The new economy and earnings inequalities: explaining social, spatial and gender divisions in the UK and London

Diane Perrons

Issue 17, October 2005

New Working Paper Series

London School of Economics, Gender Institute ISSN No:1470-8515
New Working Paper Series

Editor:Wendy Sigle-Rushton (w.sigle-rushton@lse.ac.uk)
Issue 17, October 2005

This new working paper series is designed to bring new ideas and new findings in the field of gender studies into the public arena. The author/s welcome comments.

Diane Perrons is Director of the Gender Institute and a Reader in Economic Geography and Gender Studies at the LSE. Her research focuses on social and spatial divisions in the new global economy, paying particular attention to the processes generating economic inequality and their gendered form. She also works on gender mainstreaming and is currently evaluating the European Union's Framework Strategy for Gender Equality. She is a coordinator of the ESRC seminar series 2004--6 on 'Gender, Work and Life in the New Global Economy.' She has published widely including articles in *Feminist Economics, the European Journal of Women's Studies, Social Politics* and *Gender Work and Organisation*. She is author of *Globalization and Social Change; People and Places in a Divided World* (Routledge, 2004) and a co-editor of *Gender divisions and working time in the new economy. Changing patterns of work, care and public policy in Europe and North America*, Cheltenham: Edward Elgar 2006 with C Fagan, L McDowell, K Ray, and K. Ward.

The Gender Institute was established by the London School of Economics in 1993 to address the major intellectual challenges posed by contemporary changes in gender relations. The Director is Dr Diane Perrons. The research work of the Institute is informed by the belief that all social processes are 'gendered', and that understanding gender relations is therefore a crucial component in any social science research. Some of the projects undertaken at the Institute focus directly on the position of girls and women, the contemporary character of gender relations, and the formation of sexual identities. Others employ a gendered perspective to address issues not normally considered as gender concerns. The focus of the research projects ranges across local, national and international contexts, and the relationship between gender and ethnicity has become an increasingly prominent concern. Research work falls broadly into the following categories:

- Gender and the media, especially representation of women and men; popular radio; gender and technology; masculinities.
- Gender, sexuality and space; feminist theories of knowledge; historiography and the recent feminist past.
- Gender; Work; New Economy; Globalisation; Inequality; Flexible Working; Work/life Balance.
- Feminist political theory; normative political theory; democracy, political representation, especially representation of gender, ethnicity and race; multiculturalism.

Applications from those wishing to study for a PhD degree are welcome within the research initiatives outlined above. In addition, the Institute runs five Masters programme in Gender,1) Gender Relations (2) Gender, Development & Globalisation, (3) Gender and Social Policy, (4) Gender and the Media and (5) Gender (Research). For further information on the Institute and its research and teaching programmes contact Hazel Johnstone email h.johnstone@lse.ac.uk
http://www.lse.ac.uk/collections/GenderInstitute

The new economy and earnings inequalities: explaining social, spatial and gender divisions in the UK and London

Diane Perrons

The new economy and earnings inequalities: explaining social, spatial and gender divisions in the UK and London.

Diane Perrons

Understandings of the new economy differ. Optimistic accounts focus on economic growth, technological progress, the increasing use of computing and information technologies, the expansion of knowledge goods, increasing opportunities, productivity, and well-being (Greenspan 1998; Coyle and Quah 2002). Manuel Castells (2001), for example, argues that we have entered a new technological paradigm – centred on micro electronics-based information/communication technologies, (ICTs) and genetic engineering. As some of these accounts recognise, while the ICT revolution facilitates increasing global integration, it is also geographically uneven. In particular, Internet access is differentiated by location, social class, gender, ethnicity, age and education, collectively referred to as the digital divide (Norris 2001; Quah 1996). Other social theorists such as Ulrich Beck (2000) and Richard Sennett (1998) are more pessimistic. They emphasize deteriorating working conditions, increasing insecurity, and individualization associated with the demise of traditional systems of social support, including trade unions and state welfare policies. This paper links these contrasting interpretations of the new economy through a conceptualisation that recognises some of the potential of ICTs, but foregrounds the widening social and spatial divisions of contemporary global capitalism. These are especially evident in neo-liberal societies where state moderation is muted. This analysis has been discussed elsewhere (Perrons 2004a); in this paper it is linked more directly to economic analyses of rising inequality, and extended further to provide a more detailed analysis of spatial inequality.

The paper begins with a discussion of rising inequality at a global scale, within countries and between women and men. It then develops an alternative explanation which synthesises and extends some of the contrasting theorisations of the new economy by explicitly incorporating a gendered and spatial perspective. Finally this analysis is very briefly illustrated by some contrasting experiences of work and life in the new economy.

Rising inequality

The new economy is associated with rising economic inequality both between (Milanovic 2002 and 2005) and within countries (Atkinson 2004; Piketty and Saez 2002; Goos and Manning 2003; Machin 2003; Sassen 2000; Hamnett 2003; Beaverstock et al 2004) and these developments are interrelated.

Overall there has been a vast increase in social wealth in the last few decades, but existing levels of inequality on a global scale are stark and undisputed. Currently 2.8 billion people (44%) of the world's population live on less than $2 a day, and around 1.2 billion on less than $1 a day, while the richest 1% receive as much income as the poorest 57% (UNDP 2002). Between 1990 and 2000, 54 countries became poorer and 21 experienced a decline in their HDI level something that was very rare before the late 1980s (UNDP 2003)[i]. Whether the overall trend of inequality is increasing or decreasing is however a contested issue and different measures point in different directions.

Measuring inequality is complex and recorded inequality depends on the method of calculation in terms of the choice of statistical indicators, the spatial unit of analysis and the measure of income - gross domestic product, purchasing power parity, or some broader based measure of well being such as the United Nations Indices of human development.

In an analysis using GDP per capita, Branco Milanovic (2005) refers to three concepts of inequality, each measured in different ways, producing different findings about the scale and direction of inequality. On the first measure, Concept 1, each country is taken as a single unit and inequality is shown to have steadily increased since 1950. Treating countries equally is appropriate if the objective is to assess the effectiveness of different policies and theories of development. In terms of global inequality, however, this measure is rather limited; changes in the degree of inequality in small countries have an equal impact on the outcome as changes in the more populous ones. The second measure (Concept 2) correspondingly weights countries by their population. This measure more accurately represents what is happening to people on a world scale. On this measure, inequality has fallen over time. However it is very sensitive to what has been happening in China owing to its large share of the world's population, and where growth – especially in the recent decade – has been extremely rapid. If China is excluded, inequality on a global scale has been fairly stable: if anything it has increased slightly in the last decade. Milanovic argues that this measure is limited too, because it does not allow for inequality within countries, and so effectively measures international, rather than global, inequality. To get a measure of the true extent of global inequality it is vital to take inequality within countries into account, as this varies significantly and has been increasing in recent years in many countries, including the UK, US and China (see also Beaverstock et al 2004).

