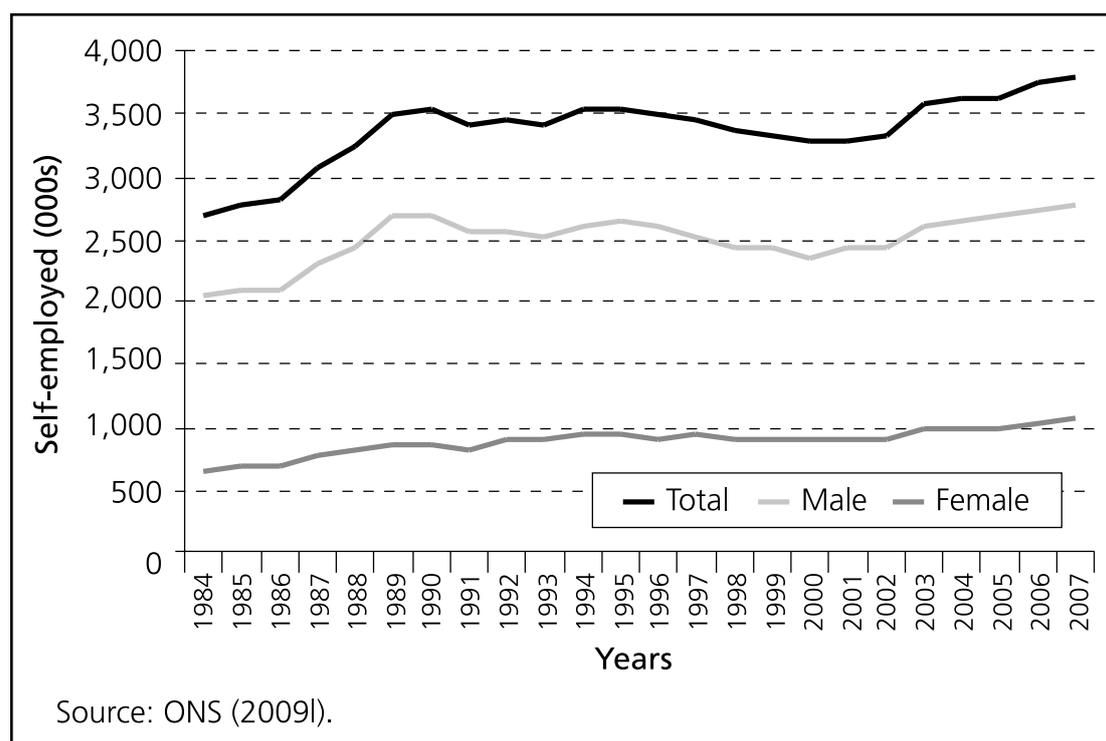
**Figure 2.6 Employment rate for those aged 50-59/64, UK, seasonally adjusted, (percentage)**



Older workers, especially men, can experience a loss of employment due to a recession. After the recession of the early-1990s, there was a very slight decline in the older male rates of employment from 65.9 per cent in April 1992 to 64 per cent in August 1993 (Figure 2.6). (The rate for older women was virtually unchanged over the same period – from 58.9 per cent to 58.3 per cent. ONS data for older workers earlier than April 1992 is not available.)

For the early 1990s recession, ONS time series data show that the numbers in self-employment fell (Figure 2.7). The numbers in self-employment increased from 2.7m in 1984 to 3.5m in 1990 (a 31 per cent increase), but fell by 4.5 per cent in 1991 to 3.4m. This decline affected both men (-4.4 per cent) and women (-4.6 per cent). However, falls in the number in self-employment are not just associated with recessions, they also occurred between 1996 and 2000. By implication, factors other than an economic downturn may affect numbers in self-employment.

**Figure 2.7 Number self-employed, UK, seasonally adjusted, (000s)**



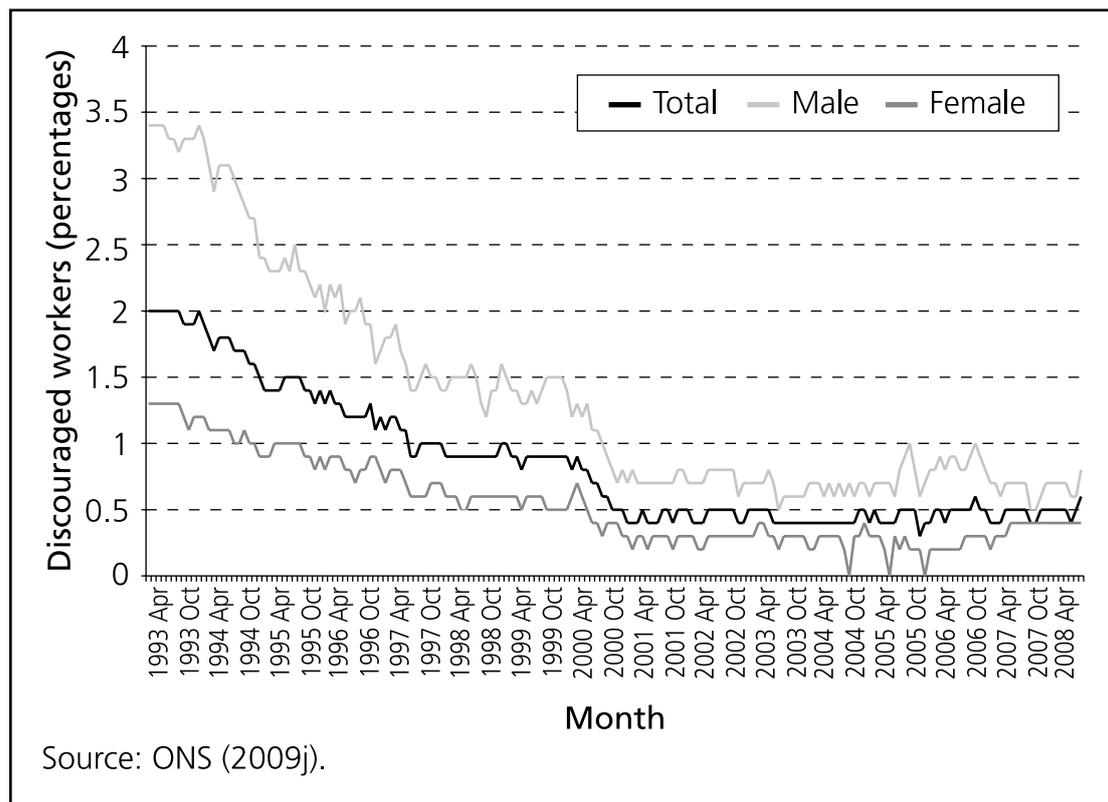
Overall, there was also a differential effect by gender – the adverse consequences of recessions (higher unemployment, lower employment and more discouraged workers (see below)) tend to be greater for men than for women.

### 2.2.2 Recessions and economic inactivity

For all three economic downturns the increases in unemployment tended to be greater and last longer than the falls in employment. This reflects a '*discouraged worker effect*', whereby some people, during rising and high levels

of unemployment, withdraw from the labour market (OEF, 2001:5). That this may have happened is partly confirmed by Figure 2.8 which shows that immediately following the early 1990s recession the proportion economically inactive due to the discouraged worker effect was relatively high and then declined as unemployment fell. (ONS data for the two earlier recessions are not available.)

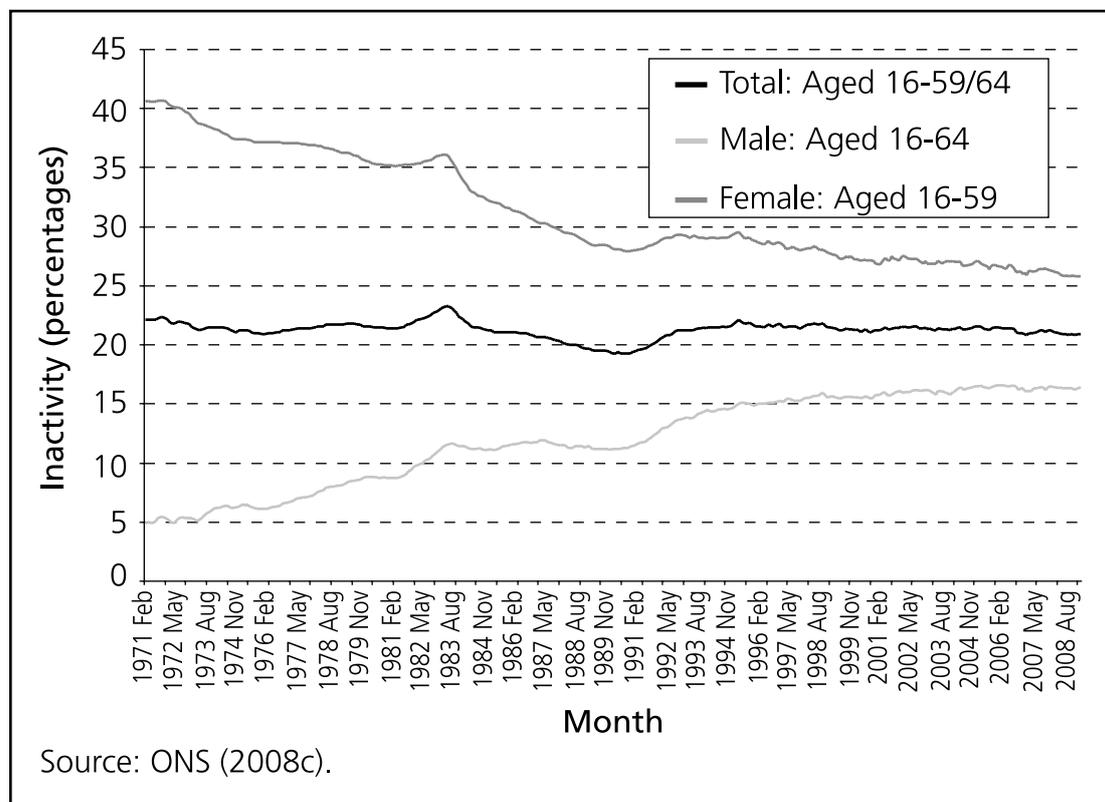
**Figure 2.8 Economic inactivity – percentage discouraged worker, UK, seasonally adjusted, (percentage)**



Although there may be a discouraged worker effect, overall economic inactivity rates were relatively stable during past recessions (Figure 2.9). Throughout the early 1970s and early 1980s recessions the total economic inactive rate for people of working age was relatively stable at around 21 per cent. During the early 1990s recession there was a slight increase in overall economic inactivity, from 19.4 per cent in September 1990 to 21.1 per cent in May 1992.

Again, there are trend differences for men and women – rates of economic inactivity for the latter are higher than for the former; although the gap between them narrows over time. Male economic inactivity rose rapidly during the 1970s and 1980s. This increase in male economic inactivity represents a '*major shift*' in the labour market (Beatty and Fothergill, 2003:80).

**Figure 2.9 Economic inactivity, UK, seasonally adjusted (percentage)**



The overall rates also conceal differences by age. Rates of economic inactivity are relatively higher for **older** (males and females) (that is, people aged 50 to pension age) (see Figures 2.10 and 2.11). Rates of economic inactivity are also high for younger people (aged 24 and under), because of the numbers staying on in education and attending training programmes. There was a slight increase in the rate of economic inactivity for older males from 26 per cent in April 1992 to 28.6 per cent in October 1995 (Figure 2.10). For older females, in contrast, the rate of economic inactivity is stable in the early 1990s, and then declines (Figure 2.11). Thus, older male rates of economic inactivity rose after the male unemployment had peaked in late 1992/early 1993 (see above). However, this increase in economic inactivity may reflect longer term trends in male economic inactivity rather than being a post-recession effect.

Figure 2.10 Male economic inactivity, UK, seasonally adjusted

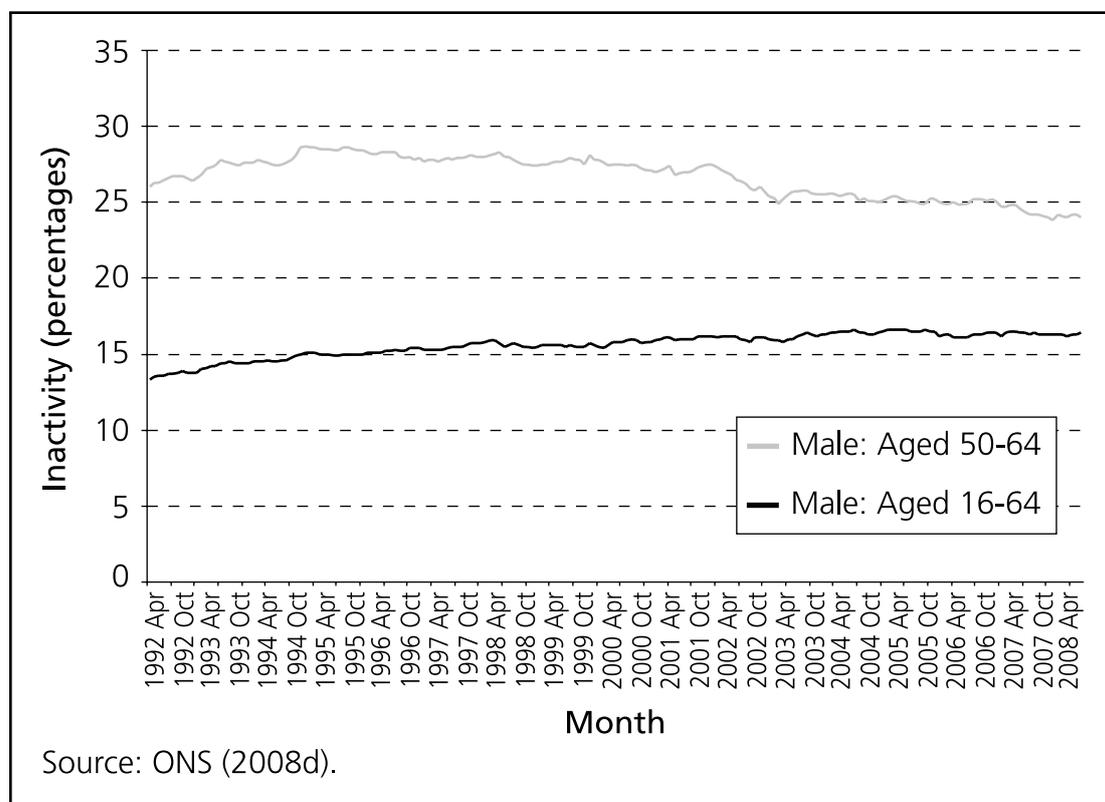
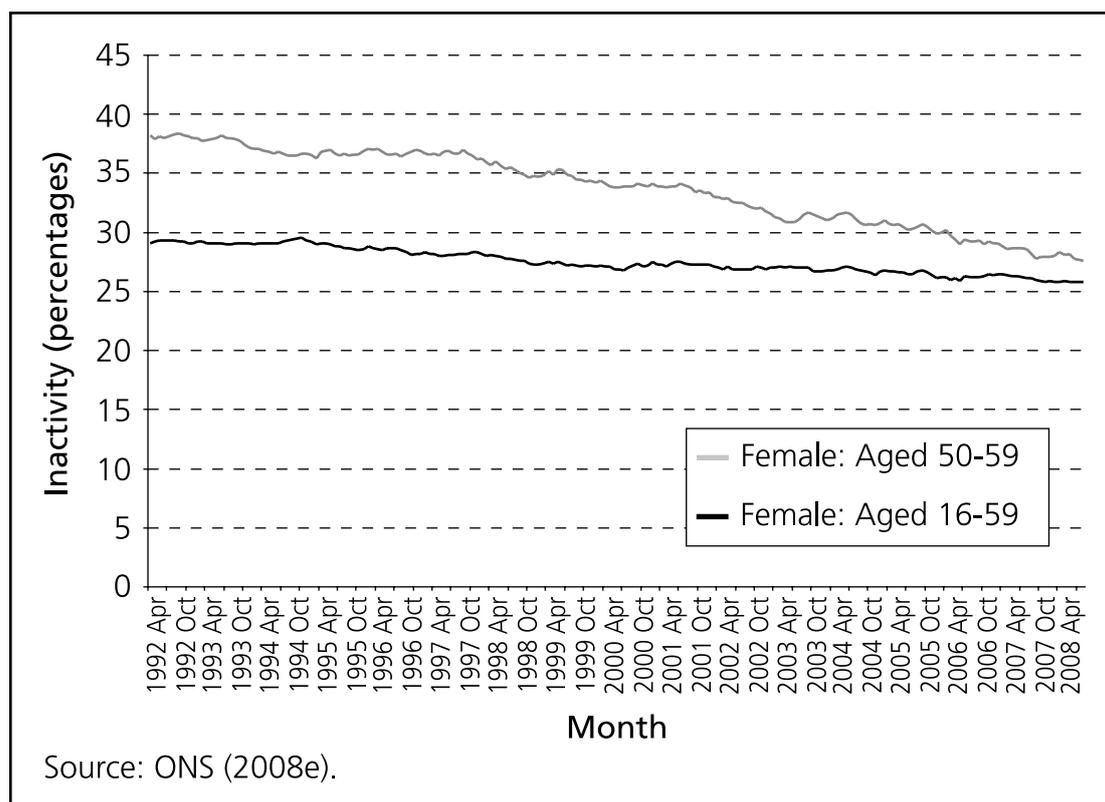


