

Challenging the Hegemonic Discourse of Structural Unemployment

- An Analysis of Barriers on the Labour Market based on a Danish Panel Study.

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Abstract:

The perception of structural unemployment became almost hegemonic during the 1990s - summarised in the notion of 'Eurosclerosis'. Thus policymakers all over Europe have by means of supply-side policies tried to counteract the lack of incentives in the develop European welfare states, the lack of qualification on the postindustrial labour markets and the personal decay due to long-term unemployment. However this paper challenges the perception of structural unemployment and suggests an alternative business cycle / barrier perception. At macro level it is difficult to explain the Danish decrease in unemployment from 1994 to 2000 within the structure perception. The lack of explanatory power of the structure perception is further highlighted in micro level analyses conducted on a panel study among long-term unemployed. Based on judgements from the unemployed themselves one finds no indications of supply-side problems. These results are supported by analyses of actual labour market integration of the long-term unemployed in the period between 1994 and 1999. Specifically the paper shows that education level and previous unemployment have had no noteworthy influence on labour market integration, whereas age has had a decisive influence. These surprising results further undermine the perception of structural unemployment and the supply-sides policies rooted in this 'mistaken' problem definition.

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Introduction

High level of unemployment has been a large problem for most European countries since the mid 1970'es. As unemployment continued to increase in Europe and declined in the United States in the 1990s the notions of 'Eurosclerosis' became widespread. Thus the 1994 OECD jobstudy concluded *'that it is an inability of OECD economies and societies to adapt rapidly and innovatively to a world of rapid structural change that is the principle cause of high and persistent unemployment'*(OECD 1994a:vii). In other words the European unemployment was caused by structural circumstances and not simply by lack of demand in times of recession. The explanations of the causes of this structural unemployment can roughly be divided into external and internal. The external explanations focus on fundamental changes in the production structure caused by economic globalisation and technology, which leads to mismatch problems on the

labour markets. The line of thinking was for example very clear at the summit of the European Council in Lisbon, where it in the final memorandum was concluded that *'the European Union is confronted with a quantum shift resulting from globalisation and the challenges from a new knowledge-driven economy'* (The European Council 2000:1). The internal explanations focus on inflexible labour markets caused by corporatism and highly developed European welfare states (OECD 1994b: 51, 211, 265). This inflexibility turns into a fundamental problem when meeting the challenge of globalisation and the old policy responses become ineffective. The point is that due to mismatch problems on the European labour markets traditional Keynesian demand-side policy would only generate inflation. The firms will simply compete for the already employed workforce suited for the postindustrial labour market, which will increase wages and thereby inflation, whereas the unemployed will remain unemployed due to insufficient qualifications and lack of work incentives. Furthermore, long-term unemployment might in itself hinder reintegration into the labour market, which at the macro level causes a cumulative number of unemployed - in the neo-classic economic literature labelled hysteresis. Thus, most European countries are allegedly trapped in a situation, where it is almost impossible to reduce the level of unemployment without making fundamental changes in the welfare regimes. Esping Andersen argues that the old welfare regimes are caught in a trade-off between equality and employment (Esping Andersen 1996, 1999).

This indeed seemed to be the situation for Denmark, which experienced persistently high unemployment from the 1970s until the mid 1990s. In 1993 the unemployment rate reached 10.1 percentages according to ILO criteria (OECD standardised) and 12,4 percentages according to national definition. Combined with the extremely open economy exposed to globalisation and the most decommodifying unemployment schemes in Europe (Gallie and Paugam 2000) Denmark represents a critical case in relation to the idea of structural unemployment. The perception that the high level of unemployment was caused by structural supply-side problems was adopted by the Danish policymakers in the beginning of the 1990s and the Ministry of Finance estimated a level of structural unemployment of 12 percentages in 1994 (Ministry of Finance 1996:86). In order to cope with these structural problems the government launched a much more active labour market policy. The activation policy had been present before the 1990s but was, both for people on unemployment benefits and social assistance, reorganised and intensified in the period from 1993 to 1999. The hope was that more extensive use of activation schemes could reduce the mismatch problems on the labour market. Respectively by (1) qualifying the participants in these schemes (so their qualifications could match the high wage level), (2) forcing unemployed to search for jobs (to counteract the low incentives produced by generous unemployment benefits) and (3) activating the unemployed (to counteract the process of personal decay due to long term

absence from the labour market) (Ministry of Finance 1996:96; Danish Economic Council 2000:139). Thus, the activation policy was seen as a functional equivalent to the neo-liberal market strategy pursued in residual welfare regimes.

