

# The Growth of Precarious Employment in Great Britain

Timothy Whitton

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**REVUE FRANÇAISE  
DE  
CIVILISATION BRITANNIQUE**

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POLITIQUES DE L'EMPLOI  
EN FRANCE ET  
EN GRANDE-BRETAGNE  
1990-2000**

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## **LA SITUATION ET LES POLITIQUES DE L'EMPLOI EN FRANCE ET EN GRANDE-BRETAGNE 1990-2000**

*Responsable du numéro :*  
Michel LEMOSSE

*Directeur de la publication :* Antoine CAPET

## ***The growth of precarious employment in Great Britain***

**Timothy WHITTON**

*Université de Clermont-Ferrand II*

### **Abstract**

#### ***The growth of precarious employment in Great Britain***

For some time now foreign observers have been showering praise on the British labour market and above all its ability to create jobs. There is no denying that official statistics show that unemployment has dropped considerably in Great Britain but this particular aspect of the country's economic health conceals other evils including growth in the precariousness of employment for large sections of the working population. To some extent, this can be put down to the current drive to foster employability and flexibility but there is no doubt that it has inevitably led to mass poverty and a significant growth in underemployment. Precarious employment comes in all shapes and sizes but whether part-time work or fixed-term contracts, the labour market has had to adapt. Other countries have made substantial efforts to enhance the value of "atypical" employment whereas in Great Britain, it has been relegated to the fringes of the market thus depriving employees of the rights that core workers can enjoy. By itself, the national minimum wage can only protect low paid workers from the worst forms of exploitation. Wage protection could be complemented by specific measures designed to deal with precarious employment and prevent it from being marginalized even further.

### ***Résumé***

#### ***LA PRECARISATION DE L'EMPLOI EN GRANDE-BRETAGNE***

*Certains observateurs étrangers et notamment français ne tarissent pas d'éloges concernant la capacité du marché du travail britannique à créer des emplois. Si on s'en tient aux seules statistiques il est indéniable qu'en Grande-Bretagne le chômage a considérablement reculé. Mais cet aspect de la santé économique du pays cache son lot de misères dont principalement, en vertu de la flexibilité et de l'employabilité, une précarisation accrue de larges pans de la population active. Celle-ci a inévitablement contribué à une pauvreté de masse et crée de nombreux emplois de mauvaise qualité. L'emploi précaire se décline sous des formes différentes mais qu'il s'agisse de travail à temps partiel ou des contrats à durée déterminée, le marché du travail a dû s'y adapter. D'autres pays ont su valoriser la nature « atypique » de ce type d'emploi tandis qu'en Grande-Bretagne il a été relégué aux confins du marché du travail. Les titulaires d'emplois précaires sont de fait privés d'accès aux conditions de travail dont peuvent bénéficier les autres salariés. Isolément, le salaire minimum interprofessionnel ne peut que protéger les formes d'exploitation les plus flagrantes. Pour éviter que l'emploi précaire ne soit davantage marginalisé, la protection des salaires doit être associée à un ensemble de mesures préventives.*

During the past decade one of the most remarkable features of the British labour market has been its apparent ability to create employment. The days of mass unemployment which considerably bogged down the British economy in the seventies and then caused such hardship at the beginning of the eighties seem to be a thing of the past. For some time now it has even been fashionable to speak of “full employment” without being branded a naïve idealist. And this phenomenon seems to be contagious to the extent that other European nations are attempting to follow suit. By constantly vaunting the merits of employment policies in Great Britain, they have created the British labour market paradigm. For once, and notwithstanding methods used to count the jobless, Britain is playing a role model for her European partners whose rates of unemployment remain stubbornly high.

At first sight this may seem absurd given the high unemployment figures recorded during the Thatcher decade but these were perhaps the result of the “there is no alternative approach” which characterised the Conservatives’ determination to redress the British economy. Their hope was that by promising better days after a radical shake up of British industry, they would enable public opinion to bite the bullet more easily.

And bite the bullet they did by returning the Conservatives to power on four successive occasions. Even though unemployment reached unprecedented figures in 1983, it gradually fell off as the Conservatives swapped Keynesian inspired policies for market led ones.<sup>1</sup> Obstacles impeding employment were gradually discarded in the wake of the onslaught on trade union influence while the emphasis was laid on fostering a climate of labour flexibility in order to reduce structural unemployment. Traditional labour patterns were - and still are - by far the norm but the considerable loosening of work regulations have given birth to a multiplicity of job contracts hitherto shunned by the mainstream labour market. Temporary, casual and above all part-time work now concern a far higher number of British workers than ever before.

The result of this has supposedly been increased employability, one of the Blair government’s favourite themes. By using employability as their main active labour market policy, New Labour has been able to kill two birds with one stone: on the one hand people who could work but do not can be considered as being available for work rather than unemployable. This can be used to paint an entirely different picture of overall unemployment figures: the OECD, for example, prefers to consider the rate of activity of a country’s working population rather than the number of people employed since this enables a better assessment of the workforce’s adaptability to the labour market.<sup>2</sup> On the other, increased employability goes hand in hand with workfare policies since once people have been shown the path back into the labour market, punishing their refusal to accept employment by withdrawing benefit becomes far more legitimate.

All in all therefore, for an increasing proportion of the British labour force, the work climate has become precarious not in the sense of severe competition between top executives vying for six or seven figure salaries but for ex-core employees. The more one moves towards the fringes of the core employment zones, the more employment is precarious, atypical and subjected to the whims of the market. Although the recent introduction of a national minimum

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<sup>1</sup> At the same time the French government was doing the opposite by increasing minimum wages, reducing working time with no parallel wage reduction, increasing public service employment and encouraging public expenditure. Insofar as this was widely perceived as being a failure, it signalled a temporary victory for the emerging neo-classical ideas.

