Job Quality and the Economics of New Labour: A Critical Appraisal

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Abstract

This paper assesses the record on job quality during the early term of office of the New Labour government by interpreting, from a political economy perspective, changes in a variety of measures of job quality taken from several different data sources. We find some improvements in job quality over the period 1998-2004; however we argue that these improvements have arisen not because of New Labour's policies towards the workplace but because of benign labour market conditions. Despite recent improvements, a large number of workers in Britain remain in low quality jobs and without a radical change of policy direction sustained and substantial progress in the quality of work will remain elusive.

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Acknowledgements
We are very grateful to Gary Slater for supplying the data in table 2 and for his comments on the paper. We are also grateful for the advice of Jenny Tomlinson. Finally, we thank the WERS Sponsors – the DTI, the Economic and Social Research Council, the Advisory, Conciliation and Arbitration Service, and the Policy Studies Institute – for allowing access to the data. The initial impetuous for the research underlying this paper came from a small research grant provided by the DTI. None of the above are responsible for any of the findings or claims made in the paper.

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1. Introduction

New Labour's employment policies have been centred on the implementation of the New Deal for the unemployed. Drawing direct inspiration from the work of Layard, Nickell, and Jackman (1991), these policies have aimed to improve employability, increase job search effectiveness and reduce levels of long-term unemployment. Since 1997, employment has risen to unprecedented levels. Until relatively recently, the level of unemployment had been in decline and despite some recent increases it remains well below the EU average. These favourable outcomes have lent support to the employability and flexibility agenda promoted by New Labour. Critics, however, have raised concerns regarding the quality of work. Thus, it is argued that increases in flexibility have come at the expense of reduced job security, and that the New Deal has increased 'churning' in the labour market, with regressive effects on the well-being of workers (Peck and Theodore, 2000; Gregg, Knights and Wadsworth, 2000). These concerns arise in a context where, despite the improving economic conditions, the level of work intensity increased and influence over work fell for many British workers during the 1990s (e.g. Green, 2006). Taking a long run perspective, in an era when material wealth has continued to rise, workers in Britain have paradoxically come to find no more satisfaction in their work than they did in the past (Layard, 2005; Green, 2006).

The paper aims to provide a theoretical as well as empirical assessment of the job quality debate in the context of the record in office of the New Labour government. It makes two key contributions. Firstly, at the level of theory, it offers a critique of the

'economics of happiness' approach to job quality, a purportedly 'revolutionary' approach within academic economics, which has begun to impact on policy debates in Britain (Layard, 2005). Despite apparently embracing the importance of social relations, the economics of happiness effectively resurrects the inherently individualistic concept of cardinal utility. In doing so, the economics of happiness is at odds not only with previous (and equally individualistic) economic orthodoxy but also with the tradition of 'political economy' (Dreze and Sen, 1990, pp.2–3; Fine, 2002). Several approaches within the latter tradition offer an alternative, objective conception of welfare centred on the role and importance of needs. We draw on this tradition in order to develop an alternative basis for the assessment of well-being at work, and an alternative interpretation of the subjective measures of job quality used in nationally representative surveys, the favoured empirical source for the economics of happiness. Our contribution develops Green's (2006) insight that, despite the concrete diversity of work activities within capitalism, subjective measures can in general reveal true change in job quality through time, to the extent that the norms and expectations of respondents in general change only relatively slowly.

Secondly, we offer an empirical assessment of New Labour's record on job quality, examining primarily subjective measures of job quality taken from the 1998 and 2004 Work and Employment Relations Surveys (WERS), supplemented by analysis of changing job satisfaction from the British Household Panel Survey (BHPS) and changing occupational structure, from the Labour Force Survey (LFS). The evidence shows that some aspects of job quality improved between 1998 and 2004, an improvement that we attribute to cyclical factors. We also uncover evidence of a robust u-shaped relationship of job satisfaction (and of several other facets of

subjectively reported job quality) in earnings. When properly interpreted the observed u-shape suggests that many individuals who report satisfaction in their job, are, in fact, seeking to make the best of a bad situation rather than truly experiencing satisfying work. Thus, in spite of recent improvements, there still persist a great many workers in Britain who are in low quality jobs. This evidence casts doubt upon the success of New Labour's policies towards the workplace, in particular its 'pro-business' orientation, and supports our theoretical critique of the economics of happiness.

The paper is structured as follows. Section 2 reviews the debate surrounding job quality in Britain and New Labour policies, before examining the approach of the 'economics of happiness' towards measuring job quality. Section 3 develops an alternative approach, drawing upon the political economy tradition. Section 4 presents and interprets the evidence on job quality in Britain for the 1998–2004 period. Section 5 concludes.

2. The Job Quality Debate in Context

Given the welcome reductions in unemployment in Britain, argued by New Labour to be due to the policy success of the New Deal, attention has switched to the quality of employment rather than just its quantity. This switch of attention has also been attributed to a confluence of more deeply rooted factors, each generating corresponding policy initiatives and debates, not only within Britain but across the advanced industrialised world. The key factors, policy initiatives and debates regarding job quality are discussed below, focusing on the British context. Underlying

issues of method and economic theory, in particular as addressed by the new economics of happiness, are then taken up.

New Labour Policy and the Job Quality Debate

A first set of factors that have put the issue of job quality into the foreground broadly concern the idea of the 'knowledge economy'. The argument has been frequently made, by the New Labour government and across the industrialised world, that for advanced economies to remain competitive they must seek to raise skill and knowledge levels among the workforce, in order to take advantage of recent technological changes and promote high quality jobs (Green, 2006). This notion has formed the central tenet of the EU Employment Strategy to create 'more and better jobs' (see European Council, 2000). Within Britain, the major investment in education made by the New Labour government has been justified in terms of raising the number of high quality, 'knowledge' jobs (DFES, 2003). A second set of factors concern the idea that flexible forms of work and family friendly policies are central to enhancing the quality of work and non-work life. In Britain, and elsewhere, the emergence of the issue of work-life balance reflects a structural shift whereby there are now many more dual-earner households (Green, 2006, pp.46–7). Finally, a number of other policy initiatives implemented by New Labour have been justified, in part at least, to raise job quality. Some of these policies, such as the National Minimum Wage, have sought to improve employment rights and protection, whilst others, such as the 'partnership' agenda have attempted to shape the industrial relations system in Britain and promote 'mutual gain-sharing' between employers and workers (DTI, 2004).

These policies have enabled New Labour to claim to be at the vanguard of the job quality agenda (Blair, 2007) and to 'demolish … the idea that Britain is in the grip of some extreme Anglo-Saxon market philosophy that tramples on the poor and disadvantaged' (Blair, 2005). However, critics argue that New Labour's policy imperative of 'flexible' product and labour markets, an imperative shared in common with the previous Conservative government, has led in practice to a pervasive pro-market, and more particularly pro-business policy stance, according to which wider economic and social interests are assumed to be in alignment with business interests. Yet, in the view of critics, global competitive pressure, and the long-standing dominance of short term financial interests in Britain, entail that it is not always in the immediate interests of businesses to undertake the long term investment required to enhance job quality (Kitson, Martin, Wilkinson, 2000). New Labour's favourable stance to business has, according to the analysis of its critics, impeded the effectiveness of employment policy as a means to improve the quality of work (Crompton, 2006; Dickens and Hall, 2006; Smith and Morton, 2006, Terry, 2003). The thirty year period of decline in union membership and coverage can be argued to have exacerbated the problem, reducing the opportunities for workers to exercise their voice and leaving unions in a less powerful position to maintain job quality standards.