However, one can challenge this line of thinking. An alternative perception, based on classic Keynesian macro economic theory, is that the high level of unemployment in the European countries during the 1990s primarily was caused by lack of demand. Partly caused by the simultaneous adaptation to the EMU-criteria. Nevertheless, this macro economic perception cannot explain, why unemployment is concentrated among special groups in the work force. Therefore it seems fruitful to combine the business cycle perception with the so-called 'queue theory' (Thurow, 1975), which tries to identify barriers on the labour market by investigating the hiring procedures at company level. This research tradition is rather limited but a number of good studies have been conducted (Windolf et al. 1988; Wood 1985; Jenkins 1984; Kiel et al. 1984; Rosdahl 1986; Bills 1990; Csonka 1995). The literature typically distinguishes between screening procedure and channel of recruitment. It is especially the screening procedure, which can establish almost insurmountable barriers for groups of long-term unemployed. The point is that recruitment of new employees takes place under the condition of great uncertainty, due to the fact that the firms do not know the individual applicants. Therefore the employers have to rely on some prejudiced perception of the productivity of the worker e.g. based on sex, age, education and previous unemployment. This screening based on the perception of average productivity within different groups is also labelled statistical discrimination, contrary to discrimination based on more illegitimate personal prejudices (Schmidt-Sørensen 1990). The classic media example is a high-educated fluent speaking foreigner, who has applied for hundreds of jobs but never made it to the job interview. However, the intensive use of informal channels of recruitment – a general finding in the studies of job hiring – might also be able to explain processes of labour market marginalisation. Especially recruitment among blue-collar workers seems to take place within very informal channels (Csonka 1995). In some literature also referred to as an extended internal labour market. Thus, in fact it is the employed that make the first screening of the applicants.

Combined with the business cycle perception this barrier perception could be capable of explaining marginalisation processes on the labour market. The point is that during times of recession the screening procedure will be harder due to a large numbers of applicants. And more specific the well educated will tend to crowd out the lower educated – not because the lower educated are not qualified or motivated enough, but simply because employers in times of recession can be more 'choosy' (Gaston 1972). However, most international studies conclude that it is especially the methods of recruitment, which are influenced by the business cycle (Wood

1985; Windolf et al. 1988). Thus, during times of recession the amount of applicants is regulated by narrowing the channels of recruitment. Such an effect also contains a potential for marginalisation, as the groups with loosest connection to the labour market will find themselves outside the informal network, which is so important for integration into the labour market. Among these is the risk of discrimination as the already employed will tend to select workers identical to themselves.

This business cycle / barrier perspective offers an alternative perspective on the causes of labour market marginalisation. Unfortunately, not much research has been done in this area and conducted studies primarily rely on qualitative interviews among a limited number of firms. The task of this paper is to identify the barriers on the labour market by means of a unique survey material on long term unemployed in Denmark.¹ In the first section we investigate the judgement of the unemployed themselves. The following sections analyse respectively the role of education, previous unemployment and age by looking at the actual integration into the labour market of the long-term unemployed in the period between 1994 and 1999.

¹ The survey material forms part of the project 'Unemployment, marginalisation and citizenship: The Danish welfare state in a comparative perspective' and a Nordic Project on 'Unemployment, early retirement and citizenship: Marginalisation and integration in the Nordic countries' (director Jørgen Goul Andersen). Full project description can be found at the CCWS homepage (www.ccws.dk ;direct: www.socsci.auc.dk/ccws/projects/BChangingLabourMarkets/b1.htm). The Danish survey material includes a panel study 1994 – 1999 and a cross cut from 1999. In this paper we will mainly use the panel study. It consists of a nationwide sample of long-term unemployed in 1994 (drawn at random from administrative registers), who were re-interviewed in 1999. The sample was disproportionately stratified on five strata: Insured 18-24 years, non-insured 18-24 years, insured, 25-59 years, non-insured 25-59 years, and people in activation measures. From a gross sample of 2000 persons, 1528 interviews were obtained in 1994. All of these were sought reinterviewed in 1999, along with a few who were not successfully contacted in 1994. In all, 1113 persons were interviewed in 1999, that is, 56 per cent of the original gross sample. The sampling criterion in 1994 was three months of uninterrupted unemployment prior to sampling. As there was three months between sampling and interviewing, only 1251 respondents were still without work at the time of interviewing. These 1251 persons constitute a representative sample of people with an unemployment period of at least six months prior to interviewing. Among these 831 respondents, that is, 66 percentages were reinterviewed (by telephone) in 1999. The remaining 282 respondents in the 1999 were not included in the analysis. Because of disproportional sampling, data are weighted (keeping total N constant). However, weighting does not affect the results in a statistically significant way.

The judgement of the unemployed

The simplest way to identify the barriers of the labour market is to ask the unemployed themselves. Thus, both in 1994 and 1999 we asked the unemployed the following question: *‘There can be a lot of reasons for unemployment. Do you think there is a special reason, why you are still unemployed?’* The table below displays the answers of the unemployed.

Table 1: Reasons for long-term unemployment based on the judgement of the unemployed themselves. Percentages.

	1994 cross cut	1999 cross cut
Too few jobs to apply for	27	9
I am too old	27	32
No special reason	18	12
There is no need for my qualifications	9	11
I am ill / I have a bad health	9	17
I am not interested in the jobs that I can get	8	8
I have been unemployed for to long	6	13
I have to take care of my child/children	4	6
I / my parents is/are immigrants	4	2
My self-confidence has been destroyed.	2	2
I do not have the energy to keep looking for jobs	2	3
The employers do not like my appearance	0	2
Other reasons	24	15
Wrong-, out of data- or insufficient education	-	10
Large degree of unemployment in my sector	-	13
Reading- / writing problems	-	2
I have psychological problems	-	2
I have a criminal record	-	1
	N=1081	N=333

Note: Percentages do not sum to 100 due to multiple responses. Categories expanded in 1999 cross cut.

The categories are organised after the answers of the respondents in the 1994 cross cut. According the 1994 group the two most common reasons for long-term unemployment are too few jobs to apply for and age. On both questions 27 percentages give affirmative answers. Subsequently 18 percentages answer ‘no special reason’. Both the unemployed persons answering ‘too few jobs’ and ‘no special reason’ probably perceive their unemployment as a matter of business cycle problems. Thus, one finds an interesting discrepancy between the unemployed and the policy elite in diagnosing the causes of long-term unemployment.