<sup>2</sup> See my article “Welfare to Work : Integrating the British Labour Market”, in, Martine AZUELOS & Marie-Claude ESPOSITO (CERVEPAS), *Travail et Emploi : l’Expérience Anglo-Saxonne*, Paris: l’Harmattan, p. 274 and particularly note 9, p. 275.

wage has sought to address this particular issue, growing precariousness is perhaps the darkest side of the British labour market paradigm that foreign observers fail to comprehend.

### *The Thatcher legacy*

It is perhaps understandable that given the high rates of structural unemployment, the growth of precarious employment was hardly a major preoccupation for British governments. In many respects precarious work was seen as being an inevitable fact of labour market life and was both condemned and tolerated as such. All government energy was channelled into finding solutions to halt the growth of unemployment. Until 1979, it was considered in typical Keynesian style, that a growth in aggregate demand could increase employment. The New Right discarded this conception of the market and instead promoted the idea that wages and employment were two distinct variables: high wages destroyed employment and all the more so when they were dictated by corporate forces such as trade unions. Wages should be paid according to demand, or worth and not according to the artificial levels established by the collective force of organised labour.

The 1978-79 Winter of Discontent which concluded the fiasco of the Social Contract perhaps gave the newly elected Conservative government the impetus it needed to confront the unions. Hostility came to a head during the year long miners' strike in 1984-85 during which the Prime Minister described the unions as the "enemy from within", comparing them with the Argentineans who during the Falklands' crisis had been the "enemy from without". Further legislation during the decade reduced the trade unions' power even further.<sup>3</sup>

Despite this, it was probably unemployment which made the greatest inroads into trade union influence. Certain union practises such as over manning had maintained high levels of employment in British industry but these weaknesses were gradually being weeded out by the ruthless application of market forces. The Conservatives also embarked on an ambitious plan of privatisation which corresponded not only to their ideological stance of "rolling back the frontiers of the state" but also to their desire to adapt the economy to the realities of the expanding world market. Unemployment thus soared reaching an official 11% in 1983 following a period during which the traditional manufacturing and so-called "heavy" or "staple" industries (steel and coal mining for example) had shed impressive quantities of jobs. Competition from abroad had contributed to reducing the attractiveness of many products and the British government was in no way inclined to use public money to bale out lame duck sectors of industry.

While the influence of organised labour was being reduced, both by legislation and the realities of the job market, the Conservatives, in the face of growing social hardship, extolled the merits of work as compared to welfare dependency which according to them, a large proportion of the population had adopted as a lifestyle. In order to promote the work ethic and increase the attraction of paid employment, benefits were linked more and more to prices rather than to inflation and means testing was rehabilitated under the auspices of the government's desire to target welfare resources more precisely. At the same time the government prepared itself to abandon minimum wage protection by first rescinding the Fair Wages resolution in 1982.<sup>4</sup> This was followed in 1985 by a consultative document devoted to the British Wages Councils in which the government questioned the relevance of maintaining such a system.<sup>5 6</sup> The minimum wage protection afforded by the Wages Councils was

<sup>3</sup> The 1980, 1982, 1988, 1989 and 1990 Employment Acts, and the 1984 Trade Unions Act.

<sup>4</sup> For further information see my article "Adieu aux Wages Councils", *Revue Française de Civilisation Britannique*, vol. 8, n°2, juillet 1995, pp. 65-79, and more particularly note 3.

<sup>5</sup> For a full description of the Wages Councils see my article mentioned in note 4 and also Timothy WHITTON, "Wages Councils: bilan", *Alizés, Trade Winds*, n° 7, January 1994, pp. 67-90.

<sup>6</sup> Department of Employment, *Consultative Paper on Wages Councils*, London: HMSO, 1985.

modified a year later in 1986 notably by removing young people from their scope and in 1988 a second period of consultation began. The accompanying document once again set out the Conservatives' main arguments for getting rid of the Councils emphasising that minimum wage legislation destroyed employment prospects for many potential workers.<sup>7</sup> In the parlance of the New Right, minimum wages represented a rigidity that upset the natural workings of market forces and in their opinion the concentration of pay levels around the floor set by Parliament through the workings of the Wages Councils tended to prove this. They postulated that without this intervention employers would be able to set wages according to their market clearing level. In this respect minimum wage fixing machinery not only represented an external interference, albeit imbued with notions of fairness or decency, but also hindered the creation of employment, albeit low paid. The scene was being set for the emergence of a legitimately low wage based economy according to the principle that "low wages are better than no wages".<sup>8</sup>

This type of concern was echoed very clearly in the parliamentary debates concerning the Trades Unions Reform and Employment Rights (TURER) Bill and more particularly Clause n°28 which set out the abolition of the Wages Councils and became law in 1993.<sup>9</sup> Conservative Members of Parliament debating the legislation spoke of the decentralisation of wage bargaining which had largely replaced national collective agreements. They added that not only should wages fall within the realm of individual negotiations between employer and employee but in fact the whole contract that binds the two parties in their professional relationship. They concluded by stating that any form of external intervention that might upset this "natural" equilibrium was superfluous and needed to be discarded.