Indeed, from the mid to late 1990s, there was increasing criticism that the 'flexibility' agenda of successive British governments, in the context of wider economic developments, harmed job quality, leading to an insecure, stressed and overworked workforce (Green, 2006). Within economics and related disciplines a strand of literature began to debate the extensive subjective measures of job quality that became

available on a nationally representative scale in the 1990s. The available evidence for Britain does suggest a decline in overall job satisfaction and a marked increase in stress and effort at work over the 1990s (Green 2004; Green and Tsitsianis, 2005; Green 2006). However, this evidence does not suggest a large increase in job insecurity. How, then, does the literature explain declining job quality in 1990s Britain? There is no consensus and the issues are complex (Rose, 2005) but a few of the most prominent hypotheses can be briefly summarised:

- A popular, yet anecdotal, hypothesis is that manufacturing jobs which are 'good' have been replaced by 'bad' service jobs (Ashley, 2003).
- Changes in technology, and accompanying organizational change, may have increased the pace and stress of work (Green, 2006). Such changes could also help explain the decline in the discretion of workers over their tasks, evident since the mid 1980s.
- Alternatively, technological change may not be solely 'skills biased' as some have argued (Machin, 2001), but may tend to reduce only the number of 'middle' quality jobs that are highly routine (hence can be easily computerised) leading to a polarisation of the labour market into 'good' jobs and 'bad' jobs. This argument has supporting evidence for the period 1979–1999 (Goos and Manning, 2003).

The latest evidence, provided below, is required in order to assess the impact of New Labour's policies towards job quality, and contribute to the ongoing debate in this important area. Before the evidence can be properly interpreted, the notion of job

quality must be adequately theorised. Recent developments within mainstream economics address this issue head on, as will be discussed below.

Job Quality and the New 'Economics of Happiness'

Mainstream economics has traditionally eschewed direct analysis of the quality of life, including job quality. Rather, consideration has been given to income per capita, at best an indirect and imperfect measure of well-being (Layard, 2005). In the case of work, it has been considered that the jobs which people do are the ones that best meet their preferences. Hence job quality has been assumed to be accurately represented by the wages attached to particular jobs and subjective data on job satisfaction has been largely ignored in mainstream labour economics (see Spencer, 2004; Green, 2006, pp.8–11).

In more recent years, however, with the emergence of the economics of happiness, new interest has been shown in issues regarding the quality of life, inclusive of working life. Layard (2005), one of the main architects of New Labour's employment policies, proclaims the 'new science' of happiness as requiring a 'revolution' in economics, in academia more broadly and in policy goals. Important contributions have also been made by Blanchflower and Oswald (2004), Clark and Oswald (1994), Frey and Stutzer (2002), and Graham (2005) (see also the recent collection in Bruni and Porta, 2005). A key specific characteristic of this literature is that, of the many variables that are deemed to causally influence well-being, work income and work itself are identified as two of the most influential variables. Thus, Layard (2005, pp. 55–75) reviews the relevant evidence showing that income and work rank second and

third respectively in causal influence upon well-being (the top ranked variable being denoted ‘family relationships’).

The method within the economics of happiness argues that ‘happiness’ is a scientifically measurable property of individuals. This argument is a spill over from a new approach within psychology (‘positive’ or ‘hedonic’ psychology) according to which well-being is a trait of individuals that may be evidenced by their brain states, as well as by sophisticated surveys, and other techniques (see Kahneman, Diener and Schwarz, 1999). Thus by drawing upon developments in psychology and neurophysiology, the economics of happiness effectively aims to resurrect the concept of cardinal utility. Once having postulated the existence of ‘happiness’ as a property of individuals, proponents of the economics of happiness attempt empirically to unearth the variables that causally affect it (e.g. by regression analysis). Only in this guise, as separate variables subject to quantitative investigation, do the factors perennially focused upon within the political economy tradition, fundamentally ‘social relations’, enter into the analysis of ‘happiness’ or well-being made by this approach.

The economics of happiness has arisen in tandem with the advent in Britain, and elsewhere, of nationally representative survey data subjectively measuring different aspects of the quality of life, inclusive of job quality, on a consistent basis through time. For example, the BHPS contains several questions regarding the satisfaction of respondents with facets of their job, including, for example, a question on ‘overall job satisfaction’ answered on a 7 point Likert scale from ‘1 completely dissatisfied’ to ‘7 completely satisfied’. As discussed above, there is an observed decline of overall job

satisfaction on this measure through the 1990s (from a mean of 5.53 in 1992 to one of 5.34 in 1999). But how are such changes in subjective measures to be interpreted?

The majority of proponents of the new economics of happiness interpret such measures as directly measuring underlying (cardinal) utility (Frey and Stutzer, 2002). Other contributors to this literature, though retaining faith with the idea that underlying cardinal utility truly exists, take a different stance. They argue that survey data does not directly tap into this underlying construct because of the differing norms and expectations of respondents (Hammermesh, 2001; Levy-Garboua and Montmarquette, 2004). According to this view, then, it would be incorrect to interpret an aggregation across very different groups as tapping into the absolute value of true underlying job quality, given that it is implausible to argue that, for example, factory workers and merchant bankers have identical respective norms and expectations regarding work.

A stress on norms and expectations is also important for alternative approaches to the issue of well-being at work, located within the tradition of political economy, as will be discussed in section 3, below. However, unlike these alternative approaches, recognition of the importance of norms does not necessarily lead to any questioning of the *existence* of cardinal utility within the new economics of happiness. Instead it may lead to questions regarding the *measurement* of cardinal utility through social surveys (Hammermesh, 2001) or norms may be considered as a causal factor in determining the *magnitude* of cardinal utility (Layard, 2005). It is this latter causal conception that underpins the idea of a so-called 'hedonic treadmill' (see Kahneman, 1999). The belief in the existence and direct importance of cardinal utility, as a quantitative entity

capable of being summed over different individuals, is in our view the key general characteristic of the new economics of happiness.

3. A Political Economy Perspective on Job Quality

Several approaches to well-being explicitly position themselves under the umbrella of 'political economy': Sen's (e.g. 1999) capabilities approach; Fine's (e.g. 2004) Marxian assessment of Sen; Lawson (e.g. 2003), and others', developments of 'critical realism'; and the 'activity theory' inspired by Vygotsky (e.g. 1978) and Leontyev (e.g. 1978). These approaches are not equally well known, being unevenly spread across a range of disciplines, and there are areas of actual or potential dispute between them – for example, there is debate as to whether Sen's approach is actually mainstream or non-mainstream (see Fine, 2004). What, in our view, unites these approaches is a broad understanding of 'political economy' as connoting a distancing from mainstream economics, a blurring of disciplinary boundaries (e.g. of politics and economics) and, accordingly, a recognition of the continuing relevance of classical and Marxian political economy (Dreze and Sen, 1990, pp.2–3; Fine, 2004, p.161; Lawson, 2003, pp.141–64; Sawchuk, Duarte and Elhammoumi, 2006). The aim of this section is to draw on these approaches in order to develop a political economy perspective on job quality that is specifically tailored to challenge the new economics of happiness. Of course, ours is not the only possible 'political economy' approach and, as will become clear, our approach is most strongly influenced by the work of Fine.

