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## Comparing Long-Term Unemployment, Secondary Labor Markets and Household Incomes

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**Comparing Long-Term Unemployment,  
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**Pekka Kosonen  
Pasi Moisio**

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# Comparing Long-term Unemployment, Secondary Labour Markets and Household Incomes

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## 1. INTRODUCTION

In recent studies and discussions on poverty and social exclusion, a specific, rather small group of 'deprived' or 'excluded' people has been detected. In the Anglo-American context, the group is often referred to as an 'underclass', and not only unemployment but also low-paid work is seen as a background to the phenomenon. However, it is far from self-evident that the unemployed (in particular, the long-term unemployed) and low-paid or part-time workers form a new class of their own. In our analysis, these two groups and their characteristics are examined.

Unemployment is seen as the most serious social and economical problem in Western Europe. Especially long-term unemployment is considered as the main source of poverty, deprivation and social exclusion. One of the most popular explanations to Europe's high unemployment and long-term unemployment rates is that governments and labour unions don't let the 'natural' price mechanism to exist in labour markets by establishing common minimum wage standards and other restrictions for use of labour. (See Burda 1997.) Many governments have tried to improve flexibility in labour markets in the hope of new jobs and a better competitive position in global markets. With the notion of flexibility, both numerical and functional flexibility has been referred to (Kosonen 1995). Since flexibility in wages and working-time has been emphasised in many countries, we will concentrate on these aspects only, in this paper (but functional flexibility will be studied later on). In practice this kind of flexibility has offered new opportunities for employers to hire labour at lower wages or otherwise with weaker work contracts (see Employment Outlook 1996).

The questionable side of this type of flexibility is that it increases precariousness in labour markets, and, it is argued, may create a new social class called 'working poor' (see Martin and Schumann 1997). The concept of working poor refers to people who work full time but whose wages are so low that it is not enough for normal minimum life expenditure (see Economic Outlook 1998). At the same time, precarious and part-time work tends to decrease wage earners' incomes and their ability for example family planning. These kind of social phenomena are thought to be dangerous to the work ethic on which the welfare state is based. Working poor and precariousness of labour markets may be more threatening to the social order than long-term unemployment. If honest work does not pay and create base for life, because only jobs reachable are low paid and/or precarious, the only stratum away from poverty and meaningless are crimes and extreme movements. (Bauman 1998.)

The notion of social exclusion, in contrast to the notion of poverty, is argued to be multidimensional. The problem is not seen only in relative income levels, but also in other dimensions of disadvantage. Moreover, it is emphasised that social exclusion is a dynamic concept, referring to a process rather than to a static outcome of various disadvantages. However, the distinction between the notions of poverty and social exclusion seems not to be that clear-cut. In fact, the poverty research has in many cases adopted a multidimensional approach,

including also the idea of a dynamic process. On the other hand, relative income poverty is often measured in one time-point only, but that may hold true also with studies on social deprivation, and social exclusion.

One problem pointed out by Brian Nolan and Chris Whelan (1999) is that in many uses of the notion social exclusion sight is lost of the profound structural changes that contribute to its emergence, and the emphasis is placed on the personal failings of individuals, households and communities. In their own study, the basic result and argument is that the emergence of cumulative advantaged groups can be understood only when it is located in the context of wider social and economic changes. In the Irish case, the search for an isolated 'underclass' proved to be less fruitful than a concentration on large-scale processes of social change providing the context for changing class relationships. In fact, class backgrounds may still be relevant in producing poverty and social exclusion.

In studying income distribution, poverty and social exclusion, it is important to include the characteristics of employment policies and welfare systems in a country to the analysis. Countries differ to a great extent in labour market policies, that is in questions on pay agreements and activation measures. On the other hand, large-scale and universal welfare programmes prove to be much more effective in preventing relative income poverty than very selective and targeted programmes. (On comparisons, see e.g. Atkinson 1995; Esping-Andersen 1999.) Thus, employment policies and welfare arrangements, and their scope and outcomes, are an integral part of social exclusion research.

In our study, we don't try to measure the number of the socially excluded as such— and it is uncertain how this could be done. What, instead, is our purpose, is to compare the groups of the unemployed, low-paid workers and precarious/part-time workers; and then their families' disposable incomes. In this phase of the study, we have comparable data from three countries, i.e. Finland, Germany and the United Kingdom.

## 2. UNEMPLOYMENT AND PRECARIOUS LABOUR MARKETS: BACKGROUND

There are some indications that employment policies and welfare systems are converging (at least in the EU area), but essential differences still prevail between the countries and regions. Finland is in many studies connected to the Nordic/Scandinavian group, with universal welfare arrangements and active labour market policies. Germany, in turn, is the representative of Continental/Conservative welfare states, with a relatively high level of social security, closely tied to one's labour market position and family status. Britain, especially since the early 1980s, has been termed as a Liberal welfare system, implying market-oriented arrangements and a tendency to increasing income differentials, and poverty rates (Esping-Andersen 1999; Clark & Pereira 1999). These characterizations can be questioned (there is a wide and critical debate on the so-called welfare regimes going on), but some basic differences seem to exist between the three countries. (See also Kosonen 1994.)