Structural supply-side problems such as lack of qualifications, lack of interest in available jobs and previous unemployment - respectively 9 percentages, 8 percentages and 6 percentages give affirmative answers - play a much more modest part according to the unemployed. However, it turned out that the category ‘no need for my qualifications’ was a bad indicator of lack of qualifications. More thoroughly analysis showed that it was the best educated, who indicated ‘no

need for qualifications'. The logic among the respondents has probably been that it takes education to get qualifications in the first place. Another problem is the large group of respondents located in the 'other reasons' category. It indicates that the categories are not exhaustive enough. In order to solve these problems the number of categories was expanded in the 1999 cross cut cf. table 1.

The answers in the 1999 cross cut also indicate that age is the decisive barrier for integration into the labour market. 32 percentages refer to their age in explaining their unemployment. On the other hand the group referring to business cycle reasons have decreased remarkably. In 1999 only 9 percentages indicate 'to few jobs', compared to 27 percentages in 1994, and 12 percentages indicate 'no special reason', compared to 18 percentages in 1994. Some of this effect can probably be explained by the introduction of the new category 'large unemployment in my sector', which come very close to the existing categories. Nevertheless, the results indicate that the economic boom in Denmark from 1994 to 1999 is reflected in the judgements of the unemployed. The groups referring to bad health and previous unemployment are larger in 1999 - 17 percentages compared to 9 percentages in 1994, and previous unemployment, 13 percentages compared to 6 percentages in 1994. Structural supply-side problems such as lack of interest in available jobs and lack of education still play a minor part according to the unemployed. Even with the new category 'wrong-, out of data- or insufficient education' only 10 percentages answer affirmative. At last the modest use of the category 'I / my parents come from other country' is notably as the foreigners have unemployment rates way above the level of the native Danish population. The problem is obviously that the problems of the foreigners 'drown' in the general problems of the unemployed as well as a methodological problem caused by larger drop out rates among foreigners. Therefore, the data is not very well suited to identify ethnicity as a barrier on the labour market even though it certainly plays a crucial part unemployed immigrants.

However, before drawing any conclusion in relation to the structure- contra the barrier / business cycle perception we will analyse the actual integration into labour market by means of panel data. Thus, the respondents in the 1994 cross cut were re-interviewed in 1999, which give us unique opportunities to analyse labour market integration during an economic boom. The importance of economic incentives has already been challenged in many studies and the lack of empirical evidence is well known.² Therefore we will limit this paper to investigate the role of education, previous unemployment and age. Taking the judgements of the unemployed as a starting point

² A good overview of the literature is Calmfors and Holmlund 2000. A good study on the Swedish case see Åberg 2001. Analysis on our panel data show that the unemployment benefits produces a reservation wage but beyond this the influence of economic incentives is nonexistent (Goul Andersen 1995; Albrekt Larsen 2000).

one should expect the influence of the two former factors to be highly exaggerated and the influence of the latter factor to be highly underestimated.

Education and Marginalisation on the Labour Market

The focus on education is, cf. the introduction, connected to perceptions of very fundamental changes in the production structure caused by globalisation and new technology. Following this line of thinking the Danish Ministry of Trade and Industry concluded that such external pressures could explain most of the unemployment among unskilled workers on the Danish labour market (1997:58). Combined with the perception of lack of incentives and personal decay one should expect that an economic boom would not be able to reduce unemployment significantly - at least not among lower educated groups.

On the other hand the idea of globalisation and postindustrialism has been contested in academic circles. Some observers conclude that the present economies are not anymore globalised than prior to world war I (Krugman 1996), other emphasize that the modern western economies always have been exposed to rapid technological change and competition. Circumstances that especially seem valid for a small open economy as the Danish. In the central administration this position is held by the Danish Ministry of Finance, which in 1997, in opposition to the Ministry of Trade and Industry, concluded that effects from economic globalisation ‘drowned’ in the normal business cycle fluctuations (Ministry of Finance 1997a). Combined with the barrier perception the high unemployment among lower educated groups could be caused by crowding out effects from skilled workers during times of recession.³ A number of empirical studies in other European countries and USA, which try directly to investigate the match between level of education and skills required, find that the numbers of unskilled jobs are reduced less than the number of unskilled workers, which actually causes a situation of ‘over-education’ at the western labour markets (Åberg 2001, Livingstone 1998, Green 1998, Gallie 1994, Batenburg and de Witte 2000, Groot and Maasen van den Brink 2000). In this perceptive one could expect that an economic boom would be able to reduce unemployment significantly. Also among lower educated groups as the screening procedure become less harsh and the channels of recruitment open up.