Figure 2.11 Female economic inactivity, UK, seasonally adjusted

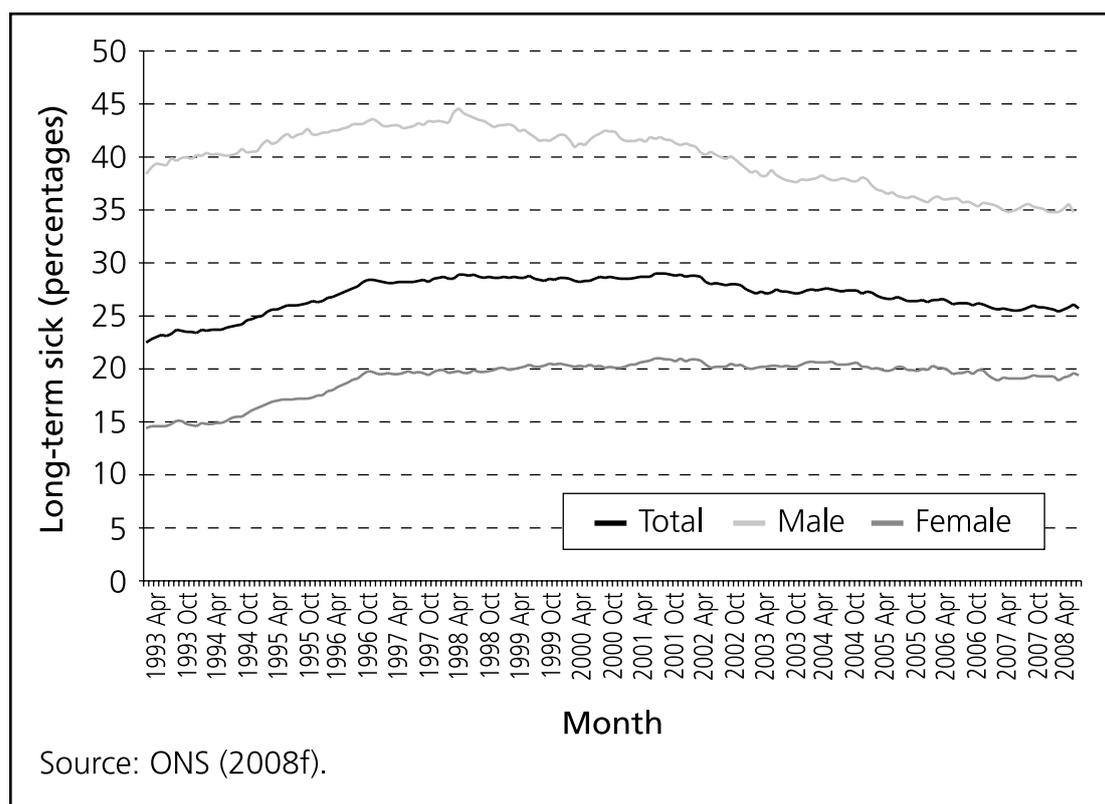


One possible explanation for the increase in older male economic inactivity rates, which is often advanced, is an increase in voluntary early retirement. However, it cannot be assumed that an increase in voluntary early retirement is the main mechanism behind this increase. Between 1979 and 1997 the largest percentage increase in inactivity for non-student men was among those with the least educational qualifications (Gregg and Wadsworth, 1998, cited in Beatty and Fothergill, 2003:81). For those with no qualifications, the proportion economically inactive increased from two per cent to 29 per cent, compared to one per cent to seven per cent for those with degrees. That is, the increase is mainly among those least likely to have a generous occupational pension that could be used for early retirement purposes. Instead, the increase in older male economic inactivity may represent an increase in 'hidden unemployment' (see below). (ONS data for older people before 1992 are not available.)

### *Long-term sick*

ONS provide some limited time series data on people who are economically inactive due to long-term sickness. Although not a robust measure of disability (see Bajekal *et al.*, 2004), following the early-1990s recession there is a slight upward trend in long-term sickness that continued until January 1997 when it stabilised before declining (Figure 2.12). Whether this initial rise is associated with the recession is, however, unclear.

**Figure 2.12 Economic inactivity – percentage long-term sick, UK, seasonally adjusted**



By age, the prevalence of long-term sickness is higher among older people compared to other age groups (Beatty and Fothergill, 2003:81-82).

## 2.3 Changing context

One difficulty in looking back at past economic downturns and their impact on vulnerable groups is that the political, social, demographic and cultural context has changed considerably since 1970, there have been, for example, (and not in any order of significance):

- Changes in the structure of the labour market and in the composition of the labour force:
  - changes in the size of industrial sectors. Since 1970 there has been a rapid decline in employment in manufacturing (especially during the early 1980s) and a growth in the service sector where job turnover tends to be higher (see Massey and Meegan, 1982:4-5; Payne and Payne, 1994:80-82);
  - nowadays there is less demand for routine manual skilled work and fewer jobs around the median wage, consequently the labour market is becoming more polarised;
  - there has been an increase in labour market ‘flexibility’; an increase in temporary/agency work and lower levels of ‘union density’ in private sector firms;
  - there has been an increase in so-called ‘non-standard’ forms of employment
    - part-time work and self-employment;
  - higher female participation rates;
  - successive cohorts have higher levels of education so that fewer of the unemployed nowadays lack qualifications compared to past recessions. Raising educational standards should assist in dealing with problems associated with less skilled (younger) workers. Higher levels of educational attainment give training programmes more ‘flexibility’ to raise skill levels and meet the needs of the economy (see White, 1992:36-37). The introduction of the Educational Maintenance Allowance (EMA) helps overcome the financial disincentive faced by young people who opt for post-16 education. Raising the school leaving age may also have an impact on skill levels;
  - there has been an expansion in ethnic minority businesses (Commission for Racial Equality (CRE), 2007:19, but see Brah, 1986:62).
- There have been significant changes to the benefits and tax credit system. There was a major review of the social security system during the mid-1980s (see Cohen *et al.*, 1992). There has been an expansion of in-work benefits and of programmes to help various vulnerable groups move into employment (notably the New Deals and Pathways to Work). To help ‘make work pay’ government have introduced tax credits (replacing Family Income Supplement (FIS)/Family Credit (FC)) and a national minimum wage. Thus some of the financial barriers to work that members of vulnerable groups confronted previously have been addressed by successive governments.

Conditionality in the benefits system has changed – contributory Unemployment Benefit was paid for up to one year, in contrast to the six months for Jobseeker's Allowance (JSA). Previously lone parents were not expected to work nor attend Work Focused Interviews (WFIs). Such changes in conditionality may affect vulnerable groups' labour market behaviour. However, no research that explicitly addressed conditionality arrangements was reviewed.

There has also been a concomitant move from a 'passive' to an 'active' labour market strategy, that is, a move from focusing on payment of replacement income during a spell of unemployment to securing the (re-)integration of the job seeker in the labour market (Daguerre, 2007; Meager, 2008). Activation strategies are designed to:

*'...encourage jobseekers to become more active in their efforts to find work and/or improve their employability. They feature, inter alia, i) early intervention by the Public Employment Service (PES) in the unemployment spell and a high contact density between jobseekers and employment counsellors; ii) regular reporting and monitoring of work availability and job-search actions; iii) direct referrals of unemployed clients to vacant jobs; iv) the setting-up of back-to-work agreements or individual action plans; and v) referral to active labour market programmes (ALMPs) to prevent loss of motivation, skills and employability as a result of longer-term joblessness.'*

(Organisation for Economic Cooperation and Development (OECD) (2007:208))

The response of economic policymakers has shifted over time from demand side to supply side labour market policies (Meager, 2008:3-4). Job creation programmes were introduced during the 1970s (see Sinfield, 1981:98), whereas in recent years the emphasis has been on supply-side policies. The disadvantaged groups discussed in this working paper did not have access to, for example, the New Deal programmes nor Pathways to Work.

Notwithstanding these changes in labour market policy, there remains, during previous recessions and the current recession, a public concern about the rate of youth unemployment. Although not considered in this working paper, unemployed young people have been seen as a 'disadvantaged' or vulnerable group who have elicited policy response, such as the Youth Training Scheme, and Youth Training.

- Change in the mix of defined benefit and defined contribution pension schemes might impact on older workers' decisions about withdrawing from the labour force. The fall in the membership of final salary schemes may mean that fewer older workers have an incentive to remain in work to accrue additional pension benefits, rather than take early retirement (see Disney, 1999:63). On the other hand, falling stock market prices and falls in the value of individual's defined benefit pension schemes may mean that some older workers have little incentive to retire early.

The introduction of the Employment and Support Allowance (ESA) in 2008 and other changes should mean that it is less likely that older workers can use the social security system to (part) fund early retirement.

- There have been major changes to the legislative framework to reduce discrimination in employment, notably the Race Relations Act 1976, Disability Discrimination Act 1995, and The Employment Equality (Age) Regulations 2006. These laws, although criticised by some, should provide some increased protection to some members of vulnerable groups in the labour market.
- Demographic trends and associated changes in family structures mean that there are more older workers, members of ethnic minorities and lone parents. There has also been an increase in the size of the migrant population.
- Public attitudes towards employment and unemployment have changed. Attitudes towards women working were very different from today. Arguably, attitudes towards race have changed, although discrimination and inequality remains (Philips, 2009).

When considering how the context within which disadvantaged groups operate has changed, there is a risk of over-emphasising differences rather than similarities. Nevertheless, the above list suggests that there have been significant changes and this implies that there is limited scope for 'lesson drawing' from the past (c.f. Rose, 1993). All these changes may mean that past trends, policies and impacts are not necessarily a good guide to future ones.



# 3 Recession, unemployment and vulnerable groups

## 3.1 Introduction

Evidence on the impact of recessions on vulnerable groups is 'patchy' for three main reasons. First, with a few exceptions studies of the labour market performance of specific vulnerable groups have been relatively uncommon compared to studies of unemployed people in general. The sample sizes of these more general studies allow some vulnerable groups to be identified, such as those with low skills or with a health condition. However, sample sizes are usually insufficient for other groups, notably ex-offenders and ethnic minorities; although the latter and lone parents benefit from some specifically commissioned research. Secondly, and a related point, many of the earlier studies either sample only unemployed men or the discussion tends to focus on male unemployment to the exclusion of other groups. Thirdly, to assess the effect of an economic downturn on a vulnerable group requires longitudinal data that covers periods of 'low' and 'high' unemployment so that comparisons over different economic conditions can be made. Not only are there few longitudinal studies of unemployment for the period 1970 to mid-1995, but there are very few studies that explicitly compare periods of low and high unemployment. There are some cohort studies of unemployed people, but their observation 'windows' tend to be relatively short. Furthermore, some of the more general discussions of unemployment in the 1970s and 1980s are not always explicit about the precise date their findings relate to. These three factors make it difficult to assess robustly the impact of recessions on vulnerable groups.

In the next section some general findings from the literature are reported, subsequent sections discuss the vulnerable groups (including self-employment) in turn.

### 3.2 Some general findings

A seminal study of unemployment during the 1970s and early 1980s is Sinfield's (1981) *'What Unemployment Means'*. He critiques the then prevailing view that heralded the 'collapse of work' and the end of full employment. Although his analysis does not focus on particular vulnerable groups, Sinfield (1981:18) does emphasis its differential impact:

*'...those most likely to be unemployed are people in low-paying and insecure jobs, the very young and the oldest in the labour force, people from ethnic or racial minorities, people from among the disabled and handicapped, and generally those with the least skills and living in the most depressed areas.'*

His analysis is based on his own research in the North East of England as well as research by others. Sinfield (1981) discusses the dramatic increase in unemployment in 1980; in particular the consequences for older workers (see below), women, young people and the long-term unemployed. He highlights that for many people unemployment was a repeated experience – *'spells of unemployment was the norm'* (Sinfield, 1981:27-28). Sinfield (1981:23-27) also discusses the geography of unemployment, and how those areas with the highest unemployment during the 1950s and 1960s continued to experience high unemployment at the beginning of the 1980s.

Daniel (1990:136-167) provides an analysis of flows into unemployment during the early 1980s. Data for a cohort of people registering as unemployed in May 1980 are available for a 30 month follow-up period. A multivariate analysis of the characteristics associated with the duration of male unemployment shows that:

- the main factor associated with duration of unemployment was access to personal transport. Men without access to personal transport took longer to return to paid work;
- men whose previous job was at a large establishment (over 500 employees) entered work more quickly than those who had worked at a smaller sized establishment. According to Daniel (1990:145) this is because *'...small firms and workplaces operate in labour markets that are distinct from those in the public and corporate sector'*;
- those men less concerned about finding work took longer to enter employment;
- older men (especially those aged 55 and over) took longer to find work – the average duration of unemployment for all men over the observation period was 60 weeks, but for men aged 55 and over it was 99 weeks (Daniel, 1990:161);
- the more skilled/qualified the unemployed person the shorter the duration of unemployment (this is discussed further below);
- the higher the level of unemployment in the local labour market (travel to work area) the longer the men spent unemployed;

- men with a limiting disability or perceiving their health to be poor were unemployed for longer periods than other men (further details are provided below);
- men who were more selective and specific in seeking work had shorter durations of unemployment than those who were more flexible and would consider *'anything'*. (Note, the opposite was found for women. The reasons for this finding were unclear);
- the higher the proportion of benefit income to previous pay, the longer a man was unemployed;
- the length of time unemployed was related to household circumstances (marital status and number of dependants), but the association was complex; although married men did have shorter durations of unemployment than single men.

Most of the studies identified are concerned with ex-employees; there appear to be fewer studies of employers and the self-employed. Maguire (1992:82) points out that employers' perceptions (or stereotyping) during the 1980s of certain groups affected the recruitment of labour. He quotes Jenkins (1990) who makes a distinction between the selection criteria of suitability and acceptability. The former is competence driven, whilst the latter is the employer's assessment of whether the applicant will 'fit' and draws upon social, cultural and individual factors. Moreover, 'managerial politics and conflict' and the cultural context within and outside the workplace were seen to influence recruitment decisions. In addition, word-of-mouth recruitment methods, a route through which many unemployed people find employment, were seen to restrict access to jobs for certain groups, such as ethnic minorities (Maguire, 1992:89).

