

WORLD EMPLOYMENT PROGRAMME RESEARCH

Working Paper

Aspects of labour market analysis

LABOUR FLEXIBILITY: TOWARDS A RESEARCH AGENDA

by

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PREFACE

"Labour is not a commodity."
[ILO, Philadelphia Declaration]

The ILO is faced with a challenge. At one level, it lies in the claim that many of its conventions and standards are in conflict with employment promotion, and in some cases are contributing to high and continuing unemployment. The ILO has always stood for voluntary change and collective, consensual resolution of labour problems. Its long-term strategy and underlying philosophy have been that the direction of change should be the evolution of protective measures to safeguard the employment, security and "basic needs" of workers while promoting labour productivity, wealth accumulation and an equitable distribution of income. In that regard, the ILO has promoted the establishment of work practice standards, decent wage levels and government endorsement of wide-ranging social goals connected with employment.

The challenge lies primarily in two claims and one apparent outcome. First, it is widely believed that in both industrialised and low-income countries, legislative and institutional mechanisms, including regulations, contractual agreements and collective bargaining machinery, set up to achieve those long-term goals, are counter-productive. Second, it is observed that they are being increasingly by-passed. As regards the former, it is claimed that regulations - from minimum wage legislation to occupational and safety regulations - are deterring employers from hiring workers and expanding their labour forces, and are encouraging them to turn away from direct, full-time employees to the use of precarious workers not formally covered by employment contracts. As regards the latter, the fact that labour market and other measures are being bypassed may mean that alternative strategies are urgently required. The apparent outcome is that labour flexibility, which is occurring whether we like it or not, is associated with growing labour market and income insecurity.

The call is widespread for measures to increase labour "flexibility". Get rid of these "protective measures", is the cry, because they represent "rigidities". Moreover, in a competitive environment they represent costs to

enterprises that make them internationally less competitive. This issue is just as relevant in low-income industrialising countries, in which for example, the temptation to dispense with labour protection as a means of boosting exports is strong.

In that context, the ILO does face a challenge. It also has an opportunity. To meet the challenge, it must undertake three complementary tasks. It has to carefully sift the evidence for or against the claims that more flexibility is needed, and determine whether protective measures are actually "rigidities" and "costs" that do hit employment. So far, the debate in the international community has been conducted in the absence of systematic evidence. Anecdotes abound, scare stories get repeated and embellished. But there is no systematic review of the evidence.¹ For policy-makers to take realistic decisions on "de-regulating the labour market", or on related issues, they need that evidence - item by item. The ILO has an opportunity if not a duty to collect and disseminate the evidence as widely as possible.

The second, related and more important task is to consider actual long-term developments in the labour process. There is evidence that labour flexibility in both industrialised and industrialising countries is increasing, in many places quite rapidly. But we need to document the forms of labour flexibility that are growing, identify the reasons and consider the consequences. Paradoxical though the question may seem, are labour rigidities themselves contributing to labour flexibility? Or is the growing labour flexibility turning hard-won social rights into rigidities? These are among the most important questions of all at this stage.

The third task is to move beyond the labour flexibility debate to consider new forms of social protection appropriate for flexible labour systems. Simply stated, that is the real opportunity. We need a vision of what is evolving out of the present transitional phase. It needs to be a distinctive ILO vision. And it needs to be based on a contextual analysis. That means we have to see labour flexibility in terms of economic/structural

¹ The OECD has prepared a provocative draft report on certain aspects, but besides its selectivity, it takes a neoclassical economic view of the issue and stresses the 'positive' nature of flexibility.

adjustment policies and the changing international division of labour. In other words, the pressures leading to labour flexibility in any one country, and the forms such flexibility is taking, cannot be adequately understood unless put in an international context. That is one point on which the ILO has a "comparative advantage" in examining labour flexibility, for no other organisation has the technical ability and mandate to address the issues in a global comparative framework.

The fact that a major debate is raging in a relatively small number of industrialised countries does not mean that the impetus to flexibility came from those countries or that the spotlight would not shift to industrialising countries. In many respects, it is doing so, partly because a key aspect of "stabilisation and adjustment" policies being pressed on hard-pressed debtor countries amounts to measures to make the labour "market" more flexible, and partly because industrialisation in many low-income countries has been based on highly flexible labour systems, which have been exerting pressure indirectly on industrialised countries to adopt various forms of labour flexibility. Those who dismiss the relevance of the labour flexibility "debate" for industrialising, low-income countries miss the point.

There are various issues that arise in many types of economy, some of which are discussed in this paper. But several points are worth making here. One key question concerns the mechanisms by which forms of labour flexibility are transmitted internationally, and from one type of economy to another. Related to that is the question of the response of industrialised countries facing import penetration from low-cost producers, and transferral of production to low-income countries. Will Governments attempt, in the interest of competitiveness, to reduce wages and fringe benefits, make payment systems more flexible, and weaken protective regulations, so moving in the direction of the "NIC's"? Or will they encourage the NICs to move in the direction of the standards attained in most industrialised countries, while modifying protective measures and income support mechanisms to better coincide with flexible labour practices?

Another more pragmatic reason for retaining a global perspective is that many forms of labour flexibility emerging in industrialised countries have close parallels in "developing" countries, on which research has been done. There are therefore opportunities for lessons to be learned from analysing patterns and long-term trends there. Numerous examples could be given. Even

such a persistent "flexible labour" phenomenon as sharecropping is relevant. Revenue sharing systems are becoming popular flexible payment remedies in industrialised countries, and some proposals have parallels with sharecropping. As an example of converging trends, in some European countries, to achieve wage flexibility, the fishing industry has turned from a wage system to "sharecropping". The implications for income security, job security, long-term productivity, collective bargaining and employment are far from clear.

That sort of phenomenon raises a third issue. Some observers believe that, if labour flexibility issues are relevant at all in "developing" countries, they are only relevant in "the formal sector". That seems an unfortunate view. For the essence of labour flexibility is the inapplicability of such dichotomous notions as "formal-informal" sectors and "labour market duality", with the distorting influence such notions are bound to have. Even "core-periphery", so widely mentioned in the literature, is only applicable if used at the micro-level of an enterprise. An essential feature of labour flexibility is "fragmentation" in the labour process, epitomised by the existence of multiple labour status groups, multiple activity patterns and combinations of different forms of security. Moreover, that which was "formal" is becoming "informal", and vice-versa. For instance, large enterprises are resorting increasingly to "informal" labour practices (e.g. having temporaries, using sub-contractors); meanwhile, many so-called "informal" units are becoming attached to large enterprises through sub-contracting, in the process having to accept at least some of the "formal" features of the contractors. In short, the conceptualisation of rigid "sectors" for analysing labour flexibility issues is not helpful.

It seemed appropriate to address that issue in this preface because there is a possibility that ILO work will concentrate only on so-called IMECs or be divided into non-linked segments, artificially dividing up the world into two or three blocks and farming out issues on a block-related basis.

It is also essential to move beyond the debate as conducted in the late 1970s and early 1980s. Otherwise we risk merely regurgitating familiar positions and findings. The following paper thus deliberately avoids reviewing issues competently covered elsewhere. What we surely need to do is anticipate. We need to develop an analytical framework for understanding what is coming and what might be coming. Then we could consider the concepts,

analytical tools and types of data required, and begin to consider the relevance and feasibility of policies appropriate for flexible labour systems rather than those conceived for the classic "industrial man" model that has underpinned both labour economics textbooks and the ILO's general perspective.

The following paper presents a preliminary view of how labour flexibility is growing. It represents a series of hypotheses, not proven findings. In part, it is written as an attempt to show that there is an alternative perspective to the one that assumes that labour flexibility is beneficial and that labour "regulations" and protective measures are harmful to employment. That does not mean that labour flexibility is "bad", only that we should be cautious about jumping to strong conclusions at this stage.

The remainder of this Preface lists a series of topics emanating from the labour flexibility debate that could comprise a nucleus for immediate ILO activities. But before turning to specific items, one point should be stressed. It is essential to integrate the various related issues and not treat them as separate items. A little bit of work on this, a little on that, and a lot on something else, is no way to develop a sound basis for assessing the changes that are occurring or for identifying policy options. It would be too easy, and probable, for the issue to be handled in a piece-meal manner without a clear comprehension of the critical problems that should dictate our perspective.

That is why it is essential to start by focusing on one of the major social problems of our era - mass unemployment, which in the mid-1980s exists on a scale that persons a generation ago either regarded as a terror of the past or thought was inconceivable in their countries, never having experienced that particular horror. There are highly industrialised countries in which unemployment is 10 times as high as it was 15 or 20 years ago, and there are poor, industrialising economies in which 10, 20 or 30 per cent of the working-age population are openly unemployed and many more relegated to "informal" precarious forms of employment. Unemployment is by no means the only "labour market" crisis, but the links between flexibility and unemployment should be viewed as central to the Office's work on flexibility.

A closely related issue is the link between labour flexibility and income insecurity. For many workers and their families, flexibility is almost

synonymous with insecurity. And, of course, labour surplus conditions epitomised, but not always best represented, by mass unemployment are also synonymous with insecurity.

So, while there are many questions that arise from the labour flexibility debate, details of which are considered in this paper and in other documents to which reference is made at various points, precedence should be given to the relationships between labour flexibility, unemployment and labour-related income insecurity.

The following is an attempt to provide a preliminary agenda of research items, reflecting perceived priorities for the ILO, given that some issues have already been extensively researched elsewhere. The eleven issues are not given in any order of priority:

- i) Regulations and unemployment. What are the relationships between labour "regulations" --in a broad sense, to include "contractual obligations" of employers-- and levels of employment and unemployment? This requires a careful itemisation of "non-wage labour costs". It also requires complementary approaches to the question. There is a need for macro-economic analyses, using aggregate data. And there is a need for micro-economic, enterprise-level surveys focusing on small-scale enterprises and large corporate firms. The methodology for the second type of study is relatively underdeveloped, for too few specially designed enterprise surveys have been carried out to allow convincing conclusions to be drawn on many of the work-process flexibility issues. e.g., on changing job structures, labour mobility, flexible payment systems, and perception of indirect labour costs. This we should start to rectify, as examples and as encouragement to other work.
- ii) Employment and related insecurity. Is growing labour flexibility synonymous with growing income, job and employment insecurity? For a growing number of people this seems to be the case, partly as a result of unemployment, and partly as a result of the growth of work statuses that provide neither stable income nor stable work opportunities. But the evidence is fragmentary and scattered. The ILO could surely make a concerted effort to document the forms of labour flexibility that are growing to determine whether they are characterised by worsening employment and job insecurity.

iii) Income security. If various forms of labour-related insecurity are growing, what are the new or reformed types of policies that would enhance labour flexibility and income security? Are conventional forms of social security contributing to labour market inefficiency and unemployment, rather than ameliorating them? Or are they working equitably and efficiently despite growing labour flexibility? The approach to these issues should be through labour market analyses, since the behavioural aspects of different types of benefit systems, as well as their distributional impact, have to be assessed to give policy-makers the guide-lines needed for policy formulation in the context of flexible labour market systems.

The labour market crisis in many industrialised countries, and in some industrialising ones, is coinciding with a social security system crisis due to rising costs. One option being pursued is to make social security increasingly selective, "targetting" benefits to those most in need. Is that approach compatible with growing labour flexibility, where more and more people are in need or are likely to be in need intermittently? Or it is necessary or desirable to move towards systems that are not contingency-related, that is which are more universal? Are such changes financially feasible? Work to answer that dilemma deserves very high priority, both in the social security programme and in the employment research programme. If there is one high priority task for the ILO in the next few years, it is to develop an integrated perspective on that question.

iv) Age-sex substitutions in employment. What are the effects of increasing work process and labour process flexibility, as defined provisionally in the Working Paper, on the distribution of jobs across different groups in the population? Who are the losers and who the winners in the context of growing labour flexibility? In particular, does such flexibility involve a growing proportion of jobs going to women and youth, and the demise of many jobs traditionally occupied by men in secure careers? Or are women losers in terms of loss of income and employment security?

Similarly, does labour flexibility tend to mean that older workers, aged 50 and over, are pushed out of the labour force or into the margins of it, thereby increasing their relative labour market vulnerability and

income insecurity? If so, what are the policy options, given the limits and limitations of "early retirement" policies? This is an issue of growing concern, which will become a major one by the 1990s.

- v) "Informalisation". What are the "survival strategies" of poor households and communities confronted by highly flexible labour systems? And what are these systems' impact on labour supply? In many developing economies the early stages of industrialisation are characterised by highly flexible labour arrangements, and households have developed various mechanisms for reducing the insecurity such systems involve. These include individual participation in several types of production (e.g. farming and construction labour), resort to "unregulated, informal" activities, labour circulation and spatial separation of household members so as to participate in several forms of production. In a small way, the ILO has been examining such options in the World Employment Programme. But the relevance of such strategies is greater now than ever. What are the policy options that would make such survival strategies more viable, dignified and secure - or which would make individuals and families less dependent on them? In this regard, many lessons from research in low-income countries can be learnt for policy makers in "post-industrial" market economies.

Among the intriguing aspects of this particular issue is that it has become relevant in industrialised societies. Because of high unemployment, and because of the growth of flexible work statuses, the traditional divisions of labour within households are breaking down. New or renewed forms of time allocation between different types of work activity, and reallocation of activities between household members, are becoming far more common. What are the predominant activity patterns? Is labour flexibility accentuating the polarisation of households and of communities, with some having many work activities and therefore multiple sources of income while others lack any? Or is "activity flexibility" a widely distributed phenomenon whereby all or most groups in society benefit? To develop socially equitable and effective policies to create the conditions for secure, rewarding work styles we need to know the answer to such questions and the reasons for deviations from socially desirable patterns. Labour flexibility and activity patterns/work styles deserves to be an integral part of the ILO's long-term programme.

vi) Flexible job structures. Are job structures changing in ways that accentuate the development of a labour core, consisting of secure, well-paid technically skilled jobs, alongside a periphery of workers in insecure, low-skilled, low-paid jobs? Are there technological reasons for such developments, as many observers have claimed? To what extent are job structures changing as a result of non-wage labour costs? In the evolution of employment, is there widespread upgrading of "skills" or is there rather more "de-skilling"? What are the implications of actual changes in job structures on employment levels and on the type and distribution of employment opportunities? Labour flexibility has been linked to what has been called "flexible skills". But such terms are ill-defined; for analysing the current trends, the changing notion of skill must be identified. Too often, analysts, policy-makers and even trainers and employers retain nineteenth century images of craft skills, when what is wanted or demanded seems to be something quite different.

In the Working Paper, the job structure issue is regarded as central to the labour flexibility debate. But it should be admitted that labour analysts have yet to refine the concepts, while data are not readily available or collated to allow us to conclude that growing labour flexibility is or is not due to the changing nature of jobs and structure of enterprises. To analyse labour flexibility, this has to be rectified. In part, that could be done through the refinement of labour statistics, as envisaged in the current ILO project on the revision of ISCO. But the revision of statistics cannot be done effectively in the absence of analysis of actual trends, to identify the relevant variables on which to focus.

vii) Flexible working time. The moves towards flexible work schedules have been linked to moves to cut working time, and both types of change have been cited as the means of reducing unemployment. The evidence so far is not very encouraging, as one on-going EMPLOI project is showing. However, flexitime, job-sharing, job-splitting and other changes, such as the growth of annual work hours contracts, are pointing to a growing worktime flexibility. What forms are these changes taking, and what are the reasons for their growth, or in some cases for their fall from favour among employers or workers? The Office needs to monitor these trends and, if possible, clarify the relationship between worktime flexibility, employment and such aspects as the age-sex distribution of employment (item iv).

viii) Wage flexibility is only one form of labour flexibility, but to some it is the most important. A basic problem has been that, as other forms of labour flexibility have grown, the treatment of wage flexibility has scarcely taken those changes into account. So, it is essential to link payment system flexibility or rigidity to changing work statuses, types of jobs, and levels and types of employment.

Wage flexibility should be treated in a broad sense, which is why the term payment flexibility is more appropriate, thereby encompassing such trends as revenue sharing, sharecropping and recent changes of the type being implemented in China. The critical issue is the link between flexible payment systems and employment levels and growth. As forms of payment are undergoing rapid change, a primary task should be one of identification. What forms of payment system are becoming more common, and why? What effects are they having on the level and type of employment? What is the relationship between types of job and the nature of the payment system? Are "two-tier", or "multi-tier", wage structures spreading, with more secure payments for a core group and unstable payments for a peripheral workforce? Are such "two-tier" structures a transitional phase in the evolution of a totally unregulated wage labour market? Are flexible payment systems, such as profit sharing, a viable means of expanding employment? These are questions the ILO could surely address, under the rubric of "payment system flexibility and employment".

ix) Union responses and the future. Related to the growing tendencies towards job flexibility, payment system flexibility, employment insecurity and the growth of what is called "federal job structures" in the Working Paper, what responses will unions adopt? What will the impact be for industrial relations? There is evidence, cited in the paper, of concession bargaining by which unions are accepting trade-offs between pay and forms of flexibility. But there is also evidence that unions and collective bargaining are being "marginalised" in many cases. Will flexibility mean, inter alia, that wage and employment arrangements will be far more decentralised, and transferred from the realm of industry-level or national-level bargaining to the level of the company and unit, and increasingly the level of the individual?