Thus we have two different predictions of how an economic boom would affect unemployment – especially among lower educated persons. Before analysing the influence of education we will

³ A small but expanding research directly investigates the match between level of education and skills required by the job. An interesting result is that the numbers of unskilled jobs are reduced less than the number of unskilled workers, which actually causes a situation of “over-education’ at the western labour markets (Åberg 2001, Livingstone 1998, Green 1998, Gallie 1994, Baten and de Witte 2000, Maasen van den Brink 2000).

take a brief look at the overall integration of the long-term unemployed, who were interviewed in 1994. Looking at the labour market status at the time of re-interview in 1999, table 1 shows that 48 percentages of the long term unemployed in 1994 were employed in 1999. 26 percentages were early retired and 19 percentages were unemployed. At last 7 percentages were in ordinary education or in other way out of the labour force. In order to get a more simple and probably also more valid measure we have also asked about months in ordinary employment in the five years period. On average the respondents have been working 24.9 months of the 60 possible months. Calculated this way early retirement counts as marginalisation – or exclusion might be the best term. This operationalisation is unproblematic from a narrow economic perspective but might be debatable in a broader citizenship perspective. We will return to this discussion in the fifth section. At this point we will just emphasize the fact that a large number of long-term unemployed actually have been integrated into the labour during the five years, which is difficult to grasp within the structure perception. On the macro level the unemployment rate has decreased from 10.1 percentages in 1994 to 4.7 percentages in 2000 (OECD standardised) and from 12.4 percentages to 5.3 percentages according to national accounts. In the same period inflation rates have remained stable and nothing indicates that the success is caused by employment effects from the intensified active labour market policy (Albrekt Larsen 2001). Again an overall picture that is difficult to comprehend within the structure perception.

Table 2: Labour market status 1999 and average month in ordinary employment between 1994 and 1999 among long-term unemployed in 1994. Total sample and distributed by level of education.

	All	No vocational education	Vocational education	Advanced education
Labour market status 1999 (percentages):				
Employed	48	43	50	56
Unemployed	19	21	17	17
Early retired	26	25	28	20
In ordinary education, other	7	11	5	7
Total	100	100	100	100
N (not weighted)	830	381	324	124
Month in ordinary employment 1994 to 1999:				
Average	24.9	22.9	25.8	28.1

Note: Weighted figures

Turning to the role of education the Danish case also unveils a very interesting situation. The differences in labour market integration between the groups with no vocational, vocational and advanced education are surprisingly small. At the time of the interview 43 percentages of the group with no vocational education were employed compared to 50 percentages and 56

percentages among the groups respectively with vocational and advanced education. Furthermore we see that much of the difference between the group with advanced education and the two other groups can be explained by less frequent use of early retirement in the former group. And some of the difference between the group with no vocational education and vocational education can be explained with a larger share in ordinary education among the former group. Thus, one could argue that just looking at the share in employment would actually exaggerate the role of education. Nevertheless, the following analyses are based on the conservative assumption that everything else than employment indicates labour market marginalisation. Thus, looking at average month in ordinary employment we still find a significant difference between the groups. On average the group with no vocational education has been employed 22.9 months within the last five years compared to 25.8 months and 28.1 months among groups respectively with vocational and advanced education. However, it is still remarkable that only 5.2 months separate the group without any vocational education and the group with advanced education. This result speaks in favour of the barrier / business cycle perception.

However, before we draw any conclusions we should include some basic control variables. We know that the young group of long-term unemployed managed better than the old group and that at the same time there is an overrepresentation of young people in the group without any vocational education. Therefore, the simple bivariate relationship between education and employment might underestimate the effect from education. On the other hand it is known that women have a higher degree of unemployment and are less educated. If these two conditions are not closely connected, the bivariate analysis could actually overestimate the relationship between education and employment. The same is the case for the effect from health as the lower educated to a larger extent than the higher educated indicate health problems. In order to control for such effects we will use a multiple classification analysis (MCA-analysis), which, cf. table 3, gives very comprehensible outputs by combining the classic anova and regression method.⁴ Looking at the first column we find the original averages already presented in table 2. The group with no vocational education have been employed 22.9 months, which is 1.9 months (second column) below the total average of 24.9 months. After control for sex, age and health the estimated average for the group is 22.3 months (third column), which is 2.6 months (fifth column) below the total average (22.3 – 24.9). Thus after control the negative effects from no vocational education increases slightly. However, the positive effect from advanced education decreases from 3.1 months to 1.4 months after control. Thus, the difference between the two

⁴This method was developed especially to analyse survey data that often include many variables at ordinal level (Morgan et al.1973).

groups actually decreases from 5 months (1.9 + 3.1 months) to 4 months (2.6 + 1.4). At the same time the positive effect from vocational education increase slightly.

Table 3: Months in ordinary employment between 1994 and 1999 among long-term unemployed in 1994. Distributed by education, sex, age and health. MCA-analysis.

	Original average	Original effect	Controlled average	Controlled effect	Eta	Beta / significance	
No vocational education	22.9	- 1.9	22.3	- 2.6	0.09	0.11*	
Vocational education	25.8	+ 0.8	27.1	+ 2.1			
Advanced education	28.1	+ 3.1	26.3	+ 1.4			
Men	27.2	+ 2.3	27.0	+ 2.1	0.09	0.09*	
Women	23.3	- 1.6	23.4	- 1.5			
18 – 29 years ¹	32.5	+ 7.6	32.8	+ 7.9	0.40	0.40***	
30 – 39 years	32.3	+ 7.4	32.2	+ 7.3			
40 – 49 years	25.6	+ 0.7	25.2	+ 0.3			
50 – 59 years	12.3	- 12.6	12.5	- 12.4			
Very good health	28.0	+ 3.0	26.2	+1.3	0.17	0.07 ^{ns}	
Good health	25.0	+0.2	24.7	-0.3			
Fair health	18.6	-6.3	22.6	-2.9			
Bad health ²	16.1	-8.8	20.9	-4.0			
Explained variance (R ²)						19 pct.	

