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AND EMPLOYMENT PLANNING

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EUROPEAN UNEMPLOYMENT, INSECURITY AND FLEXIBILITY:

A SOCIAL DIVIDEND SOLUTION

by

Guy Standing

With a Preface by Ralf Dahrendorf



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PREFACE

The debate about unemployment in Europe has got stuck. Many -- though not the unemployed -- seem to have grown wary of it. Political parties try to circumvent the subject and even opinion polls show a declining interest in unemployment. There are several reasons for this otherwise indefensible acquiescence but one of them must surely be the low quality of the public debate about the subject. Facts are rarely analysed in depth, arguments rarely examined thoroughly and unorthodox options rarely explored with imagination. Guy Standing's paper does all these things and is therefore an important contribution.

The key point made by Dr. Standing is that European unemployment today is not the same as that of the past and therefore requires more than either the current ("supply-side") or the old ("Keynesian") medicine. He proposes a package the centrepiece of which is a citizenship income. Whoever wants to oppose this view will have to make a case in the light of the list of arguments presented in this paper. I for one would find it difficult to make such a case.

The more debatable question is whether the other elements of Guy Standing's package (profit-sharing and community unionism) add up to a sufficient programme. Guy Standing is sceptical about the effect of reductions in working hours but some form of redistribution of work may be inevitable. There is probably also a need for special measures to help young people find a way into the labour market. Finally, labour market flexibility need not be the bête noir which it is for some (as the OECD report on the subject has tried to show).

Those who believe either in the automatic effect of traditional growth or in the relevance of massive public investment programmes for present day unemployment will not like this paper. Those on the other hand who look for new answers to new problems will find it very helpful.

Ralf Dahrendorf
Oxford, April 1988

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I. INTRODUCTION

The following will attempt to present a consistent set of stylised facts about the European labour market. As such, it will do injustice to some subsidiary developments, but the intention is to depict the recent past, present and likely future patterns of labour force activity in a way that highlights the need for new strategies for socio-economic revival. It is argued that we are in the midst of an era of profound social and economic transition, when the old verities of "welfare capitalism" have been rejected by many and doubted by most, but when new verities have not been put securely in their place. Some will doubt that the old verities are lost, others will contend that new verities have indeed taken the place of old. That must be settled empirically. What is clear is that points that were broadly accepted only a few years ago are now the source of intense controversy and policy reformation.

II. WELFARE CAPITALISM: THE POST-1945 SOCIAL CONSENSUS

As argued in an earlier paper, the post-war European economy developed on the basis of a broad social consensus, which institutionalised five "labour rights" in the context of an essentially corporatist model involving active State regulation of social and economic affairs. The labour rights were:

- i) labour market security -- State-guaranteed full employment.
- ii) income security -- earnings protected by minimum wage machinery, wage indexation, independent unions, as well as employer organisations, incorporated politically and economically into the State, insurance-based social security, and taxes to reduce (or check the growth of) income inequality.
- iii) employment security -- with regulations on hiring and firing, pre-notification of redundancy, the imposition of costs on employers for "unfair dismissal", etc.
- iv) work security -- through health and safety regulations, limits on working times, unsociable hours, and so on.

¹ Earlier versions were contributions to the Kreisky Commission on European Employment and to a conference on social policy organised by the Wissenschaftszentrum Berlin für Sozialforschung (WZB), West Berlin, 9-10 June 1988. Thanks are due to members of the Commission and to conference participants for comments. I would also like to thank the Istituto Ricerche Economiche e Sociali (CGIL) for inviting me to present the paper at a seminar in Rome, 17 June 1988.

- v) job security -- through the tolerance of demarcation practices and barriers to skill dilution, craft boundaries and job qualifications, etc.

This last right was less accepted in some countries than the other four, but was nevertheless entrenched in "middle-class" professions and among technically skilled workers. It preserved social and economic status, in crafts or professions, and institutionalised a labour hierarchy that was potentially functional for what some social scientists call "system stability".¹

These various rights always represented potential costs to enterprises. Their acceptable continuation depended not only on fairly stable economic growth, but on what was, in effect, a "closed international economy", whereby the bulk of trade in goods and services was between countries with similar labour rights. They also depended on quid pro quos between employers, unions and workers, including the employers' right to manage and the right to profits. For social stability, there had to be something close to a social consensus on income (and wealth) distribution and the limited exercise of group-specific, or class, power. It was not surprising that the countries that flourished most were those in which the social consensus on labour rights and distribution was institutionalised over a prolonged period of democratic learning, such as in the Scandinavian countries, Austria and, for a time, the Federal Republic of Germany.

While institutionalised labour rights characterised the production and labour process, the redistributive and reproductive functions were left to fiscal policy and the web of social services provided by the welfare state. In that, as even its fiercest critics usually acknowledge, it had impressive achievements.² In the 1950s, 1960s and 1970s the extent and incidence of poverty were reduced in most of Western Europe, while income and wealth inequality was modestly reduced, and the marginalisation of disadvantaged groups was at least ameliorated. Women, in particular, were enabled to enter the economic mainstream to an increasing extent, albeit partially and inequitably. In general too, social and economic insecurities were reduced, and lifetime consumption was evened out, thereby reducing the incidence of life-cycle poverty. Finally, the welfare state surely contributed to overall productivity growth, primarily through the more widespread provision of education, training and health services.

The twin hallmarks of that post-war era were a sense of social solidarity, based on growing socio-economic security, and a full-employment rate of unemployment that Keynes himself had thought too optimistic to expect -- 1-2 per cent in most European countries. How long ago that seems.

¹ Some observers have classified the post-war consensus as "Fordism", whereby the benefits of growing productivity were shared by wage earners and capital, based on the spread of mass consumption, and a method of market regulation by wage adjustment rather than competitive adjustments (redundancies, bankruptcies, price cuts, etc.).

² See, e.g., A. Lindbeck, "Consequences of the advanced welfare state", The World Economy (a Quarterly Journal on International Economic Affairs) (Oxford), Vol. 11, No. 1, March 1988, pp. 19-38.

III. POST-CONSENSUS STYLISED FACTS: THE CRUMBLING OF WELFARE CAPITALISM?

Since the early 1970s, the whole employment scene has been radically transformed in ways that suggest that we will not see the return of the era of full employment -- in the old sense of the term -- or the social consensus associated with it.

As we know, the major factors behind its demise have been:

- i) A rapidly changing international division of labour, with the NICs following Japan in accounting for a growing share of world exports, particularly of manufacturing. Those countries have not had the same labour rights (and therefore costs) as had been accepted in Europe. "Deindustrialisation" in Europe accelerated in the 1970s and 1980s, whether defined in terms of shares of manufacturing trade or in terms of national production or employment associated with manufacturing industries;¹ this international change turned the perception of many labour rights into costs and also undermined the old industrial, unionised proletariat.
- ii) Something akin to a technological revolution has been occurring, a new upswing phase of a long wave, in which new technologies have been internationally mobile and conducive to new forms of business and managerial organisation. This has facilitated decentralisation of employment and radical changes in the nature of jobs, to which we will return.
- iii) The distributional consensus cracked or even disintegrated in many countries, with governments, and newly powerful "class" groupings, pushing for a reversal of the long-term and modest trend towards income equality (if not any improvement in wealth distribution);² this loss of consensus reflected economic stagnation at the end of an era of sustained economic growth, and the rise in the gross and net delivery costs of welfare and social security transfers, which for many no longer

¹ In the preceding period, among European countries the degree of openness to international trade was not correlated with economic growth or other indices of macroeconomic performance; this changed in the 1970s. R. Boyer and P. Ralle, "Croissances nationales et contrainte extérieure, avant et après 1973", Cahiers de l'ISMEA, Economie et Sociétés, séries P. 29, No. 1.

² It is probably fair to say that in the post-war era until the 1980s there was a broad acceptance of the desirability of at least a gradual trend towards equality. In the late 1980s, many more people and groupings openly reject that objective.

seemed to represent either a socially just system or one from which their own perceived benefits were matching the apparent social and personal costs.¹

- iv) Inflationary pressures, due in part to prolonged Keynesian demand expansion and the oil price hikes, encouraged the intellectual restoration of monetarism and "supply-side" economics. This was associated with the "fiscal crisis of the State", cutbacks in the public sector and in public expenditure generally, and a belief that "tax cuts" would release entrepreneurship, work, savings and private investment.

These contradictory developments undermined the legitimacy of the post-war social consensus and led to the new orthodoxy of the 1980s that has shaped economic policy almost throughout the non-Communist world -- supply-side economics. Any alternative proposals for the future must be based on a critique of that approach, with its underlying ideology revealed by such terms as "deregulation", "privatisation", "structural adjustment" (as used by the IMF and World Bank, for instance) and "enterprise culture". Its initial adoption was partly fueled by the belief that slow growth, rising unemployment and other adverse labour market and economic developments were due to structural rigidities, excessive public expenditure and a restrictive network of regulations.

In its starkest form, this new orthodoxy has translated into a politico-economic strategy that might be called anti-corporatism. Among its policies have been a wholesale attempt to reduce the direct role of Government by privatising nationalised enterprises and contracting out services that had been accepted as part of the "welfare state". Modern privatisation is more than a return to pre-welfare capitalism, since it encourages the further internationalisation of capital. Second, efforts to weaken employment and wage protection and the role of trades unions represent a concerted attempt to make the labour market once more like a commodity market subject to the competitive forces of supply and demand. Third, in some quarters at least, there has been something close to a "Phoenix-from-the-ashes" syndrome -- a belief that a new enterprise culture had to be stimulated through a dismantling of old industries and the encouragement of a new generation of entrepreneurs. This has led to the removal of subsidies that had protected many traditional manufacturing industries, and to the promotion of "wider income differentials" (i.e., more inequality), supposedly to provide incentives to work, saving and investment. That in turn implied a perspective that is by no means a caricature of a widely held view, that the poor need less to make them work harder, whereas the rich need more to encourage them to work harder. This has been coupled with growing pressure to turn the welfare state from a "redistributive model" to a "residual model", geared much more to poverty relief than to poverty prevention and socio-economic redistribution.

