

TRANSCENDING THE FLEXIBILITY DEBATE? DEREGULATION AND
EMPLOYMENT IN BRITAIN 1979-1997

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Abstract

Over the last ten years, the debate on labour market flexibility has increasingly become polarised between two distinctive and potentially irreconcilable viewpoints. On the one hand, concern over high levels of persistent unemployment and low levels of employment in Europe has led some to argue that the 'European social model', based on systems of social protection and collective employee representation, has obstructed the operation of labour markets, limiting necessary adjustments to changing demand, hindering innovation, and restricting job creation. On the other hand, critics of the deregulatory strategy point to associated social risks and question whether the deregulation of the labour market is necessarily an inherent component of increased flexibility. This paper seeks to assess the case for and against labour market deregulation by evaluating the British experience in recent years with specific reference to the economic impact of changes in employment law and social security. The growth of inequality and the failure of the labour market policies of the 1980s and early 1990s to deal with social exclusion might, in themselves, give pause for thought even if it were accepted that these reforms had enhanced efficiency. However, the British experience suggests that the nature of the link between flexibility and efficiency is itself open to doubt. It is increasingly being recognised that an under-regulated (or, more accurately, *ineffectively regulated*) labour market is one in which there is under-investment in 'capabilities' such as those associated with training, labour mobility and job security. This perception may open the way to a new agenda for labour market policy which transcends the flexibility versus rigidity debate.

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1. Introduction

Over the last ten years, the debate on labour market flexibility has increasingly become polarised between two distinctive and potentially irreconcilable viewpoints. On the one hand, concern over high levels of persistent unemployment and low levels of employment in Europe has led some to argue that the 'European social model', based on systems of social protection and collective employee representation, has obstructed the operation of labour markets, limiting necessary adjustments to changing demand, hindering innovation, and restricting job creation. Highlighting the economic experiences of the US, advocates of deregulation argue that it is necessary to move as near as possible towards 'free' or 'unregulated' markets in order to optimise welfare, efficiency, and employment growth. In labour market terms this involves the deregulation of employment legislation and the dismantling of institutional barriers to wage flexibility. On the other hand, critics of the deregulatory strategy point to associated social risks and question whether the deregulation of the labour market is necessarily an inherent component of increased flexibility. Proponents of this viewpoint argue that deregulation poses a threat to social consensus, and will result in a widening of inequalities which will in turn have adverse implications for productivity and competitiveness over the longer term.

The British labour market has been a testing ground for economic experimentation since the late 1970s, when the Conservative government of Margaret Thatcher set about dismantling the post-war consensus on economic and social policy. The 'structural adjustment' which then took place is often seen today as a necessary part of adaptation to the changed circumstances of a globalised, service-orientated economy. Neoliberal economic theories, which see regulation of employment as a source of 'rigidities', support this

contention. Empirical evidence for the claim was thin for most of the 1980s and 1990s. However, the recent rise in the British employment rate, which occurred during a period when employment was falling and unemployment rising in other European systems, has led some to reassess the British experience. For them, Britain has 'crossed the river', and its example, similar to that of the USA, is one which other EU countries might do well to emulate (Bertola and Ichino, 1995).

This paper seeks to assess the case for and against labour market deregulation by evaluating the British experience in recent years with specific reference to the economic impact of changes in employment law and social security. In undertaking this task, we argue that in order to facilitate informed debate and to develop a coherent policy it is necessary to clarify the different meanings which the term 'flexibility' may have in the context of labour market policy. Section 3 examines the nature of the policy debate in Britain since the late 1970s. The broad nature of regulatory reforms introduced as a result of shifts in policy is outlined in section 4 and the nature of changes in the structure of employment and unemployment is considered in section 5. To juxtapose legal and economic changes in this way is one thing; as we shall see, establishing causal links between the two is a much more hazardous endeavour. Section 6 nevertheless attempts an overview of what we know and do not know about the relationship between regulation and economic outcomes.

2. Defining labour market flexibility

The concepts of 'rigidity' and 'flexibility' require closer examination. The use of the term 'flexibility' in many contemporary economic debates presupposes that in the absence of regulatory intervention, the labour market functions more or less as a textbook model of the market mechanism would predict, to allocate scarce resources to their most efficient uses. From this perspective, the removal of rigidities is synonymous with the absence of legal and other regulations. Flexibility, then, is simply a condition of 'unregulated' markets in which the price mechanism is able to operate unimpeded. While this

view is crude, it nevertheless informs the popular view that efficiency can be restored through deregulation.

In reality, the relationship between systems of regulation and labour market behaviour is highly complex. Different elements of the regulatory framework operate in a dynamic relationship to each other. The removal of one form of regulation, by deregulation or otherwise, may lead to its partial substitution by another. There may be distributional consequences of such a shift; for example, greater inequality may arise from the replacement of sectoral bargaining by company-level arrangements. The implications for efficiency are not necessarily clear, in particular since it may well not be possible to speak in any straightforward way about the 'burden' or 'weight' of regulation being reduced as a consequence of statutory reforms. For these reasons, the presence of 'de facto' rigidities operating alongside those imposed by the legal-regulatory system must be acknowledged. A crucial issue is not the 'weight' of regulation as such, but the relationship between different levels of governance or regulation (legislation; collective bargaining; employer strategies).

Equally, the presence of formal rules may be offset by 'informal' flexibilities, in the sense of practices or conventions which facilitate adaptation to changing market conditions. These flexibilities may be assumed by the structure of the rules themselves. By no means all statutory standards impose strictly binding mandatory norms of the kind which are often assumed in theoretical analyses. Labour standards frequently operate as 'default rules' which apply only in the absence of any contrary agreement by the parties themselves (for general discussion see Deakin and Wilkinson, 1994). Many statutory labour standards have a built-in degree of flexibilisation, in the sense that they allow for variations in the application of norms. An example of this is provided by working time regulations which allow for 'controlled derogations' from statutory or sector-level standards to be agreed through collective bargaining at plant or enterprise level (see Wedderburn and Sciarra, 1988; Wedderburn, 1992). Account must also be taken of the degree to which statutory or conventional labour

standards reproduce (or build on) existing contractual practice. This is often the case with standards relating to discipline and dismissal. The introduction of legislation in this area in most jurisdictions followed on from the adoption of formal procedures by certain enterprises. The function of standards is often to inform and to spread good practice, rather than to impose practices as such.

Rather than seeing flexibility in terms of unregulated markets, then, it may be more useful to use it to refer to the capacity of a system to withstand external shocks and to adapt to a changing environment. From this perspective, some degree of regulation may be needed to offset or counterbalance market failures involving information, sunk costs and other constraints on contracting. According to one point of view which is informed by efficiency wage theory, 'labour market rigidities partially diversify uninsurable risks when fully contingent contracts are neither verifiable or enforceable' (Alogoskoufis et al., 1995: 82), although this acceptance of the need for regulation is qualified by an insistence that such rigidities are 'a very blunt tool for pushing market allocations nearer to an unachievable first-best' (ibid.: 84).

More explicitly institutional approaches argue that norms and regulations are not necessarily 'rigidities and constraints upon micro and macro adjustments, but they can be opportunities and advantages in order to solve the trade-off between efficiency and equity which is inherent in the wage labour contract' (Boyer, 1994). Hence regulations which may have short-run disequilibrium effects may also be the source of longer-term, dynamic efficiencies, through stimulating technical and organisational innovation and promoting 'capabilities' (Boyer, 1994; Sengenberger and Campbell, 1994; Deakin and Wilkinson, 1994, 1998; Marsden, 1995; Salais, 1999). Such views inevitably question the feasibility of complete deregulation, even assuming that such a notion can be precisely specified.

One aspect of the complex relationship between systems of regulations and labour market outcomes is that norms or practices which have efficiency-enhancing effects at the micro level may have harmful third-party effects which are felt elsewhere in the system. Hence, a central finding of efficiency-wage theories is that involuntary unemployment may result from employer strategies aimed at retaining and motivating their skilled or 'core' employees. Rules (apparent rigidities) operating at workplace level for the protection of the expectations of the employee, such as job security rules, may induce 'flexibility' in the sense of a greater co-operation between (core) labour and management; at the same time, it may be that the same rules have the effect of excluding 'outsiders' or at least of reducing their opportunities for entry into 'primary' occupations or labour market segments, in that sense leading to an external 'rigidity'.