### *Precarious employment and employees*

Given the political landscape drawn during the "Thatcher" decade it would be convenient to suggest that neo classical theory gave far greater scope for precarious employment practises to the detriment of traditional labour market values. In this context, atypical jobs "*form[ed] a device used by employers to restore to wages the character of variable cost which had been partially lost*".<sup>10</sup> Indeed, in the New Right's ideology the State had specific responsibilities as far as the interaction between the economy and employment policies were concerned. Their main ambition was to foster an environment favourable to technological innovation, higher productivity and increased participation in international business and in their opinion the labour market should be designed to meet these objectives. The unemployed were to be "activated" or "reactivated" so as to reap the benefits of paid employment of whatever shape or size.<sup>11</sup>

Thus the various forms of officially recognised precarious employment - temporary, part-time, fixed contract and casual work, sole traders and small employers – can be considered to be an asset since they are not only a vast improvement over unemployment but also correspond to the adaptation of labour to the requirements of the modern more global market.

*It is already clear how the development of these new forms of employment constitute one means of coping with the rigidities of Keynesian regulation; but discussion is still*

<sup>7</sup> Department of Employment, *Wages Councils: 1988 Consultation Document*, London: HMSO, 1988.

<sup>8</sup> D. FORREST & S.R. DENNISON, *Low Pay or No Pay? A Review of the Theory and Practice of Minimum Wage Laws*, London: The Institute of Economic Affairs, 1983.

<sup>9</sup> The Agricultural Wages Council escaped the axe and still exists today (2002).

<sup>10</sup> Guy CAIRE, "Atypical Wage Employment in France", in Gerry & Janine RODGERS, *Precarious Jobs in Labour Market Regulation: the Growth of Atypical Employment in Western Europe*, International Labour Organisation, Free University of Brussels, International Institute for Labour Studies, 1989, p. 105.

<sup>11</sup> "Activating" the supposedly large pool of unemployed workers was particularly fashionable in France during negotiations about the 35hour week between the Minister for Employment, Martine Aubry and the MEDEF.

*continuing on whether or not, in the current climate of recession, they highlight the realities of an emerging neo-liberal type of regulation.*<sup>12</sup>

The absence of minimum wage legislation until recently is not the only element which has contributed to the structural characteristics of precarious employment in Great Britain. Comparisons with other European countries provide a valuable insight into how Britain has dealt specifically with atypical employment in an attempt to integrate it into the patchwork of the mainstream labour market.<sup>13</sup> Even so, it is dangerous to reach far-sweeping conclusions on the basis of these comparisons since:

*[t]he various types of [precarious] employment are not distributed comparably in the structure of the European labour market. Some occupational groups are connected more with stable employment status than others and size of enterprise also has to be taken into account. Similarly, people are not affected in the same way by non-permanent or part-time contracts depending on whether they are young or less young, men or women, Irish or Algerians. These structural differences need to be taken into account in our analysis of the extent to which precarious status entails or does not entail precarious working conditions.*<sup>14</sup>

In global terms, only a very low percentage (9% in 1998) of employees in Great Britain have a fixed-term or temporary work contract. The figure for France stands at 22%. On the other hand Britain has the highest level of part-time employment - whether permanent or temporary contracts - of all the European countries which can be explained by the absence of general legislation on working hours. In view of this, it is perhaps more relevant to refer to a high level of “atypical” or “non-standard” employment in Great Britain. This form of work seems to be developing in the countries of the European union but in varying proportions: for example while France resorts to more fixed-time contracts, Britain prefers part-time work but often on a permanent basis. This is all the more obvious when figures at the time of recruitment, or shortly afterwards, are taken into consideration: while some European countries make use of precarious employment – more often than not in the form of fixed-contract employment for the duration of the probation period – in order to verify an employee’s capacity to hold down a job, Britain has a tendency to consider it as a permanent aspect of the labour market. In other words precarious employment is not a springboard to a more permanent employment status but has become an acceptable long-term form of labour.

A cross-examination of precarious employment sectors in Europe and former Wages Councils’ industries in Great Britain highlights the fact that both offer striking similarities. Before abolition, the largest councils established minimum wages for workers in the retail and catering industries. Although the latter includes high levels of seasonal employment which is often by nature precarious because of the domination of casual, temporary and fixed-time contracts, analysis by the Low Pay Unit of rates of pay in the former Wages Council industries shows a deterioration in employment conditions since abolition in 1993. Not only did wages fall after abolition, but also a great many full-time work contracts were transformed into part-time ones.<sup>15</sup> Similarities can also be found as far as the age and qualifications of

<sup>12</sup> Guy CAIRE, “Atypical Wage Employment in France”, *op. cit.*, p. 105.

<sup>13</sup> Information taken from a) Véronique LETOURNEAUX, *Precarious Employment and Working Conditions in Europe*, Luxembourg Office for Official Publications of the European Communities, 1998 & b) Véronique LETOURNEAUX, *Precarious Employment and Working Conditions in the European Union*, European Foundation for the Improvement of Living and Working Conditions, Ireland, Office for Official Publications of the European Communities, date not indicated.

<sup>14</sup> *Ibid.* a) p. 20.

