

# The Precariat under Rentier Capitalism

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We are in the midst of a Global Transformation, analogous to Karl Polanyi's Great Transformation described in his seminal 1944 book. Whereas Polanyi's Transformation was about constructing national market systems, today's is about the painful construction of a global market system. To use Polanyi's term, the 'dis-embedded' phase has been dominated by an ideology of market liberalisation, commodification and privatisation, orchestrated by financial interests, as in his model. The similarities also extend to today's fundamental challenge, how to construct a 're-embedded' phase, with new systems of regulation, distribution and social protection.

Contrary to widespread claims, there has been no labour market *deregulation*, but rather state *re-regulation*. For instance, occupational self-regulation (largely ignored by mainstream labour economists) has been displaced by state regulation through complex systems of licensing, while labour market and social policy has shifted towards means-testing, behaviour-testing and workfare, directing the unemployed and others to do state-determined activities to obtain means-tested benefits. Any semblance of universalistic rights-based social policy has been in retreat almost everywhere.

Fostering globalisation in the context of the ongoing technological revolution has been favourable for economic growth globally. But governments and international bodies have signally failed to counter adverse distributional outcomes within countries.<sup>1</sup> Similarly, in advocating labour market flexibility, negligible attention has been given to the widespread economic insecurities this has generated.<sup>2</sup>

Meanwhile, the neo-liberal phase of globalisation has evolved into 'rentier capitalism', in which more and more income is going to those possessing physical, financial, or so-called intellectual property.<sup>3</sup> Rental income has been boosted by increased firm concentration in many economic sectors – epitomised by the rise of 'superstar firms' – and by government action, most notably the strengthening of intellectual property rights protection and the growth of the subsidy state, as governments have chosen to compete by throwing subsidies at large corporations and rich individuals. In so doing, they have regressively depleted public budgets.

One term to describe this conventional fiscal policy is *pluto-populism*, whereby tax cuts and subsidies are concentrated on so-called entrepreneurs and 'wealth creators' while state benefits and public services are cut for low-income groups, ostensibly to reduce the budget deficits that result from the fiscal generosity to the rentiers.

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<sup>1</sup> See the work of Branko Milanovic, in particular.

<sup>2</sup> During the 1980s and 1990s, this author repeatedly warned of the social and political consequences. See, for instance, G. Standing, *Global Labour Flexibility: Seeking Distributive Justice* (Harmondsworth: Macmillan, 1999). The orthodox approach was epitomised by the OECD and its flagship report, *The Jobs Study*, of 1995.

<sup>3</sup> G. Standing, *The Corruption of Capitalism: Why Rentiers Thrive and Work Does Not Pay* (London: Biteback, 2016).

Consequently, in most countries, the share of income going to capital has risen sharply and the share going to labour has plunged. Within the share going to capital, the share going to rentiers has risen; within the share going to labour, the share going to higher earners has risen.

If we wish to escape from the regressive economic paradigm, we must nurture a narrative and vocabulary that focuses on emerging socio-economic groups. In that regard, a global class structure has been taking shape, in which the new mass class is the ‘precariat’.

The precariat is defined in three dimensions. *First*, those in it are being pressured to accept a life of unstable, insecure labour, with casualisation now being extended by indirect labour relations in the ‘conciierge economy’, crowd labour and on-call contracts. Within the next decade, a majority of labour transactions may be of this type, with labour brokers and apps being ubiquitous.

But although many commentators claim the precariat is defined simply by insecure labour, more importantly, they lack an occupational identity or narrative, must do a growing amount of work-for-labour that is neither recognised statistically nor remunerated, and typically must do jobs below their education level.<sup>4</sup>

The *second* dimension is a distinctive ‘social income’. The precariat relies mostly on money wages, which have been falling in real terms while becoming more volatile and unpredictable. The precariat is also losing non-wage enterprise benefits (paid leave, medical leave, occupational pensions, etc.), which give labour-based security. Their loss means money incomes understate growing inequality.

To compound the insecurity, the precariat has lost rights-based state benefits, and has been hit by the drift towards means-tested, behaviour-tested benefits. The resultant poverty traps and what I have called ‘precarity traps’ are powerful disincentives to taking low-wage jobs. The precariat often faces what are in effect marginal tax rates of over 80%, which international bodies would deplore if applied to the salariat or elite.

The *third* dimension of the precariat is crucial. Those in it are losing all forms of rights – civil, cultural, social, economic and political.<sup>5</sup> They are reduced to being supplicants, obliged to please people to gain income or benefits and depending on bureaucrats to make discretionary judgements in their favour. This is humiliating and intensifies feelings of insecurity.

While these dimensions of the precariat are evident, we still lack the statistics required to analyse them adequately. Just as the crisis of the Great Transformation led to a revolution in labour statistics, so we need one now. We should start by reconceptualising work, escaping from the twentieth-century prejudice that only paid labour counts.

Similarly, labour regulations must be reformed to correspond to the emerging forms of labour relations, recruitment practices should be regulated, and the occupational regulation system must be overhauled, to strengthen the right to practise.

Since a large proportion of the precariat consists of migrants, a more mature debate is required on migration. It has been dominated by talk of walls and bans on benefits, and policy has

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<sup>4</sup> For an analysis, see G. Standing, *The Precariat: The New Dangerous Class* (London: Bloomsbury, 2011).

<sup>5</sup> See G. Standing, *A Precariat Charter: From Denizens to Citizens* (Bloomsbury, 2014).

evolved in regressive class-based directions. There is also a need to respond to the growth of labour export regimes. The OECD should take up these issues.

Most importantly, the twentieth-century income distribution system has broken down. Across the OECD, real wages have stagnated for three decades and are unlikely to rise much over the next decade, for technological and globalisation reasons. If so, the options are either to allow inequality to grow or to build a *new distribution system* that allocates income more equitably. The latter is not the same as devising a more *redistributive* fiscal policy. The new system should foster ecologically sustainable economic growth and give proper respect for free markets.

This perspective should lead to reconsideration of such emancipatory mechanisms as basic income and sovereign wealth funds, which should be attractive to governments, business folk, unions and the precariat in general. In short, the perspective should enable us to envisage the re-embedding phase of the Global Transformation.

Guy Standing is author of *The Precariat: The New Dangerous Class* (2011), *A Precariat Charter: From Denizens to Citizens* (2014), *The Corruption of Capitalism: Why Rentiers Thrive and Work Does Not Pay* (2016) and *Basic Income: And How We Can Make It Happen* (2017).