Equally, extreme 'flexibility' at the micro level in the sense of an absence of norms governing employment may lead to 'rigidities' (in the sense of negative externalities) at the macro level. The payment of very low wages has led, in the British context, to the assumption by the social security system (through various employment-related benefits) of responsibility for maintaining the living standards of households that are dependent on low-wage employment. Here, the costs are spread throughout the system through the mechanism of the tax and social security system, but at the risk of costs spiralling as employers take advantage of what is often a subsidy to low-paid employment. Similarly, the use by firms of external or 'numerical' flexibility at the micro-level may result in a macro-level rigidity as workers without security of employment are excluded from opportunities for effective training, and hence for labour mobility. This, in turn, can lead to supply-side bottlenecks and inflationary pressures.

Studies have found evidence of these effects in the context of the British experience of deregulation. The Employment Department study of flexibility (Beatson, 1995) found evidence of greater micro-level flexibility in the UK in the form of an increase in firms of part-time, temporary and self-employment, as well as an increase in functional

flexibility, or the adaptability of workers within enterprises. At the macro-level, by contrast, the study concluded that there was still evidence of substantial wage rigidity, and in particular a lack of responsiveness of wages to changes in levels of unemployment. The ED's analysis also accepted that systems like Germany, Japan and the Nordic countries succeeded in achieving a high level of macro-level wage flexibility, despite the presence of apparent 'rigidities' at micro-level.

The relationship between different forms of regulation and labour market performance is clearly intricate. Generalisations made by academics, policy makers and politicians alike that increased labour market flexibility will serve as a panacea for all labour market ills within the UK and beyond beg the question: what form of flexibility is envisaged? They also fail to assess what the potential effects of different forms of deregulation would be at both the micro or macro levels. The problem lies in the way in which the issue of flexibility has been conceived within the policy debate, as the next section shows.

3. The Policy Debate in Britain

The issue of labour market flexibility has generated considerable debate at policy level in Britain. Over the last two decades, successive governments have identified increased flexibility in the labour market as being a key element in government strategy to tackle unemployment and inflation and to enhance competitiveness (Department of Employment, 1985). Reversing many of the legislative interventions of the 1960s and 1970s, the Conservative government elected in 1979 embarked upon a wide-ranging programme of labour market reform which lasted until the mid 1990s (Table 1).

An important element within this policy was 'deregulation', in so far as that term is understood to refer to the removal of certain protective rights that could be construed as 'rigidities'. Such measures included the dismantling of collective institutions which had previously

underpinned the process of wage determination; the abolition of wages councils which had been responsible for setting statutory minimum wages and terms and conditions in low paying sectors; the contraction of social insurance provision for the unemployed and retired; and restrictions upon the scope of employment protection legislation. However, in many ways 'deregulation' is a positively misleading term to describe what occurred in the 1980s and 1990s, since the effort to revive market forces involved extensive legal intervention, albeit of a different kind from that traditionally used to regulate the labour market. Three forms of legal strategy have been identified (Brown, *et al.*, 1997): a 'return to private law' implied by the abolition of trade unions' immunities against civil liability; the use of competition policy to discourage the setting and enforcement of labour standards through collective bargaining; and the re-regulation of industrial action procedures through highly complex rules governing strike notices and ballots.

The policies pursued during the 1980s and 1990s were strongly influenced by neo-liberal economic arguments against labour market regulation. These led to calls for the dismantling of institutions of collective regulation, leaving greater scope for the operation of the law of contract and tort (Hayek, 1960, 1973, Epstein, 1983, 1984). Social security benefits were perceived as raising the reservation wage above the market clearing rate for employment in the non-union sector, thereby generating unemployment (Minford *et al.*, 1986). Unfair dismissal laws were viewed as increasing the costs for employers of hiring the unemployed and of increasing the power of the 'insiders', those in employment, to exclusion of the 'outsiders', the unemployed (Lindbeck and Snower, 1989). This led some commentators to advocate the complete removal of protective legislation and the restriction of social security payments (Minford *et al.*, 1986, Addison and Siebert 1991), but for various reasons this approach was never openly contemplated by either policy makers or politicians.

There is not much doubt that, after nearly two decades of neo-liberal policies, the labour market environment is favourable to employers in the sense that the legal or regulatory impact upon managerial decision-making is, by international standards, a light one. Hence British employers are found to perceive labour market 'rigidities', such as hiring rules and restraints on dismissal, to be much less of a problem than their continental counterparts do (Emerson, 1988; Grubb and Wells, 1993; Beatson 1995). Conversely, the UK has until recently scored very low in international evaluations of labour standards in the areas of minimum wages, working time and job security (OECD, 1994).

The overwhelmingly important measure of the success of deregulatory policies concerns the structure of employment and unemployment, and, above all, the capacity of the system to generate additional employment opportunities. Recent UK experience seems encouraging for proponents of flexibility, because the UK economy has enjoyed substantial job growth since 1993 in contrast to the pattern elsewhere in Europe. This pattern conforms to an image of a free or 'deregulated' labour market in which the employed may be less secure than they used to be, but where opportunities to enter or re-enter the labour market are greater than would otherwise be the case. According to the more optimistic scenarios, this expansion in labour market mobility should more than offset the growth in earnings inequality which has accompanied the freeing up of market forces.

Independent assessments of the overall impact of regulatory change are more cautious, though, stressing the wide range of factors which lie behind shifts in the structure of employment and unemployment, many of which are beyond the immediate control of policy. Indeed, a large variety of methods and approaches have been adopted, such that there is little or no consensus on the relationship between legal and regulatory change and economic outcomes. The methods used include formal modelling of equilibrium unemployment (Layard *et al.*, 1991); longitudinal studies of social and labour market mobility (Gregg, 1997); case-study analyses of the behaviour of firms (Atkinson,

1985;; Hakim, 1989; Hunter, *et al.*, 1993; Rubery and Wilkinson, 1993) and individuals (McLaughlin, *et al.*, 1989); studies of shifts in productivity (Metcalf, 1989; Nolan, 1989); and analyses of the impact of legal change on the industrial relations system and on economic performance (Brown and Wadwhani, 1990; Deakin and Wilkinson, 1991; Beatson, 1995; Brown, *et al.*, 1997). While there is general agreement that the labour market experienced deep structural changes during a period when social policy itself was undergoing a major transformation, there has been much less agreement on the relative importance of regulatory changes and on the direction of causation. However, the caution of social scientists has not had much influence on policy makers and legislators.

4. Dynamics of Rigidity and Flexibility: The Evolution of Labour Market Regulation

How far have these policy debates over flexibility been translated into regulatory change? The British system of labour law has traditionally provided a relatively restricted role for regulatory legislation in comparison to collective bargaining. Hence even at the end of the 1970s, the high point of what Giddens (1998: 6) calls 'old-style or classical social democracy', direct statutory regulation of wages and conditions of employment was confined to certain groups, in particular the low-paid (for whom a statutory minimum wage was in operation, set by tripartite bodies, known as wages councils). Employment protection legislation, granting income and job security rights to individual employees, was a late arrival: the principle of redundancy compensation was introduced only in 1965 and unfair dismissal legislation as late as 1971 (the latter under a Conservative government).

The modern British system of social security has a longer history, dating from the legislative reforms of 1946-47 which finally removed the disciplinary framework of the poor law. The 1940s reforms were based largely on the Beveridge Report (1942) and established a form of social insurance provision. Social assistance was made available as

a safety net for those were not entitled to contributory benefits. However, unlike models developed in certain other European states, the British system of social insurance did not provide for earnings-related benefits; instead, flat-rate benefits were paid in return for flat-rate contributions. Earnings-related supplements for unemployment and sickness benefits and the State Earnings Related Scheme (SERPS) were only introduced during the 1960s and 1970s.

