

# Social Polarisation, the Labour Market and Economic Restructuring in Europe: An Urban Perspective

Jonathan Pratschke and Enrica Morlicchio

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## Abstract

It is frequently argued that changes in the occupational structure and labour markets of European cities have the potential to undermine social cohesion. The term ‘social polarisation’ has been widely employed to characterise this effect, either in a broadly descriptive manner or in line with specific hypotheses. In the first part of this article, alternative definitions are reviewed and the results of empirical research on social polarisation are summarised. Some of its limitations are discussed and its theoretical origins explored. In the second part, attention is turned to the ‘mechanisms’ driving change in workplaces and urban labour markets in Europe. It is argued that an accurate account of changing occupational structures and labour markets in European cities—and a balanced assessment of their consequences for social cohesion—can only be obtained by building up a complex and carefully contextualised analysis of the ways in which these ‘mechanisms’ interact in different cities.

## 1. Introduction

Changes in the economy, labour market and migration flows have generated profound transformations in the social fabric of European cities and the notion of ‘social polarisation’ has been widely used since the 1980s to describe these changes. For example, Sassen (1991) argues that cities at the

apex of the global urban hierarchy are characterised by increasing levels of polarisation in income, occupational position and opportunities, and Bauman (1998, p. 18) adds that “rather than homogenizing human condition, the technological annulment of temporal/spatial distance tends to

**Jonathan Pratschke** is in the Department of Economics and Statistics, University of Salerno, via Ponte don Melillo, Fisciano 84084 (SA), Italy. E-mail: [jpratschke@unisa.it](mailto:jpratschke@unisa.it).

**Enrica Morlicchio** is in the Department of Sociology, University of Naples, Vico Monte della Pietà 1, 80138 Napoli, Italy. E-mail: [enmollic@unina.it](mailto:enmollic@unina.it).

polarise it". Burawoy (2007) similarly observes that, since the 1970s, economic growth has led to a "concentration of wealth at one pole of society and poverty at the other" (Burawoy, 2007, p. 503).

Despite the prominence of the concept of social polarisation within the social science literature, it remains controversial and no consensus has emerged regarding the most appropriate way of defining or measuring it. Furthermore, its potential impact on social cohesion in urban areas has not received sufficient attention. As Novy *et al.* indicate (this Special Issue), the term 'social cohesion' conjures up the image of a society that 'hangs together'. Although inequalities do not automatically imply a lack of social cohesion, growing disparities of wealth and power have the potential to trigger conflicts and undermine cohesion. For these reasons, we will begin by discussing definitions of social polarisation and summarising empirical research on European cities.

As far as definitions are concerned, Norgaard (2003) emphasises the lack of clarity that characterises the entire debate about social polarisation, with contributors referring variously to occupations, educational attainments and incomes without taking account of the different social contexts, theories and units of analysis involved. The study of social polarisation raises a number of issues, argues Norgaard, including the choice of units (individuals or households), domains (the working population, the economically active, the whole population), forms of stratification (social class position, occupational prestige, income, ethnicity, gender, etc.), types of polarisation (relative or absolute expansion or contraction at the extremes or at the centre of the distribution) and temporal order. If the question is whether, to what extent and in what form social polarisation has manifested itself in European cities, we must first clarify what is meant by this term.

## 2. Definitions of Polarisation

First, polarisation might be defined as an increase (in relative or absolute terms) in the number of people on high or low incomes ('income polarisation'). Secondly, it could be defined in terms of an increase in the number of people who belong to the upper and lower classes, as opposed to the middle classes, however these are defined ('social class polarisation'). Thirdly, social polarisation might be defined as an increase in disparities in social protection, including the stability of employment and availability of social supports ('insider/outsider polarisation').

As far as income polarisation is concerned, empirical research suggests an increase in European countries since the 1980s, driven by rapid increases at the top of the scale, alongside stagnating real wages for routine employees and, in certain cases, an expansion of the 'working poor'. Küblböck *et al.* (2010, p. 86) show that financialisation has been accompanied by a massive shift of resources from wages to profits, and Goldthorpe and McKnight (2006) show that inequalities in current income are widening both within and between social classes in Britain.