Milanovic (2002 and 2005) develops a third concept of inequality (Concept 3) to take internal inequality into account and so obtain a more accurate measure of global inequality, using household survey data. So far he has data for only three years; while it is not possible to identify any trend, it is nonetheless clear that global inequality increased between 1988 and 1998, and –more significantly – the scale of global inequality is far higher than international inequality, i.e. inequality as measured by country averages.

Milanovic's (2005) comparative analysis of inequality within different countries has interesting implications for analysis and policy. He demonstrates, for example, that the richest third of Brazilians are considerably more affluent than the poorest decile of French people, while the poorest 5 per cent of Brazilians are poorer than the poorest 5 per cent of rural Indians. Recognising the differential extent of internal inequality is important if the objective is to ensure that international transfers go from the rich of one country to the poor of another, and not vice versa, which could happen when national systems of taxation are regressive and redistributed funds appropriated by rich minorities in poorer countries.[ii] This recognition is also necessary in order to accurately identify the processes generating inequality: in this chapter my interest is in demonstrating the connections between the new economy and increasing inequality globally but more specifically within countries, with specific reference to the UK.

Given that income is not always distributed equally within households a, further measure of inequality, Concept 4, would also be required to take account of continuing inequalities between women and men. But obtaining data for this measure would be even more difficult. Existing research suggests that while there has been a feminisation of the labour force on a global scale, gender inequality remains. This is primarily due to continuing job segregation between women and men, higher pay in jobs where men are over represented (ILO 2004), the contemporaneous expansion of informal forms of work – just at the moment when increasing numbers of women are gaining access to the paid labour force (Benería 2003) – and the continuing unequal division of domestic work and childcare leading to gender inequality in timeuse. This inequality in time use is found in all continents and for all countries where data exists (UNDP 2003). Overall, women represent 60 per cent of the world's 550 million working poor, earning less than $1 a day (ILO 2004).

Turning more directly to internal economic inequalities, it is clear that earnings inequalities have risen dramatically in the last three decades in many OECD countries especially at the top end of the distribution and among those following neo-liberal economic policies and (Piketty and Saez 2003). Gosta Esping Andersen (2002 and 2005) points out that, while there is a trend towards earning inequalities throughout these countries, their impact on income is modified by state policy – especially in the more redistributive social democratic states of Northern Europe. Thus the most spectacular increases have been in the US, where Chief Executive Officer earnings increased by 2500%, moving from 39 times the pay of an average worker in the 1970s to over 1000 times at the end of the 1990s. Similarly, while the incomes of the top 1% of families increased by 157% there was only a 10% gain for those in the middle of the distribution (Krugman 2002). In the UK the top 1% share of total wage and salary earnings has risen to nearly 6%, having fallen historically from the 1920s to a low of around 3.5% in the early 1970s The figures for the share of income taken by the top 1% are higher (Atkinson 2004).[iii]

As far as empirically established links between inequality and the new economy are concerned, this is nowhere more striking than in the United States, when the ninety-third consecutive month of growth recorded in December 1998 (the cornerstone of one interpretation of the new economy) was simultaneously the record year for redundancies (Benner 2002). As the incomes of the elite expanded dramatically those of ordinary workers were stagnating. In Silicon Valley, perhaps the icon of the new economy, the average earnings of corporate executives increased by 2000% between 1991 and 2000 while those of production workers experienced a 7% decline; the earnings ratio between them moving from 41:1 to 956:1 (Benner 2003 see also Krugman 2002). There are several explanations for increasing inequalities, which I outline before developing an explanation that links increasing inequality to the new economy analytically.

At the global level inequality is attributed to increased competitiveness, the widespread pursuit of neo-liberal policies (Krugman 2002) and uneven incorporation within the global division of labour. In this latter respect value chain analysis, (see for example Gereffi and Kaplinsky 2001 and Schmitz 2003), is useful to indicate how the contemporary organisation of production allows a large share of the value of products to be appropriated by producer service functions, such as branding, marketing, and design, rather than direct production. This ability contributes to the rising relative wealth of OECD countries – where these activities are disproportionately located – and clearly impacts on the range of incomes and opportunities found there. In particular control and command functions have created a range of high-income jobs in producer services, especially in global cities where these activities are concentrated (Sassen 2000).

Focusing on the internal distribution of income within countries, the growing significance of innovation and high technology or skill-biased-technological-change (SBTC) is said to have increased the relative demand for and relative wages of workers with high levels of education. However this explanation is incomplete because earnings inequalities have been increasing for over thirty years. During these years increasing numbers of people have acquired contemporary skills, especially in ICTs. Further, demand has also increased for workers in low skilled or 'McJobs', but their relative pay has declined (Goos and Manning 2003; McDowell et al 2005) thereby contributing further to the rise in inequality. Indeed, Maarten Goos and Alan Manning (2003) provide strong evidence to link earnings inequalities to different forms of work. They develop a categorisation of 'good and bad jobs' from occupational and industry/sectoral categories and differentiate them by pay decile (good jobs with earnings in the top two deciles and bad jobs in the lowest decile) and then demonstrate growth in both between 1979 and 1999, especially in the former but declines in jobs in the middle of the distribution.

Recognising the limitations of the SBTC analysis, Atkinson (2004) turns to sociological literature and speculates that inequalities can be attributed to the nature of "skills" rewarded in the contemporary labour market (his emphasis) with people-related rather than cognitive skills becoming more significant. Correspondingly, rewards are given less to skills acquired from formal education and more to those from socialisation within more advantaged families and communities. This explanation has parallels with Pierre Bourdieu's (1990) notion of appropriate social and cultural capital. However, elite education is still mandatory for top jobs in the UK, but not a sufficient condition – owing to fierce competition – so people related skills and appearance are also drawn upon. The extent of competition for these jobs also calls into question whether the market determines their pay or not, and if instead it is their positioning at the apex of the value chain that enables their firms to appropriate a large share of social wealth and so pay high salaries.