This review focuses on 'officially' defined unemployment. However, there is a literature on 'hidden unemployment', that is, non-participants in the labour market who, if there was full employment, would not be recorded as being on 'sickness benefits' but would be seen as economically active:

*'A large number of people may simply disappear into the ranks of those who are neither employed nor unemployed, at least in terms of official statistics.'*

(Beatty and Fothergill (1998:116))

The 'hidden' unemployed can be 'concealed' in counts of the economically inactive. Some of the vulnerable groups considered in this report, such as older and disabled workers, are believed to be strongly represented among this non-employed population. Indeed, some of the 'hidden' unemployed on leaving registered unemployment are believed to have moved onto other benefits, notably incapacity-related benefits where that rate of benefit could be higher. It has been claimed that between the introduction of Restart in 1986 and the introduction of Incapacity Benefit (IB) in 1995, some of the long-term unemployed were moved from unemployment benefit to incapacity-related benefits (Beatty and Fothergill, 1998:132-133):

*'It is difficult to avoid the conclusion that high levels of permanent sickness and early retirement do indeed hide a large number of additional unemployed people.'*

(Beatty and Fothergill (1998:135))

In some instances, people's GPs assisted in the move from unemployment benefit to Invalidity Benefit (Ritchie and Snape, 1993; Ritchie *et al.*, 1993:25-27).

The hidden unemployed are considered by Alcock *et al.* (2003), Beatty and Fothergill (1998), Beatty *et al.* (2003) and Metcalf (1992).

### 3.3 Deprived local authority wards

Relatively few studies relating to deprived local authority wards were found during the review. However, this may reflect the lack of time and the nature of the search undertaken. It is possible that a more extensive review would identify relevant area (evaluation) studies arising from governments' urban regeneration policies – for instance, the 1979 White Paper (*Policy for the Inner Cities – Partnership Programme*) and in the 1980s the establishment of Urban Development Corporations.

Brown and Cousins (1983) measure and analyse multiple employment deprivation in two deprived wards in Newcastle-upon-Tyne (parts of Elswick and West City). A household survey conducted between February and May 1977 collected employment-related data, including work histories, from 407 households. Their analysis is focused on 189 economically active men. Sixty-three of the men were unemployed when surveyed, and while they were less likely to have had a 'stable' employment record and more likely to have had semi/unskilled jobs in the past than those in work, there was *'no sharp line demarcating the currently unemployed from the employed'* (Brown and Cousins, 1983:107). Moreover, using an index to measure multiple employment deprivation, they find no single route into, or pattern of, economic deprivation. Factors leading to economic disadvantage included ill-health, taking low-paid jobs due to an error of judgement, and taking work that made them vulnerable to declining industries. This diversity was also reflected in the varying nature of their family backgrounds and work histories. Indeed:

*'Their concentration in one relatively small area reflected the operation of the local housing market rather than the influence of any "culture of poverty".'*

(Brown and Cousins (1983:128))

In contrast, Seabrook (1982) provides a vivid account of how people and communities experienced unemployment during the early 1980s. This study is a qualitative, at times journalistic, account – a mix of description and verbatim quotes – of unemployed people's lives and their stories. Many of the accounts are based around a particular community or area, such as Balsall Heath (Birmingham), Bolton or Southwick (Sunderland). His study includes people falling within other vulnerable groups, such as lone parents (for instance, Seabrook, 1982:50-2 and

135-139). However, the criteria for selecting the areas and study participants are not specified.

Maguire (1992:89) reports that labelling by employers means that where people live – in particular certain housing estates – did deny access to jobs when there was a ready supply of local labour. (An example of ‘addressism’ in two inner city wards in Nottingham in 1989 is provided by Maguire (1992:98-100).)

In England, black owned businesses are more likely than others to be located in deprived wards (Commission for Racial Equality (CRE), 2007:19).

### 3.4 Disabled people

The legislative context for the previous three recessions was very different from today. The Disability Discrimination Act 1995 (DDA), which came into force on 2 December 1996, introduced measures aimed at ending discrimination in employment. The DDA replaced previous attempts to prevent discrimination that had limited success. For example, the 1944 and 1958 Disabled Persons (Employment) Acts introduced employment quota schemes, which required all employers to recruit at least three per cent of their workforce from (registered) disabled people (employers with fewer than 20 employees were exempt from this legislation).<sup>2</sup> These schemes were generally ineffective and very few employers were prosecuted for ignoring the quotas (see Balloch *et al.*, 1985:13; Sinfield, 1981:125-126). As a consequence, many disabled people did not register as disabled persons as registration was unlikely to improve their chances of gaining employment. Thus, official statistics are likely to undercount the number of unemployed disabled people (see Balloch *et al.* (1985:13) for an example).

Similarly, empirical studies conducted during the 1970s and 1980s may underestimate the prevalence of disability where people were reluctant to say that they had a physical or mental impairment. Assessing the impacts of previous economic downturns on labour market outcomes for disabled people are further complicated by the concepts and measures used in past surveys. Often researchers asked about having a ‘long-term illness’, a ‘limiting disability’ and/or being registered disabled, and to the extent that current policies use the DDA definition of disability, which has a very specific meaning (see Stafford, 2006), there may be a mismatch between earlier and current figures for ‘disabled people’ that make any comparisons over time problematic.

Nonetheless, the unemployment rate for disabled people fluctuates over time in a similar way to the overall unemployment rate; albeit the rate is around twice that of the general population (see Dalgleish, 1994 who uses Labour Force Survey (LFS) data for 1984 to 1992). In 1974, 13 per cent of men and ten per cent of women registered as unemployed were (registered?) disabled (Department of the Employment, 1977; and see Daniel, 1974). The Manpower Services Commission

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<sup>2</sup> The Scheme was abolished with the introduction of the DDA.

(MSC) estimated that, in 1981, 16 per cent of the unemployed were disabled people (MSC, 1981).

Daniel's (1990:19 and 28) analysis of the unemployment flow in May 1980 shows that only 12 per cent had 'some limiting disability' (including two per cent registered as disabled), but that a higher proportion of the stock of unemployed people (a quarter) had a 'limiting disability'. The stock has a higher proportion because while a relatively small percentage of people with a health condition or impairment flow onto unemployment, they tend to remain unemployed for longer. Typically, those reporting a limiting disability were older.

A more complex relationship between ill-health and unemployment is provided by Payne *et al.* (1996:28-29), who report that between 1982 and 1991 there was an association between self-assessed health status for women at age 23 and the risk of a spell of unemployment for six or more months. Women who reported their health as 'good' were at greater risk of unemployment than those saying their health was 'excellent'. While those claiming their health was 'fair' or 'poor' were also at greater risk of unemployment, the effect was not statistically significant. Payne *et al.* (1996) found no significant association between self-assessed health status and long-term unemployment for men.

Payne *et al.* (1996:52) also find that women with depression (measured by the Malaise Inventory) had longer unemployment durations than those who were not depressed. This association is of interest because the onset of depression occurred before the spell of unemployment; although some of these women might be experiencing recurrent spells of both depression and unemployment with the unemployment exacerbating the depression.

Evidence that employment opportunities for disabled people decreased during the 1980s is provided by Balloch *et al.* (1985:26), who cite evidence (1985:12) that suggests that disabled people were adversely affected by rising unemployment. A survey of eight metropolitan authorities reveals that disabled people using local support centres and seeking moves into open employment between 1978/79 and 1982/83 faced an '*almost uniform picture of declining opportunity*' (Balloch *et al.*, 1985:18, original in italics). For people leaving work seeking to return to centres, the picture was more mixed. Some local authorities reported an increase in returners, while one council observed fewer returners (possibly because there was less stigma and feelings of isolation associated with not being in a 'work substitute' during a period of 'mass' unemployment) (Balloch *et al.*, 1985:18-19). Although local voluntary sector initiatives, such as the long running MENCAP Pathway to Employment Service, reported some success in placing disabled people, the councils' schemes were resource intensive and required local employers' commitment (Balloch *et al.*, 1985:25).<sup>3</sup>

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<sup>3</sup> The MENCAP scheme is briefly described at <http://www.mencap.org.uk/page.asp?id=1527>

Moreover, for the period 1979 to 1983, disabled people's needs were not being met by 'sheltered employment' schemes:

*'The general impression given was of a lack of cohesive provision and planning amongst the authorities for sheltered work. This is not surprising, given that sheltered employment is expensive to set up and run and sheltered workshops run at a loss. Where profitability becomes the aim, as in some workshops, including those of Remploy, only workers with very minor handicaps can be considered for employment and the main object of employing disabled persons is only partially achieved.'*

(Balloch *et al.* (1985:17))

The associated increase in demand at Day Centres and Adult Training Centres run by local authorities (because there were fewer employment opportunities) was 'not being adequately met.' (Balloch *et al.*, 1985:17) (see Chapter 5). There were more young disabled people attending Day Centres and Adult Training Centres, and the duration of their stay was longer (Balloch *et al.*, 1985:22). In addition, some young disabled people stayed on at school after the then leaving age (16), attended colleges of education or participated in MSC courses (Youth Training Schemes) (Balloch *et al.*, 1985:19).<sup>4</sup> Nonetheless, young disabled people were keen to obtain employment (Balloch *et al.*, 1985:23).

Within Day Centres and Adult Training Centres there was a shift away from 'work-centred' activities to creative pursuits and social skills as disabled people were not expected to find employment because of the then prevailing economic conditions (Balloch *et al.*, 1985:22). Pressure on local authorities' budgets also limited improvement to, and expansion of, sheltered workshops (Balloch *et al.*, 1985:23).

One identified barrier to disabled people entering the labour market was low wages, and people being financially worse off in work than on benefit (Balloch *et al.*, 1985:24). There were also few, or in some areas no, regular contacts with local employers that sought to promote employment opportunities for disabled people (Balloch *et al.*, 1985:24 and 49). There could be a 'lack of concern' from local employers about helping disabled people (especially those with mental health conditions) find jobs.

A multivariate analysis by Daniel (1990:148-149 and 163) of the factors associated with unemployment duration (see above) shows men with a limiting disability or who assessed their health as 'not very good/poor' were unemployed for longer than other unemployed men. For instance, the average duration of unemployed men without a disability over a 30 month observation period was 57 weeks, but for those registered disabled it was 149 weeks.

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<sup>4</sup> The Education Act 1981 raised the school leaving age in special schools to 19.

A longitudinal survey of new Invalidity Benefit claimants by Erens and Ghate (1993:37-41) includes (retrospective) work history data for 1989 to 1991 (that is, for the beginning of early 1990s recession). All of the respondents had a spell of sickness over the observation period – with an average of 11 months sickness (including time on Invalidity Benefit). However, 81 per cent had been in full-time employment for an average of 19 months in the three years before their sample Invalidity Benefit spell. Around a fifth (22 per cent) had been in part-time employment for an average of two months. Only six per cent had been self-employed (for an average of one month). Almost one in five (18 per cent) had been registered unemployed during this period (for an average of two months). Reflecting findings for the population as a whole, unskilled manual workers in the sample had, on average, shorter full-time employment durations (14 months) and longer unemployment spells (six months).

Leading up to the sampled Invalidity Benefit claim, the average number of months in work declined by year – ten months for 1989, nine months for 1990 and two months for 1991. This fall is not necessarily due to the recession, but could reflect the trajectory that people with a health condition followed before claiming Invalidity Benefit.<sup>5</sup> The average number of months unemployed was the same for all three years (one month).

Not only may rising unemployment make it difficult for people with a mental health condition to find employment, but unemployment itself may exacerbate job seekers' mental and physical health. Studies since the 1930s have shown that unemployment can damage physical health. Unemployment could even be associated with premature death (see Balloch *et al.*, 1985:43-44), although evidence for other countries shows that recessions are associated with some lower mortality rates, for example, deaths due to motor accidents or heart disease are less (Granados, 2005 and 2008; Neumayer, 2004). Balloch *et al.* (1985:44) cites evidence (for example, Daniel (1974), Fagin (1981) and Warr (1978)) that shows that moves into unemployment are associated with a decrease in well-being and an increase in stress and depression (see also Eason, 1985:4950; and Fryer, 1992:106-109).

The number of suicides also appears to be associated with changes in unemployment rates, and suicide rates for unemployed men between 1971 and 1981 were twice the national average – in addition, the suicide rate for wives of the unemployed is higher (by 20 per cent) (Office of Population, Census and Surveys (OPCS), 1981; see also Platt (1983), both cited in Balloch *et al.*, 1985:44-45). Relevant studies include those by Brenner (1979), Lewis and Sloggett (1998) and Moser *et al.* (1984) which both cover the early 1970s recession. Brenner's study (1979), which links admissions to mental health hospitals and the suicide rate to the level of unemployment, was seen as controversial, and is criticised by Gravelle *et al.* (1981) on grounds that cause and effect are difficult to distinguish. Lewis and Sloggett (1998) find a large and statistically significant association between unemployment

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<sup>5</sup> For 91 per cent this was their first spell on Invalidity Benefit.

and suicides in England and Wales between 1983 and 1992; although their analysis does not control for potential confounders, such as psychiatric disorders. Moser *et al.* (1984, cited in Taylor, 1987:75) using longitudinal data find a higher death rate for unemployed men and their wives than among the general population over the period 1971 to 1981. Selection effects may mean that the worse an individual's health record the more likely they are to be (long-term) unemployed. Hence, any comparison of the unemployed and non-unemployed populations is likely to reveal a higher level of 'sickness' among unemployed people (Ramsden and Smith, 1981, cited in Ashley, 1983:160).

These studies are unclear about the nature of the causal mechanism that links unemployment and stress with ill-health. Is the increased stress associated with worklessness, the loss of routines and challenges to a person's identity (work ethic) and/or from the associated financial difficulties encountered (Ashley, 1983:161)?

### 3.5 Ethnic minorities

In Britain, rates of unemployment for ethnic minorities are consistently higher than for the white population. Analysis of the impact of recession on ethnic minorities is problematic because the labour market outcomes of ethnic minorities differ (Clark and Drinkwater, 2007; Robinson, 1990:7). Broad analyses that refer to ethnic minorities overall may conceal variations between and within ethnic minority communities. Members of the Chinese and Indian communities tend to perform better in terms of employment than those from the Pakistani and Bangladeshi communities. Moreover, rates of unemployment vary by gender, with rates of unemployment higher for males (Blackaby *et al.*, 1997:183), and by age, with higher unemployment rates for young people. So, for instance, Asians in Bradford were, one year after leaving school, twice as likely to be unemployed (41 per cent) or on a Youth Opportunities Programme (31 per cent) as school leavers in general (Campbell and Jones, 1982:4, cited in Moon and Richardson, 1985:29 and in Brah, 1986:63). Similar findings were reported for a survey carried out in Leicester. Brah (1986:63-64) suggests that unemployment figures may have underestimated the prevalence of unemployment among young Asians during the 1970s and early 1980s, as some Asian youths were believed to have stayed on in school because of '*anticipated problems in gaining employment*'. Unsurprisingly, in 1982 the Commission for Racial Equality (CRE) expressed concern about the depressed job opportunities for young black people (Anwar, 1982, cited in Balloch *et al.*, 1985:3).