As a background, comparative statistics on unemployment and precarious/part-time work is given on Finland, the UK and Germany (Table 1). There is information on unemployment rates, and in addition, on the share of long-term unemployment of the unemployed. The long-term unemployed can be expected to have poverty and exclusion problems. Secondary labour markets are characterized by data on low-paid employment, part-time employment and temporary employment. Since part-time employment is not necessarily associated with any social problems (it may be a good thing for many workers), some information is given on involuntary part-time employment, which may be interpreted to signal labour market problems.

Unemployment rates were highest in the UK in the 1980s, but have decreased after that, while an opposite 'development' has happened in Germany and Finland. The share of long-term unemployment was high in the UK, and in Germany, already in the 1980s. In Finland, this share remained rather low, reflecting the favourable labour market situation (rather low overall unemployment rates), and the effort to prevent long-term unemployment by active labour market policy measures.

This rosy picture was to disappear in Finland in the first half of the 1990s. A very deep economic recession hit the country, and the real GDP level was reduced by some 12-13 percent within three successive years. Unemployment rates started to increase rapidly to a record level, and are still relatively high although decreasing. During this process, a new phenomenon of large long-term unemployment was experienced. Thus, long-term unemployment rates were more similar in the three countries in the mid-1990s than in the 1980s. In the late 1990s, the share of long-term unemployed has increased to high levels in Germany, while it has decreased in Britain and Finland.

**Table 1. Comparative labour statistics**

<b>Unemployment rate</b>			
	FINLAND	UK	GERMANY
1983-93	6,9	9,2	7,5
1994	18,4	9,2	9,6
1998	11,4	6,2	11,2

**Long-term Unemployment (12 months and over)**

	FINLAND	UK	GERMANY
1983	19,2	45,2	41,6
1994	32,3	45,4	43,9
1998	27,5	33,1	52,2

**Low-paid Employment from Total Employment**

	FINLAND	UK	GERMANY
1994	5,9	19,6	13,3

**Part-time Employment from Total Employment**

	FINLAND	UK	GERMANY
1983	8,5	12,6	19,4
1994	8,5	15,8	23,8
1998	9,7	16,6	23,0

**Involuntary Part-time Employment**

	FINLAND	UK	GERMANY
1997	37,6	12,2	13,3

**Temporary Employment from Employment**

	FINLAND	UK	GERMANY
1983	11,3	5,5	10,0
1994	13,5	6,5	10,3
1997			
Full-time:			
Men	13	5	11
Women	16	6	15
Part-time:			
Men	45	25	24
Women	35	11	7

Source: OECD 1996 and 1999

Notes:

1. Low pay is defined as less than two-thirds of median earnings for all full-time workers. The data refer to full-time employees only.
2. Share of involuntary part-time employment in total part-time employment. Self-employed excluded.
3. Part-time employees are those declaring that they usually work less than 30 hours in their main job.
4. Temporary employees are those employees who know the date when their work contract expires.

The indicators on secondary labour markets show clear differences. Low-paid employment in the 1990s has been highest in the UK and also relatively high in Germany, whereas the Finnish share still is low. Also, part-time employment rates differ, Germany having the largest share in this respect; this might be connected to the 'Conservative' welfare model. In Finland, full-time work is the normal model. A certain part of the part-time workers would prefer a full-time work (involuntary part-timers), and this share seems to be largest in Finland, reflecting the culture or norm of full-time work in the country.

Temporary employment has been usual in Finland and in Germany, not so much in Britain. In 1997, this group has been divided into full-timers and part-timers. In Finland, especially temporary part-time work has been extended during and after the early 1990s recession, and this tendency prevails also in Britain and Germany. It must be noticed, however, that the latest figures are not directly comparable with the earlier ones.

What could then be expected on the basis of these background figures? Long-term unemployment is a problem in all three countries, and this may cause social problems. Secondary labour markets seem to be large in Germany and Britain, but not so much in Finland. This kind of labour market position is often associated with poverty or low incomes. However, disposable household incomes are affected by many other factors, e.g. how many in the household participate in paid employment. Household income levels depend also to a great extent on welfare policies, such as income transfers and tax levels. It is therefore possible that a Nordic/Scandinavian type of welfare state like the Finnish is more effective in preventing income poverty than the Liberal welfare state in Britain; Germany falling somewhere in-between. (In comparisons on poverty rates and income inequality, Finland has clearly lower rates than the other two countries; see Burniaux et al. 1998). These questions will be analyzed in section 5 below.

### 3. RESEARCH QUESTIONS, DATA AND METHODS

This study will try to give an answer to the two questions: are long-term unemployed and people who work in secondary labour market different and is working in the secondary labour markets associated with poverty. We will try to give answer to these questions by (1) estimating what kind of people are in risk for long-term unemployment, precarious/part-time or low-paid work, and (2) by comparing these groups both at national and cross-national level. We will also (3) compare the household disposable incomes to find out what kind of association it have to the long-term unemployment and to work in the secondary labour markets.

If different kind of people are in risk to be long-term unemployed than precarious/part-time or low-paid workers, then we can interpret that people who are in these jobs are different at some important qualities in labour markets than those who are long-term unemployed.

