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Globalization, Labour Flexibility and Insecurity: The Era of Market Regulation

ABSTRACT ▪ This article considers the international trends to more flexible labour relations in terms of the erosion of seven forms of labour-related personal security and the evolving forms of labour market regulation. It suggests that growing labour market flexibility has been accompanied by a reconstitution of the social wage and a profound re-regulation of labour relations, not 'de-regulation', which is an inappropriate term to describe any labour market. The flexibility and market regulation has influenced the extent and character of labour fragmentation, which is creating new challenges for social and labour policy. The article concludes by sketching three possible routes of reform, one stemming from the former era of social regulation, the second extrapolating from the currently dominant market regulations perspective and the third linked to the desirable extension of democracy and the promotion of redistributive justice.

Introduction

European labour markets are in a mess; the prescriptions of the 1970s and 1980s have mostly been tried and found wanting, yet few politicians or analysts seem prepared to contemplate radical policies that might improve the situation. This article considers the changing character of European 'labour markets' and the policy options for redressing the associated inequalities and insecurities. It starts from two premises. First, any system of social relations of production and distribution evolves through a phase of flexibility into one of inflexibility or rigidity, which contains the seeds of its own demise, and which unwinds through an era of 'flexibilization'. The terms contained in this proposition should become clearer in the course of the following.

A second premise is that what goes under the problematic name of 'globalization' has entailed pressures that have eroded hard-won labour *rights* and forms of labour *security* in western Europe, in particular. We may characterize this as the crisis of insecurity, where crisis contains the seeds of decay of previously well-established systems of labour relations and the seeds of opportunity to forge a new era of economic security.

The approach proposed is to assess labour markets in terms of seven forms of security and the relative reliance on *statutory regulation*, *market regulation* and *voice regulation*. There is no such entity as a 'deregulated labour market', since even in the most extreme case of market regulation, policy interventions are used to regulate individual and collective behaviour.

The article traces a perspective based on forms of security and regulation, leading to a set of proposals outlined in the final section. The technique used is perhaps overly taxonomic and schematic, through providing a series of stylized facts and stylized trends and reliance on the notion of 'eras'. The most important limitation of this approach is that there have been differences between countries, and there are several well-known analyses that have differentiated between types of welfare or labour regulation regimes. The following makes no pretence to support or refute any of those typologies. Rather, it attempts to paint an international picture of underlying trends to which all types of industrial relations and welfare regimes have had to respond. In any such exercise, one can easily play the game of pointing to exceptions and gaps, wherever one makes a leap of what purports to be an insight in the absence of data or personal knowledge. It is hoped that some of the glaring gaps will be filled by ongoing research.

The Era of Social Regulation: Looking Back in Envy?

The period from 1945 to the mid-1970s can be characterized as an era of social consensus. Various names have been used – Fordism, Golden Age and Welfare Capitalism come to mind.[1] In this era, in policy terms social and distributional progress was led by western Europe, and reformers in much of the world, including so-called 'developing countries', typically looked there for guidance for policy initiatives. The 'welfare state' and the march towards some notion of 'equality' were seen as the dominant trends.

The labour market developments of that era can be characterized as the steady extension of labour *rights* and *entitlements*, which may be captured conceptually by seven forms of security:

Labour Market Security. Adequate employment opportunities, through state-guaranteed full employment

Employment Security. Protection against arbitrary dismissal, regulations on hiring and firing, imposition of costs on employers, etc.

Job Security. A niche designated as an occupation or 'career', plus tolerance of demarcation practices, barriers to skill dilution, craft boundaries, job qualifications, restrictive practices, craft unions, etc.

Work Security. Protection against accidents and illness at work, through safety and health regulations, limits on working time, unsociable hours, night work for women, etc.

Skill Reproduction Security. Widespread opportunities to gain and retain skills, through apprenticeships, employment training, etc.

Income Security. Protection of income through minimum wage machinery, wage indexation, comprehensive social security, progressive taxation, etc.

Representation Security. Protection of collective voice in the labour market, through independent trade unions and employer associations incorporated economically and politically into the state, with the right to strike, etc.

In the middle part of the twentieth century, although the pace and progress varied from country to country, there was steady progress on all seven forms of security, and there was a widespread presumption that the progress made in the countries taking the lead in spreading them would in turn be spread to other countries.[2] The dominant economic policy was Keynesianism, which was oriented to ensure something close to Full Employment, while the labour market was underpinned by a growing 'welfare state', based on social insurance and the simple premise that state transfers were required primarily to cover 'temporary interruptions of earning power', including short-term 'frictional' unemployment, ill-health and a relatively short period of retirement.[3] The social consensus was loosely based on a commitment to redistribute income from growth, so that there would be a gradual reduction of socio-economic inequality, in return for which the managerial right to manage was left broadly intact and the private ownership of capital was largely preserved beyond the few 'commanding heights' of the economy or spheres of 'natural monopoly'.

The form of labour market that was presumed by the postwar policy makers was one based firmly on the vast majority of the male adult population being in secure, full-time wage employment, with women being economically 'inactive' or in the labour market as supplementary 'secondary' workers. It may never have been like that, but that was the dominant image and the basis of the labour system that prevailed.

In the industrialized countries at least, a key aspect of the era was the presumption of something close to production *stability*, in which the industrial structure was expected to change slowly and predictably, and in which the 'advanced' capitalist economies were essentially trading with countries with similar levels of labour rights, or were exporting manufacturing and services to countries that were exchanging primary products, often in 'unequal exchange'. This was a crucial feature of the system, for it meant that labour rights in any one country were not perceived as onerous costs or 'burdens on business'.

Corresponding to these economic features, one can interpret the era as one in which the 'social wage' rose by more than money incomes, in that the growing range of institutionalized rights had monetary value that could be measured and in that the state provided a steadily growing array of social transfers financed from direct and indirect taxation, with the former expected to bear the brunt of the cost. A consequence was, we may surmise, that economic inequality declined more than income inequality (although both declined much more than wealth inequality).[4] Golden Age it certainly was not. Yet there were achievements that should not be forgotten, including unemployment rates in most of western Europe of 1–2 percent, historically low poverty rates and a sense in which 'working class' voice was ensured. Many bridled at the pace of the forward march, but few doubted that the forward march of labour was merely a matter of time.

This leads to another main labour characteristic of the era, which is also relevant for assessing what has gone since and what options there are for the future. Labour market relations were governed essentially by *statutory pro-collective regulations*. Not only were collective bargaining favoured and trade union confederations and employer organizations regarded as legitimate parts of governance, but statutory regulations tended to promote collective entities. This was taken to extremes in eastern Europe and other so-called communist states, where unions were organs of the party. But in developing countries as well, the trend was to promote collective interests and forms of corporatism.

There is no such thing as 'deregulation' of labour markets. No society could exist without modes of regulation, and one of the stupidest terms that was to come into popularity in the 1980s and 1990s was deregulation. Labour market regulations exist for several reasons, the most well-known but by no means the only one being protection of various groups against insecurity, oppression and exploitation. The second major objective of some forms of regulation is productive efficiency enhancement. In labour market terms, statutory regulations come in five forms:

Protective Regulations. Rules and procedures to protect workers, and/or to prevent those in strong positions from abusing those in weak positions

Fiscal Regulations. Taxes and subsidies to encourage certain forms of activity and/or discourage other forms

Repressive Regulations. Rules and mechanisms to prevent something that the state, or a dominant interest, does not wish to occur

Promotional Regulations. Rules and mechanisms (other than taxes) designed to promote certain developments

Facilitating Regulations. Rules and procedures that permit activities to take place, if there is a desire to do so.

In practice it might not be possible to categorize some regulations as belonging exclusively to one of those forms. But the important points are that every labour market has some set of regulations, that labour market regulations do not come in just one form and that they do not have just one objective. A defining characteristic of the post-1945 era of social consensus was that collective *statutory* regulations predominated and were intent on extending the various forms of security and reducing labour market inequalities in terms of those various forms.