To examine how this framework of regulation was altered in the 1980s and 1990s, we will consider a number of areas in turn, beginning with employment protection legislation.

4.1 Employment protection legislation

The Conservative governments of the 1980s and 1990s introduced a number of measures aimed at reducing what they saw as the negative effect of protective legislation on labour flexibility. In 1980 legislation removed a provision placing the burden of proving fairness in dismissal on the employer, and made it possible for an employment tribunal to take into effect the size and administrative resources of the employer when assessing whether dismissal was reasonable, thereby providing some protection for smaller firms. Employees in small firms (fewer than 20 employees) ceased to have the right to receive written particulars of disciplinary procedures. The period of qualifying service was extended from six months to one year in 1979 and to two years in 1985. However, the most of the substantive provisions of the unfair dismissal legislation remained intact throughout the period of Conservative office; in fact, in this area the impact of deregulatory policies was curiously muted.

In part this was because the scope of employment protection legislation was limited to begin with. The self-employed were completely excluded, as were, in practice, many casual workers and agency workers whose employment status was unclear (Deakin and Morris 1998: ch. 3). Provision was made to allow fixed-term employees to waive their statutory rights to dismissal protection. Part-

time employees were subject to exclusions: those working less than 8 hours did not qualify for basic protection at all, and those working between 8 and 15 hours had to have five years' continuous employment as opposed to the normal two.

It was only in 1994 that the courts ruled that the part-time work thresholds were indirectly discriminatory on grounds of sex (the great majority of part-time workers affected by them were women) and so contrary to the EC Directive on Equal Treatment in Employment of 1976. In 1995 they were formally repealed by statute, a major change in employment law. The Employment Relations Bill 1999 envisages a further broadening of the scope of employment protection legislation to include certain 'economically dependent' workers whose status as employees is in doubt, as well as new restrictions on waiver clauses in fixed-term contracts. The qualifying period for general unfair dismissal protection has also been raised from the two years to one year.

Nevertheless, remedies for unfair dismissal remain weak. The principal remedy in practice for an unfair dismissal was and is compensation, and amounts awarded are not high. In most cases there are statutory caps to awards, although these have recently been raised. But even then, average awards have long been well below the statutory limits. This is a reflection of the low earnings expectations of successful unfair dismissal applicants, and the absence of an exemplary or punitive component within the compensation ordered by tribunals. For example, in 1995-96 the median award for unfair dismissal cases was £2,499, at a time when the maximum possible award for a case not involving discrimination or anti-union grounds was around £17,000. The median weekly wage for full-time workers in the same year was £313 which translated into a yearly equivalent of £16,276. Re-employment, while available in principle to the tribunal, is awarded only in around 5% of all cases of successful unfair dismissal claims and in only 1% of those which proceed to a contested hearing.

Related legislation requires employers to pay redundancy compensation to employees dismissed on economic grounds (these grounds are restrictively defined). However, this has not been much of a burden on employers since, until the late 1980s, statutory redundancy payments have been subsidised by the state through the social security system. Moreover, contractual redundancy payments which amount to more than the statutory minimum continue to qualify for corporation tax relief.

It is generally agreed that the effect of redundancy compensation legislation was to encourage voluntary or agreed redundancies in the 1970s and 1980s, speeding up the process of restructuring in coal, steel, shipbuilding and other rapidly declining areas of heavy industry. In this sense, the legislation may be said to have enhanced flexibility, in the sense of speeding up the process of restructuring. By contrast, legislation which implemented the EC Collective Redundancies Directives of 1975 and 1992, requiring employers to inform and consult with representatives of the workforce (normally but not always officials of a recognised trade union) when proposing large-scale redundancies, has had little impact on core managerial prerogatives (Daniel, 1985; Deakin and Wilkinson, 1999).

4.2 Hiring and the form of the employment contract

The evidence concerning the impact of employment protection legislation on hiring processes and in particular on the growth of flexible or non-standard forms of employment suggests that there are a number of complex and overlapping effects. It is necessary, firstly, to consider the role played by the generally permissive regime for hiring. Employment legislation in Britain has made few inroads on the principle that the parties to the employment relationship are free to choose from a number of different forms. There is no tradition, for example, of requiring employers to present a formal justification for the adoption of part-time or fixed-term working arrangements. There has been no ban on the use of agency labour, nor are agency workers required to have employee status for the purpose of employment

protection legislation. To this extent, we would expect the British system to exhibit a higher degree of use of flexible employment than other European systems where regulation is more restrictive.

However, this is offset by a second general feature of the British system, which is the generally weak level of protection granted by legislation to the 'standard' or 'traditional' employment relationship. As we have just seen, protection is largely procedural rather than substantive, and reinstatement of dismissed employees is extremely rare. On this basis, we would expect employers to have only limited incentives to adopt forms of employment which fall on the margins of employment protection law.

4.3. Wage determination

Several steps were taken during the 1980s and 1990s to remove the statutory regulation of wage determination. Firstly, fair wages legislation and minimum wage legislation was repealed. Arbitration procedures of a kind similar to *extension laws* in other systems, which required non-unionised enterprises to observe the basic rates laid down in sector-level collective agreements, were repealed (1980), and the Fair Wages Resolution, which bound government contractors to observe minimum labour standards, was rescinded (1982). The powers of the wages councils were first of all restricted (1986) before they were completely repealed in 1993. Prior to their abolition, the wages councils had covered 2.5 million workers in various trades. Their repeal left the Agricultural Wages Board as the only body with the power to set a legally-binding minimum wage (covering 220,000 agricultural workers). However, with the election of a Labour government in 1997 this policy went into reverse. The National Minimum Wage Act was adopted in 1998 and from April 1999 a new statutory minimum wage came into effect, set initially at £3.60 an hour for adult workers with lower rates for younger workers.

The second change made in the 1980s and 1990s related to statutory developments aimed at limiting the capacity of trade unions to

organise industrial action in defence of terms and conditions of employment. The effect of these changes was to reduce the power of trade unions to use economic pressure to regulate the external labour market; it was no longer possible, for example, to organise industrial action with the aim of putting pressure on a supplier or customer of the primary employer to recognise a trade union (Brown, *et al.*, 1997).

Thirdly, steps were taken to encourage the decentralisation of collective bargaining. Local government authorities and health authorities were required to outsource certain services (CCT), which in practice often led to the modification or abandonment of sectoral collective bargaining; in the public health and education sectors, the introduction of 'quasi-markets' had a similar effect. In the private sector, changes to industrial relations law indirectly hastened the break up of sectoral agreements, by making it more difficult to trade unions to mount national-level disputes.

Fourthly, employers were given greater leeway to make their own arrangements for pay determination at company or establishment level. Effective enforcement of the closed shop or union monopoly was made impossible by changes to the law relating to unfair dismissal. All industrial action in support of the closed shop, including action against the primary employer, became presumptively unlawful. Litigation clarified the right of employers to introduce 'personalised' or individualised contracts of employment following the abrogation of collective agreements.

In all these ways, the 1980s and 1990s represented a turning point in the system of wage determination, which came to resemble much more the decentralised and fragmented US system of workplace bargaining than the predominant European model of sectoral bargaining. The 1999 Employment Relations Bill, while reintroducing a form of statutory recognition procedure which could assist the growth of collective bargaining, is only capable of having this effect at workplace of company level; it would do nothing to reinstate multi-employer bargaining.

4.4 Working time

There is only minimal statutory regulation of the working day, week and year in Britain. Legislation inherited from the nineteenth century model of the Factories Acts, which set maximum working hours for women and young children working in industry, was repealed in 1989 (Deakin, 1990). More importantly, the decline of sectoral collective agreements has removed working time protections for many employees. Sectoral agreements were an effective mechanism for the reduction of the basic working week to 39 (from 40) hours as recently as the early 1980s. However, working time is now increasingly subject to arrangements made at company level which may or may not involve collective bargaining. In the absence of a legal basic working week, and with the decline in collective bargaining coverage, it is possible for employers to avoid paying overtime altogether.