The legislative framework for ethnic minorities changed after the 1970s recession with the Race Relations Act 1976. Previous legislation defined racial discrimination in terms of the intention behind individual acts. The 1976 Act was broader, outlawing direct discrimination and introducing measures to combat indirect discrimination. Nonetheless, discrimination continued to be a factor in disadvantaging ethnic minorities in employment (CRC, 1982; see also Brah, 1986; Brown and Gay, 1985; Robinson, 1990; Smith, 1981). Migrants from the New

Commonwealth were usually offered low paid, low status jobs. A CRE survey of young people during the 1980s showed that 80 per cent believed that some employers discriminated against ethnic minorities (Anwar, 1982, and cited as CRE in Moon and Richardson, 1985:29). Another CRE survey revealed that 50 per cent of employers discriminated against black job applicants (CRE, 1983, cited in Moon and Richardson, 1985:29). Racial discrimination in recruitment was facilitated by employers' use of informal, word-of-mouth, methods as they worked against groups, such as ethnic minorities, without access to relevant social/information networks (Jenkins, 1986, cited in Maguire, 1992:88-89; see also Jewson *et al.*, 1990, Fevre, 1984 and Robinson, 1990).

Other explanations for higher levels of unemployment for ethnic minorities include their younger age profile, generally lower level of qualifications, and cultural outlook, whereby it takes time for a minority group to assimilate into society (see Borjas, 1985; Robinson, 1990)

Brah (1986:64) identifies further reasons why unemployment among Asian workers might have increased during the 1970s and early 1980s – although he suggests the following reasons only applied to those working in the textile industry:

- a high proportion of Asian workers were employed in the then contracting manufacturing sector, and tended to have skill levels '*vulnerable to decline*';
- a high proportion of Asian workers lived in regions where unemployment was high;
- Asian workers tended to be in occupations '*vulnerable to technological change and relocation*'.

A number of studies show that rising unemployment during the 1970s and 1980s meant that members of ethnic groups were both more likely to be unemployed and encountered more problems finding employment than white people (Dex, 1979, cited in Sinfield, 1981:75; Smith 1976 cited in Balloch *et al.*, 1985:3; Robinson, 1990). Leslie *et al.* (2002) show that in the UK since 1970 the business cycle has had an adverse impact on ethnic minorities' unemployment rates. Rates of unemployment for ethnic minorities rise faster during recessions than they do for the white population. Moreover, there is a 'ratchet effect':

*'...although non-whites suffer relative to whites during recession, they are unable to recoup these losses during recovery and, consequently, start a cycle in a worse state than they experience at the start of the previous cycle.'*

(Leslie, D. *et al.* (2002:1041))

*'There is fairly clear cut evidence that, in Britain, a ratchet effect operates that results, cycle by cycle, in a worsening gap between non-white and white unemployment...'*

(Leslie, D. *et al.* (2002:1052))

Over the period 1970 to 1998 unemployment rates for the non-white population increased from 4.7 per cent for males and 6.3 per cent for females in 1970 to 14.1 per cent and 12.6 per cent, respectively, in 1998 (Leslie, D. *et al.*, 2002:1042). (Similarly, in 1973 2.7 per cent of unemployed people were black, but by 1982 this had increased to 4.1 per cent (Brah, 1986:61).)

However, until the recession of the early 1980s the difference in employment rates between ethnic minorities and the white population was relatively small (Clark and Drinkwater, 2007; see also Leslie *et al.*, 2002 and Robinson, 1990:3-4). Brown (1984, cited in Clark and Drinkwater, 2007) reports that during the early 1970s male unemployment rates for West Indians and Asians were less than three per cent and similar to that for white men.

*'Even in the early 1980s, Brown (1984) was unable to find substantial ethnic differences among men – employment rates for West Indian and Asian men were 64 per cent and 68 per cent respectively, compared with 67 per cent for White men, a difference of 2-3 percentage points.'*

(Clark and Drinkwater (2007))

Furthermore, over the period 1970 to 1998 the difference between white and non-white unemployment increased. Thus, rising unemployment between 1974 and 1982 had a greater effect on ethnic minorities than on the white population. For men, the non-white/white unemployment differential was 1.1 per cent in 1970, but 9.2 per cent in 1998 (Leslie, D. *et al.*, 2002:1042). For women, the differential increased from 2.6 per cent to 9.1 per cent over the same period. Averaged over the period 1984 to 1986, when unemployment peaked in the 1980s, Robinson (1990:7) reports that the unemployment rate was 1.9 times higher for ethnic minority men, and 1.8 times higher for ethnic minority women. Similarly, Blackaby *et al.* (1994 cited in Clark and Drinkwater, 2007), using the General Household Survey (GHS), find that the employment disadvantage faced by ethnic minority men increased from 2.6 percentage points in the 1970s to 10.9 percentage points in the 1980s. Arnott (1987:62) confirms this trend, showing that in 1979, the unemployment rate for white women was 5.7 per cent and for black women 10.8 per cent; for men the rates were 4.4 per cent and six per cent. However, by spring 1985 the rates of unemployment had increased to ten per cent for white women, 19 per cent for black women, 11 per cent for white men and 20 per cent for black men. Sinfield and Showler (1980:16, cited in Moon and Richardson, 1985:29; see also Brah, 1986) also report that in 1980, the proportion of West Indian men and Asian women unemployed was twice that of the white unemployed. Notwithstanding this trend, Robinson (1990:8) shows that averaged over 1987 and 1989 the gap in unemployment rates between ethnic minorities and the white population narrowed slightly (by 0.2 percentage points), due to a boom in the economy.

Pissarides and Wadsworth (1992) show that: *'Race has a large effect on unemployment.'* They demonstrate this by comparing 1979 (a period of low unemployment) with 1986 (which was characterised by high unemployment).

In 1979, the differential in male unemployment attributed solely to being non-white was 3.2 percentage points, but this rose to 8.8 percentage points in 1986 (Pissarides and Wadsworth, 1992:66). For non-white women the percentage differentials were lower, 4.7 and 6.6, respectively. Race also affected *recurrent* unemployment in both 1979 and 1986, and the effect was larger during the period of high unemployment. Non-whites were more likely to experience recurrent unemployment. In 1979, the recurrent unemployment differential, taking into account other personal characteristics for male and female non-whites, was 12.3 percentage points compared to white men and women; and this increased to 25.3 percentage points in 1986 (Pissarides and Wadsworth, 1992:76-77).

Members of ethnic minorities experience longer unemployment durations than white people. In 1983, a half of all unemployed black men had been registered unemployed for over one year, compared to a third of white men (Brown, 1984, cited in Arnott, 1987:63). However, the analysis by Pissarides and Wadsworth, (1992:72) suggests that race has 'very little effect on long-term unemployment'.

Little and Robbins (1983:79) in their review note that not only were members of ethnic minorities more vulnerable to unemployment, but:

*'...they are concentrated within the lower job levels in a way that cannot be explained by lower academic or job qualifications;...they have to make about twice as many applications as whites before finding a job.'*

In addition, 'institutional racism' appears to have been a characteristic of some measures to help young black people into employment (see Cross and Smith, 1987). For instance, in 1984 in London, 45 per cent of Afro-Caribbean trainees were on the Youth Training Scheme (Mode A), a scheme that had better employment prospects, compared to 70 per cent of white trainees (Arnott, 1987:63).

One route for ethnic minorities to minimise economic disadvantage is self-employment (Botooah and Hart, 1999:113). According to the 1991 Census of Population, 15 per cent of ethnic minorities in work were self-employed compared to 13 per cent of the white population. However, more Indian males (20 per cent) than black Caribbean males (eight per cent) are engaged in self-employment (Botooah and Hart, 1999). Using Sample of Anonymised Records from the 1991 Census, Botooah and Hart (1999) consider two possible explanations for this difference between ethnic minority communities. First, that Indians are more 'ethnically' disposed towards self-employment compared to black Caribbeans. Secondly, that Indians are '*better endowed*' with the attributes associated with self-employment compared to black Caribbeans. They find that both 'desire' and 'ability' factors are associated with lower rates of self-employment among the black Caribbean population. Black Caribbeans were, relative to Indians, disadvantaged by lack of educational qualifications, low rates of marriage and absence of other earners in households (Botooah and Hart, 1999:127).

A possible related point is that while in recent years there has been a growth in ethnic minority owned businesses:

*'Anecdotal evidence suggests that ethnic minority businesses find it more difficult to gain opportunities to tender for [public sector] contracts and are under-represented in both public and private sector chains.'*

(CRE (2007:19))

The CRE's final report, *A lot done, a lot to do* (CRE, 2007), observes that over the last three decades much has been achieved to tackle racial discrimination in employment, but a '*truly level playing field*' has not yet been realised. (In more recent years there has been a slight fall in the percentage 'gap' between the employment and unemployment rates for white and ethnic minority populations of working age. Between 1997 and 2007 the employment gap fell by 2.2 percentage points and the unemployment gap by 0.6 percentage points (Trades Union Congress (TUC), 2007) (but see Leslie *et al.*, 2002 above). Clark and Drinkwater (2007) also report a general improvement in employment outcomes for ethnic minorities between 1991 and 2001.)

### 3.6 Ex-offenders

Ex-offenders experience considerable difficulties in obtaining employment (Soothill, 1976:453).

No specific studies on the economic impact of unemployment on ex-prisoners were found. Moreover, sample sizes for surveys of unemployed people are typically insufficient to permit breakdowns by ex-offenders.

The one employment-related study found focused on reconviction rates. Soothill (1976) reports on the experiences of male ex-offenders seeking white-collar employment through the services of a specialist employment agency (APEX) over the period 1 January 1970 to 31 March 1973. The study was followed-up five years (Soothill, 1981) and 20 years later (Soothill *et al.*, 1997). These studies are criminological, rather than labour market focused, and concerned with reconviction rates. At the end of the 20 year follow-up period, 30 per cent of those placed in employment by APEX had been reconvicted, compared to 42 per cent of those who had not been placed by the agency (Soothill *et al.*, 1997:585-586). The largest number of reconvictions was within the first year, and most reconvictions were within the first five years. The longer term follow-up showed that after controlling for age and previous criminal history, there was no significant difference in the reconviction rates of those placed and not placed by APEX. The finding also counters the meta-analysis by Lipsey (1995, cited in Soothill *et al.*, 1997:589), which found that employment focused programmes reduced recidivism; although the scope of meta-analysis was relatively narrow, focusing on a small number of statutory services and on juvenile delinquents. Moreover, the comparison group used by Soothill *et al.* (1997:589) (that is, those not placed by the agency) still received the services of APEX, and may have found employment independently of the agency. Thus the study does **not** show that employment has no effect on reconviction rates.

Further analysis shows that, after 20 years, reconviction rates are lower for those individuals with three or more previous convictions where the agency has made considerable efforts to place the ex-offender (by making 50 or more contacts with employers) (Soothill *et al.*, 1997:587; see also Soothill, 1981). (There was no significant difference in reconviction rates by effort made for those with one or two previous convictions.) Soothill *et al.* (1997:587-588) attribute this difference to the ex-offenders' motivation – rather than to the work of APEX (because whether people were placed or not did not materially alter the reconviction rates).

### 3.7 Less skilled workers

As with older workers and disabled people, individuals with fewer skills are over-represented in the stock of the unemployed (Daniel, 1990:17-18). Indeed, there is an overlap between less skilled workers and older workers.

To the extent that levels of educational attainment have been rising, the acquisition of skills is cohort-specific with later cohorts being more skilled (see Disney, 1999:62). Thus, the proportion in employment with no qualifications has been falling and the proportion with degrees rising. For instance, in 1975 50 per cent of men in employment had no qualifications and by 1995 this had fallen to 21 per cent (Machin, 2003, cited in Lawton, 2009:31).

Nickell (1999:25) highlights that a key difference between the recession of the early 1970s and later recessions is the collapse in the demand for unskilled labour during the 1980s. This fall in demand was due to technological change and increased competition from newly industrialised countries. At the same time there has been a rise in the demand for skilled labour; for instance, in 1986 20 per cent of jobs required a degree or a professional qualification, but by 2006 this had increased to 30 per cent (Lawton, 2009:31-32). Nonetheless, and at least since the mid-1980s, the supply of workers with no qualifications has exceeded the demand for unskilled workers.

There is evidence that during the early 1980s recession, people with lower skill levels were more likely to be unemployed, took longer to find employment and, if they re-entered employment, tended to be in work for a shorter period of time than other workers. For instance, in 1984, the unemployment rate for people with no qualifications or a CSE below Grade 1 was 15.1 per cent, compared to 4.7 per cent for those with a degree or equivalent (LFS data quoted by Taylor, 1987:74).

Analyses by Pissarides and Wadsworth (1992) show that occupational level was key to understanding the incidence of unemployment. They use LFS data for 1979 and 1986 (periods of 'low' and 'high' unemployment, respectively) to calculate the unemployment differential for selected personal characteristics. Unemployment was lower for all skilled occupational groups. For example, using logistic regression to control for the effect of other personal and environmental characteristics, in 1986 unemployment was 17 percentage points lower for professional men

and 14.6 percentage points lower for professional women compared to their unskilled contemporaries (Pissarides and Wadsworth, 1992:64). The equivalent percentages for 1979 were 6.2 and 9.8. Thus, Pissarides and Wadsworth (1992) provide some evidence that the incidence of unemployment for unskilled workers was higher during a period of rising unemployment because of the job seeker's (former) occupation. Indeed, occupation was '*the most important influence on unemployment*' (Pissarides and Wadsworth, 1992:77).

Moreover, a similar effect is apparent among the long-term unemployed (defined as being unemployed for a year or more). In 1979, the unemployment differential for male manual workers was 3.6 percentage points; in 1986 it rose to 20.5 percentage points (Pissarides and Wadsworth, 1992:73-74). The figures for women reveal less of an increase, from 13 percentage points to 14.7 percentage points. In other words, manual workers' rates of unemployment were higher by these amounts, simply because they had been engaged in manual work and irrespective of other personal characteristics. In addition, manual workers were likely to experience recurrent unemployment with the incidence increasing for both men and women from 7.9 percentage points in 1979 to 25.8 percentage points in 1986 (Pissarides and Wadsworth, 1992:75-76).

Daniel (1990:127-129) shows that over a 20 month follow-up period for people registering as unemployed during a week in May 1980, that is, over a period of rising unemployment (see above) a key reason for not entering work was the person's occupational level. The lower an individual's level of skill the less likely they were to be in employment. In his survey, 62 per cent of those men finding employment within ten months of registering unemployed had lost or left their initial jobs, but this proportion was higher for men in unskilled manual jobs (76 per cent) and lower for managerial/professional workers (47 per cent). In other words, only a quarter of unskilled men remained in their initial return to work job 20 months after registering being unemployed. Indeed, at the 20 month survey interview less than one-half (42 per cent) of unskilled men were in paid work. Unskilled men were more likely to have been dismissed from their return to work job (28 per cent compared to nine per cent for all men) (Daniel, 1990:132). For some, losing jobs was part of a longer term pattern of intermittent and recurrent unemployment. In terms of duration of unemployment over the 20 month period, unskilled men were, on average, unemployed for eight months, compared to just over six months for all men (Daniel, 1990:129-130).

Payne *et al.* (1996), using the National Child Development Study (NCDS), have work history data from 1982 to 1991 (a period of relatively high unemployment) when the sample were aged between 24 and 33 years. Their multivariate analysis shows that:<sup>6</sup>

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<sup>6</sup> The analysis by Payne *et al.* (1996) shows that a number of other variables are associated with the risk of long-term unemployment, including region, industrial sector and self assessed health condition.