Households disposable incomes are used to indicate the financial situation of the respondents household. This way we can indirectly test the hypothesis about working poor. In practise we will scrutinise how that that one (or more) person in the household work in the secondary labour market associate with the households disposable income.

We will also consider the recent literature on long-term unemployment, precarious labour markets and the class of working poor to support our statistical analysis. Results from statistical analysis will be interpreted in the context of social and employment policies and cultural characteristics of each country.

The research base on micro data from the Luxembourg Income Study database. Contents of LIS database is derived from surveys of household or administrative records from the specified country. For the analysis we have choose year 1995 household surveys from Finland and United Kingdom and year 1994 survey from Germany.

Statistical analysis will be done by cross-tabulations, general linear models (GLM) and logistic regression models (See Hosmer & Lemeshow 1989, McCullagh & Nelder 1989). Logistic regression model is statistical technique which can be used to predict a binary dependent variable from a set of independent variables. The coding scheme used here (indicator) for categorical independent variables tells you how many time bigger or smaller is the risk (odd's ratio) in this category (e.g. men) to belong for example to the employed than in reference category (women). The GLM provides both analysis of variance and regression analysis for one continued dependent variable. All three countries have their own models because some of the demographic variables in the LIS database are not standardised between countries (etc. education). All test are two-tailed and because of large N, significance level is set to be 0,01.

## 4. LABOUR MARKET STATUS AND DEMOGRAPHIC ATTRIBUTES

### 4.1 The labour market status variable

As demographic variables in the study are age, sex, education level, status in the household and geographic location. Respondents education level was coded as five level scale in every country from education in years (Finland), from age when finish school (UK) and from categories of degrees and type of education (Germany). Age was also categorised as five level scale because risk for e.g. unemployment is different in different age groups. Respondents' status in the household is coded from marital status and from respondents' relationship to the head of the household. All respondents who live in the household were they relative (usually father or mother) were head of the household, is coded as living with their parents. Geographic location variable is in Finland coded as urban/non urban and in UK as five scale according to the population density. (Although, London is coded as own category) In Germany geographic location was coded according states, so it did not serve our interest on differences between urban and rural areas. Big defect is that immigration status was not reported in Finland or in UK, so this information could not been used in the analyses.

A new string variable was created to indicate 15-64 year old respondent's situation (or lack of it) in the labour market. Categories of this variable are: 1) unemployed more than a year, 2) unemployed less than a year, 3) full-time worker and wage in upper 80%, 4) full-time worker and wage in lower 20%, 5) part-time or precarious worker, 6) self-employed or employer and 7) unoccupied (Table 2).

In Finland 17 459, in the UK 9 862 and in Germany 10 552 respondents were included in the group of working aged. Source of error in this created occupational status variable is that some original variables in LIS database (labour force status and type of worker) were not standardised between countries. So using same (Finnish) criteria for every country in categorising has a result of missing values in UK (N=471) and Germany (N=467).

In Finland there are highest percentages of unoccupied persons among working aged, 29,4%. In the United Kingdom this ratio is little smaller, 28,6% and in Germany there is lowest ratio of unoccupied persons, 25,5%. There are no big differences in long-term unemployment ratios between countries: the ratio is in Finland 4,3%, in the UK 4,0% and in Germany 3,2%. In the contrary, unemployment less than a year ratios have clear differences between the countries: only 2,3% of working aged have been unemployed less than a year in UK, but the same ratio in Finland is 12,3% and in Germany 9,3%. The percentages of full-time workers whose wages are in the upper 80% is higher in the UK (33,5%) and in Germany (33,3%) than in Finland (28,0%). Naturally, the ratios of full-time workers whose wages are in the lower 20% follow the ratios of other full-time workers. Other kind of work than full-time is much more common in the UK (15,2%) and in Germany (16,2%) than in Finland (4,7%). However, self-employing is more common in Finland (14,3%) than in the UK (8,3%) or in

Germany (4,7%). This can be explained by the large numbers of Finnish small farmers.

**Table 2. Working aged respondent's occupational status**

<b>Occupational status</b>	<b>FINLAND % N</b>	<b>UK % N</b>	<b>GERMANY % N</b>
Unemployed: Less than a year	12.3	2.3	9.3
Unemployed: More than a year	4.3	4.0	3.2
Full-time worker, Wage in the lower 20%	7.0	8.2	7.8
Full-time worker, Wage in the upper 80%	28.0	33.5	33.3
Part-time or Precarious worker	4.7	15.2	16.5
Self-employed or Employer	14.3	8.3	4.7
Unoccupied	29.4	28.6	25.5
<b>TOTAL N</b>	<b>100 17 459</b>	<b>100 9 862</b>	<b>100 10 552</b>

Source: LIS

## 4.2 Comparing demographic attributes of the Finnish occupational groups

For the further analyses we exclude the unoccupied persons and code four new dependent variables based on the occupational status. A dichotomous long-term unemployed variable is coded as follows: those who are unemployed more than a year in the occupational status variable are coded as long-term unemployed, whereas the rest of the labour force are coded as others. Less than a year as a unemployed, low-paid and precarious/part-time worker variables are created in the same way. The cases of Finland, the UK and Germany will be discussed in separate sections, followed by a comparative analysis.