<sup>15</sup> See my article, “Labour’s National Minimum Wage”, *Revue Française de Civilisation Britannique*, vol. 10, n°3, novembre 1997, p. 123 & Andrew BEVINS, “Part-time Boom Boosts Jobless Figures”, *The Observer*, 19 March, 1995, p. 2.



precarious workers are concerned. Generally speaking the occupational groups most exposed to precarious employment have low levels of qualification. The under-25s and to a certain extent workers over the age of 55 are primarily affected by precarious employment conditions. Women and the foreign population as a whole are overall more likely to have precarious work contracts and Britain is no exception to this rule.<sup>16</sup>

### *Part-time employment*

The capacity of European labour markets to create large volumes of employment over the past decade owe a great deal to the considerable increase in part-time work. For some, part-time employment is an appropriate method to redistribute work so as to reduce unemployment. It also has the added advantage of enabling employees, should they so desire, to adapt working hours to the requirements of family life for example. In this case and above all when part-time work corresponds both to the express desire of the employee and to the contractual agreement into which he enters with his employer, it is difficult to consider this particular employer status as being precarious.<sup>17</sup> On the other hand, part-time employment can be seen as labour having to adapt to the requirements of modern industry with employees being at the beck and call of their employers.<sup>18</sup> Whichever viewpoint is chosen, there is no question that part-time work is certainly one of the major changes that the European - and especially British - labour markets have undergone recently.

One of the main questions that part-time employment raises is whether it is in fact a response to “Keynesian rigidities” or just one of the “realities of an emerging neo-liberal type of regulation”. There is no doubt even so that “*while the development of part-time employment was favoured by the unemployment crisis at the beginning of the eighties, it has since become a structural element in non-manual employment in northern Europe*”.<sup>19</sup> According to OECD statistics in the European Union “*the prevalence of part-time work has risen from 13,3% [of the labour force] in 1990 to 16,4% in 1999*”.<sup>20</sup> The same source also indicates that in 1999, 23% of British employees were working part-time of whom 80% were women.<sup>21</sup> This can be compared with the 31% and 77% respectfully in the Netherlands and the 8% and 77% in Spain. Luxembourg has the highest percentage of part-time women workers (92%) and Finland the lowest. Between 1984 and 1999, the proportion of women working part-time remained constant at around 45% but for the same period, the number of male part timers more than doubled from 4% to 9%.<sup>22</sup> This can be explained partially by the fact that the scarcity of full-time work in the 1980s compounded by the upswing of the service sector forced many men into accepting part-time work. Once this initial trend had been absorbed by the market, the internal dynamism of part-time employment tended to create opportunities for job seekers.

The response to the question concerning the acceptance of the radical swell in part-time employment lies in the approach a country adopts in integrating it into the main-stream labour market. In this way it is possible to assess whether the deterioration in employment conditions

<sup>16</sup> 15% of foreign workers in the EU are self-employed in comparison with 11% of all European workers (Véronique LETOURNEAUX *op. cit.*, note 13).

<sup>17</sup> See “Civil Service leads the way in making part-time an employee’s flexible friend”, *The Guardian*, 27 July, 1990, p. 13, for an edifying and rather astounding account of one particular instance of personnel policy in the public sector where part-time employment is fully integrated into the overall employment pattern.

<sup>18</sup> Will HUTTON, “A Country of Casuals”, *The Guardian*, 30 March, 1993, p. 20 & Rachel SPENCE, “Jobs & Money: Jobs: Work/Life balance: When flexible isn’t so friendly”, *The Guardian*, 13 January, 2001, p. 28.

<sup>19</sup> Danièle MEULDERS, Olivier PLASMAN & Robert PLASMAN, *Atypical Employment in the European Community*, Aldershot: Dartmouth Publishing Company, 1994, p.232.

<sup>20</sup> *The Economist*, June 24, 2000, p. 162.

<sup>21</sup> For France the figures stand at 14% of part-timers of whom 79% are women, *ibid.*

<sup>22</sup> The Stationery Office, *Social Inequalities*, 2000 edition, p. 75.

has merely been a concomitant of recession or whether longer term structural changes are in progress. Comparisons with other European countries are once more edifying:

*Part-time work is essentially a similar gender compromise across national boundaries: women are able to enter the labour market and meet the particular labour requirements of service sector employees without disrupting men's traditional 'breadwinner' status at the workplace or at home.*<sup>23</sup>

In Sweden for example, where the reduction of inequalities and the redistribution of wealth has traditionally been at the heart of social development, part-time employment has been particularly beneficial for the integration of women into the labour market. But this occurred against a backdrop of full employment policies that began faltering in the 1980s to the extent that part-timers now work longer hours in Sweden than in Great Britain. In France, female part-time work is far more associated with the reduction and flexibilisation of employment and is thus a far more recent cultural phenomenon. In Great Britain, *the institutional framework tends to encourage women with children living with a partner to work part-time rather than dissuading them from working altogether.*<sup>24</sup> The lack of public support for child care and the fiscal advantages that both employers and employees enjoy when only a few hours are worked – 16 hours per week until 1994 and 8 since then - act as strong incentives for accepting part-time employment.<sup>25</sup>

The Trades Union Congress has recognised this and is particularly aware of the problems posed to union legitimacy should part-time work continue to increase on such a scale. Their aim is to secure “*part-time jobs with full-time rights, which represent a choice over working time which many people will wish to make over the course of their working lives*”.<sup>26</sup> This analysis sums up the sort of challenge – as indicated by the title of the TUC's paper - that not only trades unions are having to face but also governments. For unions, part-time work can represent a threat to organised labour:

*The importance of recruiting part timers must be clear to all officers and members – firstly by the millennium one in three workers will be part-time and the future strength of the trade union movement depends upon it and secondly, there are great dangers in allowing the development of an **unorganised sector** particularly within workplaces where full-time workers are unionised as this provides employees with the opportunity to divide workers and undermine the jobs, terms and conditions of full-time workers.*<sup>27</sup> (emphasis added)

For governments on the other hand, should they so desire, part-time employment can indeed represent a useful weapon to weaken trade union influence given the inherent difficulties in harnessing the support of traditionally “unorganised” workers. Thus, the protection of part timers has represented a major challenge to trade union culture itself which is more used to dealing with traditional workforces and patterns of employment. Nevertheless, [b]y focussing their claims on improving the protection afforded to part-time workers, the

<sup>23</sup> Jacqueline O'REILLY & Colette FAGAN, “Introduction”, in, *Part-time Prospects: an International Comparison of Part-time work in Europe, North America and the Pacific Rim*, London: Routledge, 1998, p. 23.