The postwar era of welfare capitalism was a period in which all forms of security were indeed extended, in which the social wage rose and in which distributive justice was extended to groups hitherto marginalized or excluded from the labour process. Meanwhile in the developing countries massive changes were taking place, and these were coming to influence what happened in the industrialized countries.

However, whereas the early part of the era was characterized by flexibility and sustained economic and social progress, in which changes were slow and negotiable, as the regulations, welfare arrangements and corporatist mechanisms became more embracive, they became more attuned to the preservation of stability than to the promotion of socio-economic restructuring. The labour market thus became increasingly rigid in its character and outcomes.

The Era of Market Regulation: Looking Back in Anger?

Nothing lasts. The forward march of labour coincided with a fattening of the working class stomach and growing socio-economic mobility that, while attesting to the success of the extension of rights of security, eroded working-class strength. It was always too fanciful to speak of the end of the working class, as André Gorz put it, but surely not wrong to depict a dwindling of its size, power and sense of cohesion, as well as a process of class fragmentation that eroded worker representation security. Trade unions and their political allies became more and more atavistic, and looking back to the 1970s and 1980s, that must be the biggest 'failure' for those who value the promotion of redistributive justice.

Whether or not those social forces could have done anything to arrest the erosion of security is moot, since one may guess that the game was up, and that those bulwarks of the conservative working class were institutionally incapable of responding positively to the currents that were sweeping them aside. In any case, by the 1990s it was too late to arrest the trends. De-unionization was extensive almost everywhere, and, even where high rates of unionization persisted, the strength and effectiveness of union activity were much reduced. Although it was always quite low, could anyone in the era of social security have predicted that less than 10 percent of the French labour force would belong to trade unions by the 1990s?

It was in the 1970s that the cracks in the regulatory labour system opened dramatically. There is no need here to speculate on which factors were the most crucial in the demise of the old era. But it is useful to recall the main trends.

The first failing was macro-economic. Inflationary pressures built up, the perceived capacity of the state to achieve redistributive objectives became ineffectual, and the welfare system of regulation ran up against a series of crises – a fiscal crisis, a demographic crisis, social equity and unemployment trap crises, an efficiency crisis and a moral–political crisis. I do not wish to focus on those here.[5] The crucial point is that the welfare system of regulation was eroded and its legitimacy undermined. It is difficult to overemphasize the significance of this defeat, which occurred in the 1980s, although the wounds were inflicted in the 1970s when progressive reform still seemed possible.[6]

The renewed growth of labour insecurity was fuelled by the changing international division of labour. This was associated with something like a Kondratieff long wave. Each wave has involved a phase of 'technological stalemate', in which process innovations have predominated over product and capital innovations. This was roughly what was happening in the latter stages of the era of social security. Once a clustering of new product and capital innovations occurs, a new global upswing starts. In this case, it was surely the information technology that marked out the new upturn. And as in previous long-wave upswings, the economic dynamism shifted globally. In the previous upswing, it had been from the UK (and western Europe) to the USA. In the 1980s, it was a shift from the USA (followed to some extent by western Europe) to Japan and the Pacific Basin. Many factors played a part in the industrial growth of those economies – land reform, the mass mobilization of female labour, Confucianism, individualistic wages, the existence of a vast pool of easily disciplined and exploitable workers, foreign direct investment, an interventionist state prepared to assist in the accumulation process, and an authoritarianism thinly veiled as paternalism.

The increasing difficulty of redistributing income within industrialized countries, and the inflationary pressures there, coincided with this shift of economic dynamism, and precipitated the crunching halt to social progress and to the widespread adoption of 'supply-side economics' that has swept the world, beginning in the late 1970s in the UK and USA, being adopted by stages within western Europe and exported to Latin America, Africa and most recently South Asia in the name of 'structural adjustment'. Its biggest triumph was to come in the early 1990s, when Russia and other parts of the former eastern bloc adopted the same prescription under the name of 'shock therapy'. The tide is still flowing in that direction. It is not to defend the previous era to note that the labour market and social consequences of this global experiment have been dire and tragic.

The supply-side economic doctrine is merely the latest variant of the way of thinking that has ebbed and flowed since the beginning of capitalism. In the eighteenth century, Adam Smith and Condorcet advocated high wages and security as means of raising the wealth of nations; later, Malthus represented the opposing doctrine of insecurity and fear as necessary conditions for inducing productive (rather than reproductive) activity. In the 1920s, the last triumphal phase of capital before the 1980s, Pigou and the Chicago economists represented the market regulationists; then in the 1930s Keynes, the New Deal, Beveridge and followers successfully launched an era of social and economic security. In the 1980s, those favouring the cold bath approach were back in ascendancy with a vengeance, and it is no coincidence that in the era of insecurity no fewer than eight Nobel Prizes have been awarded to economists from the University of Chicago. From Chile to the UK to Russia, taking in much of Africa, the supply-siders have been having their day in the sunlight.

We are concerned only with the labour market implications of these changes. The first is contextual. The Keynesian economics that dominated the postwar era stipulated, in effect, that macro-economic policy should concentrate on ensuring full employment, while micro-economic policy combated inflation.[7] Drawing on the new theory of rational expectations, the supply-side economics reversed this targeting of instruments, so that macro-economic policy has been expected to be concerned exclusively with the control of inflation, while micro-economic policy has been expected to 'free' markets so as to promote economic growth and provide the conditions for employment generation. This marked the end of labour market security, which had underpinned progress on the other forms of security. The new orthodoxy ruled out Full Employment as a direct policy goal, arguing instead that there was a 'natural' rate of unemployment ground out by the prevailing institutional and regulatory structures and the rigidities in the economy. An irony is that in the 1980s and 1990s the securities that had been regarded as the primary objectives of economic and social policy in the previous era became regarded as obstacles and rigidities to be overcome, in the name of economic growth.

Underlying the new orthodoxy is a fervent faith in markets and a form of Malthusianism. All sorts of euphemisms have swept into the language of social and labour market policy. There was a shift in the structure and intended roles of regulations, and advocacy of 'deregulation' became strident. Under the Chicago school of law and economics, statutory or institutional regulations can only be justifiable if they promote, or at least do not impede, economic growth.[8] But nobody should be misled into thinking that the rolling back of protective and pro-collective regulations constitutes 'deregulation'. What supply siders have promoted is pro-individualistic (anti-collective) regulations, coupled with some repressive regulations and greater use of promotional and fiscal regulations, intended to prevent people from making particular choices or to encourage, facilitate or promote other types of behaviour. Although one could document this trend in detail, we will not try to do so here. Yet it is worth recalling the statement from the person commonly regarded as the father of the modern orthodoxy, the Nobel Prize-winning Frederick Hayek (1944: 27): 'The successful use of competition as the principle of social organisation precludes certain types of coercive interference with economic life, but it admits of others which sometimes may very considerably assist its work and even requires certain kinds of government action.'

Apparently, the road to freedom requires a little coercion. A classic case where the supply-side school were enabled to test out their experiment was Chile, highly relevant now because it is being hailed as an exemplary case of market reforms. Under Allende, the Labour Law strengthened pro-collective regulations by establishing a centralized system of collective bargaining and labour rights, as well as various protective regulations for employment security and income security. After the coup in 1973, under Pinochet there were years in which repressive regulations predominated, not 'deregulation'. Collective bargaining was forcibly banned, as were union activities, while no employment security was allowed. Once fear and insecurity had been ensured, decentralized (plant-level) wage bargaining was made obligatory under the 1979 *Plan Laboral*, while public sector workers were banned from striking. To call such measures 'deregulation' would be a gross misuse of language. They have been called that. And there are pressures to see the type of reforms carried out in Chile replicated across the world.

Go to eastern European countries in 1997, and one finds devotees of the Chilean road very influential and explicit in their recommendations. Go to South Africa in 1997 and one finds the same, epitomized by a recent report from the *South African Foundation*, an organization representing the fifty largest corporations, which described Chile as 'a superb record'. And in western Europe there has been increasing interest in the Chilean model, notably its pension system.