We begin the scrutiny by cross-tabulating long-term unemployment, less than a year unemployment, low-paid and precarious/part time working by demographic variables in Finland (Table 3). The percentage distributions give us the

same kind of information as OECD statistics, with small differences. The main findings can be summarized as follows.

In the group of *long-term unemployed*, the figures show that

- \* Sex differences are relatively small; differences are more pronounced among other unemployed (more often women)
- Urban/rural distinction is also of less importance. However, a more disaggregated division would reveal areas of high unemployment
- Age is a decisive factor, and the 55+ group has the highest risk. Also, young job-seekers have had troubles in this respect. This is also reflected in the factor 'status in the household': those living with their parents face this risk.
- \* Finally, the length of education is an important factor, especially so in total unemployment, but also in long-term unemployment.

In the group(s) of *low-paid full-time workers and precarious or part-time workers*,

- No clear differences with regard to the status in the household, although Precarious or part-time work is general among those living with their Parents
- \* Age: precarious/part-time work is known among the youngs, whereas low-paid workers can be found also among the middle-aged
- With the length of education, the results differ. Low-paid workers tend to have a low educational level, but this does not hold true with precarious or part-time workers
- Sex is the most important single factor: women dominate in both of these groups

Now we move to examine these differences more closely by standardising other factors. We switch the perspective from percentages to risk: we analyse long-term unemployment and other dependent variables as a condition, which every person has a certain risk to belong to. We run four logistic regression models (Table 4). The dependent variables in these models are: belonging to the long-term the unemployed, belonging to the unemployed less than a year, belonging to the low-paid workers and belonging to the precarious/part-time workers.

The preliminary results from cross-tabulations do not change very much in these logistic regression models. Observing the odd's ratios we can see that men are in much smaller risk to be a low-paid worker ( $\text{Exp}(B) = 0,26$ ) or precarious/part-time worker ( $\text{Exp}(B) = 0,34$ ) than women. The less-educated are in higher risk for both long-term unemployment and, especially, low-paid work. An interesting result is that the less-educated are in smaller risk to be precarious/part-time workers than higher educated. People living with their parents have 2,27 time bigger odd's ratio to be long-term unemployed than alone living singles. The only different result, compared to cross-tabulations, is that after

standardising other factors, youth is not a risk factor for long-term unemployment, but it is for low-paid and precarious/part-time work.

**Table 3. Percentages by demographic variables FINLAND 1995**

	<b>Long-term unemployed</b>	<b>Unemployed less a year</b>	<b>Low paid worker</b>	<b>Precarious or part-time</b>	<b>Total labour force</b>
	%	%	%	%	% (N)
<b>Total</b>	6.0	17,4	9,9	6,7	100,0 (12 368)
<b>Sex</b>					
Female	5.4	19,0	15,2	9.9	100,0 (5827)
Male	6.6	15,9	5,1	3.8	100,0 (6541)
<b>Age</b>					
15 - 24	8.0	49,3	10,7	17,0	100,0 (852)
25 - 34	4.7	22,3	12,2	9,9	100,0 (2709)
35 - 44	4.7	14,8	10,4	4,3	100,0 (3834)
45 - 54	5.0	11,7	8,5	4,2	100,0 (3681)
55 >	14.6	10,0	6,9	7,5	100,0 (1292)
<b>Education in years</b>					
< 9	10.7	17,3	11,6	5,0	100,0 (3573)
10 - 11	6.0	19,9	12,9	4,7	100,0 (3871)
12	3.8	18,8	10,5	10,4	100,0 (2651)
13 - 15	1.8	15,7	2,0	8,9	100,0 (1285)
Over 16	1.0	6,4	0,5	7,8	100,0 (988)
<b>Status in the household</b>					
Head or spouse	4.7	13,0	9,0	5.9	100,0 (8159)
Living with parents	13.3	43,9	9,2	11,7	100,0 (774)
Single	7.4	22,0	11,9	7,6	100,0 (3343)
<b>Geographic location</b>					
Urban	6.4	17,1	9,5	7,5	100,0 (7448)
Other	5.5	17,8	10,5	5,4	100,0 (4920)

**Table 4. Logistic regression: FINLAND 1995**

	TOTAL N	Long-term unemployed Exp(B)	Unemployed less a year Exp(B)	Low-paid worker Exp(B)	Precarious or part-time Exp(B)
<b>Sex</b>					
Male	6484	ns.	,67	.26	,34
Female	5757	1	1	1	1
<b>Age</b>					
15 - 24	851	.22	6,15	1.79	2,47
25 - 34	2698	.28	2,68	2.58	ns.
35 - 44	3818	.33	1,65	1.80	0,49
45 - 54	3645	.33	Ns.	1.36	0,48
55 >	1229	1	1	1	1
<b>Education in years</b>					
< 9	3494	9.82	3,12	33.52	0,64
10 - 11	3837	6.62	3,21	32.10	0,57
12	2645	3.62	2,28	20.12	ns.
13 - 15	1280	ns.	2,53	3.45	ns.
Over 16	985	1	1	1	1
<b>Status in the household</b>					
Head or spouse	8132	0.51	,76	0.79	ns.
Living with parents	772	2.27	1,65	ns.	ns.
Single and head	3337	1	1	1	1
<b>Geographic location</b>					
Urban	7394	1.39	Ns.	ns.	ns.
Non-urban	4847	1	1	1	1

ns. =nonsignificant, p-value>0.01

We can conclude that in Finland those who are in biggest risk to be long-term unemployed are not the same as those who are in risk to be low-paid or precarious/part time worker. Women and young people have a high risk to be in secondary labour market but men and more than 55 years old are in high risk for long-term unemployment.