Note: ^{ns} not significant, * significant at 5 percentage level, ** significant at 1 percentage level, *** significant at 0,1 percentages level.

¹ At time of interview in 1994

² Brackets 'Bad' and 'Very bad' health combined in order to increase number of respondents.

In general the MCA analysis shows that the original relationship between education and employment during the economic boom is not changed much. This is also reflected in the eta and beta coefficients, which indicate the strength of the relationship between education and employment respectively prior and after control. We only see a small increase from 0.09 to 0.11 and the relationship is only significant at a five-percentage level. We also see a modest effect from sex. The women have been less employed than men - even after control for differences in education, age and health. However, these effects are very modest compared to the effect from age. The difference in employment between the 18 – 29 years olds and the 50 – 59 years olds (after control) are 20 months (7.9 months + 12.4 months), which is reflected in the high eta and beta coefficients. Much of this effect is naturally caused by early retirement but even the difference between the 18 – 29 year olds and the 40 – 49 year olds at 7,6 months (7.9 – 0.3) is well above the maximum difference found between the education groups. Furthermore, there also seemed to be an effect from health before control, eta coefficient 0.17, but after control the relationship turns insignificant. Thus, most of the effect from health was actually caused by differences in age. As already mentioned, we will more thoroughly discuss the situation of the early retired in the fifth section. At last we see, at the bottom of table 3, that the four included

variables are able to explain 19 percentages of the variance in employment between 1994 and 1999. However, this fair explanatory power of the model is almost exclusively due to the age variable, which independently can explain 16 percentages of the variance. Independently education level is only able to explain 1 percentages of the variance, which is surprising.⁵

So far we are able to conclude that education does play a part in relation to labour market integration but the influence is very modest and -statistically speaking - explains almost nothing of the variance in employment. Thus, the lower educated have been employed almost as long as the higher educated during the economic boom. Again interesting results, which highlight the difficulties of the structure perception and methodologically demonstrate the problems with causal reasoning based on time series analysis. One could object that this could be due to the positive effects from the intensified active labour market policy. However, a thorough examination of the Danish evaluations does not support this thesis (Albrekt Larsen 2001) and neither does extended analysis on the panel data (Albrekt Larsen 2000). On the other hand, detailed analysis do show that it is possible to specify groups of unemployed, primarily young people on social assistance, where education play an important role (Albrekt Larsen 2000).

Previous Unemployment and Marginalisation on the Labour Market

Another central assumption behind the structure perception is that long-term unemployment in itself reduces the chances of reintegration into the labour market. Thus, the idea is a vicious circle where unemployment produces unemployment leading to an accumulation of the problems - in the economic literature labelled hysteresis. The assumption finds theoretical support from both the economic human resource theory and the classic social psychological theory of unemployment.

From a human resource perspective one would emphasize the importance of knowledge in the postindustrial production structure (e.g. Lund 1996). Therefore, the employed continuously undergo a process of re-education through on-the-job-training, which makes absence from the labour market problematic. And the longer absence the larger difference in qualifications between

⁵ In order to control for methodological problems due to relative high drop out rate in the panel data (cf. note 1) we have tried to compare the results with register information. Unfortunately, registers use other definitions of long-term unemployment, which makes it impossible to find comparable groups. However, a recent studies of lower educated in general based on register data conducted by the Ministry of Finance also shows the low influence education (Ministry of Finance 2000). Furthermore, logistic regression conducted by Bach on the 1994 cross cut coupled to register information of labour market integration in the period between 1995 and 1997 (thus, the data are only influenced by the drop out in 1994) also shows the low influence of education (Bach 1999: Table 4.2 and 4.3).

the unemployed and the employed. In a barrier perception one could say that the employers rightly expect a process of decreasing average productivity, which leads to statistical discrimination. Following this line of reasoning active labour market policy is seen as a substitute to the continuous qualification process among the employed. However, from the analysis in the previous section we have already seen that the short-term effects from such overall shift in production structure probably are exaggerated. However, the idea of a vicious circle also finds support in classic studies of the social psychological effect from unemployment. The tradition can be traced all the way back to Jahoda's studies of unemployed in Marienthal from 1933, in which she concluded that unemployment leads to; '*a diminution of expectation and activity, a disrupted sense of time, and a steady decline into apathy through a variety of stages and attitudes*' (Jahoda 1972(1933): 2). The same way of thinking is found in many studies in the postwar period (Jahoda 1972; Olsen 1982; Halvorsen 1996, Layard et. al. 1994, Darity and Goldsmith 1993). Furthermore, it is worth emphasizing that these social psychological effects are thought to increase over time. Thus the idea of personal decay through phases of 1) shock, 2) denial and optimism, 3) anxiety and distress and 4) resignation and adjustment can be found in most textbooks (e.g. Haralambos and Holborn 2000:752). Therefore, long-term unemployed will be almost impossible to re-integrate into the labour market.