Besides the suppression of workers' voices, and the forcible imposition of market regulation, the Chilean experiment should be remembered for another development. In the ten years of market reforms, the unemployed and those pushed out of the labour market were variously estimated to account for a quarter and a third of the working-age population, whereas under the Allende government unemployment was about 4 percent. This highlights the fact that a first symptom of the era of market regulation was mass unemployment.

Indeed, the current era can be characterized by an erosion of most forms of labour security, beginning with labour market security. Several features should be noted.

In the 1950s and 1960s and into the 1970s, there was a debate among labour economists on why US unemployment was persistently higher than western European levels of unemployment. In the 1980s and 1990s, labour market security has been sacrificed or lost in many parts of the world, and while the relative lack of institutional and statutory protective regulations allowed the US labour market to create millions of low wage jobs and only slightly higher unemployment, in western Europe unemployment multiplied. For more than a decade, the average western European unemployment rate has been in double-digits, led by Spain in which a nominally 'socialist' government presided over an unemployment rate of 22 percent. In 1996, the overall rate of open unemployment in the European Union was over 11 percent, and this was forecast to rise in 1997.

In western Europe, although the rate of job creation slowed between the two eras, it had been slow for a long period beforehand (see Table1). *The slow pace of job creation in western Europe is something that has continued for the past forty years.* An important change in the 1980s was that the working-age population continued to rise while job creation slowed. Moreover, not only were definitions of unemployment sometimes made more restrictive, but modest reductions in the level have tended to reflect the impact of special measures or supply changes. Thus there has been a falling labour force participation rate in the UK, which according to the Bank of England explains the fall in unemployment in the mid-1990s, and in many parts of Europe more workers have been maintained in employment through state subsidies, as in the case of short-time working.[9]

Another feature of the current era is that the vast area designated as 'eastern Europe and the former Soviet Union' has become suddenly a region of mass unemployment. In the wake of rapid market reforms, national output slumped by over 50 percent in many parts of the region,

TABLE 1. Changes in Employment, Working-Age Population and Per Capita Employment, USA and Western Europe, 1960–95

Average Annual Growth Rates	Employment		Working-Age Population		Per Capita Employment	
	1960–73	1974–95	1960–73	1974–95	1960–73	1974–95
USA	2.0	1.8	1.7	1.1	0.3	0.7
EC-12	0.3	0.2	0.6	0.6	−0.3	−0.4
Former EFTA	0.5	0.3	0.7	0.5	−0.1	−0.2

	Labour Force Change		Participation Rate: All Adults			Participation Rate: Male		Participation Rate: Female	
	1960–73	1974–95	1960	1973	1995	1973	1993	1973	1993
USA	1.9	1.8	64.5	66.6	77.5	86.2	84.9	51.1	69.1
EC-12	0.3	0.7	67.5	65.5	65.7	88.8	77.6	44.9	55.5
Former EFTA	0.5	0.6	73.8	72.4	74.0	88.2	82.6	56.1	66.2

Source: ILO and OECD. The EC-12 data exclude the *Länder* of the former DDR

most graphically in the two biggest countries, Russia and Ukraine; and although the extent has been ridiculously concealed, it has become the region of highest unemployment in the world. The *mafiosation* of the labour market has come too.

The common image is that the era of market regulation has coincided with the growth of *global unemployment*. In fact, the one area where there have been tight labour markets, with low unemployment and widespread complaints of 'labour shortage' is the Pacific Basin. Remarkably, in most of the region there has been extensive economic restructuring and urbanization without mass unemployment.[10] Although the rate of employment growth in those countries has been impressive (see Table 2), what has been more impressive is the prolonged period of very rapid economic growth. Indeed, the elasticities of employment growth have actually been quite low, lower than in western Europe.

An irony of the mass unemployment in western Europe and in many industrializing countries in Latin America and Africa is that often it has been attributed largely to labour market rigidities, and in particular to labour regulations. This view has been espoused by the OECD and others in western Europe, and by the World Bank and IMF in industrializing countries in the guise of 'structural adjustment' strategies. An influential variant of the supply-side school has postulated that Europe has been suffering from a virulent disease known as 'Eurosclerosis' – a tightening

TABLE 2. GDP and Employment Growth, Selected Countries, 1974–95

Average Annual Growth Rates	GDP	Employment
USA	2.4	1.8
EC-12	2.2	0.2
Former EFTA	1.9	0.3
Japan	3.3	0.9
Brazil (1976–90)	2.8	3.6
Chile (1975–94)	5.4	3.3
India (1975–89)	4.9	2.0
Pakistan (1975–92)	6.3	2.4
Hong Kong (1979–93)	7.0	2.3
Indonesia (1976–92)	6.3	1.8
Korea, Rep. (1975–93)	8.6	2.7
Malaysia (1980–90)	6.0	3.4
Singapore (1979–93)	7.5	3.6
Thailand (1975–91)	7.9	3.4

Source: ILO

of the arteries, a flabbiness of the muscles and an inability to move caused by excessive security and protective regulations. This delightful imagery has sunk into the European policymakers' psyche. The mildly odd fact is that after a decade and a half of explicit and implicit erosion of protective and pro-collective labour regulations, unemployment is much higher than when the disease was diagnosed and the treatment started. One is constantly reminded of medieval quackery and the leeches: the patient has not recovered, so suck more blood.

More interesting in the longer term has been the global trend towards more *flexible labour markets*, accentuated by pressures of globalization, privatization of production and social policy, new technologies (notably informatics) and the competitive pressures on managements. We need to be clear about the forms of flexibility that have grown.

In western Europe and in many parts of the world, calls for more flexibility – and no day passes without some worthy person or institution making a call – sound increasingly silly, because the horse has already bolted. To some extent, the growing flexibility has reflected economic globalization, since the mobility of capital, labour and technology has been greatly increased. One way of interpreting the labour market implications is that industrial enterprises can no longer pay a *social wage* to their entire workforce if they are out of line with international trends.

The idea of the social wage (or income) essentially stems from the fact that any person is potentially the recipient of five forms of income – a money wage, fringe benefits paid by the employer, firm-level or employment-related 'occupational welfare', including entitlements to cover contingency risks (ill-health, short-term involuntary unemployment, etc.), social transfers from the state, and kinship-community transfers. In some economies, the money wage and occupational welfare are much lower than in others, either because state transfers and/or community income support effectively underpin the remuneration system, or because of repressive regulations. Thus, one of the key features of the successfully industrializing economies of south-east Asia has been that the money wage of urban-industrial workers has been supplemented by income transferred to them from their kinship communities.

In western industrialized economies, by contrast, the 'community' contribution to income has been modest or negligible, while the postwar era saw a steady rise in the ratio of state transfers to the money wage, which traditionally was expected to be what many call the 'family wage', i.e. sufficient to cover the reproduction needs of a nuclear family.[11] But the social wage came under pressure in the 1960s, when female labour force participation was rising across the world. The notion of Full Employment was implicitly transformed to include women, many of whom were in part-time or irregular jobs paying less than any notion of a family wage. Other changes also put pressure on the system by which the social wage was paid, and increasingly firms in industrialized countries tried to find ways of avoiding fringe benefits and occupational welfare for workers, which became generically known as 'non-wage labour costs'. Globalization means that trade and investment have been increasingly determined by differential costs, among which differential labour costs have reflected differences in the composition of the social wage.[12]

The supply-side economists have argued for more *wage flexibility*, citing wage rigidity as a reason for 'markets not clearing', or specifically for high and persistent unemployment. In part, this has amounted in practice to a reduction of the fixed wage as a share of total remuneration, a cutback on direct benefits and conversion of more of the remuneration into monetized form, coupled with an erosion of minimum wage protection and constraints on union bargaining powers. In effect, the composition of the social wage has changed, with many workers receiving higher money wages (and many less) at the cost of losing income security that comes from other components of income. Wage flexibility has also been increased by the globalization process, which has given employers more credible threats to bring to the bargaining table.[13]

