

ABC4
10 JUN 2003

CARDIFF
BUSINESS
SCHOOL

Welsh Economic Review

Volume 15.1 Spring 2003

© Welsh Economy Research Unit 2003
ISSN 0965-2450

The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The 'core' section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the National Assembly.

Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

Articles will be refereed within WERU. The Copyright for articles published in the *Welsh Economic Review* will be retained by WERU.

Dr Annette Roberts,
Editor, *Welsh Economic Review*,
Welsh Economy Research Unit,
Cardiff Business School,
Aberconway Building,
Colum Drive,
Cardiff, CF10 3EU.

Tel 029 2087 4173
Fax 020 2087 4419

e-mail robertsa1@cardiff.ac.uk

Inactivity and Unemployment in Wales: A Contribution to the Policy Debate

Nigel O'Leary, Philip Murphy, Melanie Jones and David Blackaby, Department of Economics, University of Wales Swansea and WELMERC¹

Introduction

Over the post-war period Wales has gradually moved away from traditional 'smoke stack' industries such as coal and steel, towards lighter manufacturing and service-sector based employment. Helped by successes in attracting high levels of investment, much of it foreign, the manufacturing sector has declined less slowly in Wales compared with other parts of Great Britain, and achieved productivity and profitability gains. However, these characteristics are not shared by other sectors of the Welsh economy, and Wales remains at the bottom of many league tables measuring economic welfare. For example, relative earnings in Wales have fallen over the period of restructuring, and at the turn of the century average male employee earnings in Wales were among the lowest in Britain (New Earnings Survey, 2000), a position accounted for by low earnings in service industries and an unfavourable occupational structure. Whilst in the 1990s the (claimant count) unemployment rate was converging with the national average, inactivity rates remained relatively high (suggesting that observed reductions in unemployment were more equivocal than real) and hence Gross Domestic Product (GDP) in Wales relative to Britain has not improved. The North-East of England is the only region in Britain with an inactivity rate higher than in Wales. Increases in the economic activity rate would therefore provide an important source of labour supply and a potential means of increasing the output growth in Wales.

Within Wales, economic inequalities have increased as some areas have managed industrial and structural change better than others. An east-west divide is apparent, with proximity of major communication routes (the M4 in the South and the A55 in the North) to neighbouring English centres of population allowing greater success in responding to the decline of heavy industries in Wales. Large scale losses of well-paid (mainly male) jobs have proved difficult to replace, particularly in the Valleys, where male inactivity rates have increased. Instead, employment growth has been achieved by females, many working part-time.

There is a substantial gap between the levels of prosperity experienced by areas in Wales and the rest of the UK (www.betterwales.com, National Economic Development Strategy). Relatively low GDP per head in Wales, and in particular within the Objective 1 area, can be traced to two linked factors; low economic activity rates and low wages. Wales has only 4.3 per cent of the UK workforce but 5 per cent of the population, demonstrating proportionately fewer people at work, generating less output by value. Activity rates in Wales, which are lower than the UK are evident for both men and women and particularly for older age groups. Understanding the determinants of economic activity is therefore of particular interest to policy makers in attempting to increase GDP in Wales relative to other parts of the UK.

Research has shown that inactivity and unemployment rates in Wales are closely associated with a number of supply-side labour market characteristics such as gender, marital status, age, education and type of housing tenure (O'Leary et al, 2003). In addition to these supply-side characteristics, unemployment and inactivity vary across areas and are related to the business cycle, revealing the importance of demand-side factors. There are more vacancies per employee in Wales than in any other region, suggesting that the labour market in Wales is not functioning as effectively as in other regions of the UK. Such a finding would be consistent with (a) skills mis-matches, (b) reservation wages which are relatively high when compared to wage levels found in local labour markets, and (c) social security payments which encourage those without work to register as inactive.

Supply-Side Factors

An analysis of the factors that influence the probability of an individual being inactive highlights the importance of supply-side factors. Moreover, much of the variation in inactivity levels between Wales and other regions can be explained by differences in observable characteristics. In terms of Welsh policy-making, it would be logical to target these adverse characteristics as a first step towards tackling the problem.

