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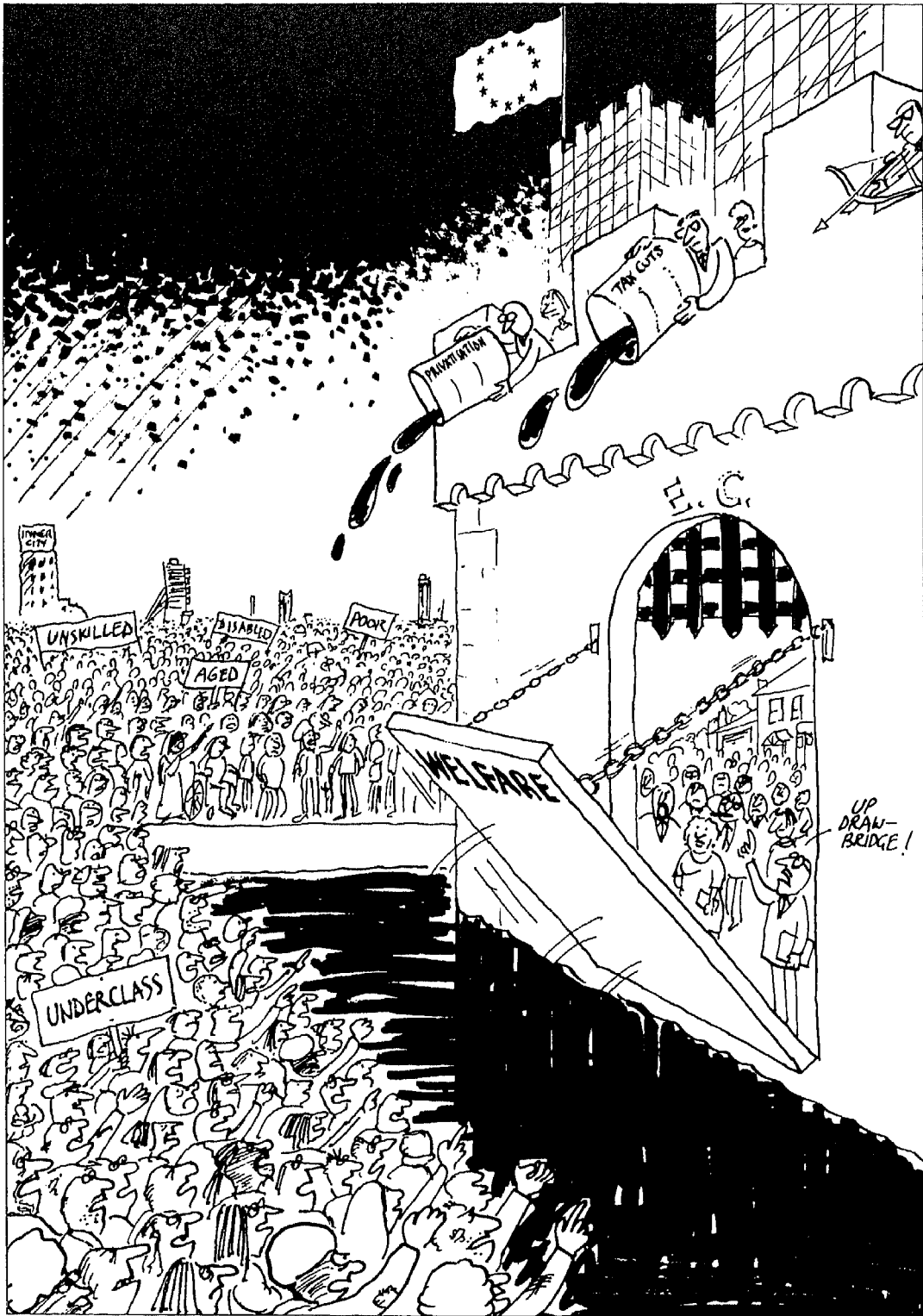
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Helman

# A Rising European Underclass?

## Social Polarization and Spatial Segregation in European Cities

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It is generally accepted that in contemporary European cities processes are going on which result in urban social polarization – widening gaps between social classes in terms of income, profession or employment. In some cases these processes may also result in a growing urban underclass.

The most significant characteristic of the urban underclass is the lack of opportunity for upward social mobility amongst those within it. The underclass consists of people who are socially excluded.

