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CHAPTER 8

THE FORMATION OF A NEW UNDERCLASS: TRANSITIONS TO AND FROM UNEMPLOYMENT IN THE NETHERLANDS

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This chapter examines the thesis that high unemployment during the 1980s made for a new underclass in the Netherlands. We begin by touching on the new underclass as a political issue and a sociological concern in the Netherlands during this period. We then examine the questions addressed in this chapter; in doing so we consider the labour market histories of each partner within a couple between 1980 and 1986. The chapter ends with a discussion of the empirical results obtained.

The underclass as a political issue and a sociological concern

'Dutch society is about to break up.' These words were spoken by Joop Den Uyl in the Dutch parliament in the autumn of 1984. The unemployment rate had climbed to 17 per cent, the highest since the end of World War II. The leader of the Social-Democratic opposition continued: 'Ever deeper cleavages are emerging between those who have a job and those who are excluded from the labour process, between those assured of a higher income and those with a falling standard of living, between those with the chance to take part in new technological and economic developments and those for whom the gate to the future seems closed.' Response from members of the Liberal-Christian coalition came swiftly. The Christian-Democrat De Vries held that so long as people form part of intermediary groups such as the family, the church and voluntary organisations, the consequences of individual unemployment remain limited because these associations contribute to societal stability. The Liberal Zoutendijk maintained that the mobility between unemployment and employment, despite the high overall unemployment rate, remained high.

Sociologists were quick to adduce evidence supporting or refuting these statements by politicians, but when the unemployment rate started falling the social consequences of high unemployment aroused little further interest in parliament. However data now available for the whole of the 1980s seemed to confirm Den Uyl's remarks and the press began using the term underclass.

Of course, when the unemployment rate in the Netherlands fell in the second part of the 1980s, the chances of the unemployed finding a job increased. But to what extent? Official unemployment statistics have shown that the chance of the employed losing their jobs fell even more strongly (Ultee, 1986; Ultee *et al.*, 1992). The two effects taken together mean that the mobility between unemployment and employment decreased. Indeed, mobility in 1989, with a 10 per cent unemployment rate, was decidedly lower than in 1984, when unemployment peaked. A hard core of long-term unemployed had formed.

The first studies of the consequences of unemployment on daily life were cautiously optimistic (Becker *et al.*, 1983; Jol & Van Beek, 1986). In the early 1980s membership of voluntary organisations hardly differed between unemployed and employed, car ownership was only somewhat lower for the unemployed, although their chances of an annual holiday were appreciably lower. By the end of the 1980s the position of the unemployed in all three respects had deteriorated in a relative sense: car ownership for the unemployed fell (remaining the same for the employed), their probability of going on holiday remained the same (increasing for the working population), while membership of voluntary organisations decreased (remaining the same for the employed). Whereas the unemployed at the end of the 1980s were less dissatisfied with the functioning of democracy in the Netherlands than they were in the mid-1980s, the dissatisfaction of the employed had decreased further. In fact, in 1980 the income of an unemployed person was rather more than 60 per cent of that of a person with a job, whereas in 1989 it was well under 50 per cent. In addition, unemployment became more and more concentrated among persons with low school achievement.

Further qualitative research among those unemployed for over two years in areas of high unemployment in some of the larger cities of the Netherlands brought to light the extent to which societal norms were breaking down (Engbersen, 1990). Fewer than half were still actively looking for a job. By way of contrast, more than 10 per cent of those included in surveys did casual jobs while drawing welfare benefit or, by their own admission, played the system in order to obtain higher allowances.

One theme that has remained understudied in sociological research on high unemployment in the Netherlands is its concentration within households. In the next section we examine this phenomenon – as well as that of mobility – and seek to answer questions raised.

The problem addressed

Every month Dutch newspapers publish official figures of unemployed persons. More detailed information is compiled by government agencies with a view to implementing specific policies to combat unemployment. It is common practice in the Netherlands to establish the relation between (un)employment and individual attributes. Such cross-sectional data show that high unemployment during the 1980s particularly affected women, low school achievers, and the youngest and oldest groups in the labour force. While focusing on unemployment in the Netherlands in the 1980s, the questions addressed in this chapter differ in two ways from the usual ones.