The second type of polarisation, which relates to the social class structure rather than incomes, is much more controversial and more difficult to evaluate. A number of case studies relating to this have been published in recent years (Andersen, 2004; Baum, 1997; Burgers, 1996; Butler *et al.*, 2008; Chiu and Lui, 2004; Crankshaw and Parnell, 2004; Graizbord *et al.*, 2003; Gu and Liu, 2002; Leal, 2004; Hamnett, 1996; Lemanski, 2006; Maloutas, 2007; May *et al.*, 2007; Préteceille, 1995; Ribeiro and Telles, 2000; Sassen, 2001; Sykora, 1999; Taylor, 2000; Vaattovaara and Kortteinen, 2003; Walks, 2001; Wessel, 2001). The findings indicate that a range of aggregate-level

trends can be identified in different cities and using different criteria, including polarisation, professionalisation, economic marginalisation, fragmentation and informalisation. Employing a wide range of different measures and criteria, case studies confirm the complexity and contradictory nature of current processes of change.

Given the great confusion regarding measures and concepts, research that focuses explicitly on the changing nature of social class categories has the potential to make an important contribution to this aspect of the debate, not least by clarifying how terms like 'working class', 'middle class' and 'capitalist class' might best be defined and operationalised. For example, the measure of social class used by Butler *et al.* (2008) treats 'skilled manual workers' and 'intermediate non-manual workers' as forming part of the middle classes, which comprise, *inter alia*, security guards, traffic wardens, sales assistants, telephone operators and routine clerical workers. Were the boundaries between class categories defined differently, then the conclusions of studies like this would likely change.

European sociologists increasingly emphasise the pertinence of labour market exclusion as a source of social polarisation and this forms part of the third definition of social polarisation, 'insider/outsider polarisation'. Contributors to the debate about polarisation in urban areas have argued that the most relevant social division in European cities is now between those at work and those excluded from paid work (Fainstein, 2001b). As Fainstein (2001a) observes, this dualism has become a recurrent theme in the rhetoric of the European left, replacing the concept of class divisions. A separate strand of research uses the weaker notion of 'social exclusion' to explore the effects of unequal access to resources and opportunities on the social conditions of weaker groups.

The idea that labour market exclusion can generate social polarisation is a long-standing one. During the 1980s and early 1990s, the impact of economic restructuring led to a particular focus, in the US, on the nature of 'ghetto unemployment' and structural forms of exclusion from work. Influential accounts suggested that global capitalism was producing a new 'regime' characterised by a large, non-integrated and irrelevant mass of population relegated to the territorial spaces of self-perpetuating ghettos (Wacquant, 1996), an "absolute surplus population" or "human detritus wrought by economic deregulation and welfare retrenchment" (Wacquant, 2008, p. 198). This 'advanced marginality' is found in the core of the developed world, argues Wacquant, but no longer implies the functional (but subordinate) forms of integration described by Perlman (1976) in her study of Rio de Janeiro.

These descriptions of the urban poor are often accompanied by drastic accounts of the threats to social cohesion in urban areas, including Wacquant's notions of the 'carceral state' and the 'hyperghetto', set against the backdrop of accelerating polarisation in opportunities and expectations. For example, Bina and Davis (2008, p. 16) argue that a by-product of the increase in productivity over the past 20 years "has been a massive surplus population—a gigantic reserve army of unemployed—at the global level". The most striking aspect of this strand of research is that, like earlier work on the 'urban underclass', it is not backed up by empirical data. Quantitative analyses of unemployment by economists and economic sociologists do not lend empirical support to the notion that an 'absolute surplus population' exists within European cities. For example, contributors to the volume edited by Esping-Andersen (1993) show that low-skilled workers tend to circulate between jobs in different sectors,

alternating periods of work with episodes of unemployment.

### 3. Theoretical Origins and Implications of the Concept

There are a number of interesting continuities between recent debates about polarisation and discussions dating back to the 1950s and 1960s. The periodic return of the concept of 'polarisation' in discussions of social change is arguably rooted in a distinctive, dualistic mode of theorising. If we can achieve a better understanding of the theoretical origins of the notion of polarisation, it may be possible to reformulate the research agenda in a more productive fashion.