- men with no or low qualifications (at age 23) were more likely to be unemployed for six months or more than men with higher qualifications (Payne *et al.*, 1996:16). Moreover, receiving formal job training outside an apprenticeship reduced the chances of being unemployed. In addition, the duration of unemployment for those men with no or low qualifications was longer than it was for those with higher qualifications (Payne *et al.*, 1996:40 and 43);
- similarly, women with no or low qualifications (at age 23) were at greater risk of unemployment for six or more months. However, unemployment duration and whether or not a woman received formal training was not statistically significant. Moreover, educational attainment was less strongly related to unemployment duration for women than for men (Payne *et al.*, 1996:48-52). Women with no or low qualifications were less likely to leave unemployment than women with degrees, but the effect was not significant. Only women with 'A' level to sub-degree qualifications were significantly more likely to exit unemployment than women with degrees. Findings Payne *et al.* (1996:52) attribute to the importance of part-time employment for women, which tended to be less skilled work. Thus, female skilled manual workers were also less likely to leave unemployment, possibly reflecting the lack of part-time skilled manual jobs.

Since the early 1970s, less skilled workers were also likely to be unemployed for longer. Daniel (1990:147) notes that studies of unemployment in the early 1970s found:

*'...no strong and consistent association between job level and time out of work.'*

However, in March 1979 (that is, leading up to the 1980s recession) unskilled manual workers were *'roughly six times'* more likely to be unemployed for a *'lengthy period'* compared to non-manual workers (Smith, 1980 cited in Sinfield 1981:20). Similarly, Daniel (1990:147) shows that in the early 1980s, job or occupational level was an influential factor for length of unemployment spell. On average unskilled men were, over a 30 month follow-up period, unemployed for 86 weeks compared to 49 weeks for managerial/professional staff or 52 weeks for skilled workers (Daniel, 1990:161). White (1983, cited in Taylor, 1987:74) also reports that of the *long-term* unemployed in 1980-81, 51 per cent of men and 38 per cent of women were semi-skilled or unskilled manual workers compared to four per cent of men and five per cent of women who had been in professional/administrative jobs.

Sinfield (1981:69) points out that youth unemployment was higher and lasted longer among those with no qualifications – although he was not just referring to the 1980s recession. For (male) school leavers at the beginning of the 1980s apprenticeships had *'all but disappeared'* and there was no alternative route for them to obtain vocational qualifications (White, 1992:35). Sinfield (1981:71-72) also noted a trend for employers to recruit *'up-market'* – for university graduates in the late 1970s/early 1980s to be in competition *'...with sixth-formers for jobs*

*that had come to be seen as theirs, while many sixth formers will be forced into competition with early school leavers.'* Those with few or no qualifications faced a low chance of obtaining paid work. A situation exacerbated for black school leavers (Sinfield, 1981:75).

The Youth Training Scheme (YTS) did provide a vocational qualification for increasing numbers of school leavers during the 1980s (White, 1992:35).<sup>7</sup> However, drop-out rates for YTS were high and only 30 per cent of entrants obtained qualifications. The quality of training provision was also seen as variable. White (1992:36) argues that the problem of too many school leavers having low levels of qualification was not due to poor vocational training systems, but lies with the education system and the latter's lack of support from the labour market. An estimated 18 per cent of YTS entrants had no educational qualifications. Moreover, those most likely to attain a qualification had relatively high educational attainment on entry to the scheme. White (1992:37) makes a similar argument in relation to adult training – a poor basic level of education limited what adult training could achieve.

### 3.8 Lone parents

In general, studies of the participation of lone parents in the labour market tend to date from after 1980. This reflects:

- the relatively small number of lone parent households prior to 1980; the number of lone parent families did not exceed one million until the mid-1980s;
- the benefits system did not require lone parents with dependent children to register for unemployment. Supplementary Benefit/Income Support (IS) conditionality conditions did not require lone parents to be actively seeking work;
- the gendered nature of work (and research); indeed, early unemployment studies tend to focus on male unemployment.

**Table 3.1 'Best' estimates of the number of lone parent families, Great Britain**

													<i>Millions</i>
1971	1976	1981	1984	1986	1988	1990	1991	1992	1993	1994	1995	1996	
0.57	0.75	0.90	0.94	1.01	1.09	1.23	1.30	1.37	1.44	1.51	1.56	1.60	

Taken from Haskey (1998), Table 2.

There may be overlaps between lone parents and other vulnerable groups. There are ethnic differences in unemployment rates for single parents, with high rates among African-Caribbean women and lower rates among Pakistani and

<sup>7</sup> The YTS was launched in September 1983 (see Moon and Richardson, 1985:111-122). YTS was replaced by Youth Training (YT).

Bangladeshi households (Williams, 2005:22). There may also be a link with the less skilled vulnerable group to the extent that lone parents are likely to have fewer educational qualifications than married women.

Demographic changes have seen an increase in lone parent households (see Table 3.1). The growth in lone parents in the 1970s and early 1980s was due to increases in divorce and separation (Glendinning, 1987:50). However, since the mid-1980s, the increase is mainly due to the increase in non-marital births. Demographic changes have also been accompanied by changes in social attitudes towards women working. There was some opposition to *married* women (especially those with young children) working during the 1970s (Sinfield, 1981:86-88).

Since the mid-1970s, rates of female employment have been increasing, however, until recently this increase was overwhelming for women with working partners (Desai *et al.*, 1999:173-174). During the late 1970s married mothers had only marginally higher rates of employment than lone mothers (Gregg and Harkness, 2003:3-4). However, during the early 1980s employment rates for lone parents fell then became relatively stable – ranging from 39.4 per cent in 1993 to 47.2 per cent in 1981 (Desai *et al.*, 1999:173-174). In contrast, for married women employment rates began to increase rapidly from 1984 onwards.

*'This divergence in the experiences of single and married mothers meant that by the early 1990s a gulf in the employment rates of single and married mothers had emerged, which has only recently begun to narrow.'*

(Gregg and Harkness (2003:4))

In 1993, for instance, employment rates for single parents were 30 percentage points lower than for women with a partner and children (Desai *et al.*, 1999:173-174). Controlling for the age of the child(ren), the mother's age, or region has no effect in explaining this gap.

For early 1980s recession, the key factors influencing lone parents' participation in the labour market were age of child(ren) (with those with younger children less likely to work), amount of maintenance received, potential wage, and level of Supplementary Benefit if a non-worker (Walker, 1990:69-70). Furthermore, and critically, the rate of unemployment did **not** directly influence labour market participation by lone parents. Unemployment affected lone parents' employment only indirectly through its effect on wages (Walker, 1990:70-71).<sup>8</sup> (His econometric analysis was based on data from the Family Expenditure Survey (FES) for the period 1979 to 1984; a period when lone parents' attachment to the labour market declined but unemployment increased.)

To the extent that lack of childcare is a barrier to single parents obtaining paid work, Evason (1985:25-26) notes that during the early 1980s there was a significant shortage of nurseries in Northern Ireland.

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<sup>8</sup> A finding that contradicts Ermisch and Wright (1987) (see 'other sources'), who utilise GHS data for their analysis.

There are three Department of Social Security (DSS) commissioned surveys with samples of lone parents that cover the recession of the early 1990s (Bradshaw and Millar, 1991; McKay and Marsh, 1994; Ford *et al.* 1995). Bradshaw's and Millar's (1991) survey was of 1,200 lone parents and conducted in 1989; and it is the first major UK sample survey of lone parents. McKay and Marsh (1994) build upon the first stage of the then DSS Programme of Research Into Low Income Families (PRILIF) to analyse a nationally representative sample of lone parents, and fieldwork was conducted in July and August 1991.<sup>9</sup> Ford *et al.* (1995) analyse a follow-up survey of the lone parent sample from McKay and Marsh (1994) and a new survey of lone parents, with fieldwork conducted in January and February 1993.

**Table 3.2 Employment characteristics of lone parent families**

	<i>Column percentages</i>		
	Pre-recession 1989 Bradshaw and Millar (1991)	Recession 1991 McKay and Marsh (1994)	1993 Ford <i>et al.</i> (1995)
Paid job, working 24+ hours per week	24	25	26
Paid job, working 16-23 hours per week	4	3	8
Paid job, working less than 16 hours per week	12	10	8
Unemployed	5	7	7
Inactive	54	56	51
			<i>Cell percentages</i>
Percentage economically active	46	43	49
Percentage of non-workers never had a job	13	15	9

Taken from Ford *et al.* (1995), Table 4.1a.

Bradshaw and Millar (1991) found that almost a quarter (24 per cent) of lone parents worked full-time (Table 3.2), and that they tended to have older children, higher educational qualifications and were likely to be receiving maintenance compared to those lone parents who did not work. In addition, 16 per cent worked part-time and five per cent were actively looking for work.

McKay and Marsh (1994:8-9) report that 25 per cent of lone parents worked full-time, 13 per cent worked part-time and seven per cent were actively looking for work. The lone parent's economic activity was largely associated with the age of the youngest child. Nine per cent of lone parents with a child under five years worked full-time compared to a half with teenage children. Receipt of maintenance was a positive and significant factor affecting participation in the labour market.

<sup>9</sup> Results from the first PRILIF for low income families are given in Marsh and McKay (1993).

Typically the jobs involved junior, non-manual work in small commercial firms or with large public sector organisations. Most said they wanted a job one day. Having sole care of a dependent child meant that those looking for work valued job and income security.

Ford *et al.* (1995) show that two years later, in 1993, similar proportions of lone parents were employed full-time (26 per cent) and unemployed (seven per cent). However, the proportion working part-time did increase to 16 per cent. Unlike the Bradshaw and Millar (1991) study, having two or more children was not associated with non-employment.

To the extent that Bradshaw and Millar (1991) can be viewed as a pre-recession comparator for the later two studies, there does not seem to be any immediate and direct recessionary impact on lone parents. There is an increase by 1993 in the proportion working 16 to 23 hours per week, which increases the overall proportion working part-time (see Table 3.1). However, this increase is unlikely to be a direct consequence of the 1990s recession; rather Ford *et al.* (1995:90) attribute it to changes in the rules for Family Credit (FC) (the qualifying hours for entitlement was reduced). These 'new recruits' to FC tended to be older separated or divorced mothers, they were better educated (so their low hours were better paid) and they were in receipt of maintenance.

Shaw *et al.* (1996:142-144) analyse spells on IS for the period 1992 to 1994 – that is, when unemployment was relatively high. A multivariate analysis for lone parents shows that, in general, the local rate of unemployment did not affect spell duration. A reduction in the unemployment rate from 10.3 per cent to five per cent only reduced the cohort of lone parents on IS for five years by one-twentieth (controlling for other factors). Older lone parents, those with a driving license, those without pre-school age children and those living in low housing cost areas had shorter spells.

### 3.9 Older workers

Since the mid-1970s there has been a substantial fall in the number of older workers, in particular men aged 50 and over, in employment (Disney, 1999:58-59). Some of these older workers will have a health condition or a disability, thus there is a potential overlap with the disabled worker vulnerable group. This partly arises because of the well-known correlation between age and onset of disability and partly because receipt of long-term incapacity-related benefits is seen by some as a route to early retirement (see Disney, 1999:64-65).<sup>10</sup>

<sup>10</sup> Disney (1999:64-65) highlights the receipt of Invalidity Benefit as providing this route for early retirement, especially in the period up to the early 1990s when it was paid tax-free and could be paid instead of the Retirement Pension for up to five years after the state pensionable age. The number of claimants increased dramatically during the late 1980s and early 1990s. Invalidity Benefit was replaced by IB in 1995, which had stricter entitlement conditions than Invalidity Benefit.

Daniel (1990:15) reports that surveys of the unemployed in the 1970s (and earlier) show that older workers took longer to re-enter employment; and that older workers were over-represented in the stock of unemployed people. Indeed:

*'As recently as the 1970s, it appeared that one of the laws in the social sciences decreed, first, that age was the strongest influence upon what happened to people when they lost their jobs and, secondly, that the older people were the more they suffered in terms of periods of unemployment and the quality of any new job they found compared with the one lost.'*

(Daniel (1990:146-147))

Maguire (1992:87-88) maintains that during the first half of the 1970s employers preferred prime age workers to older workers because the former offered '*greater longevity in a job*'. However, just as some employers began to query this assumption – seeing greater job stability among the over-50s – rising unemployment during the 1970s transformed the perception of older workers. The rapid increase in youth unemployment relegated the problem of older worker unemployment to '*relative unimportance*'. Sinfield (1981:77) reports that some commentators saw older people as inflating the unemployment count, while others argued that older people should not be counted as part of the labour force and earlier retirement ages should be allowed.

Payne *et al.* (1996) model flows on and off unemployment for men and women for their first spell of unemployment after the age of 50. The data are taken from the Retirement Study (see Bone *et al.*, 1992), which is a nationally representative sample of people aged 55 to 69 surveyed in autumn 1988. In the data, the earliest spells of unemployment occurred in 1970 and the latest during the 1980s. Their analysis shows that unemployment among these older workers was more likely the higher the rate of national unemployment, the older the individual, for workers with a serious health condition at the start of their spell of unemployment, for those moving directly into unemployment from a job, and those whose last job was part-time (Payne *et al.*, 1996:56). The risk of unemployment was lower for older workers who were married and whose last job was non-manual or professional/managerial.

Their analysis confirms that older workers took longer to exit unemployment – 20 per cent left unemployment within six months of becoming unemployed, 40 per cent within 12 months and half by nearly two years (Payne *et al.*, 1996:39). Not all of these exits were to employment, for instance, 37 per cent of the men retired (including 13 per cent taking early retirement) (Payne *et al.*, 1996:61). Analysis of unemployment durations showed that (Payne *et al.*, 1996:57-58):

- gender was statistically insignificant;
- the probability of leaving unemployment by age was 'U-shaped' – it initially fell as age increased to 55 years, and then rose, in part reflecting moves into (early) retirement (see above);

- married older workers had shorter spells of unemployment;
- poor health decreased the likelihood of leaving unemployment;
- older workers who were economically inactive before registering as unemployed were more likely to leave unemployment than those with jobs immediately before, possibly because they were returning to inactivity;
- being self-employed in their last jobs increased the probability of leaving unemployment compared to being an employee;
- having more than one job in the five years before the observation spell increased the chances of moving off unemployment;
- having pensions rights from the last job increased the probability of leaving unemployment;
- each one percentage point increase in the national rate of unemployment decreased the odds of leaving unemployment in any given month by 13 per cent.

Older unemployed workers may have a lower probability of re-entering employment because they '*...search for jobs at similar levels to those in jobs held previously and re-entry jobs are only available at considerably lower levels of pay.*' (Disney, 1999:61). There is also evidence from the US that a more limited range of industries recruit older workers, while a wider range will hire young workers (Disney, 1999:61). Older workers exiting unemployment for a non-work destination tended to retire (Payne *et al.*, 1996:61-62).

Long-term unemployment could reduce older workers ability to save for retirement and could reduce existing savings.

The analysis by Pissarides and Wadsworth (1992:65) shows that during a period of low unemployment (1979) and high unemployment (1986) older workers (men and women aged 50 and over) had similar incidences of unemployment to prime age workers (35 to 49 year olds) when controlling for the effect of other personal characteristics. Their analysis does show that younger people did experience higher unemployment than the prime age unemployed and that the impact was higher during the period of higher unemployment. However, this analysis includes both the flow and the stock of the unemployed. When examining only the long-term unemployed (the stock), the likelihood of unemployment '*increased rapidly with age*'. In 1979, older men (aged 50 to 64) were on average 8.4 percentage points more likely to be long-term unemployed than prime age men (Pissarides and Wadsworth, 1992:72-73). Yet when unemployment was higher this differential fell in 1986 to 1.2 percentage points. So, as Pissarides and Wadsworth (1992:72) note, age became **less** important as a characteristic associated with long-term male unemployment in 1986. For older women (aged 50 to 59) age increased in importance as unemployment increased. The unemployment differential with prime age women increased from 3.4 percentage points in 1979 to 11.3 percentage points in 1986 (Pissarides and Wadsworth, 1992:74).