The process of social polarization and the creation of the underclass seem to be closely related to global economic restructuring, to international in-migration flows, and to (changing) welfare state systems operating within a nation, region or city (see Wilson, 1987; Sassen, 1990; Thomas, 1991; Fainstein *et al.*, 1992; Mingione *et al.*, 1993).

It is well-known that *economic restructuring* brought about changes in the manufacturing and service sectors almost all over the world. In virtually all European and North American cities manufacturing is declining and/or becoming increasingly labour saving. Further, this sector has been showing strong decentralization for some decades now. A counterbalancing development can be seen within the service sector (producer as well as consumer services) which is generally growing, even during economic busts. However, in this sector too a continuation of the spatial decentralization of firms can be seen, especially those characterized by non-control types of employment.

The internationalization of many economic activities adds to these changes. Increasingly, high-skilled labour is asked for, characterized by the ability to operate with varied bundles of information.

Some argue that these processes have led to an increase in the disequilibrium between the demand for and supply of labour – the so-called *mismatch* hypothesis, or if different locations are involved – the so-called *spatial mismatch* hypothesis. Central to these hypotheses is the existence of a concentration of low-skilled people – not infrequently *immigrants* of different ethnic origin – living in (parts of) the inner city and no longer able to find employment in that inner city. The firms offering employment to low-skilled people have simply disappeared or moved to the (international) periphery. Unemployment is thus the inevitable outcome for the low-skilled in urban centres. And because skilled people are more successful in finding jobs, social polarization is assumed to increase rapidly.

But these are not the only hypotheses. Other authors stress that not only high-level service sector jobs are developing, but also jobs at the lower end, sometimes even in the informal or illegal sectors. Well-known examples are the unskilled in-migrants who are employed in so-called 'dead-end jobs' (junk shops, sweat-shop jobs) in the lower sections of the service sector. Here too social and spatial polarization are likely to develop. Although according to this model the low-skilled people are not entirely excluded

from the labour market, the separation from the higher sector jobs, measured in terms of skills and social level, is growing. In this so-called *social polarization* hypothesis it is the middle class which, in terms of employment opportunities, suffers the most from economic change. New jobs are to be found at either the top or the bottom of the scale. Because service sector employment is concentrated in the inner-cities within metropolitan regions and many low-skilled (immigrant) workers are attached to the service sector, social polarization is also *socio-spatial polarization*.

There seems to be scope to combine the (spatial) mismatch and social polarization hypotheses into one (spatial) social polarization model. In such a model, the following categories can be distinguished: low-skilled unemployed; low-skilled, low-paid employed people; high-skilled, high-paid people; and the middle-class employed and unemployed. The prevalence of these categories varies from country to country and between urban systems, and will differ according to the three parameters mentioned above: the (lack of) success of economic restructuring; the level of immigration of unskilled people; and, particularly, the organization of the welfare state. (Needless to say, the operational definition of social polarization is crucial too.)

There is now a large body of research into social polarization in Britain and the United States. And comparison of the processes in cities in both countries is well documented, although there is considerable debate (and dispute) as to what the differences are and how they should be explained (Hamnett, 1994).

While it is generally assumed that there are great differences between experiences in cities in the Anglo-Saxon countries – particularly the United States – on the one hand and (mainland) Europe on the other, little is known about the variations within Europe. Therefore, since no systematic comparison of experiences in European cities is available,

it seems interesting to focus on that intra-European variation in particular.

Europe is a collection of countries covering a wide array of *welfare state models*. A variety of social benefit systems, health care programmes, housing subsidy and allocation systems, and labour market interventions is to be found within those models. As a result the unemployed, the disabled, the sick, the unskilled and the old fare better in some countries than in others. Thus the level of social polarization and the spatial segregation of social categories varies also.

In this issue of *Built Environment* we look at the situation in six countries, which in their turn represent a variety of welfare states. One way to distinguish these states is to focus on labour market related indicators, such as pensions, sickness insurances, unemployment benefits, and so on (see Esping-Andersen, 1990).

At least three types of welfare state may be identified: the liberal welfare state, of which Great Britain is a good example; the conservative corporatist state, of which Germany and France are examples par excellence; and the social democratic welfare state, of which Sweden is the most famous representative.

The Netherlands and Belgium, which complete the six countries dealt with in this issue, cannot be classified so easily. The Dutch model is often thought to be a mix of the corporatist and social democratic models, while Belgium appears to be a case on its own, although resembling the French model in many respects.