During the post-war boom, rising living standards led to scholarly debates in the US and Europe about the *embourgeoisement* of skilled manual workers on the basis of their 'middle-class' lifestyles and consumption patterns (Goldthorpe *et al.*, 1968). This gave way, during the late 1970s and early 1980s, to concerns about the 'declining middle' of the class distribution. In theoretical terms, this debate was framed in terms of the shift to 'post-industrial society' and yielded optimistic as well as pessimistic interpretations (see McDowell, 2003, p. 834; Norgaard, 2003, p. 104). The optimistic view, popularised by Daniel Bell (1974), suggested that this transition would be characterised by increases in skill levels, wages and conditions, a decline in overall inequality and enhanced opportunities for job mobility based on achievement and merit. Williams provides the following summary

Originating in the late 1960s in the USA, an optimistic belief emerged in the inevitability of, and opportunities provided by, rising levels of affluence linked to the emergence of new more efficient information and communication technologies ... Many of the major

themes that emerged as part and parcel of this thesis, and in particular, the post-industrial occupation with the centrality of knowledge, its production and dissemination, are today still apparent but reproduced in visions that discuss the advent of what is now labelled a 'knowledge' or 'information' economy (Williams, 2008, p. 656).

The pessimistic approach, by contrast, argued that industrial decline was destined to produce a powerful downward pressure on wages, a decline at the middle of the occupational hierarchy and polarisation between a restricted professional-managerial élite and a proletarianised mass of low-paid and low-skilled, '*disponible*' workers (Michon, 1981).

This discussion overlapped, from the late 1970s onwards, with the debate between industrial sociologists who emphasised skill upgrading and professionalisation and those who diagnosed trends towards deskilling and employment downgrading (see Crompton and Jones, 1984). There are therefore important structural similarities between debates about deskilling, employment restructuring and post-industrial society, on the one hand, and social polarisation, on the other. A tendency towards dualistic analyses of change, accompanied by either optimistic or pessimistic evaluations, is arguably written into the very structure of these theoretical frameworks, due to the ways in which they conceive social change in terms of 'binary hierarchies' (Williams, 2008).

During the 1970s, urban scholars in Europe proposed a range of class-based accounts of social inequalities. One of the most influential attempts to theorise change in urban labour markets was developed by Aglietta, Boyer, Lipietz, Coriat and other members of the Parisian 'Regulation School'. Aglietta describes the evolution of capitalism through a series of phases,

during which accumulation “can proceed in a relatively crisis-free environment” (Peck and Tickell, 1992, p. 349), punctuated by periods of crisis, which trigger experimentation, conflict and innovation (see Moulaert and Swyngedouw, 1991; Cassiers and Kesteloot, this Special Issue).

The chronological sequence of models described by Aglietta has been largely abandoned by Regulation School theorists. As Mavroutides (1999) observes, recent versions of regulation theory incorporate a stronger element of relativism and historical contingency, to the point of abandoning the idea, previously at the core of regulation theory, that capitalist accumulation relies on strong forms of extra-economic ‘regulation’ (see Brenner and Glick, 1991; Goodwin and Painter, 1996, p. 639). Lipietz spells out the implications of regulation theory for analysis of the social structure of the advanced capitalist countries

First, the pattern of income distribution shifts from the image of the hot air balloon to one of an hourglass ... It deflates at the centre where we find the middle classes, to take the form of what we call the ‘two-thirds’ society, with a shrinking median third. ... The problem is not only the co-existence of rich people, shrinking middle classes and a marginalised third. Rather it is also the process that tears apart this society, deflating the middle and emptying most of its contents below (Lipietz, 2001, p. 25).

In a formulation that recalls Wacquant’s discussion of ‘advanced marginality’, Lipietz (pp. 27–28) characterises the “marginalised third” as “unemployable”, mainly comprising immigrants and their children, who are excluded from the workforce on a permanent basis. Similarly, Hirsch (1991) argues that post-Fordism will be characterised by a growing polarisation within the labour market between core employees and those

in insecure, low-paid and flexible jobs, with a “structural oversupply of cheap labour power” (Hirsch, 1991, p. 26).

The regulation approach, by virtue of its insistence on the role of Keynesian demand management, mass production, wage indexing, solidaristic collective bargaining and welfare spending during ‘Fordism’, implies that an increase in polarisation is likely following its decline. Indeed, there are many other examples of analyses of post-Fordism—more or less heavily indebted to regulation theory—which anticipate profound socioeconomic polarisation following the crisis of Fordism (see Storper and Scott, 1990; Bowring, 2002).