¹ One could argue that the sense of balanced reciprocity that helped legitimise the welfare state in earlier decades had always been fragile. Claus Offe argues, cogently, that the moral appeal of the welfare state has resided in the widely perceived justice of its distributive effects. C. Offe, "Democracy against the welfare state? Structural foundations of neoconservative political opportunities", Political Theory (New York, Sage Publications), Vol. 15, No. 4, Nov. 1987, p. 534.

The overall philosophy could be described as a reassertion of individualism. In parts of Europe the strategy has been implemented with little effective opposition, in others only tentative moves have been made in the general direction, in very few has the direction been blocked altogether. One factor that has greatly contributed to the vibrancy of its appeal and its rather rapid adoption is that since the late 1970s its mainstream opponents have had no viable alternative vision of society to put in its place. The old "labourist" presumptions and values seemed atavistic, unable to come to terms with the criticisms levelled at welfare capitalism, that ultimately it was both costly, in terms of economic inefficiency, and ineffective in achieving substantial redistribution of income, wealth and economic power. The new individualism flourished more because the defenders of the welfare state were in disarray. And now in the late 1980s the dominant ideology envisages a far more passive role for Government in terms of social support "from cradle to grave"; privatisation and individualism of social policy seem likely to follow the privatisation and decentralisation of production.

Perhaps the most revealing expression of the mood of the times was a remark made in 1988 by a very prominent European politician, "There is no such thing as society; there are only families and individuals." By the late 1980s, the ethics implicit in that perspective occupied the high ground of political-economic debate, representing a widespread retreat from any sense of collective or community.

What have been the major labour market developments of the era of "supply-sidism"?

- i) Income (and wealth) distribution has worsened, with widening wage differentials and growing household income inequality, as for instance in the UK and the USA; this has reflected the effects of high unemployment and the weakening of trade union bargaining power, a weakening of social security provision in some countries, and the shift away from progressive taxation as a vehicle of equality. In many European countries, such as France, the share of wages in GDP, which had risen slowly in the preceding era, shrank in the 1980s.
- ii) "New poverty": The number of people in poverty has grown, in some countries quite considerably, whatever the measure of poverty used; in Italy it has been estimated that between 1978 and 1983 there was a 10 per cent increase in the number of poor families; in the Netherlands the percentage of households falling below the official poverty line increased from 8.4 per cent in 1977 to 10.6 per cent in 1982; in the United Kingdom, official DHSS data showed that the number of low-income families increased by over one-third between 1979 and 1983; meanwhile, in most EEC countries the number of people dependent on social assistance has risen rapidly since the early 1970s;¹ there is also strong evidence of a growing risk of poverty across society.

¹ G. Room, "'New poverty' in the European Community" (Bath, University of Bath, Centre for the Analysis of Social Policy, A Summary of Twelve National Reports prepared for the European Commission, Dec. 1987), pp. 9-11.

- iii) Mass unemployment, which in Western Europe overall has more than quadrupled since 1970, and which almost doubled between 1980 and 1985 (table 1). In the EEC the overall rate of open unemployment was projected to stabilise at 11.8 per cent in 1988, the same level as in 1987.¹ Even if one takes the official figures at face value, by the mid-1980s, about 20 million people were openly unemployed in Western Europe, compared with about 8.6 million in 1979.² Worse still, unemployment has become chronically high, sometimes even rising in economic upturns.³ Moreover, for the first time since the 1930s several Governments have renounced their commitment to full employment and have even claimed that Government cannot determine the level of employment and unemployment.
- iv) The nature of employment has changed in ways that have made open unemployment a more misleading index of surplus labour and almost certainly a serious underestimate. Figure 1 shows "labour slack" rates for EEC countries compared with their unemployment rates, where labour slack is a full-time equivalent rate of unemployment that takes account of "involuntary" and "voluntary" part-time employment, discouraged workers, short-term visible underemployment and those "with jobs without work" (for economic reasons) as well as active unemployment. And since the early 1970s, the relative extent of concealed unemployment (i.e., not measured by official statistics) may well have increased quite substantially. For instance, in the Federal Republic of Germany, employment peaked in 1979 and 1980, never returning to that level thereafter, while concealed unemployment as a share of total unemployment remains well above what it had been in the 1960s and early 1970s (table 2).
- v) A substantial growth in the number of long-term unemployed has occurred. By the mid-1980s there were, in various European countries, as many people recorded as having been out of work for over a year as the total number of unemployed in the late 1970s. Serious questions about a "lumpen" category could be asked, with a strong feeling that the long-term unemployed have been virtually cut off from the labour force, with little probability of reintegration into regular, meaningful employment.

1 Commission of the European Communities, Social Europe (Luxembourg, Office for Official Publications of the European Communities, 1988), Vol. 1/88, p. 10.

2 ILO, Employment, labour relations, productivity and quality of working life. The challenge of the 1990s (Fourth European Regional Conference, Geneva, Sept. 1987), pp. 5-7.

3 Without apparent irony, the OECD in 1985 wrote of the United Kingdom: "The unemployment rate has risen by 2.5 percentage points during the current recovery." During the era of post-war social consensus such a contradiction in terms would have been unimaginable.

Table 1: Unemployment rates, European countries, 1970-1987
(percentage of total labour force)

COUNTRY	1970	1975	1980	1985	1987	1987/1975 ratio
Austria	1.8	1.7	1.6	4.2	4.9	2.88
Belgium	1.9	4.3	8.6	12.8	11.6	2.69
Denmark	0.7	4.9	6.7	8.7	7.6	1.55
Finland	2.0	2.6	4.6	5.0	5.0	1.92
France	2.4	4.1	6.3	10.2	10.9	2.66
Germany, Fed. Rep.	0.6	4.0	3.3	8.3	7.9	1.97
Ireland	5.8	7.4	8.1	17.7	19.0	2.57
Italy	5.3	5.8	6.7	11.5	12.5	2.16
Netherlands	1.1	4.5	6.0	12.9	11.5	2.56
Norway	1.6	2.3	1.7	2.4	2.0	0.87
Sweden	1.5	1.6	2.0	2.8	2.3	1.44
Switzerland	--	0.3	0.2	0.8	0.7	2.33
United Kingdom	2.2	3.2	6.2	11.8	10.6	3.31
Total Western Europe	2.0	4.0	5.3	9.8	9.7	2.42
Greece	4.2	2.3	2.8	7.8	7.4	3.22
Portugal	2.5	4.4	7.8	10.4	9.0	2.05
Spain	2.5	4.3	12.3	21.9	20.5	4.77
Turkey	11.9	12.9	15.0	16.3	15.0	1.16
Yugoslavia	7.7	10.2	11.9	13.8	13.6	1.33
Total Southern Europe	7.1	8.4	12.0	16.2	15.2	1.81
Total Europe	3.2	5.1	7.0	11.5	11.2	2.20

Source: Economic Commission for Europe: Economic Survey of Europe in 1987-88 (New York, Secretariat of the Economic Commission for Europe, Geneva, 1988), p. 53.

Note: ¹ Break in series in 1982/83
² Break in series in 1975/76 and in 1980/81.

Table 2: Unemployment in Federal Republic of Germany, 1960-1988

Average per year	Percentage rates		
	Registered unemployment rate	(Registered and concealed unemployed)/ Labour force	Concealed/ (Registered and concealed)
1960	1.0	1.2	14.8
1970	0.6	0.6	0.0
1971	0.7	0.8	13.1
1972	0.9	1.2	23.6
1973	1.0	1.3	24.8
1974	2.1	2.9	26.0
1975	4.0	5.5	28.4
1976	4.0	5.9	34.1
1977	3.9	6.0	37.1
1978	3.7	6.0	39.2
1979	3.3	5.5	42.0
1980	3.3	5.4	41.2
1981	4.6	7.2	37.0
1982	6.7	9.8	34.1
1983	8.2	11.8	33.2
1984	8.2	12.4	36.5
1985	8.3	12.1	34.5
1986*	8.0	11.7	34.8
1987*	8.0	11.7	34.6
1988**	8.1	11.9	34.8

