

Employment, inequality and social policy: some findings from the GUSTO project

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Inequality matters for two reasons. First, it can be associated with poverty at the low end of the income distribution. Second, since wealth can be translated into political influence, it can create imbalances in political power among different social groups that are incompatible with democracy. We see this latter problem in the growing influence of business lobbies in many parts of the world and in many areas of policy. Of relevance to us today is the shift of emphasis in European policy towards market-making, unaccompanied by the compensatory and balancing policies needed to protect us from the negative externalities of some aspects of the process. Many of these concern labour markets, where growing insecurity not only causes problems for many people's daily lives, but also intensifies further inequalities in economic rewards, producing a vicious spiral of mutually reinforcing economic and political inequalities.

Some years ago EU policymakers showed considerable enthusiasm for Danish and Dutch flexicurity achievements, which constructively combined labour-market flexibility with strong social policy. However, the scope for such approaches is undermined by the central thrust of the neoliberal EU policy frame, which argues for an overall reduction in the role of both social policy and social partners. The negative externalities of uncertainty, insecurity, anxiety and declining trust that markets can create cannot be resolved through markets themselves. Marketization therefore increases rather than reduces the need for public policy and public resources that offset these negative consequences without reducing the gains from improved markets.

This understanding was implicit in the Danish flexicurity concept. The weakening of employment protection legislation that it involved made the employment relationship a more purely market one. This may improve the efficiency of the labour market, but there is an externality in the anxiety concerning possible future job loss on behalf of workers and their families. Strong unemployment compensation seeks to resolve the externality by alleviating this anxiety. The cost of the compensation is borne by the public purse. Employers acquire greater freedom over hiring and firing, and the state in effect subsidizes this freedom by enabling workers more easily to bear the cost of that freedom. Firms then gain further from this in that confident workers are also likely to be confident consumers. If neoliberalism and marketization are considered to imply an overall reduction in government action and public spending, it becomes impossible for such trade-offs to be

made. Less often discussed in accounts of the Danish, and to a lesser extent Dutch, cases, is the role of social partner organizations, in particular trade unions. Individual Danish workers do not confront their managers without any employment protection, because the majority of them have recourse to union representation that can combat perceived unfairness. The ability of interests in the labour market – both employers and workers – to organize themselves runs counter to neoliberal doctrine, but it makes two important contributions.

First, it enables individual workers to develop trust that aspects of the employment and social policy system will not operate unfairly against them. It is very difficult for individuals to determine the trustworthiness of complex modern systems. Autonomous representation can help them with this.

Second, much research on collective bargaining has demonstrated that unions and employers behave most responsibly when they are organized across whole sectors, with links then appearing across sectors and (though rarely) across countries. This requires organizations with extensive reach and high membership levels.

Nothing in the conditions imposed on Greece and the other Eurozone countries in financial difficulties gave them incentives to move away from their inefficient social policy regimes towards approaches of this kind; in fact, they were required to move in the opposite direction, with no positive role at all being envisaged for social policy. Meanwhile, the need for measures to improve citizens' trust and reduce their insecurity grows, as they confront major economic challenges in societies that are becoming increasingly unequal, protecting rich and powerful elites from the burdens being faced by the great majority.

Emerging initially from GUSTO's work on pensions policies but eventually of general importance was the finding that policy or regulative uncertainty further undermines the trust that our research found to be important in enabling people to make voluntary labour market transitions in the interests of efficiency. People need to have confidence that a social policy arrangement, a labour market institution, a collective bargaining outcome or a managerial practice on which they depend when making their calculations about the future will endure for more than a short period. This will be especially true of people in middle and lower levels of the labour market, who are faced with major problems of how to gain the knowledge that they need to convert uncertainty into calculable risk.

Enhancing capabilities

This leads us to take further the approach of the Commission's Supiot Report¹, which became neglected in later European policy developments.

¹ Supiot, A., *Au-delà de l'emploi: transformation du travail et devenir du droit du travail en Europe: rapport pour la Commission des Communautés Européennes* (Brussels, 1998)

Supiot, and recent contributions by Günther Schmid², make use of Amartya Sen's concept of capabilities³. This directs our attention not just to the capabilities with which an individual is endowed or equipped, but also to those stemming from the environment of institutions and conventions within which (s)he operates. In practice, this draws attention to the following policy possibilities.

- Employment creation policies need to return to the concept of 'good' jobs and the institutions necessary to lead to an improvement of job quality across Europe, as an alternative to a strategy of 'racing to the bottom' in jobs and working conditions. This does not mean an attempted return to the standard full-time employment contract, but it does mean providing stability for nonstandard forms, for example: ensuring that part-time jobs (fundamental to flexibility and to women's labour-force participation) have rights and stability; avoiding temporary jobs, but structuring temporary agency employment so that it provides rather than undermines individual workers' security; ensuring that out-sourcing is accompanied by skill upgrading in the sub-contracting firms. Without these changes nonstandard work is associated with low productivity and social exclusion; with them, it can provide new forms of balance between flexibility and security.