III Health and Social Security Reform

Reported health problems have been found to have a dramatic two-fold effect upon economic inactivity in Wales. First, the higher incidence of health problems in Wales increases inactivity rates. Second, a reported health problem increases the likelihood of inactivity more in Wales than in other regions. Beatty *et al* (2000) suggest that the large increase in the recorded sickness level since 1981 (rising from 0.6 million in 1981 to 1.9 million in 1998) is not easy to explain given that general standards of health have been increasing and therefore may represent hidden unemployment. They note that at the end of the 1990s the number of sickness benefit claimants was more than double the claimant unemployed. Part of the explanation they attribute to sickness-related benefits being more generous than unemployment benefit. In addition, unemployment benefits are means-tested over time whilst sickness benefits are not. Nickell and Quintini (2002) also claim that the administration of the benefits system has played an important role in increasing inactivity rates. The Employment Service, during the 1980s downturn, advised many individuals who would have been difficult to place into jobs to claim inactivity benefit, so decreasing measured unemployment rates and job search (for evidence see National Audit Office, 1989). This resulted in activity rates, especially for men, being much higher in areas of high unemployment than in low unemployment areas.

Reform of the social security system is, therefore, essential for the whole of Great Britain and particularly for Wales. The practical need for reform is emphasised by Schmitt and Wadsworth (1994). They stress that a direct consequence of transferring those 'able to work' unemployed from claimant unemployed to long-term sickness is to lower the search activity of the unemployed who are excluded from the system. Once outside the claimant system, those hidden unemployed are no longer eligible for the Government support schemes, including the Job Clubs and Restart courses. Reversing this failure within the system is paramount since overwhelming

evidence confirms that Job Centres provide an efficient search network by which the low-skilled unemployed are assisted into work (Schmitt and Wadsworth, 1994; Forsythe, 1995; Gregg and Wadsworth, 1996; Robinson, 2000).

Beatty and Fothergill (1996), when analysing the dramatic loss of coalmining jobs between 1981-1991, found that the claimant count unemployment rate did not rise in mining areas. Rather, labour market adjustment took the form of increased male economic inactivity rates, with the largest component being increases in recorded sickness. Part of the increases in recorded sickness they suggest were benefit driven, but part of the response to job loss *'is that sickness which was previously hidden becomes visible'*.

Industrial decline and closure of large plants often go hand-in-hand with increases in social deprivation and social exclusion, and this is certainly the case in Wales (see Mapping Social Exclusion in Wales, 1999). General levels of health have been found to be worse in Wales than in England, and considerably worse in many of the Valleys areas, where average life expectancy is five years lower than for prosperous parts of Wales.

Unemployment arising from structural change in combination with social factors may precipitate a cycle of decline, following the initial increase in unemployment. Redundancy leads not only to the loss of jobs and income, but also to the breakdown of social relationships, which can increase stress, anxiety and ill health. Gordon (2000) outlined the causal links in the reproduction of unemployment arising from concentration of unemployment, which includes poorer local job information networks, attitudes to work, shorter employment spells (especially for the young), health deterioration, family fragmentation and lower educational outcomes. These links, he states, *'provide a very powerful set of, largely social, forces tending to reproduce concentrations of unemployment within areas where they may originally have emerged for quite other reasons - presenting more complex challenges for policies to reverse the process'*.

Education and Training

Since the late 1970s labour market conditions have turned against low-skilled or less-educated workers. The demand for unskilled workers has fallen faster than the supply. This has resulted in an increase in the pool of low-skilled, particularly male, workers especially in areas where the demand for labour has

been relatively low. The importance of qualifications as a factor in explaining unemployment and inactivity is well documented and increasing over time (Dickens, Gregg and Wadsworth, 2001; Arulampalam and Stewart, 1995). Hence, a long-term emphasis has to be placed upon raising the general levels of skills of the population throughout Wales in order to bring the stock of human capital in line with the rest of Great Britain. The National Assembly's *The Learning Country* is attempting to address this issue by setting out a basic skills strategy for adults, children and young people.

The New Deal offers subsidies to those employers who offer training to the young unemployed. Early indications show that this has been helpful in tackling youth unemployment (Dickens *et al*, 2000). It would also appear appropriate that training and education policies should be directed towards the young economically inactive population.