Much of this is set to change since in 1999, after several years' vacillation, the provisions of the 1994 EC Directive on Working Time were finally incorporated into UK labour law. However, maximum use was made of the exceptions and derogations allowed by the Directive.

4.5. Unemployment compensation and the tax-benefit system

The income gap between those in employment and those relying on social security widened significantly in the 1980s. During this decade the extent to which unemployment benefit compensated for lost earnings fell by 30% for single men on average earnings and more for married men with children (Deakin and Wilkinson, 1991). This was largely due to the abolition of earnings-related supplements and child dependency additions and the failure to uprate short-term benefits in line with earnings. Taxation of unemployment benefit, introduced in the early 1980s, also reduced its value for individuals with irregular working patterns.

Significant changes were also made to the rules on eligibility for social security which have reduced entitlement to benefit and increased the stringency of the job search test. First, the effective qualification period for contributory benefits was extended and in 1988 those under 18 were excluded from receiving non-contributory unemployment benefits. Secondly, while social security provision in Britain has always contained an element of work discipline, in the late 1980s the job search duties of unemployed claimants were increased. As a result claimants were required to show that they were 'actively seeking work', and the range of jobs which a claimant could be required to accept was widened to include work with lower wages or hours.

Additional requirements were introduced with the jobseeker's allowance which replaced unemployment benefit in 1995. Entitlement to contributory benefits was limited to 6 months (it was previously 12 months), after which the claimant is entitled only to the means-tested allowance. Further, the claimant is now required to enter a 'jobseeker's agreement', which can specify not only the lowest wage for which the claimant should be willing to work, but which also imposes a duty on the claimant to comply with any reasonable job seeking direction. Failure to comply can result in a reduction in, or the total withdrawal of, benefit for up to 26 weeks.

Increasingly, benefits have aimed to supplement individual and/or household income from low-paid employment. Family credit (introduced in 1985) provided benefits of this kind which were paid net of taxes and national insurance contributions with a long 'taper' by which benefit is only gradually reduced as wages rise above a certain 'applicable amount'. To qualify, the claimant had to show that he or she was normally engaged in paid employment for initially 24 and then 16 or more hours per week. Many of the essential features of this system have been retained under the new working family tax credit introduced by the new Labour government and due to be implemented in October 1999.

Expenditure on family credit was £494 million in 1988-89; in 1996, it was £1.7 billion. In 1989, just after the benefit was introduced, there were 285,000 recipients; by August 1998, there were approximately 782,000 recipients of whom 393,000 had partners, and whose dependants totalled 1,577,000. At this time, the average weekly payment of family credit was £59.20 and the average weekly income from wages of family credit recipients was £115 (DSS, 1998).

5. Outcomes: the Structure of Employment and Unemployment

Although there is general consensus that the labour market underwent deep structural reforms during this period the 1980s and 1990s, there is less consensus as to the relative importance of each of the regulatory changes or indeed of their respective effects on levels of unemployment and employment. Nevertheless, many commentators both in Britain and in other countries have pointed to the significant decline in UK unemployment in the 1990s. Unemployment stood at 6.3% on the ILO definition in 1998, low by European standards. Furthermore, although during the first two to three years of the current recovery the UK encountered 'jobless growth', since 1993 it has experienced a substantial rise in employment in comparison to other European systems. During the four years up to Spring 1997, numbers employed rose by over 1 million, equivalent to an increase of 4.25% (LFS), and employment continued to rise, showing an increase of 306,000 in the year up to Spring 1998 (LFS). On closer examination, it is clear that certain trends within the UK labour market are not all favourable. It is also the case that there is only tenuous evidence linking deregulatory policies to changes in the structure of employment and unemployment.

5.1. Unemployment

Even though the UK economy underwent significant 'flexibilisation' in the 1980s and 1990s, the level of unemployment did not consistently fall during this period, but rather became more volatile (Alogoskoufis, *et al*, 1995). Unemployment swung from 6.4% in 1980

to 12.4% in 1983, down to 6.8% in 1990, up again to 10% in 1993 and down to 4.6% on the claimant count or 6.3% on the ILO count in 1999. This throws some doubt on the proposition that there is a systematic relationship between levels of regulation and levels of employment or unemployment.

Further, the proportion of working age population experiencing at least one spell of claimant unemployment did not decline during the early to mid 1990s as compared to the mid to late 1980s (see Table 2; Robinson, 1997). This finding is supported by evidence from the British Household Panel Survey, which shows that between 1991 and 1994, 71% of all men were in continuous employment, while 29% experienced at least one spell out of work over all four years (Gosling *et al.*, 1997). Redundancy rates, however, were higher in 1996 than those witnessed in the late 1980s (Taylor and Booth, 1996), although they have declined considerably since the early 1990s (see Table 3).

While the proportion of the working population experiencing unemployment has remained stable, the incidence of unemployment has become more evenly spread both in terms of age, industries, occupations and earning deciles in the early 1990s when compared with the mid-80s (Robinson, 1997). However, as noted earlier, unemployment in the UK has become increasingly polarised by household, a trend which can be traced back to the late 1970s. By 1990 the proportion of workless households in the population was double that of 1975, since when the figure has risen, peaking sharply at 18.7% in 1996 and declining slightly to 17.9% in Spring 1998 (Table 4). In 1998, 19% of children, or over 2.7 million, lived in workless households. In addition, nearly 60% of workless couples with children had been without work for three or more years, creating a significant dependency on welfare provision.

There is an apparently close relationship between the level of unemployment and the incidence of long-term unemployment (Machin and Manning, 1998). In the UK, as the labour market has recovered towards the end of the 1990s, so long-term unemployment

has fallen. The number unemployed for more than 12 months fell from about 845,000 people (or 38% of the unemployed) in Autumn 1996 to about 625,000 (33%) in Autumn 1997 (Machin and Manning, 1998). Although these figures suggest an improvement in the level of long-term unemployment, the rates experienced in 1997 were similar to those in the late 1980s, and the long term unemployed still represent a majority of the total unemployed (Table 5).

Another reason identified by commentators for the persistence of long-term unemployment is the decline in outflow rates from unemployment, although it should not be assumed that this decline has primarily affected the long-term unemployed (Machin and Manning, 1998). For example, while the rate of outflow from unemployment into employment in the UK in the mid 1990s improved and was comparable to that observed at the end of the 1980s, it is significantly lower than that experienced at the end of the 1970s, before labour market reforms were instituted (Table 6).

Alongside long-term unemployment, there is also evidence in the UK of a high degree of recurrent unemployment among the bottom end of the labour market. While unemployed workers do not seem less likely to find work again, around 45% of people making a fresh claim for jobseeker's allowance in 1997 had made a claim in previous six months (Gregg, *et al.*, 1998).

The nature of the relationship between the changing structure and composition of unemployment and the changes to the social security system remains, at best, uncertain. At a theoretical level it is widely assumed that generous social security benefits raise the equilibrium unemployment rate or NAIRU (Layard *et al.*, 1991). However, empirical investigation has failed to find evidence of a strong relationship between unemployment related benefits and unemployment duration (see Atkinson and Mogensen, 1993). There are, moreover, few empirical studies which have directly sought to assess the impact of changes in the rules relating to social security entitlement of the kind which took place in Britain in the 1980s and

1990s. Some analyses have ascribed the size of the fall in unemployment in the middle 1980s and its timing to the tightening of social security administration brought about in 1986 by the Restart programme, under which the long-term unemployed were subject to regular monitoring by employment service officials to assess their availability for work (Layard *et al.*, 1991; Dicks and Hatch, 1989). However, there are problems with the hypothesis that incentives for the unemployed have been improved by these means. Other research suggests that a major *disincentive* for the unemployed is the precariousness of work and income in most of the jobs which on offer to them. Entering employment often means giving up a regular benefit income, in return for an irregular wage income and insecure employment, without the guarantee that net income from employment will be higher than that from benefits (McLaughlin, *et al.*, 1989).