Ontology

At first sight, the appeal by the economics of happiness to the importance of factors such as job quality itself, social relations, institutions and trust might appear a progressive and radical departure from the established orthodoxy in economics. The philosophical and methodological critique of mainstream economics developed within the tradition of political economy, however, can also be seen to apply to the economics of happiness. Both Fine and Lawson identify key flaws in the philosophy and method of mainstream economics. In short, the mainstream is wedded to formalism (i.e. an insistence on the use of mathematics regardless of the object of study, or what critical realism terms 'deductivism'), a method that resonates strongly with an individualistic ontology. Fine has shown how mainstream economics, once cut off from the other social sciences through its assumption of perfect markets, has latterly sought to 'colonise' the other social sciences by embracing all kinds of market imperfections, whilst retaining its core of individualism and formalism (Fine, 2002). Thus, there has arisen the 'new institutional economics', the 'new political economy' and 'the new economic sociology'. Similarly, the 'new economics of happiness' is committed to a formal and individualistic method, and is thus, in our view, one more manifestation of 'economics imperialism'. The move to embrace cardinal utility, and the recognition of non-rational forms of behaviour (a recognition developed within behavioural economics), represent further modifications of economic orthodoxy made by the economics of happiness, but the hard core of formalism and individualism remains.

The various approaches to well-being from within political economy are broadly similar (remarkably so, considering their diverse disciplinary and geographical origins) in the respective conceptions of well-being that they develop. These approaches focus on (1) objective needs, as opposed to subjective preferences; (2) the ongoing development of social individuals (and so their needs) through free creative activity (Sen, 1999; Lawson 2003, pp.218–44). The Marxian approaches of Fine and of Vygotsky stress, in particular, the importance of labouring activity. Thus, the various political economy approaches eschew a Cartesian dualism of mind and body, in favour of the view that human nature, human activity and human need are intimately connected, and continual developing. Human well-being is not an eternally and qualitatively fixed entity (termed 'utility') that is located in the heads of atomistic individuals. Rather, well-being is multi-faceted and develops *qualitatively* as well as quantitatively in socially and culturally specific ways (Cole, 1996). Aristotle's vision of 'eudemonia' offers a classic philosophical statement of this objective approach to human well-being.

Methodology

The philosophical stress on the creative development of needs implies, in our view, that no uniquely valid algorithm or overall index of well-being can be formulated. Rather, well-being can always be viewed from multiple angles and the usefulness of any index depends upon its specific context and purpose. The implication is that well-being at work varies qualitatively along multiple objective dimensions such as the creative content of work, pay prospects, the interest of work itself, relations with colleagues, position within organisational and class hierarchy, influence and

discretion over work, and effort levels. These overlapping dimensions will be highly variable across jobs, varying with abstract class differences and with concrete idiosyncrasies associated with different trades and professions. Thus, having rejected utility as a common standard of measurement, proponents of a political economy perspective are faced with the difficult task of finding a way to assess empirically well-being at work (an insurmountable difficulty, according to several critics of Sen, such as Sugden, 1993, and Roemer, 1996). In our view, to be developed below, the problem of objectively evaluating well-being can be resolved only through adequate theory and concrete qualitative research. However, it is possible and necessary, at an abstract methodological level, to address the interpretation of the survey data employed by the new economics of happiness.

Green (2006) has developed what he terms an 'interdisciplinary' interpretation of subjective survey data that we would argue is consonant with a political economy perspective (reflecting Green's own background in Marxian political economy). On Green's interpretation, subjective survey data on job quality reflect two broad factors: firstly, job quality itself, in its multiple objective dimensions; secondly, the norms and expectations regarding job quality held by respondents. Green points out that – subject to consideration of any major changes in the social, political, economic and cultural environment – norms and expectations may not change dramatically over a medium term period of ten years or so (Green, 2006, p.153). To the extent that norms and expectations remain relatively stable, then observed changes in subjectively measured job quality will reflect true changes in job quality. For example, if a merchant banker responds to a survey that her job quality has risen, and her norms and expectations have in fact remained unchanged, then it is indeed reasonable to assume that her job

quality has risen. The same argument applies to a factory worker. Thus, in our view, it is possible to use subjective data in order to gauge *changes* in underlying job quality over a medium term period. More generally, patterns in subjectively measured job quality should be explained by reference both to job quality itself, and to the norms and expectations held by respondents. Given that norms, expectations and job quality are complex social phenomena, both theory and detailed qualitative research will be necessary to develop and substantiate any such explanations.

Theory

All proponents who identify themselves with political economy recognise that this tradition is primarily associated with theorising the economy, in particular the capitalist economy, in a way that differs from mainstream economics. However, Fine (2004; 2006) points out that two key political economy approaches to well-being, that of Sen and that of critical realism, both neglect to relate directly their respective philosophical frameworks to the theory of capitalism. Remarkably this same criticism can be levelled at many contemporary proponents of activity theory (see Sawchuk, Duarte and Elhammoumi, 2006). In our view, Fine is right to regard the political economy of well-being and the political economy of capitalism as inseparable from one another. Below, we review what we take to be core propositions that are shared across several approaches to the political economy of capitalism, and that bear directly on the question of well-being under capitalist conditions of work.

It has long been stressed within the political economy tradition that the sale by wage-labourers of their creative potential (labour-power) is a peculiar relationship that

predominates only within capitalist society.[1] As a central aspect of human well-being, labour-power (the ability to creatively produce) is no ordinary commodity, and the role of wage-labourer is likely to be filled only by individuals who lack any alternative means of fulfilling their needs. This analysis casts doubt on the mainstream economic analysis of labour supply, according to which the hours and conditions of work are chosen (within certain constraints) by the worker (Spencer, 2006). In this objective sense the general nature of work under capitalism can be said to be 'alienating'. In our view, this is the most general dimension through which job quality within capitalist society can be viewed – concerning the very constitution of 'jobs' as the sale of labour-power. More complex and concrete dimensions do not abolish (rather they develop) the salience of this dimension.

A second key proposition, developed furthest within the political economy of the capitalist labour process, is that the theorisation of capitalist work requires a nuanced comprehension of the complex balance of conflict and consent at the workplace, where it cannot be assumed that workers' and employers' respective interests are always aligned (Edwards, 1990 – see also Spencer, 2000). The way in which this balance plays out is context specific, in part depending on the type and quality of work that is undertaken by workers. A third key proposition addresses the location of the capitalist workplace within the wider economic system. A host of approaches within the political economy tradition (including Marxian and Post Keynesian approaches) argue, in contrast to mainstream economics, that periodic crises are endemic to the capitalist system such that there will be a variable rate of unemployment through time and corresponding fluctuations in the relative tightness of labour markets. We would argue that these fluctuations have an influence on the

balance of power within the workplace, and on the corresponding direction of job quality. The greater is the bargaining strength of the working class, the greater in general is the pressure on employers to raise the quality of work.[2] Thus, in our view, there may be a common element of *change* in job quality across all jobs, linked to the business cycle. Fluctuations in labour market conditions may lead, in short, to general or system-wide shifts in job quality.