First, we do not look at the relative frequency of being unemployed or employed, but at the relative frequency of becoming unemployed after holding a job, and of finding a job after being unemployed. There are two arguments for directing questions at labour market transitions.

To begin with, a high and stable gross unemployment rate can accompany substantial individual mobility between employment and unemployment. If mobility is frequent, no underclass develops. While the relevance of questions as to mobility were recognised early on in discussions about high unemployment and the possible emergence of an underclass, these questions remained understudied. Cross-sectional data cannot settle the question of the extent to which consecutive sets of unemployed persons consist of the same individuals, and longitudinal data were in short supply.

Another argument for directing attention to transitions rather than states is that longitudinal data yield insights which cross-sections cannot provide. The process behind the finding that unemployment is less frequent among men seems obvious: women are more often dismissed, and men have less difficulty in job seeking because employers practise (statistical) discrimination against women. Explaining the positive association between education and unemployment, as found in cross-sectional investigations, appears less easy. It is possible that those with higher educational attainment are as likely to face dismissal as those with lower, but it seems that the chances of finding a job are positively related to education. Certainly this is to be expected when discharge is

due to firms and trades going out of business, and when employers prefer highly qualified personnel. But a contrary explanation seems equally plausible. Education may offer a protection against becoming unemployed, yet a higher degree of educational attainment does not necessarily produce a corresponding vacancy. The cross-sectional relation between age and unemployment can be accounted for in yet another way. Existing regulations about sequence of dismissal tend to protect older employees from unemployment. However, given that an older person is unemployed, he or she may have a lower chance of finding another job than someone younger. Such hypotheses about underlying processes, which are relevant to the issue of an emerging underclass, can only be tested by longitudinal research design.

The second way in which our questions diverge from previous ones is that they concern couples, whether partners are married or unmarried, rather than the individual. Mobility is not only a function of age and education but also of a partner's labour market situation. Indeed, the growth of an underclass is inhibited to the extent that an unemployed person's partner is employed. We test hypotheses on partner effect not only to complete earlier explanations of individual transitions, but also to expand on previous research into the question of whether and why unemployment occurs in couples.

Research into couples in the Netherlands has been undertaken using cross-sectional data. The Central Bureau of Statistics (CBS) collects labour force data for households. Analysis of a tabulation crossing the labour market situation of partners from the 1985 CBS Labour Force Survey reveals that a person is more likely to be unemployed when his or her partner is also unemployed (Ultee *et al.*, 1988). This association established, explanations involving matching background characteristics were tested. It is implausible that the decision as to choice of partner is based solely on whether or not one's prospective partner has a job. There is however known to be a strong positive association between the educational attainment of partners in the Netherlands. Since it is also known that education and employment are positively related, an association between the labour market situation of partners is to be expected simply as a by-product of these other relations. Subsequent analysis in fact showed that the actual association between the labour market state of partners is stronger than that predicted with this by-product hypothesis (Ultee *et al.*, 1988). There would seem to be other reasons for unemployment occurring in couples. This issue is pertinent to the larger one of the emergence of an underclass, and it is taken up in this chapter by way of testing for the presence of partner effect. Does the labour market state of the partner influence an individual's labour

market mobility? Are the chances of an unemployed female partner finding a job more dependent upon the labour market state of the male partner than if the reverse is the case?

Hypotheses

Six sets of hypotheses explaining a person's labour market mobility in terms of individual attributes, characteristics of partner and contextual properties, will be used to guide our exploration on the formation of a new underclass.

The first set of hypotheses involves the factors that have been found to be important predictors of labour market transitions in cross-sectional research. The most important variables here are respondent's age and education, and the age of respondent's children. To these, we add a variable for the time a person has been in a labour market state. For instance, we want to examine whether it becomes increasingly difficult for a person to get a job the longer they have been unemployed. The stronger this duration effect, the faster the tendency for an underclass to emerge.