The significance of people related skills has also long been recognised in the feminist literature (see Hochschild 2003, first published 1983), but they are also required in a wide range of work including care work, sales and call centres which are not noted for high levels of pay.[iv] Furthermore given the shortages that occur in these sectors – especially for elderly care, and in some cases of supermarket workers – it is curious that pay does not rise as the market would predict. Toynbee (2005) argues that in the UK in low paid sectors such as supermarkets and care homes the employers effectively operate as cartels to maintain low wages. Atkinson (2004) however refers to the idea of social codes setting the boundaries within which more conventional economic ideas about supply and demand operate. Krugman (2002) similarly turns to sociological concepts and specifically to the idea of social norms, because although he finds explanations based on SBTC, economic restructuring through the new global division of labour, and the superstar effect (discussed below) all plausible, he maintains that none convincingly account for the dramatic widening of earnings inequalities in the US and the acceptance of the super rich (See also Beaverstock et al 2005). He argues that there has been a cultural shift towards greater financial permissiveness, a belief in charismatic leaders and in the effectiveness of incentives, which have combined to create new social norms, which in turn endorse inequality. Thus economists seem to be moving away from the idea of 'objective' measurable determinations of wage inequality towards 'softer' – less tangible – explanations. I would argue that the development of new social norms and their embodiment of gender inequalities also requires explanation.

Social theorists (Beck 2000; Reich 2001; Sennett 1998) have developed ideas about a new less regulated social system characterised by individualisation and growing risks as well as opportunities, partly associated with new forms of work and especially their comparative insecurity. Ulrich Beck (1992) argues that welfare gains or losses are now attributed to individual successes or failure rather than wider social and economic processes linked with the region, locality or social class. So, this explanation may be complementary to the social norms argument, in the sense that greater toleration or acceptance of inequality could be linked to individualisation arising from deregulation, the fragmentation of work, performance related individualised pay bargaining and more generally to the idea that individuals are responsible for their own achievements (as well as failures) and thus deserving of the rewards (losses). Danny Quah (1996) also suggests that because the new economy appears to offer more scope for individual social mobility the poor accept widening social divisions, believing that they too have a chance of becoming rich. Quah (1996, 2003) however develops an analysis of the new economy that identifies analytically processes tending towards widening social divisions. This analysis is outlined below and I then extend this approach to explain the gendered and spatial nature of contemporary social divisions. Readers familiar with my interpretation of his analysis (see Perrons 2004a or 2004b) might wish to skip the next two paragraphs.

Quah's (1996, 2003) analysis can be linked with explanations of employment change and extended by incorporating feminist analyses of the gender coding of jobs and earnings in order to provide a richer explanation (than social norms or SBTC) of rising inequality in general and for the regional and gender variations. Quah (2003) attributes widening social divisions to the economic properties of knowledge goods or 'bitstrings' that is goods that can in principle be digitised and which are becoming increasingly prevalent in the new economy. Quah's definition of knowledge goods as 'bitstrings' is technical rather than moral so as he points out Britney Spears is as much a knowledge worker as electronic traders as her products can be disseminated digitally. Thus the definition differs somewhat from Castells's (2001) self-programmable workers, although there are parallels. Knowledge goods are highly expansible, that is they can be replicated at very low cost, and they are non-rival; thus one person's consumption does not prevent another's. From the perspective of consumption these properties should lead to greater equality and a more equitable distribution of income as the goods can be cheaply reproduced and as above because one persons use of a product does not prevent another's. But replicability also means that that the products are characterized by increasing economies of scale, thus within market economies large firms tend to dominate the market, and having done so they create a range of related products locking consumers in to their particular brand. The property of non-rivalry similarly has perverse effects in market societies.[v] A further economic property of knowledge goods is the superstar effect, which Quah links to consumers' preferences for producers/products of greater renown even though they may differ only marginally from their competitors. Given their weightless nature and related potential global reach, there are few constraints on market size, so these superstar producers are able to capture an increasing share of the market, thereby widening the earnings differential between themselves and other producers. Correspondingly they are able to appropriate directly or through the firms that employ them high salaries. Quah (1996) refers here to the greater earnings dispersion between opera singers than between shoemakers, given people's preference for well-known singers. The earnings differential between J.K. Rowling author of the Harry Potter books and a less well known fiction writer would be another illustration – or the way that a minority of football clubs have risen to and sustain their dominance by virtue of their capacity to attract and retain what are perceived to be the very best players from around the world. Overall the analysis can be used to explain both the differentiation between firms and between employees. It can also account for the growth of large global corporations and the related global division of labour, including the concentration of top jobs in global city regions. Thus Quah's (1996, 2003) exposition of the superstar effect, which is rather different from Sherwin Rosen's (1981) explanation that Krugman rejects, can explain the high earnings of the 'galaticos' and the high CEO's incomes, referred to earlier, as intensified competition and increased ease of 'switching,' i.e. transferring between suppliers, characteristic of the new economy (Reich 2001), creates an imperative for firms to hire 'simply the best' employees (Turner 1991). As knowledge goods and knowledge workers become more important in the new economy, social inequalities will correspondingly tend to increase, leading not only to widening inequalities on a global scale but also to earnings differentiation – between knowledge workers, and between the high earning knowledge workers and those in sectors such as care and personal services which have opposite economic properties and a different gender composition. These are discussed further below. Extending the analysis in this way, that is, by combining the ideas of feminist researchers (Folbre and Nelson 2000; McDowell 2003) with those of Danny Quah (2003), it is possible to explain why these widening social divisions are also differentiated by gender.

Women continue to be over represented in generic/high touch work such as care, cleaning and personal services globally (ILO 2004) and within the UK (Social Trends 2004), which are typically low paid, partly because they have opposite economic properties to 'knowledge work' outlined above. In general these services are not infinitely expansible or non-rival, so market size is limited, and they are inherently technologically unprogressive. Correspondingly, wages tend to be more uniform, but low (Baumol 1967). Referring specifically to care work, although there are potential economies of scale, there are still fixed and relatively small limits to the number of people each worker can care. Thus if a carer is caring for one person the amount of care that can be given to another is necessarily reduced. New technologies may be able to transcend some of these limitations through electronic monitoring – such as temperature gauges in assisted housing, or replacing home visits by text message reminders to the elderly to take their medicine (Coyle 2004). But – in general – productivity is constrained unless, as in the latter case, the nature of the service is profoundly, and many would consider adversely changed, and correspondingly earnings tend to be low. Care is a also a composite good, consisting of guarding – making sure that no harm comes to the cared for – and nurturing – enhancing their well-being, but this latter aspect is difficult to measure (Folbre and Nelson 2000). Thus while nurturing aspects provide positive social externalities in terms of happier people and more rounded social citizens, they are typically unrecognised in the wages paid to employees. These properties also help explain why, unless market logic is challenged, these activities are either provided on a not-for-profit basis, in which case supply is limited by financial constraints, or else if provided by profit-seeking firms, prices are high even though employees are generally low paid. Thus although personal groomers for the elite may receive high hourly pay, or even retainers, to ensure 24 hour availability, their earning compared to the elite themselves are comparatively low[vi] and workers in high cost private nurseries are still among the lowest pay decile in the UK. This analysis accounts for the low pay in these sectors but not for the over representation of women within them.