Summary

Recasting the concept of well-being from a political economy perspective we have offered an objective approach to well-being. The approach stresses the importance of norms and expectations in the interpretation of subjective survey data. Furthermore, we have reviewed several key theoretical propositions regarding capitalistic work that bear directly on the assessment of job quality or well-being at work. Given this alternative to a utility approach, rooted in the political economy tradition, we will, in Section 4 below, engage the evidence that informs the 'evidence based' policy approach that is characteristic of New Labour in general and of the literature on job quality in particular.

4. Changes in job quality 1998-2004

This section will examine empirically the change in job quality in Britain from 1998 to 2004, assessing the impact of New Labour policy. It will draw upon and develop our critique of, and alternative to, the economics of happiness approach to job quality.

Overall change in job quality

Table 1 summarises the evidence available in the two most recent WERS, conducted in 1998 and 2004. There are ten questions concerning job quality that are identical in WERS 1998 and WERS 2004. The questions each use a 5 (or in some cases, 4) point Likert scale, for example, ranging from 'very dissatisfied' to 'very satisfied.' We have coded the responses from 1 to 5, where, for example, 1 = 'very dissatisfied' and 5 = 'very satisfied' and reported the mean response to each question, in order to convey succinctly the overall changes.

TABLE 1 NEAR HERE

The results in Table 1 indicate that there has been a significant improvement in job quality (both in economic and statistical terms). This is particularly striking in light of the general fall in job quality that was evident in the 1990s. Three measures in particular show marked improvement: satisfaction with sense of achievement, the climate of employment relations, and job security. Put in numerical terms somewhere between 600,000 and 1.85 million more employees reported that they were satisfied with the sense of achievement that they got from work in 2004 than in 1998. There is also some evidence of an improvement in discretion over work, halting the decline in this measure observed over the 1990s. The picture is not uniformly positive, however. There is no sign of any decrease in the high levels of effort recorded in the late 1990s and stress levels as measured by whether workers worry about work outside work hours have increased.

Several hypotheses can be put forward to explain the observed improvements in job quality and these in turn can be linked to the policies of New Labour (see Section 2, above). Consider, first, the hypothesis that the rise in job quality is associated with an increase in skill levels consonant with the move to a 'knowledge economy'. Table 2 highlights the fastest growing and fastest declining occupations during the 1998 to 2004 period. Occupations involving routine tasks have been in rapid decline (e.g. process, plant, and machine operatives fell by nearly a third over this period – manufacturing occupations, in general, suffered under the effects of deindustrialisation) whereas non-routine tasks, both of the high skill and low skill variety, have increased in number (culture, media, and sports, as a high skill example, and customer services – such as call centres – as a low skill example). Occupations in health and education also rose, reflecting the impact of increased public expenditure. Thus, there appears to be a continuation of the trend of job polarisation identified by Goos and Manning (2003): not only skilled 'knowledge jobs' are growing in number, but also low skilled jobs that have nothing to do with a 'knowledge economy'.[3]

TABLES 2, 3 AND 4 NEAR HERE

Table 3 turns to subjective data, comparing the subjectively measured quality of 'new' jobs, created by the establishment of new workplaces subsequent to 1998, with 'old' jobs lost through workplace closure between 1998 and 2004. These data should be interpreted cautiously because the norms and expectations of individuals in new jobs need not in general be the same as those in old jobs. On the assumption of similar aggregate norms and expectations across the two groups, the results suggest that, notwithstanding their diverse skill content, new jobs are of significantly higher quality

than old jobs, and that the improvement in quality of new jobs relative to old jobs is greater than the overall increase reported in Table 1. Thus the results cast doubt on the popular hypothesis that new jobs are worse than old jobs (see Section 2, above). However, owing to their relatively small proportion, the improvement in the reported quality of new jobs over old jobs accounts for approximately just one eighth of the reported overall improvement in Table 1 (regardless of any assumption made about norms and expectations). Therefore the overall increase in reported job quality is primarily due to improvement in existing jobs, rather than to structural change in industry or occupation. Indeed, the disaggregate analysis in Table 4 reveals that increases in reported job quality were in general experienced across all income groups, across males and females, across private and public sector, and across occupations[4] supporting the view that this is a general increase in job quality across jobs, requiring a correspondingly general explanation.

A second hypothesis is that New Labour's policies towards the workplace lie behind the rise in job quality. However, the evidence and analysis offered by critics of New Labour, discussed in Section 2 above, clearly suggests that the impact of New Labour's legislation has been so diluted by a pro-business stance as to significantly weaken its effectiveness. New Labour, for example, has negotiated an 'opt out' from the 48-hour working week maximum and has taken advantage of other derogations in the Working Time Directive (see Adnett and Hardy, 2001, p.121). New Labour has also legislated to ensure that working parents have the right to 'request' but not to receive flexible hours. Combined with the lack of child care facilities, the lack of compliance, and a competitive economic environment, recent employment policies enacted by New Labour have not seriously tackled the structural roots of the problem

of work-life balance. An increasing amount of qualitative and quantitative evidence supports such a conclusion (see Manning and Petrongolo, 2004; Crompton, 2006). New Labour's 'partnership' agenda, on the other hand, has failed to have a transforming influence on industrial relations in Britain. The (limited) empirical evidence suggests that partnership has not taken a deep root in the British workplace (Guest and Peccei, 2001) and that it is unlikely to do so without significant legislative support from the Government (Terry, 2003), support inconceivable so long as immediate business interests are prioritised (Martinez Lucio and Stuart, 2004, pp.419–420). Overall, the existing evidence and analysis do not offer strong support for the hypothesis that the recent rise in job quality has been due to changes in government policy.

But how, otherwise, can the rise be explained? In fact, the improvement in job quality can be viewed as an elementary illustration of the political economy approach developed in Section 3, above. Thus, a key argument in Section 3 was that capitalist workplaces are affected by the business cycle. Accordingly, in order to explain the general improvements in job quality for British workers between 1998 and 2004, it is important to consider the impact of low and falling unemployment over this period. This feature of the labour market is likely to have enhanced the bargaining power of workers. In the period under review, employers may therefore have needed to make concessions in order to retain or recruit valued workers. The achievement as well as maintenance of low unemployment, in short, may have placed greater pressure on employers to improve the quality of work, precipitating the observed improvements in job quality. This interpretation is (i) rooted in an analysis of the real structures of capitalism as presented by approaches within the political economy tradition; (ii) is

not contradicted by existing evidence, unlike competing explanations discussed above; (iii) and is supported by econometric analysis of this evidence.[5] The interpretation is also indirectly supported by quantitative and qualitative evidence in favour of the general political economy approach, to be discussed in the subsequent subsection.