Rather than focusing on homogeneous empirical hypotheses such as ‘social class polarisation’, we believe that social scientists should study how specific labour markets are influenced by varying combinations of factors. This requires a complex, stratified view of societal processes, whereby ‘generative mechanisms’ combine to produce differing outcomes in a context-dependent way (Hedström and Swedberg, 1998; Bhaskar, 1979). From this perspective, it is less important to evaluate the ‘polarisation hypothesis’ than to alter the terms of the debate itself.

#### 4. Towards a Mechanism-based Account

Urban labour markets have a number of specific features, some of which are common to all cities in the advanced capitalist countries, whilst others are observed only in certain contexts. For example, Buck *et al.* (2002) refer to Fielding’s (1991) ‘escalator region’ hypothesis, suggesting that residence in core regions and cities provides enhanced and accelerated prospects of upward occupational mobility (see Gordon, 2005). At the same time, they note that, during periods of economic restructuring, the reduction in

well-paid jobs at the top of the urban employment hierarchy can provoke a cascading process of downgrading and downward social mobility that pushes specific segments of the population out of the labour market

a particularly significant effect is the process characterised by Reder (1964) as ‘bumping down’, whereby in a slack labour market unemployed workers may effectively ‘price themselves back into’ a job not by renegotiating a particular wage, but by stepping down a tier in the market and successfully presenting themselves as the (qualitatively) best candidate for a job which has always attracted a lower salary (Gordon, 2005, p. 8).

Although there is no necessary relationship between social inequalities and spatial segregation, there is undoubtedly a connection between the two. Although segregation is a fairly ubiquitous feature of European cities, its nature and extent are variable (Maloutas, 2007). Spatially demarcated ‘ghettos’ of the rich and poor increase the visibility of social disparities, whilst reacting back on the underlying mechanisms themselves (see Cassiers and Kesteloot, this Special Issue).

In the following paragraphs, we will discuss the principal mechanisms that influence urban labour markets and social cohesion in Europe, including uneven development, casualisation of employment, immigration, skills, the state and exclusion from the formal economy.

#### 4.1 Uneven Economic Development

Despite its shortcomings, one of the virtues of the regulation approach is that it situates social and occupational transformations within the context of macro-economic processes. Economic restructuring is a multiscalar process driven by competition between firms and regional economic blocs and

mediated by the strategies of employers, governments and other collective actors. In order to understand the nature of recent changes in the social structure of European cities, therefore, we must explore how they are situated in relation to flows of capital, raw materials and labour (Harvey, 1982).

Since the 1970s, the most important feature of the economic situation of European cities has been the intensification of competition for goods and services within global markets. In a first group of cities, we find London, Paris and Milan, which experienced early and intense industrial transformations and underwent an uneven but largely successful ‘post-industrial’ transition, gathering pace during the 1990s. A second group of European cities—including many urban areas situated in core countries—experienced greater difficulties in developing high-quality service sector jobs and compensating for the decline in manufacturing employment

From 1991 to 2001, Berlin’s traditional industries lost more than 150 000 jobs ... the parallel increase in ‘service sector’ jobs could in no way compensate for this loss of manufacturing jobs. Thus, we have growing unemployment of industrial workers in the region. The decline of Berlin as an industrial location is due not only to the closure of production sites in the eastern part of the city, but also to a very large extent to the structural weaknesses of the industries in the western part of the city (Krätke, 2004, p. 512).

Cities such as Athens, Naples and Lisbon, by contrast, experienced late, uneven and state-driven industrialisation, an incomplete development of public welfare and highly uneven employment growth in the tertiary sector. These transformations did not have the capacity to absorb either the workers displaced by restructuring or those who had remained untouched by industrial



expansion. As a result, unemployment remained a structural phenomenon and a series of crippling processes were set in motion, including emigration, withdrawal from the labour market, underemployment and the expansion of informal work (Moulaert *et al.*, 2007). One of the effects of this combination of factors, together with the weakness of the welfare state in southern Europe, was the exclusion of many young people—young women in particular—from the labour force. Although southern European cities have experienced less radical transformations since the 1970s, this is primarily due to their weaknesses, rather than their strengths

Athens is an archetype of South European piecemeal urbanization. Its post-war growth was not driven by industrial development, which specialized in building materials and housing-related consumer goods ... Industry never became the main employer in the city's labour market and was mostly made up of traditional small-scale commodity production units, rather than of large modern industrial plants (Maloutas, 2007, pp. 736–737).