Feminists have long pointed out that the concept of skill is gendered, with stereotypical male occupations deemed skilled and so rewarded financially, while women's jobs often rest on their un rewarded 'natural' talents (Phillips and Taylor 1980). Moreover, when women do enter male spheres of work a glass ceiling seems to prevent them from reaching the top. One reason for this is long working hours, which are difficult to combine with family responsibilities which in practice continue to fall primarily on women (Harkness 2003).[vii] However, in OECD countries some women continue to work very long hours and yet still fail to reach the top. This absence has been attributed to subtle and indeed less subtle forms of discrimination, sexual harassment and the prevailing macho culture, which reacts negatively to the presence of the female form and continues to thrive despite all of the equal opportunities and anti discrimination policies. Indeed the labour market is a site of embodied performances and women's bodies are considered simply out of place in the cerebral world of finance (McDowell 1997). Likewise men's bodies could be seen as being out of place in care work but even here inequality remains in that when men do enter predominantly female spheres they tend to re-inscribe their roles as masculine and appropriate the higher paid, higher status niches. Thus in cleaning, men tend to work with machines and in nursing focus more on paper work rather than direct care, as well the more macho branches for example, psychiatric nursing, which can involve restraining violent patients and thereby retains traditional masculine traits (Cross and Bagilhole 2002).

The new economy and spatial inequality –' superstar' regions

So far the analysis has outlined some of the processes leading to uneven development on a global scale, by a very brief reference to value chain theory, and in more detail the processes leading to earnings inequalities within OECD countries, and consequent gender inequalities. I now try and link these explanations to spatial inequality and the development of 'superstar regions'.

One of the mysteries of the new economy is why space, place and distance continue to matter. Paradoxically, as the power of communications has increased so has the concentration of high-level economic activities in a small number of highly interconnected locations. A new economic landscape has emerged consisting of global cities and global city-regions, which could be collectively termed superstar regions, with lower order centres, industrial and agribusiness districts, in between, as well as areas of industrial dereliction and rural regions largely bypassed, but not unaffected by, global flows.

Considerable efforts have been made to define and measure these centres of affluence. Should they be termed world cities (Hall 1966, Friedman 1986), global cities (Sassen 1991 and 2000) or global city-regions (Scott et al 2001)? Which cities or regions merit this status and what is their relative ranking (Taylor, Catalano and Walker 2002)? These measures are important to policy makers as many cities and regions aspire to join this global elite. The most comprehensive measurement effort to date perhaps has been the hierarchical inventory of world cities, based on the existence of producer service firms with a strong global presence and global connectivity (Taylor, Catalano and Walker 2002). Whichever definition is used however, the same two or three cities, London, New York and Tokyo appear in the top ranks, with Paris, Frankfurt, Hong Kong, Singapore, Milan, Chicago and Los Angeles following and Seoul, Beijing, Mexico City, Buenos Aires, São Paulo, Sydney, Bangkok, Johannesburg, and Kuala Lumpur,[viii] also making appearances in the top 20-30 depending on the precise measures used (see Hall 2001).

Global cities and global city-regions house the most dynamic elements of global capitalism and are where the corporate executives, government leaders and high level professional and technical workers, whose decisions and innovations shape the lives of people throughout the world, reside. In the UK top 1% of earners account for about 300,000 people who earn at least £100K and these high earners are disproportionately concentrated in London with 8.5% of the taxpayers earning over £50K compared to 4.5% for the UK as a whole (Inland Revenue 2004). It is the presence of high level, internationally oriented financial and business services that define global cities even though they may only form a relatively small volume of the total activity.[ix] At the same time they are typically the largest and wealthiest regions in the countries concerned and so have a wide range of industries and services associated with modern economies as well as the living spaces of their employees.

For Sassen (2000) global cities are the outcome of the asymmetry between the spatial dispersal of production and the continued centralisation of control within large corporations. Global cities are where the key strategic and coordination functions take place and consequently they have become the 'command points in the organisation of the world economy' (Sassen 2000:4). As decentralization becomes more extensive, the task of coordination becomes more complex and corporations subcontract some of the high-level producer service functions such as accountancy, law or public relations to specialist firms, which then become leading corporations themselves. These activities benefit from localisation and urbanisation economies. Being in the information loop is crucial to facilitate innovation and minimise risk and some activities still require a physical presence in these locations, especially for non-routine operations.

Sassen's (2000) analysis implicitly incorporates ideas from of the new international division of labour theory developed in the 1970s, which specified how the vertical division of labour within the firm was being expressed horizontally over geographical space, with the high level or level 1 activities being located within the most developed regions (Hymer 1976). Global value chain literature could also be drawn upon to explain why these coordinating functions, and not routine production activities, are able to appropriate a large share of the value that enables them to pay the high salaries and the rents in these locations. The new economic geography literature on clustering helps to explain why – despite new ICTs – many of these high-level producer service firms are located in close geographical proximity.

By terming them superstar regions however, I aim to encapsulate not only the processes leading to their formation but also the ensuing uneven spatial development and the internal inequality. This term also has the advantage of a negative or at least quizzical connotation by depicting their elitism and spatial exclusiveness. As a consequence it might overcome policy makers' uncritical desires to become global cities, irrespective of their negative side. The superstar concept is theoretical and so bypasses some of the difficulties of empirical definition arising from the dynamic and constantly evolving nature of economic organisation and contemporary processes of urbanisation. Furthermore it helps account for some of the growing inequality within them in a more analytical way.

The theoretical ideas about social divisions in the new economy can be drawn upon to explain the income differentials between the high paid knowledge workers and the low paid workers who take care of their daily lives. This empirical division has been noted for some time; Castells (1989) for example refers to the information rich and information poor, or the symbolic analysts and generic workers. The analysis of these divisions presented here differs somewhat, not least because while I draw on Quah's concept of knowledge goods, this rests on technical economic properties, and does not therefore imply that care workers, whose work and products have opposite technical properties in terms of being non-rival and expansible are without knowledge or skill, quite the reverse.