Again, this is not an issue just for highly industrialised, or "post-industrial" societies. For many practices are being adopted in low-income industrialising economies and are being introduced more slowly in the industrialised countries.

- x) International transfer of flexibility. What are the mechanisms by which flexible labour systems, and particular forms of job structure, are transferred internationally? It is widely believed that Japanese work organisations are being adopted and adapted in many countries. It is also believed that the "informalisation" of labour processes in many low-income and industrialising economies - the growth of sub-contracting, networks of small firms and the use of outworkers, for example - has been a major impetus to the evolution of similarly "flexible" patterns in industrialised economies. To what extent is that so? And to the extent that it is so, what are the lessons to be learned from the experience of workers, employers and governments in the industrialising countries? Similarly, is there any evidence of what has been called, somewhat crudely, beggar-my-neighbour lowering of labour standards, in the interest of ensuring "flexible" control over workforces as a means of one country or another becoming more "attractive" for investors?
- xi) Labour mobility. It is widely contended that labour mobility has declined in many countries and needs to be increased, so as to raise labour efficiency and reduce unemployment. Indeed, this issue is sometimes regarded as the most important aspect of labour flexibility, after wage flexibility. But it is an open question whether more labour mobility is a sign of flexibility or labour market chaos. In that context, it is necessary to distinguish between different kinds of mobility. A decline, for example, in internal mobility between jobs within enterprises might reflect a lack of adaptability on the part of workers or a decline in the need or opportunity for such mobility. Similarly, a decline in geographical labour mobility between labour markets might reflect rigidities, such as localised social security systems or particular housing tenure patterns, or a lack of opportunities to stimulate movement, or simply an improvement in the transport system that leads to commuting replacing residential moves.

Yet, while these relationships are unclear, sometimes the clamour for measures to encourage workers to be more mobile has had worrying overtones, as if workers should be "stimulated" to move. That aside, what is the link between developments in the labour process and work process and different types of labour mobility? What sorts of measures are needed to influence mobility? To answer such questions, labour mobility and changing patterns of employment should be an integral part of the ILO work programme on labour flexibility.

* * *

It is desirable to treat the labour flexibility debate as both a challenge and an opportunity for the ILO. There are genuine concerns for employers, for unions and workers, and for government planners. If new flexible labour systems are emerging in the latter part of the century, it may well be that policies considered adequate and desirable in earlier eras will need to be modified, and the new realities of the labour market may demand new strategies altogether. We should relish the technical challenge.

In preparing this paper, I have benefitted from discussions held informally with members of an EMPLOI Working Party, consisting of Richard Anker, David Freedman, Eddy Lee, Samir Radwan, Sas Watanabe and Roberto Zachman. I am also grateful to Frances Williams for her usual provocative comments. It is an issues paper and is therefore unlike most Working Papers issued within the World Employment Programme. It contains relatively few references or data, which is deliberate, and it simplifies in many respects, again quite deliberately. Above all, it has been written as what is sometimes known as a "working document", sometimes presenting hypotheses more starkly than is warranted, in the interest of attempting to capture the taxonomical aspects of the flexibility drama. As such the document should not be quoted, and comments from readers are earnestly requested.

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Labour Flexibility: Towards a Research Agenda

I. Introduction

In recent years the labour process in both industrialised and industrialising economies has been undergoing subtle but far-reaching changes that can be subsumed under the rubric of "labour flexibility". In one sense, it is a regrettable term, because to be flexible is perceived as a virtue and it is not clear that many aspects of what is commonly meant by labour flexibility are desirable. For in many respects, growing labour (market) flexibility really represents growing labour insecurity. The parentheses are significant, for another aspect of the debate on the issue is that flexibility within the work process is conflated with flexibility of employment, in relations of production and in forms of employment. It is analytically important to keep these elements separate.

What is clear is that the international debate on labour flexibility represents a fundamental challenge to the philosophy and strategy of the ILO, which can be characterised as the evolution of protective measures to safeguard the employment, security and basic needs of workers while promoting productivity and wealth accumulation. One crucial claim, or assumption, of those who advocate measures to speed up the trend towards labour flexibility is that regulations, legislation, collective agreements and conventions designed to protect workers in one way or another are often counterproductive, and lead to unemployment and a competitive undermining of those economies in which such measures are most effectively implemented.

Labour flexibility is not a neutral term. It is a euphemism for rather more than could be conveyed by any definition, and it implies that if labour or labour markets are becoming more flexible that must be socially and economically desirable. Who could possibly be against being flexible? The opposites used in analytical and policy debates are "inflexibility" and

"rigidity", both of which have clear pejorative connotations.¹ But the concept of flexibility has come to embrace so many aspects of the production process that it is about time the strands in it were carefully disentangled, so that the assumptions and implications can be discerned. Unless a working definition can be agreed, it will continue to foster prejudiced views and policy prescriptions based on untested assumptions.

This paper will try to do three things. It will set out a broad definition of labour flexibility that can be used in different types of economy; it will then indicate the forms of labour flexibility that seem to be emerging, both in "post-industrial" and industrialising economies; and in doing so, it will set out an agenda of research focusing on the policy implications of flexible labour processes. It is designed to be one contribution to the debate within the ILO on how the Organisation should approach the subject. As such, the views expressed are personal.

Perhaps the most concise economic interpretation of labour flexibility is the extent and speed of adaptation to change, in terms of labour cost and labour supply, where the latter encompasses quantitative and qualitative aspects. The critical, almost ideological part of the current debate is the contention that, because of institutional, expectational and behavioural "rigidities" in the labour "market" and in the "enterprise", labour flexibility is limited. As a consequence, it is claimed, labour price and quantity adjustments have been too slow and too limited to avoid the period of protracted mass unemployment afflicting industrialised and industrialising countries. In industrialised countries, it is claimed that workers and unions have "priced themselves out of jobs", not only by limiting and slowing real wage adjustments but by restricting various forms of labour mobility and defending protective and other benefits that push up labour costs. That perspective puts the onus for labour market chaos firmly on the workers. It is also somewhat disingenuous, for it conveniently ignores the possibility that the pressure for greater labour flexibility stem from the demand side.

¹ Throughout this paper, inverted commas indicate concepts or terms that are susceptible to several interpretations or are ambiguous and complex.

An alternative perspective, also with ideological overtones, is that the economic crisis in most OECD countries, with the associated structural changes, have created surplus labour conditions in which employers and governments can shift the distribution of income in favour of profits and under the income differential between those in the protected core of the workforce and those in the unprotected periphery, and in particular between the employed and the unemployed and those outside the labour force. Most crucially, there have been widespread moves to alter the social and detailed division of labour in effect so as to increase the degree of control over the work process.

Both of the above views are partially appealing. In a competitive economy, one should expect employers to try to minimise labour costs and increase their control over the work force, and to take advantage of surplus labour conditions to dismantle or bypass labour costs that have no net benefit for their enterprises. Similarly, one can scarcely blame workers and unions for wanting to protect themselves from erosions of benefits and protective measures acquired over many years, notably during periods of tight labour markets. The debate then leads into whether or not measures to reduce labour costs - either direct or indirect - would have much effect on employment levels. In that context, the ILO should examine such costs carefully and systematically, and offer a balanced assessment of their impact on employment levels and types of employment.

There is, however, a third, way of considering labour flexibility. This is to take an evolutionary approach, thereby enabling the World Employment Programme to assess current trends in both industrialised and low-income, industrialising economies in a unified global perspective. Labour flexibility is a dialectical concept. Historically, all labour systems have evolved through flexible and rigid phases, - neither being necessarily 'better' in a moral sense - the rigid collapsing into a new more flexible form, as new working arrangements emerge, which is gradually transformed into something more restrictive and rigid that ultimately fetters the development of productive forces. Far from obfuscating the process, the language here helps us to understand actual developments. Consider slavery. Initially, it was a highly "flexible" system of production, with slaveowners having little difficulty in replacing tired, old, recalcitrant, injured, or dead slaves; subsequently everywhere, the slave mode of production became rigid in the face of a shortage of labour power or the need to quell unrest, the rigidity

restricting productivity growth and raising costs of control and labour reproduction. It was in effect undermined by the contradictions of a rigid labour control system, faced by the need to curtail costs and raise labour productivity.

Similarly, feudalism evolved through its flexible, relatively "free" phase, when peasants typically provided labour or produce rent semi-voluntarily in return for expected protection from landlords. Subsequently, the feudal mode of production became more rigid, as serfs were "tied to the soil"; mobility was curtailed and surplus extracted by increasingly onerous forms of rent, coercion, taxes and supplementary rents. In most parts of the world, one way or another, it collapsed, primarily because its rigidities prevented the development of productive forces by hindering surplus generation. Feudalism has invariably given way to phases of "free labour" during the early period of industrialisation, when very flexible labour systems characterise both agrarian and industrial expansion. These include labour processes that rely on putting-out systems, outwork, gangwork, subcontracting, migratory labour, labour circulation and the use of casual workers, easily hired and fired, and easily replaced. In Western Europe, it was the phase of proletarianisation when labour use was most flexible, during which time the created availability of a surplus population (if not actually unemployed, then impoverished) instilled a sense of discipline and "labouring ethic" among the nascent working class. But during the nineteenth century the flexible phase started to give way to forms of rigidity, as unions and political organisations began to struggle for protective measures, limits on work time and working conditions, safeguards against low wages, and the like. This process was sometimes helped by employers keen to provide benefits for workers so as to raise productivity, morale and acceptance of changing intensity of work, technology or division of labour.

In many industrialised countries, this rigid phase really came to fruition in the twentieth century, particularly after the Second World War with the emergence of the welfare state. It was almost an integral part of the post-war social contract that the working population had a range of labour "rights". These were fivefold.

First, there was labour market security - through insurance benefits and State-preserved "full employment". Second, there was income security

- through legitimised trade unionism, minimum wage legislation and tax-benefit systems that checked the growth of income inequality. The third implicit right was employment security - through the imposition of rules preventing unfair dismissal and requiring pre-notification of redundancy, costs on employers for making workers redundant, and guaranteed benefits for those experiencing dismissal for reasons beyond their individual control. The fourth right was work security, through health and safety regulations, limits on hours of work and unsociable hours, and so on. Fifth, and always less part of the social consensus than the other four rights, there was job security - through tolerance of demarcation rules, occupational restrictive practices, barriers to "skill" dilution or to the translation of actual "skill" dilution into job reclassification; these job security rights were particularly well established in "middle-class" professions and in certain craft occupations; where not formalised by collective bargaining or occupational restrictive practices, they were enshrined in custom-and-practice, so implying severe dislocation costs if attempts were made to reduce them.

The panoply of labour rights definitionally represented "costs" to employers and were contingent on continued, stable economic growth and what amounted to a closed economy, where international trade in manufacturing goods and in services was essentially conducted between countries in which approximately the same labour rights applied, and where trade with 'underdeveloped' countries was essentially complementary, involving an exchange of manufactured goods for primary products. Once the international division of labour began to change, through the economic emergence of Japan, the acquisition of surplus by OPEC countries, the rise of the NICs and the global if uneven spread of industrialisation, then those rights became "rigidities". Ultimately, one could depict the crisis in terms of a conflict between a rigid phase of late capitalism in the industrialised countries and a highly flexible phase in the industrialising countries. A stark if slightly simplified way of posing the present labour crisis is to wonder whether the response in industrialised countries will be a steady dismantling of labour rights to try to become "competitive" with industrialising countries or whether new work patterns and distributional mechanisms will emerge.

II. Conceptualising Labour Flexibility

It has become a trite refrain that labour flexibility is a hazy, if not undefinable, concept. This has tended to lead to analyses that take selective

symptoms of what is deemed to be labour market flexibility, which in turn has encouraged the persistence of numerous prejudices. As noted at the outset, the very word "flexibility" is or should be a cause for concern; it is hard to be against it, whereas the antonyms are pejorative - rigidity, inflexibility - that would be hard to defend in the abstract. For this reason, it is essential to define the concept, or at least break it down into a set of complementary, more definable concepts. As will be argued, "labour market flexibility" has become an ideologically loaded term that embraces several euphemisms. The fact that it can be used to justify a wholesale onslaught on a range of labour rights demands the greatest possible conceptual clarity by those approaching the issue. Those who dismiss conceptual finesse as idle semantics and "intellectualism" forget a basic principle: Those who command the definitions command the credibility.

The first point to establish is the distinction between labour process and work process flexibility. The term labour market flexibility is typically used to cover much more than what is normally meant by the labour market, embracing work organisation, non-labour market activities and various other issues that are not easily expressed in market exchange terms. The labour process covers the social relations of production - that is, the relations between groups in the production process. As such, at least part of the debate on flexibility is about the development of new worker statuses, forms of production and social division of labour. Those are not covered by the labour market per se. Similarly, the work process refers to the technical division of labour, the structure of jobs, work organisation and forms of payment, again issues that are outside the labour market as conventionally understood.

At an abstract level, flexibility normally means responsiveness to pressure. That is why one should avoid the pitfall of regarding flexibility as an absolute goal. A very flexible system is also potentially a very unstable system, since it is highly sensitive to external or internal shocks that may be short-lived or random. But to be flexible is to be responsive to pressures and incentives and to be able to adapt to them. In labour market terms, labour flexibility means:

- 1) The speed of price adjustments to changing demand and supply.
- 2) The speed of quantity adjustment to changing prices/wages/incomes.

- 3) The speed of quality (e.g., "skill") adjustments to changing structures of labour demand.
- 4) The extent of such price adjustments.
- 5) The extent of such quantity adjustments.
- 6) The extent of such quality adjustments.

Those who claim the labour market is rigid usually argue, implicitly at least, that workers do not adjust wage demands or expectations quickly in response to changing demand conditions and do not adjust them by enough to restore "equilibrium" in the labour market. They also often contend that quantitative adjustments to demand changes are too slow or insufficient. The reasons for these supposedly slow and insufficient labour responses are expectational and institutional. From this, advocates of the need for greater labour flexibility concentrate on the need to lower worker expectations and remove or remould institutional mechanisms that supposedly cause the supposed inflexibility. In other words, the argument is built on a series of assumptions or hypotheses that in themselves need empirical support. Perhaps this general perspective can be summarised by means of a single quotation taken from the OECD Observer,

The greater the flexibility of the labour market, the lower the economic costs of adjustment: there will be less unemployment and less loss of output. Standard microeconomic theory postulates that, in a perfectly free labour market, wages and employment adjust to rectify imbalances between supply and demand. In the real world, however, there are obstacles to adjustment: These make relevant policies that not only assist those most affected but promote the flexibility of salary structures and the adjustment of manpower.¹

However, it is paradoxical that whereas some observers claim that the lack of flexibility is a cause of unemployment, chronically high and rising unemployment has in fact coincided with growing labour flexibility. Flexible labour systems have been stimulated by high unemployment, and the greater flexibility of labour use has contributed to unemployment in various ways.²

An alternative approach is to depict labour flexibility as a euphemism for changing power relationships in the production process. From this

¹ OECD Observer, Mar. 1984, No. 127, p. 29.

² G. Standing, "Meshing Labour Flexibility with Security: An answer to Mass Unemployment?", International Labour Review, Jan-Feb, 1986.

perspective, flexibility is about changing forms of labour control, which in current circumstances amounts to a tightening of managerial control within the work process and more indirect control through the labour process, as a result of a widespread shift away from the use of full-time wage employees to other types of worker. In a sense, labour flexibility means greater use by employers of the labour market per se, with more people spending more time in the market changing jobs, seeking jobs or preparing themselves for intermittent work opportunities. That is why flexibility can also be seen to be a euphemism for growing labour insecurity. As far as control is concerned, flexibility means employers having enhanced freedom to adjust the size or composition of the workforce, by-pass protective measures and collective bargaining, and rearrange working time and work organisation. It also means a shift from collective bargaining to individual pay and work conditions or to enterprise level industrial relations; direct relations between employers and individual workers systematically weaken collective bargaining strength and permit employers to flexibly adjust labour to their immediate needs.

For workers, labour flexibility is synonymous with one or more forms of insecurity. In effect, labour insecurity has five forms, each of which can vary from minimal to substantial:

- i) labour market insecurity - represented by labour surplus conditions, so that the probability of securing employment is low and workers are readily available wherever jobs arise;
- ii) employment insecurity - when employers can dismiss or lay-off workers or put them on short-time without difficulty or high costs;
- iii) job insecurity - when employers can shift workers from one job to another at will or where the content of the job can be altered or reduced;
- iv) income insecurity - when earnings are unstable or too-low, or when transfer payments are contingency-based not "guaranteed";
- v) work insecurity - when the working environment is unregulated, polluted or dangerous in some way, so that the ability to continue to work is at risk.