In industrialized economies, *income insecurity* has grown in part because of the increased wage flexibility, in part because of wider wage differentials and in part because the state transfer part of the social income has been eroded. The Bismarckian and Beveridge welfare systems, which are employment-based, have been depicted as a major source of non-wage labour costs and 'labour market rigidity'. Moreover, according to supply-side economics, income protection through social security transfers has prevented wages from falling because the unemployed and working poor have been disinclined to take low-wage jobs. In most countries, the level of state benefits has been cut in real terms, entitlement conditions have been tightened and the 'burdens on business' have been lightened (in part through a shift in funding from employers to employees and from contributions to general taxes). The result has been an erosion of income security. While income inequality has undoubtedly grown in leading industrialized economies (most strongly in the USA and UK), it would be misleading to consider the measured growth of money incomes and economic inequality in the era of market regulation without taking account of the underlying erosion of the social wage.[14]

Wage flexibility has been easier to achieve in industrializing economies because of the composition of the social wage and the lack of strong institutions, protective regulations and trade unions. The pressure to achieve wage flexibility in industrialized economies has stemmed in part from the fact that wage flexibility did exist in the industrializing economies. And extreme wage flexibility has emerged in eastern Europe, notably in the two big countries of Russia and Ukraine (with over 200 million people between them).[15] Income insecurity is extreme in that region, since downward wage flexibility has been coupled with a collapse of enterprise-based benefits and a weak development of state transfers to replace such benefits.

Globally, the growth of wage flexibility and income insecurity has been coupled with that of *employment flexibility*, or *employment insecurity*. That has always been the norm in industrializing economies. However, in those countries a long-presumed trend towards full employment based on regular, full-time wage employment has been broken. We have been conducting what we call Enterprise Labour Flexibility Surveys around the world in such countries as Chile and Mexico, Russia and Ukraine, China, Malaysia, the Philippines, India and South Africa. They show that what has been happening to employment flexibility in western Europe has been happening in other parts of the world as well. There has been a trend towards more insecure, irregular forms of employment, typically also involving lower social wages, less representation security and fewer social entitlements. More companies have been turning away from reliance wholly or largely on full-time workers to use of temporary workers, part-time workers, contract labour and out-workers, and have been sub-contracting or using other forms of 'outsourcing'.

This pattern has been prevalent in south-east Asian economies for many years, and was one reason for their low social wage, and thus a contributing factor to their economic dynamism. In recent years, as many studies have shown, a trend in that direction has become widespread in Europe and other industrialized labour markets. Since some economists

TABLE 3. Non-Regular Forms of Employment, Selected Countries, 1973–93

	Self-Employed (% of Non-Agricultural Employees)		Part-Time (% of Total Employment)		Temporary (% of Total Employment)		Total Non-Regular (% of Total Employment)[a]	
	1973	1993	1973	1993	1983	1993	1973	1993
USA	6.7	7.7	15.6	17.5	—	—	(22.3)	(25.2)
Canada	6.2	8.6	9.7	17.2	7.5	8.3	23.4	34.1
Australia	9.5	12.9	11.9	23.9	15.6[b]	22.4	(37.0)	(49.2)
Japan	14.0	10.3	13.9	21.1	10.3	10.8	38.2[c]	42.2
Austria	11.7	6.3[d]	6.4	10.1	—	—	—	—
Belgium	11.2	13.3	3.8	12.8	5.4	4.7	20.4[c]	30.8
Denmark	9.3	7.0	(22.7)[e]	23.3	12.5[f]	10.7	(42.5)	44.0
Finland	6.5	9.5	6.7	8.6	(11.3)[g]	13.5	(24.5)	31.6
France	11.4	8.8	5.9	13.7	3.3	10.2	20.6[c]	32.7
Germany	9.1	7.9	10.1	15.1	9.9	10.2	29.1[c]	33.2
Ireland	10.1	13.0[h]	(5.1)[e]	10.8	6.1	9.0	(21.3)	32.8
Italy	23.1	24.2	6.4	5.4	6.6	5.8	36.1[c]	35.4
Netherlands	9.2[i]	8.7	(16.6)[e]	33.4	5.8	10.0	(31.6)	52.1
Norway	7.8	6.2	23.0	27.1	—	—	(30.8)	(33.3)
Portugal	12.7	18.2	(7.8)[e]	7.4	(13.1)[j]	8.6	(33.6)	(34.2)
Spain	16.3	18.7	—	6.6	15.6[b]	32.0	(31.9)	57.3
Sweden	4.8	8.7	(23.6)[e]	24.9	(12.0)[k]	11.9	(40.4)	45.5
UK	7.3	11.9	16.0	23.3	5.5	5.7	28.8[c]	40.9

Source: ILO and OECD

Notes:

[a] It is presumed that the part-time category refers to the percentage of regular wage and salaried employment. Many temporary workers would also be part-timers

[b] For Spain, data for 1987; for Australia, 1984

[c] This is based on the presumption for illustrative purposes of the 1983 figure for temporary as holding for 1973, so almost certainly giving an overestimate for 1973.

Those countries without estimates for temporary employment in one year (or in the case of Spain, part-time employment in 1973) are in parentheses. The data for Germany for 1993 refer to the whole of Germany. In most countries, the percentage in temporary employment refers to the share of paid employees only; in Belgium the share is lowered by being expressed as a share of all those working, including the self-employed

[d] 1992

[e] 1979

[f] 1984

[g] 1982

[h] 1991

[i] 1975

[j] 1986

[k] 1987

have questioned this, it is instructive to look at Table 3. Although data are missing for some of the countries, and although adding categories may not be entirely valid, the final two columns suggest that in most countries about a third of all employed workers are in non-regular, non-full time forms of employment. In Spain it may be over half, and in Japan and the UK over two in every five.[16] These data omit some forms of flexible labour, such as wage-based homeworking and 'networking', whereby workers labour for piece rates mostly without entitlement to social benefits.[17] There is also anecdotal and case-study evidence that open-ended employment contracts have become rarer, implying that employment insecurity and flexibility has been increased by more than is implied by the statistics on non-regular forms of economic activity. Meanwhile, the part-time share of employment growth has been rising in every industrialized country for which there are data (OECD, 1995: 17).

What these figures imply is that, whatever the formal protective regulations, there has been growing *market regulation*, since in most countries most workers in most 'non-standard' forms of employment are not covered by employment protection, or are not covered to the same extent as those in regular, full-time waged and salaried employment. Few have access to enterprise-based, or even state, transfer payments that have been part of the social wage. Even where legislation has provided for equal treatment for part-time workers, it is doubtful whether the reality is equal treatment, if only because such workers are relatively unlikely to build up the continuity of employment that provides enhanced benefits.

One development associated with growing employment and wage flexibility (or conversely, employment and income insecurity) has been the global phenomenon of *privatization*. In the era of social regulation, the public sector had been the pace-setter in terms of employment security and income security, tending to ameliorate the overall degree of labour market inequality and increasingly buttressing worker representation security. Privatization, although a heterogeneous process, has helped erode all forms of security in the labour market. Although it has proved hard for some governments to reduce the 'public' sector's share of total employment – in part because job shedding in the private economy has been matching the declines in the public sphere – the global onslaught on public employment has been a hallmark of the era, with claims that the public sector 'crowds out' private investment and employment, so that the public sector needs to be cut to a tiny share of total employment or 'right-sized'.[18]

Accompanying employment flexibility and wage flexibility, there has also been a growth in what is often called *functional flexibility*, which has weakened job security. Firms around the world have been moving to refashion their 'internal labour markets'. The management literature is festooned with superb buzzwords and euphemisms, many invented by earnest consultants keen to embellish their wallets by being the inventor of a new 'theory'. But there is a serious side to their frenzied efforts. The essential point is the breakdown of old forms of Tayloristic division of labour, involving a further erosion of traditional 'crafts' and a shift from vertical hierarchical organizations to more horizontally-linked units and teams of workers, with ideas of workforce 're-engineering', 'intrapreneurship', 'multi-skilling' (i.e. 'multi-tasking') and the like.[19] An implication is its contribution to the labour fragmentation considered in the next section. Some forms of functional flexibility improve the job security of some people, particularly those who gain expensively-provided polyvalent skills that enhance their value to their organizations. However, a consequence of functional flexibility is that it is generating more widespread *job insecurity* and *skill reproduction insecurity*, because fewer workers have the prospect of a lifetime 'occupation' or long-term career.