<sup>24</sup> Anne-Marie DAUNE-RICHARD, “How does the ‘Societal Effect’ shape the use of Part-Time work in France, the UK and Sweden?”, in, Jacqueline O'REILLY & Colette FAGAN, *op. cit.*, p. 220.

<sup>25</sup> For an explanation of the interaction and evolution of wage supplementing see my article “Income Supplementing and the Poverty Trap: Speenhamland Revisited?” in, Patrick BARBER & Timothy WHITTON (eds), *The Dynamics of Time at Work: an Anglo-French Perspective*, London: The Management Centre, 1995, p. 114-123.

<sup>26</sup> TUC Labour Research Department, *Part of the Union? The Challenge of Recruiting and Organising Part-time Workers*, TUC, 1996, §12.

<sup>27</sup> *Ibid.*, §26.

*trade unions have, paradoxically, helped to reinforce the distinction which separates them from full-time workers and makes them a distinctive category.*<sup>28</sup> In this sense the unions have somewhat contributed to the supply-side segmentation of the labour market rather than to the enhancement of the specific skills and productivity that the part-time status involves. In neo-classical theory these forces should converge but in practise supply-side segmentation has revealed itself to be not only a persistent feature of labour markets, but in the case of Great Britain, also to go hand in hand with the endorsement of flexible work patterns. These are considered to be the way in which the British labour market should adjust to the requirements of the emerging global economy and part-time employment fits into this pattern perfectly, especially when linked to active labour market policies:

*Part-time employment appears as an alternative to income supplied by the state, thus by society as a whole, to the unemployed. This policy seeks to maximise labour's contribution to the income maintenance of the unemployed which is consistent with the more general trend in labour market regulation.*<sup>29</sup>

To this end and perfectly in tune with trends in the American labour market, the past decade has given birth to employability whereby responsible adults have a duty to acknowledge that their particular skills can be transformed into useful employment.

### ***Flexibility and employability***

On returning from his first European Council summit in Amsterdam some six weeks after the General Elections which saw “New” Labour win its landslide victory, Prime Minister Tony Blair reported on agreement reached on employment policies in the following way:

*The European Council also agreed a resolution on employment with British ideas at the centre of it. We have shown that alongside low inflation and sound public finances, Europe needs a new approach to employment and growth, based on British ideas for competitiveness, introducing more flexible labour markets and employability. That means creating a more skilled and adaptable workforce, better equipped to cope with economic change. It also means a new emphasis on getting people off welfare and into work.*<sup>30</sup>

By clearly endorsing his predecessors' labour market - and more astonishingly - general economic policies, Tony Blair was giving Parliament a clear insight into the line of action that it could expect his government to pursue. The Thatcher governments had borne the brunt of economic recession, dogmatically applying the policies that they considered were necessary to salvage the British economy. This had been achieved against a backdrop of an industrial infrastructure ill prepared - unlike other European countries - to accommodate such radical market policies accompanied by the promotion of self-employment, competition policy, deregulation, privatisation, reform of the public sector and changes to the tax and social security system.<sup>31</sup> In Great Britain, the inevitable hardship generated by such a societal change was seen as the price worth paying in order to re-establish the nation's position on the world market.

The Major governments in the 1990s inherited a situation whereby many of the supposedly unnecessary institutional constraints on the labour market had been removed. In return for this, employment had had to bear the brunt of adjusting to changes in the product markets, in the production process and in the basic structure of supply and demand. Their job had been made easier by the lack of organised labour resistance and by the acceptance of the fact that

<sup>28</sup> Anne-Marie DAUNE-RICHARD, *op. cit.*, p. 222.

<sup>29</sup> Gerry & Janine RODGERS, *op. cit.*, “Introduction”, p. 29.

<sup>30</sup> *Hansard*, June 18, 1997, cols. 314 & 315.

<sup>31</sup> Mark BEATSON, *Labour Market Flexibility*, Employment Market Research Unit, Department of Employment, Research Series n° 48, April 1995, pp. 134-138.

traditional work practises were no longer a viable alternative to the requirements of the modern market. Despite the short recession that lasted from 1990 to 1992, increased competition continued to intensify the pressure on firms to minimise cost and maximise efficiency with clear implications for the flexibility of workforces. At the same time, welfare policies imported directly from America and inspired by influential economists such as Charles Murray and Laurence Mead were gradually restricting the scope for people to remain dependant on welfare especially with the increasing possibility of supplementing income from part-time work. The overall trend was to maximise the contribution of labour to the income maintenance of the unemployed. While the incidence of means-tested benefits steadily increased, greater efforts were also deployed in ensuring that claimants were available for and actively seeking work. To this end a plethora of active labour market policies were organised under the auspices of the Employment Service while the Jobseekers' Allowance was introduced in October 1996 in order to tighten up the control on payment of contributory benefits to the unemployed.<sup>32</sup>