One could also have the alternative perception that previous unemployment does not have any crucial effect on future employment. At least it is surprising that only 6 percentages of the long-term unemployed in 1994 referred to length of previous unemployment as a cause of continued unemployment. In general the idea of a vicious circle can be criticised for having a very deterministic perception of human beings. An alternative perception, which especially has been applied in Norwegian research, is that the unemployed in various ways try to 'cope' with the transition from employment to unemployment (Halvorsen 1999). Thus, long-term unemployment does not necessarily lead to personal decay that making re-integration into the labour market impossible. To what extent the unemployed will be able to 'cope' with the situation is dependent on personal, social and economic resources. New empirical research indicates that especially economic resources seem to be crucial for the coping ability (Halvorsen 1999, Goul Andersen 2001). And these economic resources will to a large extent depend on the organisation of the welfare state. From this perspective the economic resources provided by the welfare state could be seen as a precondition, rather than an obstacle, for labour market integration due to problems of incentives.⁶ Thus, one could expect that the Danish long-term unemployed have been able to

⁶ Another dimension of this perception is that the high numerical flexibility – the ability of employers to hire and fire workers without many costs – are possible due to the high level of unemployment benefit. Thus, contrary to the situation in continental Europe increasing job security has never been a crucial demand from the Danish trade unions. This situation of low labour market security, but high welfare state security, has in recent studies been labelled

‘cope’ with the situation making reintegrate into the labour market during an economic boom possible.

In the following, we will use the panel data to investigate the relationship between the length of unemployment, before the time of the interview in 1994 and the months of employment between 1994 and 1999. Thus, previous unemployment has been operationalised to last time in ordinary employment. The MCA analysis in table 4 shows this relation.

Table 4: Months in ordinary employment between 1994 and 1999 among long-term unemployed in 1994. Distributed by time of last ordinary job (prior to time of interview 1994), sex, age and education level. MCA-analysis.

	Original average	Original effect	Controlled average	Controlled effect	Eta	Beta / significance
Never been employed	256	+0.6	18.5	-6.4	0.12	0.10*
Unemployed since 1988 or earlier	21.9	-3.1	24.3	-0.7		
Unemployed since 1989 or 1990	217	-3.3	22.2	-2.8		
Unemployed since 1991	247	-0.3	25.2	-0.2		
Unemployed since 1992	24.4	-0.6	25.0	0.0		
Unemployed since 1993	24.6	-0.4	25.4	+0.5		
Unemployed since early 1994	30.1	+5.2	27.9	+2.9		
Men	27.2	+ 2.3	26.9	+2.3	0.09	0.08*
Women	23.3	- 1.6	23.6	-1.6		
18 – 29 years ¹	32.7	+ 7.6	33.8	+7.7	0.40	0.42***
30 – 39 years	32.3	+ 7.4	32.4	+7.4		
40 – 49 years	25.6	+ 0.7	24.8	+0.6		
50 – 59 years	12.3	- 12.6	12.0	-12.6		
No vocational education	22.9	- 1.9	22.3	-1.9	0.09	0.11**
Vocational education	25.8	+ 0.8	26.9	+0.8		
Advanced education	281	+ 3.1	27.1	+3.1		
Explained variance (R ²)						19 pct.

Note: ns not significant, * significant at 5 percentage level, ** significant at 1 percentage level, *** significant at 0,1 percentages level.

¹ At time of interview in 1994

The original averages of months in ordinary employment from 1994 to 1999 of groups with different periods of unemployment prior to 1994 fall in three clusters. The group who has never been employed before the time of interview in 1994 has been in ordinary employment for 25.6 months, which actually is above total average. The young respondents, who have just entered the labour force at the time of interview in 1994, cause this strange result. Thus, controlled for age, sex and education we see that the model estimates an average of 18.5 months of employment,

“flexicurity’ (Auer 2000, Kongshøj Madsen 1999).

which is 6.4 months below average. Nevertheless, this group is special and demands more detailed analysis. Most interesting is the lack of difference in labour market integration among the groups, which have been unemployed since 1993, 1992, 1991, 1990/89 and 1988 or earlier. Only 3 months separate the different groups, and the control variables do not change this result. Surprisingly, it does not seem to have any influence whether the respondents have been unemployed for 1 year or 6 years or more.⁷ However, the group, which only been unemployed since the beginning of 1994, has been employed longer than the other groups, but the effect is reduced after control for sex, age and education level. Nevertheless, longer employment in this group come as no surprise as a part of the group probably has been unemployed due to job shift, seasonal work etc. In all the relation between previous unemployment and following employment during the economic boom is statistical significant but the beta coefficient is as low as the one found for education. And analysis shows that by excluding the two outer categories of previous unemployment (unemployed since the beginning of 1994 and never have had job) the relation become insignificant. Even with all brackets included previous unemployment is by it self only able to explain 2 percentages of the variance in the employment between 1994 and 1999. Again the fair explanatory power of the model, seen at the bottom of table 4, is caused by the large effect from age.

Once more the results indicate that the judgements of the unemployed in 1994 seem very coherent with the actually integration into the labour market between 1994 and 1999. This further highlights the lack of explanatory power of the structure perception. In general previous unemployment was not an important obstacle for reintegration into the labour market, which could be taken as a proof of the coping abilities among the unemployed – maybe caused by economic resources provided by the welfare state. Analyses on well-being variables in the data material actually seem to support this thesis (Goul Andersen 2001). However, detailed analysis also unveil that is possible to find groups (primarily respondents on social assistance, who have been unemployed for more than 4 years) for whom previous unemployment seem important for labour market integration (Albrekt Larsen 2000). Nevertheless, it is important to distinguish between the general situation of the unemployed and the problems of specific groups.