Finally, and underlying all other trends towards growing insecurity, there has been a global erosion of *representation security*. This is epitomized by de-unionization, which has been rapid and deep, albeit much more so in some countries than in others (Brown, 1993; Visser, 1991 and 1993). In some countries, it has been greater than the aggregate statistics have suggested, for the effective strength of unions has been eroded by laws or by the traumas of many years of defeat punctuated by an occasional pyrrhic victory. In some countries, such as Italy, a high and growing proportion of union members are elderly manual workers or pensioners; in others, formal unionization rates remain high but the legitimacy and capacity of the unions have been severely eroded, most strikingly in Russia;[20] in yet others, unions have had their strength removed by being regulated (in the name of 'deregulation'). In most countries, representation security has also been reduced by the growth of employment insecurity, because temporary and part-time workers tend to have weaker bargaining power. Whether one approves or not, the reality is that more noise is made about the labour market threat of unions than is warranted.

In sum, the era of market regulation has been one in which the doctrine of insecurity has been favoured by the changing character of the labour market. We have not discussed all forms of security, or the changing character of labour regulations in any detail. Yet the essential point is that globalization has been associated with increased labour market flexibility and insecurity. It is this that should set the agenda for rethinking strategy for redressing the inequalities and injustices that have characterized the era. But before turning to a brief consideration of possible directions, it may be useful to outline a main outcome of labour flexibility.

Fragmentation as Detachment

The restructuring of labour markets has been associated with a fragmentation of the labour force. One hesitates to use class terminology, although one could do so. Essentially, one can depict the emergence of distinctive strata, each with distinctive bundles of security and entitlements, and each with a distinctive objective relation to the welfare state. Although the fragmentation theme is elaborated at greater length elsewhere, a brief characterization may be sufficient, in which seven strata are identified.

In 'globalized' labour markets, one finds at the top what might be called an *elite* stratum, consisting of highly mobile, extraordinarily wealthy global citizens, who escape from all regulatory systems and have no desire (or need) to have the security that could be offered by welfare states. At the very pinnacle are a bunch of crazed individuals seeking their nth billion dollars, some of whom seem to have a propensity to fall off boats, to disappear or to end up having a spell in prison before renewing their activities. Ignoring the quaint behaviour of this section of the stratum, one may note that those in the elite have a power out of all proportion to their numbers, they typically encourage the erosion of redistributive entitlements since they have no interest in them, and they are detached from regulatory frameworks, making little contribution and, by being beyond them, eroding the financial basis as well as the legitimacy of welfare systems.

Below the elite in terms of income and need for security come what one might call the *salariat*, those in secure salaried employment, in 'white-collar' jobs. They have many forms of security, but their numbers are modest. The main ways by which they shape the character of labour markets is by being inclined to opt for occupational welfare and private transfers, thus making them disinclined to support the state welfare system or pro-collective institutions.

Below them in the income–security spectrum are what one might call *proficians*, consisting of those with only loose attachment to any one employer, those who combine different forms of work status or have personal bundles of skills, and those living on contracts or as 'consultants'. They possess marketable skills, and straddle the two conventional occupational classifications of 'professional and administrative' and 'technical and related' workers. As the suggested name implies, proficians often do not have a sense of career that goes with the traditional notion of 'professional' and they tend to have a bundle of technical skills that gives them the capacity to survive in what is potentially considerable labour insecurity.

Proficians have been one of the growing strata of the era. Few studies seem to have been done of the phenomenon, yet it is a rapidly expanding, global one. Proficians often have high incomes but fairly low income security by comparison with those above them in the hierarchy. This is primarily because they operate mainly on the basis of individual contracts, or as partners. They would be at least partially detached from the regulatory labour market framework, since they would be detached from the social security system, if only because they would not build up adequate contribution records or be in work statuses that gain entitlements. They may receive very high incomes, avoid (*and* evade) direct taxes, and supplement their money incomes with private fringe and contingency benefits. Their work styles and occupational variability preclude membership of conventional craft or industrial trade unions, let alone company unions. They are the nomads of the modern world. When they tire, they cease to belong and drift out of the transient existence that comes with being a profician.

Whether individual proficians survive as affluent citizens depends on their capacity to sustain the frenetic work pace, and keep up with the modern jargon and technical wizardry. By the age of forty, many are likely to be 'burnt out', and move into a sedentary existence or entrepreneurial dabbling. The failures are likely to drift into the fifth stratum.

However, one must first reckon on what is still, in terms of income and security, the fourth stratum down the income security scale, namely *core workers*. This stratum consists loosely of the old working class, regular full-time workers, mostly male, mostly with manual skills, adherence to trade unions and seeking the security of mainstream welfare state mechanisms. They constitute the one stratum with firm attachment to the regulatory framework of the era of social regulation, and they have suffered a series of reverses during the era of market regulation. They now face a problem of legitimation. They are a dwindling minority, whereas once they were a powerful vanguard of the working class. If their leaders try to draw support and union membership from the lower ranks of the salariat they tend to make further concessions to individualization of employment relations and wage flexibility. If they push hard for retention of real wages, and income and employment security, they risk not only alienating the salariat (and those of their members aspiring to that status) but will encourage firms to restructure in favour of outsourcing, etc., and in favour of shifting to greater use of workers in the fifth stratum.

That is what may be described as *flexiworkers*. These are workers who move in and out of employment, being required to 'rotate' from job to job, with skills that have to be updated periodically. They have little or no employment security, little job security, and little of the other forms of security. They are the part-time workers, temporary workers, agency workers, outworkers and so on. One may speculate that the actual number of flexiworkers is greater than conventional statistics suggest, although even those indicate that in industrialized countries, they already account for a large and growing share of the employed.[21]

Flexiworkers are detached, in that they have only fragile adherence to the mainstream regulatory and social security systems. Flexiworking looks likely to be the future for many people – perhaps even a majority – and one may predict that to a growing extent production enterprises will contract out their employment function. This could mean that a growing share of all workers will be employed and supplied to firms through private employment agencies. This is already happening, not just for secretaries but for a wide range of jobs.

Below flexiworkers in the income hierarchy are the *unemployed*. They deserve to be treated as a distinct stratum of the labour market, because whereas a presumption of the Beveridge and Bismarkian welfare states has been that unemployment would affect only a small minority of the labour force and that the unemployment would represent a short 'temporary interruption of earning power', it is increasingly the picture that for many people a spell of unemployment can be expected to last for as long as a spell of employment.[22] The unemployed have been another stratum that has been growing, and in the era of market regulation their income insecurity has worsened, through restrictions on entitlement to unemployment benefits and lower income replacement rates for such benefits. It has long been the case that only about a third of the unemployed in the USA receive unemployment benefits. Now this applies to the European Union, while elsewhere an even smaller minority of the unemployed receive unemployment benefits. For those who do receive benefits, the amount received has been falling. It is now quite low in many countries. For example, in 1994, the average gross replacement rate before tax in the first month of unemployment for a couple without children was 57 percent in France, 42 percent in Germany and 26 percent in the UK. A growing proportion of the unemployed have had to rely on means-tested social assistance and as such have been detached from any sense of belonging to the mainstream regulatory and social security systems.