Daniel's (1990:147) study of the flow of men onto and off unemployment during the early 1980s also suggests that age as a factor was of 'decreasing salience'. Although the unemployment flow included fewer older workers, they could face more difficulties than younger people in finding paid work and so remained unemployed for longer and became over-represented in the stock. His longitudinal analysis shows that older men (and managerial/professional staff) were more likely than others to become economically inactive over a 20 month follow-up period (Daniel, 1990:140). Here, unemployment is a transitional stage for older men to leave the labour market and become retired; and may represent a 'discouraged worker' effect. The duration of this transitional phase was longer for unskilled men.

During the mid-1980s, nearly 40 per cent of unemployed people aged over 55 had been unemployed for more than two years, compared to 25 per cent of 25 to 40 year olds (Taylor, 1987:73). The chance of an unemployed person aged 55 to 60 leaving unemployment was around a half of that of someone aged 20 to 30 years.

After the 1980s recession, firms did not necessarily begin recruiting older workers. Many employers were aware of an age imbalance in their workforces which led them to recruit younger, rather than older, workers (Maguire, 1992:88). This is indirectly confirmed by analysis of the LFS by Payne and Payne (1994:91-92) which shows that in 1985, employers turned to school leavers to meet their recruitment needs. In addition, the increase in the pace of technological change combined with a belief that older workers were less trainable than younger people reinforced the trend against employing older workers.

As the economy became more buoyant towards the end of the 1980s, some employers (especially in the south east of England) faced labour shortages. Firms' recruitment strategies could change, with employers targeting older (even retired) workers (and women), rather than simply recruiting younger men (Maguire, 1992:88).

Payne and Payne (1996:91-92) show that in the recession of the early 1990s fewer men aged 60 to 64 years obtained another job on leaving their previous employment than did 50 to 59 year olds.

*'This decline was also much steeper than it had been between 1979 and 1981. Possibly, having learned in the previous recession how poor were the employment prospects of older people, over-sixties who were fortunate enough to have a job saw the advantages of sitting tight even more clearly than their younger colleagues.'*

(Payne and Payne (1996:92))

Previous higher rates of unemployment among older workers partly reflect the then prevailing ageism. A 1997 Manpower Service Commission survey found that 27 per cent of job vacancies explicitly excluded workers aged 50 and over and a Planning and Economic Policy study found only a quarter of vacancies were open

to those aged over 50 (Balloch *et al.*, 1985:5). Maguire (1992:93) found in a 1989 survey of employers in the East Midlands that 39 per cent had jobs for which they would not recruit older people; albeit some of these posts were traineeships and apprenticeships. Nevertheless, older workers were stereotyped negatively in terms of their '*capabilities and physical fitness.*'

### 3.8.1 Early retirement

Employers have used legislation to encourage early retirement. The Redundancy Payment Act 1965, which allowed larger redundancy payment to older workers with long service, had by the 1970s effectively become '*hidden unemployment redundancy*' (Harris, 1991, cited in Yeandle, 2003:16). The Job Release Scheme, introduced by the Job Release Act 1977, was designed to encourage early retirement among male workers aged over 62. An allowance was paid to employers who agreed to replace older employees with unemployed (younger) people (see Hansard, 1979 and 1987). A suggestion was also made, and supported by the TUC, that the state pensionable age should be reduced to help alleviate unemployment. Indeed, in 1983 benefit regulations were amended so that males over 60 who had been unemployed for over a year could transfer to a higher rate of Supplementary Benefit and they would no longer be regarded as economically active (Maguire, 1992:88).

In the late 1970s, about a third of unemployed men aged 55 to 64 years were in receipt of an occupational pension. The increase in private pension schemes has been seen as a factor contributing to older people exiting the labour market – due to the prospect of 'unearned income' from a pension scheme (Disney, 1999:62-65). However, the accrual of pension benefits in 'final salary' schemes is typically non-linear with an extra year's work adding disproportionately to benefits, and:

*'In these circumstances, generous pension schemes are just as likely to induce the individual to stay on at work as to retire early...[T]he relationship between scheme generosity and retirement date is a complex one.'*

(Disney (1999:63))

In practice, many people appear not to understand how the pension system operates (for example, annuitisation), and may not be able to carry out the complex calculations required to determine their '*optimum*' retirement date (Disney, 1999:63).

Nonetheless, during the 1970s and 1980s firms used occupational pension schemes to secure the early retirement of '*expensive and unwanted labour*' (Disney, 1999:64). Older workers could be seen as expensive to retain (their higher salaries reflecting their seniority and experience), and as being less flexible and adaptable than younger workers. Such early retirements were at the firms', rather than the employees', behest. Sinfield (1981:77-78) notes:

*'When the workforce has to be reduced quickly, "encouragement" to retire earlier is seen as the most suitable measure, very much more acceptable than making workers voluntarily redundant.'*

(Sinfield (1981:77))

Early retirement was perceived as leading to the creation of jobs for younger people and to career advancement opportunities for younger staff when companies were not expanding (see also Balloch *et al.*, 1985:5). Many older workers found the prospect of early retirement acceptable and even welcomed the idea (Sinfield, 1981:78). However, Sinfield (1981:78-81) highlights that in the past (1920s) men could work into their late sixties, that many older people did want to work and that working later in life could help to combat poverty.<sup>11</sup>

There is evidence that older workers without occupational pensions may be more likely to claim incapacity-related benefits (notably Invalidity Benefit and IB) than those with pensions when exiting the labour market (Tanner, 1998, cited by Disney, 1999:67). The Retirement Survey shows that around three-quarters of economically active men without occupational pensions and aged 55 to 59 years in 1988/89 had by 1994 moved on to incapacity-related benefits. This compares to two-fifths of those with occupational pensions. (Suggesting that even for some of those with a pension the route to retirement may involve a spell on incapacity-related benefits.)

Notwithstanding the use of occupational pension schemes for early retirement, the employment rates by age for those with occupational pensions are higher than for those without pensions (see Disney, 1999:65-66). This is probably because those with occupational pensions are likely to be more skilled workers than those without pensions, and hence their rates of employment are generally higher.

### 3.10 Self-employed

In the UK, self-employment has been in decline since the end of the Second World War and many self-employment ventures are quickly terminated (Taylor, 1999:140; Cowling and Mitchell, 1997). Identifying the dynamics of the relationship between periods of economic recession and the self-employed is problematic partly because of the complexities of the decision to move into or out of self-employment (Taylor, 1999).

Moves into self-employment may reflect a recession-push effect, whereby unemployment acts as a catalyst for job seekers to start their own businesses (Cowling and Mitchell, 1997: 431). Nevertheless, some individuals who would prefer to enter self-employment may be constrained by a lack of capital, either because they have not accumulated the wealth themselves or do not have the supply of collateral sufficient to secure a loan (Taylor, 1999:141; see also Holtz-

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<sup>11</sup> In 1921, according to Sinfield (1981), approximately 80 per cent of men worked into their late sixties.

Eakin *et al.*, 1994; Black *et al.*, 1996; Robson, 1996; Blanchflower and Oswald, 1998). Although self-employment offers individuals 'flexibility' and the freedom to be 'their own boss', they can often receive significantly lower wages than those employed by others on a full-time basis. As Lawless *et al.* (1998:36) note, self-employment ventures '*are often categorised by job insecurity, reduced employment rights and lower earnings*'. Nonetheless, self-employment may be seen as an alternative to unemployment.

Analysis by Cowling and Mitchell (1997: 433-434) of self-employment between 1972 and 1992 reveals that the duration of unemployment is important. A short spell of unemployment is associated with a fall in self-employment – a ten per cent increase in short-term unemployment decreases self-employment by one per cent – while long-term unemployment is associated with an increase in self-employment – a ten per cent increase in long-term unemployment is accompanied by a one per cent increase in self-employment. This is because:

*'...the short-term unemployed can compete for waged employment and are re-employed, thus tending to lower the proportion of the workforce in self-employment. But as unemployment spells lengthen these individuals become long-term unemployed...and self-employment becomes a last resort for long-term unemployed people.'*

(Cowling and Mitchell (1997: 434))

Cowling and Mitchell (1997: 433-434) also report that the most important determinant of the proportion in self-employment is the self-employed/employee income differential. An increase in the differential of six per cent during the 1980s increased the proportion of the workforce in self-employment by 11 per cent.

Receding employment opportunities and an economic downturn do have an effect on the development of self-employment ventures. As Taylor (1999) notes, drawing on data from the British Household Panel Survey (BHPS), experiencing unemployment can act as a regressive variable within the life-span of a self-employment venture. Previous unemployment may result in skill depreciation or perhaps reflect a lack of business acumen which indicates a higher probability of failure, or a lower arrival rate of alternative job offers (Taylor, 1999:148). Additionally, the movement out of self-employment into an alternative form of employment could possibly be a way of avoiding bankruptcy before the enterprise sinks into liquidation.

Although the movement out of self-employment may be perceived as the result of economic failure or waning financial returns, Taylor (1999) suggests that the decision to exit self-employment is more frequently driven by the existence of a – better – employment opportunity than by bankruptcy. Self-employment, according to Taylor's (1999) hypothesis, is only economically viable when it is the best option and when there is an alternative available for when the venture ceases to work well (see also Cowling and Mitchell, 1997: 433-434). Thus 70 per cent of men who had been self-employed for a period of less than one year, exited the

venture when a better or different job presented itself. This implies that without an alternative job available to them during a labour market downturn, these self-employed men could have been faced with either remaining in a less-than-preferable self-employment situation or, in some cases, declaring bankruptcy. In other words, the decision to exit self-employment is significantly dependent upon the success of the economy as a whole. In this way Taylor's findings suggest that levels of self-employment could remain relatively stable during a – slight – labour market recession.

On the other hand, Winch (1998) argues that any periods of growth in self-employment since 1977 within the British construction industry were rooted in economic growth. Drawing on Department for Employment data, Winch (1998) concludes that:

*'[T]he main reason for the growth of self-employment since 1977 is the strategic choice of construction companies to emphasize flexibility over productivity as sources of competitive advantage.'*

(Winch (1998:531))

In addition, studies by commentators such as Cowling and Mitchell (1997:430), which explore the impact of individual assets or collateral on the viability of starting a self-employment venture, highlight that the growth of self-employment can be linked to fluctuations in stock prices, albeit indirectly, and house prices. Many entrepreneurs require bank loans to set up small businesses, and their ability to enter into self-employment is limited by their ability to secure these loans. This ability is in turn limited by the collateral wealth applicants can present to banks, collateral which usually takes the form of property ownership. Falling property values during periods of recession can, therefore, adversely affect the development of a self-employment venture.

Cowling and Mitchell's (1997) empirical analysis of the period 1972 to 1992 substantiates the impact housing wealth can have on the entry into self-employment; a ten per cent increase in housing wealth increased the proportion in self-employment by three per cent. They also show that this is connected to broader economic policy shifts and the overarching economic context:

*'The influence of housing wealth becomes more important in the mid to late 1980s in explaining behaviour of self-employment. This period coincides with major deregulations governing the activities of financial institutions, effectively allowing owner-occupiers to unlock equity accumulated during periods of buoyant house prices.'*

(Cowling and Mitchell (1997:433))

What these studies show is that the interplay between self-employment ventures and economic peaks and troughs is a highly complex one. Increased entry into self-employment may be endemic to periods of either economic growth or recession, or of increased government investment in small businesses through schemes such as the Enterprise Allowance Scheme set up in Britain after 1983. During this period

in particular, the evolution of self-employment was driven by a combination of factors including a governmental preference towards labour market flexibility, increases in house prices or 'net wealth', and increased privatisation including what Johnson *et al.* (1988) dub the 'enforced contracting-out' of local authority and other services.

## 4 Attitudes towards unemployment

The public's attitudes towards unemployment and vulnerable groups are important because they can shape what is perceived as politically feasible policies, and any resulting increase in social exclusion for these groups during a recession risks (the further) development of prejudice (Golding, 1991:39). Sinfield (1981:35-39) also highlights the feelings of stigma and shame reported by many unemployed people due to being jobless.

Overall, there appears to be no simple relationship between unemployment rates and public attitudes towards either unemployment policy or particular groups of unemployed people.

During the 1970s there were negative reports and images of unemployed people depicted in the media. Steep rises in unemployment led to the emergence of 'scroungerphobia', whereby benefit levels were perceived as being too high, and claimants could be seen as 'workshy' or engaged in fraudulent claiming (see Marsden, 1982:213-215).

Golding (1991) reviews changes in the public's attitudes towards poor people during the 1980s. His analysis examines definitions of poverty, explanations of poverty and policy responses, and draws upon a number of social surveys, including the Survey of British Social Attitudes (BSA) (in particular for 1983, 1986 and 1989) and Mach and Lansley (1985). However, the focus of the analysis is poverty rather than unemployment or labour market behaviour, and it does not discuss specific vulnerable groups. Nonetheless, Golding (1991) shows:

- there was a move away from the 'wider excesses of scroungerphobia' prevalent during the late 1970s and early 1980s (Golding, 1981:45) with a growing public awareness that poverty is caused by structural factors. However, during the 1980s, about a fifth of the public believed poverty was due to '*laziness or a lack of willpower*', and just over a tenth saw poverty as inevitable (they had been '*unlucky*');

- the proportion who thought the welfare state led to dependency fell – in 1983 52 per cent agreed with the statement *'the welfare state makes people less willing nowadays to look after themselves'* but this had fallen to 39 per cent by 1989 (Golding, 1991:42);
- during the 1970s, the proportion of the public believing that public expenditure on social services was too high had grown to around a fifth. However, this changed during the 1980s, with the proportion wanting increased taxes and spending on health, education and benefits rising to 56 per cent by 1989 (Golding, 1991:43). The proportion seeing a need to increase public expenditure on benefits was lower; rising only slightly from 12 per cent in 1983 to 14 per cent in 1989. Moreover, there are major differences by type of benefit, with benefits for lone parents and unemployed people less popular than those for pensioners or disabled people (see Table 4.1).

Those least likely to support benefits for the unemployed were manual workers and Conservative voters.

**Table 4.1 Public attitudes towards benefits – proportion naming benefit as first or second priority for extra spending from offered list: BSA**

	(Percentage)		
	1983	1986	1989
Retirement pensions	64	65	67
Child Benefit	21	23	30
Benefits for unemployed	33	33	25
Benefits for disabled	57	58	60
Single parents' benefits	21	18	17

Source: Golding (1981), Table 5, p.44.

During the 1970s and 1980s 'high'/rising unemployment was not always seen as a priority issue for the public (see Figure 4.1 and Moon and Richardson, 1985:47-62). For instance, inflation was a more prominent issue than unemployment during the two elections held in 1974 – it did not figure significantly in the parties' general election campaigns nor was it ranked highly by the public as an election issue. Although during the mid-1970s to 1979 the proportion of the public saying unemployment was the most urgent problem facing the country rose, to peak at 36 per cent in April 1978, it never reached the level (43 per cent in December 1971) achieved **before** the onset of the recession at the beginning of the decade and when the rate of unemployment was lower (Moon and Richardson, 1985:50-51). Possible reasons for unemployment being a less salient issue at a time of record unemployment are (Moon and Richardson, 1985:52-53):

- it was the earlier rise in unemployment under the Heath Government which was seen as novel and *'...provoked a more dramatic public response. By the mid 1970s the public had become more used to high unemployment...'*;

- other public concerns, notably inflation and the social contract/industrial relations were assigned a higher priority by the public. These issues were prominent during autumn 1978 and early 1979 and could be seen as 'pushing out' unemployment as a public concern;
- Government programmes to help the unemployed convinced the public that policymakers were doing all they could to address the problem;
- the then Conservative opposition did not focus on unemployment as an issue to the same extent as the Labour Party had when it was in opposition. The Conservative Party at the time tended to see unemployment as a consequence of other issues, such as high wage rates, and high levels of government intervention in the economy.