* provisional figures

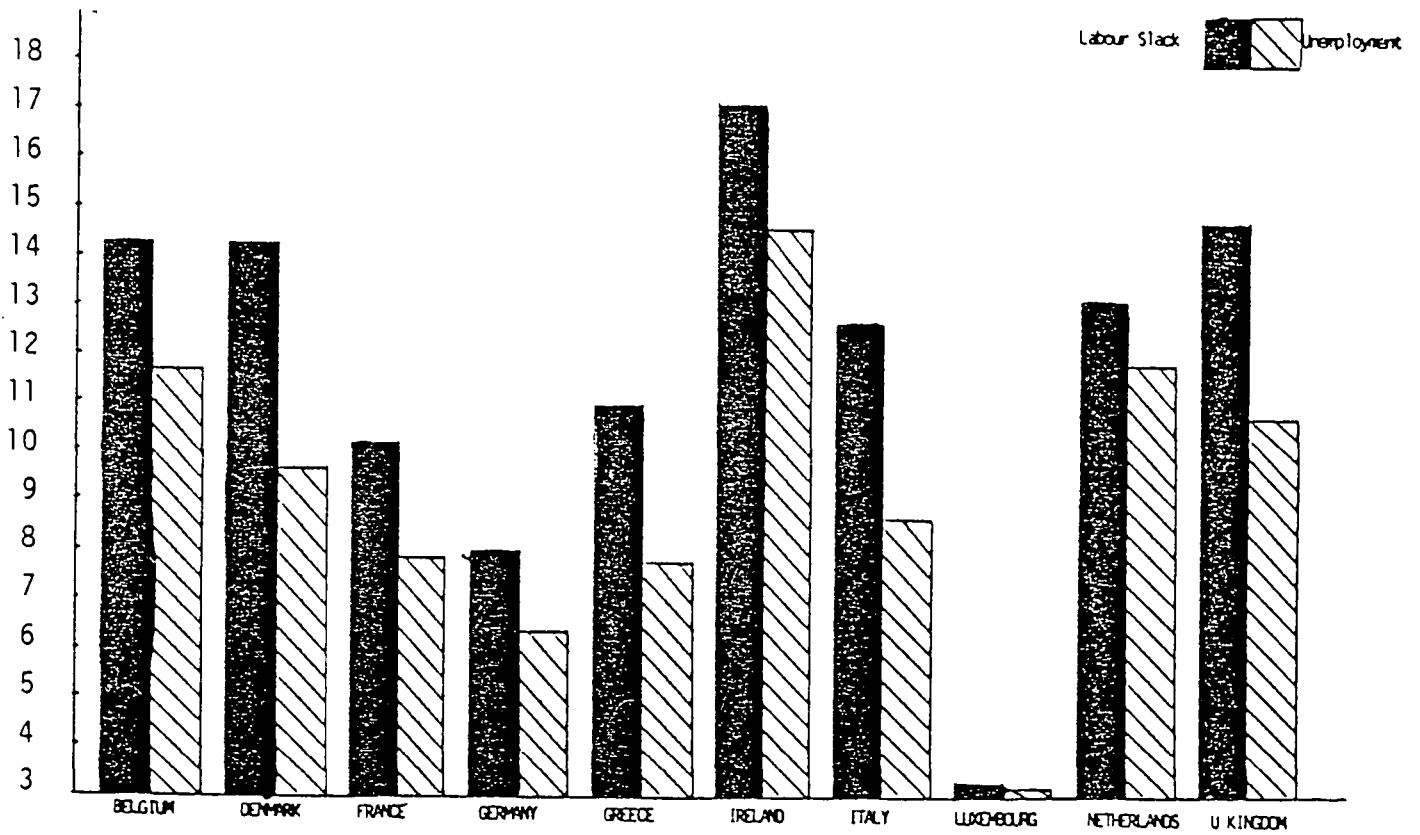
** estimate

Note: Concealed: number of discouraged workers available and wanting work.

Labour force: labour force including concealed unemployed.

Source: Autorengemeinschaft Zur Arbeitsmarktentwicklung 1987/88, Entwicklungstendenzen und Strukturen, in Mitteilungen aus der Arbeitsmarktund Berufsforschung 3/87, p. 283.

Figure 1: Unemployment and labour slack
Rates, EEC, 1983



- vi) Manufacturing employment has shrunk dramatically, accelerating the long term structural shift to services. In various countries, in the context of "deindustrialisation", the number of manufacturing jobs that disappeared in the late 1970s and early 1980s far outweighed the number of jobs created in services. Thus in the United Kingdom, employment in manufacturing shrank by 3.4 per cent per annum between 1973 and 1983 whereas employment in private sector services only grew by 0.2 per cent per annum. In other countries, such as Belgium and the Federal Republic of Germany, the disparity was similar.
- vii) Precarious, irregular and part-time forms of employment have spread. For instance, between 1979 and 1985 part-time employment in Western Europe grew by 3.1 per cent a year while full-time employment fell by 0.1 per cent a year.¹ In the Federal Republic of Germany, for instance, by 1984 about 16 per cent of all employees were in part-time jobs, and between 1976 and 1984 the number of part-time employees increased by 16.4 per cent whereas full-time employment virtually stagnated. Similarly, temporary jobs have grown, often apparently at the expense of regular employment. Their spread has been promoted through a loosening of regulations, through subsidies to employ certain categories of workers and by the State through "emergency" employment schemes. And "homeworking" has reemerged as a major phenomenon, much of it undeclared and with low and variable earnings. Indeed, globally the "informal economy" has become a major phenomenon.²
- viii) These trends have influenced, and been influenced by, the long-term rise in female labour force participation and female employment. Indeed, in some countries, such as Austria and the United Kingdom, the male unemployment rate has risen to equal or exceed the female, reversing the traditional pattern.³ And the female employment rate has risen while there has been a sharp fall in male employment. The latter trend has reflected the erosion of industrial, manufacturing jobs and the shift to part-time and "service" jobs, many of which have been taken by women.⁴

1 C. Büchtemann and J. Schupp, Socio-economic aspects of part-time employment in the Federal Republic of Germany (Berlin, Wissenschaftszentrum Berlin für Sozialforschung, 1987, mimeo).

2 For a set of empirical studies from industrialised and low-income economies, see A. Portes, M. Castells and L. Benton (eds.), The Informal Economy (Baltimore, Johns Hopkins Press, 1988).

3 E. Walterskirchen, Unemployment and Labour Market Flexibility: Austria (Geneva, ILO, forthcoming).

4 The picture of what has happened to women's wages relative to men's is less clear. The earnings of men in employment may have improved relatively in some countries, such as the United Kingdom, but the "opportunity income" of women may have risen, insofar as women's job opportunities have improved relatively, while many of the lost "male jobs" have been among the low income strata of male employment.

- ix) Because the nature of employment growth has been changing, the so-called Verdoorn effects of economic growth have to be interpreted with extreme caution. Some estimates suggest that the employment effects of a change in the rate of economic growth have increased in the 1980s compared with the 1960s and 1970s.¹ However, this is likely to be explained by two factors, that Governments have been resorting far more to "emergency" employment schemes and that the full-time equivalent employment is much less because far more of the new jobs are part-time, casual, etc. For instance, in the Federal Republic of Germany, "marginal" part-time employment has increased faster than any other form of employment in the past fifteen years.² A third possible factor is that the relatively rapid growth in the potential labour force in the 1980s in itself had a positive effect on employment. A fourth factor is that, at very high levels of unemployment, the impact of an increase in aggregate demand is likely to be greater because the effect on wages will be less, so that the extra demand for labour would translate more into quantity changes in employment rather than wage changes. At lower levels of unemployment the relative effects could be reversed, so that there would be a distinct non-linearity in the Verdoorn curve. Finally, in comparison with earlier years, economic growth rates may have been underestimated in the 1980s, because of the shift to services where productivity growth may be underestimated. In sum, there is little a priori reason to be sanguine about the sustained employment impact of higher growth rates, should those materialise.
- x) Labour force fragmentation -- evidence that, associated with worsening income inequality, high unemployment and the changing structure of employment -- "core" groups of workers have been gaining relatively in terms of incomes, employment security, fringe benefits, skill and so on, while the industrial proletariat has not only been shrinking, but losing in most of those respects. At the same time, a rather heterogeneous "peripheral" category has multiplied, consisting of a growing number in low-status, low-paid, insecure, unprotected, and mainly "service" jobs alongside a large "detached" stratum, rarely in jobs and often consigned to very long-term unemployment and discouragement from legitimate labour force activity. The new dispossessed may not have threatened the social fabric so far, but they have surely acted as a drag on the vibrancy, morale and creativity of the working population.
- xi) There has been a proliferation of Government schemes to conceal -- in effect, if not in name -- part of the unemployment. The original idea of active labour market policy as a device for counter-cyclical policy (as in the so-called Swedish model) and as a means of accelerating structural adjustment has tended to give way to policies that have had little effect other than that of taking people out of recorded unemployment, as with the "travaux d'utilité collective" (TUC) scheme in France, designed to provide temporary community labour for young unemployed. In some European countries, the number of people in labour market measures is almost as large as the number recorded as

¹ See, e.g., Commission of the European Communities, European Economy, Annual Economic Report 1987-88 (Brussels, EEC, Nov. 1987), pp. 68-72.

² Büchtemann and Schupp, 1987, op. cit.

unemployed. In the United Kingdom, in July 1988 it was announced that henceforth those without jobs in Government training schemes would be counted as employed, thereby lowering the unemployment rate by increasing the official employment count by about 334,000. At the same time, jobless schoolleavers under the age of 18 would no longer be counted as unemployed because they would no longer qualify for unemployment benefits under new social security regulations, so cutting unemployment by over 100,000.

- xii) Flexible employment within enterprises has grown. With more workers being expected to change jobs more often, and the growing emphasis on "functional flexibility", the nature of "skilled" work may well have been changing.¹ Some observers claim that a general upgrading of skills has been occurring, others that "deskilling" has accompanied technological change, and some believe that something like a polarisation is taking place, with a small "core" of highly skilled people coexisting with a growing mass of workers with partial "static" skills that preclude their becoming technically proficient. There is more evidence to support the polarisation thesis than the other two views.² Corresponding to changes in job structures, there may well have been a growth in the proportion of jobs exposed to the so-called external labour market, jobs for which workers are interchangeable and for which employers have less need to preserve low labour turnover. Indeed, with non-wage (and wage) labour costs being a positive function of tenure of employment, incentives to substitute temporary and casual for "permanent" workers have almost certainly grown.
- xiii) Older workers have been increasingly marginalised in many West European labour markets.³ This group has been grossly neglected. It will be the major disadvantaged group in the next decade or more. In many countries their marginalisation has been understated by unemployment rates and concealed by "early retirement" schemes, enforced low activity rates and low-paid partial employment. For instance, by the mid-1980s, two-thirds of all men in France aged 60 to 65 had officially "retired", even though the official retirement age was still 65.

¹ It is tempting to argue that the concept of "occupation" is becoming less and less applicable. Certainly, within enterprises and industries the number of job titles is shrinking. For instance, since the end of the 1960s the number in British Railways has shrunk from 179 to merely five.

² See, for instance, M. Wiedemeyer, "New technology in West Germany: The employment debate", (University of Köln, 1988, mimeo.), pp. 35-50. On the United States, see R.W. Rumberger, "The potential impact of technology on the skill requirements of future jobs", in G. Burke and R.W. Rumberger (eds.), The Future Impact of Technology on Work and Education (London, Falmer Press, 1987).

³ G. Standing, "Labour flexibility and older worker marginalisation: The need for a new strategy", International Labour Review, Vol. 125, No. 3, May-June 1986, pp. 329-48.