If the claimant-count-based unemployment rate is used to assess the performance of the British labour market, figures show a drop to 5.5% in 1990 from the record 11% in 1983. The short recession in 1990-92 witnessed a peak of just over 10% before a decline to 7.9% in 1996.<sup>33</sup> Since then and as stated before, the rate has steadily declined to a present rate of some 3% (January 2002). In light of these figures, it would seem at first glance that flexibilisation coupled with employability policies have considerably contributed to a reduction in unemployment. Added to this, the employment to working-age population ratio is above the OECD average which would suggest a higher job creation capacity than other European countries. The steep rise in female participation rates is a case in point even though this particular phenomenon can also be put down to changing attitudes towards work and above all to the important growth in the service sector almost as if there were some reciprocal dynamism between the two.<sup>34</sup>

In 1998, the Confederation of British Industry conducted a survey of some 5000 employers and enthusiastically came to the conclusion that flexible work patterns had gone further than this original remit of tackling unemployment to embrace other aspects of the market economy:

*This survey shows the vitality and variety of employment policies and practises throughout British business. It demonstrates that Britain's flexible labour markets are continuing to evolve with benefits for both employers and employees. It suggests that this evolution is skills led, with high levels of training activity and the promotion of employability. Encouragingly this investment in training is now allowing employees to drive change in other employment areas – most especially in the growth of competency-based pay schemes.*<sup>35</sup>

The survey concluded by stating that the overall increase in temporary and part-time staff was likely to continue with larger firms adapting better to the advantages of outsourcing.

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<sup>32</sup> For information concerning these active labour market policies see Catherine CORON, "Formation et emploi: le débat actuel", in, Martine AZUELOS & Marie-Claude ESPOSITO (CERVEPAS), *op. cit.*, p. 256.

<sup>33</sup> All information taken from "Implementing the OECD's Jobs Strategy", in, OECD, *Economic Survey: United Kingdom*, 1996, p. 83.

<sup>34</sup> It is quite legitimate to question whether the British employment miracle would have taken place **at all** without the explosion of jobs in the service sector.

<sup>35</sup> William MERCER, *Employment Trends Survey 1998, Measuring Flexibility in the Labour Market*, CBI, 1998, p.1. What must be remembered is that out of the 2.4 million employees covered by the survey 92% worked in the private sector and the remaining 8% in the public sector. A further distortion is added by the fact that only 9% of the workforce questioned worked part-time whereas the national average was 23%.

While the CBI exalts New Labour congratulates itself for its flagship New Deal including the Welfare to Work programme which has conjugated active labour market policies and workfare within the scope of employability and flexible work patterns.<sup>36</sup> Results of the programme to date are mitigated especially because of the “dead weight” involved. This is due to either candidates who would have found employment in spite of the New Deal and who absorb even so a proportion of the available finances, or candidates who drift from one subsidised job to another with little long-term employment perspective as employers take advantage of this cheaper labour to “hire and fire” at will. For the time being, only the New Deal for Young People has made unemployment benefits conditional on accepting some form of remunerated activity. The relative success of this particular part of the New Deal would suggest that the threat of benefits withdrawal is an efficient incentive for the unemployed to take up work.

The result of the flexibilisation of working patterns introduced by the Conservative governments during their eighteen years in power and continued by the current Labour government - despite its adherence to the European Social Charter - has undeniably been a considerable increase in precarious employment.<sup>37</sup> In 1998, the OECD considered that [t]he UK labour market is now one of the least regulated among OECD countries as regards restrictions on terms and conditions of employment, working times and hiring and firing rules.<sup>38</sup> Firms have tended to concentrate their resources on core workers who are supplemented if need be by peripheral employees whose precarious work status has been made more legitimate by the concept of employability. Core employees are insulated from product market variability and uncertainty by the employment of a periphery of workers brought in and out as economic conditions change. The direct employment relationship with this periphery can be broken altogether through the use of sub-contracted labour. To this end, work that cannot be undertaken by core employees or which falls outside the main occupation of firms - such as cleaning and catering facilities - is “outsourced” to a predominantly female part-time workforce who are excluded from organisation and who work more and more on the fringes of the labour market. This pattern is compounded by take-up of “in-work” benefits especially for families with children.<sup>39</sup>

Flexibility can mean one thing to employers and another to employees.<sup>40</sup> For the former it can indeed be the ideal way to adapt the core workforce’s productivity to the ebb and flow of the deregulated market while entailing family-friendly practises for the latter. Nevertheless, it would seem that excessive market orientated flexibility which revolves essentially around considerations of employability has ushered in a period rife with poor quality jobs that can ultimately lead to a form of underemployment concealed by the overall reduction in unemployment.

*When advocates of flexibility point to the UK’s success by counting the heads of those in jobs, they fail to spot the qualitative changes in the nature of these jobs. The UK is not*

<sup>36</sup> For further information on the Welfare to Work programme see my article in Timothy WHITTON (ed), *Le New Labour: Rupture ou Continuité?*, Presses Universitaires de Rennes, 2000, pp. 263-282.

<sup>37</sup> Flexible work patterns include shift work, subcontracting (or outsourcing), flexible working hours, job sharing, homeworking, annualised hours, term-time working, ‘zero hours’ contract (no hours specified in contract of employment) and teleworking. See *Employment Trends Survey, 1998*, H.M.S.O., p. 11.

<sup>38</sup> OECD, *Economic Survey: United Kingdom*, 1998, p. 89.

<sup>39</sup> Family Credit and more recently Working Families’ Tax Credit, both of which imply using public money to “top-up” wages deemed to be insufficient in view of the recipient’s family circumstances. For more information on this particular point see my two articles: Timothy WHITTON, “Income Supplementing and the Poverty Trap: Spenhamland Revisited?” *op. cit.*, & Timothy WHITTON in Martine AZUELOS & Marie-Claude ESPOSITO, *op. cit.*, p. 272.