Arguably, a highly flexible labour system is one in which there is a high degree of all five forms of labour "insecurity". Flexibility in that sense means that workers have to face more uncertainty and risk. But although flexibility can be interpreted as a euphemism for worker insecurity that does not mean that all workers are losers as a result, merely that in highly flexible labour systems, workers generally have to face more uncertainty; for many, but not all, that means a net loss in terms of job and employment security and, most of all, in terms of income security and stability. Indeed, one of the most interesting aspects of the growth of labour flexibility in industrialised societies has been the implicit trade-off between different forms of security. In some countries, there seems to have been a greater degree of job security and less employment security; in others, most notably Japan, there seems to have been far less job security and far more employment security. We will come back to this in section IV.

Labour flexibility must mean different perspectives for employers and for workers. Thus, forms of flexibility that unions and workers will favour are those allowing greater autonomy, such as the ability to have greater worker control over labour power and labour time, made possible by stable and secure opportunities to adjust work-time through "flexi-time", options to develop flexible patterns of life cycle activities, opportunities to combine multiple work statuses, opportunities to develop skills, and so on. For employers, acceptable forms of flexibility include the ability to shift workers from site to site, have workers and jobs that are interchangeable, use flexible payment systems, and have workers who do not involve high fixed costs. In short, flexibility can be interpreted to mean increased control over labour and labour power, whether in favour of employers or workers, or conceivably some regulatory body. In practice, as argued in the following sections, recent developments appear to have enhanced employer control.

Finally, it has not been appreciated that micro-flexibility can be in conflict with macro-flexibility. Micro-flexibility at the firm or individual level may actually hinder macro-flexibility; conversely, macro-rigidities may enhance micro-flexibility. Thus, regulations and collective mechanisms may facilitate speedy and large-scale responses to exogenous shocks, whereas a more atomised system may be more sluggish in adapting to changed circumstances. In other words, we also need to make distinctions between system flexibility and individual worker flexibility; this is relevant in our discussion in section IV of job structures. But first it should be useful to place the international debate on flexibility in a wider economic context.

III. The Context of Flexibility

It is probably unrewarding to try to identify a "prime mover" behind the trend towards greater labour flexibility. But we can identify five factors that set the context for that trend. In doing so, we should get a clearer idea of what is happening in the labour and work processes, and the reasons for those developments.

The first contextual factor is the changing international division of labour epitomised by the emergence of Japan as a major industrial power, the rise of the so-called NICs, and the growth of certain industrial sectors of other low-income countries that reflect the pursuit of import-substitution and export-led industrialisation in recent decades. This international restructuring has been accelerated by multinational enterprises that have either shifted labour-intensive parts of their production to low-income countries or produced/assembled their products for local markets in those countries. It has also been facilitated by the greater mobility of technology, capital and management. Industrialisation outside the OECD occurred partly because of much lower labour costs in those countries and the more flexible labour supply that existed there by virtue of the relative lack of protective legislation, collective bargaining or working-class traditions and expectations. The differences in labour costs between many industrialising and most industrialised countries have been greater than any differences in respective labour productivities, particularly as highly "disciplined", flexible labour forces were moulded in the NICs. Indeed, in those countries the State cooperated in imposing considerable controls on the labour force, often through restrictive legislation that, for instance, banned unions in export zones or banned them more generally, or that freed employers from limits on hours of work, wages or benefits.

Industrialisation in low-income countries has been accompanied by a shift from non-wage to wage-labour, along with urbanisation and agricultural commercialisation, all of which have converted large numbers of rural "underemployed" into a readily available (flexible) labour supply. In this era of "proto-proletarianisation", (i.e. when the work force is being transferred into a wage-labour supplying one), traditional social rigidities have given way, while manufacturing enterprises in particular have taken advantage of workers' labour market insecurity and their undeveloped bargaining strength to impose strict controls within the work process. Moreover, with labour surplus, they have resorted to unregulated "informal" labour arrangements.

With industrialisation in Japan and the NICs, there was a clear trend towards "deindustrialisation" in North America and Western Europe, with growing import penetration and the decimation or disappearance of many manufacturing sectors, notably labour-intensive and heavy goods industries such as shipbuilding, textiles, steelmaking and machine engineering. For a while in the 1960s and 1970s the impact of this trend on unemployment in Western Europe was minimised by Keynesian demand-management and the expansion of public sector jobs - which also acted as a major source of labour absorption in those low-income countries where industrialisation was blocked for one reason or another. But, so it seemed to many observers, this was only at the expense of steadily worsening inflation, which fed on the expectation that governments would adopt whatever monetary-fiscal policy stance was needed to prevent unemployment deviating far from some customary "full employment" level.

This brings us to the second contextual factor in the growth of labour flexibility, namely supply-side economic strategy. In part this was the policy response of many OECD Governments in the wake of the inflation of the 1970s and the acceleration of "deindustrialisation". The efficacy of post-1945 Keynesianism was called into question, to the point where those who continued to believe in demand management to preserve something like full employment were put on the defensive - spitting into the wind of monetarism. What emerged was supply side economics, and a reversal of Keynesianism. In the 1950s and 1960s, and to some extent in the 1970s, macro-economic policy was expected to determine employment and unemployment levels, through monetary and fiscal tools, while micro-economic policies -- notably wages and price controls -- were used to limit inflation, introducing institutional mechanisms and practices that deliberately reduced the flexibility of wages and prices in both directions. It is important to bear in mind that the latter "rigidities" were regarded by many economists and policy makers as functional, in the interest of preserving stable economic growth. Thus, for example, prices-and-incomes policies were regarded as an essential complement to expansionary macro-economic policy. In the late 1970s this "Keynesian" orthodoxy was undermined, and by the early 1980s a new "supply side" orthodoxy had emerged, which was not only accepted by major OECD country Governments but by the OECD, IMF and World Bank, among other international organisations. This reversed Keynesianism. Macro-economic policy was to be used to control inflation, notably through changes in money supply and public expenditure, while micro-economic policy was left to influence but not determine the levels

of employment and unemployment. Underpinned by rational expectations theory - the innovation in economics of the era - it was argued that there was a long-run "natural" rate of unemployment and a "natural" rate of employment, which were primarily functions of the labour market structure. In brief, it was claimed that labour market rigidities raised the natural rate of unemployment by checking the flexibility of response by workers to changes in real aggregate demand and by discouraging employers from hiring workers. With that perspective, the policy stance shifted to "deregulation" to remove institutional measures that in many cases had been introduced, formalised or strengthened during the era of Keynesian orthodoxy.

Deregulation became an article of faith, extending to product and labour markets, and was meant to encourage or allow prices and wages to adjust more quickly and extensively, and to promote greater mobility of all factors of production in response to price or demand changes. Another way of putting it is that deregulation is designed to speed up the process of "structural adjustment", an interpretation more usually associated with IMF stabilisation policies in low-income, indebted countries.

This was the kernel of the new vogue of flexibility in the early 1980s, even though the evidence to support the contention that labour market rigidities were causing high unemployment was not abundant. Indeed there was a strong element of rationalisation, in that flexibility was growing very rapidly as a result of technological and other developments. From the contextual point of view, the reversed Keynesianism helped justify the alteration of the balance of social power and income distribution, weakening unions and redistributing income from wages to profits. In many industrialised countries, the promotion of flexibility and deregulation coincided with a slow-down or reversal of the long-term downward trend in the rate of profit. Above all, the reversed Keynesianism was used as the intellectual prop for denying responsibility for unemployment; full employment was no longer regarded as a Government obligation or indeed within its power.

That was rather convenient, for the third contextual factor contributing to the growth of labour flexibility has been mass unemployment. Widespread unemployment itself represents a form of labour flexibility. Labour mobility from one area to another, or from one type of job to another, is scarcely

needed if there are ample workers available in all areas. But the real impact of persistently high unemployment is simply that it has created a social climate in which employers' bargaining position has been immeasurably strengthened and in which they could take advantage of workers' fear of unemployment to introduce new work process and product innovations. It has also created a political climate in which legislation to increase employer control could be enacted without too much opposition from unions or other groups. And it has created a climate in which individual employers have felt confident enough to use existing laws or regulations to induce changes in work practices or employment security, as evidenced by the recent introduction of new technology and mass dismissal of striking workers in the newspaper industry in the United Kingdom.¹ Mass unemployment has increased more than labour market insecurity, because it has helped weaken employment, income and job security, and almost certainly work security as well.

Finally, chronically high unemployment has made it possible for employers to alter the social relations of production, by giving them a source of labour supply in work statuses other than full-time regular wage employment and by enabling them to push other workers into work statuses that lack income, job or employment security. In short, labour process flexibility cannot be adequately explained without reference to chronically high unemployment and other forms of labour surplus.

The fourth contextual factor is to some extent a derivative of the first three, and that is the fiscal crisis in industrialised countries. Because of rapidly growing demands on the social security system, through high unemployment and greater labour market insecurity, and through other developments such as growing numbers of old people dependent on pensions and other benefits, the capacity to deliver adequate income transfers has been impaired. In some cases, the system has seemed also to be in conflict with the operation of an efficient and equitable labour market. The fact is that the social security system was originally constructed on the assumption of "full employment", such that worker and employer contributions were expected

¹ In the car industry in the UK, some observers have argued that it was the collapse of confidence in long-term stability that led to union acceptance of new work practices in the 1980s. It also led to an assertion of managerial control with the overthrow of shop-steward power. Managerial control became much more direct, rather than being transmitted through union representatives.

to roughly match contingency needs. But with chronic unemployment and growing numbers of low-income earners needing assistance to secure their "basic needs", the growing demands conflicted with the supply-side macro-economic policy to cut public expenditure. It has also been widely argued that social security provisions have created labour market rigidities and reduced industrial competitiveness by raising employer costs, weakening worker incentives to work and encouraging workers to be less flexible in all respects. In those circumstances public debate has resolved round the question of whether the social security system should be made more selective, "targetting" benefits to those most in need, which would mean cutting total transfers, with an objective being to make workers more flexible. Critics of that school break into two groups - those who deny that the existing systems do seriously impair labour flexibility and who claim that if employment were boosted the fiscal crisis would right itself, and those who accept that the system is in potential conflict with positive labour flexibility but who believe the basic structure of social security should be reformed to correspond to the social realities of the late twentieth century.

The fifth contextual factor has also been linked to unemployment and the changing international division of labour: the new forms of technology -- primarily automation, robotics and information technology -- which have been called new "heartland technology" because of their extremely widespread application and potential. A characteristic of the new technology is that it offers great scope for flexibility, and has been making the production process increasingly mobile. If a least-cost way is not accepted in one area there will be a strong tendency for at least part of the production process to be moved elsewhere. That gives employers potentially much greater control over allocation decisions and thus stronger bargaining power with unions and workers to impose various forms of labour flexibility. Other hypothesised features will be considered in the next section, but a crucial contextual point is that technological change has become more rapid and has been transmitted internationally much faster than when the main "heartland" technological innovations were based on large-scale fixed capital and heavy raw materials. This has contributed to the changing international division of labour, through a greater productive integration of the world economy and an internationally more mobile technological basis for economic growth. Indeed, large corporations in industrialised countries have been compelled by competitive pressure from low labour cost industrialising countries to

introduce numerous "process innovations" to cut labour costs. In fear, unions have often accepted more flexible work rules and made wage and benefit concessions.¹

So, the context in which the labour flexibility debate should be analysed consists of a changing international division of labour, widespread resort to supply-side economic strategies, chronic mass unemployment, an associated fiscal crisis, and what seems to many to be a major technological revolution based in part on information systems. In that context, our initial task must be the identification of how the labour process and the work process are changing, both in industrialising economies and in industrialised or "post-industrial" societies. It is convenient to begin with a schematic interpretation of how work and the technical division of labour are changing, and the direct reasons for those changes. Subsequently, we should consider how those changes are interrelated with changes in the labour process, that is the relationship of individuals and groups to the production process and the social distribution of work. The distinction between work process and labour process is a little hard to sustain, but it does offer a convenient organising device for approaching the relevant issues.

IV. Work Process Flexibility

To analyse labour flexibility, one needs to form an image of how the work process has been evolving. To do that we need a simplifying model, which is by no means a comprehensive description of the total labour system but which does capture the critical elements and tendencies.

The main ingredients in the work process are the ways by which work is divided, the mechanisms by which work is coordinated, stimulated and controlled, and the labour costs to workers and enterprises/employers. For our purposes we will first classify labour-related costs, then the job structure -- that is, the technical division of labour -- and then forms of labour control and coordination.

¹ See, for instance, the report on changes in Goodyear, the leading tyre company in the world. Financial Times, Feb. 23, 1986, p.10.

a) Indirect labour costs

Labour costs represent an appropriate point at which to start because the labour market crisis in industrialised countries, and in some industrialising countries, is related to the growing integration of the world economy in which production has shifted increasingly to where production and distribution costs are lowest. It is widely believed that, given existing political-economic systems, economic growth will depend increasingly on the ability of specific countries to reduce or avoid as many production costs as possible. What should not be inferred from the following is that labour costs per se are always the crucial costs in this respect. Nor are we necessarily denying the "roll-back thesis" that is creeping into public debate - the claim that labour costs are becoming less relevant in the international relocation of production.

Besides the direct payments for labour input -- the form of which we will consider as an aspect of flexible control -- indirect or so-called "non-wage labour costs" can be conceptualised in several ways. How such costs are conceptualised depends on the purpose of the analysis. A common procedure is to divide them into fixed and variable costs, or employee-related and hour-related costs. For analysing labour flexibility a more disaggregated conceptualisation is needed that links costs to the division of labour, and different degrees and forms of labour flexibility.

As a first approximation, we can identify nine categories of indirect labour costs, all of which are variable and have some benefit for at least one group in the work process. This twin-sided nature of indirect labour costs must be borne in mind, partly because a key argument of those advocating labour market deregulation is that reducing non-wage labour costs would expand employment and reduce unemployment.

The nine categories will vary in significance depending on the job structure, the extent of labour regulation, the tightness of the labour market and the composition of the labour force. It is important to stress that how costs are considered depends on the analytical issues, and that accountants' notions of cost are not the same as economists'.

So, the nine indirect labour costs are the following, listed in no order of implied scale:

- i) Coordination costs. These are the costs of administering, supervising and controlling the workforce. They include direct welfare services provided as a means of maintaining the workforce and actual payments to supervisory or middle-management staff and the costs incurred in machine control systems or the like. As such, the range and extent of such costs will be related to the structure of job, division of labour and type of workforce, as well as the complexity of statutory regulations.
- ii) Overhead costs. These refer to "fringe" benefits, such as pension rights and health insurance, that are part of the payment to individual workers (literally speaking, "heads"). Not all workers will be entitled to such benefits or have need of them. But overhead costs do not vary systematically with wage rates, as a normal rule, though some overheads may be paid at different rates according to grade of worker, such as may be the case with pensions or payments in kind.
- iii) Fiscal costs. These are those costs that employers and/or workers are obliged to pay, in money form, to the State. They include payroll taxes, such as employer and employee social security contributions, the employer part of which supposedly account for half or more of all non-wage labour costs, according to the OECD, which they defined more narrowly than is being done here.¹
- iv) Training costs. These are related to the division of labour. A distinction should be made between vocational training and orientation training, and other distinctions are necessary between direct expenditure on training, the costs in terms of output loss of having on-the-job training by experienced workers, and what have

¹ OECD, Draft Report on Labour Market Flexibility (Paris, OECD, 1986, mimeo), pp. 42 and 69.

been called the "efficiency recovery costs" or "the wages cost of learning".¹

- v) Protection costs. These arise from statutory or other arrangements required to give workers protection against injury, health hazards, psychological stress and employment insecurity. Protection costs are a function of type of product, the job structure and workforce composition, as well as legislative regulations. There are both general and selective protection costs. One form of the latter arises from work arrangements introduced to shield certain groups of worker from certain types of work or strains. Accordingly, if regulations are introduced or more tightly applied, discriminatory employment practices are likely to develop against vulnerable groups, especially if chronic labour surplus conditions exist. Another protection cost arises from lay-off or redundancy rules and payment obligations.

- vi) Labour turnover costs. These cover recruitment costs (adverts, interview time, travelling expenses and any initial bonuses) and may include loss of profits due to having unfilled vacancies, inexperienced workers or diversion of workers to other jobs. Turnover costs will be strongly related to the type of job, as discussed later, and the availability of substitute labour supply.