### 4.3 Comparing demographic attributes of the British occupational groups

The ratios of long-term unemployment, low-paid and part-time/precarious work in the labour force in the UK are shown in the table 5. The most important characteristics, based on this cross-tabulation, are as follows.

*Among the long-term unemployed,*

- Men and women don't have very different ratios, although the ratio is Somewhat larger for men
- According to educational level, the less-educated belong more often to the Long-term unemployed, but again, the difference is quite modest; and In addition, neither is geographic location the most important factor
- In different age groups, the young job-seekers (15-24 old) seem to Experience unemployment problems, whereas the share of the oldest Age group is not especially high
- Also, singles and those living with their parents face problems

In the group(s) of *low-paid full-time workers and precarious or part-time workers*, in turn, some attributes are more important than others. What is interesting, there are significant differences by all variables used in the comparison (except, perhaps, geographic location):

- Sex: precarious or part-time workers are more usually women – in fact, More than a third of all women in the labour market belong to this groups. This implies that these jobs are not any more 'atypical work' in Britain. Moreover, low-paid full-time workers tend to be women, too.
- Age: the youngest age group dominates, in particular among low-paid Workers (55+ old belong also often to these groups). Hence, persons Living with their parents have also a high percentage
- Education: the less-educated seem to be over represented in both Low-paid work and precarious/part-time work

The next question is: do these associations hold after we have standardised the effect of the other demographic variables? We run again logistic regression models for belonging to the long-term unemployed, belonging to the unemployed less than a year, belonging to the low-paid workers and belonging to the precarious/part-time workers. We can see that associations found in the cross-tabulations have to some degree changed after standardisation (Table 6).

Men have a higher risk to be long-term unemployed ( $\text{Exp(B)} = 1,52$ ) but a substantially smaller risk to be low-paid worker ( $\text{Exp(B)} = 0,31$ ) or precarious/part-time worker ( $\text{Exp(B)} = 0,18$ ) than women. Young people have a little bit higher risk to be in the secondary labour market than others, but they are not in the risk to be long-term unemployed. Education decreases the risk to be unem-

ployed and risk to be in secondary labour markets. Singles have the highest risk for long-term unemployment and those who live with their parents are in the risk for low-paid work. Living in the countryside increases the risk to be low-paid worker and decreases the risk to be long-term unemployed.

**Table 5. Percentage by demographic variables UNITED KINGDOM 1995**

	<b>Long-term unemployed</b>	<b>Unemployed less a year</b>	<b>Low paid worker</b>	<b>Precarious or part-time</b>	<b>Total labour force</b>
	%	%	%	%	% (N)
<b>Total</b>	5.9	3,3	11,5	21,3	<b>100,0 (7171)</b>
<b>Sex</b>					
Female	5.0	3,5	15,0	34,4	100,0 (3345)
Male	6.7	3,0	7,4	9,7	100,0 (3826)
<b>Age</b>					
15 - 24	10.2	8,1	30,0	36,8	100,0 (1001)
25 - 34	6.4	3,3	9,4	17,6	100,0 (1945)
35 - 44	4.8	2,0	8,8	18,2	100,0 (1817)
45 - 54	3.6	2,2	9,6	18,2	100,0 (1568)
55 >	6.1	1,7	12,1	24,3	100,0 (840)
<b>Age when finish school</b>					
15 or under	7.5	3,2	12,3	29,8	100,0 (1997)
16	6.4	4,2	14,1	18,4	100,0 (2419)
17 - 18	4.6	2,5	12,2	18,9	100,0 (1459)
19 - 22	3.8	2,7	5,5	18,5	100,0 (975)
23 or over	4.7	0,9	2,8	11,1	100,0 (321)
<b>Status in the household</b>					
Head or spouse	3.8	2,4	10,2	19,3	100,0 (5085)
Living with parents	11.4	6,6	20,3	33,4	100,0 (1012)
Single	10.6	3,9	9,4	19,0	100,0 (1074)
<b>Geographic location</b>					
Greater London	7.6	3,4	5,3	19,7	100,0 (740)
Met dist & cen clyde	7.8	4,3	13,7	21,0	100,0 (1470)
Non-met - 3.2+ pers	5.4	3,4	11,4	24,3	100,0 (1492)
Non-met - 0.9 to 3.2	5.0	3,1	11,2	20,9	100,0 (1682)
Non-met - <0.9 pers	4.9	2,3	12,9	20,0	100,0 (1787)