This leads to the seventh stratum, about which so much has been written and which could be called the *detached* stratum. In class terminology, one might be inclined to use the term *lumpenproletariat*. But the image of an anomic, passive, helpless mass of unsavoury individuals sleeping in cardboard boxes in the streets of New York, London, Moscow and elsewhere is only part of the reality. It also encompasses what are sometimes called 'the dangerous classes', the rootless footsoldiers of the *mafioso* economy. Neo-liberals have branded the detached as a problem of 'dependency' on state transfers, and have wanted to use deprivation and insecurity to 'reintegrate' them into mainstream society. We return to this theme in the final section. However, two key points for our understanding of the class fragmentation of the labour market are, first, that the detached have no adherence to the regulatory and social security system and, second, that they are an incipient drag on economic growth. This is partly because they represent a threat of crudely retributive justice. Go to Moscow, Naples, Johannesburg, New York or London to see how anomic some parts of the detached can be. The labour market in criminal 'services' is thriving in the era of market regulation. Meanwhile, policing the losers in society is a costly business, but building up the capacity to police the 'undeserving poor' also further erodes the security of losers and winners alike.

This sevenfold characterization is undoubtedly crude.[23] But we may see labour fragmentation as both an outcome and as part of the process of labour flexibility, in which the social relations of production and distribution are visibly changing. The groups with attachment to the postwar welfare and protective regulations have been shrinking, whereas those with tenuous attachment or with active opposition to them have been expanding.

There is little use bemoaning the loss of legitimacy of industrialism's regulatory and social security systems. Their time has been, and is going.[24] The prospect of recreating the era of social regulation is minimal. Yet what are the options for responding to the outcomes of the era of market regulation?

The Democratic Era? Looking for *the Shadow of the Future*

The 1990s are an era of policy experimentation, in which the economic insecurities and socio-economic fragmentation of the 1980s are inducing tentative efforts to arrest them. There seem to be three possible directions for reformers. Using impeccably unbiased language – in keeping with the unloaded euphemisms of the 1990s – one may call these the Canute Approach, the Workfare Approach and the Economic Democracy Approach.

The Canute Approach

Some analysts believe that little in the labour market has changed fundamentally. This school effectively believe that, if policymakers would only go down to the advancing tide and tell the waves to stop, Full Employment could be restored.[25] They believe that the current labour market outcomes of mass unemployment and higher levels of poverty and inequality are reflections of inadequate aggregate demand and misguided deflationary macro-economic policies. For them, boosting economic growth – coupled with moderate erosion of protective labour regulations, some more training, some public works, a little wage subsidy and a dose of 'active' labour market policy – would restore Full Employment. Their main answer to the labour market problems is internationally co-ordinated demand expansion.

There are many difficulties with this neo-Keynesian approach. With global markets, it would be extremely unlikely that any beneficial effects of expanded demand would be shared evenly. In many countries, balance of payments and other constraints would soon choke higher rates of economic growth. And for assessing the effect on the labour market, the experience of high-growth industrializing countries is probably a better guide to what would happen to employment elasticities with respect to economic growth than the recent experience of western Europe. Yet employment growth in those economies has been modest, relative to their economic growth rates. In the industrialized countries, to reduce unemployment substantially there would surely have to be unprecedentedly high rates of economic growth, and they would have to be sustained for a prolonged period. Economic growth does not necessarily benefit the unemployed. The Economic Commission for Europe estimated that in the European Union the unemployed obtained only about 30 percent of the jobs generated as a result of the employment growth of 1985–90 (CEC, 1991: 25). Although better economic growth is desirable, there is no reason to suppose that it would reverse the trends identified in previous sections. Above all, Full Employment is not necessarily desirable, even if it were feasible.[26]

This school of thought has also tended to believe in a wide range of 'active' labour market policies. After all the rhetoric of the 1980s in support of these, the evidence is growing that they are commonly rather unsuccessful, and may even produce perverse effects, such as lowering the probability of employment of programme participants.

Beyond their faith in economic growth and managed demand, the neo-Keynesians share something with the supply-side neo-liberals. They see politicians and analysts as constrained to concentrate on creating the conditions for their national or local economies to be 'competitive' so as to attract and retain capital in their areas. The politics of disillusion in ideas of progress or autonomy is pervasive. More fundamentally still, they seem to accept the persistence of considerable inequality, as the price for 'competitiveness' and for the maintenance of 'free' economies.

An Era of Workfare?

In contrast to the neo-Keynesians, who harp back to some 'Golden Age' which grows more golden as the memory fades, the era of market regulation is threatened by its own contradictions, not in any crude deterministic fashion but because the options for individual and social development that it offers are so unattractive that its leading prophets are likely to end up whinnying in the dark.

The fragmentation, inequality, mass unemployment and insecurity may have weakened the resistance of the losers in society to such an extent that governments have been able to preside over an era of vague governability. Yet the social and economic costs for a growing minority of anomic, insecure and impoverished rebels without a cause are threatening retributive justice that may become excessively burdensome, both for the winners in the upper strata in terms of the prospects of being the victims of crime, violence and exposure to public squalor and for society in terms of the costs of policing and regulating the behaviour of the detached. Although much of the reaction of the detached has been anomic, the *mafiosation* of the lower end of the labour market threatens the accumulation process, as the Russians, Ukrainians, Kazakhstanis and many others are finding out.

The state apparatus is facing budgetary cutbacks in the name of fiscal discipline, which makes it hard to provide adequate social transfers to placate the poor and even hard to police the poor efficiently. As a result, unfettered market regulation has a growing number of detractors even from within those who ideologically and economically favour it.

For this reason among others, they have been attracted to the option of *workfare*. This has been drawing adherents from a surprisingly broad cross-section of politicians, academics and institutions. Workfare stems from the view that the 'disadvantaged', or in our terms the unemployed and detached, need guidance away from 'state dependency'. They must be 'reintegrated' and they must be discouraged from 'shirking'.[27] The language is similar in North America, western Europe, eastern Europe and in many other parts of the world. The 'deserving poor' must be served and the 'undeserving poor' must receive what they deserve. To address the perceived problem of dependency and shirking, the state should make state assistance conditional on tests of socially responsible behaviour, which should be added to leaner, more restrictive means tests.

The notion of social entitlements has been whittled down in this vision. In its more benign version, it amounts to a renewed sense of state paternalism. In its neo-liberal version, it amounts to unfettered Malthusianism, or whatever one wants to call that historical train of thought that sees the stick of insecurity as essential for the wealth of nations. Workfare leads inexorably in the direction of direction and coercion.

One predicts that the 1990s is the decade in which workfare has its long day in the sun, before the accumulated evidence induces enough of its adherents to consider options for a better route.

The Economic Democracy Approach

Where does the era of market regulation lead its more systemic critics, those who do not wish to accept permanently greater economic inequality? The challenge is surely to revive the seven forms of security, through strengthening appropriate forms of regulation in the context of a highly flexible global division of labour.

Perhaps the starting point is the view that no sustainable progressive agenda is conceivable unless the beggar-my-neighbour market regulation process can be checked.[28] Wherever one goes in the 1990s, workers are being pressured to accept erosion of protective regulations and some forms of security in the nationalistic name of international competitiveness.

Of all forms of labour security, the two most crucial for the future are representation security and income security. The only feasible way of reversing the growing insecurity and fragmentation – and there is no certainty that this can be achieved – is that declining *statutory* regulation, which is increasingly ineffectual as well as potentially counter-productive, must be supplemented by strengthened *voice regulation*. Representation security implies that participants in the labour market must have a secure capacity to bargain and influence the character of employment, to have an adequately strong 'voice' to ensure that distributive justice is pursued. Without that, all other forms of labour security will be eroded or at best jeopardized.

With the Keynesian welfare state presumption of a closed economy gone, and downward pressure on the social wage increasingly a global pressure, there has been talk of reviving the Keynesian idea of a *social clause* in international trade, as part of the new World Trade Organization rules. One core labour standard would be freedom of association, the objective being to limit the degree of 'unfair competition'. But ruling elites in developing countries are vehemently opposed to any social clause, and international employer organizations are scarcely enthusiastic. The prospects of strong national union movements emerging that could resist state and employer oppression and the pressure of beggar-my-neighbour competitiveness arguments are bleak.