- vii) Motivation costs. This and the remaining two types of cost are rather different in kind from the preceding five. They are nonetheless real, and from an employer's point of view to be reduced or avoided if possible. A motivation cost arises if the job structure is such that workers are relatively unmotivated to work. A major example is if prospects for job and income advancement are minimal, as would usually be the case if the enterprise's workforce was shrinking. It is also a motivation cost

¹ These are the post-training costs incurred until the trainee achieves the productivity level of a fully experienced worker, including wastage costs of inefficient use of material, etc. These costs are apparently usually overlooked. T.W. McRae, "Human resource accounting as a management tool", Journal of Accountancy, Aug. 1974, pp. 32-8; E. Whiting, "The economics of modes of employment", Personnel Review, Vol. 7, No. 1, Winter 1978, p.40.

for an employer if workers face high marginal tax rates on their earnings, simply because the incentive to work represented by the wage rate is reduced, as is the resulting "effort bargain". There is also the "poverty trap" phenomenon, in which employed workers within certain income ranges would actually receive less if their gross earnings increased. What response the employer would be inclined to take in such circumstances would depend on various circumstances to be considered later.

viii) Productivity costs. These are also indirect labour costs related to the job structure and composition of the work force. They are costs imposed by certain groups of workers being relatively unproductive or being perceived as such. Group-specific productivity may change in consequence of a change in the technical division of labour. The cost is the lost potential productivity implied in retaining such workers, and if that is greater than the cost of replacing them, substitution will tend to occur. It is difficult to assess this form of cost. But a couple of examples may highlight its relevance. If the job structure changed so as to put a premium on the possession of partial skills or the ability to sustain high levels of efficiency in narrow, intense jobs, older workers might become or be perceived as becoming relatively unproductive, making employers want to substitute younger workers. Similarly, if part-time work could permit higher labour intensity, employers would have a productivity cost from having to retain full-time workers, if they had to do so, above any overhead or other indirect costs. Finally, one productivity cost is pay for time not working, which may be greater for certain groups and therefore represent an avoidable cost.

ix) Adaptability costs. These are worth distinguishing from productivity costs, because those favouring deregulating hiring and firing mechanisms sometimes seem to be referring to worker adaptability purely and simply and sometimes to actual productivity differences. Certain groups may be as productive as others in certain jobs but be less adaptable to change, perhaps taking longer to adjust or perhaps being less willing to do so because of a greater feeling of "status frustration" if deskilling is involved. If so, an enterprise's flexibility in response to demand shifts, or

to industry-specific product and process innovations, may be more costly if it is composed of less adaptable workers.

Although this ninefold classification is broader than the conventional notion of non-wage costs, even on the narrower definition there is ample evidence to show that in recent years they have been as important as wage costs in industrialised countries and that they have been rising faster than wages. Thus, to give just one example, in the Federal Republic of Germany, the Confederation of German Employers' Association estimated that in manufacturing the ratio of non-wage costs to direct wages rose in 1983 to over 78 per cent.¹

The two indirect costs that have attracted most attention are fiscal costs and protection costs. On the first, there has been an extensive debate on whether cutting payroll taxes would increase employment. There has also been some support for altering the structure of payroll taxes so as to encourage the employment of certain groups (unskilled workers) relative to others. The OECD have tried to grapple with this issue, in terms of simulating revenue-neutral changes in the tax structure so as to cut payroll taxes. The main conclusions were that in the long-run such changes "would not have a permanently favourable impact on employment or unemployment" though "temporary employment gains might be achieved if payroll tax cuts are offset by personal income tax" but not "if value added taxes are used as an offset".² Their conclusions deserve to be treated with considerable reservation, as they acknowledged.

Perhaps the most controversial protection cost is that arising from lay-off or redundancy rules and regulations and payments which allegedly discourage hiring and, more likely, encourage the employment of temporary or part-time workers not entitled to such benefits. The evidence to support or refute these claims does not seem to be available. The ILO should be concerned to assess their validity, especially in the context of Convention No. 158. The outcome should determine what type of protective measures the ILO should encourage -- selective protective measures, as at present, or perhaps State subsidies to compensate for specific extra costs of certain

¹ ILO, Social and Labour Bulletin, No. 1, March 1985, p. 112.

² OECD, Tax Structure and Employment, Paris, CPE/WP1 (85) 3.

groups of workers, so as to neutralise any factors encouraging discrimination in employment decisions.

In general, it has been argued that rules and regulations governing the hiring and firing of workers have contributed to high unemployment. At first glance it might seem paradoxical to contend that regulations making it harder for employers to make workers unemployed raise unemployment. But the nub of the contention is that if an employer knew that if he had to cut employment the costs of doing so, or even the feasibility of doing so, would make it difficult, he would be reluctant to hire in the first place.

Many small-scale employers in Western Europe, in particular, have been complaining that protection costs have deterred them from expanding their workforces. This assertion has been translated into some implicit deregulation, epitomised by the cutback in the application of health and occupational safety standards.¹ The principal question is whether such protection costs affect the level of employment or the type of employment, or both.

b) Job structures

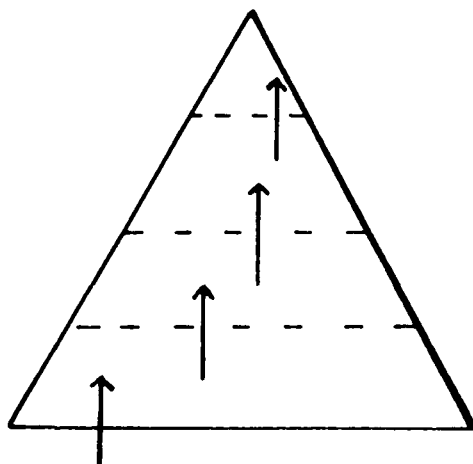
A key aspect of the work process is the nature of jobs and the technical division of labour. In what follows, we will present a model of the evolution of the job structure. It is emphasised that the model is an hypothesis and an "ideal type", designed to indicate general tendencies. The selected variables on which it concentrates are those most closely linked to themes associated with labour flexibility, and the four job structures are presented as principal variants.²

¹ For instance, at the time of writing (March 1986), I have just received a letter from the General, Municipal Boilermakers and Allied Trades Union in the UK informing me that between 1980 and 1984 there has been a 25 per cent fall in the number of health inspectors employed by the Health and Safety Executive. It appears that in the same period, despite the severe contraction of employment, especially in relatively dangerous manufacturing sectors, the long-term decline in accidents at work had been sharply reversed, so much so that "the rate of fatal and serious accidents in UK manufacturing and service industries rose by over 25 per cent". The Government was considering relaxing the health and safety laws because some employers were complaining about the burden of applying them.

² In what follows, a "job" is not the same as an "occupation". On the analytical distinctions, see G. Standing, *The Labour Process* (1985, mimeo), pp. 12-15.

If one begins with the traditional "craft" form of manufacturing, which is widespread in pre-industrial societies, the nature of the job could be described as "progressive" and "broad", whereby an apprentice enters at the bottom rung and learns a wide range of tasks as he progresses, learning the "mysteries" of the craft as he does so. For the most part, the 'port of entry' was at the lowest level, though in practice some auxiliary 'unskilled' workers would be appended to the craftworkers. One can depict the craft job structure quite simply, as in Fig. 1. The key features are that the work tasks are steadily learnt on-the-job, the main 'port of entry' is at the bottom and the job is 'progressive', in that 'skill' is a function of experience in the job, and 'broad' in that the worker learns a broad range of work tasks with such experience. In this system, the probability of advancement is high once the "apprenticeship" has been successfully served. This is indicated by the dotted lines separating job grades. The number of occupational grades is also fairly small, so that labour control mechanisms are direct and personal. There is also work task flexibility, those who become craftsmen being capable of performing various aspects of the production process. The model could apply equally to a small-scale manufacturer, such as a carpenter, as to an independent farmer, restaurateur or professional worker.

Fig. 1: Craft Job Structure (Closed system)



Note: Although the pyramid is drawn only schematically, the width of each rung is drawn to suggest the relative numbers in each job grade.

The craft job structure typically involves low indirect labour costs in some respects. Because of the associated small-scale nature of production, coordination costs tend to be low, motivation and productivity costs are minimal because of the progressive nature of jobs and the clear ladder of occupational mobility, while adaptability costs tend to be irrelevant because of the stable technological basis of small-scale craft production. However, training costs are or may be fairly high because of the progressive nature of jobs, and that may lead to high overhead costs, incurred as a means of discouraging labour turnover by workers with enterprise-specific knowledge and experience, and as a means of raising the costs to other employers tempted to "poach" trained workers. Finally, in economies in which labour regulations abound or in which there is a social security system, overhead costs, protection costs and fiscal costs could be particularly onerous, because with small-scale production the per-unit cost in each case would tend to be high and because in most traditional types of craft activity, including most service activities, labour productivity tends to be low with such undeveloped divisions of labour. In short, with typical craft job structures certain indirect labour costs can be onerous.

There are various ways by which those operating such job structures could reduce or avoid such costs, the most likely being to "informalise" the enterprise out of official existence, disappearing into "concealed employment". This is because the greatest indirect labour costs arise from the application of Government regulations and tax-benefit rules.

The second structure is the one that historically evolved from the craft model, which of course has also always coexisted with its antecedent. It can be called the Taylorist job structure, after its pioneering propagandist, Frederic Taylor. With the development of the technical division of labour, the growth of the factory system with its economies of scale, and the widespread adoption of "Fordism" and Taylorist control techniques, the predominant form of job structure was radically transformed and made internally less flexible. This is illustrated schematically by Figure 2, with the evolution tending to be from the model displayed in Fig. 2a to that of Fig. 2b. The triangular shape given to the enterprise here and elsewhere is for convenience only; in practice the largest number of workers might be "higher up" the enterprise, or there may be several large categories interspersed by smaller strata. As before, dotted lines indicate a high probability of upward labour mobility; hard horizontal lines indicate low or zero probability of moving from a lower to a higher job category.

In the 'more flexible' phase of the Taylorist job structure, there are separate ports of entry for each stratum and possible internal labour mobility, though only within each stratum of related jobs. In the 'more rigid' phase, there are more ports of entry and greater stratification, with most jobs being both "static", in that on-the-job advancement and skill acquisition are restricted, and "narrow" in that the degree of specialisation is much greater than in craft jobs or in the flexible phase of the Taylorist system. Jobs tend to be split by more than in terms of supervisory control, because the critical distinction in the Taylorist model is the separation of conception and execution, making acquisition of knowledge of the whole production process virtually impossible. Another feature is that because 'skill' acquisition on-the-job is limited, labour turnover costs are less in the rigid phase, making resort to the labour market greater. This has implications for the type of worker hired and the type of payment system preferred, issues to which we will return. Given the emphasis on efficiency and coordination, the growth of such structures also entails a growth of

Figure 2: Open, Integrated Job Structure (Taylorist System)

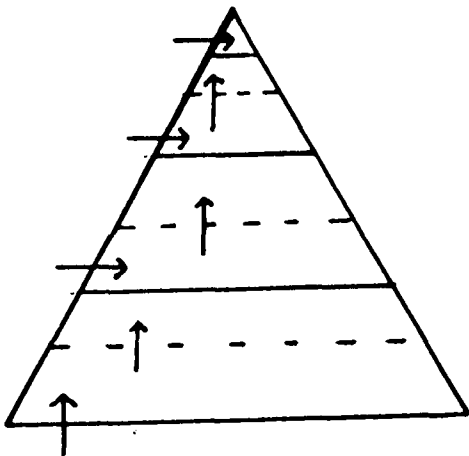


Fig. 2a: Flexible Phase

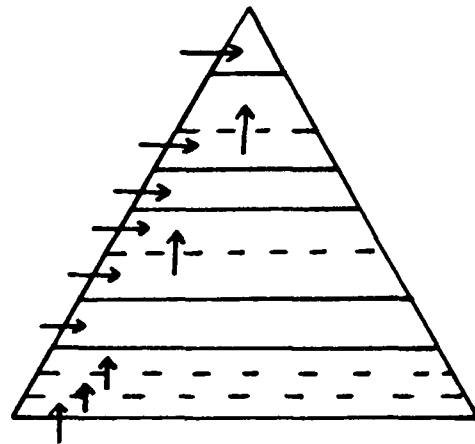


Fig. 2b: Rigid Phase

intermediary supervisory strata, such as middle management, foremen and supervisors.¹ Their existence is a token to the costs of a rigid job structure.

What of the indirect labour costs of the Taylorist job structure? Because of its rigidity, coordination costs tend to be quite substantial, epitomised by the proliferation of middle-management and supervisory jobs, which because of their role in the control system have to be relatively well paid so that they identify with the company rather than the workforce. Overhead costs may be high or low, depending on the impact of collective bargaining or the degree of "paternalism" exercised by management. Commonly, overhead costs are high because they represent a means of reducing motivation costs that arise from a rigid job structure consisting of a highly stratified workforce with few prospects of upward job mobility.

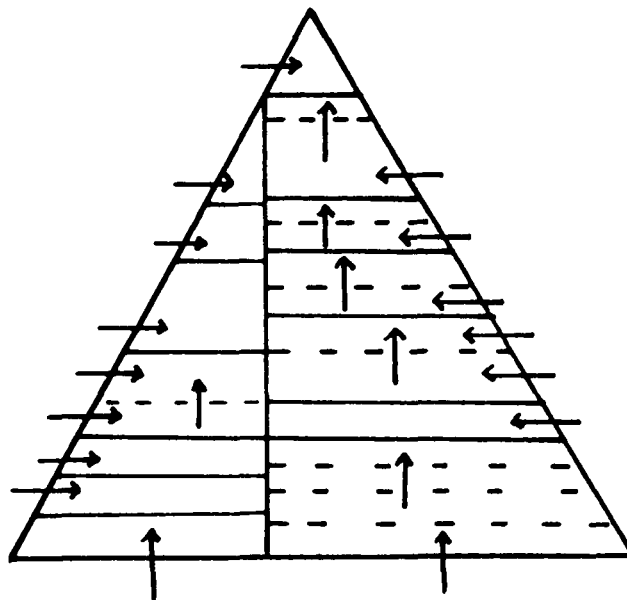
In job structures consisting of large numbers of workers in narrow, static jobs training and turnover costs tend to be low. The associated breakdown of craft jobs also tends to reduce direct labour costs through reducing the workers' bargaining strength, a point not lost on Frederic Taylor. Similarly, adaptability costs are not regarded as significant in such rigid job structures, since workers are not required to change jobs except perhaps within a very narrow range. Productivity costs are at least fairly predictable, so that they could be controlled. Finally, with large-scale Taylorist enterprises protection costs and fiscal costs would be unavoidable unless the State was particularly lax or corrupt. It is these indirect labour costs at which large-scale employers typically cavil.

The classic job model associated with "Taylorism" and "Fordism" could evolve in various ways. Two variants seem to epitomise actual developments. The first can be described as the open, fragmented job structure, typically

¹ Various attempts have been made to estimate the number and growth of intermediary control personnel. What is clear is that in much of the twentieth century, during the era when Taylorism and Fordism were at their height, the number of workers purely controlling production workers grew sharply as a proportion of all wage and salary earners. For alternative estimates in the USA, see T. Weisskopf, S. Bowles and D. Gordon, Beyond the Wasteland (New York, Doubleday, 1983); P. Adler and N. Bowers, On productivity, work intensity and supervision (mimeo, July 1984), pp. 5-8.

found in large corporations and bureaucracies, in which the technical division of labour has gone much further, to the point where the enterprise itself has become fragmented into essentially separate units, with little horizontal mobility across units and little vertical occupational mobility within compartments. Figure 3 presents a simplified version of this structure, drawn to show just two compartments. There are numerous job categories, the technical division of labour is pronounced and within very narrow task ranges there are "motivational" opportunities for "promotion". The inverted commas there are crucial, for the reality is that the appearance of promotion is largely unrelated to technical skill acquisition.

Fig. 3: Open, Fragmented Job Structure



This structure tends to be bureaucratic and rigid because it is very hierarchical, while control operated from the top must be hard to sustain without severe loss of efficiency. In effect, administrative control replaces executive control. A defining feature is that work rules are formalised and centralised, leaving little discretion to the layers of intermediary controllers that permeate the job structure. Centralised control is exercised over job categorisation, promotion procedures, discipline, wage scales, grades and definitions of responsibilities and rights. The existence of job ladders

and the high degree of labour force stratification mean avoidance of the appearance of excessive negative sanctions, which are depersonalised by being fixed by enterprise rules. Static jobs abound, but the bureaucratic principles of grading and related "positive incentives" give the impression of internal labour mobility that in itself is not essentially a function of technical ability. Social attributes replace technical skills in promotions, and this constitutes the essence of bureaucratic control.¹ Motivation through upward mobility has to be highly contrived and then maintained through rigid work rules and demarcation conventions. The structure tends to correspond to tightly organised enterprises in which seniority rights are sanctioned by collective bargaining or "best practice" labour relations. That means that when employment in the enterprise is stable or declining the number of people in static jobs without any prospect of advancement increases to the point of severely impairing productivity. As "careerless occupations" abound in such job structures, both employers and unions-workers have a short-term interest in the multiplication of income-differentiated job titles, to give the appearance of internal labour mobility. Just to give one example: in the 1970s, Polaroid apparently had over 2,000 job classifications for a little over 6,000 hourly-paid workers. But in the longer-term, such devices make it harder for process innovations to be introduced, because of resistance to "job" belittlement or disappearance.