- xiv) There has been some shift from large-scale establishment employment to small businesses in European economies. Some politicians and economists have interpreted this as a new wave of entrepreneurial enterprise. Others have seen it as largely a reflection of the shrinkage of large-scale concerns, the growth of new forms of work organisation, sectoral shifts and, not least, survival reactions of laid-off workers resorting to "self-employment", often on a part-time or irregular basis. No doubt it is a mixture of both. But what is sure is that incomes and employment security tend to be lower in small-scale firms, while job turnover tends to be much higher. Thus overall the trend points to a growth in labour market insecurity.
- xv) A stagnation in the growth of public sector employment, which previously had grown rapidly, effectively absorbing labour displaced in the shrinking industrial sectors; the slowdown in growth was particularly marked in France, the Netherlands and the United Kingdom. In reality, regular public sector jobs have been relatively well-paid, full-time and regulated, so the combination of privatisation and cut-backs in public service employment has tended to lower the average conditions of employment.
- xvi) Earnings from employment have become more "flexible" or variable, partly because work opportunities have become more variable for some groups of workers, partly because of a renewed expansion of piece-rate systems of wage payments, as with "homeworking" and "networking" and some forms of temporary jobs, and partly because of the growth of profit-related payment systems, which mean that those in flourishing enterprises in secure high-status jobs have done very well whereas others have found their relative incomes worsening and have experienced growing earnings insecurity.

We will return to these stylised facts in the final two sections. Before doing so, it might be worthwhile to consider a few comparative perspectives.

IV. EUROPE "VERSUS" THE UNITED STATES, JAPAN AND THE NICs.

In many circles it is fashionable to compare adversely European labour markets and unemployment with the employment record of the United States. We need not rehearse the arguments in any detail. But a few points are worth remarking:

- 1) The current United States unemployment rate is still high by historical standards; it is also an increasingly dubious index of labour slack -- the fastest growing component of "employment" consists of those employed full-time for only part of the year.¹

¹ In 1986, for example, 15.4 per cent of the employed had only worked for less than half the year, nearly 10 million for 1-13 weeks and 10 million for 14-26 weeks. Thomas Gray, Chief Economist of the US Government's Small Business Administration, will show in a forthcoming paper in this series that one-quarter of all "jobs" in the USA turn over in between two to three years.

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- ii) While employment growth in the United States has been rapid, the adult employment-population ratio there is lower than in a number of European countries.
- iii) The evidence suggests that not only have a growing proportion of new jobs been low-paying and relatively unproductive, but that the "jobs miracle" has coincided with worsening labour market inequality and labour force fragmentation;¹ the deterioration has occurred within industries and occupational groups and does not only reflect the shift to services employment.²
- iv) The USA could maintain its level of aggregate demand and structural budget deficit only because foreign trade accounted for a very small part of national income. This has changed. With the USA becoming the world's largest debtor nation and with accelerating "deindustrialisation" there, doubts must exist over the economy's long-term ability to maintain high levels of employment, despite recent predictions that there will be a labour shortage towards the end of the century.
- v) Productivity growth has lagged in the USA. So, while a given increment of economic growth has resulted in much more employment growth in the US than in Europe, long-term competitiveness has been weakened, with the costs partly borne by wages, which have fallen in real terms.

In sum, there is no convincing argument for believing that Europe could or should follow the American route to employment promotion.

What about the lessons of Japan? Again, the relevance here is that a number of influential voices have argued that if only the European labour markets and employment practices were like those in Japan, we would be on our way to solving the European unemployment crisis. It is also relevant because not only are Japanese multinationals rapidly expanding their presence in Europe, but their organisational structures and personnel practices are apparently setting patterns in many areas. Three points are worth making:

¹ B. Harrison and B. Bluestone, The dark side of labour market "flexibility": Falling wages and growing income inequality in America, World Employment Programme Labour Market Analysis Working Paper No. 19 (Geneva, ILO, 1987); G. Loveman and C. Tilly, Good jobs or bad jobs: What does the evidence say?, World Employment Programme Labour Market Analysis Working Paper No. 22 (Geneva, ILO, June 1988).

² R. Lawrence, "Sectoral shifts and the size of the middle class", The Brookings Review, Vol. 3, No. 1, pp. 3-11; L. Thurow, "A surge in inequality", Scientific American, Vol. 256, No. 5, pp. 30-37.

- i) Some economists and international organisations have claimed that the "flexible" Japanese payment system -- low base wages and fluctuating bonuses -- has preserved employment stability and full employment. Most influential in that vein has been Martin Weitzman¹. Various European Governments have accepted the arguments and are actively promoting "profit-related pay", believing that the bonus pay system in Japan has been a major contributor to high and stable employment there. The claim should be answered. The evidence does not support the Weitzman thesis.²
- ii) Japan has had a "two-tier" labour force, with only a minority in quasi-lifetime employment covered by such base-plus-bonus wage payments; the "dualistic" workforce is cemented by a long-standing culture of paternalist labour relations.
- iii) Employment stability in Japan has been less than perceived, with some of the real "unemployment" being disguised, with peripheral workers (notably women and older workers) being either pushed out of the labour force in recessions, or covered by temporary Government subsidies or pushed into chronic "underemployment". In Japan, it is only necessary to be "working" for one hour in the reference week of the relevant labour force surveys to be counted as employed.

If the lessons from Japan are not quite appropriate for Europeans, what about the so called "NICs", notably the so-called Little Tigers of South East Asia and Brazil? Their rapid industrialisation -- and, at least in South Korea, the province of Taiwan, Singapore and Hong Kong, successful labour absorption and low unemployment -- has sometimes been held out as an object lesson for Europeans concerned with mass unemployment and deindustrialisation. But to become "competitive" with such NICs Europe would have to dismantle many labour standards, cut real wages and fringe benefits savagely and impose rigid controls over union activity. In effect, for Europe to try in that way to become "competitive" with South Korea and the rest would imply severe cuts in living standards and a renouncement of labour rights obtained over generations. But to believe conversely that Europe could become "competitive" with them through "high technology" is fanciful, precisely because modern technology is internationally mobile and as advanced in the Pacific Basin as in Europe. That is not to argue against high technology, which is needed in Europe or elsewhere, but only that "going high tech" is unlikely to reverse the changes in the international division of labour that have occurred.

In sum, the specific features of labour markets in North America, Japan and the NICs do not offer models that should or, perhaps, could be emulated in Western Europe.

¹ M.L. Weitzman, The Share Economy (Harvard, Harvard University Press, 1984).

² The theoretical and empirical evidence is reviewed elsewhere. G. Standing, "Would revenue-sharing pay cure unemployment?", International Labour Review, Vol. 127, No. 1, Jan.-Feb. 1988, pp. 1-18.

V. "EUROSCLEROSIS" AND LABOUR FLEXIBILITY

What about the pet panacea of the supply-side economists? According to them, it is because European labour markets are "sclerotic" that mass unemployment has arisen and persisted. The prescription of the supply-side approach is familiar and, for many, unsavoury medicine -- decentralise wage bargaining and weaken "union power", dismantle minimum wage machinery, remove employment protection and other labour regulations, widen wage differentials, cut non-wage labour costs and cut income taxes.

For many critics, it is enough to note the fact, usually uncontested, that the package is inequitable. For instance, essentially it says that the poor should receive lower incomes (in benefits or wages) so as to make them work harder while the rich should receive higher incomes (via lower taxes) to encourage them to work harder. Its proponents prefer to put their defence in another way, that if the strategy works the "economic pie" will grow faster, so allowing all to have more.

It is essential to make a careful assessment of the Eurosclerosis school of thought, and in that regard the ILO is currently engaged in a research programme devoted to the interrelationships between unemployment and labour flexibility.¹ Rather than attempt to discuss the issues here, the following merely puts out a few markers of current tendencies:

- i) On any reasonable definition, labour market flexibility has grown enormously in many parts of Europe in the past decade. So has unemployment. It therefore becomes a trifle hard (not impossible, no doubt) to blame labour market rigidities for rising unemployment.
- ii) Employment protection regulations have not been a major deterrent to employment per se. They may, however, have influenced the composition of types of employment, encouraging the use of temporary labour, part-timers and sub-contracting rather than regular, full-time workers, as for example in the Netherlands.² Moreover, the bypassing of labour regulations -- or what might be called "implicit deregulation" -- has been growing, as in France, where in the wake of the Aureau laws of 1982 enterprises resorted far more to indefinite lay-offs rather than actual redundancies, so weakening employment security.
- iii) The alleged decline in labour mobility in Europe is partly illusory, partly a reflection of high unemployment, not a cause of it.

¹ Inter alia, country studies have been or are being done on Austria, Finland, Italy, the Netherlands, Spain, Sweden, the United Kingdom and the USA.

² Several recent official surveys have documented their increase and the expectation that "flexi-contracts" will continue to spread. By 1986, perhaps 12 per cent of all workers were in temporary employment. Ministry of Social Affairs and Employment, Rapportage Arbeidsmarkt (Labour Market Report) 1986 (The Hague, Government Publishing Office, 1986).

- iv) Nominal and real wage flexibility are not positively correlated with decentralised, market-oriented wage determination systems.
- v) There is no compelling evidence to support the popular view that a widening of wage differentials is a necessary condition for an efficient labour market; as a matter of fact, the country with the narrowest wage differentials has also had one of the very lowest unemployment rates, namely Sweden.
- vi) The claims made for more and more "training" and "retraining" and that a lack of training has been a major cause of "structural" unemployment are just that. Everybody can agree that genuine vocational training for technical and professional competence is wholly desirable. But as a "solution" to unemployment, one should be sceptical. Many labour market policies have been promoted as training schemes when they have been little more than mechanisms for easing the unemployed off the registers or onto work "orientation" courses; labour market training may improve the employment prospects of the unemployed vis-à-vis others, leading to substitution effects, but if training "pays" them, employers would surely find ways of paying for it; that many large enterprises have cut down on training in the 1980s, when they have been quite capable of affording to fund more if needed, is prima facie evidence that the emphasis on formal training may be exaggerated.¹
- vii) The view that unions' "restrictive practices" and atavistic behaviour have contributed to rising unemployment is often dressed up in respectable economic language. Some unions may have been very defensive in the wake of rising unemployment, but so-called union "power" has been on the wane in many parts of Europe for a long time. "Deunionisation" of the labour force has proceeded very far, particularly in countries such as Italy and the United Kingdom, partly reflecting industrial changes and the trend towards small-scale unstable forms of establishment, partly management strategies, and partly the effect of the higher unemployment.² In any case, those countries in which unionisation has been highest have maintained higher levels of employment and achieved more rapid "structural adjustment" than in other parts of Europe.