In his review of active labour market policies, Martin (2000) suggests that target returns to policies directed at disadvantaged youths come from *'early and sustained interventions... These interventions include efforts to boost performance in primary and secondary schooling'*. He noted *'it is also important to target support not only at the youngsters themselves but also at their families and local communities. It cannot be over-emphasised that if young people leave the schooling system without qualifications and a good grounding in the 3Rs, it is well nigh impossible for labour market programmes to overcome these handicaps later on'*. Heckman (2000), in reviewing the literature on human capital, finds that adult skill remediation programmes are much less effective in comparison to early intervention programmes in schools.

The explanation of early school leaving can be classified into three broad categories, namely the children, the family and the school. Independent from innate ability, children who lack concentration and have a poor disciplinary record (such as delinquency and truancy) are more likely to leave school early. Introverted children and those who have difficulty in forming relationships with other children are also more likely to leave school early, as are children with a poor health record, (characterised by prolonged absences from school).

Schools themselves influence the success of pupils. In the past the proportion of grammar school places was one index of school quality. More recently, school league tables have

become important sources of information. Schools characterised by depressing physical surroundings, large class sizes and poor teachers, all tend to have a poor record of retaining pupils beyond the compulsory school-leaving age.

However, the family and its circumstances are thought to have the most important influence on school leaving. Parents who take an active interest in their children's education are aware of the importance of the choice of school and are prepared to make sacrifices to ensure that their children are placed in what they consider to be 'good' schools. A 'virtuous spiral' ensues, with good schools remaining so, while poor schools are ensnared by a 'vicious circle'.

Age

Age also appears to influence the likelihood of an individual experiencing either unemployment or inactivity. Unemployment tends to be relatively high for the young and old, possibly reflecting job shopping by younger workers, and a lack of job opportunities as workers approach retirement age. Inactivity is highly concentrated in the upper age bands of the working population. Over 4 out of every 10 men aged 50-64 are inactive (*Labour Market Trends*, 2002). Older workers whose jobs have become redundant may find it difficult to re-enter the labour market because of benefit traps, age discrimination and high wage expectations (Disney, 1999).

Recently, the New Deal has been extended to the over 50s; offering individuals taking up full-time work a £60 per week earnings top-up (capped at £15,000 per annum). However, other policy initiatives will be required for this age group. Although labour market opportunities for older workers in much of western Europe have deteriorated, effective policies in the US offer some encouragement. In 1986, the Congress passed the Age Discrimination in Employment Act (ADEA), which prohibited employers from dismissing workers on the basis of age by stipulating that labour contracts could not specify a termination point based on age. The Act also protects older workers from discrimination with respect to wages and benefits, recruitment, promotion and training opportunities. Given that redundancy is the prerogative of employers, this regulation sent to them a strong signal that unjust treatment of older employees was not acceptable. Historically, similar arguments were made when introducing race and gender discrimination legislation in the UK. Since reform in the mid-1980s, male

participation in the US has risen, following one hundred years of steady decline, while industrial restructuring and downsizing has been as prevalent in the US as in the UK.

High relative levels of inactivity in much of industrial South Wales partly reflect industrial structure, given a dependency on relatively large plants in a few industries. When these downsized, large numbers of individuals came onto the job market at the same time. Many of the displaced workers shared similar skills, which local labour markets have found difficult to absorb. For example, the 5,800 workers made redundant by British Steel in 1980 and the 750 employees made redundant by BP at Llandarcy in 1985 each entered difficult labour markets with unemployment increasing, discouraging many to look for work. Indeed, companies may have played a part in encouraging inactivity by offering compensation packages, as many would measure their social responsibility to individuals and communities through the impact of redundancies on the local unemployment rate (see Barney *et al*, 2000). Furthermore, part of the increase in activity among older men has been fuelled by early retirements. However, the incentives for taking this route in the future may diminish as firms move away from final salary pension schemes to cash schemes.

Demand-Side Factors

Joblessness in Wales is not solely a supply-side problem. Declining local labour market demand also increases unemployment and inactivity, as the unemployed become discouraged and drop out of the labour market, reflecting a lack of employment opportunities in labour market.

The effects of policies targeted at areas of high unemployment may be diluted as the unemployed from neighbouring areas are attracted. Gordon (2000) showed that high leakage effects of policies targeted at particular areas arose from migration and increases in commuting. Gordon also found asymmetry in the labour market response to job losses and job creation as job losses were not found to increase out-migration and out-commuting to the same extent. Hence, the employment consequences of closing a plant employing a thousand workers would not be totally offset by opening a plant in the same area employing a similar number of individuals. In addition, Gordon argued that as well as being targeted at increasing demand, policies should also be introduced to promote upward mobility amongst the employed in relatively depressed areas in order to reduce crowding in occupations to which

the unemployed can practically gain access.