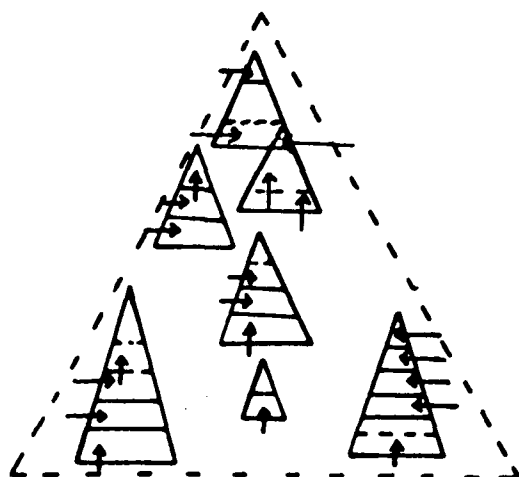
As the fragmented job structure is largely an extension of the basic Taylorist model, the mapping of indirect labour costs tends to be similar, except in some respects greater. Direct wage costs tend to be rigid, because to be effective security of tenure has to accompany bureaucratic control. Coordination costs are sure to be very high, and because of the fragmented nature of the work, with few units being responsible for productivity loss and with little opportunity for demonstrable efficiency, both motivation and productivity costs are likely to be substantial. Almost by definition, it is an inflexible and inefficient system.

Given the inefficiencies, rigidities and costs of fragmented bureaucratic enterprises, a fourth more flexible job structure has been spreading, though it too is based on a highly developed technical division of labour and a high

¹ The scope for "patron-client" behaviour is enormous, with lower graded workers showing due deference to superiors as the means of securing upward mobility.

ratio of static to progressive jobs. It could be called a federal job structure. The principal novel feature is that the integration of the enterprise is loosened, as shown in Figure 4, so that there is either a core to which a series of satellite units are umbilically tied or the core shrinks into little more than a coordinating unit. Most units are themselves highly flexible as entities, perhaps periodically growing or dissolving and being reformed. This means that the core enterprise often ceases to be a large-scale employer in a formal sense. It splits off many activities, either to separate companies within the enterprise or to component suppliers, as sub-contractors. This creates new layers of "employers" and "self-employed" who bear much of the risk and uncertainty of production, while the core

Fig 4 Federal Job Structure



enterprise dispenses with many of its middle-management and supervisory workers.¹ This structure is suited to periods of unstable economic growth, labour surplus and acute market competition. It is also ideally suited to eras of rapid technological change, both in product and work organisation modes.

The federal job structure is in some respects a "marriage" of other job structure modes. To the extent that there is internal restructuring of enterprises, there is a shift from a unified organisational structure to one consisting of "companies within companies", some with craft-type structures,

¹ For instance, globally Goodyear shed 33 per cent of its managerial personnel in 10 years. Financial Times, Feb. 23, 1986, p. 10.

others retaining Taylorist principles. The role of technology cannot be minimised in this process, but "technological determinism" should be avoided. Clearly, new process and product innovations made feasible by micro-electronics and "information technology" increase the range of organisational choice. But other factors, including bargaining power and indirect labour costs, will determine which options are chosen and refined.

It is clear that new technologies and the rapidity of technological change, and its international diffusion, have been reducing the significance of mass production and some economies of scale; small batch production has become more economic because of machine and system flexibility, associated with so-called CAD (Computer automated design), CAM (Computer automated manufacturing) and CIM (Computer integrated manufacturing) systems. These offer the possibility of reducing coordination costs, making the emergence of federal job structures more feasible. Besides "companies within companies", some observers have depicted the demise of large corporate head offices. And to reflect key changes new terms are fast emerging such as "distance working", -- whereby groups, units or individuals are not concentrated in one integrated workplace but are scattered over a large area, flexibly linked by information technology -- and "intrapreneurship", whereby units are organisationally and spatially separated from other segments, flourishing or declining according to the success of the product or function for which they are responsible. This is facilitated by the enhanced managerial control that can be exercised with the new technology.

A correlate of this trend is business specialisation, with more companies evolving into groupings concentrating on specific products, markets or services. Whether these are autonomous or dependent on a large enterprise as sub-contractors, they imply greater enterprise flexibility. High labour turnover in federal job structures is likely, reflecting the emergence of units to take account of certain niches which then disappear or evolve with technological change or as new products or processes take over. A federal structure is also likely to have a relatively large number of ports of entry with mostly static jobs, that might be open to workers in other units but which are likely to be filled from outside the enterprise from the labour market. Internal labour mobility may be limited by the fragmented form of production and by the limited opportunity for workers in one satellite to learn the technical skills in another or to acquire the contacts or status needed to broaden their jobs. However, specific units will flourish and

acquire a greater share of the surplus/profits, implying that income mobility is feasible, albeit at the cost of income, job and employment insecurity.

The federal job structure does enable the 'core' enterprise to avoid or reduce at least some indirect labour costs. Previously high coordination costs would have been a deterrent to such systems. But they have been reduced by advances in information technology. Coordination costs, overhead costs, protection costs and turnover costs can be reduced by the use of sub-contractors, outworkers and other workers who are not full-time regular employees, while training costs may be relatively small if workers for specific jobs can be acquired from the labour market. As for motivation costs, they are likely to fall relative to Taylorist or fragmented job structures, because the sense of belonging to a small, self-contained unit is likely to induce a revival of what Wright Mills called the 'craft ethic' and sense of 'commitment'.

There are signs that federal job structures are spreading, and major Japanese enterprises in particular seem to have structures that resemble the federal model. In many industrialising economies, multinational and local 'formal' (established) enterprises seem to have resorted to something like this model, which has the advantage of shifting some risks of production from the core firm to sub-contractors and other outworkers, as well as avoiding overhead and protection costs.

However, it would be unwise at this stage to conclude that federal job structures are becoming predominant or anything like it, although there is no doubt they have been spreading in both manufacturing and service-based production.

c) Job structures and payment system flexibility

The payment system, the form by which workers are paid, is likely to evolve in accordance with the job structure, if employers have their way. The underlying hypothesis of what follows is that payment systems are becoming more flexible, bringing with them more income insecurity for workers. In many economies, competitive pressure from lower-cost producers, whether in the NICs or elsewhere, and chronic labour surplus conditions have contributed to the trend towards more flexible payment systems. They have also led to trade-offs between income security and other forms of labour security.

With the craft job structure, the typical form of payment is piece work, with increments or bonuses based on age or experience to reflect the progressive nature of jobs. With Taylorist job structures, time-and-motion principles have typically coincided with rigidly applied job work payment systems. In consequence, unions have fought tenaciously to preserve job titles. With fragmented job structures, time-based wages and salaries typically predominate, partly because of the difficulty of measuring productivity and individual contributions, and partly because the pace of work is controlled by formal procedures or machines. But with time-based payments, workers can "soldier" or otherwise work with low effort intensity, raising productivity costs. By contrast, with federal job structures there tends to be a shift to productivity and other bonuses as part of the total payment, adding incentives and encouraging greater work intensity. This trend has been greatly strengthened by the more competitive international environment in the 1980s and by the example set by Japanese enterprises.

Here is not the place to go into the payment flexibility issues in any detail. But three trends are worth highlighting. The first is the bypassing or abolition of minimum wage regulations and other statutory wage agreements, either through legislative reform, non-implementation of laws or through the use of work arrangements that escape their jurisdiction, such as homework and sub-contracting. The criticism of minimum wage regulations has grown not only because they are supposed to prevent labour markets from 'clearing' but because those firms applying minimum wages are, or claim to be, undercut by those using indirect forms of labour and by imports from low-wage countries.

Second, the shift towards indirect forms of labour use has allowed real wages to fall more generally, partly because if wage workers press for higher wages enterprises will be induced to resort to temporary, part-time or self-employed (sub-contract) workers. It has also reduced total labour costs because of the avoidance of overhead and other indirect costs. That in itself has given wage systems greater flexibility, along with more income insecurity for those involved.

Third, there is a strengthening of a trend towards "two-tier" or "multiple-tier" wage structures, which may be phases in the transition towards a totally deregulated, essentially individualistic wage system. Typically, new recruits are paid at a lower rate than unionised workers. The link between the job structure and the introduction of a two-tier wage structure is likely to be strong, with those preferred for narrow static jobs being "secondary workers" paid wages that are insufficient to maintain a family and

few fringe benefits. To the extent that the number in such jobs in 'precarious employment' is growing, ultimately labour flexibility could mean the demise of the 'family wage' for all but a privileged elite.

That latter point stems from the apparent divergence in income security corresponding to changes in the work process and labour process. The 'core-periphery' distinction is an over-simplification that has gained popularity in the literature on labour flexibility. In reality, labour surplus, competitive pressures from low cost producers and changing job structures have been accentuating labour force fragmentation. Many groups have experienced a relative shift from "indirect" payments to money incomes, reflecting employer efforts to cut indirect labour costs and/or the growth of static jobs. Sometimes "fringe benefits" have been converted into money incomes, but more often work groups not having access to them are being expanded and replacing those who have such benefits. For a minority of workers in progressive jobs in 'core' enterprises, rising productivity and profits have meant a rapid growth in total income, of which a growing proportion has consisted of bonuses and fringe benefits, rewarding and encouraging loyalty while avoiding high rates of income tax. As such, their salaries, which seem to have been growing in most countries relative to the average wage as well as in real terms, are increasingly understating their full incomes. Correspondingly, they are gaining in income security. In effect, while the incomes of this minority are growing, the changes are leading to wider income disparities within the labour process¹.

With so-called "core" workers in progressive jobs, fringe benefits are incentives to keep them attached to the enterprises, for which they have a value that, at least until a certain age, rises with on-the-job experience.² Conversely, for workers in static jobs such benefits are essentially overhead labour costs that have little or no return to the enterprise, since labour turnover costs are low for such jobs.

¹ Coincidentally or not, this divergence corresponds to one tenet of 'supply-side' economics -- that high-income earners need incentives to increase their supposedly high-productivity work, while lower-income earners need cuts in benefits to make them more flexible, by inducing them to lower their 'reservation wages' and work more.

² As a general tendency, the higher the technical 'skill' of the occupation the higher the age at which earnings peak, reflecting the progressive nature of the job.

In recent years, there has been a relative shift to the use of bonus systems instead of part of the money wage.¹ When geared to profits and productivity, bonuses are a flexible form of payment, but they also tend to widen income differentials while, almost definitionally, increasing income insecurity. The model commonly cited is the Japanese payment system as operated in 'core' enterprises. That is highly flexible, since worker incomes are adjusted three times a year. There is the "Spring offensive", when national wage levels are negotiated, then there is a round of enterprise wage settlements, and later bonus entitlements are determined. In return for income flexibility, which in an economy with rapid economic growth has usually merely meant fluctuations in the rate of increase in wages, 'core' workers have had employment security, though less than is implied by the term 'lifetime employment'.² But another trade-off has been between employment security and job insecurity.

In fact, in many countries, competitive pressures and labour surplus conditions have given employers the opportunity to make the work process more flexible by means of a series of trade-offs between different forms of labour security and employer control. There have been five principal trade-offs.

- i) Wage cuts for employment security. There has been some employer reassertion of control over worker income determination, by which the payment system has been made more flexible, reducing income security in return for some increase in employment security. In the USA, for example, there have been cases of "concession bargaining" in unionised industries, where cuts in real or money wages have been

¹ Bonus systems have become fashionable for executives as well as for workers. Thus, in the USA average increases in executive salaries have declined, but bonuses have been growing. For example, in 1985 senior executive salaries rose by 7.6% on average, while total compensation rose by 10.7%. In 1975 salary made up 60% of the pay of chief executives of large companies; by 1985 it had dropped to 50%. The Wall Street Journal, March 6 1986.

² It also seems that, unlike most European and North American corporations, in Japanese enterprises shareholders are usually given secondary priority, precedence being given to employment security for the core workforce over dividends. It seems the 'lifetime employment' is usually only a moral undertaking by employers, and only extends to the age of 55. In the one recent period of economic stagnation, many such workers were made redundant or transferred to lower-level jobs.

accepted by union negotiators in return for enhanced employment security. There and elsewhere there have also been moves away from collective industry-wide payment systems to enterprise-level bargains, typically under pressure from management taking advantage of union weakness and the fear of unemployment. The trend towards 'company unions' and the shift to unit-level and individual wage bargains also represent greater employer control over wages and greater payment flexibility, and often these changes have been introduced in return for extra pay or enhanced employment security.¹

- ii) Wage rises for payment flexibility. A second trade-off has consisted of collective agreements giving one-off wage rises in return for 'flexibilising' the payment system. In some manufacturing industries, the desire of employers to shift to bonus-based payments stemmed in part from the ineffectiveness of older piece-work systems and the drawbacks of time-based wages.

To give an example, in the 1970s, in car firms in the UK, piece work was replaced by measured day work with control over the workforce being exercised by industrial engineers -- the "time-and-motion men" -- combined with tighter managerial supervision, achieved by the use of more foremen and the dismissal of shop stewards, who had given workers job security and some control over work schedules. In the change to measured day work, the workers' work flexibility was reduced, the employer's increased. However, measured day work was still an inflexible system.² So, in most companies (Peugeot, Jaguar, Austin Rover), management's next move was to install a dual piecework, self-

¹ Incidentally, those trends may not increase macro-wage flexibility, as is commonly assumed by those advocating greater wage flexibility. Adjusting a whole series of unit or individual bargains in response to exogenous shocks to the economy may be a much more protracted process than where a centralised collective bargaining process can lead to speedy adjustments. Similarly, wage indexation, widely condemned as a labour market rigidity, may be a mechanism increasing macro-wage flexibility. In Belgium, for instance, petrol price cuts immediately translate into a general cut in money wages.

² As one union official put it, "Under piecework, there was no problem of flexibility. Stewards would pull in workers from anywhere to make sure the job was done". Financial Times, Feb. 11, 1986.

financing incentive scheme, relating earnings to effort, with bonuses of about 20 per cent of total pay. Since its introduction work intensity has increased, the income system is more flexible, and that has enabled management to make changes in the job structure, notably by cutting down on 'control workers' such as foremen, thus saving in indirect labour costs.

- iii) Pay rises for work flexibility. This has usually consisted of a formal concession of control by unions and/or workers over work arrangements. Another British example is typical of such agreements. In March 1986, the print unions accepted a pay deal that allowed companies, for the first time, to arrange hours of work and working time to suit fluctuations in seasonal and customer demands. This removed one critical form of worker autonomy, control over part of their work time. It also reflected the decreasing craft nature of the job structure in the industry.

More generally, enterprises have been moving to secure control over 'work flexibility', often to increase capacity utilisation of plant and machinery, and to increase work intensity so as to increase productivity. One approach has been the rearrangement of shifts, another has been the creation of annual hours' contracts, whereby workers work longer during periods of peak demand. It is notable that work flexibility for workers has fallen from favour among employers. As one management text recently put it, "Flexitime provides for employee controlled flexibility -- organisations in the 1980s will require such flexibility to operate more in the interests of the business."¹ In short, the trend seems to be workers conceding work flexibility in return for pay or, possibly, employment security. This has led to expressions of concern from leading trades unionists.²

¹ C. Brewster and S. Connock, Industrial Relations: Cost-effective Strategies (London, Hutchinson, 1985).

² For instance, Mr. Norman Willis, general secretary of the British Trades Union Congress, commented on March 4, 1986, "The concept in management circles is now "human resources management" -- seeking to secure commitment and flexibility from employees in exchange for relatively high pay and job security. This is far too fashionable." He went on to cite US and Japanese companies that, like IBM, wanted to get company loyalty and no unions.

(iv) Pay for job flexibility. A related trade off consists of wage rises or payments granted in return for employers gaining greater control over job flexibility, a change amounting to an acceptance by workers of greater job insecurity. Besides the Japanese seniority payment system, which is linked to job flexibility, the classic type of agreement has been the removal of demarcation rules, in themselves a legacy of craft job structures and also long used as a motivational device, since in Taylorist job structures the multiplication of job categories and grades gave scope for income mobility, so reducing motivation costs (in an era when fear of job loss did not do so). It has been argued that the dissolution of job demarcations is a critical productivity breakthrough sought by companies in the 1980s; by amalgamating job grades and work tasks into broad job categories, employers will increase job flexibility. This is in contrast to the situation characterised by Taylorist job structures, where employers tend to secure productivity deals by relating pay to performance in tightly-defined jobs, an approach that militates against job flexibility.

An example of pay conceded in return for job flexibility is the printing pay agreement mentioned earlier, which stipulates that there shall be no demarcation within or between jobs in warehousing, bookbinding, print finishing, stationery, carton conversion and printing departments. Henceforth, workers may be required to do jobs in any of those areas. One implication of such flexibility is that adaptability costs, as defined earlier, will tend to rise. But productivity costs may fall, in that a narrowing of jobs (an advance in the technical division of labour, with a smaller range of work tasks in any job) could be achieved without necessarily leading to falling productivity in the absence of tight supervision or machine control. The reason is that workers could be shifted from job to job to offset any negative productivity and motivation costs of monotony.

Another example is the 1984 agreement between the unions and British Shipbuilders which was designed to enhance job-task flexibility among "semi-skilled" workers and which stated,

"It is agreed that composite groups shall be formed within which there will be complete interchangeability and flexibility in order to eliminate waiting time and enable the group to undertake the entire range of tasks required to complete the job".¹

One implication of such agreements is that they effectively reduce the number of workers required, because the employers need a smaller reserve to cover for absenteeism and fluctuating work requirements.