The way in which cities are positioned within the urban hierarchy thus reflects the roles that they play within the accumulation process. Perhaps unsurprisingly, the clearest evidence of social polarisation comes from countries which have experienced severe crises and this is particularly important given the current economic context. For example, Kessler and Di Virgilio report that

The concentration of wealth in Latin America in the 1990s has occurred in part to the detriment of middle-income groups ... in one way or another, the middle classes in different countries have suffered a pauperization process that has largely been overlooked in academic literature and national public

agendas to date (Kessler and Di Virgilio, 2005, pp. 79–80).

Szalai (2005) points to the increasing concentration of the poor in urban slum areas in Hungary, alongside a substantial “informalisation” of work and a “demodernisation” of poverty as poor urban dwellers return to more remote rural settlements. As a result, members of the Roma community

have lost all chances to stay in the official labour market, and have been squeezed out even from most of the ‘black’ work in the informal segment of the economy (Szalai, 2005, p. 208).

As far as polarisation is concerned, the uneven spatial development of European capitalism fundamentally alters the way in which social inequalities manifest themselves in different cities. Distinct forms of social polarisation may be identified in ‘core’ as well as ‘peripheral’ cities and these phenomena are radically different in their origins, characteristics and social consequences.

#### 4.2 Deregulation and the Casualisation of employment

A selective process of casualisation is at the heart of employment restructuring in European countries, within the context of the processes of deindustrialisation and service-sector growth already described (Layte *et al.*, 2008; O’Connell and Russell, 2007). According to Plougmann (2003), part-time employment accounted for nearly 80 per cent of all net job creation in the EU during the second half of the 1990s, and Gialis and Karnavou report that atypical employees are now

mostly concentrated in the booming local tertiary activities; more than 90% of part-timers,

73% of temporary workers and 81% of self-employed are to be found there (Gialis and Karnavou, 2008, p. 888).

This expansion has far-reaching consequences, as temporary workers typically receive lower rates of pay and are less likely to be entitled to occupational pensions and other fringe benefits (Kalleberg *et al.*, 2000). The extension of atypical employment in Europe has been driven primarily by cost considerations, rather than functional requirements (Tilly, 1996) and is often viewed by employers as a strategic response to competitive pressures. Temporary and casual work have expanded even in the tight labour market conditions observed in many European cities during the mid 2000s (see Layte *et al.*, 2008; Gialis and Karnavou, 2008), frequently in areas of employment where union organisation is weak or non-existent. The risks associated with temporary work have gradually extended upwards along the occupational hierarchy, affecting skilled workers in areas historically associated with female employment, for example.

This raises an important issue in the study of urban labour markets—namely, the role of ‘segmentation’ in curtailing or facilitating access to different kinds of employment. Segmentation theory argues that labour markets in capitalist society comprise a series of non-competing segments which are structured by institutional barriers such as career ladders, internal labour markets, differential citizenship rights and discriminatory recruitment practices (for a summary, see Leontaridi, 1998). These segments are often defined on the basis of ascribed characteristics such as gender and ethnicity, and emerge from the interaction between the preferences of employers and the strategies of different groups within the labour market. As far as social polarisation is concerned, the relevance of this phenomenon derives from the way in which it interacts

with polarising processes to generate specific types of inequalities (Grimshaw and Rubery, 1997).

As already noted, the influence of casualisation is not confined to ‘atypical’ jobs themselves (Kalleberg and Reynolds, 2003; Reimer, 2003). This is due to a range of factors, including restricted mobility between segments, lower union density and changes in the labour process. This gives rise to a ‘stretching downwards’ of the distribution of wages and employment conditions which has a disproportionate impact on weaker groups. This effect is particularly accentuated in cities where economic restructuring has failed to generate sufficient employment opportunities and competition for jobs is accentuated.

There is also evidence of a widespread ‘downgrading’ of professional jobs in education, health care and personal services (Häusermann and Schwander, 2009). The resulting deterioration in contractual conditions (for highly qualified female employees, in particular) is associated with the deregulation of skilled jobs within the private sector and—crucially—the public sector. The strategies adopted by employers and the state, including externalisation and the individualisation of employment contracts, have led to greater employment discontinuity and reduced entitlements.