Both demand and supply-side policies are required to reduce unemployment and inactivity levels in Wales. For supply-side policies to be effective they require continuous creation of job vacancies, hence aggregate demand matters.

UK Policy

The current Government's strategy for reducing joblessness and increasing growth is by managing aggregate demand (limiting 'boom and bust') through a balanced approach to monetary and fiscal management, whilst attempting to improve the supply-side of the labour market. Education policy is directed at improving basic skills and so reducing the future supply of relatively low-skilled labour. Parts of the New Deal programme are aimed at reducing the current supply of low-skilled youths in the labour market by increasing levels of education and training. Active labour market programmes such as the New Deal are also encouraging and compelling individuals to increase job search and through the New Deal Gateway to take vacancies currently advertised. Measures have also been put in place to increase the incentive to find employment by 'making work pay' and so encourage moves 'from welfare to work'. These include the introduction of the minimum wage and reductions in tax rates and national insurance contributions on lower earnings. The Working Family Tax Credit has also been introduced to encourage labour market participation by relatively low-income families with children.

Welsh Policy Response

The policy response to the problem of high levels of inactivity and low relative GDP in Wales must address the issue of demand. To a large extent the control of aggregate demand in the Welsh economy is outside the jurisdiction of the Welsh Assembly, instead determined by national and international factors. The Welsh Assembly can, however, influence the level of inward investment, indigenous growth and new firm creation by ensuring that policies are business-friendly and conducive to employment creation.

An important factor determining the range and magnitude of policies that the Welsh Assembly can implement will be the level of finance available. The Barnett formula, used to allocate funding to Scotland and Wales, is increasingly being questioned, especially by English regions who feel that they are disadvantaged by current arrangements. It is generally accepted

that the allocation system should be fair and hence 'needs' driven (HM Treasury, 1977; Murphy *et al*, 1999). However, there exists a wide diversity of views as to the nature of 'need'.

Within Wales, it is important that a fair system is used to allocate resources. A central economic question facing Wales is whether a regionally imbalanced economy is one that can grow efficiently and ensure rising living standards for all of its citizens. The economy increasingly faces an east-west divide. Concentration of growth in certain parts of the country not only damages the economy's overall performance, but also creates social problems in the deprived areas and leads to an enormous waste of productive resources. In this context, consideration should also be given to whether resources should be placed where needs are greatest or perceived returns are greatest. It is clear that unemployment and high levels of inactivity are associated with social exclusion and social deprivation and the cost of these needs to be considered when developing policies on economic regeneration. Many believe that the social costs of unemployment are greater than the economic costs. Furthermore, it is likely that the social costs of unemployment are likely to persist for many years (see Piachaud, 1997).

The WDA has an important role to play in implementing development strategies within Wales which attract inward investment and encourage indigenous growth outside of M4 and A55 corridors. A large share of the population of working age resides outside these areas and it is important that job creation targets are set to reflect this as well as economic needs. It is also important that the Assembly takes account of the sub-regional impacts of its policies and expenditure.

West Wales and the Valleys has been designated an Objective 1 area for the period 2000-2006. This will result in a £1.2 bn injection from the EU matched by at least £1.3 bn from other sources. This programme should be closely monitored to ensure that future expenditure is directed where needs are greatest and impacts are largest.

While demand and supply factors are closely linked, the supply-side offers most opportunity for the Assembly to introduce policies that can make a difference. The characterisation of an area's workforce is strongly influenced by exposure to unemployment, especially if an area is in relative economic decline. The success of any programme will also be linked to the business cycle. Labour market

programmes have been shown to be more effective during the growth phase of the business cycle. Since 1993, Britain has experienced the longest period of continuous economic growth since 1945, and this has aided many of the active labour market programmes recently introduced by the Government.

However, the outlook for the global economy is more uncertain and recently falls in unemployment in Wales have levelled off. This has major implications for the short-run success of future UK and Welsh initiatives aimed at reducing unemployment and the level of inactivity.