The key activities of global cities and global city-regions are quintessentially knowledge based. Correspondingly they have equivalent properties to knowledge goods; that is they are weightless, with an almost infinite global reach, and in some respects they are infinitely expansible. These properties are clearest in software, but even consultancy or architecture, where each project may seem to be bespoke and will indeed differ in detailed content, nonetheless they still have many common features, allowing companies to realise some economies of scale. Consumers develop preferences for products and firms of greater renown or 'superstars', reinforcing their cumulative growth, as their market share and income will not be constrained by geographical distance. The replication of waterfront developments and architectural styles, albeit with added on local nuances derive from a small number of ‘superstar’ architects would be one example Thus superstar firms in law, accountancy, consultancy and architecture materialize and locate in the global cities in a self-reinforcing way, as firms in London or New York, and are believed to be superior to ones located elsewhere and they correspondingly capture an increasing share of the market and continue to grow.

Producer services are extremely specialised and require highly skilled professional workers. As the work is decidedly pressurised, premiums are paid for people with proven talent, thereby bidding up salary costs and increasing the earnings differential between these and other workers in the locality, especially the low paid service sector workers and the workers in the more flexibly organised manufacturing activities that remain within these centres. The competitive environment also means that work is usually project based and employers draw in professionals as and when required on individualised short-term contracts to offset their risks. This insecurity in turn tends towards long working hours as both employees and employers take on projects as and when they are available (Reich 2000).

Correspondingly, knowledge workers have little time to manage their own day-to-day reproduction, which leads a growing demand for a wide range of personal services. However, the inherent economic properties of this work, discussed above, together with its gender and ethnic coding, mean it is likely to be low paid. The social divisions in the new economy are particularly visible in global cities where the highest paid workers are found, and these and low paid workers work and sometimes live in close proximity. In London for example social housing and million pound residences can be found alongside one another. Thus while there has been a professionalisation of employment (Hamnett 1996) marked by the expansion of jobs in the professional and managerial categories, there has also been some expansion in personal services and a decline in manufacturing, suggesting that employment options are polarised (Sassen 2000). While there have been debates about the meanings of occupational categories (Bruegel 1996) and whether what has taken place is professionalisation or polarisation what is very clear is that earnings differentials have widened and as indicated below, there has been a deterioration in the relative position of low paid work in at least one global city, London.

Thus the new economy is characterised by widening social divisions that take a gendered and spatial form. The processes outlined so far are largely theoretical and linked to the market but market processes develop differently in different places, depending on their history, the level of development of the country as a whole, prevailing macro economic policies, welfare regime and political philosophy as well as the precise nature of activities present. The role of the more developed welfare state in continental Europe and to a lesser extent in the UK is particularly important in moderating the extent of inequality found in large cities when contrasted with the US (Hamnett 1996). Thus the specific forms of each and every global city or superstar region will be different so to consider in more detail how life and work are experienced in one such region the remainder of the discussion therefore relates to London.

Living and working in a superstar region.

London has a higher proportion of residents in the top two occupational groups (which require a university degree or equivalent) than any other region in the UK and between 1992 and 2000 full time employment expanded further in these categories attracting young, highly qualified migrants from elsewhere in the UK and from other countries. Personal and protective services, which include caterers and care workers, was the only other occupational group where full time employment increased, and this category –together with sales occupations – experienced the largest increase in part time employment (GLA 2002). These changes in employment structure, together with the much slower rate of growth of earnings for low paid occupations have led to a widening of the earnings gap between the top and bottom deciles for both women and men. Figure 1 portrays the inter-decile range for men and Figure 2 for women for working in Great Britain, the South East Region, London and the City (in London) between 1981 and 2003 and show that earnings inequalities have been increasing in all of these areas with the highest levels of inequality in London and the City where the top jobs are concentrated.

The earnings distribution for men in London is wider than in the rest of the UK and wider than women's in all areas, reflecting both the existence of the highest paid jobs in the London and male dominance within these jobs, but also the continuing existence of low paid male employment. Thus overall the scale of inequality is greater between men. owing to men's presence in the highest paid jobs as well as those at the lower end of the distribution. Nevertheless there has been a growing duality between women, as a significant minority of women do work in high paid sectors, if not in the very top jobs, while women overall remain vastly over represented in low paid work, especially personal services.

Figure 3 portrays the 90-50 earnings ratio and the 50-10 earnings ratios for men and women just for London. The former measures the extent to which the top decile has been moving away from the median and the latter the extent to which the lowest decile has been falling away from the median. Figure 3 demonstrates that inequality is increasing at a faster rate between the median and the lowest decile indicating the change in employment composition and the expansion of low paid work in London for both women and men. This diagram indicates that rising inequality can not simply be attributed to the super rich or the 'top 1 per-centers' that are moving away from the rest and so a problem of affluence but instead is linked to the expansion of jobs at the bottom and disappearance in the middle tiers, in this respect suggesting some support for the polarization thesis of Sassen (2000), rather than professionalisation (Hamnett 1996). The prevalence of low paid work also accounts for the fact that London has a lower employment rate, despite the higher average pay, compared to other regions of the country, as despite new tax credit policies the high cost of transport and childcare in London make paid work economically irrational for some groups of low paid workers.[x] Furthermore not all low paid workers have access to benefits; for example migrants from the new member states of the EU can work legally but not claim any benefits for two years while other groups have more limited rights to remain in the UK but only without recourse to public funds (Home Office 2004).

In addition to widening inequality however, there are other changes in the labour market that are especially prevalent in the UK, where the government has explicitly supported the development of a flexible labour market – and trade unions have become less important. While the government has supported some of the EU directives on Equalities and Parental leave, it has retained its opt-out from the working time directive and working hours for some of the high paid workers are extremely long. In addition it is now commonplace for people to work unsocial hours, to work at the weekend, and to be employed indirectly through a variety of agencies, even if working in public sector institutions.

The expansion of employment in knowledge work on the one hand, and caring work on the other, are organically related – long working hours mean that high paid workers, including women workers, increasingly demand marketised personal services and care. These professional workers have limited social networks in the form of family and friends, arising from the long hours spent at work, their own geographical mobility and more specifically the geographical distance from their own parents. These people also want to spend their spare time in what they perceive to be more exciting ways than cleaning and housework. For example, the ex partner of Clare, one of the examples discussed below, employed an au pair to take care of him on a regular basis as well as for the one day a week when he took care of their child.