The UK car industry is also relevant in this respect. A 1984 agreement in Vauxhall (General Motors) gave workers an additional payment to gain acceptance of flexibility between trades, which extended to their having to man tracks hit by any "wildcat" strikes deemed to be unconstitutional. That is just one of numerous instances of greater flexibility being a euphemism for greater control.

- (v) Pay for employment insecurity. The fifth form of trade off has been pay in return for loss of employment security. This has been an aspect of some collective agreements of the concession bargaining kind. An example was a 1985 agreement between Heinz UK and the unions called the Most Productive Operator programme, by which the company agreed to new investments only when the unions accepted widespread redundancies. In return for cooperation with the planned employment cuts, which ran counter to earlier agreements, each worker was given a small lump sum payment; temporary workers were excluded.² This amounts to paying for employment insecurity. In some cases, it has also existed where employees are only hired for a short period so as not to qualify for redundancy or lay-off payments. What such arrangements imply is greater income and employment insecurity, whatever their possible impact on employment expansion.

- (vi) Employment insecurity for work security. The sixth trade-off hardly deserves to be regarded as such, though formally there are gains and

¹ "British Shipbuilders' pay and flexibility package", IRS Pay and Benefits Bulletin, 107, March 1984.

² M.J. Heinz Co. Ltd., A Secure Future or a Slow Death? (London, GLC, 1986), p. 23.

losses for both employers and workers. It encompasses issues that are the focus of the next section, and can be summarised as worker control over work in return for income and employment insecurity. With an apparent shift from direct employment in large enterprises to self-employment and small-business employment, sub-contracting, homework, networking and so on, workers typically gain some autonomy in the timing and organisation of work. But many of those involved are the genuine "periphery" of the labour force, having intermittent work opportunities, few benefit entitlements, income insecurity and little opportunity to upgrade or update their "skills". Certainly they gain in autonomy, but at what cost?

We have mentioned six forms of flexibility trade-offs, only the sixth being usually outside the sphere of negotiated change. There are others that might have been mentioned, and it may be that more concessions have involved little or no quid pro quo, especially in those industrialising economies where collective bargaining is weak or non-existent. We should not prejudge the issue. But a tentative conclusion of this sub-section is that flexible work process relations are evolving even in unionised enterprises, and that unions have been making concessions in the direction of most forms of labour flexibility.

d) "Skill": Flexibility or Polarisation?

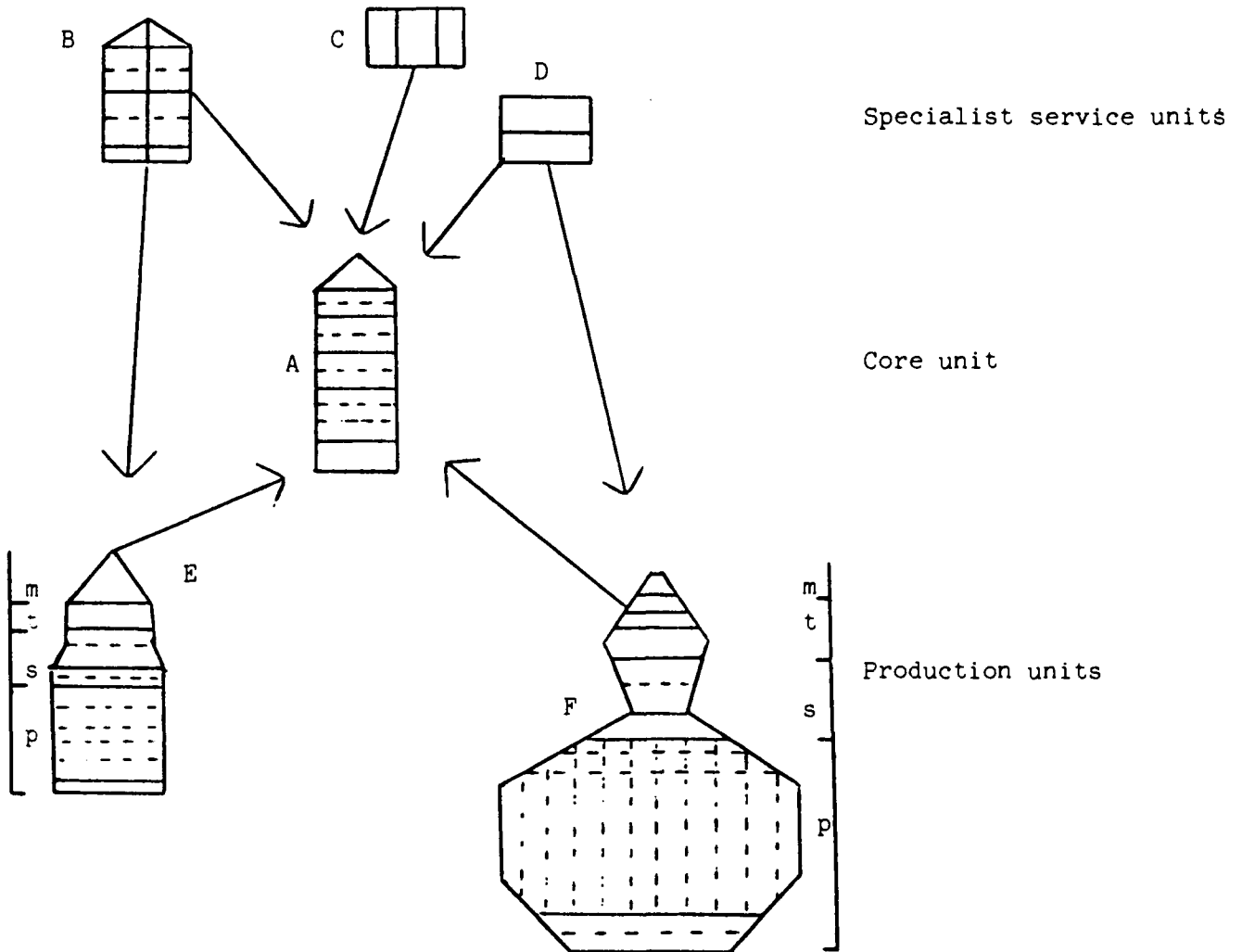
It is commonly asserted that workers will need more "flexible skills" for the emerging job structures. This has been taken by some to mean that workers will be more skilled, in terms of the range and depth of work tasks they can undertake. It is far from clear that this will be the case, just as it is far from clear that we are entering the era of "flexible specialists," as some believe.¹

There is a basic difficulty with attempts to assess whether developments in the technical division of labour are inducing skill upgrading, as the OECD report on labour market flexibility believes, or "deskilling" or "skill

¹ M.J. Piore and C.F. Sabel, The Second Industrial Divide (New York, Basic Books Inc., 1984).

polarisation". The difficulty is that the notion of skill is vague and multidimensional. To some, it refers simply to technical ability, measured by the normal duration of training and experience required; this is the craft notion of skill. For others, skill is rather more to do with personal autonomy, and for others it is a reflection of status and the position of control in the production process. Here is not the place for a detailed discussion.¹ But we can hypothesise some general tendencies associated with changes in the job structure and employment pattern.

Figure 5: Hypothetical "Skill" Trends



¹ For one attempt to come to grips with the notion, see G. Standing, A Labour Force Status approach to Labour Statistics, Population and Employment Working Paper No. 139, August 1983, pp. 14-21.

If we return to the fragmented and federal job structure models, what reassertion of managerial control, technological change and "job flexibility/insecurity" suggest as the possible shape of things to come is illustrated schematically and very simply in Figure 5. The diagram is designed to illustrate principal tendencies, and for ease of exposition arrows indicating labour mobility and ports of entry to employment are omitted. The figure is drawn to conform to what might be a core-periphery federal structure, in which A is the core enterprise, the three boxes above A being what could be called "service function specialist firms", and the two below A being variants of "production units". These highlight the hypothesised trends in "skill", with each rung in the respective ladder representing a higher grade.

Each of the units is drawn to indicate possible permutations of the basic skill structures, with each rung in the respective job ladders representing a higher level of 'skill' as defined by status and incomes. As the "core" unit, A may be an assembly plant or it may be the organisation centre or the headquarters in which Research and Development is carried out. For simplicity's sake, it is drawn to show a mixture of static and progressive jobs, with some internal mobility between skill grades.

The three specialist service units are various possible types of firm or labour supply. Unit B might be a design firm providing a range of linked services as a package. Such units would have their own internal job structure, with some segmentation. Unit C might be a specialist consultancy group; here it is drawn to consist of three separate specialists who might form a firm to reduce costs or market risks or to pool income. Unit D might be a small family firm consisting perhaps of an accountant and a secretary. Workers in all three types of specialist service units are likely to be fairly narrowly specialised in their technical skills. And in reality the more service functions are sub-contracted from core enterprises the more narrowly specialised such specialists are likely to become.

The two production units may be component suppliers to the core enterprise (which incidentally, may also have job structures like those shown in E or F if it were a production unit in all or part).¹ Unit E is drawn to indicate roughly equal numbers of workers in all the production jobs,

¹ Note that the production may be of goods or services.

delineated by the area covered by p. There are two main groups. The bottom stratum consists of the technically least skilled and lowest status jobs. The cluster of jobs above the heavy line are what is commonly called "semi-skilled", with mobility between narrowly defined grades being commonplace, as befits a structure in which the range of work tasks of most production jobs is sufficiently small to allow speedy "retraining" if the employer's need requires relocation. A new vogue term for such workers is "craftician". Above the p job strata come the supervisory layers, marked by s in fig. 5. Workers in such jobs tend to be classified as skilled largely by virtue of their status as controllers. Above them come the technical specialist workers, skilled by technical competence, schooling or training and probably skilled by status definition. Finally at the pinnacle come higher-level management, who are highly skilled in the status and autonomy senses of the notion and probably in the technical sense as well.

So much for the basic components. Units E and F have been presented to indicate a likely long-term trend, the hypothesis being that growing work process flexibility will be associated with the shift of production unit job structures from E to F. First of all, as a result of automation and the spread of robotic technology one can assume a vast reduction of technically unskilled jobs, as indicated by the shorter width of the bottom stratum in F. Above them the large, wide stratum consists of manual 'flexiworkers', expected to be transferable between jobs but within very narrow ranges of work tasks.¹ The dotted vertical and horizontal lines indicate that, while there may be some differences in skill levels most of the job flexibility will consist of lateral movement; some movement will actually be downward in terms of the technical skill required to carry out the tasks of specific jobs. There may be a multiplication of job titles, but it seems far more likely that job grades will be amalgamated to create large occupational categories, the title of which might convey the impression that the technical skill content is broader and more progressive than the reality in which the task range of any particular job would be quite limited.²

To return to our hypothesised transition from E-type to F-type structures, above the semi-skilled production operators there is a shrinkage

¹ This is the vision of minimal modules of transferable skill, surely a classic misnomer.

² Indeed, with flexible manufacturing systems (FMS), many job transfers are likely to require no training or little more than "orientation training".

of supervisory and 'middle-management' employees. This does seem to correspond to actual trends. A cut in intermediary layers of controllers has been a widely observed feature of growing labour flexibility, the reasons for which deserve detailed study. It seems to have come partly as a reaction to Taylorist direct control systems, partly because wage incentive systems can be used to increase work intensity, partly because new systems of 'teamwork' can be used to instil peer-group and technical pressures on production workers to be productive, partly because enterprises want to reduce indirect labour costs, and partly because direct involvement by higher-level management in communicating with the workforce is deemed a desirable way of diffusing potential labour unrest. As an aspect of labour flexibility, the apparent reversal of a long-term growth of intermediary control workers deserves to be examined rather systematically. If the decline were correct and widespread across sectors and countries, it could imply a reduction in the numbers having largely status-related "skilled" jobs.

Finally, unit F is drawn to suggest that there are more technical specialist grades, denoted by t, above the 'supervisory' layers. These may be regular employees in the unit, as suggested for convenience in the diagram, or they may be brought in on an ad hoc basis, as implied by the link between the specialist service units and the production units. The latter seems to be the major trend. In any event, what the diagram suggests is that if there is anything like a transition from E to F there will be a polarisation of skills -- with (i) narrow specialist workers in relatively independent labour statuses, having high levels of skill in terms of technique, status and autonomy; (ii) managerial workers having broad jobs with high skill in terms of status, autonomy and perhaps technique; (iii) technical and professional workers having broad jobs in hierarchical job structures (e.g., as in units A and F) with high skill in terms of technique and, perhaps, status, but low in terms of autonomy; (iv) intermediary control workers having fairly high levels of skill in terms of status, perhaps much less in terms of technique or autonomy; (v) manual workers with flexible technical skills, with little autonomy or high status;¹ and (vi) flexi-skill workers, a mass group

¹ Some analysts have identified three directions for "craft flexibility", where either a "core" skill remains, with appreciation of other skills, or where the workers develop a dual skill consisting of proficiency in two disciplines, or where craftsmen develop multi-skills of a wide-ranging variety. S. Connock, "Workforce flexibility: Juggling time and task", Personnel Management, October 1985. p. 36.

expected to move between narrow, static jobs, in the senses defined earlier. Arguably, some of this last group will be 'more skilled' than traditional unskilled production workers, but for many more, the narrow range of work tasks could imply a lower level of skill in terms of technique, status and autonomy.

In short, it is surely far too simplistic to link growing labour flexibility to either "deskilling" or "skill upgrading". The actual developments will no doubt differ from the schema presented in this section. But a polarisation perspective is surely closer to reality.

e) Work Process tendencies: A summary

Although it is hard to pinpoint the main aspects of flexibility within the work process, it may be useful to summarise the principal hypothesised tendencies:

- i) A shift in the direction of federal job structures;
- ii) A shift from progressive to static jobs;
- iii) A growth of job insecurity, coinciding with a narrowing of content of specific jobs and flexible, perhaps temporary, mobility between such jobs;
- iv) A reduction of technical on-the-job training and formal apprenticeships, making "skill" acquisition more institutional, off-the-job;
- v) Coincident with (i) to (iv), a shift by enterprises to more reliance on the labour market, with employed workers having greater employment and income insecurity;
- vi) A relative shift from job security to employment security for workers in large (core) enterprises, even though both have been reduced;
- vii) A decline of large corporate head offices;
- viii) A polarisation of "skill", with more narrow specialists and more 'semi-skilled' or 'flexiskilled' workers;
- ix) A shift to the use of temporary workers without employment or job security alongside a core of workers with growing employment security;
- x) A growth of "distance working" and other indirect systems of labour use, based on centralised coordination of functions, often through computerised information technology;
- xi) A shift from rigid to flexible payment systems, notably through greater reliance on bonuses and profit/revenue sharing schemes.

No doubt there are other related trends. Yet taken together they represent a fairly radical set of changes in the work process. They apply as much to 'service sector' industries as to manufacturing, and many of the changes - or options for change - are as relevant for industrialising economies as for industrialised societies. Indeed, they may turn out not only to have been accelerated by pressures emanating from the latter, but to contribute to further changes in the international division of labour.

V. Labour Process Flexibility

Mirroring changes in the organisation of employment and the technical division of labour, changes in the social relations of production have been affecting the ways by which people are inserted in the production process. The labour process refers to the manner in which groups are related, in terms of work activity, labour and status and control over aspects of production.

In this section, one theme is that the labour process in low-income 'developing' countries is becoming far more flexible, in the context of the early phases of industrialisation, the continuing erosion of 'feudal' and peasant forms of agriculture, and external pressures to deregulate labour markets as part of "stabilisation programmes" and to attract foreign investment.

A second theme is that the labour process in industrialised or 'post-industrial' countries has also become more flexible, in perhaps surprisingly similar ways. In both industrialising and industrialised countries, one finds a shift towards producers having multiple labour statuses, multiple activities and being subject to multiple forms of labour control. Precarious forms of employment appear to be growing in both, quantitatively and in the role in the production process. In sum, we can depict labour flexibility in terms of a growth of job insecurity, work insecurity, employment insecurity and, most of all, income insecurity. The single most visible aspect of labour process flexibility is the growth and redistribution of open unemployment.

a) Labour process flexibility in industrialising countries

It is sometimes assumed that the labour process in low-income countries is inherently flexible. The lack of labour regulations, or their ineffective application, might suggest that. But the reality is more complex. Not only are many features of pre-industrial societies 'rigidities' by any sense of the term -- caste barriers, feudal and 'patronage' relations of agricultural production, religious dictates, etc -- but the introduction of regulations to create labour flexibility has been fairly widespread, as in the case of Export Processing Zones.

A reasonable hypothesis is that in many low-income, industrialising economies, labour process flexibility is growing. Perhaps the most conspicuous feature of a flexible phase of any labour process is the growth of producers in dual or multiple labour statuses, whether at any one time or in some alternating sequence. Instead of, for instance, landlords confronting peasants, or employers hiring regular full-time wage workers, or plantations having a bonded or paternally-dependent permanent workforce, growing numbers become part-peasant, part-time wage worker, or part-time "own account", part-time estate worker. Large-scale enterprises also tend to use "floating" labour reserve, hiring large numbers of workers for what is anticipated to be a few months, or two or three years, with the expectation that, perhaps despite contractual appearances to the contrary, after that amount of time they will revert to some other activity status. The forms of labour control and exploitation to which such flexi-workers are subject deserve detailed research, since they are particularly vulnerable and are unlikely to be well protected by most formal regulations. A very considerable difficulty is that the type of data needed to analyse such labour statuses is simply not available. One reason is that the concepts as used for conventional census and labour force surveys are essentially designed for 'rigid' labour status categories. In the absence of appropriate concepts and data it is difficult to know what are the appropriate protective measures or which forms of labour flexibility should be encouraged and which prevented.