A second set of hypotheses brings in partner characteristics. It posits that partners have a common financial goal, and that this leads to compensating activities. When one partner becomes unemployed, total household income decreases, increasing the probability that the other will find a job, if he or she is unemployed, and increasing the likelihood that the other will keep a job, if he or she is employed. If other conditions remain unchanged, this hypothesis follows from the new home situation (Becker, 1981). This type of partner effect is termed substitution effect. To the extent that substitution occurs, it would curb the development of an underclass. Sexton (1988) searched for evidence of substitution but did not find it. Moreover, according to data from the EC Labour Force Sample Survey, the longer a man is unemployed, the lower the probability that his wife will have a job.

A third set of hypotheses assumes that partners have their own goals and that these are independent. But it predicts a positive association between the labour market state of partners, with partners sharing a similar situation of employment or unemployment, as an effect of shared restrictions. An instance of shared restrictions is the tight or slack state of labour markets. An analysis of cross-sectional couples data for the USA included the unemployment rate for the fifty states making up the Union (Ultee *et al.*, 1988). We add regional unemployment rates to our analysis for the Netherlands. Hypotheses about the restrictions partners share run counter to the thesis of an emerging underclass.

A fourth set invokes not shared restrictions but identical resources. It predicts a positive relation between the labour market state of partners as a by-product of individual resources that were matched in the marriage market and the dependence of labour market position on individual resources. Unemployment comes in couples to the extent that partners are similar in educational attainment, with higher levels of education reducing vulnerability to employment. If this by-product explanation holds, high employment does not add to the formation of an underclass.

A fifth set postulates social rather than individual resources, and more precisely, partner effects resulting from the pooling of resources. According to neo-classical economists, education primarily represents qualifications affecting productivity in the work setting. The by-product explanation rests on this assumption. In contrast, some sociologists hold that education also represents capacities that can be deployed in other settings. An individual may benefit from a partner who is highly qualified for the labour market, because that partner brings in more information on available jobs, is helpful in writing convincing applications, or gives better advice on how to prevent dismissal. When partners support one another in this way, education is not only human capital (Becker, 1964), but also social capital (Bourdieu *et al.*, 1973). A similar argument leads to the prediction that having a partner in employment is itself a social resource. Just being employed brings with it information not available to others. For brevity's sake we call the positive effect of partner's education on an individual's labour market mobility a *cross effect*, and that of partner's labour market state for an individual's mobility a carry-over effect. Both these partner effects indicate the presence of an underclass.

A sixth set of hypotheses maintains that each partner has her or his own goal, but raises (or lowers) it when the other is (un)successful in the labour market. If preferences depend in this way on the labour market position of a partner, it is predicted that an unemployed female is more likely to find a job when her partner has one, and that a working male is less likely to keep a job when his partner is without one. Interdependence of preferences (Kapteyn, 1985) is difficult to distinguish from carry-over effects. But interdependent preferences foster the emergence of an underclass.

Data

The Dutch data used in this chapter were collected in 1985 and 1986 by the Organisation for Strategic Labour Market Research. Every adult

in the households sampled was interviewed unless (s)he was studying, or on military service, or older than sixty. The career of a respondent was mapped starting from January 1980. Individuals were reinterviewed in 1986. To offset panel attrition, new households were added.

We used data on all male/female couples living together, whether officially married or not, so long as the available information satisfied the following conditions:

1. Both partners to be older than 20 and younger than 55. This selection criterion was applied for every month in the period under investigation. It was thus possible that a couple only began to satisfy this condition in course of time, and could also disappear from the sample after a certain period.
2. Information on the education of both partners to be available. This was coded into five categories: the lowest level contains respondents with at most primary education; the second those with certificates in lower vocational or general secondary education; the third category represents those with qualifications in middle vocational or higher secondary education; the fourth stands for persons with higher vocational training; and the fifth for respondents who have completed university courses.
3. To include information about the presence and age of children. The analysis distinguished partners with children up to three years old from among other partners.

These parameters provided 2051 couples. All labour market transitions between January 1980 and January 1986 were mapped for the 4102 individuals involved. Transitions between three states were recorded: employed, unemployed, and not in the labour force (meaning mostly housewife). The exact month was known for each transition.