Further disincentives arise from the uneven geographical dispersion of employment opportunities. The incidence of unemployment appears to vary considerably geographically (EPI, 1999). Some travel to work areas, in particular suburban areas and semi-urban areas, have tight labour markets, there being as many job vacancies as job seekers. However, some travel to work areas, especially inner cities, traditional industrial conurbations and remote rural and seaside tourist areas remain relatively depressed. In these areas job vacancies are comparatively scarce, with up to 4 active job seekers per vacancy. Many of the more prosperous areas and the more depressed areas coexist in the same regions.

5.2. Employment

Although employment levels having been rising, during the 1990s levels of economic inactivity also expanded significantly in the UK, rising from 19.6% in Spring 1990 to 21.6% in Spring 1998 (Table 7). This rise has been totally accounted for by men, with levels of male economic inactivity increasing by nearly 12% between 1992 and 1996, equivalent to approximately 300,000 men (LFS). In contrast, economic inactivity fell amongst women by 2.1% or 100,000 women

during the same period. Figures from the LFS also reveal that the decline in women's economic inactivity has been accompanied by a proportionately larger increase in economic activity among women. Between 1992 and 1996 economic activity among women increased by 2.28%, equivalent to 264,000 women entering the labour market. This suggests that the proportion of women wanting to work continued to rise as the economic recovery matured.

The relationship between overall employment levels and the numbers employed in flexible or 'non-standard' work is also important. While in the early to mid 1990s only a small minority of jobs created were full-time and permanent, the proportion has increased as the economy has recovered. In the year from Winter 1996 to Winter 1997, over 80% of all new jobs created were in this category. This was the case for over 86% of all new jobs for men, although only for 44% of new jobs for women, with 27% of new jobs for women being part time and permanent and 17% being part time temporary jobs.

Overall, however women have fared better than men in the labour market in the 1990s. By summer 1998, the employment rate for women (68.1%) had risen above the pre-recession peak of 67.1% in 1990, whereas the employment rate for men (78.7%) was 4% below its peak of 82.4% (Table 7). The decline in male employment rates between 1990 and 1996 was concentrated amongst young men and those of prime age (25-49). Since 1993, employment growth has been faster for men aged 50-64 than those aged 25-49. By contrast, the greatest increase in employment for women has been among those aged 25-34.

One of the main reasons why women have fared better in the labour market in the 1990s appears to be the effects of the restructuring which took place in different sectors of the labour market. It is evident that the restructuring which commenced in the 1980s has continued into the 1990s, with a decline in employment being concentrated in agriculture and the utilities (energy and water) - which are traditional employment areas for men - and an expansion in the service and

business sector - which employ a relatively higher proportion of women.

Other, non-legal factors, such as the waning of cultural attitudes which had once underpinned the 'male breadwinner' family, and the pressure on low-income households to have multiple sources of incomes, may be important in explaining why the employment rate for women in Britain has increased while it remained static in many other EU countries. However, the regulatory framework does not seem to offer any obvious explanations for this aspect of the British experience. Since many married women with incomplete records of social security contributions do not qualify for unemployment-related benefits, the cuts in these benefits which took place after 1979 would be largely irrelevant to their situation. As we explain further below (section 4.4), the system of social security taxation encouraged part-time employment at very low rates of pay but discouraged movement into higher pay brackets and cannot be said to have increased overall employment, as opposed to having an influence on the *form* in which labour was contracted (Dickens, 1992).

5.3. Job tenure and turnover rates

The rise or fall of job tenure is one measure of mobility and therefore potentially of 'flexibility' within a labour market. Over the 20 years since 1975 median job tenure has declined by 12% (Gregg and Wadsworth, 1996), with a significant decline taking place during the early 1980s as a result of rising unemployment and restructuring especially in the manufacturing sector. Since 1985, it appears that tenure has moved counter cyclically. While overall changes in tenure have been modest, significantly different trends emerge when the figures are broken down by gender, with men suffering a decline (Robinson, 1997), whereas median tenure for women since the mid-1980s for women has grown. It is likely that this change can largely be explained by women taking advantage of statutory rights to return to work after pregnancy or confinement, although a decline in fertility or childbirth may also help to explain the trend.

Movements within the labour market play an important role in enabling the economy and firms to respond to shocks or shifts in demand. Indeed every year more than 6 million people either leave a job, find a new job or do both. Those moving from unemployment into work are generally being required to accept lower status and lower paid jobs than previously experienced with anything up to 10% pay cut on their return to the labour market. The pay gap between workers who retain their jobs and those who are displaced is around 15% (Gregg, *et al.*, 1998). Job-to-job moves within the labour market are generally resulting in longer hours, with a clear switch being made by movers from part time jobs into full time jobs. However, there is a significant increase in the use of temporary contracts. Indeed a pattern of mobility appears to be emerging with workers moving in two stages, first from part time work or government training schemes into full-time temporary work, followed by a second stage move into permanent full time work (Gregg and Wadsworth, 1997b).

5.4. 'Non-standard' forms of employment and flexible working time

Over the last two decades, there has been a decline in full-time, permanent employment and a corresponding increase in the use of 'atypical' forms of work in the UK. The reasons why employers use flexible working practices appear to vary, but mainly include traditional reasons, such as the need to meet peaks in demand and the temporary unavailability of full-time, permanent employees (Wood and Smith, 1987; McGregor and Sproull, 1991; Beatson, 1995). However, growth in part-time work began in the 1960s and 1970s, prior to the general trend towards deregulation in the 1980s. The only significant rise in 'atypical' work since 1979 has been the rapid increase in self-employment, which was concentrated in the early 1980s. Since 1990 the growth in self-employment has almost ceased. During the mid-1990s there has also been an increase in the use of fixed-term contracts especially in the public administration, health and education. Although temporary employment, on LFS figures, still

constitutes only a small proportion of working practices in Britain (Table 8), there is some evidence to suggest that the LFS underestimates the numbers in fixed-term employment (Burchell, *et al.*, 1999).

Despite the relative decline in 'standard' work, no clear pattern emerges to link the growth of non-standard employment with changes in employment protection legislation. The timing of legal changes bears no obvious relation to the emergence of non-standard work. In any case, given the comparatively weak level of regulation of full-time and indeterminate-duration employment, it would be inappropriate to regard atypical forms of work as necessarily 'flexible' in comparison to the 'rigidity' of the 'standard' employment relationship.

The limited significance of employment protection law for hiring decisions is borne out by empirical studies, which suggest that employers do not regard this legislation as imposing hiring costs such as to amount to a significant disincentive to hiring (Daniel and Stilgoe, 1978; Brown *et al.*, 1981; Evans, *et al.*, 1985; Dickens *et al.*, 1985). The same studies found evidence that the introduction of unfair dismissal legislation increased the degree of screening of applicants and, to that extent, led to fewer subsequent dismissals.

Studies of the growth of flexible forms of work suggest that the tax-benefit system has had a much more powerful effect on the form of hiring than employment law does. This effect is the consequence of the differential tax treatment of certain forms of 'non-standard' employment. Hence, the growth of both self-employment and part-time work at low rates of weekly pay in the 1980s can convincingly be linked to features of income tax (Harvey, 1995) and social security contributions which, in effect, subsidised these forms of work. The numbers employed for less than 16 hours per week went up from 6% of the employed labour force in 1979 to 16% in 1996; 30% of women employees with dependent children were in this category (EPI, 1997). There is evidence of clustering of weekly working time around the

15-hours figure in the 1980s, which suggests that the social security contributions system may have had an impact on the type of employment contract offered by certain employers (Dickens, 1992).

However, these effects are waning thanks to recent regulatory changes. In the mid-1990s the Inland Revenue took steps to regularise the position of many freelancers and self-employed construction workers, in the process eliminating many of the tax advantages they formerly enjoyed (Harvey, 1995). Changes made to the structure of social security contributions in the 1998 and 1999 Budgets will also have the effect of removing much of the incentive for employment at very low rates of weekly pay.