**Table 6. Logistic regression: UNITED KINGDOM 1995**

	TOTAL N	Long-term unemployed Exp(B)	Unemployed less a year Exp(B)	Low-paid worker Exp(B)	Precarious or part-time Exp(B)
<b>Sex</b>					
Male	3744	1.52	ns.	.31	.18
Female	3300	1	1	1	1
<b>Age</b>					
15 - 24	1001	ns.	4,92	1.75	1,85
25 - 34	1945	ns.	2,12	ns.	ns.
35 - 44	1817	ns.	ns.	0.74	ns.
45 - 54	1568	ns.	ns.	ns.	.68
55 >	713	1	1	1	1
<b>Age when finish school</b>					
15 or under	1910	1.92	3,46	3.01	2,98
16 years	2408	ns.	3,99	3.98	ns.
17 to 18 years	1442	ns.	ns.	3.01	ns.
19 to 22 years	968	ns.	ns.	ns.	ns.
23 years or later	316	1	1	1	1
<b>Status in the household</b>					
Head or spouse	4997	0.30	0,53	ns.	1,29
Living with parents	1009	ns.	ns.	1.71	1,81
Single	1038	1	1	1	1
<b>Geographic location</b>					
Greater London	725	1.61	ns.	.35	ns.
Met dist & cen clyde	1451	1.53	1,74	ns.	ns.
Non-met - 3.2+ pers	1468	ns.	ns.	ns.	1,32
Non-met - 0.9 to 3.2	1652	ns.	ns.	ns.	ns.
Non-met - u\0.9 pers	1748	1	1	1	1

ns. = nonsignificant, p-value>0.01

Thus, in Britain the risk to be either long-term unemployed or working in the secondary labour market is different in different social groups. Women, young, singles and urban are in risk to be full-time but low-paid workers. The risk factors for precarious/part-time work is almost the same as with the low-paid work except that geographic location doesn't matter and people living in relationship are in bigger risk than singles. Men and those who live with their parents or in the metropolitan area are in risk to be long-term unemployed. Natu-

rally living with your parents can be a consequence from long-term unemployment, so a causal interpretation cannot be made.

#### 4.4 Comparing demographic attributes of the German occupational groups

The percentages of dependent variables in the German case (labour force) are presented in Table 7. This is the same kind of cross-tabulation as in Tables 5 and 6 on Finland and Britain, with the exception that geographic location could not be added to the comparison due to the lack of data. A summary of main findings can be condensed as follows.

In the group of *long-term unemployed*, the main features are:

- Female/male distinction has some relevance, so that women have higher Percentages than men
- For some reason, persons coded as 'single and head' are found in this Group more often than other persons. This should be clarified further
- Educational level is important, and not surprisingly, the less-educated Seem to face unemployment problems (both long-term and short-term)
- Differences are big in various age groups, and as in the Finnish case, The oldest group dominates – however, relatively few young job-seekers Are counted as long-term unemployed (but often short-term)

*Low-paid full-time workers and precarious or part-time workers*, tend to have the following demographic characteristics:

- According to age groups: precarious and part-time workers are very often Young (15-24 years), and this may explain that they are also living with Their parents. However, age differences are small among low-paid workers
- Education seems not to be a very decisive factor; low-paid workers are Somewhat less educated, but it is interesting to notice that precarious or Part-time work is usual also among highly educated
- Finally, sex is very important; especially among precarious or part-time workers, women form a clear majority

Let's now scrutinise what happened to these associations after we standardised the effects of other factors by using logistic regression models (Table 8). Dependent variables are the same as before and independent variables are same as the demographic variables in Table 6. From the estimated odd's ratios we can see that standardising does not change significantly those preliminary results what we had from the cross-tabulations, although some new results can be detected. Women, older and less-educated people are in risk to be long-term unemployed; whereas women, less-educated and young people are in risk to be unemployed less than a year. Women and less educated are in risk to be low-

paid workers. Finally, women, young and others than singles living alone are in highest risk to be precarious or part-time worker.

**Table 7. Percentages by demographic variables GERMANY 1994**

	Long-term unemployed	Unemployed less a year	Low paid worker	Precarious or part-time	Total labour force
	%	%	%	%	% (N)
<b>Total</b>	4.2	12.4	10.4	22.0	100,0 (7881)
<b>Sex</b>					
Female	5.4	14.3	12.5	35.1	100,0 (3475)
Male	3.3	10.9	8.8	11.7	100,0 (4406)
<b>Age</b>					
15 - 24	1.5	17.8	12.0	52.9	100,0 (972)
25 - 34	3.2	13.6	11.0	19.3	100,0 (2330)
35 - 44	3.3	11.4	9.6	18.5	100,0 (2063)
45 - 54	5.0	9.2	10.9	15.7	100,0 (1611)
55 >	10.7	11.6	8.4	15.2	100,0 (905)
<b>Education level</b>					
No degree	7.7	14.6	11.4	24.2	100,0 (533)
Degree	7.9	14.3	8.6	16.2	100,0 (755)
Secondary School	4.1	13.2	12.1	22.4	100,0 (5174)
Tech./High School	1.8	9.5	6.1	35.4	100,0 (557)
College	1.3	6.7	4.4	15.2	100,0 (862)
<b>Status in the household</b>					
Head or spouse	4.1	11.7	10.5	18.4	100,0 (5791)
Living with parents	2.4	14.5	11.6	44.6	100,0 (1100)
Single	7.0	14.3	8.4	17.9	100,0 (987)

So, in Germany men are in much smaller risk to be long-term unemployed (Exp(B)=0,59), unemployed (Exp(B)=0,76), full-time and low-paid worker (Exp(B)=0,69) or precarious/part-time worker (Exp(B)=0,24) than women. This result is different than in the Finnish and British cases, where men are in higher risk for unemployment. In Germany the only difference between long-term unemployed and workers of secondary labour market were found in age: 55 years and older are in high risk for long-term unemployment, but young people are in risk to be precarious or part-time worker. There were also differences between situation in the household, but this variable is not very reliable for causal interpretation.