Evaluation studies (see Martin, 2000 and Robinson, 2000) have shown that the 'carrot and stick' approach of the New Deal is an effective and cost efficient labour market policy. Particular emphasis has been placed on the importance of the 'gateway'. After an individual has been unemployed for six months effort is placed on improving the help provided by the employment services and increasing the search activity of the unemployed. Within this framework, the Welsh Assembly could consider making an application to the New Deal Innovation Fund to undertake pilot programmes in areas of high unemployment to assess the effects of extending the current £60 a week subsidy from 26 weeks to 52 weeks. Research has shown that the likelihood of returning to unemployment are significantly reduced after being employed for over a year.

Coaxing the economically inactive back into employment is the biggest challenge facing the Welsh Assembly and the UK Government. The Chancellor of Exchequer is planning new initiatives in this area. However, as outlined by Nickell and Quintini (2002), New Deal pilot schemes for the sick and disabled have not been very successful, and policies to attract those on incapacity benefits back into the labour market still need to be implemented. They note the outcry that recently greeted the proposal by the Secretary of State for Work and Pensions that claimants of incapacity benefits should have their ability to work reappraised at fixed intervals.

One problem with introducing a New Deal type policy for the inactive is the absence of an effective 'gateway'. However, evidence suggests that a significant number of the long-term sick want to work. So if the 'carrot' can be made attractive, it seems likely that some reduction in this group is possible. In addition, if tougher gate-keeping criteria were applied to invalidity benefit, aimed at preventing individuals

from exploiting differences between invalidity benefit and unemployment benefits, the flow onto this benefit could also be reduced.

A key factor in achieving long-term sustainable development in Wales is in having a high-skilled and flexible workforce. In a world of vastly increasing capital mobility, the skills and resourcefulness of the local workforce has become critically important. Research has consistently shown that increases in education raise both earnings and the probability of employment. As shown earlier, low earnings and low employment rates are important factors in explaining the relatively low GDP in Wales.

Policies to improve education standards should be at the centre of the strategy to improve prosperity in Wales. Early investment in skills can have dynamic effects, promoting further investment. Heckman (2000), in his survey of policies to foster human capital, found under-investment in the education of the very young and over-investment in mature adults with low skills.

Policies also need to be developed to increase the skills of the working age population, particularly technical skills the absence of which limits the assimilation of new technology. Policies in this area do need to be carefully monitored for value added. Indeed, as Nickell (2002) noted, *the history of policy in vocational education over the last 20 years reveals just how difficult it is to make significant improvements*.

Formal schooling, however, accounts for only part of an individual's training. Much human capital development occurs in the workplace. Training is largely a long-term investment, whereas market pressures are essentially short-term in nature. Consequently, training can be one of the first casualties when companies are faced with economic difficulties. As a result, without state intervention, too few people are trained. However, interventionist measures do not always supply the appropriate skills. To ensure that employer demands are met, consideration could be given to making finance available to subsidise firm training, perhaps by providing firms with a training/wage subsidy to new employees who were long-term unemployed or inactive. Objective 1 funding could be an important source of finance to fund such policies. Indeed, Blundell, Dearden and Meghir (1996) find a strong positive influence of employer provided training on wages.

Considerable evidence exists showing that domestic situations limit an

individual's choice and ability to participate in the labour market. Needing to care for elderly relatives and limited and expensive childcare diminishes the ability, especially of women, to participate in the labour market. The National Assembly could adapt specific targets in its National Childcare Strategy for Wales to increase childcare and out-of-school provision to meet the needs of all parents and children in Wales. In addition, residential day care provision for the elderly needs to be increased.

Poor transport infrastructure linking home and workplace also limits participation in work. While the M4 in the South and the A55 in the North have been improved, the strategic highway network is still incomplete, hindering economic development in the west and in the rural heartlands.

Finally, in order to understand the problems of the Welsh economy and to implement appropriate policies, it is important to have good local labour market intelligence. The lack of appropriate data has already been partly addressed in Wales through the enhancement of the British Household Panel Study and the Welsh boost to the Labour Force Survey. The increase in the Welsh sample should enable future research to more easily measure the effect of the interaction between labour supply and demand factors in influencing local labour markets. Now that this data has been collected (at some cost to the National Assembly), it should be fully utilized by all those interested in developing policies to enhance prosperity throughout Wales.

¹ WELMERC: The Welsh Economy Labour Market and Evaluation Research Centre is partially funded by a grant from the European Social Fund.