### 4.3 Immigration and Labour Market Segregation

There has been a dramatic increase in recent years in migration flows towards European cities (Castles, 2006, p. 6). Button and Vega (2008) report that, following the admission of Poland to the European Union in 2004, almost half a million Polish workers joined the UK labour market, mostly on a temporary, short-term basis, and that nearly one million east Europeans emigrated to other European countries. Experts estimate that



there are now between 4.1 and 7.3 million undocumented immigrants in the EU (Düvell, 2005, cited in Castles, 2006). The strengthening of immigration laws since the late 1990s has followed a dual approach, reinforcing existing forms of labour market segmentation

European governments scrambled to give preferential entry to tertiary-qualified workers such as information and communication technology (ICT) specialists and medical personnel, but refused to recognise the need for low-skilled migrants, who could therefore only come as undocumented workers: European politicians told them not to come, but the labour market bade them welcome (Castles, 2006, p. 7).

According to Spence (2005), almost half of domestic workers, cleaners, caretakers, porters, refuse collectors and unskilled labourers in London are now immigrants. May *et al.* note that

far from acting to protect workers from the worst excesses of the low-paid economy, the British state has in fact actively sought to facilitate the recruitment of migrant labour whilst restricting people's access to welfare (May *et al.*, 2007, p. 157).

As a consequence, a new reserve army of labour has formed, characterised by a specific 'migrant division of labour'

Whereas in the past employers may have had to improve wages in order to attract workers in periods of labour shortage, a steady flow of new migrants now enables employers to fill vacancies without improving the pay and conditions of work (May *et al.*, 2007, p. 163).

An important component of this 'insecure periphery' of the labour market comprises domestic workers. The massive recourse to

cheap female immigrant labour in this sector implies a recommodification process with far-reaching consequences for the social situation of women in European cities (see Parrenas, 2001). In contrast with the experience of post-war migrants to European cities, who often found employment in industry, where they benefited from the protection of unions and progressive employment legislation, contemporary migrants are more isolated and exposed to the effects of employment deregulation. Although their role retains considerable economic importance, it is exceedingly difficult to translate this 'functional integration' into improvements in working conditions. Although they 'make the city work' by cleaning, repairing, maintaining and serving, they have not been able, so far, to 'make the city pay (fairly)'.

One of the most important policy-related conclusions in relation to social cohesion in European cities involves the interaction between deregulated, segmented labour markets and dualistic immigration policies within the context of economic restructuring, which poses a particular threat to social cohesion, as it implies a selective process of polarisation that penalises specific social groups on the basis of existing disparities.

#### 4.4 The Value of Skills

An important aspect of the current phase of restructuring in both manufacturing and services is that it accords a key role to new social and information technologies which require specific kinds of skills. Possession of these skills, all else being equal, enables workers to obtain superior salaries and working conditions. The characteristics of the education system and the recognition of qualifications obtained abroad are thus important in shaping the distribution of these opportunities and promoting social cohesion.

This theme is present in most discussions of social polarisation in developed cities. Boschken (2008), following Sassen (1991), reminds us that cities like New York, London and Tokyo contain functions and infrastructure that are involved in producing, applying and managing knowledge. This generates a demand for highly skilled knowledge workers, professionals and managers, producing a 'stretching upwards' of salaries and conditions for those at the top of the occupational hierarchy. All contributors to the debate about social polarisation agree that the highest occupational groups have expanded in these cities, whilst improving their claim on the division of wealth.

One of the paradoxes of the debate about employment change and 'global cities', however, is that Sassen's hypothesis regarding occupational polarisation has received great attention, whilst the specific mechanisms she describes have not been considered as carefully. These mechanisms are highly specific and cannot be applied to all European cities. Outside 'core' cities, the increase in the number of professionals in urban areas is primarily an endogenous phenomenon, linked with the expansion of higher education, state employment, commerce, housing markets and private health care. This expansion has, historically, created opportunities for qualified women to enter the labour force on a stable basis. The upper levels of the class structure in these cities are not dominated by a global corporate élite, but by professionals working for the state or embedded in local economies.

Even in cities at the apex of the urban hierarchy in Europe, the role of skills within the labour market is conditioned by other generative mechanisms, *in primis* deregulation, immigration and public policy. As we observed earlier, employers (including the state) have sought to contain the rising costs of skilled labour by

mobilising labour reserves (immigrants, women, young people), deregulating professional careers, externalising services and using part-time and temporary staff. This has reduced employment security and incomes for many new entrants to the labour market and eroded the social position of the 'new middle classes'.