¹ The argument of this paragraph is elaborated in an article in the Oxford Review of Economic Policy, Autumn 1988.

² Effective unionisation has probably fallen considerably more than membership figures suggest. For instance, between 1977 and 1986 unionisation fell in Italy by nine percentage points to 39.7 per cent, but a growing proportion of remaining members have been pensioners. E. Santi, Un decennio di sindacalizzazione (1977-86) (Rome, CISL/CESOS, Oct. 1987).

viii) Finally, as noted earlier, there is ample evidence that flexible forms of employment have been growing, involving insecure employment and wages and variable incomes. This means, inter alia, that many workers -- an estimated 50 per cent of all British workers, for example -- have no rights to enterprise-level social security, such as unfair-dismissal compensation, redundancy pay and maternity leave or pay. This means that not only are such workers more dependent on State assistance in times of need but that firms have more "power" in that they can determine which workers have access to both enterprise-level and State social security support, since in many countries those not in regular employment risk losing entitlement to State benefits.

VI. THE WELFARE STATE CRISIS

The welfare state in Europe was created on the basis of certain assumptions about the labour market and employment structure. The basic premise was that usually there would be full employment and that the State had to provide income security primarily to cover "temporary interruptions" of earning power. The second premise was that the labour force would consist predominantly of men in regular, full-time jobs, each with an economically inactive wife and dependent children. On the basis of those two premises, a social-insurance social security system could provide what the State was expected to provide, basic security from deprivation, or a subsistence level of income security. Critical to that part of the social consensus was the view that, except for a tiny minority of disadvantaged citizens, the labour market could satisfy the income needs of the population.

What has happened in the past forty years is that the delicate balance between the social security system and the labour market has been undermined. Indeed, it is scarcely an exaggeration to state that the two are now in conflict.

Consider a few, fairly widespread phenomena:

- i) The social security system has become prone to fiscal crisis. Gradually, in the post-war era of full employment anomalies in the original Beveridge-type national insurance model were recognised, and new schemes or needs were introduced. Selective, means-tested benefits were added, and those left out of the mainstream of economic growth through unemployment, retirement, disability, family status, etc., were catered for. For many years financing the spreading social security network was feasible as a result of productivity growth. The demands for income transfers rose, but not to an extreme amount in the era of full employment when most jobs were regular, full-time and protected. However, with the huge growth of unemployment in the 1980s the demands and needs grew while the number making "contributions" fell. And with more employed workers not in full-time work or in jobs long enough, social security contributions further declined. At the same time, dependence on national or social assistance provided outside national insurance social security intensified. With high youth and long-term unemployment, the contribution base has shrunk while the need for income support has grown, leading to higher contribution rates needed to finance the social insurance system. Then in some places more "flexible" payment systems led to widespread "avoidance" of national insurance contributions. Although the story may differ from country to country, the essence is the same: an incipient fiscal crisis.
- ii) A demographic crisis is compounding the fiscal crisis due to mass unemployment and underemployment. In particular, the aging of the European population is creating a growing gross dependency problem. In 1975 there were three persons aged 20-59 for every one over age 60; in the 1990s it will be less than two for every one that age; in the United Kingdom, there are now about 2.6 persons out of employment per one full-time equivalent person in employment, a rise having occurred that requires a higher rate of contributions to provide a constant level of

per capita benefits; in Italy, the number of people aged over 70 doubled in the quarter of a century up to 1986, while the number aged 14 to 70 rose by less than a fifth.¹ Resort to "early retirement" schemes as a response to mass unemployment have compounded the problem; in the Netherlands it has been argued that reductions in the qualifying age for pensions in the 1980s have created a situation in which the social security system will be financially unviable by the end of the century.² Statutory early retirement pensions calculated and financed on the basis of old-age insurance rather than unemployment insurance has led to "a de facto diminution of the income guarantee" implicitly introduced in the 1970s when the labour market recession was expected to be a temporary aberration.³ As the financial crisis intensifies, such "temporary" measures will be hard to reverse.

iii) There has also been a social equity crisis. There has always been an implicit conflict between the "equity" and "efficiency" objectives of social security. Particularly in recent years, typically the minimum income support has been set at very low levels because of incentive arguments. It has thus been too low to support a decent standard of living. Moreover, along with the growing complexity and resort to selective income support schemes, the very generality or non-discriminatory nature of social security upon which Beveridge and others so insisted has been greatly weakened. Probably a good case could be made for saying that social security has not protected the weakest groups in society. Many people have been intimidated by complex procedures or by the stigma of having to plead for state assistance; in the Federal Republic of Germany recent surveys suggest that nearly half of all the eligible unemployed do not apply for assistance, as a result of a sense of shame.⁴ But of growing importance have been those who have not qualified for income transfers because of the nature of their labour market involvement. Unemployment insurance has become increasingly "selective" and limited, failing to protect the majority of the unemployed in most European economies. For example, in the United Kingdom most of the unemployed have become dependent on Supplementary Benefits; the proportion of unemployed men receiving ordinary insurance benefits fell from 55 per cent in 1971 to a mere 26 per cent in 1985. In the Federal Republic of Germany the proportion of the unemployed

¹ M. Bruni and R. Brunetta, Unemployment and labour market flexibility: Italy (Geneva, ILO, forthcoming), Ch. 2.

² European Industrial Relations Review (London), No. 165, Oct. 1987, p. 6.

³ J.-P. Dumont, "The evolution of social security during the recession", International Labour Review, Vol. 126, No. 1, Jan.-Feb. 1987, p. 10.

⁴ Room, 1987, op. cit., p. 23.

entitled to unemployment compensation or unemployment assistance fell from 86 per cent in 1975 to 67 per cent in 1985; there and in other countries, such as France, Denmark and the Netherlands, reliance of the unemployed on social assistance rather than insurance benefits has increased dramatically in the 1980s. Workers in flexible forms of employment -- temporaries, part-timers, homeworkers and other "outworkers" -- have often not qualified.¹ This is particularly true of many in part-time jobs or in the ubiquitous "homeworking" where irregular piece-rate pay is coupled with exclusion from social security benefits in slack periods.² Thus the social security system may exclude growing numbers who deserve and need to be covered.

- iv) It may be too strong to call it that, yet there is also the possibility that social security systems have created an "unemployment trap" crisis. The jobs that have been disappearing most have been reasonably well-paid, full-time, industrial work. Those that have been growing most have been part-time, service jobs. Consequently, even though the income replacement ratio for those receiving unemployment benefits may be much less than previous (full-time) earnings, many of the unemployed would be discouraged from taking the available job opportunities because they would experience a decline in net income. How widespread this anomaly has become is difficult to say. Yet one suspects it is growing. One implication is that many male unemployed cannot take part-time job vacancies (without an income cut) while women from outside the labour force can do so. To call the resultant (male) unemployment "voluntary" would be absurd.
- v) There is also an incipient moral-political crisis over social security, due partly to the fiscal crisis and unemployment trap pressures. Attempts to check the growth of social security commitments have led to efforts to make the system more selective and "target oriented", with tightening up of conditionality.³ This has raised questions about the underlying regulatory function of social security, with somewhat

¹ Various studies have shown that social security coverage is relatively weak for the self-employed, whose share of the non-agricultural labour force has grown in many European countries in the past decade, particularly in Italy, Spain and the United Kingdom. The official data probably understate the extent of self-employment. Anecdotally, there seems also to have been a growth of "self-employment" in incorporated enterprises.

² See, for instance, P.A. Varesi and P. Villa, "Homeworking in Italy, France and the United Kingdom", in Social Europe (Luxembourg), Vol. 1, 1988, pp. 98-100.

³ For example, in Italy those refusing jobs could lose the right to assistance; in the United Kingdom those leaving jobs "voluntarily" are now not entitled to unemployment benefits for 6 months, compared with 6 weeks in 1979 and 13 weeks in 1986. It has been estimated that nearly half a million real unemployed lost their benefits in 1987 as a result of the change from 6 to 13 weeks, thus incidentally lowering the measured unemployment rate.

arbitrary criteria for separating the deserving from the undeserving poor. In many countries, the "poverty trap" situation affects many thousands of families and individuals, whereby people in jobs gain little extra or actually receive less if they work more, because of loss of benefits. Increasing selectivity increases that tendency, while as a cost-cutting measure it is unlikely to be very equitable (despite what some claim), precisely because that is not the justification for the exercise.

- vi) Finally, there is what might be called an efficiency crisis. Rather than facilitate and encourage flexible employment, it makes it hard for many workers to be flexible and penalises others who are. Because of qualification rules about past work, those who wish to work intermittently are excluded in some places or provided with minimal benefits. In some cases, the social security arrangements discourage voluntary labour mobility because they restrict benefit receipt for those who "quit" jobs.¹ For older workers, there is often a "retirement trap", meaning that should they wish to do a part-time job, they would lose part or all of their pension income. The "unemployment trap" situation also makes job experimentation impractical or potentially costly for many of the jobless, while the poverty trap phenomenon penalizes those who wish to increase their work or skill.

In sum, one cannot address the problems of the labour market in Western Europe without contemplating a fairly radical reform of the social security system. The two must mesh, not clash.

¹ In the United Kingdom, for instance, official unemployment has been lowered by changing the entitlement rules, and by changing the unemployment count to include only those receiving unemployment benefits. But a cost of tightening the entitlement has been the discouragement of voluntary labour mobility. In the 1970s someone who quit a job was not entitled to unemployment benefit for the first 6 weeks of unemployment; this was first raised to 13 weeks and in 1988 was up to 26 weeks.