<sup>40</sup> See Peter REILLY, *Flexibility at Work. Balancing the Interests of Employer and Employee*, Aldershot: Gower, 2001 and more particularly chapters three and six.

*so much solving the problem of unemployment as transforming it into a different one: the poor quality of employment.*<sup>41</sup>

Hence, by virtue of promoting the merits of employability and flexibility, many hundreds of thousands of so-called “Mcjobs” have been created and it is precisely this sort of employment which characterises the precariousness of the British labour market.<sup>42</sup> To a great extent “[t]hese forms of employment are on the increase and seem to have become a necessary step when first entering the labour market”.<sup>43</sup> But in a context of high unemployment this particular form of precarious labour has become a permanent trend:

*In a European context where unemployment levels are increasing in many EU Member States, examining the quality of employment and working conditions might at first glance seem to be less crucial than the need to find jobs, **of whatever kind**, for people in order to take them off the unemployment lists.*<sup>44</sup>(emphasis added)

Ideally, flexibility would mean giving employers the opportunity to manage their workforces to meet fluctuating demand but the precarious work status that has emerged from this type of contract has further undermined job quality on the margins of the labour market:

*Workers at the insecure end of the flexible labour market are denied many of the contractual benefits enjoyed by their more traditional full-time, permanent counterparts, such as holiday entitlement and adequate rates of pay – often in sectors where pay rates are already extremely low. This contractual discrimination is compounded by the way in which some employers attempt to use flexible arrangements to undermine the statutory rights of their workers, such as the right to redundancy pay or protection against unfair dismissal. Both these features contribute to the third common strand, which is the extreme vulnerability experienced by many workers in today’s flexible labour market, in terms of their job security and general conditions of employment.*<sup>45</sup>

It would seem that the British policy of not intervening directly in the regulation of the labour market has indirectly encouraged the development of atypical employment during a period of high unemployment and therefore of relatively low pay. Protecting pay could prevent this trend from worsening and to this end, the recent introduction of a national minimum wage could correspond to the government’s acknowledgment of the limits of market labour policies that seek to enhance employability and flexibility.

### ***The national minimum wage***

In the run-up to the introduction of the national minimum wage (NMW) in Great Britain, the Low Pay Commission (LPC) headed by professor Bain entered an extensive round of consultation with government’s main partners. The Commission’s main aim was to avoid the disemployment pitfalls of an over ambitious NMW which had consistently fuelled government reticence to intervene. While Labour had traditionally preferred to rely on the trade unions to protect the low paid, the Conservatives - especially in more recent times - believed that pay should be decided by the market according to the employee’s worth, in

<sup>41</sup> Steve FLEETWOOD, “Less Unemployment, but more Bad Employment”, *The Guardian*, 13 September 1999, p. 15.

<sup>42</sup> Fast-food “restaurants” such as McDonalds are well known for the precarious nature of work contracts and an exceptionally high labour force turnover. Emma BROCKES, “McJobs, the low-paid, grease-shovelling anti-assignments that marked the bridge between the end of the manufacturing boom and the rise of its replacement, the call-centre”, in *The Guardian*, 04 December, 1999, p. 94.

<sup>43</sup> Véronique LETOURNEAUX, *op cit.*, a), p. V.

<sup>44</sup> *Ibid.*

<sup>45</sup> Citizens’ Advice Bureau, *Flexibility Abused: a CAB Evidence Report on Employment Conditions in the Labour Market*, London: National Association of Citizens’ Advice Bureaux, 1997, p. 2, §10.

terms of productivity, to his employer.<sup>46</sup> According to the consultation organised by the LPC, the various employer organisations felt that a development rate for young people was essential if they were to be given the chance of gaining a foothold on the labour market. This was fully associated with the sort of active labour market policies fostered, for example, by the vast Welfare to Work programme.<sup>47</sup> Examples from abroad have tended to support the employers' position and are echoed by OECD findings: “*Not surprisingly, therefore, the French unemployment statistics still reveal large groups of unqualified persons and inexperienced youth, since the cost of labour at SMIC level has long been an impediment to hiring these persons*”.<sup>48</sup>

In a report published six months after the introduction of the NMW, the Trades Union Congress declared its hostility towards the development rate for young people declaring that in the name of flexibility, the “*structural employability of young workers would be reduced*”.<sup>49</sup> This is exactly where the NMW can play a vital role in bolstering government attempts to encourage work take-up rather than dependency on benefits by acting as a political instrument to protect the workforce from the most pernicious effects of flexibility and policies designed exclusively to improve worker employability. Whereas low wages not only encourage potential employees to continue to rely on benefits, they can also discourage them from attempting to find and hold down paid employment **at all**. In this respect, low wages and *a fortiori* a low statutory minimum wage can frustrate efforts to translate employability into jobs. At the same time they also run counter to New Labour's interpretation of employability which is based less on the rate of unemployment and far more on “*ensuring that opportunities and incentives to work are available to all*”.<sup>50</sup>

One way to promote a more social NMW would be to concentrate political involvement on the efficiency wage. According once again to classical theory, if the cost of work increases, employers can, amongst a plethora of options, choose to shed jobs. On the other hand, in order to offset part of the increase in labour costs, they can attempt to develop and increase the value of work by investing more in training for example. The effect of this might not be a **direct increase** in productivity but above all an improvement in employee commitment to the firm. This in turn could translate into a reduction of staff turnover for which the low paying sectors are notorious.