**Table 8. Logistic regression: GERMANY 1994**

	TOTAL N	Long-term unemployed Exp(B)	Unemployed less a year Exp(B)	Low-paid worker Exp(B)	Precarious or part-time Exp(B)
<b>Sex</b>					
Male	4405	.59	.76	.69	.24
Female	3473	1	1	1	1
<b>Age</b>					
15 - 24	971	.11	1.82	ns.	3.65
25 - 34	2329	.28	ns.	ns.	ns.
35 - 44	2063	.30	ns.	ns.	ns.
45 - 54	1610	.44	ns.	ns.	ns.
55 >	905	1	1	1	1
<b>Education level</b>					
No degree	533	6.51	2.10	2.60	ns.
Degree	755	6.44	2.35	1.99	ns.
Secondary School	5171	3.40	1.88	2.75	ns.
Tech./High School	557	ns.	ns.	ns.	1.76
College	862	1	1	1	1
<b>Status in the household</b>					
Head or spouse	5791	.54	ns.	ns.	1.38
Living with parents	1100	ns.	ns.	ns.	2.82
Single	987	1	1	1	1

ns. = nonsignificant, p-value>0.01

#### 4.5 Conclusion of comparative statistical analyses

Our interpretations are based on the logic that if the amount of low-paid and precarious/part-time jobs increase and other factors in the society remain the same, then those who are already in highest risk for these kind of work will fill these jobs first. In Finland and in Britain those who are in highest risk to be low-paid or precarious/part-time worker are not the same as those who are in highest risk to be long-term unemployed. In Germany these differences were not so clear than in Finland and UK, but even in Germany old age is a risk factor for long-term unemployment and youth is a risk factor for being in secondary labour market. In this light, the possible increase of the numerical flexibility in labour markets in Finland does not ease the problem of long-term unemployment because this way created jobs are more likely to be occupied by women and young people: older and male long-term unemployed do not proba-

bly fill these jobs. In Britain women and young are also in risk to be low-paid and precarious/part-time workers and possible new jobs in secondary labour market will probably be filled by them. This won't help the urban long-term unemployed men in Britain. And in Germany possible new precarious/part-time jobs are probably not going to employ over 55 year old long-term unemployed, because these jobs employ more likely young people.

If we summarise the biggest risk factors among labour force for unemployment and work in secondary labour market, they give a typology which is shown in the table 9:

**Table 9. Socio-demographic risk profiles**

<b>Risk for:</b>	<b>FINLAND</b>	<b>UK</b>	<b>GERMANY</b>
<b>Long-term Unemployed</b>	- Over 55 year old Less educated LWP* Urban	Men - Less educated Single Urban	Women over 55 year old Less educated Single **
<b>Unemployed less than a year</b>	Women 15-34 year old Less educated LWP* -	- 15-34 year old Less educated Single -	Women - Less educated - **
<b>Low-paid Worker</b>	Women 15-34 year old Less educated Single -	Women - Less educated LWP* Rural	Women - Less educated - **
<b>Precarious or Part-time Worker</b>	Women 15-24 year old Higher educated - -	Women 15-24 year old Less educated LWP* -	Women 15-24 year old - LWP* **

\* Living with parents or with other relative

\*\* Variable not available

It seems that even the so-called secondary labour markets exclude some part of labour force. Long-term unemployed are excluded from salary work, because even low-paid, part-time and precarious jobs are not likely to employ them. This means that making labour markets more flexible in Finland, in Britain or in Germany doesn't necessarily solve the long-term unemployment problem in these countries.

## 5. LABOUR MARKET STATUS AND HOUSEHOLD INCOME

We have estimated mean disposable income (DPI) of households for every category and ratios of it from average household disposable income. DPI is adjusted here by the number of people in the household using OECD's classification of the consumption unit. In Table 10, we can see that households of the full-time workers whose wages are in upper 80% and self-employed or employers have highest household disposable income in all three countries, although in Finland self-employed respondent's household DPI is not much above the average (106,5%). Full-time and low-paid worker's households DPI are relatively lower in Germany (87,5%) and in UK (87,5%) than in Finland (94,5%). Also other than full-time workers households' income are relatively lower in Germany (95,6%) and in UK (96,9%) than in Finland (101,1%). The household DPI of unemployed respondents differ between countries more than of the employed respondents: in Finland household DPI of the long-term unemployed was 74,5% from the average, in the UK 55,1% and in the Germany 69,2%.