Although there is no evidence that changes in the legal rules relating to qualification for unfair dismissal led directly to an increase in atypical forms of employment, they nevertheless had an impact on the proportion of the working population protected by basic employment rights. In 1975, when the basic qualifying period for unfair dismissal protection was six months (one year for those working between 8 and 16 hours per week), 91% of employees of working age had sufficient tenure to qualify for protection. The actual level qualifying would in practice be less than this because the statutory rules defining continuity of employment had the effect that continuity might be forfeited by a short break in employment, so requiring the employee to start again. 1.8 million self-employed workers were also excluded. In 1990, when two years' service was required (five years for those working between 8 and 16 hours per week), only 62% of employees qualified; self-employment had risen to 3.4 million. By 1995 the number protected had increased to 70% of employees in part because of the abolition of the separate thresholds for part-time workers, and because of reduced voluntary quits during a period of recession (Gregg and Wadsworth, 1996).

5.5. Working time flexibility

Significantly, the most widely used form of 'flexible employment' in the UK continues to be the variation of employees' working hours from week to week (Casey, *et al.* 1997). British working time patterns are highly varied, and the degree of variation is increasing. In 1992 a study by the Department of Employment estimated that only 10% of employees in the UK normally worked 40 hours per week, in contrast to 34% of employees in the rest of the European Community. Over 72% of employees in the other than eleven member states worked between 35 and 40 hours per week, compared to 36% in the UK (Wareing, 1992). The pattern of regulation in the UK appears to be a major cause of this wide dispersion of actual hours worked. Although basic weekly hours in most UK industries are close to norms set elsewhere in the EC, overtime and shift-working in the UK are only weakly regulated. Both overtime and shift working tend to fluctuate with the economic cycle; figures from 1988, when overtime working was at historically high levels, indicate that over 41% of British male workers were employed for 46 hours or more per week, compared to a figure of 23% for the EC as a whole.

The British economy also has a large number of workers employed for less than the standard working week. In particular, part-time work for only a few hours per week is widespread, and the use of zero-hours contracts is also growing. Longitudinal data indicate that the tendency for working time arrangements to become more varied has increased since the mid-1970s (EPI, 1997). The numbers working for less than 16 hours amounted to 6% of the employed labour force in 1979; by 1996 this had increased to 16%. In 1996 nearly 30% of women employees with dependent children worked less than 16 hours per week. There has been a substantial decline in the numbers working the 'standard' week of between 33-40 hours; this accounted for 48% of employees in 1979 but only 34% in 1996. Those working very long hours (more than 48 per week) increased only slightly from 17% of employees in 1979 to 20% in 1996.

In short, working time in Britain is subject to 'a relatively 'flexible' or permissive system, with high levels of shift, overtime and part-time working and relatively weak tendencies towards working-time reduction for full-time workers, except as a function of sectoral and occupational change. There is little evidence of a dramatic transformation of working-time practices in the 1980s; what is more significant is the picture of a relatively flexible working-time system prior to the current vogue for deregulation' (Rubery, *et al.*, 1994).

5.6. Wage levels, structure and differentials

There is a growing consensus amongst commentators that increased flexibility and the comparatively low unemployment rate in Britain have been achieved at the price of a deterioration in wages, growing insecurity and increasing poverty (Marx, 1999). After a long period of wage stability, wage inequality has grown sharply over the last two decades, resulting in higher differentials than at any other time during this century (Machin, 1996). There is also evidence of a lack of income mobility, particularly among the lower paid (Dickens, 1997a). The pay gap between the lowest decile and the highest decile of workers has been growing with the real earnings of workers in the lowest decile not rising in real terms during the 1990s.

When the figures are broken down by sex, it is clear that both women and men face wage immobility (Dickens, 1997b). Women, however face high levels of wage inequality being paid in general only 79.6% of male average earnings. Further, the hourly rate of manual and non-manual women workers relative to men and of part time workers remain much lower than 79.6%. This is primarily due to the concentration of employment for women in low paying industries or occupations. Similarly substantial pay inequality is experienced by members of ethnic minorities.

The impact of the decline in collective bargaining on pay and terms and conditions of employment is difficult to assess, because of other relevant factors at this time included changes in general labour market

conditions and increased competition in product markets. The weakening of union power might have been expected to lower the union/non-union pay differential and to reduce inflationary pressures. However, the significance of the union mark-up is limited in the context of the UK labour market, where, traditionally, unions negotiated both for their own members and for non-members at both establishment and sector level. Studies have found that in the early 1980s, the union mark-up was no more than 10% for unskilled workers and was negligible for skilled workers. Only the presence of a pre-entry closed shop significantly raised the wages of unionised workers, by up to 23%, in a situation of competitive product markets (Stewart, 1990).

The declining strength of trade unions, and the removal of institutional support for the wages floor, has a clearer relation to the growth in inequality in the UK in the 1980s and 1990s. There was a decline in the factor share of income from employment in national and household income as a whole (Ryan, 1996), and while the earnings of bottom decile of earners showed a rise in real terms over the period from 1980, the earnings distribution widened considerably. Studies suggest that the decline in the coverage of collective bargaining was responsible for between one eighth and one quarter of the increase in earnings inequality (Gosling and Machin, 1995; Schmitt, 1995). The reduction in the power of the wages councils after 1986 is estimated to have led to increased dispersion of pay and to lower relative pay for younger workers, who were removed from the scope of statutory wages orders at that time (Machin and Manning, 1994): '[i]n that respect at least, legislation has contributed directly to the widening of pay inequalities in contemporary Britain' (Brown, *et al*, 1997).

The alternative explanation for inequality would place more emphasis upon falling demand for 'unskilled' labour as a result of changes in technology and in the structure of demand for goods and services. However, comparative studies suggest that these factors can only account of a part of the polarisation of earnings in systems such as

Britain, the USA and New Zealand which have engaged in policies of market liberalisation. These more flexible systems have seen the pay of their relatively less skilled workers fall more rapidly than in systems which offer more systematic institutional support for investment in human capital, such as Germany and Sweden. This suggests that shifts in the demand for skills do not tell anything like the whole story: 'there is no evidence that these skill shifts have made a substantial contribution to the rise in European unemployment nor that labour market inflexibility per se is associated in any simple way with such effects as have been observed' (Nickell, 1997: 71).

6. Conclusion

This paper has sought to evaluate the contribution of regulatory reform to changes in the structure of employment and unemployment in Britain in the 1980s and 1990s. The wide variety of institutional changes and the complex nature of their effects make it difficult to form an overall view. We therefore approached the question in stages. We first of all examined prevailing definitions of the terms 'flexibility' and 'rigidity' in the context of the labour market, and suggested that a simple association of 'flexibility' with 'deregulation' was misplaced. The basis for our argument here was the view that regulation is not simply needed in many cases to deal with transaction costs and related forms of 'market failure', but that, in a more fundamental sense, the labour market itself is constituted by norms and practices of various kinds including legal and regulatory interventions. It is essential, then, to focus on the nature and functioning of the regulatory framework in concrete market settings, rather than to imagine that, by removing regulation, a self-sustaining market order will necessarily reveal itself.

We next examined developments within the policy debate in Britain since the early 1980s. Here, we saw that successive governments up to the mid-1990s had sought to promote what they saw as flexibility through a variety of techniques. These included the reinstatement of certain liability rules of private law which had been deflected by the

statutory 'immunities', the re-regulation of trade union procedures, and the application to the labour market of methods borrowed from competition policy. More specific regulatory and deregulatory interventions were then examined in the areas of employment protection, the form of the employment contract, wage determination, working time, and the tax-benefit system. Finally, we examined labour market outcomes, focusing on the structure of unemployment and employment, job tenure and turnover rates, flexible forms of employment, working time flexibility, and wage levels and structure.

A 'popular' view of the impact of 'deregulation' might run as follows. High unemployment at the start of the 1980s was the legacy of over-regulation during the years of the post-war, welfare-state consensus. The Conservative administrations of the 1980s and 1990s responded by removing regulatory rigidities, in the process freeing up market forces. While the impact of liberalisation took some time to be filter through, by the mid-1990s the UK labour market had achieved a high degree of flexibility, the effects of which included a higher employment rate and a superior record of job growth to most of its European neighbours.