Briefly, one may differentiate between the three models as follows: the liberal model is characterized by modest universal income transfers, modest social insurance plans and by means-tested assistance and modest benefits. The model encourages the market. In the corporatist model, the preservation of status differentials predominates. The granting of social rights is attached to status and class. Universal redistribution is not aimed for. The social democratic model is

characterized by redistribution and universalism through which a division between the working class and middle class has to be prevented. As Esping-Andersen put it 'the social democrats pursued a welfare state that would promote an equality of the highest standards, not an equality of minimal needs' (Esping-Andersen, 1990, p.27).

Of course, the differences between these models have far reaching consequences in terms of the social differentiation of the population. In general it may be argued that social polarization will be more extensive in liberal than in corporatist countries, and more extensive in corporatist than in social democratic countries. But some counter arguments must be given here.

Esping Andersen's classifications are based on social security and labour-related indicators. Almost no attention is given to the differences between countries in terms of (social) housing provision. Although this might be regarded as one of the elements of liberal or social democratic welfare states, distinct differences may be seen between countries within each of the welfare state types as defined by Esping-Andersen.

Social housing, for example, is much more prevalent in Great Britain than in the United States. By 1990, the British social housing stock was still larger than the Belgian or French stock. In particular, the Belgian housing market appears to be of a very 'liberal' character. Moreover, British housing allocation systems have long added to the redistribution of income. In short, housing market differences do not entirely parallel the classification provided by Esping-Andersen.

Nevertheless, the functioning of the housing market is extremely important, particularly in terms of the (unequal) *spatial* distribution of population according to social position. Countries or cities with large social housing stocks will have better opportunities to realize socio-spatial mixes of population than those where private stocks still dominate (assuming that the social stock is spatially

concentrated and is more than sufficient to meet the needs of lower class households). Socio-spatial segregation will, for that reason, be more prominent in cities like Brussels than in cities like Berlin, Stockholm or Amsterdam.

Thus, different housing market systems and characteristics of the different welfare state models are the most relevant to understanding the variations in social and socio-spatial polarization in different cities. In our view the welfare state models outweigh the other parameters. State intervention may indeed reduce the widening social and spatial gaps resulting from economic restructuring and immigration of foreigners, for example. While political and economic differences, as well as the type of housing market, may be relevant to understanding social polarization, most impact is to be expected from the welfare system itself.

As we test these hypotheses by comparing social polarization and social segregation in cities in different European countries and in broad comparison with the United States, we do so at a time when there are signals of a change in the welfare state models on both sides of the Atlantic. The United States appears to be moving in the direction of the European models, albeit with some hesitation, while in Europe the processes seem to be going in the opposite direction. For example, Brinkley (1994) in a recent issue of *The New York Review*, referring to President Clinton's health care reform proposal said:

If [that proposal] becomes law in anything like the form he proposed, it will be the first genuinely universal system of social insurance in American history, and a striking departure from all previous efforts to build and expand the welfare state. For, until now, virtually all American social welfare policies have taken one of two quite different forms, separate and unequal. (p.40)

In many European countries calls for reduction of social security and of minimum wage levels are dominant today as are initiatives to reduce all sorts of programmes

to basic levels, aiming at systems in which individuals are invited to buy supplementary pensions, supplementary health insurances, and so on. The tendency to liberalize the European welfare state models seems to be stronger than that to de-liberalize the United States. If in European countries, the minimum levels drop below living standards, the systems might soon be of very unequal welfare, which will be reflected spatially.

In this issue attention will be given to processes of social polarization and spatial segregation of social categories in the inner cities of six major cities: London, Brussels, Paris, Berlin, Amsterdam and Stockholm. The contributions have been ordered loosely on the basis of the classifications outlined above and on the basis of their position in terms of the social character of the housing market.

Chris Hamnett opens with a critical analysis of the social polarization thesis already mentioned. His critique is especially focused on the way the thesis was developed in the work of Saskia Sassen (1990). His aim is to show that the socio-economic changes going on in *London* should not, as in New York and Los Angeles, be labelled social polarization, but as professionalization instead: an increase in the number of managers and professionals and a decline in skilled manual, semi-skilled and unskilled workers. Hamnett shows ample evidence of the development of the professional structure of London between 1960 and 1990. The outcome of his analysis runs directly counter to Sassen's thesis as far as the professional structure is concerned, but he refers to research of Stark to underline that the gap between the rich and the poor in London is large and widened during the 1980s. In spite of all that, Hamnett is much more worried about London's position relative to the rest of the country. Quoting Ruth Glass he states: 'Inner London is not on the way to becoming mainly a working class city, a *polarised* city, or a vast ghetto for a black proletariat. The real risk [ . . . ] is that it might well be

gentrified with a vengeance, and be almost exclusively reserved for a selected upper-class strata.'