- If rights to *job* security must decline in the interests of flexibility, there has to be a compensating improvement in *employment* security, as made explicit in the original flexicurity concept. Supiot, looking ahead to the growth of non-standard work going beyond the concept of employment, spoke of the need to consider rights as members of the labour force, requiring, for example, enforceable rights to training, a decent work-life balance, decent working conditions, and participation in discourse about these issues. This need to move away from the job or even from employee status as the locus of rights implies a move counter to the current trend for firms and other employing organizations to be regarded as the space within which workers gain any entitlements they have, as an aspect of corporate human resource management. This implies a return to public policy and the role of social partner and civil society organizations. In Schmid's words, there need to be 'stepping stones for navigating the life course', group instead of individual employability measures, and the establishment of learning communities through social pacts or covenants.

- These arguments must also apply to persons with 'multiple barriers' to employment, who otherwise risk becoming a marginalized group subject only

² Schmid, G. *The Future of Employment Relations: Goodbye 'Flexicurity' – Welcome back Transitional Labour Markets?* (Amsterdam, 2010)

³ Sen, A., 'Human Rights and Capabilities', *Journal of Human Development* 2005, 6, 2: pp.151-66.

to workfare measures that do little to help them become useful members of the work force. Policy and services need to respond to the multiple nature of their difficulties, and structural financing and implementation to meet their needs must be integrated in mainstream policies.

- Recognition that uncertainty is more difficult to bear, the lower one's income, that uncertainty can be reduced through knowledge, and that knowledge sources need to be trustworthy, draws attention to the role that advisory institutions play in easing acceptance of uncertainty. This happens at all points of change and transition (such as negotiation of new contracts, moving to new and especially remotely located jobs, switching from employment to self-employment). Public employment services can play this role, but when these (whether privatized or not) are working to job placement targets, they may lose the right to be trusted. Members of the work force need organizations that unambiguously represent their interests in such relationships, and who can act as interlocutors in discourse. This is logically the role of trade unions, but they often have difficulties performing it. This is partly because in many countries they are present in only parts of occupational structure and are denied rights by many employers, partly because their historical tasks and expertise have been limited to bargaining over wages and conditions, and partly because they are not often equipped to represent workers who are not in standard employment contracts. Measures are needed that would enable unions to overcome these obstacles and become general advisors to members of the labour force on issues affecting all work transitions and issues.

- The economist's concept of a labour market has no boundaries or spatial location; but this is not the case with a labour market set within an environment where discussion and negotiation take place, and in which workers have rights that they can effectively claim. Such environments are still today primarily provided by national political communities. Not only governments themselves, but also representative associations exist primarily at this level. This is becoming inadequate in a global economy, when, say, French workers' rights can be undermined by the lack of rights in China. Workers are today increasingly caught between a national level that is unable to guarantee the rights and institutional viability it offers and a global level that is too remote to offer them anything. The construction of a European level of rights and institutions can serve as an important bridge here, and that is often how the EU is perceived. But recently it has served more as a channel for globalizing forces destroying national institutions than for the erection of European ones. This has been seen most clearly in decisions on bargaining rights by the European Court of Justice. There has to be a return to the earlier process of constructing a set of positive European institutions.

Recognizing 'contemporary' social risks

GUSTO identified a difference between 'old' social risks and the 'contemporary' social risks that the 2008-09 crisis made evident – which are not the same as the so-called 'new social risks' identified by earlier researchers⁴. The logic of policy driven by awareness of 'old' social risks was that, whereas wealthy people could protect themselves from economic uncertainty and therefore accept risks through their own resources, working people needed the assurance that collective resources would be at their disposal to enable them to accept uncertainty. The logic of contemporary social risks is that, whereas wealthy people can protect themselves through skillful operation of financial markets, working people need collective institutional bases of trust if they are to have the confidence they need to face economic turbulence in constructive ways.

The answer to this question that seemed to have been given by orthodox policies in the years before the crisis had two parts. First, provided labour market policies gave workers incentives that were clear and tough enough, they would respond to market signals and did not need to have any trust. Second (and largely in the Anglophone world), if their labour market position was uncertain, they could take on debts to sustain their living standards, debt markets having become so safe and sophisticated. The second part collapsed in the financial crisis, but the first survives. Despite a strong rhetoric about employment based on a 'knowledge economy', this prevailing orthodoxy has driven many labour and social policies towards the 'low road' of increasing employment levels at any cost and treating workers as passive objects of policy rather than as active, contributing subjects. The emphasis of most recent policy has been on making workers fit for the market; but the market also needs to be fit for workers, in the sense of equipping them with capabilities, if they are to contribute to the best of their abilities.

⁴ Bonoli, G., 'Time Matters', *Comparative Political Studies*, 40, 5: pp. 495-520, 2007; Taylor-Gooby, P. (ed.), *New Risks, New Welfare: The Transformation of the European Welfare State*, Oxford, 2004.