As we have seen in this chapter, this 'popular' view does not accord well with the mixed evidence on the impact of legal and regulatory changes. Nevertheless, a qualified version of this view is still widely held. This would suggest that the labour market *has* been rendered more flexible (and hence more efficient), but that this has been at the price of greater inequality. This is because, firstly, the effects of unemployment have not been evenly spread across the working population but instead have been concentrated on a substantial minority of households (around 20% of the total population) in which none of the potential earners is in paid employment. Secondly, although the numbers of young and long-term unemployed are lower than in most other EU countries, there is substantial 'churning' between unemployment and low-paid, irregular and short-term work. Thirdly, there is evidence to suggest that upwards mobility is limited for those in employment, so that those in low-paying occupations and

industries tend to stay in them. Overall, then, we might conclude that Britain's recent experience is one of a growing employment rate, but that a growing employment rate does not, in itself, cure the problem of social exclusion.

But even the basis of this qualified view, the proposition that the labour market reforms of the 1980s and 1990s are responsible for the recent shifts in the structure of employment needs to be treated with some scepticism. Social scientists prepared to make this assertion (of whom there are, in fact, relatively few) are on slippery ground, since there is little or no methodological consensus on the best way even to address the question, let alone settle it. The manner in which legal and regulatory changes interact with extra-legal norms in influencing economic behaviour is, to say the least, poorly understood. The very complexity of the regulatory framework and the inherent difficulties in distinguishing the effects of regulatory change from other factors militate against clear-cut findings. As we have seen, rising female participation in paid employment is largely responsible for the increase in the employment rate in the 1990s. However, there is very little to link this to changes in the legal and regulatory system. The claim that Britain has 'crossed the river' owes a good deal to extrapolations of relatively recent trends dating from the mid-1990s, or just to plain wishful thinking.

The growth of inequality and the failure of the labour market policies of the 1980s and early 1990s to deal with social exclusion might, in themselves, give pause for thought even we were to accept that these reforms had enhanced efficiency. However, the nature of the link between flexibility and efficiency is itself open to doubt. It is increasingly being recognised that an under-regulated (or, more accurately, *ineffectively regulated*) labour market is one in which there is under-investment in 'capabilities' such as those associated with training, labour mobility and job security. This perception may open the way to a new agenda for labour market policy which transcends the flexibility versus rigidity debate.

TABLES

Table 1: Legislative Developments Affecting Labour Market Flexibility in the UK 1979-1995

Legislative Change	Year	Protective	Deregulatory
Pre-1979			
Regulation of notice of termination	1963	✓	
Statutory redundancy compensation	1965	✓	
Extension of earnings-related unemployment benefit	1965	✓	
Equal pay for men and women	1970	✓	
Unfair dismissal protection	1971	✓	
Regulation of agency work	1973	✓	
Prohibition of sex discrimination	1975	✓	
Strengthening of employment protection laws	1975	✓	
Consultation over collective dismissals	1975	✓	
State earnings-related pension scheme	1975	✓	
Prohibition of race discrimination	1976	✓	
Post-1979			
Extension of qualifying periods for employment protection	1979		✓
Restriction of industrial action	1980		✓
Abolition of extension legislation	1980		✓
Abolition of earnings-related supplement to unemployment benefit	1980		✓
Widening of derogations for fixed-term employment	1980		✓
Protection of employment on transfers of employment	1981	✓	
Further restriction of industrial action	1982		✓
Rescission of fair wages resolution	1982		✓
Restriction of closed shops	1982		✓
Extension of equal pay for men and women	1983	✓	
Industrial action ballots	1984		✓
Further extension of qualifying periods	1985		✓
Limitation of powers to set minimum wages	1986		✓
Restriction of state earnings-related pension scheme	1986		✓
Increase in qualifying period for unemployment benefit	1986		✓
Tightening of contribution conditions for unemployment benefit	1988		✓
Compulsory competitive tendering in local government	1988		✓
Further restriction of post-entry closed shop	1988		✓
Repeal of working time controls	1989		✓
Enlargement of disqualifications for unemployment benefit	1989		✓
'Actively seeking work' requirement for unemployment benefit	1989		✓
Restriction of pre-entry closed shop	1990		✓
Abolition of powers to set minimum wages	1993		✓
Strengthening of rights to consultation	1993	✓	
Further restrictions on industrial action	1993		✓
Abolition of restrictions on Sunday trading	1994		✓
Job seeker's allowance replaces unemployment benefit	1995		✓
Extension of rights of part-time workers	1995	✓	

Table 2: Number of People Making at Least One Claim for Unemployment-Related Benefits

Five Year Period	Millions	% of Working Age Population
1985-89	10.5	27.8
1986-90	10.2	27.1
1987-91	10.3	27.3
1988-92	10.3	27.4
1989-93	10.4	27.6
1990-94	10.5	27.8
1991-95	10.6	28.0

Source: JUVOS

Table 3: Redundancies and Redundancy Rate (Redundancies per Thousand Employees)

Year	No. Redundancies	Redundancy Rate per Thousand Employees
1977	158	7.2
1978	173	7.7
1979	187	8.3
1980	494	22.0
1981	532	24.9
1982	398	19.0
1983	324	15.8
1984	245	11.8
1985	235	11.1
1986	238	11.4
1987	144	6.8
1988	108	5.0
1989	144	(4.7)
1990	181	(7.0)
1991	391	(11.1)
1992	324	17.8
1993	262	15.1
1994	205	12.3
1995	220	9.6
1996	207	10.2
		9.4

Source: Employment Gazette, Labour Market Trends, various editions

Notes: Redundancy rate is based on statutory returns (ES955) to Department of Employment. This measures confirmed redundancies and comprises a consistent series between 1977 and 1991. After 1990, published estimates are based on individual returns from the Labour Force Survey which are on average 30 per cent higher. The difference is due to the exclusion in the former series of redundancies of 10 or less from any one establishment.

Table 4: Workless Households 1977-1998

Spring/Year	Workless household (Nos)	Workless household (%)	Working age adults in work households (nos)	Working age adults in work households (%)	Children in work households (nos)	Children in work households (%)	All individuals in work household (nos)	All individuals in work household (%)
1977	1189	8.2	1687	5.8	-	-	-	-
1979	1213	8.3	1669	5.6	-	-	-	-
1981	1567	10.9	2365	7.8	-	-	-	-
1983	2063	14.5	3148	10.7	-	-	-	-
1984	2285	15.3	3481	11.3	-	-	-	-
1985	2528	16.5	3817	12.1	-	-	-	-
1986	2576	16.7	3872	12.2	-	-	-	-
1987	2632	16.9	3905	12.3	-	-	-	-
1988	2538	16.0	3653	11.4	-	-	-	-
1989	2347	14.7	3303	10.3	-	-	-	-
1990	2364	14.6	3298	10.2	-	-	-	-
1991	2529	15.5	3730	11.2	-	-	-	-
1992	2863	17.5	4049	12.7	2373	18.7	6422	14.6
1993	3145	18.7	4391	13.8	2750	20.0	7141	15.6
1994	3275	19.1	4525	14.2	2869	20.7	7394	16.2
1995	3294	19.1	4478	14.1	2881	20.4	7359	16.0
1996	3337	19.3	4575	14.2	2887	20.4	7462	16.0
1997	3175	18.2	4361	13.5	2679	18.9	7040	15.0
1998	3148	17.9	4273	13.2	2705	19.0	6978	15.1

Source: Labour Force Survey; EPI Employment Audit (various issues).