The remaining discussion draws on two iconic instances, that is important and potentially enduring characteristics that symbolise key features of the new economy from a larger qualitative research project[xi] to highlight how life is organised at the upper and lower tiers of the earnings hierarchy in the new economy in London. People's lives are extremely diverse and their individual circumstances are influenced by the way that their specific characteristics such as gender, ethnicity, education, partnership and parental status, stage of life course, as well as preferences intersect with each other and with the context in which they find themselves. Thus every case is different and qualitative research can never be representative in a statistical sense. I have selected the instances referred to below because they seem to me to reflect some recurring patterns that signify some key aspects of contemporary life among people at opposite ends of the widening earnings hierarchy in the contemporary new economy in London. The examples are drawn from 70 in depth interviews carried out in London analysed via a grounded theory methodology (Strauss and Corbin 1990) all of which contributed to the understanding of the new economy presented above.[xii]

Clare and Melissa are both working mothers and so both reflect the increasing participation of women in the labour market including mothers of young children (see Harkness 2003). Clare is a now a single parent with one young pre school child and a permanent full time job in the knowledge sector while Melissa is married with 3 school aged children, works part time on a fixed term contract as a nursery nurse in a local authority drop in playgroup centre.

Clare encapsulates a number of features of the new economy, both economically and socially. Economically, her earnings are in the highest female and male decile and she works in financial services – but in graduate recruitment. In fact her work involves searching for the superstars of the future. She is more in human resources than finance, in this sense reflecting continuing gender divisions in the new economy. Indeed in her workplace 'it's really funny because this, this immediate team here is 95% women, but you go over the road to the trading floors, and wherever else, and it's 95% men…'

She also went on to say that the firm aims for political correctness and they are: 'very conscious that they don't have enough female employees' and that to get more and keep more that they need to be, 'umm, you know more facilitative in terms of childcare, flexible working arrangements, all that kind of stuff'.

She continues however by indicating that despite this formal stance:

> 'by the nature of the fact that this is mainly a sort of sales and trading organisation, it is very very male dominated, it's very full of egos, and there is a lot of sort of sexist banter or chit chat that goes on day to day…… It's certainly no worse than any other bank, but, I think just because it is so male dominated, you do, you do encounter that, you, you, there'd be no point being a sort of shrinking violet girl working in an investment bank cos you get your head bitten off three or four times a week! … So, if you're not comfortable with that you should probably go and work somewhere else.' (Clare).

providing support for earlier arguments about women's under representation in these spheres.

Clare is not in a trade union and works long and fairly unpredictable hours and her job involves being away from home 'I mean I travel on business probably, ten days a month, um, and there'll be evenings where I don't get home until sort of 10, 11 …Oh I have a laptop at home that I work from regularly in the evenings anyway, an' I'm always on my mobile, so you know….' Thus while her regular day is 8 until 6 quite often she works longer than this and regularly works from home in the evenings. She has a certain amount of flexibility as her work is measured by results and if she ever needed to be away from work she could make up the difference from home. As with the other high paid mothers in the study, she valued proximity to her workplace so she could get home quickly if needed and made regular use of taxis for her journey to work.

In a social sense Clare similarly reflects many aspects of contemporary social life. She is a single parent. – she separated from her husband when their child was 18 months – and geographically distant from her own parents. She has a limited social network to draw on for support, not having had the time to develop one: 'I certainly don't have that mums' network thing going, cos I never did any of the sort of ante-natal classes and 'cos I was never off work long enough I never got to know anyone in that respect, so I kind of really lost out'. She uses a private nursery 5 days a week but also has a live-in au pair who fetches the child in the late afternoon and takes care of her until Clare arrives home, as well as doing all the child's cooking, cleaning and washing as well as errands for Clare such as fetching clothes from the dry cleaners. Clare, for herself, depends on pre-prepared food and the microwave. Live-in assistance is essential owing to her long and unpredictable working hours and because she often works away from London. Clare also makes occasional use of a baby-sitting agency and has used the emergency crèche at her ex-partners workplace (also a city finance firm). Similarly if her usual arrangements break down she would call upon an ad hoc network created by her ex nanny and her ex-partner's au pair, but all this would be paid support (see also Bliar-Loy and Jacobs 2003). Her life is extremely busy and is not at all involved with any community or social groups. Thus Clare encapsulates the life of a high earning parent in the new economy, working long hours and drawing on a wide range of marketised services to sustain her existence.

At the opposite end of the earnings distribution is Melissa, who is a nursery nurse and lives with her husband and three children in local authority housing in Inner London but further out from the centre than Clare. Melissa works part time and her job is insecure. The nursery she works for belongs to the local authority but the funding for her job comes from the single regeneration budget and so she is on a fixed term contract which has to be renewed periodically: 'Well, every year we've got to go through and ring them up and say 'have you got money for Melissa to be working again next year?' Her husband is a railway engineer, formally employed by the public sector but now by the private sector company that manages the track. He works shifts including days, nights and weekends. His usual working hours are around 40 but can be called in to do over time. Their combined earnings are considerably lower than Clare's though collectively they work a similar number of hours.

Melissa has always been in employment and her working hours now correspond roughly with school hours and so she manages outside school childcare herself with occasional support from childminders. Melissa herself does the major share of housework and childcare, partly because her husband works longer hours and varied shifts. In the past she relied on friends and her own mother, who lived close by for childcare. She would not have been able to afford to use a private nursery even had she wanted to. This inability to afford the service she is producing is another feature of the new economy and differs from the Fordist era where the wages enabled people, albeit through loans etc, to buy the goods they were making. The new class of low paid service workers are providing services they themselves would not be able to afford. Melissa had to give up a full time job owing to the difficulty of getting there on public transport, even though the distance was not great. Had she been able to afford taxi's she might have been able to continue. Despite being a qualified childcare worker, Melissa and her husband 's earnings are both in the lowest decile for women and men respectively. They would now qualify for the new tax child tax and working tax credits, which would clearly raise their incomes. However the question of why people doing valuable work, caring for children on the one hand and maintaining vital infrastructure on the other have to depend on state benefits does raise questions about the contemporary values of the new economy.