VII. OPTIONS FOR THE 1990s

So far one has had to sketch a rather pessimistic picture; it now seems appropriate to conclude with a few comments on possible scenarios and options for the near future. Economists do not make the best of soothsayers, but we should presumably try to peer through the fog to find a future that is better than the recent past. In that vein, it would be useful to contrast the likely employment outcome of more assiduous supply-sidism with alternative possibilities. A full attempt is for another occasion, but two conceivable options are presented in very schematic fashion in the following.

A. Popular capitalism, or "The Social Market"

First of all, is the supply side agenda viable in the longer term? And where does it lead? It seems pretty safe to predict that income inequality will continue to grow, and that payment systems will continue to become more "flexible", involving greater use of bonuses, fringe benefits, share options, profit-related pay and so on for "core" workers and management.¹ The "revshare" insiders will co-exist with "outsiders" picking up the crumbs of economic growth. Employment security for a minority will be increased, in some cases being associated with workers making concessions on job, work or "task" flexibility. But perhaps for a growing majority, precarious forms of employment will be the usual experience, even if in practice they remain in specific jobs for some time. Besides part-time and casual employment, it may well be the case that the employment function itself will be contracted out by enterprises to "labour contracting agencies". Of course, in some countries this has already been happening, but the scope for it is far greater than so far practised, covering a very wide range of occupations and skill.

Meanwhile, the drift to "workfare" is likely to be the principal response to mass unemployment.² One can almost predict that if current trends persist, workfare schemes could halve the level of open unemployment in the next five years. Critics would be inclined to see this as a modern form of

¹ In that context, a recent survey of senior management pay in Britain showed that there had been a considerable "decompression of earnings differentials," managerial jargon for a widening of differentials. More importantly, while average salary growth rates rose with rank, the additional amounts attributable to bonuses and fringe benefits had risen at a faster rate overall and by more the higher up the income scale. On top of that, share options for executive chairmen on average were equivalent to 70 per cent of salary and other bonuses. Incomes are a less reliable gauge of earnings the higher one goes in the income scale, and with the spread of "flexible" payment systems, that discrepancy will widen further.

² Since this was written the United States Senate has passed a new Welfare Reform Bill introducing federally-funded workfare. States accepting federal funds will be required to stipulate that at least one parent in a two-parent family on welfare will have to work a minimum of 16 hours a week in workfare or community work projects.

the workhouse, both stigmatising and coercive, and as a way of undercutting other workers by cheap labour;¹ proponents would be inclined to stress the benefits of "training" and the possible reduction in welfare costs. The dangers of such schemes surely outweigh any "popular" appeal that is sometimes cited in support of them. One fear is that Governments of whatever political party will be driven to use public sector jobs and training schemes as a means, not only of reducing measured unemployment, but of controlling and regulating the labour force, in the process further eroding the social legitimacy of the public sector. If many workers in public service jobs are only doing such jobs as "failures", the "labour supply" will be alienated and thus of low productivity, while the "demand" for such services will be hit by an association with low quality. Thus from both supply and demand sides, the legitimacy or status of the public sector will be further undermined.

The scope for "perverse flexibility" is also greater in a service ("post-industrial") society than is one based on mass-production manufacturing. Illegal or clandestine economic activity does seem to be growing in many European countries, even though estimates understandably vary wildly. In Italy, for example, one estimate put the "underground economy" as 30 per cent of GDP. The most important point is that the incentives and the opportunities for such informal employment are growing, and the potential for these forms of work are held back in some countries more successfully than in others because of institutional obstacles and the policing and regulatory powers of the State. As the supply-side policy makers reduce regulations and broaden the "tax base" (to offset cuts in direct tax rates), the tendency for informal, small-scale and tax-avoiding activities to spread will intensify.

An irony is that whereas tax cutting and the growth of small-scale informal activities are popular objectives of supply-siders, the more the informal economy spreads the smaller the effective tax base, so that tax rates would have to rise if public expenditure were to be maintained and budgets "balanced". However, one of the central tenets of supply-side economics is that taxation should not be used as a means of reducing income inequality. This is a profound change from the political morality prevailing for most of the twentieth century. The supply-side economists believe in "tax neutrality", defined essentially as a tax structure designed to maximise incentives and savings and to preserve the degree of inequality produced by the labour market.

Trades unions in this evolving scenario will continue to have a hard time. Deunionisation will gather pace, and real active membership decline even more. More middle-ranking workers will be coopted by their corporations, while those in precarious jobs will be harder to organise and harder to retain. Business unionism ("Hammondism" as one strain of this is depicted in the United Kingdom) may spread -- taking over functions previously seen as the responsibility of Government and/or employers, and giving up the traditional function of representing labour against capital. But, increasingly, insecure

¹ The new programme "Training for Employment" in the United Kingdom will pay trainees a small bonus on top of their benefit entitlements but not the rate for the job, thereby further boosting "two-tier" work forces. Department of Employment, Training for Employment (London, HMSO, Cmnd. 316, 1987). See also, Employment Institute, Economic Report, Vol. 3, No. 5, Feb. 1988.

workers moving from job to job, and in and out of the employed labour force, could be forced to be non-union to obtain consideration, particularly if employment agencies grow in power and prevalence, as predicted.

Will "popular capitalism" lead to a reversal of deindustrialisation, in the sense of arresting the changing international division of labour and creating a high-tech economy giving jobs with decent incomes to the millions of Europeans currently excluded from well-paid, secure employment? For reasons stressed in section II, that seems unlikely despite what some commentators predict about technological "roll back", through multinationals shifting production back from low-cost labour countries to European sites. Indeed, the labour market "deregulation", implicit and explicit, of recent years will be accentuated by the shift to the "internal market" in the European Community in 1992. The hype currently attached to this project may herald much less in reality once the various implications are digested by Governments. But if it does occur, almost certainly enterprises will move production and employment from those European countries where labour rights are relatively well preserved to those where deregulation is greater. This will greatly strengthen the bargaining position of employers and probably increase the insecurity of employment and income of many groups of workers.

Much has been promised from "small businesses".¹ It is as well to put all the hype into perspective. Their share of total employment has increased in some European countries, but that is partly due to the shrinkage of large enterprises, partly to high and chronic unemployment, partly to statistical disguising of medium-sized firms as small-scale (if an enterprise changes the status of some employees to self-employed, for example), partly due to the huge subsidies provided by Governments, and only partly due to the industrial restructuring taking place, let alone the sudden spurt of an "enterprise culture". Already in the United States the spate of new small-firm growth has gone into decline, and the share of total employment in small enterprises is reverting to the level it held in the 1970s. The high "mortality" rate of small businesses -- and the social costliness of the very high turnover of small-scale enterprises -- indicates the essential precariousness of this process. Above all, there is little evidence to support the belief that today's small businesses will grow into large employers tomorrow. Occasionally, of course, a few will do so, but most begin and end small-scale.² Evidence does not support the view that economies with high shares of total employment in small firms have lower unemployment rates. The hope invested in small business as the future cure for mass unemployment reminds me of that famous passage in Tawney's Equality of the tadpoles being lectured by the one who by random good fortune becomes a frog.

¹ D.J. Storey and S. Johnson, Are small firms the answer to unemployment? (London, The Employment Institute, 1987).

² Some have predicted the end of the "age of mass production" and the growth of "flexible specialisation" based on small firms. M.J. Piore and C.F. Sabel, The Second Industrial Divide (New York, Basic Books, 1984).

Finally, the likelihood is that if the social market philosophy prevails, what Richard Titmus called the "institutional redistribution model" of the welfare state in Western Europe will give way to the "residual model" associated with the United States. In other words, it will be increasingly selective and the share of GNP devoted to public spending will be cut from above 50 per cent to something like a third of GNP. Welfare spending will be targetted to provide "poverty relief", not poverty prevention, let alone significant redistribution in favour of the poorer groups in society. If the welfare state becomes increasingly selective, not only will many more people find themselves in various poverty traps, but the poor will be forced to rely on informal networks of social support, most notably the ubiquitous "family", in an era when statistical and other evidence shows that such solidaristic units are at best fragile and mostly unable to fulfil that function. Those in need will be forced into greater dependence on charity, from relations, friends and local authorities, all of which are liable to be badly placed themselves to give such aid.

B. News from somewhere? Labour flexibility with income security

So far, the future seems bleak. But a crisis in the original Greek sense means not only a failure but an opportunity. What seems necessary to turn a potential nightmare into the basis for a new social consensus is a coherent strategy involving policies that reduce inequality, facilitate economic growth, encourage efficient and flexible labour use and, above all, provide income security. To those ends, one ought to recognise and build on the following parameter:

Full employment in its traditional sense (i.e., full-time, regular employment) is no longer realisable. There are respectable arguments to support the view that it is not even desirable.¹ What is desirable is that as many people as possible should be enabled to produce use values, to be creative and to contribute to social as well as personal welfare.² In other words, genuine employment expansion should be favoured, but not regarded as likely to produce anything close to full employment or regarded as an end in itself, leading as it would to the proliferation of "unreal jobs" and "workfare".³

¹ One might argue that full employment is still possible, as shown in such countries as Sweden and Switzerland. However, the latter has exported its unemployment. The former has relied on a secular growth in the number taken out of the active labour force via labour market schemes, inter alia, and it is notable that a growing proportion of the employed labour force are at any time absent from work. On recent Swedish developments, the interested reader may care to see G. Standing, Unemployment and labour market flexibility: Sweden (Geneva, ILO, 1988).

