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Pathways through unemployment: where do they lead?

Must unemployed people show 'flexibility' by accepting part-time, temporary or self-employed jobs, or by working below their previous skill? And if so, what are the implications for their prospects and their family income? These were the questions which Michael White and John Forth, of the Policy Studies Institute, set out to answer. The researchers looked at people who were unemployed in 1990-92 and analysed their experiences over the next five years. They found:

f Three in four of the jobs which unemployed people got were temporary, part-time, self-employed, or at a substantially lower skill level than previously. So 'flexible jobs' had a dominant position in the options chosen by unemployed job-seekers.

f People were subsequently more likely to stick in the kind of job they initially entered, or else fall back into unemployment, than move to a different and better job. This was particularly true of part-time employment.

f The routes out of unemployment which had the worst financial consequences over the period were part-time work for both women and men, and temporary work for women.

f Other family members attempted to compensate for the moves into part-time work, by working more themselves. There were no apparent family efforts to compensate for temporary jobs.

f Not all kinds of flexibility had adverse consequences. For both women and men, taking a job at a lower skill level than in their previous work left their families as a whole at no financial disadvantage at the end of the follow-up period. Men and their families also suffered no financial disadvantage from entering temporary jobs or from taking up self-employment.

f Single women and single men were less likely to find jobs in this flexible market, and many ended with no job at all.

Background

Governments, including in Britain, have actively promoted the idea of 'flexible labour markets'. Employment law makes temporary contracts or self-employed service contracts more attractive to employers. Tax and National Insurance provisions have favoured part-time jobs, and in-work benefits support low-paid, low-skilled employment. Meanwhile unemployed people have had their job-seeking activities more and more regulated and directed, so that they have less personal discretion over which jobs to seek or which offers to accept. This study assesses the kinds of jobs which unemployed people enter and the consequences over the medium term for themselves and their families.

What is meant by 'flexible jobs'?

'Flexible' forms of employment were defined for the purpose of this study as part-time, temporary and self-employed jobs, together with jobs at a lower skill level than that previously held. The first three types of jobs are often contrasted with 'standard' jobs of a full-time, permanent nature. Moving down to a less skilled job is included because it is one of the real options facing unemployed people and a way in which they can show personal flexibility.

How important are flexible jobs for the unemployed?

Flexible jobs constituted three-quarters of all the jobs which members of the unemployed sample initially went into. They dominated the job market for unemployed people.

How valuable are flexible jobs for disadvantaged job-seekers?

Even with such a high level of flexibility, long-term exclusion from jobs was far from being eliminated:

- One-fifth of the unemployed sample had not become employed at the end of three to four years;
- The majority of those failing to get any job (56 per cent of men, and 73 per cent of women) were no longer actively seeking work by 1995.

There was evidence that some kinds of flexible jobs were taken more often by people facing particular difficulties in getting work. But the availability of these kinds of jobs was generally not sufficient to eliminate such problems. For example:

- Women with young children were more likely to enter part-time jobs. But in spite of this, more women with young children failed to get any job at all compared with other groups of unemployed people.

- Older men were more likely to enter self-employment, yet despite this they remained at a particularly severe disadvantage in terms of overall employment chances.

A group which appeared to be at a disadvantage across all kinds of jobs were single people. Perhaps couples who can share networks to look for work, and can also share resources to make a wider range of jobs feasible, have advantages in the competition for jobs. This implies that the flexible job market poses particular difficulties for unemployed single people, whether women or men.

Moving from flexible jobs

The evidence pointed to more people staying in the kinds of jobs initially entered in the medium term, than moving on. Less than one in four of those initially entering part-time jobs were in full-time jobs at the end of the five-year period. The majority of initially self-employed people also remained self-employed, and there was little evidence of upward mobility following entry to a job with a reduced skill level. Temporary employment offered the greatest mobility, with 38 per cent of entrants being on permanent contracts by the end of the period of observation, 25 per cent remaining temporary, and 36 per cent being out of work.

The effect on family income

The central aim of the study was to estimate the relationships between the various 'pathways' through unemployment, and family income in the medium-term (generally two to four years later).

There was less disadvantage from taking some kinds of flexible jobs, by comparison with full-time permanent jobs, than might be assumed. Taking a job which involved downward mobility had no adverse effect on medium-term finances, whether for men or women. The same was true, in the case of men, for self-employment and temporary jobs.