References

- Arulampalam, W. And Stewart, M.B. (1995) 'The Determinants of Individual Unemployment Durations in an Era of High Unemployment', *Economic Journal*, Vol. 105. ISS 429, pp. 321-332.
- Barney, I. et al (2000), 'An Economic and Social Assessment of the Closure of BP Llandarcy : Summary Report', University of Wales Swansea, ISBN 0 906 250 56 0
- Beatty, C. and Fothergill, S. (1996) 'Labour Market Adjustment in Areas of Chronic Industrial Decline: The Case of the UK Coalfields', *Regional Studies*, Vol. 30. pp. 627-640.
- Beatty, C., Fothergill, S. and Macmillan, R. (2000) 'A Theory of Employment, Unemployment and Sickness', *Regional*

Studies, Vol. 34, No. 7, pp. 617-630

Blundell, R. Dearden, L. and Meghir, C. (1996) 'The Determinants and Effects of Work-Related Training in Britain', IFS Report Series, London, IFS

Dickens, R., Gregg, P. and Wadsworth, J. (2000) *New Labour and the Labour Market*, Centre for Market and Public Organisation, Working Paper Series No. 00/19.

Dickens, R. Gregg, P. and Wadsworth, J. (2001) 'What Happens to the Employment Prospects of Disadvantaged Workers as the Labour Market Tightens' Chapter 8 in *The State Of Working Britain : Update 2001*, Ed. By Dickens, Wadsworth and Gregg, York Publishing Services

Disney, R. (1999) 'Why Have Older Men Stopped Working?' In Gregg, P. and Wadsworth, J. (Ed) *The State of Working Britain*, Manchester University Press, pp. 58-74.

Forsythe, F.P. (1995) 'Male Joblessness and Job Search: Regional Perspectives in the UK, 1981-1993', *Regional Studies*, Vol. 29. No. 5, pp. 455-463.

Gordon, I. (2000), 'Unemployment and Spatial Labour Markets, Strong Adjustment and Persistent Concentration', Mimeo LSE

Gregg, P. And Wadsworth, J. (1996) 'How Effective are State Employment Agencies? Job Centre Use and Job Matching in Britain', *Oxford Bulletin of Economics and Statistics*, Vol. 58, No. 3, pp. 443-467

Heckmann, J.J. (2000) 'Policies to Foster Human Capital', *Research in Economics*, Vol. 54, pp 3 - 56

H.M. Treasury (1977) Needs Assessment Study, (Unpublished Report)

Mapping Social Exclusion in Wales (1999) Statistical Report, The National Assembly for Wales Statistical Directorate, June 1999

Martin, J.P. (2000) 'What Works Among Active Labour Market Policies : Evidence From Oecd Countries', *Experiences*, Oecd Economic Studies, No. 30, Pp 79-113

Murphy, P. et al (1999) A Review of the Approach to Calculating Standard Spending Assessment in Wales, Report for the Welsh Office

Nation Audit Office (1989) 'Invalidity Benefit : Report by the Comptroller and Auditor General', London, HMSO

Nickell, S. (2002) 'The Assessment : The Economic Record of the Labour Government since 1997', *Oxford Review Of Economic Policy*, Vol. 18, No. 2, Pp 107-119

Nickell, S. and Quintini, G. (2002) 'The Recent Performance of the UK Labour Market', *Oxford Review of Economic Policy*, Vol. 18, No. 2, Pp 202-220

O'Leary, N., Murphy, P., Moore, N., Jones, M., Harris, S., and Blackaby, D. (2003) 'Inactivity and Unemployment in Wales and the Prosperity Gap'. Report for the Welsh Development Agency.

Piachaud, D. (1997) 'A Price Worth Paying? The Costs of Unemployment', Chapter 3 in *Working for Full Employment*, Ed. by J. Philpott, Routledge, London

Robinson, P. (2000) 'Active Labour-Market Policies : A Case of Evidence-Based Policy-Making?', *Oxford Review of Economic Policy*, Vol. 16, No. 1, P 13-26

Schmitt, J. and Wadsworth, J. (1994) 'The Rise In Inactivity', In Glyn, A. and Milliband, D. (Ed), *Paying for Inequality : The Economic Cost of Sound Injustice*, Rivers Oram Press, London, Pp 114-131