² What is not discussed here are moves to reduce working time. To declare a bias: cutting hours and regulations on hours of work are unpromising as the means of reducing unemployment. Rather than impose such rigidities, it would be better to enable as many people as possible to be flexible. The ideas of "time banks", annual hours contracts and "sabbatical years" for all adults have appeal as moves in the appropriate direction. Note that a survey of worker attitudes in all EEC countries in 1985-86 found that twice as many workers preferred more pay to fewer hours of work (62 per cent to 31 per cent). Employers in most cases reported that cutting standard weekly working hours would have no effect on employment; in a retail trade survey, more (10 per cent) reported that it would reduce employment rather than increase it (8 per cent); only 7 per cent of retail trade firms reported that job splitting would affect more than 10 per cent of total employment and only 41 per cent reported that any jobs could be split; for manufacturing the respective figures were 7.3 per cent and 40.6 per cent. In manufacturing nearly 19 per cent reported that it would reduce employment, and 11.5 per cent that it would have a "significantly positive" effect.

³ The view that one should say "farewell" to the idea of full employment is still undeveloped. One of the intellectual conundrums concerns the ideological treatment of the notion. In the early days, working class movements demanded full employment as the means of ensuring that "labour is not a commodity" (as the ILO's Philadelphia Declaration of 1944 put it). But that notion subtly changed to the view that "labour should be fully employed", or fully used, a very different perspective. Correspondingly, one could say farewell to the goal of full employment from two points of view. The "defensive" position is that for economic and/or technological reasons full employment is unrealistic or unachievable, so that one should adjust to make persistent unemployment more tolerable. The "offensive" position is that, even if full employment in some sense could be pursued, it is inherently unattractive or liable to be socially and economically damaging. Our assessment is closer to the second position than the first.

Furthermore, labour market policies so favoured in the 1980s in response to high unemployment will not be truly effective unless done in the context of rapid economic growth and high employment. Market-led growth will generate jobs but lead to further fragmentation, such that there is a need for the Government to generate, directly or indirectly, a complementary growth process that tilts the demand for labour towards those skills and groups omitted from high-tech, service-oriented growth that the market is creating. The environment and social infrastructure are the most promising avenues for such a complementary growth strategy, and this could be developed on a European level, also complementing the move towards a single internal market.¹

The most promising strategy to improve income distribution, labour flexibility and income security is three-pronged -- collective (or social) profit-sharing, community unionism and a citizenship guaranteed income scheme. Perhaps the term has too many resonances, but this might be called a social dividend strategy.

a) Collective profit-sharing

Supply-siders believe profits must rise on a share of national income, presumably to motivate the high-risk industrial investment required in the increasingly competitive international economy. Even accepting that premise, there is no demonstrated need for surplus to be distributed increasingly unequally. Collective surplus sharing systems could have the virtue of stimulating wealth creation through mobilising and reinvesting surpluses, without the distributional and other negative properties of individualistic revenue-sharing pay systems. Community or regional "wage earner" funds, as tentatively emerging in Sweden,² would have the virtue of enabling the surplus generated by certain enterprises to be channelled into projects having a high social rate of return to the benefit of the local working population. Above all, unless there is social sharing of surplus the number left out of the process will grow and be dependent on low-wage employment, which will in turn impose greater and greater strains on the delivery capacity of the social security system.

b) Community unionism

Whither trade unionism in the flexible labour market of the future? Industry and craft unionism have only a limited constituency if increasingly workers are liable to shift jobs across industries and occupations and work status. If one accepts the need for organisations to protect and enhance the interests of different groups of workers, then trade unions surely have to counteract the coopting tendencies of business unionism and have to attract and retain members through a flexibility of their own. The AFL-CIO, belatedly, is the central union organisation that has most responded to its dwindling

¹ This is the direction in which the Kreisky Commission on European Employment has been moving, as will be spelt out in detail in its forthcoming Report.

² For a review, see Standing, 1988, *op. cit.*, Ch. 6.

membership, issuing reports on membership drives, credit cards, and so on.¹ But surely, if the flexible labour market is the future, unions are going to be drawn far more into organising local communities of different types of worker. Who is going to bargain with local employment (labour contract) agencies that supply workers to a variety of industries? Who is going to represent the interests of workers who are at one moment out-workers in quasi-self-employment and at the next casual wage labour? If unions only represent the core workers, the tendency of employers to move more labour into the "periphery" will merely grow. In a labour surplus, flexible labour system unions will either have to represent whole communities of workers or they will be unable to represent anybody very effectively for very long.

c) Citizenship income security

As for the need for income security, the current stage of the debate across Europe is in a fascinating state of flux. In a sense, most West European States long ago institutionalised the conditional right to income security, introducing legislation to enable those unprotected by national insurance procedures or low wages or socio-physical handicaps to obtain subsistence benefits. But in practically all countries, means tests and arbitrary eligibility rules make a mockery of the objectives of removing poverty or providing income security equitably.² In some countries the State provides all the funds for such schemes, as in the United Kingdom and the Federal Republic of Germany; in others the State provides part while local communes provide the remainder or part of it, as in France, Belgium and the Netherlands. The minimum income guaranteed varies from a very high level in Sweden, the Federal Republic of Germany and the Netherlands to much lower levels in the United Kingdom, Belgium and France. In practically all countries, the number of beneficiaries of such basic income support has grown enormously in the past decade or so, more than doubling in countries such as the Federal Republic of Germany, Belgium and the Netherlands.

The drawbacks with most existing approaches are:

- 1) The minimum income is too low. This is less true in the Netherlands than in many other countries. The low amount typically reflects the belief that it would act as a disincentive to work, so that the level is tied to earnings in low paid jobs, and/or the methods of estimating the cost of a basket of goods deemed to constitute subsistence income. In some countries, notably Germany and the United Kingdom, a deliberate policy has been introduced to provide the unemployed with lower benefits than other groups.

¹ Another potentially relevant initiative is the "citizens" trade union set up by the UIL in Italy, whereby a computerised network is designed to provide workers with social assistance services, including an employment service for unemployed youth, a procedure for completing income tax returns and another for dealing with housing rents.

² For instance, the age at which one is eligible for such income benefit varies enormously, being as high as 30 in Luxembourg, 25 in France and 23 in the Netherlands.

- ii) Means tested and work tested benefits invariably have low take up, due to ignorance, stigma, incapacity and administrative procedures that often seem designed to be confusing and complex. This has been extensively documented in such countries as the United Kingdom and the Federal Republic of Germany. It is also quite apparent that more and more people are becoming dependent on means-tested benefits for all or part of their income and that this has tended to induce a dependency culture.

All of this leads to a critical proposal: a basic income provided as a right of citizenship is no longer an idealistic pipedream, and in one sense is already accepted as a principle in most European countries. The State has institutionalised the conditional right to income security. But as noted earlier, such employment-oriented conditionality has become less and less justifiable. In those circumstances, either the State can retreat from safeguarding the right to income security or such conditions should be rejected for what they are, arbitrary, inequitable and inefficient. The latter seems the better course to take. The principle to which practical reform should be devoted is that all or most benefits (including indirect benefits handed out in the form of tax reliefs) should gradually be replaced by a single transfer income (given as a tax credit to income earners, or cash payment to others), with supplements to cover specific needs, such as disability, that in themselves imply a higher cost of living for particular individuals. The citizenship income would be paid to all individuals, regardless of age (though lower for children below the age of 16), sex, marital status, worker status, and duration of past work or tax paying.¹ For income earners the basic income would amount to a deductible tax credit; for non-earners or low earners it would amount to a non-withdrawable cash payment. All earned income above the citizenship income would be taxable, with a comprehensive income tax replacing the existing income tax and national insurance contributions.

What such a scheme would explicitly recognise is that the labour market in its emerging flexible form is incapable of generating income security for all or even most of the population. As such, given a government commitment to basic income security -- which has long been an implicit or explicit obligation in affluent societies -- it would be necessary to break the link between the labour market and income if the problems of "underprovision" and "exclusion" were to be overcome. A citizenship income scheme would not necessarily be

¹ Note that a citizenship income guarantee, or social dividend, is not the same as a negative income tax à la Friedman. The latter would retain means tests and the household (not individual) as the taxation unit. In practice, too, the NIT would be levied by reference to the previous year's income, which would often not correspond to current income or needs.

introduced overnight, but could be done by stages.¹ It might also be introduced for certain disadvantaged groups and gradually spread to the whole population.² In either way, such a fundamental reform is fast becoming not only economically feasible, but practicable in the sense that it would promote labour flexibility.

It is feasible because:

- i) National incomes in European economies are sufficiently large to allow a decent minimum income for all citizens.
- ii) Social security and tax relief already account for about a third of GNP in some countries, so almost allowing a fiscally neutral shift to a citizenship income guarantee at a safety net level, especially if one took what were the highest levels of taxation of the past decade as the yardstick.
- iii) The costs of administering the existing welfare payments system have grown enormously, while the legitimacy of selective social security is no longer regarded as sacrosanct.

The major objections traditionally levelled at a universal income guarantee are diverse and have tended to block an objective assessment of the advantages. The following objections have been made:

- 1) Cost -- The cost has been cited as implying either a very low basic income insufficient to meet subsistence needs or a level of income guarantee that would mean "excessive" rates of taxation. For the reasons just cited, this cost argument is weakening, a view that would be strengthened if one accepts that there is little convincing evidence that current levels of taxation are "optimal" in any sense, and that the advantages of a social dividend noted later (particularly (vi) to (xi)) would raise public revenue or reduce other public expenditure.

¹ In that vein, proposals for a partial universal allowance as in The Netherlands, would push the "social labour market" in the appropriate direction (i.e., (i) a modest guaranteed minimum coupled with (ii) compulsory "loss of income" insurance for wage earners, (iii) a flat-rate supplement for those who are in poverty despite (i) and (ii), and (iv) a voluntary social insurance scheme to cover other income loss). Netherlands Scientific Council for Government Policy, Safeguarding Social Security (The Hague, Government Printing Office, 1985).

² Interestingly, the Belgian Government in 1987 costed a proposal to provide every schoolleaver with a three-year basic income guarantee, without work-availability or means tests. The additional cost compared with the existing conditional benefits system worked out to be modest.

It should also be borne in mind that partial selectivity in the provision of welfare benefits would be retained, through benefits based on special needs, not means or work tests.