It is likely that respondents and their households are different according to what occupational category respondent belong. Because of this we standardise respondent's sex, age, status in the household and the numbers of adults in the household by using general linear models (GLM). Logarithm of household DPI is the dependent variable and the effects of sex, age, respondent's status in the household and the numbers of adults in the household are standardised from the effect of occupational status. In the last row of the Table 10. we can see parameters  $B$  for each category of the occupational status variable. In these models household DPI is not divided by any consumption unit but a logarithm modification from it was made to met the normal distribution assumption.

Respondent's occupational status has statistically significant association ( $p$ -value  $<0.001$ ) with the DPI in every country even after standardising variables describing household type. Coefficients for parameter  $B$  for long-term unemployed is in Finland (-0,14), in UK (-0,22) and in Germany (-0,17). From these coefficients we can see that if respondent is long-term unemployed, this predicts clearly lower DPI of the household and this is the case in every country. But if respondent is low-paid or part-time/precarious worker, it does not predict low DPI of the household. Especially in Finland and in the UK working in the secondary labour market does not predict low disposable income of the household. However, in Germany full-time and low-paid working is associated with lower household DPI. Adjusted R squared tells that about 39% of the variation in logarithmic household DPI is explained by this model in Finland. In UK coefficient of the adjusted R squared is 0,35 and in Germany 0,40.

**Table 10. Household DPI by working aged respondent's occupational status**

	Long-term Unemployed	Unemployed: Less than a year	Full-time Worker Wage in lower 20%	Full-time Worker: Wage in upper 80%	Part-time or precarious worker	Self-employed or employer	Unoccupied	Total
<b>FINLAND</b>								
DPI (Fmk)	55 005	62 779	69 784	88 093	74 560	78 569	65 889	73 762
DPI %	74,5	85,1	94,6	119,4	101,1	106,5	89,3	100,0
B	-0.14	0.06	0.43	0.19	0.20	0.21	0*	10.97** 0.39***
<b>UK</b>								
DPI (£)	4 949	5 897	7 855	11 456	8 697	14 207	6 520	8 976
DPI %	55,1	65,6	87,5	127,6	96,9	158,3	72,6	100,0
B	-0.22	-0.13	0.61	0.20	0.30	0.70	0*	8.63** 0.35***
<b>GERMANY</b>								
DPI (Dmk)	17 064	19 647	21 579	29 549	23 584	34 986	21 252	24 672
DPI %	69,2	79,6	87,5	119,8	95,6	141,8	86,1	100,0
B	-0.17	0.02	0.08	0.41	0.14	0.53	0*	9.72** 0.40***

\* This parameter is set to zero because it is redundant

\*\* Intercept

\*\*\* Adjusted R squared

The analyses did not give any results that working in the secondary labour market would automatically mean that a person would live in poverty. Although the household disposable income of those who work in the secondary labour market are below average, the differences are not distressing. Instead unemployment and especially long-term unemployment predict low household DPI in every country. So it looks like that families of long-term unemployed persons forms the group living in poverty in the society. Those who have work, even low-paid or precarious/part-time, have their household in better financial situation.

The interesting result is the coefficient of *B* among respondents who are in low-paid work. In Finland and in the UK coefficients of *B* indicate that if the respondent is a low-paid worker (and if effects of sex, age, household size and type is standardised), it predicts very high household DPI. Possible explanation for these 'strange' results can be found in the Tables 4 and 6: we can see that in Finland and in Britain youth is a risk factor for the low-paid work. In many cases these young low-paid workers live with their parents and there are at least three earners in the family and this will shown as high household DPI. Though, more analyses will be needed to examine this association. Maybe adjusting numbers of earners in the family would be a first step.

## 6. SUMMARY AND DISCUSSION

As our starting point, we had two questions: is making labour market more flexible the solution to the long-term unemployment problem and are the secondary labour markets creating a class of working poor in the European Union. According to our results, the answer to the both question is no. These results are based on the statistics from three countries, Finland, United Kingdom and Germany, which represent three different welfare state regimes or models. Of course, these results cannot be generalised to all EU countries.

The risk for long-term unemployment and the risk for working in the secondary labour markets is different among men and women, young and older. In all three countries women and young are in risk for working in the secondary labour market. So possible new jobs in the secondary labour markets will be likely to be occupied by women and young people. But because in the risk for long-term unemployment are over 55 year old (Finland, Germany) and men (UK), so these new flexible jobs will probably not be going to employ them.

Working in the secondary labour market did not predict poverty of the household in any of the three countries. But unemployment and especially long-term unemployment are associated with low disposable income of the household in all three countries. This is more pronounced in Britain and Germany than in Finland, and differences in welfare systems (especially unemployment insurance) probably have an influence on this. So it looks like that long-term unemployed form a very poor social group in the society and work, even precarious, low-paid or part-time, prevent to fall into this group.

Further analyses will be needed to clarify the association between household disposable income and working in the secondary labour market: for example, categorising the household where somebody is working in the secondary labour markets as both (head and spouse) working in the secondary labour markets, spouse or head working in the secondary labour market etc. and scrutinising DPI of the household in these categorises. Also the composition and the nature of the jobs of the secondary labour markets will need more scrutinising.

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