Nevertheless, in both industrializing and industrialized countries, the most fundamental need is for greater *voice regulation* of labour market relations. Representation security must be the basis of any strategy for redistributive justice, and the form should ideally foster dynamic efficiency and a trend towards economic equality. However, traditional craft and industrial unions are inappropriate in flexible labour markets in which a growing proportion of workers have no long-term commitment to specific industries, crafts or occupations. Craft unions have long been weak, and the shrinking industrial unions have been merging into big general unions.[29] But this tendency will increase the alienation of unions from actual and potential members, who understandably equate bigness with bureaucracy and social distance. The one form of union to show some resurgence in recent years is the *company union*, because this has been the major form of unionism in south-east Asia, notably in Japan, the Republic of Korea and Malaysia. It has spread to Chile and Mexico, and is spreading in Europe as well. 'Company unions' rose to prominence in the USA in the 1920s, as a paternalistic ('welfare capitalism') alternative to the struggle between anti-unionism and national unionism. The New Deal temporarily resolved the conflict by ushering in the era of social regulation, through favouring 'tripartism' and welfare state policies, institutionalizing what Gramsci had called Fordism. Thus, company unions understandably have had a bad name in American industrial relations. Yet in the 1990s, in the wake of the chronic – if not terminal – weakness of the AFL-CIO, pro-union advocates have been turning to company unions once again. This was shown most strikingly by the recent Dunlop Commission Report.

This is not the place to elaborate on the relative effectiveness and labour market effects of industrial and enterprise unions. However, the evidence from Japan and south-east Asia suggests that enterprise unions have less effect on wages than industrial unions but more successfully promote *employment security* for their members, while promoting employment at the firm level. It is an important strategic quandary to note that economies with enterprise unions have been relatively dynamic economically, have promoted functional flexibility and have had favourable employment records. It also seems that enterprise unions potentially do provide scope for voice regulation, at least at the workplace.

These positive interpretations should not be construed as a recommendation for enterprise unions as the most appropriate vehicle for voice regulation of the labour market. They have two primary limitations. First, they are likely to be little more than instruments of management, thus justifying pejorative epithets such as 'pet unions'; second, they are likely to favour 'insiders' over 'outsiders' to a greater degree than industrial unions, even encouraging their current members' employment and income security by fostering the dualistic character of employment that has characterized Japanese enterprises. Even in Japan, enterprise unions have not had much appeal to the growing number of flexiworkers.

So, internationally, the situation in the late 1990s is that industrial unions have declining appeal and effectiveness while enterprise unions have been an instrument for promoting functional flexibility and employment security for the benefit of existing core workers.

The scope for representation security in the more flexible labour markets that are emerging thus appear bleak. One can dimly see what is needed – institutions that can resist pressures of cooption while promoting dynamic efficiency in the production process and that can have a redistributive effect beyond the confines of an individual firm. Are there any germs of hope?

Well, perhaps. We have been witnessing the emergence of thousands of quasi-representative 'non-government organizations'. These constitute a global phenomenon, and increasingly more of them are taking on global form, with 'international' in their titles. Although they are often romanticized as 'organs of civil society' and 'social stakeholders', they do contain the potential for a more radical role. In terms of flexible labour relations, what is needed is a movement that brings together bodies representing local groups of employed and those at the margin of the labour force to bargain over distributional, security and production issues.

What might be called *community unions* could be the most effective way forward for trade unions and NGOs if a strategy for redistributive justice is to be pursued. For this, traditional unions of all types have to recognize that their long-term representative capacity will depend on their appeal to flexiworkers and those on the margins of the labour force. Only if they organize workers of all types in local communities will they be able to put effective pressure on local networks of firms.[30] The agenda of community unions would differ slightly from that of enterprise unions, tending to give a higher priority to social wage issues, including environmental protection and shared entitlement to social benefits by those in regular and non-regular forms of employment, and from industrial unions, in that they would probably give less emphasis to the money wage relative to other components of the social wage.[31] One function that community unions should seek to develop is a governance role in the rapidly growing employment agencies, where they could play a substantial role in limiting the *potentially* adverse effects of such forms of employment.

Community unions would offer the best prospect for creating that most vital factor in redistributive justice – *the shadow of the future*. For effective representation, those facing each other over the bargaining tables must have the strong prospect of having to deal with each other for the foreseeable future.

This leaves mechanisms for income security and economic redistribution. Direct taxes and the welfare state were seen as the means of achieving this in the era of social regulation. Even though the welfare state was never really a mechanism for income redistribution and even though taxation was always less progressive than intended, the reality now is that these instruments are scarcely feasible in flexible, globalizing labour markets. Elites and proficians can avoid and evade taxes with impunity, while flexiworkers, the unemployed and the detached pay little in tax and rarely make the necessary contributions to social security to enable them to build up sufficient entitlements to escape impoverishment in case of a mishap. The tax and contribution burden thus falls disproportionately on the core workers and salariat, who grumble or who are demotivated, and who in turn adopt opportunistic behaviour. Meanwhile, the employers of such workers seek ways of reducing their number.

Given these and the other labour market tendencies of recent years, one of the most disappointing (if explicable) outcomes is that critics have been extraordinarily timid in considering alternative strategies. Ideological hegemony is horrifyingly stifling.

A first need is to move away from workfare and the emphasis on 'selectivity' and 'targeting' of the residual welfare state. While ostensibly paring back social spending, these actually help to entrench petty bureaucratic tyrannies. Workfare gives local officials the power to decide who receives benefits and who does not; tightening and adding conditions for entitlement to state benefits entrench local bureaucrats, accentuating inequities, poverty traps and unemployment traps. Neo-Keynesians who ignore these tendencies and think the labour market has not changed fundamentally since the 1960s do not address the labour market realities of fragmentation.

Those wishing to promote redistributive justice should combine efforts to identify feasible mechanisms for voice regulation and representation security with efforts to strengthen a trend towards provision of a *citizenship income guarantee*, i.e. a minimum income provided as a right of citizenship. This should replace the cry for a minimum wage, the traditional battle cry of the working class.[32] The arguments against a basic income are well known, the advantages rarely considered. In a roundabout way, it may be coming. *For those who wish to address the lower end of the labour market and income insecurity*, it will only become legitimate and be regarded as realistic and necessary once workfare and welfare targeting have been tried, and once the privatization of social policy has left inequities so visible that the threat of retributive justice will cause widespread alarm. Over the next decade, the progressive delinking of basic income security from labour will be recognized as a necessary condition for effective economic participation and democracy.

A third component of a redistributive strategy in flexible labour markets must surely be some form of collective capital and profit sharing. The conditions for this are also emerging in contradictory ways. The powerful trend to 'stakeholder capitalism' and to individualized profit sharing, both of which have probably widened income and economic inequality, could evolve into collective forms that would be far from traditional notions of 'capitalism'.[33] It will be important to make this broader than company-level profit sharing, precisely because the disaggregated production process and flexible labour markets mean that, if there were company-level profit sharing, the high-technology, high-value-added, high-profit firms or units would accentuate their advantage and relative income security. Similarly, with company schemes it is most likely that flexiworkers, as well as the unemployed and detached, would be left out. The only reasonable prospect for a redistributive strategy is *communal profit sharing*, by which some percentage of profits of all firms making profits would go into local social investment and 'social security' funds. This should combine incentives to investment and work with tangible forms of redistribution.

Besides communal representative associations, a citizenship income and communal profit sharing, other institutional changes will have to take place to redress the fragmentation process that is associated with flexible labour markets. However, economic democracy within the production process is essential if political and social democracy is to be meaningful and sustainable. An era of democratic regulation may seem a distant prospect in 1997, yet we must stop looking back in anger and despair. We must stop being traumatized by the era of market regulation. Every such era has bred a new set of progressive possibilities. That is where history and economics come together. Nemesis is not far when the era's victors think we are at the end of history. The forward march is usually resumed when the losers remember their history and find their voice.