As unemployment rose during the first half of the 1980s, it became perceived by the public as the most urgent issue facing the public (Moon and Richardson, 1985:56-57). Only the Falklands War temporarily replaced unemployment as the public's principal concern. Moreover, unemployment was debated more extensively between 1979 and 1983 in the House of Commons than between 1970 and 1979.<sup>12</sup>

However, McLaughlin (1992:1 and 5) notes that at the end of the 1980s unemployment had become a '*forgotten policy issue*'. There was a policy and political consensus that levels of unemployment of around 1.6m were acceptable:

*'Discussing the government's biggest failure – unemployment – has thus become almost taboo, as unemployment is presented as fluctuation like the weather and beyond government control.'*

(McLaughlin (1992:5))

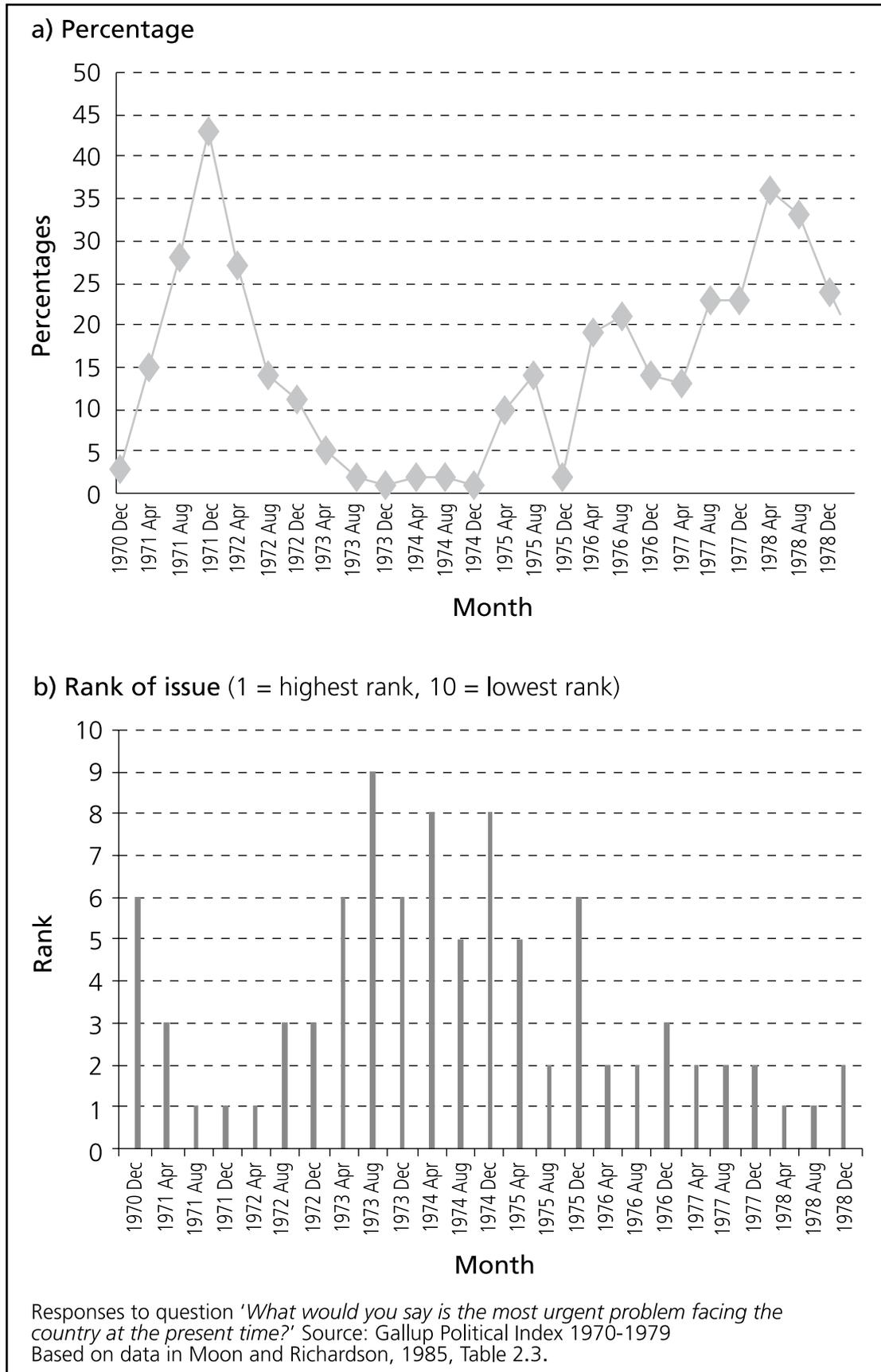
So that in 1991 the Chancellor of the Exchequer was able to say that increasing unemployment was a 'price worth paying' for lower inflation.

Notwithstanding the prominence the public gave to unemployment during the early 1980s, the public's views were complex. In December 1982, 43 per cent of the public agreed that '*unemployment could sometimes be justified as necessary during a period of adjustment, and only 57 per cent thought that high unemployment could be solved if a government really tried to apply the right measures. Thirty-six per cent further believed that no government could really solve the problem...*' (Moon and Richardson, 1985:59). Moon and Richardson (1985:59) argue:

*'...whilst high unemployment has consistently been seen as the most important issue facing the country, popular expectations as to its solution were low, and the government has less and less been singled out as the sole cause of the problem.'*

<sup>12</sup> As measured by annual proportion of House of Commons business taken up with the question of unemployment.

Figure 4.1 Public perception of importance of unemployment



Employers' attitudes towards vulnerable groups can also limit job opportunities. Maguire (1992:96-98) outlines employers attitudes towards older workers. Based on a survey of employers in the East Midlands in 1989 he finds that employers:

*'...while professing a willingness to employ older people, only regard them as being suitable for a very restricted range of occupations.'*

(Maguire (1992:97))

Employers' attitudes towards disabled people often reflected prevailing stereotypes – most of the studies presented here were conducted before the Disability Discrimination Act 1995. Employers with no disabled workers could anticipate problems from employing disabled people. These problems tended to relate to the types of work available and the unsuitability of the workplace for disabled people (see Honey *et al.*, 1993 and Morrell, 1990, both cited by Dalgleish, 1994).

One of Golding's conclusions (1981:52) is pertinent to this review:

*'...people's attitudes are intimately bound up with their own circumstances and fortunes. The fate of those ill-rewarded in the labour market will continue to set a ceiling for raising public sympathy for more generous benefits.'*

Implying that the current economic downturn may be accompanied by a wane in public support for government funded help for vulnerable groups. However, Hall's (2009:81-83) use of deliberative research suggests that public support might be maintained if the Government continues to emphasis benefit recipients' responsibilities and individuals' work obligations.



## 5 Demands on other services

One documented effect of recessions, or at least of rising unemployment, on vulnerable groups is the rising caseload for services from other related services, notably social care. Balloch *et al.* (1985) highlight the association between rising unemployment and social problems, such as an increase in mental health conditions (Fagin, 1981, cited in Balloch *et al.*, 1985:7) and consider the implications for local social services in metropolitan areas. Their analysis is based on primary and secondary data from eight metropolitan authorities and covers the period 1979 to 1983.

Balloch *et al.* (1985) found that for disabled people rising unemployment during the 1980s led to pressures on day centres and Adult Training Centres, which were '*...frequently overcrowded or understaffed and their clients [were] frustrated by waiting lists and transport difficulties.*' (Balloch *et al.*, 1985:26 and see 53). However, this increase was not simply due to rising unemployment, increasing life expectancy and 'dehospitalisation' policies meant centres received more disabled people who were perceived as less job ready (Balloch *et al.*, 1985:19). Nonetheless, the demands placed upon services were '*well beyond those currently available*'; and as a consequence pressures upon families increased (Balloch *et al.*, 1985:26).

The authors also identify adverse consequences not explicitly covered by PSA 8:

- high levels of unemployment reduced the likelihood that young people leaving care were able to gain employment (Balloch *et al.*, 1985:27-42);
- high levels of youth unemployment may be associated with rising rates of juvenile crime (Balloch *et al.*, 1985:71-80).

There is a suggestion from the Balloch *et al.* (1985) survey of metropolitan authorities of a reluctance for councils to take initiatives to help disabled people (in particular those with mental health conditions) move into open employment because it is judged that they were unlikely to secure jobs when levels of

unemployment were rising. This could be seen as a 'discouraged institution effect', akin to the 'discouraged worker effect' noted above. When organisations do not provide employment support for vulnerable groups, because of suspected poor job opportunities, subsequent poor job entry rates will, in part, be a self-fulfilling prophecy.

## 6 Conclusions

This chapter outlines some tentative conclusions based on the evidence reviewed in previous chapters.

### 6.1 How do vulnerable groups fare in past economic recessions?

The evidence presented here suggests that during an economic downturn the following groups have experienced an increase in, and longer duration of, unemployment:

- disabled people;
- ethnic minorities; and
- (since the 1980s) less skilled workers.

For older workers the relationship is more complex. In the 1970s, unemployment among older workers did increase during the downturn. However, subsequently while the rate of unemployment for older workers increases during a recession, the increase relative to prime age workers (the differential) may not increase. Furthermore, the size of this differential might vary by gender and duration of unemployment. Nonetheless, older workers have longer durations of unemployment and so are at a disadvantage during a recession as their numbers will increase among the stock of the unemployed.

To the extent that these vulnerable groups are geographically concentrated in the most deprived local authority wards, then unemployment rates for these areas can be expected to increase alongside rises in national unemployment.

Economic activity by lone parents appears to have been less susceptible to changes in unemployment. Other factors, such as age of child and receipt of maintenance, appear to be associated with participation in the labour market; albeit data are only available from the late 1980s onwards.

The evidence for the self-employed is less conclusive. The studies highlight the importance of fluctuations in house-prices, the severity of the recession in terms of length of unemployment, willingness of banks and other financial institutions to lend, and the effect of changes in the Government's approach to local authority service provision.

There was insufficient evidence found about the impact of an economic recession on the unemployment rates for ex-offenders to gauge whether or not their rate of unemployment is likely to increase during an economic downturn.

The evidence reviewed also highlights the heterogeneity of these vulnerable groups. Within groups variation in labour market outcomes can be high, for example, for different ethnic minorities. There are also important differences by gender, for instance, for less skilled workers. There are also links between disabled people and older people, and less skilled workers and older people which mean that some members of vulnerable groups face multiple barriers to obtaining a job.

In addition to the PSA 8 vulnerable groups, unemployment may be higher during an economic recession for other groups, such as: agency workers, carers, ex-offenders, and young people leaving care. Protecting these groups may involve amending the list of groups covered by PSA 8.

### **6.1.1 Past welfare reforms**

Some of the applied social research literature covering the early 1980s is focused on living standards and the Fowler and other reviews of the social security system rather than the economic recession.<sup>13</sup> Cohen *et al.* (1992) presents evidence on 140 Income Support claimants who were interviewed in 1989 and 1990. Although it includes respondents from the vulnerable groups considered in this review (such as ethnic minorities and lone parents), the research is concerned with poverty and the effects of the 1988 changes. There is also a substantial literature on the impact on the introduction of the Social Fund. Again, this literature covers many of the vulnerable groups of interest, but its focus is on the administration, operation and experiences of users of the Social Fund rather than their labour market behaviour (see Stafford, 2009 forthcoming).

## **6.2 Some data issues**

The three economic recessions considered in this note were short-lived and many sources cover not only these recessions but longer period of time when unemployment was rising and falling. Only one study – Pissarides and Wadsworth (1992) – was found that explicitly compares periods of low and high unemployment in order to gauge the impact of personal characteristics on labour market outcomes.

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<sup>13</sup> During the early and mid 1980s there were policy reviews of pensions, Housing Benefit, Supplementary Benefit, benefits for children and young people and of maternity benefits (see Ward, 1985).

Accordingly, any further research in this area may require secondary analysis of one or more of the longitudinal datasets identified in the Appendix.

In addition, the usefulness of some of the earlier empirical studies is limited by a gender bias, a concern with only male unemployment. Most of the studies conducted during the 1970s focus on (white) male unemployment (Hurstfield, 1986:42; see also Marshall, 1984). Thus the consequences of previous economic downturns for women who are members of a vulnerable group are more difficult to determine empirically.

Within the literature, the distinction between the 'flow' and 'stock' of unemployed people is useful. There are studies of flows on and off unemployment and of the impact of (mass) redundancies, but members of vulnerable groups are likely to be found in the stock rather than in the flow – hence, in part, their vulnerable status:

*'Workers displaced by major redundancies tended to be able and skilled, with good work records and substantial periods of service in their jobs. They went straight to the head of the queue of people looking for the flow of vacancies...'*

(Daniel (1990:4))

On the other hand, surveys of the unemployment flow provide information on some sub-groups of interest, such as older workers.

### 6.3 Policy options

A number of commentators (for example, Bell and Blanchflower (2009), Brinkley *et al.*, (2008) and Trades Union Congress (TUC) (2009a)) have outlined proposals for helping unemployed people and members of vulnerable groups during the current recession. It is not the purpose of this review to summarise this literature, rather (and based on the review) these are the authors' own policy recommendations to assist members of disadvantaged groups secure sustainable employment. Some of the recommendations are general in nature, others are more specific. They are not mutually exclusive and not presented in any order of importance:

- A fiscal stimulus focused on generating jobs especially for members of disadvantaged groups. The International Monetary Fund has called for a global fiscal stimulus (see Freedman *et al.*, 2009). In the UK, Bell and Blanchflower (2009:52-54) propose a fiscal package of around £87bn. There are a number of measures that might be included in a stimulus package (see, for instance, Brinkley *et al.* 2008). This review suggests that the scarring effect of unemployment for disadvantaged groups adds weight to the argument that any fiscal stimulus package should include increases in welfare benefits. Increases in benefit are likely to result in increased consumption, rather than savings, and so helps boost aggregate demand as well as helping government to meet its wider social policy goals (see Child Poverty Action Group (CPAG), 2009:24-26). There is also public support for helping vulnerable people on low incomes (Hall, 2009:24-25; see also Legge *et al.*, 2006 and Stafford, 1998).

- The Government has made increasing the skill base of the UK a priority (Cabinet Office, 2009a:67). The downturn provides an opportunity to enhance the human capital of job seekers (Brinkley *et al.*, 2008; TUC, 2009b), in particular the skills of members of disadvantaged groups (see, for example, Pissarides and Wadsworth (1992:78) and Robinson, 1990:26). Not only are people with less skills a disadvantaged group, but to the extent that members of other vulnerable groups endure long spells of unemployment then they risk their skills deteriorating over time. Even when in employment, low skilled workers are less likely to receive in-work training (Cabinet Office, 2009a:68). Whatever training and skill programmes are used during the recession, there is a need to ensure that members of disadvantaged groups have fair access to training and are incentivised to participate. The Government have acknowledged that members of disadvantaged groups may need additional targeted support (Cabinet Office, 2009a:73 and 75-77). Measures are needed to ensure that the 'Skill Accounts' (Cabinet Office, 2009a:70) for members of disadvantaged groups include extra sources of funding to help them access training.<sup>14</sup> Possible measures include, for example, amending the eligibility rules for the Adult Learning Grant, which is aimed at those on low incomes studying full-time for their first Level 2 or 3 qualification in England. Currently this grant is not available to people on Employment and Support Allowance (ESA), Jobseeker's Allowance (JSA) or Income Support (IS), but this restriction could be temporarily relaxed for disadvantaged job seekers wanting to study part-time. Although the Adult Learning Grant is available to learners aged over 19, in practice 63 per cent are aged 19 or 20 years and so measures may be required to promote the scheme with other jobseekers, notably older workers (LSC, 2009). In addition, Career Development Loans might be adapted to promote training by some members of disadvantaged groups, such as older workers or disabled people, by, for instance, reducing the interest payable.
- The expectations of Jobcentre Plus and contracted provider staff need to be managed so that the durations of unemployment of members of disadvantaged groups are not prolonged simply because they are perceived as being less likely to gain employment. In other words, the organisational culture needs to challenge any self-fulfilling prophesy that suggests that members of disadvantaged groups are unlikely to gain employment during periods of high unemployment. There is a risk that some people will be 'written off' by the system; in the past this may have happened to disabled people (see Balloch *et al.* 1985) and older workers.