#### 4.5 The Role of the State

Many authors have emphasised the differences that exist between European employment systems and their American counterparts, primarily due to the stronger role of the welfare state, state regulation of employment and collective bargaining (see Andreotti *et al.*, this Special Issue). One of the features of state employment is that it is relatively insulated against the deterioration of wages and conditions, although this feature is not immune to change. For example, Prêteceille (2006) links the distinctive socio-spatial configuration of 'professionalisation' in Paris—characterised by the expansion of intermediate occupational groups—with state employment, which has reduced spatial segregation and counteracted occupational polarisation.

As far as social cohesion is concerned, the state plays a dual role, as both employer and service provider. In cities lacking a dynamic advanced producer services sector, state employment strongly influences the dynamics of White-collar employment. The conditions of state employees also influence the rest of the labour market, suggesting that this may be an important channel linking public policy and the labour market.

Secondly, public policies have profound consequences for social cohesion, as effective policies in relation to the minimum wage, the duration of temporary contracts, discrimination, unemployment assistance, public housing and access to training can mitigate the negative effects of labour

market segmentation. Nevertheless, as May *et al.* (2007) point out, whenever reference is made to the role of the welfare state in European countries, we should remember that differential entitlements typically accrue to native-born and foreign-born workers and that retrenchment and policy reform (including workfare-inspired policies) have already produced dramatic changes in Europe.

The combination of financial deregulation, outsourcing, privatisation, spending cuts and 'activation' policies has contributed to the 'normalisation' of temporary or 'contingent' work in many European countries (Peck and Tickell, 2002, p. 398), reinforcing the polarising trends already described. In line with the approach adopted here, it is important to appreciate how policies such as these can give rise to different outcomes in different urban contexts, for distinct social groups (for example, second-generation migrants in Britain and France, women and young people in southern Europe).

These developments, often inspired by neo-liberal policy prescriptions, have met with protests by students, public employees, unions and campaign groups, most notably in France (2006) and Italy (2010). The capacity of these actors to challenge regressive or restrictive policies should not be ignored. Paradoxically, these movements not only generate conflict, but also have the potential to promote social cohesion by integrating weaker groups within a collective process of mobilisation.

#### **4.6 The Informal Economy and Exclusion from Work**

As well as generating changes in job content and contractual conditions, economic restructuring at firm and sectoral level has also altered the ways in which individual workers are connected to the labour

market. In the context of labour market deregulation and migration policy, this has produced changes in the relationship between the formal and informal economies.

The term 'informal economy' was initially used to describe the dualistic economic structure found in developing countries, but retains its relevance to European cities (Losby and Edgcomb, 2002; Portes and Sassen-Koob, 1987). One reason for this is that the obstacles to maintaining valid work and residency permits make it difficult for immigrants to enter, and to remain within, the formal economy. Furthermore, some jobs only exist because they can be relegated to the underground economy and this helps to account for the continuing demand for undeclared foreign labour (see Cassiers and Kesteloot, this Special Issue). The underground economy is not generally a product of clandestine immigration, Reyneri (2003) argues, and may even be its cause. This suggests that less developed cities, with an extensive informal economy, are more likely to have a weakly integrated and highly exploited migrant workforce. These phenomena clearly have far-reaching consequences for social cohesion, as labour market segmentation and informal work reduce the potential for paid employment to function as a mechanism of social integration.

In all European cities, access to high-quality jobs remains the most important factor in promoting social cohesion. Gallie and Paugam (2000) remind us that the experience of unemployment entails, in nearly all cases, a process of 'social disqualification' characterised by falling living standards, a weakening of social ties and greater risk of social marginalisation and poverty. In Britain, as Ray Pahl (2001) has shown, labour market inequalities are exacerbated by the growing social distance between families in which both partners are

unemployed, on the one hand, and families in which both are employed in stable occupations, on the other.