In one positive respect, the above interpretation endorses New Labour's economic policy commitment to full employment by underlining how important full employment is to progress in the quality of work. It is beyond the scope of this paper to address the actual policies that have been pursued in the name of this commitment (in particular, the New Deal) though we would point to the work of writers such as Coutts, Glyn, and Rowthorn (2007) which emphasises the role of demand side factors in driving the recent falls in unemployment. What the existing evidence and our interpretation casts doubt upon is the claim that New Labour's policies *towards the workplace* are responsible for the observed rise in job quality. This is very important given the *prima facie* impression of support for the policy agenda of New Labour given by the increase in subjectively measured job quality (see Darling, 2007). In fact, the implication of the above interpretation is that improvements in job quality over the period 1998-2004 may be eliminated by a future downturn in the business cycle. The critical arguments reviewed in Section 2 and in this section are thus not contradicted by the observed rise in job quality: it remains vital to stress that the type of regulatory change which might prompt employers to re-think the way they manage would be bitterly opposed by the business lobby.

Assessing the Quality of Jobs in Britain

In order to offer a context for interpreting the observed improvement in job quality, some assessment of the actual *level* of job quality must be made. As argued in Section 3, the level of job quality is not directly ascertainable from subjective measures, owing to the different norms and expectations of respondents. However, where patterns in the data are evident, subjective measures can prove useful in understanding the level of job quality, as well as its change through time, if properly interpreted. Figure 1 plots different facets of job quality, subjectively measured in WERS, and in the BHPS, by earnings quintile, both in 1998 and 2004.[6] A clear 'u-shaped' relationship is revealed. Though occasionally remarked upon (or puzzled over) within the literature (Clark and Oswald, 1996, pp.367–8; Banovcova and Rose, 2006, p.22), the u-shaped relationship is seldom afforded any importance or scrutinised in any detail. Yet the relationship is robust as suggested by Figure 1 and as further substantiated in an Appendix to this paper. Consideration of the observed pattern will give insight into the level of job quality in Britain, and will help to substantiate the critique of the economics of happiness developed in Section 3, above.

FIGURE 1 NEAR HERE

On a standard cardinal utility interpretation, the well-being of individuals is directly revealed by subjective measures of satisfaction or happiness. Thus, it is argued to be possible to aggregate responses from nationally representative social surveys, in order to reveal the aggregate utility of the nation. Hence writers such as Layard (2005) have called for the measurement of happiness as a substitute for the measurement of

national income. If we took such a view, then how would we interpret the observed u-shape of job satisfaction in earnings? In fact, the u-shape would lead us to believe that the lowest earners have, together with the highest earners, gained the greatest cardinal utility from work. It seems, from this point of view, that the easiest route to 'happiness' at work is merely to find the lowest paid job available. Indeed, the very few studies to consider the policy implications of the observed high job satisfaction of low paid workers effectively reach this very conclusion (Leontaridi and Sloane, 2004, and Serrano and Vieira, 2005). Such an absurd policy conclusion serves to uncover the counterintuitive and potentially regressive nature of the cardinal utility approach to job quality that is favoured by the new economics of happiness.

From our political economy perspective, by contrast, the u-shaped relationship suggests that those who report high job satisfaction, and who are actually at the bottom of the earnings distribution, are likely to have vastly different, and much lower, norms and expectations of work than those at the top of the earnings distribution. By the same token, they are likely to have very different and, on *objective* grounds, much lower job quality. Thus they are 'satisfied' only given a low benchmark level of norms and expectations. Those at the middle of the earnings distribution, on the other hand, may have norms and expectations that are unmatched by their jobs, leading them to report relatively low levels of job satisfaction. Only at the higher end of the earnings distribution can it plausibly be argued that high norms and expectations are both held and actually met by the jobs that individuals do. Thus, whereas the aggregate figures suggest that around 7.5 million employees are to a greater or lesser extent not satisfied with the sense of achievement that they get from work, the objective approach taken by our political economy approach would interpret

the u-shape to imply that a majority of workers, 15 million or more, experience low job quality.

Qualitative evidence, especially regarding low paid workers, is necessary in order to substantiate and further develop this interpretation of the u-shape of job satisfaction in earnings. Unfortunately there are few qualitative studies into the job quality, and norms and expectations, of low paid workers (Edwards and Burkitt, 2001; Walters, 2005). However, the studies that do exist support our interpretation of the quantitative data. The qualitative research of Edwards and Burkitt (2001) (who carried out focus groups of low paid workers), and of Tomlinson (2005) and Walters (2005) (both using in depth semi-structured interviews of low paid part-time female employees) reveal that low paid workers have extremely low norms and expectations about work. Walters and Tomlinson explicitly consider the issue of job satisfaction and job quality. In opposition to the influential arguments of Hakim (2000), they stress how a low benchmark of comparison is the reason for the high job satisfaction scores of part-time, low paid women. Many such workers, Walters (2005) surmises, are simply 'making the best of a bad job', or 'satisficing', in the face of severe economic and social constraints on the formation of their preferences and their ability to act upon preferences once formed. Thus these studies not only support our interpretation of the u-shape but they also affirm that norms and expectations are complex social phenomena, rather than biologically determined properties of supposedly atomistic individuals.

5. Conclusion

Subjective perceptions of job quality improved during the early period of office of New Labour. Between 1998 and 2004, improvements occurred across a range of indicators, including satisfaction with the sense of achievement with work, the climate of employment relations and perceptions of job security. Such improvements were seen across the wage distribution, and reported job quality on average was higher in new workplaces created between 1998 and 2004 than in those that disappeared over the same period. However, in terms of subjective measures relating to effort and stress, there was little or no improvement in job quality. Further, by the end of the period, there remained a significant minority of workers who did not report high job quality.

How should these empirical results be interpreted? Against the economics of happiness view of job quality, based on the notion of cardinal utility, we have set out a political economy perspective which seeks to address the importance of human needs, as well as the specificities of work under capitalism. From this perspective, we have argued that the results do indicate an increase in job quality under New Labour but that the increase is essentially a cyclical phenomenon linked to a more benign labour market. The fact that unemployment has fallen and remained low, in general, has placed greater pressure on employers to raise the quality of work. Whether the upward trend in job quality can be sustained will depend on the maintenance of low unemployment in Britain.

Our empirical analysis also revealed that measures of job satisfaction, and of some other subjectively measured facets of job quality, display a u-shape in earnings. Thus, it was argued that many of those who *do* report high levels of job satisfaction are, on objective grounds, in low quality jobs, and are 'satisfied' only given a low benchmark level of norms and expectations. These workers are not irrationally expressing satisfaction, but rather are making the most of a disadvantaged socio-economic position, where the extrinsic and intrinsic rewards from available work are low. In consequence, the route out of the problem of low job quality does not lie merely in focus upon the isolated individual, as policy resting upon the individualistic notion of cardinal utility ultimately implies (consider, for example, Layard's, 2005, promotion of cognitive and drug therapy). The underlying problem is the low quality of jobs that are realistically available to workers.

We would argue that New Labour's policies towards the workplace have not in general helped to deliver significantly better quality jobs and, in particular, the pro-business stance of New Labour's employment policy implementation has made the achievement of higher job quality more difficult. Government policy *could* have been an important catalyst for improvement in job quality, on a range of objective dimensions, had it not been diluted in the perceived interests of business. For example, significant progress might have been made in curbing long working hours if New Labour had transposed the Working Time Directive into UK law without offering employers an effective opt out from the legislation. Thus, in our view, workplace policy needs to be fundamentally refocused around a more interventionist stance. This would require a change in thinking, away from the notions that business interests are naturally aligned with wider social interests and that wider social and

economic forces lead inexorably to high skill, high quality jobs. While the improvements brought about by a sustained period of low unemployment and rising employment are to be welcomed, we would conclude that in the absence of governmental action to promote deep-rooted change in the nature of jobs in Britain, genuine progress in the quality of work will not be possible.

