Labour Recommodification in the Global Transformation:

How to Achieve Economic Security

by Guy Standing

1. Introduction

The outsourcing of labour is the aspect of current labour market restructuring that has caught popular attention in the United States, but it has attracted nothing like as much attention in other parts of the world compared with other aspects. Outsourcing is a metaphor. It is just one manifestation of fear that is characterising the globalisation of labour market flexibility. It goes with Perot’s infamous imagery of “the great sucking sound” of Mexico.

The global story is, essentially, that since the 1970s the world has entered a ‘transformation’ analogous to what Karl Polanyi had depicted as the ‘Great Transformation’, which lasted from the 19th century into the middle of the 20th. He portrayed the first disruptive phase of that transformation (which he wrongly thought was the only one) as guided by a deliberate strategy, led by financial capital, to create a market society, in which workers and most people were left unprotected and subject to unbridled market forces. He recognised that this was unsustainable, as well as deplorable, and that sooner or later policymakers and leaders would act to re-embed the economy in society, by curbing market forces and by introducing systems of social protection, income redistribution and labour market regulation so as to moderate the worst excesses of the market system.

In the subsequent, “embedding” phase of that Great Transformation, policymakers forged the welfare state in its various guises, backed by Keynesianism economics and a complex system of statutory labour regulations, neo-corporatist collective bargaining backed by a relatively strong labour movement and progressive fiscal policy. But this system had inherent weaknesses, which I have tried to document elsewhere.

The key point was that it was a systematic attempt to spread the notion of industrial citizenship, with a spreading array of labour-based entitlements, not rights but entitlements conditional on the performance of labour or the willingness to perform labour or the State-determined perception that the person could be excused labour, due to such contingencies as illness and incapacity or maternity or old age.

This short paper will argue that the era of industrial citizenship has broken down irretrievably, ultimately potentially for the better. It will summarise what seem to be global trends in labour-related insecurities, of which outsourcing is a single manifestation and so far only a relatively minor one. And it will consider the nature of labour

recommodification in order to determine what policy and regulatory options are available and feasible as the progressive response.

2. The Age of Insecurity

To appreciate the nature of the challenge in the early years of the 21\textsuperscript{st} century – still deep in the disembedded phase of the Global Transformation – one must recall what it was that was promoted in the embedded phase of Polanyi’s Great Transformation. One way of seeing this that is relevant to the theme of this conference is that there was a steady advance in the socio-economic security of workers and their families.

One can identify seven forms of labour-related security, which are defined and operationalised elsewhere.\textsuperscript{2} These are income, representation, labour market, employment, job, skill and work security. These are summarised in Box 1, and have been refined through surveys, and a global socio-economic security database.

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\begin{tabular}{|l|}
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\textbf{Labour market security} – Adequate income-earning opportunities; at the macro-level, this is epitomised by a government commitment to Full Employment; \\
\textbf{Employment security} – Protection against arbitrary dismissal, regulations on hiring and firing, imposition of costs on employers for failing to adhere to rules, etc.; \\
\textbf{Job security} – Ability and opportunity to retain a niche, an occupation or “career”, plus barriers to skill dilution, and opportunities for ‘upward’ mobility in terms of status and income, etc.; \\
\textbf{Work security} – Protection against accidents and illness at work, through, e.g., safety and health regulations, limits on working time, unsociable hours, night work for women, etc., as well as compensation for mishaps; \\
\textbf{Skill reproduction security} – Good opportunity to gain and retain skills, through apprenticeships, employment training, etc., as well as opportunity to make use of competencies; \\
\textbf{Income security} – Assurance of an adequate and stable income, protection of income through, e.g., minimum wage machinery, wage indexation, comprehensive social security, progressive taxation to reduce inequality and to supplement those with low incomes, etc.; \\
\textbf{Representation security} – Possessing a collective voice in the labour market, through, e.g., independent trade unions, with a right to strike, etc. \\
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\textsuperscript{2} ILO Socio-Economic Security Programme, Economic Security for a Better World (Geneva, ILO, 2004 and 2005); G.Standing, Beyond the New Paternalism: Basic Security as Equality (London, Verso, 2002). I first defined the seven forms in work in the 1980s, and have found the framework useful for analyzing labour market dynamics and for developing a framework of labour and social statistics, through Enterprise Labour Flexibility and Security Surveys (ELFS) and People’s Security Surveys, which have now been conducted in over 20 countries.
In the era of industrial citizenship, advances were made in all forms of labour security, but they came at the price of producing a false paradise of labourism. There was a tendency to promote behavioural norms that were ultimately restrictive and stultifying. It was a prescription for dumbing down, for “jobholders” so witheringly depicted by Hannah Arendt. It also produced labour rigidities and thus rising labour costs. That was sustainable in a world consisting of a closed-economy model, in which international trade took place primarily between countries with similar levels of labour security and thus cost structures, and an international division of labour that was based on ‘underdeveloped’ countries producing primary goods while ‘developed’ countries producing manufactured goods and services. Once the world began to become an open economy system, there was no way the old labourist model could be sustained.