⁷ In order to control for methodological problems due to relative high drop out rate in the panel data (cf. note 1 and 4) we have tried to compare the results with register information. Unfortunately, registers also use another operationalisation of previous unemployment, which again makes it impossible to find comparable groups. The Danish register research operate with 5 – 6 different groups, which are defined by an average labour market integration over three years. These studies show a larger degree of stability of groups, but this result is partly caused by the operationalisation. A more simple analysis conducted on register information by the Ministry of Finance also shows a very modest difference in labour market integration among groups with different periods of unemployment (Ministry of Finance 1997b:107).

Age and Marginalisation on the Labour Market

Contrary to education and previous unemployment the unemployed themselves see age as a decisive barrier for integration into the labour market cf. the second section. In the cross cuts from 1994 and 1999 respectively 27 percentages and 26 percentages refer to age as a cause of unemployment. Measured by the labour market status in 1999 the data show that among the group, who referred to age as a cause in 1994, 66 percentages was early retired in 1999, 10 percentages was unemployed and only 21 percentages was employed (4 percentages was 'other out of labour force'). In accordance with these result the previous MCA-analyses showed that age actually have had a very strong negative impact on labour market integration, measured as number of months in ordinary employment from 1994 to 1999 - even if differences in education level, previous unemployment and health were taken into account. Thus, there seem to be no doubt that age has been, and still is, a decisive barrier for integration into the Danish labour market. In the literature on early retirement several studies have tried to identify the factors, which *push* older workers out of the labour market. On the macro level the theories again refer to increasing demands for productivity and flexibility in a postindustrial production structure, which cannot be met by the older workers. On micro level the studies focus on the introduction of new technology, rationalisations, work environment etc. (e.g. Halvorsen og Johannessen 1991; Trommel og de Vroom 1994). Based on the previous analysis of the importance of education and previous unemployment one should be hesitant to explain short-term movements on the labour market by long-term developments in the production structure. However, the more limited question in this paper is, why the group of old long term unemployed have not been re-integrated into the labour market during the economic boom in Denmark. In this connection the theory of the influence of screening procedures at company level offers a simple explanation – or at least a point of departure for understanding the process.

However, as already mentioned, one could object to perceive early retirement as labour market marginalisation. Following another line of thinking, the early retirement literature explains the age effect by the generous early retirement possibilities found in most European welfare states. In Denmark the disability pension and the main early retirement scheme for workers aged 60 years 'Efterløn' was in 1992 supplemented with a so-called transitional allowance, which allowed unemployed people between 55 and 59 years to leave the labour force. The scheme was expanded to include unemployed between 50 and 59 years old before it was phased out from 1995. Thus, our group of long-term unemployed has had the chance to benefit from this scheme and 10 percentages (corresponding to 40 percentages of the early retired) actually received this allowance at the time of the interview in 1999. These so-called *pull* arguments are found in different

versions inspired respectively by economic and sociological theory. From an economic perspective, where employment is merely understood as a necessary evil, the trade-off between leisure time and loss of real wage is decisive for early retirement. Thus the existence of early retirement schemes reduces the loss of real wage, which so to speak *pull* the old workers out of the workforce (Mallier og Schafto 1992; Osberg 1993). This effect could furthermore be strengthened if preferences for leisure time have increased, which is a thesis in the literature on early retirement (Halvorsen og Johannessen 1991:193; Baltes og Carstensen 1996: 400; Maule 1996). Sociologically inspired pull arguments focus on internalisation of norms of early retirement and understand early retirement schemes, such as the Danish transitional allowance, as institutionalised norms. However, the point in both pull arguments is that early retirement might to some extent be voluntary – at least in the sense of norms internalised by individuals.

Asked directly whether early retirement is a voluntary choice or not, a large majority actually indicate that the choice was voluntary. Thus, 71 percentages answer, ‘yes mainly a voluntary choice’, 15 percentages answer ‘no, not a real voluntary choice’ and 14 percentages answer ‘no, not at all a voluntary choice’. Now the problem is how to interpret these results. Compared to a simple cross cut among early retired (Nørregård 1996) a larger group of the early retired in our data actually indicate early retirement as voluntarily chosen, which underline the fact that the results cannot be taken as a verification of the *pull* argument. As all of our respondents already have experienced long-term unemployment, it is clear that the choice of early retirement was taken within the narrow limits of a labour market situation, where these people were already marginalized. In order to identify these limitations we have asked the early retired persons about the causes of their early retirement. In order to get a clear picture we exclude the group receiving disability pensions as a rather tight administrative procedure ensure that these people actually have lost the ability to work.

Table 5: Causes of early retirement (status 1999 – disability pension not included) among long-term unemployed in 1994. Total and distributed by indication of voluntary or not voluntary choice. Percentages.

	All	Distributed by voluntary/involuntary	
		Mainly a voluntary choice	Not a voluntary choice
It was not possible for me to find a new job anyway	34	30	44
Bad health	21	20	24
I was not able to carry out the jobs it would be possible to get.	11	12	9
You automatically get transferred to early retirement ('Efterløn')	11	12	10
I wanted more leisure time	9	11	0
I lost the desire for working	6	7	3
My qualifications were not sufficient any longer	6	7	0
I wanted more time for hobbies	4	5	0
I wanted more time for family and friends	4	5	0
I wanted more time to travel	0	0	0
Other things	18	20	13
N (un-weighted)	166	127	38

Note: Do not sum to 100 percentage as more than one answer is allowed.