- ii) Reduce wage rates. It is argued that employers would be under less pressure to pay decent wages, but this claim is unproven and dubious, since a minimum income guarantee for each and every individual would enable low-paid, vulnerable groups to have a stronger bargaining position in the labour market. In any case, unions and wage protection machinery would presumably remain to defend wage levels.¹
- iii) Disincentive to work. Again, critics claim an unconditional income guarantee would discourage work effort or saving. This is dubious for several reasons. First, a citizenship income guarantee has to be compared with the existing system that creates unemployment traps, poverty traps and retirement traps, in which many thousands face marginal "tax" rates near or even over 100 per cent. With a basic income scheme, nobody would face rates anything like as high. Second, the citizenship income would never cover all people's social needs. Most people respond to relative status aspirations, and it is hard to believe that any large number of people would respond to basic income security by idleness. A civilised affluent society should surely not rely on the economic stick of income insecurity to motivate people to work and be creative.
- iv) A basic income scheme leaves open the level and rate of change of the income. That is true of any social security transfer system and it is correct that both the political right and political left could interpret a citizenship income scheme in their own ideological terms. In democratic societies, there would have to be checks on the abuse of a "social dividend"; as one possibility, one could envisage the level of the guaranteed citizenship income changing with the rate of real economic growth.
- v) It would weaken the resolve to reduce unemployment, thereby undermining the "right to freely chosen, productive employment". In most of Western Europe the cynical retort to that is sad: What resolve?
- vi) It does not deal with the perennial problem of individual hard cases, so leaving the system trapped with the dilemma of special groups with special needs. To be fair, all systems have to make allowances for specially disadvantaged individuals, but whereas the current insurance-based systems the entitlement is based on means tests, work tests and so on, with a citizenship income system such entitlements could be based on specified physical and social needs.

¹ Wages have a multiple function in a market economy, covering reproduction costs and providing incentives to accept jobs and work with optimal intensity and productivity. The provision of a citizenship income guarantee would, in effect, take out at least part of the reproduction costs implicit in wages.

- vii) Related to (vi), it would be inequitable because those with special needs would be treated in the same way as those more fortunate. This is invalid in that most advocates of a citizenship income guarantee are careful to state there would have to be supplements to cover specific contingency needs that necessitate higher costs of living.¹
- viii) It would be politically impracticable because there is not a large enough political constituency to support such a measure. That seems a prescription for intellectual and political inertia. Of course, it will take time to elicit understanding of what is involved in a move towards a social dividend economy, and perhaps it is true that it will only be accepted once other routes to reform have been tried. But that would scarcely justify non-advocacy now.
- ix) It would be unnecessarily universal. It is sometimes argued that it is absurd to provide income support for millions of people when there is only a need to support a few hundred thousand. The counterpoint here is that increasingly most people have a higher probability of a fluctuating status, with periods of full-time work interspersed with part-time work, unemployment, withdrawal from the labour force, low earnings, etc.

Perhaps the most pervasive pseudo-criticism comes from those sceptics who assert that advocates of a citizenship income depict it as a panacea, an all-purpose solution to poverty and inequality. It is no panacea, and it is essential to recognise that it can only be envisaged as part of a coherent politico-economic strategy, being entered into the lists of international intellectual debate crowded by atavistic and tired old tunes.

What would be the labour market advantages?

- i) It would facilitate more flexible forms of employment, making it easier for people to combine part-time work with other activities. By removing the unemployment trap it would enable some unemployed men (particularly) to take part-time employment; by reducing the risk of penury in the result of failure, it would encourage "self-employment".
- ii) It would help break down the sexual division of labour, and help achieve more sexual equality in the labour market, by improving women's bargaining position (notably those trapped in low-wage, insecure jobs) and by encouraging men to share more in domestic forms of work by enabling them to take part-time jobs more easily; correspondingly, it would tend to reduce "household dualism", since at present if a man becomes unemployed (in Britain at least), his wife has little incentive to earn because any income results in an equal loss in benefits.

¹ Some critics argue that "the reluctant worker deserves nothing". This line of reasoning leads one easily into some very muddy waters. The ethics of workfare are worthy of review, but the concept of the undeserving poor is surely a dubious one on which to base social welfare policy.

- iii) It would help remove the arbitrary and inflexible notion of retirement age, while enabling older workers to avoid the unfair penalisation of "earnings rules" that in some countries determines receipt of state pensions while reducing the potential economic contribution of older citizens. It would also encourage worklife "interruptions", rather than late life retirement, thereby enabling people to drop out of the labour force (without total loss of income) to learn new skills.¹ Ways need to be found to enable the rapidly growing number of older workers to continue to use their abilities and experience for the benefit of themselves and their communities. As a group of social scientists observed;

"We believe it to be socially undesirable to insist on retirement as a condition for drawing pension. Older people should not be denied the right to work, or threatened with the loss of pension rights if they choose to do so. Nor should people be forced to start drawing their pension at the earliest age at which they are entitled to a higher pension at the time at which they choose to claim it. Pension age should not be confused with the age of retirement."²

- iv) It would provide people with greater choice of lifestyles between higher work/higher income and lower income/lower work options.
- v) By providing basic income security as a right of citizenship, it would reduce the stigma of unemployment while dispensing with the current situation in which many receive benefits only if they remain idle (unemployed).
- vi) By giving more income security, it should encourage an atmosphere in which workers threatened by job loss would accept workplace changes more readily, thereby boosting productivity, economic growth and taxable income.
- vii) Although it could help reduce "exploitation" of vulnerable groups, enabling them to resist being paid less than warranted by their productivity and forcing inefficient, low productivity employers to improve productivity rather than pursue a cheap labour approach, a social dividend income guarantee could reduce pressure by higher-income employed workers ("insiders") to push up wages to cover risks of future income loss.

¹ Relevant to this are the proposals of Gösta Rehn, on flexible life funds, and Rudolph Meidner, on "sabbatical years". Less attractive is André Gorz's idea (derived from Rehn) of lifetime labour accounts by which everybody would have an obligatory quota of work to fulfil or lose their right to a basic income. A. Gorz, The End of the Working Class (1986), p. 60.

² International Labour Office, Into the Twenty-First Century: The Development of Social Security (Geneva, ILO, 1984), p. 50.

- viii) It would encourage some black economy work to shift into the legal, tax-paying mainstream, since there would be lower marginal tax rates at low earnings levels and no poverty trap phenomenon.¹
- ix) There would be less pressure on governments to provide costly "unreal jobs" to absorb some of the unemployed. As such, it would offer an alternative to the most worrying aspects of workfare.
- x) It might well not only encourage a combination of work activities but, by reducing the income risk, encourage individual experimentation with jobs for which they may have an aptitude; this is particularly appealing given the discouragement provided by the present trend towards barring from benefits those who "quit" their existing, unsatisfactory jobs to search for something better.
- xi) It would tend to reduce the essentially artificial economic distinction between labour force work and do-it-yourself productive activities; it would also give a stimulus to social community services.
- xii) It would encourage "worksharing", for which there seems to be a widespread desire.

In sum, a citizenship income guarantee system could facilitate labour flexibility through albeit-basic income security. It would, above all, provide a means of legitimating the evolving labour process. The public revenue for its provision must come in part from a collective share in the surplus or profits generated by what is, increasingly, a fairly narrow "high-technology" core of the productive economy. Unless we move in the direction of a universal basic income as a citizenship right, the current trend towards authoritarianism, "workfare" and "targeting" will surely prevail. A certain category of politician is likely to devote increasing rhetoric and policy to "reducing dependency", which is a euphemism for reducing state benefits, tightening the rules for eligibility to state benefits and devoting more public resources to intimidatory policing of social security "fraud". Those who take exception to this euphemism could advocate a universal income scheme as a means of reducing dependency in various ways:

- a) reducing dependence of the poor on a malfunctioning labour market.
- b) reducing dependence of those not in recognised labour force employment on the earnings of those who are.
- c) reducing dependence of the unemployed on a welfare service that in effect regulates, monitors and stigmatises them.

Those are certainly not the least of the advantages of moving in the direction of non-withdrawable income security as a basic citizenship right.

¹ Using available data bases to estimate the impact on labour supply of altering marginal tax rates at the higher or lower ends of the earnings spectrum is surely dubious, partly because lowering marginal rates at the lower end would create a different context in which initially marginal work could be attempted. Recently, in a conference in St. George's House, Windsor Castle, Professor Patrick Minford used such data to argue that the positive effects on labour supply of cutting tax rates on higher income earners outweighed the negative effects for the poor.

VIII. CONCLUDING POINTS

"The right to prosperity is the social revolution; the right to work is, under favourable circumstances, an industrial prison."

- Peter Kropotkin, 1918.

Social welfare policy should not be separated from economic and redistribution policy. A citizenship income guarantee coupled with community unionism and collective profit sharing (on a regionalised or community basis, as envisaged in Meidner's early schema in Sweden) offers a coherent package. It offers the prospect of enhancing individual autonomy, reducing sectoral and individual inequality and combatting the most insidious trend of the 1980s, the centralisation of power and control. It is not a populist package because it would represent an attempt to alter relations of production and distribution by recognising and building on existing trends. Most importantly of all, reform must be built on the recognition that as the new more "flexible" labour market cannot be the source of income security for a large proportion of the population, it is essential to relax the link between labour force work and entitlement to benefits. Admittedly, there would be a danger that a citizenship income could be used as a poverty income for those left out of the growth process, leaving a segment of the population to enjoy a modern version of a "bread and circuses" existence. That is why it is critical to see a social dividend, or citizenship income, scheme as an integral part of a coherent package based on the promotion of economic growth and accumulation and on the reduction of inequalities. It could be linked to the provision for disadvantaged groups of publically-supported training and work opportunities, but for a genuine social consensus to be built on that strategy, it must be based on freedom of choice rather than on State regulation of conditionality. With that proviso, the concept of a social dividend society, in which individual income security is integrally linked to collective motivation to accumulation and the progressive redistribution of surplus, offers the nucleus of a new social consensus in modern society. The political challenge is the creation of a broadly-based coalition who could identify with the type of society it implies. In the last decade of the twentieth century, that could come.

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