Notes

1. The emphasis on the peculiarity of the labour exchange in capitalism is a theme common to not only Marxian economics but also radical (Bowles and Gintis, 1990), as well as institutional economics (Hodgson, 1999). Outside of economics, approaches in the labour process debate have sought to highlight this theme (Spencer, 2000).

2. We refer here to a structural tendency, not an 'iron law' – see Fine, Lapavitsas and Milonakis (1999) for a discussion of the highly complex and contradictory relationships, inclusive of class-power relationships, that constitute the economic cycle, and that are subject to ongoing debate within Marxian crisis theory.

3. Drawing upon earnings data, Fitzner (2006) has claimed that, during the observed eight year period, the process of job polarisation depicted by Goos and Manning (2003) for the 1979–1999 period did not continue. However, our review of the debate in Section 2, above, implies that it is not *earnings* but *skills* that should be focused upon. For example, it is skills growth and not earnings growth that ultimately justifies investment in education, according to the logic of the 'knowledge economy' thesis.

4. The conclusion regarding occupations must be treated cautiously, both because of a change in the classification of occupations between 1998 and 2004, and the fact that occupation is self-reported in WERS 1998.

5. Econometric analysis using ordered probit techniques confirmed that improvements in job security and in the climate of employment relations were the two most important factors in accounting for the increase in British employees' satisfaction with their sense of achievement with work between 1998 and 2004: together they accounted for over 50 per cent of this increase (see Brown, et. al., 2006).

6. The inclusion of measures of overall job satisfaction from the BHPS is important because it shows that the u-shape is not linked solely to the variables that we focused upon in WERS, nor solely to WERS data as such, but is related to the key variables of interest in the job satisfaction literature, and is robust across different data sets. Not all subjective measures of job quality display a u-shape in earnings (job security, for example, exhibits a downward sloping line in earnings) as might be expected given that different facets may raise different issues to those that drive the u-shape (for example, there seems no reason to suppose that norms and expectations regarding job security should be especially low in the lowest earnings quintile).

Appendix 1

WERS is a nationally representative survey of British workplaces, and has been conducted in 1980, 1984, 1990, 1998 and 2004. The core of the survey is an interview with the senior manager responsible for employment relations matters, covering a wide range of topics related to employee relations. In 1998 and 2004, an employee questionnaire was included as part of the survey, distributed to twenty five randomly selected employees in each workplace that participated in the survey (and to all employees in workplaces with fewer than twenty five employees). In 1998 employee questionnaires were successfully distributed in 86 per cent of workplaces that participated in the WERS survey and were returned by 64 per cent of employees to whom they were distributed. The equivalent figures for 2004 were 76 per cent and 61 per cent, respectively. Data have been weighted to account for non-response bias.

Additional data on job satisfaction was taken from the BHPS. The BHPS is an annual survey of the occupants of a panel of around 5000 households. Data from wave eight (1998) and wave fourteen (2004) of the BHPS were analysed. BHPS respondents who are in employment were asked to rate on a seven point scale how satisfied they were with their job, overall, and with four specific aspects of their job: 1) the work itself, 2) job security, 3) hours worked and 4) pay.

Table 1: Changes in job quality in Great Britain, 1998-2004

	Satisfaction with sense of achievement	Satisfaction with influence	Satisfaction with pay	Climate of employment relations	Job security: I feel my job is secure in this workplace	Effort: my job requires that I work hard	Stress: I never seem to have enough time to get my work done	Stress: I worry a lot about work outside of work hours	Influence over: The pace with which you work	Influence over: How you do your work
Scale used in responses	1=very dissatisfied, 5=very satisfied	1=very dissatisfied, 5=very satisfied	1=very dissatisfied, 5=very satisfied	1=very poor 5=very good	1=strongly disagree 5 = strongly agree	1=strongly agree 5 = strongly disagree	1=strongly agree 5 = strongly disagree	1=strongly agree 5 = strongly disagree	1=None 4=A lot	1=None 4=A lot
1998	3.59	3.52	2.86	3.46	3.48	2.03	2.77	3.44	2.91	3.25
2004	3.74	3.53	2.86	3.58	3.65	2.02	2.78	3.33	2.98	3.29
Change 1998-2004	0.15	0.01	0.00	0.12	0.17	-0.01	0.01	-0.11	0.07	0.04
P value from Wald test	0.00***	0.63	0.89	0.00***	0.00***	0.57	0.60	0.00***	0.00***	0.00***
Weighted base 1998	27889	27650	27889	27691	26474	27735	27449	27402	27648	27636
Weighted base 2004	21483	21236	21336	21278	20764	21317	21114	21001	21249	21309

Source: 1998 and 2004 Workplace Employment Relations Surveys
Figures calculated using the 'svy' commands in STATA to account for the complex survey design of WERS, particularly the clustering of individuals in workplaces
P value is from a Wald test comparing mean values in 1998 and 2004.
*** Significant at 1% level, **Significant at 5% level *Significant at 10% level

Table ?Table 2: Change in employment by occupation[1], UK 1998-2004

Top five occupations by employment growth	**1998** *('000s)*	**2004** *('000s)*	**Growth** *per cent*
Customer service occupations	241	385	59.8
Health & social welfare associate professionals	779	952	22.2
Teaching & research professionals	1,071	1,304	21.8
Caring personal service occupations	1,250	1,516	21.3
Culture, media & sports occupations	247	297	20.2
Bottom five occupations by employment growth			
Secretarial related occupations	943	852	-9.7
Elementary trades, plant & storage related	1,001	879	-12.2
Skilled metal & electrical trades	1,195	1,014	-15.1
Textiles, printing & other skilled trades	556	459	-17.5
Process, plant & machine operatives	1,479	992	-32.9
Total employee employment[2]	23,554	24,215	2.8

Notes:[1]Two-digit occupation data based on SOC2000 definition from Spring Labour Force Surveys. Consistent data for 1998 were obtained from ONS SOC2000 Backcasting web-site.
[2]Includes people who did not state their occupation.
Source: Derived from Office for National Statistics data.