Techniques of analysis

Our analysis of the determinants of labour market transitions employs event history techniques (Blossfeld *et al.*, 1989). They predict the probability that an event will occur, and estimate effects of predictor variables in regression-like models. The events in our case are mobility from employment to unemployment, from unemployment to employment. Our predictor variables are attributes of the respondents, characteristics of the partner and children, and contextual properties.

Several of our predictor variables are time-dependent covariates: the

values for duration, age, age of children, and partner's labour market state can change over time. This dependency is handled by choosing a discrete time model from the 'family' of event history techniques. Blossfeld *et al.* (1989) refer to the basic idea of discrete time models as episode splitting. This procedure divides the total period into each and every possible separate time unit. In our case, we use the month as the minimum time interval, and we computed the exact value of predictor variables for every month. The advantage of episode splitting is that time-dependent covariates can be included; the disadvantage is that the number of cases increases dramatically. Instead of the initial 2051 couples, we now have 120,000 'month couples', after eliminating episodes where information is missing.

Labour market transitions: male partners

The prime question to be tackled in this section is whether the male partner's transitions between employment and unemployment depend on the labour market state of the female partner, and if so, in what way. Other possible transitions, such as those between employment and 'not being in the labour force' are neglected. We did not have enough male partners making this transition in either direction. Apart from the female partner's labour market state, we include the predictor variables mentioned in earlier sections. Since the young and the old may be disadvantaged on the labour market, we include both a linear and a quadratic age effect. Table 8.1 gives resulting models.

We begin with the transition from employment to unemployment. The OSA data set contains 141 such transitions out of a total of 82,800 couple months in which the male partner was employed at the beginning of a month. The first step in the analysis is to include only the female partner's labour market state as a predictor of the probability of her partner becoming unemployed. It is clear that the chances of a man losing his job are indeed higher when his partner is unemployed than when she is employed.

We then introduced the other variables in the analysis, the effect of this being that, even when other factors are controlled for, the chances of becoming unemployed for men whose partners are unemployed remain higher than for men whose partners are employed. This confirms that there are partner effects, but they are effects that lead to increased similarity of labour market position rather than to one partner entering employment to compensate for the fact that the other is out of work. It is clear also that the higher a man's educational attainment, the

Table 8.1
 Labour market situations of male
 and female partners between 1980 and 1986:
 figures obtained monthly (N = 119,835 notings for 2051 couples
 in which each partner is between 20 and 55 years old)

	Situation of male-partner			
		Employment	Unempl.ment	Out of employment
Situation of female-partner	Employment	44 982 (40,8 %)	1 887 (38,7 %)	1 528 (31,9 %)
	Unempl.ment	4 162 (3,8 %)	379 (7,8 %)	87 (1,8 %)
	Out of employment	61 029 (55,4 %)	2 605 (53,5 %)	3 176 (66,3 %)
		(100 %)	(100 %)	(100 %)

Source: OSA, 1985-1986

less his likelihood of becoming unemployed, whereas his partner's level of attainment has no bearing on this probability. The age effect is not linear; the likelihood of becoming unemployed increases in the case of younger and older male partners, while those between 35 and 40 are least likely to encounter job loss. And in their case, age of children has no effect at all on this likelihood. When the regional unemployment rate is higher so also is the probability of job loss. This effect is not entirely trivial: the brunt of higher unemployment may be borne by women or by male newcomers to the labour market. Finally, the duration effect is unmistakable. The longer a male partner has been employed, the less his likelihood of becoming unemployed.

Next we examine the effect of different factors on the transitions of male partners from unemployment to employment. There were 111 events out of a total of 3601 couple months where the man was unemployed at the beginning of the month. Again one observes an effect of the woman's labour market state. When she is employed, he has a greater chance of finding work than when she is outside the labour force. But this effect disappears after controls are added for other variables. This indicates that the relationship between one partner's labour market status for this transition is a by-product of the similarity between partners in their individual characteristics; whether the woman is in employment or not makes no direct difference to the man's labour

market experience. It should also be noted that there is no hint of a substitution effect, whereby one partner enters employment in order to compensate for the fact that the other does not have a job.