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<sup>14</sup> Skill Accounts are personal accounts that give adults more control over their training and allow users to know what public funding is available. They are being piloted in England from September 2009, and should be extended nationally in autumn 2010.

- The Department for Work and Pensions (DWP) is not the only public service dealing with members of disadvantaged groups, nor with a concern to help them gain paid work. At a time when public bodies' budgets are under pressure, it is important that services to disadvantaged groups by other organisations (notably local authorities) are maintained, if not enhanced.
- Measures could be taken to:
  - Promote job retention and reduce redundancies to minimise the flow onto unemployment. Possible measures include:
    - ~ facilitating short-time working and job sharing, for instance, by adjusting the hours rule on tax credits so people can 'survive' on lower part-time earnings (Gregg cited in Bell and Blanchflower, 2009:61);
    - ~ enhancing the provision by Personal Advisers of post-employment support;
    - ~ amending legislation so that members of disadvantaged groups facing discrimination by employers can more easily secure compliance with equity legislation, for instance, by allowing class actions on behalf of a number of people; and
    - ~ for disabled people, enhancing the Access to Work scheme so that employers are more able to afford 'reasonable adjustments' and so retain (and recruit) disabled workers.
  - Maximise the outflow from unemployment of members of disadvantaged groups by, for example:
    - ~ using job subsidies and paying a premium, for instance, in the recently announced 'golden hello' scheme (Cabinet Office, 2009b:40) for employers recruiting a member of a disadvantaged group. (However, the schemes would need to be evaluated for possible displacement effects.) To minimise the complexity of the scheme for potential users, the higher subsidy could be payable for those who had been unemployed for a longer period of time (rather than named groups being eligible); this would cover most members of disadvantaged groups since they tend to be unemployed for longer;
    - ~ combining and extending existing in-work packages of support already available to lone parents (In Work Credit) and disabled people (Return to Work Credit) to other disadvantaged groups (such as, less skilled workers);
    - ~ extending the pilot of the 'support broker' scheme to help disabled people access employment support to other disadvantaged groups;

- ~ recognising that for many members of disadvantaged groups their return to work journey may involve several steps and take some time to complete. Both benefit recipients and providers should receive (financial) recognition where individuals have achieved 'soft' outcomes. (Purvis *et al.* (2009) provide examples of the types of soft outcomes that could be developed.)

To address rising unemployment among disadvantaged groups, policy makers will need to be innovative not least because the changing context (see Section 2.3) means that past policies/programmes may have limited applicability to the present situation. Whatever measures are taken to tackle 'general' unemployment, they need to be 'tailored' to address disadvantaged groups.

# Appendix

## Other sources and possible data sets identified

### A.1 Other general sources identified

Dawes, L. (1993) *Long-Term Unemployment and Labour Market Flexibility*. Leicester, University of Leicester, Centre for Labour Market Studies.

Gallie, D. et al. (eds.) (1994) *Social Change and the Experience of Unemployment*. Oxford, OUP.

Hill, M. et al. (1973) *Men Out of Work: A study of unemployment in three English towns*. Cambridge, CUP. (A survey of unemployment in Coventry, Hammersmith and Newcastle upon Tyne, conducted in autumn 1971 (that is, just before the early 1970s recession commenced). The study has a focus on the benefits system.)

Nickell, S. (1980) *A picture of male unemployment in Britain*. *Economic Journal*, 90, pp. 776-794. A logistic regression analysis of male unemployment using data from the General Household Survey.

Moylan, S. et al. (1984) *For Richer for Poorer? DHSS Cohort Study of Unemployed Men*. London: HMSO.

### A.2 Other deprived ward source identified

Green, A. and Owen, D. (1998) *Where are the jobless? Changing unemployment and non-employment in cities and regions*. York, JRF.

### A.3 Other disabled people sources identified

Berthoud, R. (1998) *Disability Benefits: a review of the issues and options for reform*. York, JRF.

Marsden, D. and Duff, E. (1975) *Workless: Some unemployed men and their families*. Harmondsworth: Penguin. (Second edition, 1981, London, Routledge).

Marsden, D. (1982) *Workless: An Exploration of the Social Contract Between Society and the Worker*. London, Routledge.

Showler, B. and Sinfield, A. (eds.) (1981) *The workless state*. Martin Robertson.

Walker, A. (1982) *Unqualified and Underemployed: Handicapped young people in the labour market*. National Children's Bureau. Based on a sample of 18 year olds from the 1958 NCDS.

### A.4 Other ethnic minority sources identified

Blackaby, D. *et al.* (1999) Unemployment among Britain's ethnic minorities. *Manchester School*, 67, pp. 1-20.

Blackburn, R. (1994) Ethnic minority enterprise in Britain: experience and trends. Paper to Conference on *Ethnic Minority Firms: Developing Good Practice*. Birmingham, University of Central England, 30 March.

Fieldhouse, E. and Gould, M. (1998) Ethnic minority unemployment and local labour market conditions in Great Britain. *Environment and Planning A*, 30(5), pp. 833-853.

Jones, T. (1993) *Britain's Ethnic Minorities*. London, Policy Studies Institute.

Leslie, D. *et al.* (1999) Decline and fall: unemployment among Britain's non-white ethnic communities 1963-1998. *Discussion Paper*, Manchester, Manchester Metropolitan University.

Modood, T. *et al.* (1997) *Ethnic Minorities in Britain: Diversity and Disadvantage*. London, PSI.

Newnham, A. (1986) *Employment, unemployment and black people*, London: Runnymede Trust.

Simpson, L. *et al.* (2006) *Ethnic minority populations and the labour market: an analysis of the 1991 and 2001 Census*. DWP Research Report No. 333, Leeds, Corporate Document Services.

Smith, D. (1981) *Unemployment and Racial Minorities*. London, PSI.

Wilson, P. (1983) *Black Business Enterprise in Britain: A Survey of Afro-Caribbean and Asian Small Business in Brent*. London, Runnymede Trust.

## A.5 Other ex-offender source identified

Boshier, R. and Johnson, D. (1974) Does conviction affect employment opportunities. *British Journal of Criminology*, 14(3).

## A.6 Other less skilled worker source identified

Felstead, A. et al. (2007) *Skills at work 1986-2006*. Oxford, SKOPE, University of Oxford.

## A.7 Other lone parent sources identified

Blackall, D. and Marsh, A. (1994) *Lone Parents and Absent Parents in the 1958 Cohort*. DSS unpublished paper.

Ermisch, J. (1991) *Lone Parenthood: An Economic Analysis*. London, National Institute of Educational and Social Research.

Ermisch, J. and Wright, R. (1989) *Lone parenthood and employment: male-female differences*. Birkbeck Economics Working Paper No. 89/9, London.

Hardey, M. and Crow, G. (eds.) (1991) *Lone Parenthood*. London. Harvester Wheatsheaf.

Haskey, J. (1991) Estimated Numbers and Demographic Characteristics of One-parent families in Great Britain. *Population Trends*, 65, Autumn, London, HMSO, pp35-43.

Haskey, J. (1993) Trends in the Numbers of One-parent Families in Great Britain. *Population Trends*, 71, Spring, London, HMSO, pp.25-33.

Jenkins, S. (1990) *The probability a lone mother works full-time: a multivariate analysis of the 1989 Lone Parent Survey*, Report to DSS.

Jenkins, S. (1990) *Exit rates from supplementary benefit/income support by lonemothers: a multivariate analysis of the 1989 Lone Parent Survey*. Report to DSS.

Jenkins, S. (1992) Lone Mothers' Employment and Full-time Work Probabilities. *Economic Journal*, 102, March.

Martin, J. and Roberts, C. (1984) *Women and Employment*. London, HMSO.

Weale, A. et al. (1984) *Lone mothers, paid work and social security*. London, Bedford Square Press.

## A.8 Other older worker sources identified

Campbell, N. (1999) *The Decline of Employment among Older People in Britain*. CASE Paper 19, London, LSE.

Disney, R. *et al.* (eds.) (1997) *The Dynamics of Retirement: Analyses of the Retirement Surveys*. DWP Research Report No. 72, Leeds, Corporate Document Services.

Harris, C. (1991) Recession, redundancy and age. Cited in Brown, P. and Scase, R. (eds.), *Poor Work: Disadvantage and the Division of Labour*. Milton Keynes, Open University Press.

McKay, S. and Middleton, S. (1998) *Characteristics of Older Workers: Secondary analysis of the Family and Working Lives Survey*. DfEE Research Brief No. 45, London, DfEE.

Oliver, C. (1982) Older workers and unemployment. *Unemployment Alliance Briefing Paper*, No. 3, April.

The EHRC has commissioned a review of recent research on people aged 50 and over. The project, *Older people inside and outside the labour market*, is being carried out by PSI and commenced in January 2008, but as yet no report appears to have been published – for further details see <http://www.equalityhumanrights.com/en/policyresearch/pages/otherequalitystrands.aspx#Older%20people%20inside%20and%20outside%20the%20labour%20market>

## A.9 Other self-employment sources identified

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## A.10 Other attitudinal sources identified

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## A.11 Data sources

This section lists data sources and, where known, associated publications, which might be useful for any subsequent study. No attempt has been made to access these datasets. Accordingly, any restrictions on their use, their overall quality and the costs of accessing them are unknown. The data sources are not presented in any order of importance or significance.

- **General Household Survey Pseudo Cohort Dataset (GHSPCD)**

The GHSPCD has been developed to analyse trends in social inequalities (ONS, 2009). It is based on the annual General Household Survey (GHS), and contains information on a range of socio-demographics variables, including employment, over the period 1972 to 2004/5 (Uren, 2009). The dataset, covering 828,000 individuals, facilitates time series analysis. In a pseudo cohort, rather than track individuals, the average experiences of people in a particular birth cohort are followed. The GHSPCD could potentially be used to investigate age and cohort effects in unemployment since the early 1970s.

- **National Child Development Study**

Dataset includes work history. Used by Payne et al. (1996) when the sample were aged between 24 and 33 years to analyse unemployment. Their analysis could be updated using the 6th and /or 7th waves. Further details of the study are available at: <http://www.esds.ac.uk/longitudinal/access/ncds/l33004.asp>

- **PEP (PSI) reports on unemployment**

Daniel (1974) reports on PEPs first national survey of the unemployment conducted in 1973.

Daniel, W. and Stilgoe, E. (1977) *Where are they now? A follow-up survey of the unemployed*. PEP Report No. 572, London, PEP. A longitudinal survey of the unemployed stock.

Daniel (1990) reports on a nationally representative survey of the flow of unemployed men during one week in May 1980 – cohort design with five stages: interviews with those unemployed at about five weeks, five months, ten months, 22 months and 30 months.

White, M. (1983) *Long-term unemployment and labour markets*. London, PSI. A survey of long-term unemployed people conducted in 1980-81.

- **DHSS/DSS (Cohort) Surveys of Unemployment**

DHSS conducted a large scale national cohort study of unemployed men between 1977 and 1982. The study involved a comparison of living standards for the men in and out of work who registered unemployed in late autumn 1978. The men were interviewed 4-5 months after they first registered and there are data on durations of unemployment and sickness. Findings are presented in:

Moylan, S. and Davies, B. (1980) The disadvantages of the unemployed. *Employment Gazette*, August, pp. 830-831.

Moylan, S. and Davies, B. (1981) The adaptability of the unemployed. *Employment Gazette*.

Moylan, S. et al. (1984) *For Richer, For Poorer? DHSS Cohort of Unemployment Men*. London, HMSO.

The DHSS commissioned a further cohort study of 3,000 people aged 20 to 58 years who were married men or single people of either sex and who had been unemployed for a minimum of three months. Interviews were conducted three months and 15 months after they registered as unemployed. Fieldwork was carried out in the autumn of 1983 and 1984. Again, the focus is on the living standards of unemployed people. Survey results are given in Heady, P. and Smyth (1989) *Living Standards During Unemployment*. London, HMSO. Findings from an associated qualitative study of 30 families are given in Ritchie, J. (1990) *Thirty Families Their living standards in unemployment*. DSS Research Report No. 1, London, HMSO.

A further nationally representative sample of people commencing a spell of unemployment in spring 1987 (a period of high but falling unemployment) was commissioned by DSS. Work histories were obtained for a year before the sample registration. The design is similar to the DHSS cohort study mentioned above. There were two waves of interviewing (nine months apart). The focus of the report is, again, incomes. Results were published in: Garman, A. et al. (1992) *Incomes in and out of work: A cohort study of newly unemployed men and women*. DSS Research Report No. 7, London, HMSO.

- **National Survey of Ethnic Minorities**

A repeated cross-sectional survey carried out in 1966/67, 1974, 1982 and 1993/94. Results of the fourth survey are reported in: Modood, T. et al. (1997) *Ethnic Minorities in Britain: Diversity and Disadvantage*. London, PSI.

- **Family and Working Lives Survey (FWLS)**

The FWLS covered a wide range of life events and activities, including employment history, jobs, disability and unemployment. The sample was nationally representative and comprised 11,237 adults aged 16 to 69 in Great Britain. There was also an ethnic minority booster sample of 2,098. The fieldwork took place between July 1994 and 1995. Retrospective data were collected over the respondents' life histories. (See, for instance, McKay, S. and Middleton, S. (1998) *Characteristics of Older Workers: Secondary analysis of the Family and Working Lives Survey*. DfEE Research Brief No. 45, London, DfEE.)

- **Gallup Political and Economic Index**

Longitudinal data on the public's attitude towards unemployment is provided by the Gallup Political and Economic Index. Public opinion poll data are available for Gallup's 'most important problem' question between 1959 and 2001. The data are available as a dataset in Stata9 format from: <http://www.policyagendas.org.uk/datasets/index.php> using the Policy Agendas Project's content coding scheme. The index can be used to track changes in the extent to which the public view unemployment as a key issue (see, for example, Moon and Richardson, 1985 (see discussion above)).

- **British Survey of Attitudes**

An annual survey that commenced in 1983 (see Chapter 4 for examples, and <http://www.britisocat.com/Body.aspx?control=HomePage> for further details).

- **Retirement survey**

Has two waves of interviewing: 1988-89 and 1994. It can be used to study older workers exit patterns from the labour market see Disney (1999) and Tanner (1998).

- **Social Change and Economic Life Initiative (SCELI)**

A large retrospective survey of life and work histories carried out in the mid-1980's and funded by the ESRC (ESRC, 1991). The data cover the period 1945 to 1985. Software has been developed to analysis the integrated datasets from the initiative (see <http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/ViewAwardPage.aspx?data=z8HSvl3fWwVY2sDo4JNP8iOLJQdQnq854JXoj%2b%2fNqwHE1tClYMPRMQ73vWOlhh%2f15zNYmWC6pxsJ9nJQCjLFsIKsofRxaWMUlf8yvBuJnYc%3d&xu=0&isAwardHolder=&isProfiled=&AwardHolderID=&Sector=>).



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