Needless to say that the efficiency wage is a feasible option only when the value of precarious employment that comes within the scope of the NMW can be enhanced in the first place. It could be argued that any employment that needs wages protection entails a certain degree of precariousness to the extent that a situation of quasi monopsony is created.<sup>51</sup> As a result in many cases employees directly affected by the NMW have more or less the same professional characteristics as far as their productivity is concerned: a shop assistant, an employee working for a cleaning agency or a canteen worker – among the lowest paid workers in Great Britain – cannot reasonably expect their productivity to increase radically thanks to any amount of investment in training. But whereas wage protection can increase the

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<sup>46</sup> See my article “Labour's National Minimum Wage”, *op. cit.*

<sup>47</sup> See articles by Catherine CORON and Timothy WHITTON in, Martine AZUELOS & Marie-Claude ESPOSITO *op. cit.*

<sup>48</sup> OECD, *Economic Survey : France*, 2000, p. 75.

<sup>49</sup> Anne DAVIE, “Les effets du salaire minimum sur l'emploi et sur la flexibilité du travail au Royaume Uni”, in, Martine AZUELOS & Marie-Claude ESPOSITO *op. cit.*, p. 226.

<sup>50</sup> OECD, 1998 UK, *op. cit.*, p. 74.

<sup>51</sup> The classic textbook example of monopsony is a Canadian lumber industry where the sole employer can limit employment on offer in order to restrain wage claims. If a statutory minimum wage is introduced there is no point anymore in his restricting employment. This (mis)led the minimum wage lobby to claim that the NMW could create employment. See my article “Labour's National Minimum Wage”, *op. cit.*, p. 120.

attractiveness of such work and indeed create some jobs in virtue of the situation of monopsony that exists at the lower end of the labour market, the adoption of efficiency wage principles specifically designed to promote the intrinsic value of atypical employment could improve productivity in terms of commitment. This is all the more true in a professional relationship that requires work patterns based on optimum flexibility with part-time employment being an ideal example.

As yet, the Low Pay Commission has chosen to ignore the TUC's demand to discard the development rates for young people and in doing so has preferred to favour the competitiveness of the NMW rather than any form of efficiency wage. By doing this and given the British government's market leanings whereby employment policies are tightly linked to workfare policies with full integration of flexibility and employability, the workforce that is emerging at the lower end of the spectrum is creating an ever growing situation of monopsony. In this respect and despite the genuine protection it provides for the lowest paid, the NMW is **also** proving to be a useful instrument within the overall coercive package of measures designed to force the unemployed onto the labour market. Without specific measures to protect the precariousness of atypical employment, the national minimum wage is likely to allow this particular segment of the labour market to become even more legitimate within the overall distribution of jobs.

### *Conclusion*

In view of these remarks what can be said about the British employment paradigm? There is no questioning the fact that the officially recognised rate of unemployment has reached an all-time low. Yet in classic economic theory a population at work can provide government with the necessary fiscal revenues to invest in the sort of public services that people have come to expect - for better or for worse - since the Labour party's landslide victory in 1945. At that time, it must be said, there was a strong political tendency to associate public welfare with policies of full employment. At present, the quantitative merits of Britain's employment policies often disguise the fact that the other side of the coin offers a far bleaker picture.

While the main pillars of the welfare state continually suffer from a chronic lack of investment, the number of jobless households is also on the increase. By deliberately fostering different forms of precarious employment, governments have contributed to an alienation from the basic ethics of work on which flagship projects such as the New Deal can only have a limited impact. Yet, in reality there is little to show that there has been any overall employment trend which has embraced precarious employment. Generally speaking, and despite conventional wisdom, the vast majority of jobs are still long-term and stable. In this respect, precarious employment has evolved out of a whole patchwork of factors such as a shift towards services and the rising involvement of women in the labour market. It has been affected to some extent by the adoption of new technologies whilst competition born from globalisation has also taken its toll. Even so, precarious employment is more the result of the fringes of the labour market being denied the advantages of their mainstream counterparts and because trade unions concentrate their efforts on these core workers, the minority of peripheral workers have to put up with whatever "trickles down". Precarious employment in its worst form is rife in Great Britain and to classify it as merely "atypical", as if it were only a quaint reminder of the inevitable consequences of industrialisation, plays into the hands of those who feel that it does not deserve any specific political involvement. Because precarious work fits in perfectly with government's plans to enhance employability and promote flexibility it has become an acceptable segment of the labour market rather than a springboard towards better quality employment.



In its 1998 study, the OECD clearly praised the high level of employment in Great Britain but equally clearly stated that “*In line with growing income inequality, the incidence and concentration of poverty have increased dramatically in the United Kingdom*”, and further on, “*Compared with other OECD countries, the level of income inequality in the United Kingdom is currently considerably above average, with Nordic countries being among the most equal and the United States the least equal*”. It is quite understandable that foreign observers may be taken in by the apparent buoyancy of the British labour market especially when they see that setting up business there is apparently cheap and red tape minimal. Perhaps if they attempted to find good quality state funded education for their children, health care for their families and support for elderly parents, they would quickly realise that the British employment paradigm does not concern everybody. In their pamphlet *Avenue du Plein Emploi*, ATTAC concluded on post-liberal full employment thus: “*What is needed is lasting growth and a genuine reduction in the working week in order to bring down unemployment in Europe on a long-term basis without taking the Anglo-Saxon path that has led to mass poverty*”.<sup>52</sup> When - as so often is the case in Great Britain - precarious employment is an obvious stepping-stone towards poverty it deserves the sort of political attention that simple faith in the market cannot provide.

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<sup>52</sup> “*Il faut donc une croissance durable et une vraie réduction du temps de travail pour faire reculer durablement le chômage en Europe sans emprunter la voie anglo-saxonne de la pauvreté de masse*”.

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