Table 3: Job quality in disappearing and new workplaces, 1998-2004

	Satisfaction with sense of achievement	Satisfaction with influence	Satisfaction with pay	Climate of employment relations	Job security: I feel my job is secure in this workplace	Stress: my job requires that I work hard	Stress: I never seem to have enough time to get my work done	Stress: I worry a lot about work outside of work hours	Influence: The pace with which you work	Influence: How you do your work
Scale used in responses	1=very dissatisfied, 5=very satisfied	1=very dissatisfied, 5=very satisfied	1=very dissatisfied, 5=very satisfied	1=very poor 5=very good	1=strongly disagree 5 = strongly agree	1=strongly agree 5 = strongly disagree	1=strongly agree 5 = strongly disagree	1=strongly agree 5 = strongly disagree	1=None 4=A lot	1=None 4=A lot
Workplaces that shut between 1998-2004 (job quality in 1998)	3.59	3.51	2.84	3.44	3.41	1.98	2.82	3.49	2.87	3.24
New workplaces formed between 1998 and 2004 (job quality in 2004)	3.75	3.58	2.94	3.68	3.63	2.03	2.80	3.33	3.02	3.32
Change 1998-2004	0.16	0.07	0.10	0.24	0.22	0.05	-0.02	-0.16	0.15	0.08
P value from Wald test	0.00***	0.09*	0.09*	0.00***	0.00***	0.26	0.62	0.00***	0.00***	0.02**
Weighted base 1998	3284	3262	3298	3283	3083	3289	3250	3242	3269	3263
Weighted base 2004	2777	2759	2775	2761	2706	2765	2750	2729	2760	2773

Source: 1998 and 2004 Workplace Employment Relations Surveys
Figures calculated using the 'svy' commands in STATA to account for the complex survey design of WERS, particularly the clustering of individuals in workplaces
P value is from a Wald test comparing mean values in 1998 and 2004.
*** Significant at 1% level, **Significant at 5% level *Significant at 10% level

Table 4: Changes in job quality within various groups, 1998-2004

Year	Variable	Satisfaction with sense of achievement	Climate of employment relations	Job security
	Gender			
1998	Male	3.51	3.32	3.41
	Female	3.68	3.60	3.56
2004	Male	3.69	3.47	3.58
	Female	3.80	3.68	3.72
	Sector			
1998	Public	3.67	3.45	3.38
	Private	3.56	3.46	3.53
2004	Public	3.80	3.53	3.66
	Private	3.72	3.60	3.65
	Earnings			
1998	Quintile 1 (lowest)	3.62	3.72	3.74
	Quintile 2	3.54	3.38	3.53
	Quintile 3	3.47	3.24	3.37
	Quintile 4	3.60	3.37	3.40
	Quintile 5 (highest)	3.68	3.47	3.34
2004	Quintile 1	3.73	3.72	3.87
	Quintile 2	3.66	3.47	3.66
	Quintile 3	3.71	3.50	3.54
	Quintile 4	3.77	3.56	3.60
	Quintile 5	3.82	3.61	3.57
	Occupation			
1998	Managerial	3.83	3.75	3.46
(SOC90)	Professional	3.73	3.50	3.41
	Associate professional	3.60	3.39	3.36
	Clerical & secretarial	3.47	3.50	3.41
	Craft	3.65	3.16	3.33
	Personal and protective	3.86	3.64	3.61
	Sales	3.53	3.70	3.79
	Operatives	3.23	3.04	3.43
	Others	3.59	3.54	3.61
2004	Managers and senior officials	3.91	3.84	3.64
(SOC2000)	Professional	3.85	3.60	3.66
	Associate professional and technical	3.79	3.54	3.57
	Administrative and secretarial	3.65	3.67	3.62
	Skilled trades	3.72	3.25	3.46
	Personal service	4.06	3.76	3.77
	Sales and customer service	3.54	3.60	3.74
	Process, plant and machine	3.54	3.24	3.62
	Elementary	3.66	3.57	3.80

Source: 1998 and 2004 Workplace Employment Relations Surveys

Figure 1: Wages and job satisfaction

Figure 1a: Satisfaction with sense of achievement, Workplace Employment Relations Survey 1998

Figure 1b: Satisfaction with sense of achievement, Workplace Employment Relations Survey 2004

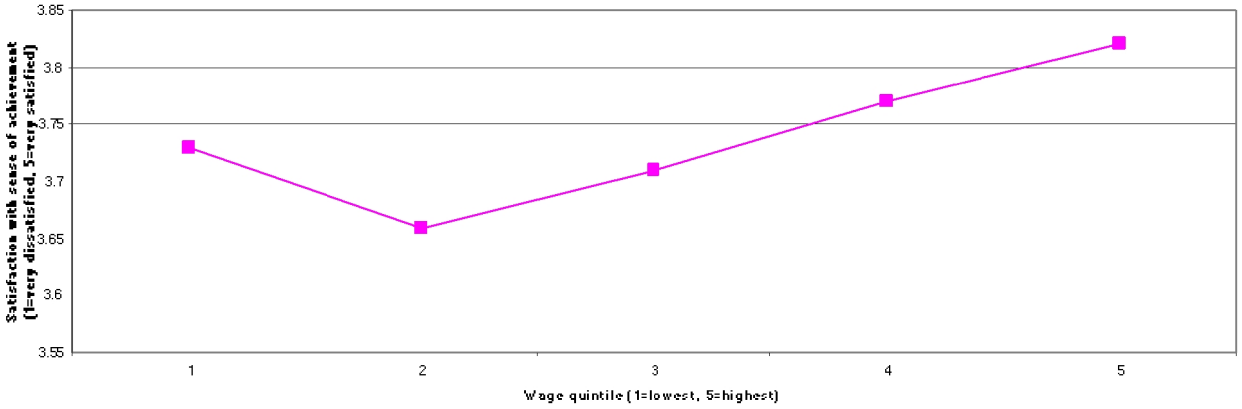

Figure 1c: Climate of employment relations, Workplace Employment Relations Survey 1998

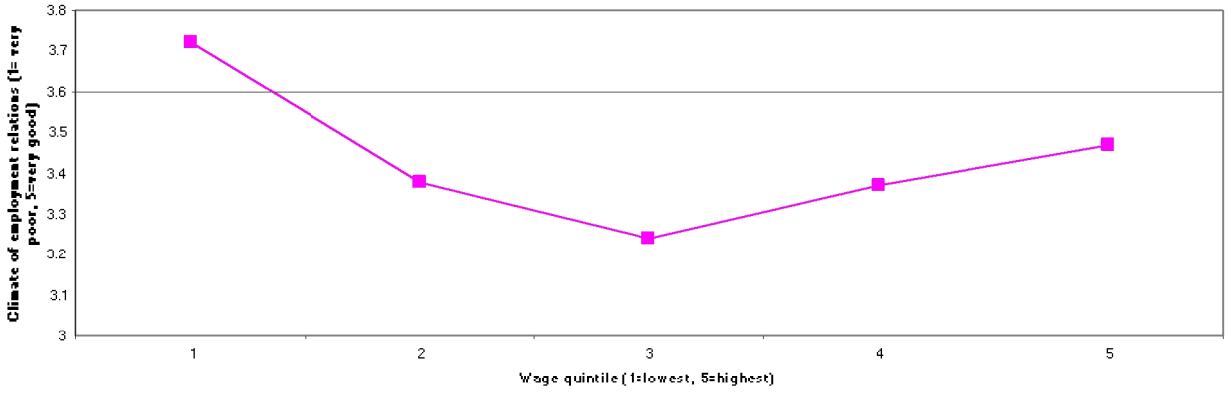

Figure 1d: Climate of employment relations, Workplace Employment Relations Survey 2004