Asked in this way we get a much more sombre picture of the transition from being in the work force to early retirement. The most frequently answer to the causes of early retirement is that it was not possible to find a new job anyway - indicated by 34 percentages. Another frequent answer is bad health, which is indicated by 21 percentages. Subsequently, 11 percentages answer 'I was not able to carry out the jobs it would be possible to get' and 'you automatically get transferred to early retirement ('Efterløn')', i.e. it is an implicit condition of employment that the age of retirement is 60 years. These results confirm that this group of early retired actually have been *pushed* out of the labour market. Factors such as more time for hobbies, family, friends, travel and a lack of desire to work seem far less important. Thus, the individual choice has indeed been taken within narrow limitations. Even when we look at the group, which indicated that the choice of early retirement was voluntary, we find the same picture. 31 percentages refer to lack of job possibilities and 21 percentages point to bad health. Among the group, which did not find the choice of early retirement voluntary, the group referring to lack of job possibilities is higher but otherwise there are no large differences. The small number of respondents in this group hinders further analyses.

Based on the entire analysis we are able to conclude that age actually is a decisive barrier on the labour market. Pull effect caused by the existence and expansion of early retirement schemes could have lead to an exaggerated perception of the effect on labour market marginalisation from age in the previous MCA-analysis. However, the detailed analysis in this section clearly support

the overall perception that early retirement among this group of long term unemployed should be understood as labour market marginalisation – or rather as labour market exclusion. From this perceptive early retirement schemes can be seen as valuable welfare institutions trying to uphold full citizenship among groups of older workers, who have already been pushed out of the labour market. Contrary to prevailing perceptions of early retirement as a counterproductive policy responds from ‘squeezed’ policymakers (e.g. Esping-Andersen 1996).

Conclusion and policy perspectives

This paper aimed at challenging the perception of structural unemployment, which achieved an almost hegemonic status in the European countries during the 1990s, and at providing an alternative business cycle / barrier perception. Empirically the paper tried to ‘test’ the two different perceptions by means of survey material on the Danish case.

The structure perception experienced problems already by looking at unemployment rates at the macro level. It difficult to grasp how the Danish unemployment rate can decrease to 5 – 6 percentage in 2000, when the Ministry of Finance in 1994 estimated a level of structural unemployment at 12 percentages. Notably when inflation rates at the same time remained modest and employment effects from the active labour market policy seemed absent (Albrekt Larsen 2001). The same lack of explanatory power was reflected in the analysis on micro level found in this paper. Directly asked, the long-term unemployed referred to causes of unemployment, which supported the business cycle / barrier perception. Structural supply-side problems such as lack of qualifications, lack of incentives and personal decay due to long time unemployment were, according to the unemployed themselves, not important factors. And put simply, the analysis of their actual integration on the labour market from 1994 to 1999 showed that the unemployed were proved right in their judgement about future prospects. Thus, the analyses showed that education and previous unemployment have had almost no influence on labour market integration, whereas age has been a decisive barrier. Again surprising results, which highlight the shortcomings of the structure perception and support the barrier / business cycle perception.

Against this background one must adopt a critical attitude to the policies and policy recommendations, which are rooted in this perception of structural supply-side problems on the labour market. Thus the attempts respectively of the neo-liberal market strategy and the active labour market strategy 1) to increase work incentives either by lowering social benefits or frightening with activation measures, 2) to counteract the problems of the lower educated either by lowering wages or re-educating the unemployed and 3) to counteract personal decay either by providing just some

kind of (often low paid) jobs or by providing just some kind (often meaningless) activation scheme, seem mistaken. In general other factors seem decisive for re-integration into the labour market. This mistaken perception of the main problems of the labour market might also be able to explain the very modest effects from active labour market policy found through out Europe (Martin 2000; Calmfors and Skedinger 1995; Calmfors 1994). Thus, low effects might be caused by a wrong perception of the problem instead of the typical reference to problems of implementation - which often lead to vicious circles where policymakers by making the policy instruments even harsher try to implement a 'mistaken' policy better. In the process resources may be wrongly targeted or new – and from a citizenship perspective – even worse problems may be created.

This is not to say that supply-side problems are non-existent on the labour market. By analysing the survey material it becomes obvious that group of long-term unemployed is a very heterogeneous group. Through more detailed analyses of the panel data it was possible to identify groups with lack of qualifications, lack of economic incentives and with problems due to previous unemployment, but they should be perceived as an exception to the rule. Furthermore, it seems much more rational to target active labour market policy towards these groups rather than towards all kinds of unemployed. At last it should be noticed that a business cycle/ barrier perception does not deny that structural changes from industrialism to postindustrialism might have taken place in the production structure. The point is merely that such long-term developments during a five-year period will drown in the fluctuation of the business cycle. Furthermore it should be emphasized that empirically we have studied labour market marginalisation during an economic boom. If we had studied marginalisation during a period of recession one could presumably demonstrate that the lower educated and the unemployed with long previous unemployment have fundamental problems in relation to the labour market. In that situation it would be even more important whether policymakers interpret the development within a structure perception (increasing structural problems on the labour market) or within a business cycle / barrier perception (lack of demand and selection procedure in the hiring process). In the former perception the welfare state will logically be seen as part of the problem, whereas in the latter perception the welfare state logically will be seen as part of the solution.

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