Table 5: EPI Joblessness Indicators

		More than 6 Months Unemployed
1984	Spring	2033
1985	Spring	1941
1986	Spring	1887
1987	Spring	1787
1988	Spring	1406
1989	Spring	1056
1990	Spring	904
1991	Spring	1051
1992	Spring	1539
	Summer	1649
	Autumn	1671
	Winter	1731
1993	Spring	1796
	Summer	1780
	Autumn	1724
	Winter	1704
1994	Spring	1677
	Summer	1622
	Autumn	1496
	Winter	1430
1995	Spring	1441
	Summer	1410
	Autumn	1320
	Winter	1284
1996	Spring	1302
	Summer	1242
	Autumn	1170
	Winter	1124
1997	Spring	1076

Source: Labour Force Survey, 1977-1997 (not seasonally adjusted); EPI Employment Audit (various issues)

Table 6: Percentage Probability of Movement to and from Different Employment States

Year	Employed			Unemployed			Inactive		
	From Employed to Unemployed	From Employed to Inactive	Total Outflow Rate	From Unemployed to Employed	From Unemployed to Inactive	Total Outflow Rate	From Inactive to Employed	From Inactive to Unemployed	Total Outflow Rate
ALL									
1977	2.9	3.1	6.0	47.1	8.2	55.3	16.4	5.1	21.5
1979	2.5	3.2	5.7	43.4	13.4	56.8	15.6	4.2	19.8
1981	5.3	3.5	8.8	28.0	9.9	37.9	15.2	7.1	22.3
1983	4.3	4.0	8.3	29.3	13.8	43.1	13.0	5.8	18.8
1984	4.0	3.9	7.9	30.6	15.8	46.4	14.7	6.7	21.4
1985	3.7	3.0	6.7	30.1	17.1	47.2	16.8	7.5	24.3
1986	3.8	3.2	7.0	30.1	18.6	48.7	17.1	7.7	24.8
1987	3.9	3.1	7.0	33.3	16.4	49.7	17.7	7.2	25.6
1988	3.1	2.7	5.8	37.5	16.5	54.0	18.8	6.8	25.6
1989	2.9	2.7	5.6	38.7	16.0	54.7	19.4	6.1	25.5
1990	3.1	2.8	5.9	39.5	15.1	54.6	19.1	6.5	25.6
1991	4.4	4.2	8.6	34.8	15.8	50.6	14.3	6.3	20.6
1992	4.2	5.3	9.5	31.0	21.6	52.6	13.3	4.3	17.6
1993	3.7	5.0	8.7	30.4	21.2	51.6	12.2	4.3	16.5
1994	2.9	5.1	8.0	33.1	20.9	54.0	12.9	4.3	17.2
MEN									
1977	3.0	1.1	4.1	46.5	5.4	51.9	24.9	5.0	29.9
1979	2.5	1.4	3.9	43.8	9.0	52.8	22.3	5.1	27.4
1981	6.0	1.4	7.4	25.7	8.2	33.9	23.3	12.6	35.9
1983	4.8	2.5	7.3	27.4	12.7	41.1	16.4	7.1	23.5
1984	4.2	2.4	6.6	28.8	13.8	42.6	17.0	7.2	24.2
1985	3.9	1.6	5.5	27.4	15.3	42.7	20.4	8.5	28.9
1986	4.1	1.9	6.0	27.4	17.2	44.6	20.5	8.5	29.0
1987	4.2	1.9	6.1	30.5	14.7	45.2	20.2	8.0	28.2
1988	3.2	1.3	4.5	35.0	14.0	49.0	21.6	7.4	29.0
1989	3.0	1.4	4.4	36.1	14.0	50.1	21.6	6.1	27.7
1990	3.3	1.4	4.7	36.0	12.5	48.5	20.7	7.1	27.8
1991	5.2	2.6	7.8	30.6	13.9	44.5	14.2	6.9	21.1
1992	5.3	3.7	9.0	27.8	17.6	54.4	13.4	5.0	18.4
1993	4.7	3.6	8.3	28.0	17.8	45.8	12.0	5.1	17.1
1994	3.6	3.8	7.4	30.8	16.8	47.6	12.1	4.7	16.8
WOMEN									
1977	2.8	6.4	9.2	48.3	14.0	62.3	14.2	5.1	19.3
1979	2.5	6.2	8.7	42.7	21.4	64.1	13.8	3.9	17.7
1981	4.2	6.7	10.9	33.0	13.7	46.7	13.1	5.7	18.8
1983	3.6	6.3	9.9	33.9	16.6	50.5	11.9	5.4	17.3
1984	3.5	6.0	9.5	34.8	20.6	55.4	13.8	6.5	20.3
1985	3.3	5.0	8.3	36.0	20.9	56.9	15.5	7.1	22.6
1986	3.4	4.9	8.3	35.8	21.6	57.4	15.8	7.4	23.2
1987	3.5	4.7	8.2	39.5	20.1	59.6	16.7	6.9	24.3
1988	2.9	4.6	7.5	42.7	21.8	64.5	17.7	6.6	24.6
1989	2.7	4.5	7.2	43.8	20.1	63.9	18.5	6.1	24.7
1990	2.8	4.6	7.4	46.5	20.3	66.8	18.4	6.3	20.4
1991	3.3	6.3	9.6	43.3	19.5	62.8	14.4	6.0	20.4
1992	2.7	7.2	9.9	37.3	29.1	66.4	13.2	4.0	17.2
1993	2.3	6.7	9.0	35.4	28.4	63.8	12.3	3.9	16.2
1994	2.0	6.7	8.7	37.7	29.4	67.1	13.2	4.1	17.3

Source: Labour Force Survey, 1977-1994, Spring quarter; EPI Employment Audit (various issues).

Table 7: Labour Market Status Data for All Persons of Working Age (Thousands)
LFS 1984-1998 (Seasonally Adjusted)

Year	ALL						
	Total in Employment	Employment Rate	ILO Unemployed	ILO Unemployment Rate	Total Economically Inactive	Economic Inactivity Rate	
1984	22904	69.0	3084	11.9	7183	21.7	
1990	25654	75.2	1890	6.9	6551	19.2	
1991	25120	73.5	2321	8.5	6737	19.7	
1992	24461	71.4	2706	10.0	7078	20.7	
1993	24205	70.6	2871	10.6	7218	21.0	
1994	24384	71.0	2686	9.9	7281	21.2	
1995	24634	71.5	2415	8.9	7397	21.5	
1996	24897	72.0	2294	8.5	7375	21.3	
1997*	25961	72.8	2068	7.4	7656	21.5	
1998*	26267	73.4	1788	6.4	7747	21.6	
MEN							
1984	13599	78.2	1840	11.9	1954	11.2	
1990	14745	82.7	1106	7.0	1983	11.1	
1991	14320	80.1	1452	9.2	2099	11.7	
1992	13744	76.8	1812	11.6	2345	13.1	
1993	13497	75.3	1936	12.5	2496	13.9	
1994	13627	75.9	1780	11.6	2557	14.2	
1995	13798	76.6	1569	10.2	2650	14.7	
1996	13890	76.8	1503	9.8	2689	14.9	
1997*	14503	77.7	1318	8.3	2845	15.2	
1998*	14695	78.4	1104	7.0	2945	15.7	
WOMEN							
1984	9305	59.0	1244	11.8	5229	33.1	
1990	10908	67.1	784	6.7	4568	28.1	
1991	10800	66.2	869	7.4	4638	28.4	
1992	10717	65.6	894	7.7	4733	29.0	
1993	10708	65.4	935	8.0	4722	28.9	
1994	10757	65.7	906	7.8	4724	28.8	
1995	10835	66.0	846	7.2	4746	28.9	
1996	11006	66.8	791	6.7	4686	28.4	
1997*	11458	67.3	750	6.1	4811	28.3	
1998*	11573	67.8	684	5.6	4802	28.1	

* UK figures. Other figures are for GB. Source: Labour Force Survey; EPI Employment Audit (various issues).

Table 8: The Changing Composition of All Employment, 1979-1997

	% of All in Employment			
	1979	1984	1990	1997
Full-time employees	76.7	69.7	67.1	65.2
- Full-time permanent	67.4	64.8	61.7	
- Full-time temporary	2.3	2.3	3.5	
Part-time employees	16.1	18.8	19.4	22.2
- Part-time permanent	16.5	17.2	19.2	
- Part-time temporary	2.3	2.2	3.0	
Full-time self-employed	6.5	9.4	11.3	9.9
Part-time self-employed	0.7	1.9	2.1	2.6

Note: Excluding those on Government schemes and unpaid family workers.

Source: Labour Force Survey, Spring; EPI Employment Audit (various issues).

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