Rather than analyse the forms of labour process flexibility in 'developing' countries, the following merely indicates the principal types of worker or work arrangement. In each case those involved have considerable income insecurity, job insecurity, employment insecurity and work insecurity. And in each case participation in a relatively 'informal' productive activity

is essential to partially compensate for the insecurities and exploitation in the more 'formal' activity.

- (i) Migratory Labourers. These are the classic form of floating labour reserve, often taking a regular route, either moving seasonally to do harvest work in one place, construction work in another, and so on. 'Tramping' as a way of social existence is the ultimate form of labour flexibility.

- (ii) Labour circulants. These are different from migratory labourers in several respects. First, they have a fixed point of residence. Second, they are likely to do different types of work when away than what they do when at 'home'. And third, they are likely to have a greater degree of income security, since they tend to combine domestic production --typically small-scale peasant-type farming-- with seasonal or longer-term wage labour. Labour circulants have been widely used as a cheap source of labour, because they are paid on the supposition that they are subsidised by their domestic production, usually operated by family members. However, although the use of labour circulants allows employers to avoid overhead and some other indirect labour costs, labour circulation is a vulnerable form of labour flexibility, because it tends to undermine the productive capacity of the relatively 'informal' activity.¹

- iii) Labour contract workers. There is overlap between these and the preceding categories. But it is analytically useful to separate them, because the essential characteristic of this group is that they are dependent on "middle-men", who hire workers out to employers, usually in workgangs. Commonly, there is a debt bondage relation between the sub-contractors and the workers; this leads not only to highly exploitative labour but to high levels of

¹ Labour circulation seems to have grown enormously, both quantitatively and in its significance for industrial growth in low-income countries. Arguably, it has been a critical factor in securing low labour which costs in industrialising economies, indirectly contributes to the changing international division of labour. But at what cost to the individuals, families and communities involved? Some observers believe labour circulation is a desirable and beneficial form of labour flexibility, others that it is part of a process of impoverishment. Although it is difficult to generalise, for an exploratory review of the issues and evidence, see G. Standing (ed.), Labour circulation and the labour process (London, Croom Helm, 1984).

flexibility, with workers being deployed when and where needed and for wages that might fluctuate daily or even hourly. For employers, overhead and other indirect labour costs are minimal, because the payment made to the middle-men not only covers the "coordination costs" but is usually at the expense of the workers' wage rates. Classic examples of such flexible arrangements are the boias frias in Brazil and the enganche system in Peru.

- iv) Outworkers. Here we have a form of worker prevalent in all early phases of industrialisation. For employers, such workers have both advantages and disadvantages. Clearly, most indirect labour costs are avoided, and labour flexibility is assured by the fact that work is only done and paid for when needed. But the costs, perhaps, include loss of control over the quality, quantity and type of production, and loss of economies of scale that would arise if production were concentrated in one place. However, in many cases the overriding advantage is that the the payment system can be highly flexible, and very low rates of pay are usual for such isolated and unprotected workers.

For those involved in outwork, insecurity of income and employment is considerable. And typically the only insurance against total impoverishment is reliance on complementary economic activities, by either themselves or other family workers. Outworkers also tend to face high "technological risk", since they typically have to develop their skills, without employers having to incur "training costs", and have to possess equipment, which can easily be made obsolete in eras of rapid technological change. Thus, outworkers represent a flexible and risk-reducing form of labour status for enterprises in times of industrial change.

- v) Sub-contractors. This is one component of the nebulous 'informal sector', which incidentally is a misleading notion altogether since it covers far too many disparate phenomena, and is almost meaningless in the context of federal job structures. Contrary to some opinions, it seems that something like what we have dubbed the federal job structure has been growing quite rapidly in many industrialising economies, and this has been associated with many

corporations turning to the use of sub-contractors as a means of lowering labour costs. In many cases, anecdotal evidence suggests, sub-contractors are really 'indirect employees'.¹

But there are various forms of sub-contractors, some of whom are in relatively autonomous units, others in extremely vulnerable positions, surviving by combining a wide range of activities and liable to high levels of income and employment insecurity.

- vi) Employed labour reserves. To compensate for high labour turnover, absenteeism and fluctuating demand, and to give enterprises a degree of 'job flexibility', many firms in industrialising areas seem to create a category of labour reserve workers, typically put on the payroll but only paid when required to do any work. Perhaps paid a small retainer, though probably not, they have to be readily available at almost any time. The extent of such practices is completely unknown. Nor is it fully clear what 'functions' such workers are supposed to fulfil, let alone the consequences for the workers themselves, those 'threatened' by their presence, and those who presumably support them in times of 'employed inactivity'. But there is some evidence to suggest that a considerable number of workers are put into this category. One study estimated that such workers -- 'badli' labour -- accounted for 20 per cent of the workforce in the Bombay textile industry. They have also been common in other industrial areas, often being recruited on a "probationary" or "apprentice" basis, the probationary period being used as a means of sifting out those most likely to become committed workers providing high "effort bargains". How can such workers be protected?

Although there are other forms of flexible labour status groups in 'developing' countries, these six categories seem to be the main forms. In summary, labour process flexibility actually grows during early phases of

¹ When working in Malaysia in 1982, I organised an establishment survey of employment relations. I recall going to a furniture 'factory', in what was really a large house, with about 30 workers in various rooms. I asked the 'owner' how many employees he had. The answer was 2; the remainder were 'sub-contractors'. Indirect labour costs were, as to be expected, minimal.

industrialisation. This is shown by the growth of labour circulation, where the rural poor go to cities, plantations, mines, or other areas of temporary wage employment and are subsidised by "household" or "communal" production in their villages. It is also shown by the existence of labour gangs hired out on a piece work basis or left to tend tiny plots whenever wage labour is not required. It is also shown by so-called semi-feudal relations of production, whereby groups of workers are hired seasonally or casually to do wage labour and obliged to pay produce or cash rent on a dependent plot on which they have to produce their subsistence. And it is shown by the use of "employed labour reserves" in factories, whereby workers are put on the nominal payroll of the company but only paid when "stop-gap" work is required, the remainder of their time having to be spent in such a way that they are readily available if needed. Collectively, these various practices provide a low-cost labour supply, and their existence has contributed to industrialisation and the changing international division of labour.

b) "Post-industrial" labour process flexibility

In industrialised economies, labour process flexibility is developing so fast that the latter part of the twentieth century could be called the era of deproletarianisation. Those who occupy regular full-time wage jobs in manufacturing are a rapidly shrinking minority. What are growing in relative numbers are those who do not fit the conventional proletarian mould. Exactly what forms of labour status are emerging should be the subject of a detailed research project. But the main categories seem to be the following:

- i) Subcontract unit workers. Those in small businesses or family firms who do not work for a wage or salary but who are in a dependent relation to one or several large enterprises, typically paid on a piece-rate or job-work basis.
- ii) Self-employed independents. Those who supply goods or services to the consumer market. Their income and employment security is much less tied to the performance and needs of a large core enterprise than subcontract unit workers. Evidence from various countries suggests that this group has been expanding and that income insecurity is intense.

- iii) Casual workers. Hired to avoid overhead costs but hired on a continuous basis. These are essentially an employed labour reserve, perhaps paid a retainer but usually only paid for the specific hours or piece work they are required to do. This category includes such bizarre creations as "permanent temporaries", a category of worker established in certain major enterprises.

- iv) Temporary workers. Hired through intermediaries, so that they have formal contracts, usually with an agency or contractor. In the UK, for example, this category has been growing at about 11 per cent a year for the past five years, and has also become a sizeable category in other European countries. There is even evidence that some unions have reached agreements with employers to act as labour brokers, supplying temporary workers rather than have the employer rely on agencies to do so.² In the United States of America, about 700,000 jobs are filled by temporaries, a number which has apparently been growing by a remarkable 20 per cent annually in the 1980s.¹ As noted earlier, this type of worker has also been prominent, in slightly different forms, in many low-income countries, often being highly exploited through labour contractors.

- v) Homeworkers. Those who operate from their home as dependent workers, away from the employer's premises. Such workers are highly exploitable, tend to be paid very low wages, have no trade union protection and can be easily laid off. As a category, they are likely to expand because information technology means that work can be monitored more easily and controlled from a central office without the need for managerial control.

- vi) Networkers. Those who increasingly are replacing salaried "white collar" workers and who operate on a self-employed basis, often on individualised contracts as "consultants". There has been a trend towards the use of "executive workers" as white-collar homeworkers, and towards the creation of networks of specialist workers used on a

¹ International Herald Tribune, Oct. 28, 1985, p. 13.

² The Economist, June 29, 1985.

contract basis by an enterprise whenever needed, thereby saving the costs of salary payment for non-productive time arising in full-time employment.¹ With new technology, such networking increases the employer's ability to keep track of the networker's work output, so adding to managerial control while providing for a flexible labour input.

- vii) Unpaid (family) workers. A concomitant of the increased role of small-scale production units, networkers and homeworkers. Many of these workers will also have other labour statuses, such as part-time wage employment.
- viii) Concealed workers. Those who for tax avoidance or social security reasons work for income illegally. Estimates of the number in this category vary enormously, from about 2 per cent of the working population to about 15 per cent. But for obvious reasons identifying them is extremely difficult. For employers, use of such workers by employers has definite cost advantages, including the avoidance of national insurance and pension contributions. As such, concealed employment could be called perverse labour flexibility. In reality, the authorities would be somewhat hypocritical if they condemned all those indulging in concealed employment. There are many who would receive less from any revealed employment than they could get from being completely unemployed, and for others extra revealed work could actually reduce their net income or leave it so little changed that there is no incentive to do it. Concealed workers should be divided into distinctive sub-categories, corresponding to (i) those who also have revealed work, (ii) those who do non-wage forms of concealed employment and (iii) those who are hired as concealed wage workers, often only on condition that their employment is concealed from the authorities.

Each of these eight categories of non-regular wage labour represents a flexible labour supply, which enterprises can tap when and how they wish. How numerically important are these groups? What are the reasons for the apparent growth of each of them? What are the implications for income distribution? And what are the implications for the social security system? This set of

¹ Rank Xerox was an early leader in this practice. J. Child, "New technology and development in management organisation", Omega, Vol. 12, No. 3, 1984, p. 218.

issues should surely be the focus of a research project, perhaps entitled "peripheral employment", or "precarious employment".

Within each of the eight categories and within the regularly employed workforce, one could make distinctions on the basis of labour input. Much has been made of the growth of "part-time" workers, a concept subject to rather arbitrary definitions, made the more so by work-time reductions among many groups of "full-time" workers. Nevertheless, any relative and absolute growth in the use of casual, "part-time" or indirect labour in place of regular "full-time" workers will reflect the relative costs and benefits of each category. Regular core workers will be most valued if the jobs are progressive in character and if the labour market is tight. To get them and retain them, employers will be prepared to pay a range of non-wage labour costs. But if the jobs become relatively static and the labour market slack, then such costs will yield little or no benefit and will be regarded as unnecessary "rigidities" that discourage employment. In those circumstances, employers will have cost reasons for substituting part-time for full-time (protected) workers and casual for quasi-permanent workers. A labour force that can be expanded or contracted in response to local or temporary fluctuations in demand conditions, or fluctuations in the availability or cost of labour power, is ideal for employers. But there are three principal types of auxiliary part-time workers that an enterprise could want:

- i) Short-time workers. Those required to work on a part-time basis because of demand-induced reasons. There may be particular groups of workers who are expected to bear the brunt of any cutback in production due to plant breakdown, repairs, shortage of raw materials or demand cutbacks. In other words, the probability of being put on short-time may be very high for some groups of workers, and very low for most others.
- ii) Shift workers - those working relatively short work weeks because of the use of multiple shift systems and/or because the intensity of the work reduces labour productivity after a fairly short time span. The need to maximise capacity utilisation is one factor in the use of part-timers. Another is the narrow, static character of the jobs that makes part-timers as productive if not more so, than full-time workers.
- iii) Split-job workers. Those sharing jobs, typically by consent on a equal-work, equal-income basis. In some countries, Government

schemes have been launched to boost this practice, the critical inducement seeming to be a subsidy to employers to cover overhead costs that jobsplitting tends to raise. So far, jobsharing has not proved very popular, though it does seem to be growing where overhead costs are low.

In sum, there are productivity reasons and cost reasons for the substitution of part-time and casual workers (each category encompassing more than the other and only overlapping to a certain extent). Labour overhead costs are clearly a detriment to the employment of regular, full-time workers. But they are not automatic deterrents, their being so depending on the nature of the job structure, and ultimately the technical division of labour and state of the labour market.

(c) The social division of labour

If labour processes and work processes are becoming more flexible, there are various implications for the distribution of work opportunities and the social division of labour. In that regard, three forms of work redistribution are outstanding - though they are by no means the only shifts to be expected. The underlying supposition is that growing labour flexibility leads to the marginalisation of some groups, the fragmentation of the labour force and the demise or non-appearance of a secure "labour aristocracy" of the working class. The mass unemployment in many parts of the world has contributed to changing patterns of employment by making it easier to displace more entrenched groups of workers and to introduce cost-avoiding forms of more flexible labour. Ultimately, it is important to see changes in the social division of labour as social in origin, not technological or the outcome of inherent 'natural' abilities of one group or another.

So, the three most general trends are the following:

- i) Sexual redivision of labour. With the gradual shift from direct full-time employment and progressive jobs to employment based more on part-time workers, casual labour, outworkers, homeworkers, many of whom are in static jobs, there has been an apparent substitution of women workers for men, or a growth of jobs taken by women alongside a declining number of jobs traditionally occupied by men.

There is ample evidence to show that such substitution has been occurring, both in industrialising and industrialised countries, though some observers believe the trend will be arrested or reversed as a result of new technologies. One factor in the substitution of women for men is that 'service function jobs', even within manufacturing industries, have been growing relative to 'production jobs'. This substitution is unlikely to be reversed.

It is still a remarkable fact that, unlike the situation in previous eras of rising unemployment, women have not been eased out of employment. In many countries, including 'developing countries', female labour force participation has continued to rise in spite of chronically high unemployment.¹ In some, the traditional pattern of a higher female unemployment rate has been reversed, in others a traditionally large differential has been narrowed.

Such trends seem to reflect the shrinkage of male-dominated progressive jobs and the growth of precarious forms of employment. Where there is little or no economic return for employers to workers' on-the-job continuity the relative costs of female workers becomes fairly decisive, since they generally receive lower wages, for various reasons accept a higher 'effort bargain' in low-status jobs, and being so often in 'peripheral' work statuses involve the enterprise in fewer indirect labour costs.²

With the increasingly fast international diffusion of productive techniques and the growing international integration of industrial production, women have been recruited as 'flexible' production workers all over the world. This is most conspicuous in Export Processing Zones in the so-called NICs. But it is still unclear whether such tendencies will continue. The trend could depend on whether it is true that there is a long-term fragmentation of jobs -- with the two polar groups of the manual jobs spectrum shrinking ('craft-jobs' and 'heavy manual labour' jobs) and the middle group of "semi-skilled", narrow jobs growing. It is the latter type of job that women workers have been taking. Whether the

¹ R. Anker and C. Hein, Sex inequalities in urban employment in the Third World (London, Macmillan, 1986).

² This was found in a survey on Jamaica, G. Standing, Unemployment and Female Labour (London, Macmillan, 1981); see also Anker and Hein, 1986, *on.cit.*

job structure trends exist needs to be considered more carefully, but in a sense there appears to have been a substitution of 'cheap' female labour in industrialising countries for male workers in industrialised countries.

- ii) Older worker marginalisation. There is evidence that labour process and work process flexibility are contributing to the displacement of older workers, mostly men, aged 50 and over. Some evidence and the underlying causes are considered in a companion paper.¹ The shift from progressive to static jobs, the spread of federal job structures and the growing participation of women in part-time and non-regular forms of employment, have raised the cost to employers of seniority systems and such time-honoured practices as LIFO (last in, first out). The institutionalisation of such practices through collective bargaining has been undermined by the weakening of union involvement in the labour process.

Perhaps the main problem for older workers is that the decline of regular, full-time "career" jobs means that more and more workers are expected to be job-flexible and to change their jobs periodically (if not their employment). This corresponds, in part, to the high labour turnover implicit in both fragmented job structure enterprises and, more importantly, in federal enterprises. But as age is used as a criterion for recruitment as well as for employer-preferred dismissal, reentry to employment becomes harder with age. Moreover, the age at which job reentry or job retention becomes harder seems to be getting younger.² A celebrated, if extreme, case was when a Japanese firm invited its, mainly female, production workers at its assembly plant in Wales to take early retirement at the age of 35. Many other cases have arisen where workers have been "retired" at 50 or 55. A consequence of this trend has been that the incidence of unemployment, properly measured, has shifted to older age groups, and seems destined to continue to do so as work process flexibility grows. "Early retirement" policies are far from the answer.