Figure 1e: Overall satisfaction, British Household Panel Survey 1998

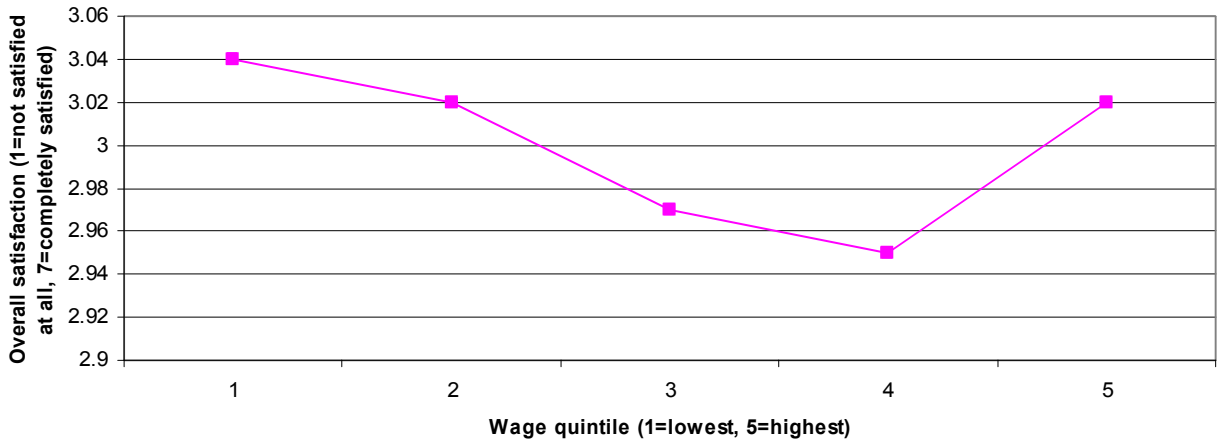

Figure 1f: Overall satisfaction, British Household Panel Survey 2004

Figure 1g: Satisfaction with work itself, British Household Panel Survey 1998

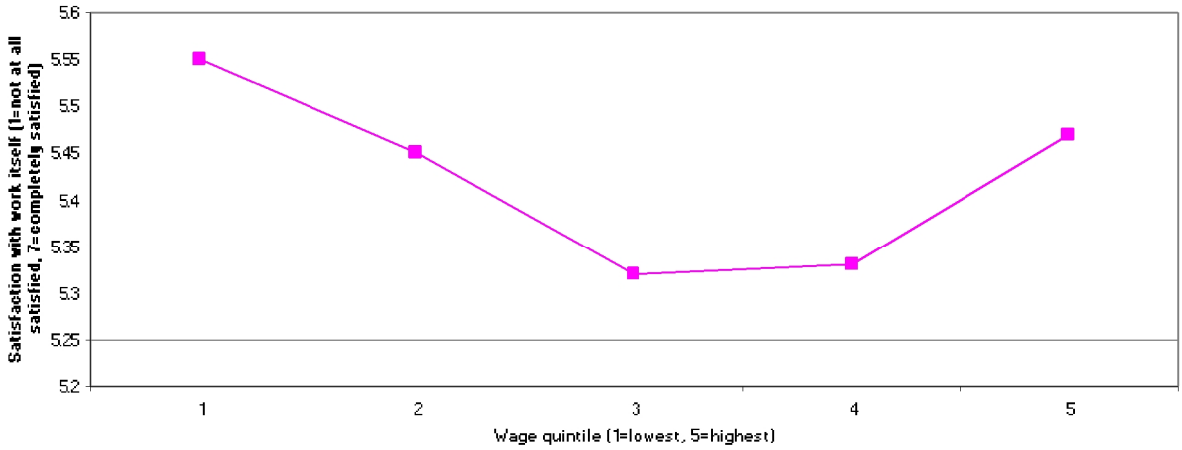

Figure 1h: Satisfaction with work itself, British Household Panel Survey 2004

Table A: The relationship between wages and job satisfaction

British Household Panel Survey			
		Basic regression	Full regression with controls
Overall satisfaction (single item measure)			
1998	Log wages	-0.516***	-0.494***
	(Log wages)²	0.102**	0.119***
	N	5022	4932
2004	Log wages	-0.394**	0.217
	(Log wages)²	0.07**	0.053
	N	6857	5641
Overall satisfaction (4 item scale)			
1998	Log wages	-0.152*	-0.099
	(Log wages)²	0.038*	0.041**
	N	5007	4917
2004	Log wages	-0.101	-0.044
	(Log wages)²	0.025*	0.024
	N	6815	5602
Satisfaction with work itself			
1998	Log wage	-0.616***	-0.613***
	(Log wages)²	0.138***	0.134***
	N	5024	4934
2004	Log wage	-0.318**	-0.278
	(Log wages)²	0.054*	0.054
	N	6854	5638
Workplace Employment Relations Survey			
		Basic regression	Full regression with controls
Satisfaction with sense of achievement			
1998	Log wages	-0.592**	-0.315
	(Log wages)²	0.181***	-0.009
	N	24601	24554
2004	Log wage	-0.362	-0.878***
	(Log wages)²	0.118**	0.205***
	N	19023	18308
Climate of employment relations			
1998	Log wages	-3.12***	-1.95***
	(Log wages)²	0.773***	0.330***
	N	24601	24554
2004	Log wages	-2.03***	-0.953***
	(Log wages)²	0.467***	0.190**
	N	19023	18308

Source: 1998 and 2004 British Household Panel Surveys and Workplace Employment Relations Surveys
The table shows the coefficients on regressions of the satisfaction variables against a set of independent variables. Linear regression was used for the 4 item job satisfaction index in the BHPS. For all other variables ordered probit was used. In the basic regression the independent variables were the log of hourly wages and the square of the log of hourly wages. The full regressions contained additional individual and workplace controls namely: gender, age, marital status, qualifications, tenure, industry and occupation.
*** Significant at 1% level, **Significant at 5% level *Significant at 10% level
Figures were calculated using the 'svy' commands in STATA to account for the complex survey design of WERS, particularly the clustering of individuals in workplace

Appendix 2

We pursued a range of techniques to test the robustness of the observed u-shaped relationship between job satisfaction (and subjective measures of job quality, more broadly) and earnings. We found a u-shape to be robust. It is clearly evident in the WERS employment relations and satisfaction with sense of achievement measures. It is also apparent in the BHPS composite overall job satisfaction index, in the satisfaction with work itself measure and in the single item overall job satisfaction measure. As is evident from Table 1, females have higher job satisfaction than men and they are concentrated at the lower end of the earning distribution. We thus examined what happens when splitting the sample into males and females. Here we found that males retain the u-shape though with some reduction of the height of the left hand curve. There is no u-shape for females as might be expected given their concentration at the lower end of the earnings distribution. Developing the analysis we used ordered probit estimation and, where appropriate, linear regression to test the existence of the u-shape, and to see if it is explained by workplace and individual characteristics (see Table A). The basic regressions revealed a u-shape in every case, that is, the coefficient on the squared term of (the log of) earnings was positive and significant, and the co-efficient on the linear term was negative and in general significant. Note that the estimated u-shape is in the log of earnings, rather than the level of earning, implying a non-symmetric 'u' in the level of earnings that has been 'stretched' out on its right hand side. Only for 2004 BHPS data is there any evidence that the addition of the independent variables is able to explain the u-shape, as it is no longer significant at the 10 per cent level in some cases (though the parameters are correctly signed for a u-shape on all but two occasions).

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