Conclusion

This chapter has tried to develop an analytical explanation for the tendency towards inequality in the new economy. To do so it has drawn on a range of existing theory and empirical research carried out in London. The main conclusion – that inequality is widening and gender divisions remain in the new economy – may in some ways be predictable. It is interesting to note that even orthodox economists are concerned by the high levels of inequality and look towards social theory for explanation. Richard Layard (2005) has raised concern that the things that many people care most about in society are valued least highly through the market, thereby questioning the desirability of sticking too closely to the agenda of competitiveness. From other studies in this volume and elsewhere it is clear that the new economy does offer considerable potential for raising social welfare. The technicians have in some ways done their job – it is crucial therefore for social scientists too to devise ways of organising society differently, so that some of the gains that arise from these new ways of working can be shared more equally between regions and between women and men to achieve even the UK government's current goal of creating a flexible but fair society.

References

Atkinson, A. (2004) Top Incomes over the Twentieth Century, LSE public lecture

Atkinson A and Salverda W (2003) Top Incomes in the Netherlands and the UK over the Twentieth Century, Authors website, http://www.nuff.ox.ac.uk/users/atkinson/NLandUK12.pdf

Baumol, W. (1967) Macroeconomics of unbalanced growth: the anatomy of the urban crisis *American Economic Review* 57 (2) 415-426

Beaverstock, J. Hubbard, P. and Short, J. (2004) Getting Away with it? The Changing Geographies of the Global Super-Rich *Geoforum* 35 (4) 401-7

Beck, U (2000) *The Brave New World of Work* Cambridge: Polity Press

Beck, U. (1992) *Risk society: towards a new modernity*, London: Sage

Beneŕia, L (2003) *Gender, Development, and Globalization: Economics as if People Mattered*. London: Routledge

Benner, C (2002) *Work in the New Economy. Flexible Labour Markets in Silicon Valley,* Oxford: Blackwell

Bivand, P. Gordon, B. and Simmonds, D. (2003) Making Work Pay in London, Centre for Economic and Social Inclusion GLA, London

Blair-Loy M and Jacobs J A (2003) Globalization, working hours and the care deficit among stockbrokers, *Gender and Society* 17 230-249

Bourdieu. P. (1990) *The Logic of Practice*, Cambridge: Polity Press

Bruegel, I (1996) Gendering the polarisation debate: a comment on Hamnett's Social polarisation, economic restructuring and welfare regimes *Urban Studies* 33 8 1431-9.

Buck, N. Gordon, I, Hall, P, Harloe, M and Kleinman M (2002) *Working Capital. Life and Labour in Contemporary London,* London: Routledge

Castells, M (2001) *The Internet Galaxy. Reflections on the Internet Business and Society*, Oxford: Oxford University Press.

Cox R and Watt P (2002) Globalization, polarization and the informal sector: the case of paid domestic workers, Area 34 39-57

Coyle, D. (2004) Getting the measure of the new economy, paper presented at the Resurgent Cities Conference, April, London School of Economics.

Coyle, D. and Quah, D. (2002) *Getting the Measure of the New Economy*, London: Isociety, The Work Foundation

Cross, S. and Bagilhole, B. (2002) Girls' Jobs for the Boys? Men, masculinity and non-traditional occupations *Gender Work and Organisation* 9 (2) 204-226

Dunford, M and Fielding, A (1997) Greater London, the South-east Region and Wider Britain: Metropolitan Polarization, Uneven Development and Inter-Regional Migration, in H. Blotvogel and A. Fielding (ed) *People, Jobs and Mobility in the New Europe* Chichester: Wiley

Esping-Andersen, G. (2004), 'Inequality and the Welfare State in Europe', Ralph Miliband Lectures on Inequalities: dimensions and challenges, LSE, December.

Esping-Andersen, Gøsta (2002) *Why We Need a New Welfare State*, Oxford: Oxford University Press

Eurostat (2004), *How Europeans spend their time. Everyday life of women and men 1998-2002*, Luxembourg: Office for Official Publications of the European Communities.

Greenspan, A. (1998) 'Is there a new economy?' *California Management Review* 41 (1): 74-85.

GLA (2002) London Divided: Income inequality and poverty in the Capital, London: Greater London Authority

Folbre, N. and Nelson, J. 2000 For Love or Money – Or both? *Journal of Economic Perspectives* 14 (4) 123-140.

Friedman, J (1986) 'The World City Hypothesis', *Development and Change*, 17 (1): 69-83.

Gereffi G and Kaplinsky R (2001) (eds) *Value of Value Chains*, University of Sussex IDS 32 (3)

Goos, M. and Manning, A. (2003) McJobs and MacJobs: the growing polarisation of Jobs in the UK in R. Dickens, P. Gregg, and J. Wadsworth (eds) *The Labour Market Under New Labour* Basingstoke: Macmillan 70-85

Hall, P (2001) Global City-regions in the 21st Century, in A. Scott (ed) *Global City-Regions* Oxford: Oxford University Press

Hall, P (1966) *The World Cities*. London: Weidenfeld and Nicolson

Hamnett, C. (2003) *Unequal city: London in the global arena* Routledge, London

Hamnett , C (1996) Social polarization, economic restructuring and welfare state regimes, *Urban Studies* 33 (8):1407-30

Harkness, S. (2003) The household division of labour: changes in families' allocation of paid and unpaid work, 1992-2002 in R. Dickens, P. Gregg, and J. Wadsworth (eds) *The Labour Market Under New Labour* Basingstoke: Macmillan 150-169

Hochschild A (2003) *The Managed Heart. Commercialisation of Human Feeling* Berkeley: University of California Press

Home Office (2004) Immigration & Nationality Directorate, http://www.ind.homeoffice.gov.uk/ind/en/home/news/archive/2004/february/no_uk_benefits_for.textonly.html

Hymer, S (1975) The Multinational Corporation and the Law of Uneven Development In H. Radice (ed) *International firms and modern imperialism : selected readings* Harmondsworth: Penguin.