¹ G. Standing, "Labour flexibility and older workers: the need for a new strategy", International Labour Review, forthcoming.

² ILO, Older Workers, Report to the 65th International Labour Conference, Geneva, 1979, p. 14.

Indirect labour costs, so critical to the growth of labour flexibility, are particularly important in the steady displacement of older workers in "formal employment". Thus, coordination costs in some kinds of jobs may be greater with an older workforce, if the work becomes more intense or monotonous, for example, or if jobs become narrower so that older "craft-oriented" workers feel "deskilled". Similarly, if job content changes more regularly, it is the older workers who are likely to feel the greatest "status frustration" effect, which implies higher motivation costs. Productivity costs may also be higher for older workers, if there is some decline in productivity with age. Older workers, rightly or wrongly, are also likely to be perceived as relatively unadaptable. More generally, if the enterprise's employment is stagnant or declining, opportunities for younger workers for job and income advancement will be blocked¹. Employers could introduce productivity or other bonuses as motivational devices, or institute contrived grading procedures, to compensate for what has become known as "plateau-ing". But the more likely policy for employers is to pay the cost of securing greater turnover through early retirement schemes, so opening up opportunities for younger workers. Finally, protection costs tend to be particularly high, as in the case of measures required to shield older workers from certain types of work or "unsocial hours".

In short, with the spread of more "informal" types of employment relation, there are reasons to suppose that growing labour flexibility will result in the steady displacement of older workers unless countervailing measures can be devised.

- iii) Youth and labour flexibility. Despite the chronically high youth unemployment in many parts of the world, growing labour flexibility has in some respects encouraged a shift to the use of youth workers. Teenagers have comprised almost the entire workforce of

¹ One issue here is that the ageing of the working population, and growing life-expectancy, means that as previous "baby-boom" generations age in their jobs younger cohorts will be blocked. One official Japanese study estimated that whereas in 1983 about nine out of ten technically qualified employees in large companies could expect to rise to management positions, by the year 2000 only one in four could expect to do so if job structures remained as in 1980.

production workers in Export Processing Zones in industrialising countries, not only because they can be paid low wages but because employers perceive them as flexible and adaptable. They are easily switched between jobs, require little more than 'orientation training' to do the static, narrow jobs involved and can be easily laid-off when not needed. But the practice of using only youths in production jobs seems to be spreading to manufacturing/assembly plants in industrialised countries. To give an example: recently, an advertisement was published on behalf of Brother Industries, the largest typewriter manufacturer in the world, which has been setting up plants in European countries. It reported that its entire production workforce consisted of teenagers aged 16 to 19. It went on to laud their flexibility:

"Teenage record breakers. Teenage Welsh girls at the new Brother Industries Wrexham factory are challenging the Japanese experts with their record levels of production.

Currently, local girls aged from 16 to 19 are achieving the production level of their counterparts at the Brother headquarters at Nagoya, Japan.

Not even the Brother factories at Taiwan and Korea have managed such an impressive rate. The Wrexham girls are now turning out a machine at the rate of one every 58 seconds. Brother is immensely proud of the Wrexham team and says it proves what a British workforce can do when highly motivated.

Or as joint general manager Malcolm Newman puts it: "The kids are great. We hire girls because they have the manual dexterity and aptitude for fine assembly work. They are very keen and most of our recruitment now is by word of mouth."

Some of the secrets of success:

- Music is used instead of hooters or bells to mark tea and lunch breaks. It also marks the progress of work along the assembly line. It is speeded up only if the girls agree to lift production rates.
- Each group has its production target for the day displayed on a screen. Alongside, a counter ticks up each completed part so that they know from minute to minute how they are progressing.
- Competitions between groups stimulate quality assurance.
- From time to time the girls' roles are changed within the group to avoid boredom."¹

That is one scenario. Of course, a key factor in the employment of young

¹ Financial Times advertisement, Feb. 4, 1986, p.9.

workers is cost. It has been widely argued that high youth unemployment in most industrialised countries has been due to the high wages of youth relative to adults, which have been artificially raised by minimum wage legislation. The literature on this topic is voluminous, controversial, and hard to summarise. Even though there is evidence in some industrialised countries that youth unemployment relative to that of other groups rose in the 1980s despite falls in their relative wages, one could still no doubt reconcile that with the theoretical proposition that relative wages influence relative employment. Let us provisionally accept that theoretical proposition and move beyond that debate to more pertinent social questions. Let us also assume that real wage flexibility is growing, by virtue not only of deregulation but by growing labour process flexibility.

A number of questions immediately arise. With growing labour and work process flexibility, will relative wages become more or less important as a determinant of relative employment? If youth wages fall, will the extra jobs filled by them be of the sort conducive to "career development" or will they be mostly "peripheral", demeaning jobs that are as unproductive as the wage level would imply? And if the latter, what are the longer-term implications of such a low-wage culture? If cuts in youth wages were achieved, would that have a spillover effect on the wages of those groups with whom they are in direct competition for jobs? If so, would the wage differential be restored, leaving youths in no better a position?

If youth wages fell and if youths were used in precarious forms of employment, what would be the income security implications? In a highly flexible labour market in which there is chronic overall labour surplus and youth unemployment of 30 per cent or more, any measures that pushed down youth wages to anything like their "clearing level" would almost certainly imply either a degree of coercion and/or removal of the right to such social security payments needed to provide enough for their minimal basic needs, or hefty subsidies from the State and/or from relatives and friends. If it were left to the individual to survive, those without relatives, or without relatives who could help, would be in dire straits, marginalised at an age from which there would be little chance of labour force recovery. There is ample evidence of what is called elsewhere "scar effects" of early labour marginalisation. If the State provided a subsidy, that would raise questions about inter-group equity and the efficiency of subsidies as a means of

¹ G. Standing, Labour Force Participation and Development (Geneva, ILO, 1981, 2nd edition), Chapter five.

boosting employment rather than a mechanism that merely encouraged the displacement of members of one group by those of another. As some research suggests youths and women are "substitute labour" for many jobs, subsidies-- to the extent that they were successful in enabling youths to take jobs and reduce the wages in them -- would result in discrimination against women. Moreover, subsidies represent rigidities to the operation of a "free labour market".

In short, the interesting policy issues go beyond the question of whether relative wage flexibility has an effect on youth employment. They are vital social questions.

VI. Flexible Activity Strategies

To complement the preceding "demand-side" issues, we need to consider how individuals and "households" react to flexible labour and work processes, and how workstyles are changing. The obvious starting point is the changing norm for the household division of labour. In some industrialising and most industrialised economies, the cultural norm of a rigid sexual division of labour, consisting of a man in the labour force, the woman outside it, either never existed or is fast disappearing. With that change, no new norm has clearly predominated; much greater flexibility is apparent, with individual work patterns adjusting in response to relative opportunities and productivities and the costs of different activities.

In industrialised countries, it is common for legislation, tax regimes and the social security system to be geared to the traditional norm of a family consisting of a man working in regular full-time employment and a woman outside the labour force. Whether the growth of female part-time employment is partly due to institutional rigidities influencing labour supply patterns, such as the tax and benefit system, is unclear. But what does seem comparatively common is a pattern of the man working in full-time employment and the woman in a part-time job.

Yet that is certainly not a norm. There is evidence that a form of household dualism is emerging, in which some are multiple-earner households

while others are multiple-unemployed households.¹ Flexible labour processes may thus strengthen a particular type of rigidity by enlarging a disadvantaged group effectively cut off from the labour market. In some countries, one reason for this is that if a man is unemployed the household would lose financially (or gain very little) if the woman took a part-time job, because the couple would lose the right to certain benefits. In such circumstances, the options may be concealed employment, by one or both partners, or female inactivity.

Another development is looser household structures and the tendency for the labour market to encourage the growth of single-person or single-parent households. One factor here is the changing sexual distribution of employment opportunities. This has made women less dependent on men, and facilitated the break-up of households. Approval or disapproval of this trend is irrelevant. What are the labour market, employment and income distribution implications? Certainly this form of flexibility is associated with greater income insecurity for individuals. Anyone losing a job if the household consists of only one potential earner cannot rely on an "additional worker" effect to compensate. Conversely, because of growing work process flexibility (through, e.g., higher turnover because of static jobs in unstable units) and labour process flexibility (through, e.g., more workers being in peripheral, unprotected labour statuses), greater job and income insecurity encourage household dissolution. This is perhaps because fewer people have the prospect of being able to support a large household and are reluctant to take the risk of having to intermittently or regularly support unemployed or underemployed members.

Another phenomenon is what seems to be the growing prevalence of "petty capitalism" based on multiple labour statuses by household members. It may be a classic survival strategy in low-income economies, but now it is held out by some as a sign of things to come in post-industrial societies. An archetypal model consists of one person setting up as self employed, with income risk being partly covered by the wage labour of his or her partner. Another consists of each partner having multiple labour statuses, probably with one or more being "concealed". There is also the possibility of networks of

¹ See, e.g., R. Pahl, Divisions of Labour (Oxford, Blackwells, 1984).

households in such situations, essentially sharing capital, risk and market uncertainty.

How extensive are such strategies? How viable are they? Are there similarities between the type of petty capitalism that Sol Tax and Manning Nash identified in low-income communities and that supposedly emerging in "post-industrial" environments? One hypothesis is that to become viable they would require State intervention in the labour process to check their exploitation by "core" enterprises and to provide income security to cover risks, so as to facilitate long-term productive investment. Otherwise they would remain little more than unemployment-induced survival strategies, with continuingly high rates of failure and subsequent dependence on State transfers, as well as dissipation of capital, "skills" and social confidence. This is clearly an important area for future labour market research.

VII. A Fresh Start?

Consider the future. It is not too far fetched. Nor is it too far in the future. For a small minority, almost everywhere, work is a full-time activity. These are the elite of their professions, and highly-trained technicians. For them, it is inconceivable that work should be "part-time", for if it were they would soon drop behind their peers and lose the cutting edge of their powers. With rapid technological change and the spawning of fresh information, they could not afford to mix a little work and a lot of leisure. But because of the intensity of their knowledge-based work schedules they soon burn up their ambition and energy. For many, it is too tempting to drop out of the race in "mid-life", to take "early interruption". Later, perhaps following "retraining" or "relearning", they return to income-earning activities, but no longer belonging to that elite, high-earning group to which they formerly aspired. Thenceforth, they mix leisure and "informal" work, perhaps as consultants, perhaps in some more mundane form of employment. For them "retirement" is so flexible as to be a meaningless reference to a past norm.

So far, so rosy. We need have no pressing need to consider ways of preventing that lifestyle. But what of those outside that privileged minority? A "worst scenario" does not sound too attractive. The labour

process is highly "flexible", so that few people have the option of regular, reasonably paid full-time employment. Unemployment results in 10 per cent or more of the adult population being almost permanently cut off from anything but casual, temporary, low-paid and demeaning jobs. Another 10 per cent or so are cut off from the labour "market" through such unwished-for remedies as "early retirement". But beyond that sizable segment of the population, many more are in "flexible" precarious employment -- in part-time regular jobs that do not provide a good standard of living, in casual jobs that can be terminated at very short notice, in small-scale businesses with a high risk of collapse or in non-regular forms of "outwork", paid "homework" or "networking" arrangements. Others are in "flexi-jobs" that are subject to wide income fluctuations; they can be moved around from one job to another, and dare not object, not even by "soldiering", because work intensity is essentially machine-controlled. Certainly, they can take their grievances to their company union officials but it is unwise to do so, because those officials are keen to make the move from high-status worker to higher-status management in return for services rendered. Anyone complaining, in any case, would soon find his -- or more probably her -- short-term contract terminated or be frozen out of the next round of job opportunities.

Workers and management receive less than half their pay in wages or salaries. For executives, fringe benefits are worth double their salaries and performance bonuses vary from a token to huge amounts, much of that being shielded from tax by one means or another. Workers in regular wage employment are paid wages and fringe benefits that vary directly with their position of control, their technical training and unit size. They also use paid "revpay" or in some companies what is called "revshares". This consists of bonus payments that vary with perceived profits or with total revenue. Some workers do very well by revpay. Others are perplexed by the fact that management report low profits despite the company having increased its market share. Others simply do not get any revpay.

Those outside major enterprises worry about State benefits. The problem is twofold. There are a lot of people needing assistance. And the Finance Minister keeps complaining about the tax base. The "dependency burden" makes frightening arithmetic. On average, people enter the labour force at the age of 20, and on average (with wide fluctuations) take "early retirement" at 52, to live on average until the age of 80. Given that during the "active years"

the average person spends 15 per cent (that being the full-time equivalent rate of unemployment) of his or her time in unemployment, i.e. nearly five years, the average worker spends 27 years in tax-paying work and over 50 years outside the employed workforce. Actuarially speaking, this situation has caused problems. To increase labour flexibility portable pensions have long since been institutionalised, and various measures have been introduced to increase the overall savings ratio. But to pay for all sorts of transfers, direct and indirect taxes have had to be raised.

The trouble stems from income and payroll taxes, such as social security contributions from employers and employees. The latter have been attacked as a labour market rigidity that encouraged capital-labour substitution and impedes employment growth. So, the Finance Minister is reluctant to raise them to increase his tax revenue. He has looked to income tax and has almost wept in regretfully raising it yet again. If the lowest income groups are taxed any more they could not survive in work; and the more they are taxed the more they seem to disappear from the payrolls, though idle gossip suggests they reappear in the office or on the building site working for themselves. So the taxable income slips away at the bottom of the income-earning spectrum. This means average rates of tax have had to be raised for higher-income earners. Each time that is done there seems to be a shift of payments made to executives and "core" workers from wages and salaries to fringe benefits, which means that the tax base is further reduced. Moreover, high marginal tax rates seem to encourage highly skilled specialists to flexibly travel to work abroad. There is also suspicion that they lead to a widening of wage-salary differentials, with high-income earners receiving even higher incomes and other workers receiving lower revpay and wages that are held down "to increase employment".

The fiscal crisis is critical. People are unhappy. The Finance Minister is castigated and desperate. The tax base is shrinking, yet tax revenue is needed for State transfers, inter alia. But the demand for social security benefits is rising steeply. The option he prefers is to make benefits more selective -- to "target" them to those most in need and to increase the "means-tested" nature of benefits. But that course creates inflexible labour market problems, according to critics, since income-tested benefits create "poverty traps" and "unemployment traps". Many people have no incentive to work; others grumble. In any case, the shrinking tax revenue and rapidly

rising demand for benefits mean that the benefits have to be highly selective and the level of benefits pretty basic, not enough on which to survive with any comfort. People are not happy, not even the privileged elite, who object to high taxes and the threat of incipient public unrest. The police force is an expanding source of employment, as it has been since the 1950s. But many of the new recruits grumble about the way they have to earn their living.

The one good development is that import penetration has been arrested, because, costs of production have been cut, or so it is believed. Free trade has contributed to the cutting of wages relative to those in the twenty or so NICs. But the story of their labour flexibility is another, sadder story.

No. It cannot happen like that. What is needed is general income security for all, so that labour flexibility is encouraged on an equitable basis. A guaranteed social, or basic, income would make workers less reluctant to accept job and employment moves, and make it possible for workers to take part-time or low-paid casual jobs if they wished and to have a stronger bargaining position to hold out against highly exploitative wages. The full argument, and its feasibility, is discussed elsewhere.¹ But that is only one part of a two-part strategy to ensure flexibility with security. For it is also necessary to deal with other critical aspects of the horror scenario just conceived. There is growing inequality within the labour process -- with some groups gaining in income, employment security, job security and activity flexibility, while others lose in all or most respects -- and there is a motivational difficulty of stimulating wealth accumulation and economic growth. Here, flexible payment systems need to be devised that combine incentives to labour productivity and checks to the growth of income inequality, which otherwise will occur with labour flexibility. Profit sharing has been hailed by some economists as the flexible wage solution to "stagflation", guaranteed to return industrialised market economies to price stability and full employment.² For various reasons, stated elsewhere, that is an invalid claim, partly because of what has been dubbed the

¹ G. Standing, "Meshing labour flexibility with security", International Labour Review, forthcoming.

² M. Weitzman, The Share Economy (Cambridge, Mass., Harvard University Press, 1984).

"insider-outsider" problem. However, the income and job flexibility properties of a generalised revenue sharing system need to be carefully and thoroughly researched. While there is a powerful intellectual trend building up in favour of profit sharing under the label of "popular capitalism", such schemes seem appropriate mainly for major enterprises in which "profits" can be adequately estimated. They could not give income security to the majority of the population. What they may do is check the growth of intra-enterprise income inequality and provide the critical motivational device needed to accompany guaranteed social incomes as a fundamental citizenship right. That income guarantee will make it possible for people of all technical competences to spend more of their lives refining those competences in flexible activity patterns, for which social visionaries have long yearned. How to get there is the challenge.