NOTES

This article is written in a personal capacity, and should not be attributed to the ILO. Thanks are due to anonymous referees and to Richard Hyman for comments.

1 In the extensive literature, there has been a proliferation of forms of 'Fordism'. The leading proliferator has been Robert Boyer. See for example Boyer, 1988 and 1991.
2 Arguably, ILO Conventions and Recommendations set the seal of approval for this presumption of social progress. This was always the raison d'etre of the International Labour Organization, set up in 1919 in the aftermath of the October Revolution to encourage states to provide workers with an increasing range of entitlements so as to dissuade them from more radical thoughts and actions.
3 Of course, various attempts have been made to differentiate between types of 'welfare state', starting with the work of Richard Titmuss. For probably the two most well-known categorizations, see Esping-Andersen, 1990 and Castles and Mitchell, 1992. See also Jefferys, 1995.
4 Undoubtedly, one can cite exceptions. There was relatively little redistribution in France, for example, in what some have dubbed *les trente glorieuses* (a better term than Golden Age).
5 For an analysis, see Standing, 1989: 20–23.
6 The defining moment could be regarded as the defeat of the Swedish 'wage earner funds' in the late 1970s, when the original redistributive objectives were whittled down into a petty gesture.
7 The Swedish variant was slightly more sophisticated, stipulating that macro-economic policy should aim to maintain slightly less than full employment, to limit inflationary pressures, while 'active labour market policy' was expected to even out cyclical fluctuations. This is important because in the 1980s and 1990s the notion of 'active' labour market policy was to be

twisted into something very different in international debates. It was to be contrasted with 'passive' labour market policy, condemned by the pejorative name, as well as by numerous analyses. An irony is that passive policy is when the state provides transfers, whereas active policy is where the state acts to encourage people into employment. Many of those who have favoured market solutions have been among the most vociferous proponents of active labour market policies.

8 This doctrine does create the occasional difficulty, such as when removing labour inspectors from construction sites leads to neglect of safety and to an increase in accidents (erosion of work security).

9 Resort to this has increased in such countries as Austria, Belgium, France, Germany, Italy, Portugal and Spain (Mosley and Kruppe, 1996).

10 An exception to this is the Philippines, where a structural adjustment, supply-set of policies was adopted. Coincidentally or otherwise, the pace of industrial growth there has been slow and unemployment has been high.

11 One could stretch the point to say that in western Europe as well as in eastern Europe – although much more in the latter – there was a gradual 'decommodification of labour' – or a relative withering away of the money wage, which had been a goal of Lenin. The extent of decommodification varied from country to country; but in east and west, the trend undermined the incentive-efficiency role of the wage mechanism.

12 This touches a controversial empirical issue. A growing proportion of actual *and potential* trade has been between countries with dissimilar labour rights, securities and 'non-wage labour costs'. The difficulty is that this is an *ex ante* proposition, so that responses to the threat could limit the visible trade effect, while accentuating the labour market effects. Although trade has been dominated by the OECD countries, its growth has surely been checked by import-substitution and export-oriented industrialization within industrializing countries. Even so, by the mid-1990s so-called developing countries accounted for over one-third of world trade, a remarkable change from only a few years earlier.

13 As Werner Stumpfe, president of Germany's largest employers' federation *Gesamtmetall*, commented in August 1996: 'In the old days, employers asked themselves "how bad is this wage agreement for me?". Today they say "I don't care about the agreement any more, because I have four or five excellent exit routes. I may simply relocate 10,000 jobs to the Czech Republic. Or I may outsource."' Interview in *Financial Times*, 21 August 1996.

14 Between the 1970s and mid-1990s, the earnings dispersion of men seemed to increase in Australia, Canada, Italy, Japan, New Zealand, Sweden, the UK and the USA; for women, it increased in Australia, Canada, New Zealand, the UK and the USA (OECD, 1996: 64–5).

15 Elsewhere it is shown that the extreme wage flexibility there has been dysfunctional for economic restructuring, and has slowed employment restructuring (Standing, 1996).

16 The relatively low figure for temporary employment in the UK reflects the fact that in effect many workers in their first two years of employment have

no employment security, and are thus 'temporary' in all but name. The strongest *relative* shift to temporary employment in the 1990s has been in Scandinavia, though there has also been a rise in France, Germany and UK, among other countries. Among recent analyses highlighting the spread of non-regular and insecure forms of labour, see Rubery et al., 1995.

17 See for example Dallago, 1990.

18 This latest wheeze looks a candidate for a new weapon in the economic armoury. One could formulate the rule: in a globalized economic system, no country can afford to have a 'bloated' public sector that employs much more than the average or norm for all countries, for otherwise international portfolio fund managers will regard the country's economic position as undesirable, and therefore channel their funds elsewhere.

19 It would be a mistake to depict Taylorism as having destroyed all traditional crafts, since some were functional to its underlying principles of control and some were merely narrowed or sub-divided. Use of inverted commas around certain terms is to suggest that these are euphemisms that deserve to be interpreted with care.

20 Not only there but in 'western' industrialized countries, the 'class consciousness' of union members has surely been weakened, for reasons such as the labour force fragmentation outlined in the next section.

21 By the mid-1990s, the largest single employer in the USA was Manpower, a private temporary employment agency.

22 The mean job tenure in the United States is less than seven years, which implies that for a very large number of workers job tenure is quite short. In some European countries, the average employment tenure of *full-time regular workers* has been higher. However, if account is taken of the shift to non-regular workers then the picture will change.

23 So too is the conventional one-digit ISCO occupational classification, which is treated with notably little criticism.

24 For a recent attempt to come to grips with the dilemma, see Esping-Andersen (ed.), 1996. See also McFate et al. (eds), 1995.

25 Of course, it is an historical injustice to call this the Canute approach, since the King challenged the waves precisely to show his courtiers that he did not have such powers.

26 One could always achieve Full Employment; slave societies did it, in a manner. It is not too much of an exaggeration to suggest that during the era of social regulation, Full Employment was gradually transformed from a radical theme into an implicitly conservative one. The traditional cry of the 'rights of labour' became the 'right to employment' and the 'right to labour'. It is a short step from that to the 'duty to labour', which is where some conservatives and trade unionists have led themselves into arguing, which is part of the second approach.

27 For an assessment of the arguments for and against workfare, see Standing, 1990.

28 Beggar-my-neighbour regulation means that governments commonly rationalize cutbacks in some protective regulation by claiming that their country has to be competitive with another, and then another country's

government does the same, forcing the other, on this reasoning, to cut their protective regulation, or social wage.

29 The General Secretary of one of the biggest unions in the UK predicted that by the turn of the century there would be six or seven unions in the country (presumably discounting unions that individually represented no more than a tiny percentage of the workforce).

30 The notion of community in this respect is problematic. It means more and less than a geographical location. A community for organizational and distributional purposes could be defined as an association of common or compatible interests, which may in part be geographical and in part be an association of people facing a similar set of insecurities.

31 Perhaps paradoxically, community unions would offer a better prospect than other types of union of promoting democratically exemplary practices within firms. For an attempt to identify characteristics of socio-economically democratic firms – the 'human development enterprise' or HDE – see Standing, 1995. The approach stems from use of the Rawlsian 'difference principle'. The HDE is an attempt to develop a redistributive and incentive system at the level of the firm.

32 There is no need to oppose a statutory minimum wage, merely lament that in flexible labour markets it scarcely does much good or bad. As a matter of fact, it has been in decline for many years, and often where it still exists it has shrunk to a small percentage of the average wage and usually to well below any reasonable definition of subsistence income.

33 This is where the rapidly-growing analytical literature on corporate governance overlaps with consideration of new forms of labour regulation.

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