As already noted, many scholars view exclusion from paid employment as a primary form of social stratification in contemporary Europe and one with far-reaching consequences for social cohesion. Although evidence for more enduring forms of exclusion from the labour market relates primarily to women and young people in less-developed cities in the European 'periphery', where social cohesion consequently depends on family relationships, the risk of unemployment is particularly great in all European cities amongst first- and second-generation immigrants, the low-skilled and young people. Rather than giving rise to a stable form of stratification, as the notion of 'insider/outsider polarisation' suggests, this differential pattern of risk tends to exacerbate existing inequalities and contributes to pressure on wages and conditions in a 'bottom-up' manner.

## 5. Conclusions

In the first part of this article, we discussed definitions of social polarisation and emphasised the continuities that permeate theoretical accounts of socioeconomic transformations since the 1970s. We indicated some of the weaknesses in accounts that predict a dualistic polarisation of the workforce and argued that a different approach is required.

The analysis presented in the second part of the article, which aims to identify the principal factors related to labour markets and social cohesion in European cities, confirms that current processes of labour market change are complex, multidimensional and context-dependent. This is the main reason why the concept of social polarisation is ultimately inadequate, as it implies

a much more radical, one-dimensional process of change than is actually observed. Rather than seeking to identify broad empirical trends, the analysis of labour market phenomena and social cohesion would be better served by a careful study of 'generative mechanisms' in specific contexts. On the basis of a broad survey of the literature, we described six such mechanisms, starting with the uneven nature of economic development in Europe. Specific processes of social class polarisation may be identified in both developed, 'core' cities (involving high-paid jobs in financial and corporate services, alongside low-skilled service jobs, often carried out by migrants) and the less developed 'periphery' (limited expansion of professional and managerial élites, decline of the traditional middle classes and expansion of casualised and informal work).

The second mechanism relates to the nature of employment relations, due to the increase in temporary work, outsourcing, small firms and the destructuring of working time. These changes have particularly negative effects on young, low-skilled workers, women and immigrants, potentially reinforcing labour market segmentation.

The third mechanism underlying recent changes in European cities is the emergence of dualistic immigration policies that discriminate against low-skilled migrants, effectively relegating them to secondary labour markets. This implies a specific and largely implicit form of asymmetrical integration, which interacts with the first two mechanisms to amplify social disparities.

We also argued that the progressive 'disembedding' of skills and credentials from social regulations and collective agreements has intensified labour market inequalities. Finally, we described the role of the informal economy and the question of exclusion from paid employment, increasingly (but rather problematically) viewed as a key dimension of stratification.

As we have seen, there is no clear, unequivocal answer to the question of whether European cities are becoming more polarised, primarily because of the nature of this concept itself. This does not mean that contemporary restructuring poses no risks for social cohesion. As far as cohesion is concerned, the fears of European élites have historically revolved around the threats posed by ‘groups of young men’ (violence and crime), ‘unassimilated immigrants’ (socio-cultural differences) and ‘economically marginal populations’ (refusal of societal norms), not to mention ‘organised labour’ (class conflict). Although direct challenges to the social order of European cities remain isolated, there is a risk of a gradual erosion of social cohesion due, for example, to generational cleavages within the labour market, the constitution of a ‘migrant division of labour’ and the intensification of economic exploitation and inequalities.

One of the key conclusions of our analysis is that polarisation processes are not only complex and context-dependent, but also highly selective. A cascading process of employment downgrading became visible at the lowest levels of the occupational hierarchy as a result of competitive restructuring in European cities during the 1980s and early 1990s, gathering pace in recent years due to the impact of economic crisis and retrenchment. This process has exacerbated disparities within the labour market, interacting with existing forms of segmentation on grounds of gender, migration status and age. Polarisation processes are not neutral, therefore, and typically involve an accentuation of class, gender and ethnic inequalities. The precise mechanisms involved may vary between cities, although this structural feature is common to all.

A number of recommendations for future research follow from this analysis. First, there is a need for more theory-guided

comparative research on European cities which distinguishes between wage inequality, occupational and sectoral changes, social class composition, employment conditions, unemployment and other forms of exclusion from the labour market. Rather than focusing on the aggregate, empirical outcomes of current processes, we need a better understanding of how these processes are structured in different regions and cities, with a particular focus on the eastern and southern peripheries of Europe. Labour market sociology and social class theory have a considerable contribution to make to this debate, as we have repeatedly observed.

In our view, three issues deserve greater attention—namely, the economic role, situation and integration of immigrants (and the children of immigrants), the role of informal work in the survival strategies of families in the European periphery and the impact of economic crisis on urban labour markets and social cohesion.

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