Most of the other variables we examined had little effect on the likelihood of the male partner finding a job when unemployed. But there is a clear duration effect: the longer the man is unemployed, the smaller his chances of finding a job. There is also the anticipated effect of the regional unemployment rate. Remarkably enough, educational attainment does not have a direct impact on the chances of leaving unemployment. It reduces the chances of job loss for male partners, but does not contribute directly to better chances of finding work. Finally, although being middle-aged appears to help a person keep a job, it does not help in finding one.

Labour market transitions: female partners

There are four types of transition between labour market states that occur sufficiently frequently in our data for female partners to permit analysis. First, mobility from employment to unemployment; second, mobility from unemployment to employment; third, transitions from employment to not being in the labour force; and finally, transitions from not being in the labour force to employment.

First we look at the transition from employment to unemployment. The results make it clear at once that a woman's chances of losing her job are also conditioned by her partner's labour market state. The probability that a woman will lose her job is higher when her partner is unemployed. If the data for women are compared with the data for men examined earlier, the effect of a partner's employment status appears to be greater for women than for men. It appears that the presence of young children does not make it more likely that a woman will lose her job. Neither are the chances of job loss affected by higher regional unemployment or by a woman having spent a shorter time in her current job. Nor does a woman's age, her educational attainment and that of her partner produce any effect.

The analysis next turns to the factors that affect a woman's transition from unemployment to employment. The probability of this type of transition depends too on the labour market position of the male partner: she will find a job more readily if he is employed than if he is unemployed. A woman's educational attainment as that of her partner is found to have no effect. In addition, the duration of a current spell of unemployment, the level of regional unemployment and the presence

of small children would not appear to affect the chances of getting a job. Age effect, however, is significant and linear: the likelihood that a woman finds employment decreases the older she gets.

As for the two other transitions: to begin with, the male partner's labour market situation does not affect the move from employment to leaving the labour force. There are indeed hardly any significant effects from any of the factors that have been examined. However the positive effect of the duration of a person's experience of employment is noteworthy: the longer the woman has been working, the greater her chances of moving out of the labour force.

Finally, it appears that the transition from a position out of the labour force to employment is not affected by the labour position of the male partner. In contrast, the woman's educational attainment does have a direct effect here: women with a higher level of educational attainment have greater chances of finding a job than do those with a lower. Women who have been out of the labour force for a shorter time also have greater chances of finding employment. The effect of the age of children is as expected: women with young children who are out of the labour force are less likely to become employed than are those in a similar situation without young children. The regional unemployment rate does not affect the likelihood that people will move from being out of the labour market into employment.

Conclusion

Analysis of the labour market histories for both partners, married or unmarried, in the Netherlands from 1980 to 1986 revealed that a person's mobility from one labour market state to another depends on his or her partner's labour market position. There was some indication that the effect of the labour market state of a woman's partner on her transition rate was greater than that of a man's partner on his mobility chances. However, the exact way in which one partner's labour market position might affect the other's labour market transition remained unclear. We adduced social capital explanations: having an employed partner provides access to information about the labour market. On the other hand, a partner's education did not affect labour market mobility.

Did high unemployment in the Netherlands during the 1980s contribute to the emergence of an underclass? Given the results of our event analysis, the answer is a qualified yes. First, the expected duration effects were found in several of the labour market transitions studied. The longer a person has been in a given labour market state, the less

the likelihood of his or her leaving it. Second, there appeared to be no tendency for one partner to enter employment in order to compensate for the other being out of work, but several carry-over effects, which showed a tendency for partners' labour market situations to become similar over a period of time. When one partner is unemployed, the likelihood of the other becoming unemployed is greater than if both are in employment. Third, the effects of other predictors on transitions showed a remarkable pattern. Factors such as high educational attainment and middle age make it more likely that employed males will keep their jobs, but they do not directly help them to find a job. One result told strongly against the emergence of an underclass: the educational attainment of a person's partner had no direct influence on that person's mobility chances. This finding was obtained on all transitions studied. Hence any conclusion that there are cultural effects that indicate the emergence of an underclass have to be regarded as very tentative.