IDS (2004) Regional Pay. The realities of private and public sector practice, London: Income Data Services

ILO (2004) Global employment trends for women
http://www-ilo-mirror.cornell.edu/public/english/employment/strat/download/trendsw.pdf

Inland Revenue 2004 Income and tax, by region and country
http://www.inlandrevenue.gov.uk/stats/income_distribution/pi_t11_1.htm Accessed 25 March

Krugman P (2002) For Richer, New York Times Magazine, October 20
http://faculty.pnc.edu/arw/gbg344/For%20Richer.htm Accessed 28 June

Land H (2003) Leaving care to the market and the courts, European Social Policy Association Conference, Copenhagen
http://www.sfi.dk/graphics/ESPAnet/papers/Land.pdf Accessed 28 June

Layard, R (2005) *Happiness: lessons from a new science* London: Penguin

McDowell L Perrons D Fagan C Ray K and Ward, K (2005) The contradictions and intersections of class and gender: working women's lives in the global city, Environment and Planning A 37 (3) 441 – 461

McDowell L (forthcoming) Sexuality, desire and embodied performances in the workplace, in B Brooks-Gordon, L Gelsthorpe, M Johnson and A Bainham A (eds) *Sexuality Repositioned* Oxford: Hart

McDowell, L (1997) *Capital Culture. Gender at Work in the City*, Oxford: Blackwell

Machin S (2003) Wage inequality since 1975 in R. Dickens, P. Gregg, and J. Wadsworth (eds) *The Labour Market Under New Labour* Basingstoke: Macmillan 280-90

Milanovic, B (2005) Globalization and Inequality, Ralph Miliband Lectures on Inequalities: dimensions and challenges, LSE, December

Milanovic B (2005) *World's Apart*, Princeton and Oxford: Princeton University Press

Milanovic, B. (2002) True world income distribution, 1988 and 1993: First calculation based on household surveys alone, *The Economic Journal* 112 (January) 51-92.

New Earnings Survey (various years), National Statistics http://www.statistics.gov.uk/statbase/Product.asp?vlnk=5749 Accessed 25 March

Norris, P (2001) *Digital Divide Civic engagement, information poverty and the Internet Worldwide*, Cambridge: Cambridge University Press

Perrons, D (2004a) Globalization and social change. People and places in a divided world London: Routledge

Perrons , D (2004b) Understanding Social and Spatial Divisions in the New Economy: New Media Clusters and the Digital Divide, *Economic Geography* 80 (1) 45-62

Phillips A and Taylor B (1980) Sex and skill, *Feminist Review* 6: 79-88

Piketty, T. and Saez, E. (2003) Income inequality in the United States, *Quarterly Journal of Economics* CXVIII: 1: 1-39

Quah, D (1996) The Invisible hand and the weightless economy Centre for Economic Performance Occasional paper No. 12 London: LSE

Quah, D (2003) Digital Goods and the New Economy (available from the author's website)

Reich, R. (2001) *The future of success work and life in the new economy*, London: Heinemann

Rosen, S. (1981) The economics of superstars, *American Economic Review* 71 (5): 845-858

Sassen, S. (2000) Cities in a world economy, Second Edition London: Pine Forge London

Schmitz, H. (eds) *Local enterprises in the global economy. Issues of governance and upgrading,* Cheltenham: Edward Elgar

Scott, A, Agnew, J Soja, E and Storper, M (2001) *Global City-regions* in A. Scott (ed) *Global City-Regions* Oxford: Oxford University Press

Sennett, R. (1998) *The corrosion of character* London: WW Norton and Company.

Social Trends (2004) Social Trends 34 London: The Stationery Office

Strauss, A and Corbin, J (1990) *Basics of Qualitative Research: grounded Theory Procedures and Techniques*, London: Sage

Taylor, P. Catalano, G. and Walker, D (2002) 'Exploratory Analysis of the World City Network', *Urban Studies* 39 (13) 2377-2394.

Toynbee, P (2005) Gender Inequality: old patterns, new challenges, Ralph Miliband Lectures on Inequalities: dimensions and challenges, LSE, 3 February.

Turner T (1991) Simply the best, CD, Capitol Records

UNDP (2003) *Millennium Development Goals A Compact among Nations to End Human Poverty*, Oxford: Oxford University Press

UNDP (2002) *Human Development Report 2002: Deepening Democracy in a Fragmented World* Oxford: Oxford University Press

[i] As the UNDP (2003) point out declining HDI levels are rare because the capabilities captured in the HDI measure, life expectancy, education and a decent standard of living are not easily lost.

[ii] I am not suggesting that poor governance is responsible for the poverty of poorer countries simply highlighting the fact that transferred funds do not always reach the poorest groups.

[iii] In 1918 the share of income before tax, taken by the top 1% was 19.24%, this fell more or less continuously to a low of 5.72% in 1978 after which it rose continuously to 12.99% in 1999. Inequality in after tax incomes has also increased from 5.51% in 1959 to 10.17% in 1999. (Atkinson and Salverda 2003).

[iv] Care workers being amongst the lowest paid and call centre workers earning only 48% of average male or 65% of average female wages. Figures calculated from IDS (2003) and ONS (2003)

[v] Non-rivalry means that if one individual consumes/uses a good, this does not reduce the utility other individuals can derive from it - a software programme would be a good example. Because even non-payers can use the good without increasing its cost or diminishing the quality of anyone else's use, in principle everyone should be allowed access in order to maximise overall welfare. However this property creates problems in market societies as producers would have little incentive to provide the goods if they were unable to charge for them. But charging is difficult if people

cannot be denied access to the good. In practice these products either tend to have strict licensing controls, as in the case of software, or in cases where it is difficult to control consumption they are provided publicly or by regulated monopolies.

[vi] Thus Beyonce's (a popular singer) hair dresser is on call 24/7 receives £200 per hour (MTV Beyonce's millions)

[vii] Susan Harkness (2003) demonstrates the continuing unequal division of domestic work and child care for the UK using data from the BHPS. Similarly Eurostat (2004) time use data shows a similar pattern for a greater range of European countries.

[viii] Johannesburg and Kuala Lumpur are Gamma world cities on Taylor, Catalano and Walker's (2002) definition, which means that they are global service centres for at least two sectors (from accountancy, advertising, banking and law) and in one of these a major centre.

[ix] See Dunford and Fielding (1997) for a discussion of the relative degree of sectoral and occupational specialisation in London and the South East Region in the 1980s and especially the high concentration of financial services and for information on employment change by sector for the period between 1978 and 2000 see Buck et al (2002).

[x] For example, a lone parent with two children and childcare costs is better off returning to work at the minimum wage outside London, but needs to earn £7.76 an hour in London – i.e. almost 1.75 times the minimum wage in order to experience immediate monetary gains from paid work (Bivand, Gordon and Simmonds 2003).

[xi] The qualitative research referred to derives from an ESRC-funded project (project reference no. R000239470) which was carried out jointly between the author, Linda McDowell, Colette Fagan, Kath Ray and Kevin Ward. I would like to acknowledge their assistance for this part of the chapter, Yiannis Kaplanis for gathering the

quantitative data, and Mina Moshkeri for the graphics. The in depth interviews were carried out between 2002 and 2004.

[xii] These interviews were carried out in the context of the ESRC project referred to above.