Nevertheless, the pathways through unemployment were often disadvantageous, and this was particularly so for women. Those women who went initially into part-time jobs or temporary jobs had family income that was 15 per cent lower at the end of the follow-up period (this was again based on a comparison with those initially entering a full-time permanent job).

Although part-time employment was as disadvantageous for men as it was for women, relatively few men entered part-time jobs and so they were less exposed to that source of income reduction. Moreover, in marked contrast with women, whose family income fell by 40 per cent if they got no job, men failing to get a job did not experience a financial penalty.

This does not mean, however, that the men who stayed out of work were as well off as those who got jobs. Rather, it means that those men who got no job - many of whom were older workers in poor health and without qualifications - would have got very low wages if they had managed to find work. The women who did not get jobs would have had much higher family income in work, even in part-time jobs. The main factor which kept them out of work was the presence of young children rather than age, ill-health or poor qualifications.

Do family strategies compensate for flexible jobs?

Families may make their employment decisions jointly, so as to get the best financial result for the family as a whole. In that case, those people who have wages coming in from spouses or other family members may accept part-time or temporary jobs, while individuals without additional family income may reject such employment.

However, the figures already quoted above for women's income disadvantages following unemployment did take account of other family employment. If other family employment is left out of the picture, women then appear to be still worse off if they take part-time jobs or if they fail to get a job at all. The research also found that it was increases in other family employment, after the woman became unemployed, which helped to reduce the income disadvantage. So families were indeed trying to make up for the women being out of work or in part-time jobs, but they were not able to close the gap fully.

Are flexible jobs preferred or reluctantly accepted?

A general argument in favour of a diversity of jobs is the wider choice supposedly available to workers as a result. The research, however, suggested that it was constraint rather than preference which governed the pathways taken by at least significant minorities of the unemployed. About one-third of the women and two-thirds of the men who entered part-time jobs had earlier stated that they were looking for full-time jobs.

In addition, women took longer to enter part-time jobs than other types of jobs, while (to a less marked extent) men took longer to enter temporary jobs than other jobs. Yet over the period in question the numbers of part-time and temporary jobs were increasing in the economy much more rapidly than full-time permanent jobs.

Policy options

Flexible jobs form such a large part of the opportunities for unemployed people that direct restrictions could endanger the job market. On the other hand, a more neutral set of public policies could give scope for full-time, permanent jobs to become re-established. This research suggests that more needs to be done to help people in part-time or temporary jobs to become more 'upwardly mobile'. There is also a need to consider how the inequitable outcomes for women can be removed.

Under the present National Insurance system, there is an initial threshold of weekly pay, the Lower Earnings Limit, below which no contributions are made by employers. (Over the period of the study, a sliding scale of employer contributions existed above this point, but this is being abolished following the 1998 Budget.) The Lower Earnings Limit provides a substantial incentive to employers to replace full-time with part-time jobs. Changing the National Insurance system to eliminate this source of bias need not increase the tax burden for employers, since removal of the favourable treatment of jobs with low weekly earnings could be balanced by downward adjustment to the contributions for jobs with around average earnings.

To help those in flexible jobs become more upwardly mobile, training may also be important. This might be done in a variety of ways: by training voucher or training credit schemes, which can be used independently of the employer, by extending Open Learning provision, and by simplifying the accreditation of practical skills and knowledge.

An essential accompaniment to these steps is an extension of childcare provision and childcare subsidy. Childcare subsidies would make it possible for many women to increase their hours of work, and still others to enter employment. These steps would encourage employers to offer more full-time permanent jobs. Again, adequate and affordable childcare is essential if women in part-time, temporary or low-skilled jobs are to take advantage of training and education opportunities away from their place of work. Childcare subsidies can be regarded, therefore, as potentially one of the most effective means of removing some of the inequitable outcomes observed in this research. The measures announced in the 1998 Budget may go some way towards this.

About the study

The research was based on a nationally representative sample of 861 people who were unemployed between late 1990 and late 1992. These were identified from the British Household Panel Survey, which also provided information about what subsequently happened to them in terms of jobs and family income. These consequences were tracked to the end of 1995. Thanks are due to the ESRC Research Centre on Micro-Social Change, for access to these data.

How to get further information

The full report, *Pathways through unemployment: The effects of a flexible labour market* by Michael White and John Forth, is published by YPS in association with the Foundation as part of a series looking at Work and Opportunity. It is available from York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO31 7ZX, Tel: 01904 430033, Fax: 01904 430868 (ISBN 1 899987 79 7, price £11.95 + £1.50 p&p).

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