Quite a different perspective is shown with regard to *Brussels*. The Belgian capital is a city that has been strongly influenced by its European function, by foreign immigration, by an almost completely privatized housing market and by a fragmented political structure in the metropolitan area. The social consequences of these factors are complicated, as is shown in Christian Kesteloot's contribution. Kesteloot focuses on the socio-spatial differences at three different levels. The first is the metropolitan region. The distinction between a rich periphery and a poorer Brussels Capital Region (19 central communes) is clarified; here polarization can mainly be ascribed to suburbanization processes. At the second level polarization is shown within the Brussels Capital Region. Here housing market differences appear to be very important. A large residual rental sector with low quality housing in nineteenth century neighbourhoods is connected with lower class (immigrant) households. The third level refers to some neighbourhoods within the poor Brussels sectors. These neighbourhoods face tremendous marginalization problems. According to the author, they are on the brink of becoming spaces of social destruction instead of spaces of social reproduction. In short, socio-spatial polarization patterns in Brussels may be even more prominent than those of London or Paris. In addition, there seems to be little hope of positive change in the near future.

Much of the *Paris* urban social structure was shaped in the nineteenth century, when poor inner-city inhabitants, in a period of autocracy, particularly under Haussmann's plans, were forced to move from the city of Paris towards the urban periphery, and were replaced by a richer population. Juliet Carpenter, Yvan Chauviré and Paul White show us that this process has, in a way, been repeated after the establishment of the Fifth Republic, a period in which autocrats again

came into power. The authors stress that during that (recent) period the existence of a strong right-of-centre local administration had and still has many implications for the social structure of the city. In fact two changes are of great importance. First, economic restructuring involves an increase in the number of unemployed. In the corporatist context of France these unemployed have a great risk of becoming marginalized. Social security is related to employment and discriminates against the unemployed. Ethnic minorities in particular appear to be the most vulnerable category. A second element, with major spatial implications, is the reduction of cheap (semi) social housing in the city of Paris and the subsequent relocation of poor inhabitants to the outer parts of the agglomeration. This process was very much stimulated by the right-of-centre ideology that was manifested in housing and urban planning policy. The authors conclude, however, that despite the *embourgeoisement* of the City of Paris, and the marginalization of peripheral suburbs, there are still considerable numbers of marginalized residents in the city itself as well, like clandestine immigrants, elderly and long-term unemployed. Their sad relationship with the *métro* offers only a view on the top of the iceberg of polarization.

In *Berlin* it has been the separation by the Wall that has had the most significant effects on the city. Though most differences are between West and East, Hartmut Häußermann and Rosemarie Sackmann show that there are major effects of the separation for East and West Berlin distinctively as well. Before the collapse of the Wall the economy of East Berlin was determined by state planning, investment control, and social housing. However, in West Berlin, too, the city heavily relied on subsidies for housing (over 50 per cent social housing) as well as for transportation of goods and services, and for manufacturing. One of the interesting implications of the large controlled housing market in East and West Berlin, and the virtual absence of modern service industries, has

been the prevention of sharp socio-spatial segregation patterns in both parts of the city.

However, today there are several processes going on that may lead to the development of a large urban underclass in the years to come. First there is a pressure of new economic (service) activities in parts of West Berlin. Among other things, that will result in the replacement of unprofitable subsidized manufacturing industries. The restructuring will be to the advantage of high-skilled people in particular and to the disadvantage of immigrants who tend to be pushed from West Berlin locations toward cheaper accommodation in East Berlin. Secondly, in Berlin too, the housing market tends to shift to a more privatized model. Thirdly, there is an ongoing influx of foreign immigrants, many of whom stay unemployed, and, because of the corporatist model, stay in a weak position. It is the combination of these changes that feeds the fear for an increasing urban underclass and for polarization. A poor East and a rich West may be the outcome.

The effects of the Dutch welfare state on the city of *Amsterdam* are dealt with in the contribution of Sako Musterd and Wim Ostendorf. It is shown that in terms of redistribution of income and housing (in *consumptive* terms) and in terms of the avoidance of clear spatial segregation of the population on the basis of income or ethnicity, the Dutch welfare state has been quite successful. Polarization and spatial segregation, measured by these indicators, did not increase during the 1980s. Also in terms of the rise of the level of education of its population there is not much to worry about, though the education level of some of the ethnic immigrants appears to lag far behind. The real problem, however, is the state's response to the very high unemployment, or, more generally, to the low participation rate, the *productive* side of the coin. Again, the problem is greater for the immigrant population, but certainly not confined to this category. The direction of the change of Dutch society, partly an

answer to the inactivity question, is – as in many countries – away from universal welfare benefits, away from regulation on the labour market, towards privatization and a more extensive role for the market sector in housing. As in other cities, in this case too, it is to be expected that there will be an increase of social and socio-spatial segregation as a result particularly between relatively poor immigrant inhabitants in the central city and richer middle-class population in the suburban fringe.

Until recently, Sweden was regarded as the Western social democratic state *pur sang*, and *Stockholm* the city that reflected that stereotype. The title of the contribution of Lars-Erik Borgegård and Robert Murdie: 'Social Polarization and the Crisis of the Welfare State' reveals, however, that this situation is changing maybe even more rapidly than in other European countries. After a period of almost 60 years of social democratic government, which formed the foundation of the redistributing welfare state, the political perspective turned to the right in 1991. The reduction in government paid jobs, tax reform, reduction in housing subsidies, and increased income differences (which, by the way, were already noticeable before 1991), resulted in sharper differences. The overall picture, the authors state, has been increased income inequalities, especially between Swedes and non-Swedes.

Socio-spatial differences in the city of Stockholm are still modest, but several tendencies of polarization can be shown. One example is the residualization of the non-profit housing in the municipal stock built during the Million Programme (especially in the southern Stockholm municipalities) on the one hand, and the transformation of the inner-city housing stock, through which higher income households could gain access to that area, on the other. In this respect parallels can be drawn with a city like Amsterdam.

In conclusion, everywhere in Europe there is fear for increasing social polarization and socio-spatial polarization. That fear is rooted

in economic restructuring and changing welfare states. While economic restructuring is bringing about an increase in the demand for well-skilled persons, there is also a rise of the number of unskilled persons, unable any longer to find jobs. This in itself results in social polarization. However, in addition, many national governments try to react to the economic restructuring by liberalizing policies: reduced taxes, less redistribution, fewer universal welfare benefits and systems, no universal health care system anymore, less regulated labour markets, and so on. Such liberalization can be shown in all countries and cities dealt with here. In general it will stimulate social polarization, though – that is the other side of the coin – employment is stimulated as well. Therefore, an individual's social mobility opportunities may be improved.

Connected with the revisions of the welfare states, and also evident in all cases dealt with here, is the withdrawal of the state. Implications can be found in the reduction of employment in public services, a reduction of social housing, and so on. Privatization, especially in the sphere of housing, will substantially contribute to the widening of socio-spatial gaps in cities.

From the contributions to this special issue it may be concluded that in many countries researchers are expressing their fear for the development of social polarization, and even their fear for a rise of a social underclass, a class characterized by few prospects of upward social mobility. In some cities the increase of unemployment (mostly highest among immigrants) has reached an alarming level already. Nowadays, general reactions against the unemployment problems seem to be further economic restructuring, liberalization of the labour market and a wide revision of the welfare state in a more liberal direction. But, while there is a general belief that unemployment will be reduced because of that change, there is also the expectation that there will be an increase of social and socio-spatial



segregation. People who – in the new situation – still fail to obtain employment will face more problems than before, and may face greater difficulties in realizing any upward social mobility. This may even be true for people who do find jobs, but at the lower end of the scale, not well-paid, and not of a type which offers opportunities to escape from that situation. In general, however, these outcomes are regarded to be inevitable. For that reason many people think them acceptable also.

But what is the price one is prepared to pay? Many US cities show us the ultimate polarized urban society, including the lost cities, only inhabited by the socially excluded – the underclass in its pure expression. Few people now have any faith in such areas or want to invest in them.

European politicians must be aware of the risk of moving in such a direction. Avoiding polarization and a rising underclass might, in the long run, prove to be a stimulation of one of the most valuable (also economic) assets, a country has to offer: livable cities.

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