In itself, the demise of the labourist model should be welcomed. There was no Golden Age, even though old social democrats harp on about it. But what was ushered in with the reforms of the 1970s onwards, epitomised by the experimental madness of Pinochet in Chile, and followed on in a grander scale with Reaganism and Thatcherism, and supported by the World Bank and IMF elsewhere, was a rupture that has spread economic insecurity everywhere.

That rupture can be presented in several ways. First, it can be seen as a disembedded phase of a new transformation. All such phases are characterised by the growth of inequalities and insecurities as commercial elites that dominate policy development and the State push remorselessly towards the creation of a market society. In this respect, we are clearly at a sensitive point in history. The last such time a concerted drive towards a market society was unleashed, in the 19th century, the end result was fascism and bolshevism, before the welfare state emerged from the ashes of the first of those madesses. One must hope that the dangers of current developments will be learned before we lurch into another phase of sharply curbed freedoms and dehumanising authoritarianism.

It might seem a long way from that fear to the labour market restructuring that is taking place. It is not. What this great transformation is leading towards is an international labour market, whereas Polanyi’s transformation was about the emergence of national labour markets. So far, the model that has emerged under the rubric of flexibility and “neo-liberalism” has been about the destruction or disruption of all the institutions and policies of national labour markets, which had ameliorated the inequalities and insecurities. The changes profoundly altered the nature and distribution of economic insecurity.

Indeed, one could argue that this is the first time in human history when we are being presented with a global model based on the premise that “insecurity is good for you”. But, whereas in the embedded phase of welfare state capitalism, capital was allowed to receive higher income than labour in return for bearing the risks and insecurity, while labour was rewarded with greater security, now capital is provided with

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3 For instance, Full Employment was a myth, since it left out a large number of women, who were a labour reserve, often outside the measured labour force.
greater economic returns and is increasingly protected against risk and insecurity, while labour is expected to bear much more of the risk and receive lower income, and is also expected to deal with systemic insecurity. This does not seem an entirely equitable arrangement.

Globally, what is happening to labour markets is that there has been a re-growth in all seven forms of labour insecurity. Perhaps the defining feature of labour reforms in the past two decades is the systematic attempt in all parts of the world to make labour relations more flexible by weakening workers’ entrenched entitlements and by removing or lowering those forms of social income that are relatively fixed. Flexibility is one of the defining euphemisms of our age. So is labour market deregulation. But there is no such thing as labour market deregulation. This has been a period of labour market re-regulation. It is probably true that there has never been a period in history when more regulations have been passed into law around the world. A defining feature of the regulatory drive has been its anti-collective character, with more restraints placed on worker organisations and more efforts made to encourage contractual individualisation.

It is extraordinary to relate that the world is playing a game called beggar-my-neighbour-flexibility. This has been going with a process of social policy dumping. Everywhere you go you will be able to find earnest Ministers of Labour or Social Welfare, and their even more earnest advisers, wondering how they can make their labour market more flexible and ‘competitive’ than the wonderfully flexible system they imagine is ‘over there’.

Outsourcing is part of this process. But it is just one means by which flexibility, economic insecurity and labour force fragmentation are being extended. It must be seen as part of a globalising labour chain. Seeing it as a single phenomenon would be analytically and politically mistaken. In a sense, whereas the first phase of Polanyi’s Great Transformation involved the forging of national labour markets through the mass migration of labour power into the new urban centres of mass production, this transformation is involving the mobility of capital to where labour can be supplied most cheaply, i.e., almost the opposite. But the main trend in what is the first phase of a new global Great Transformation is best described as labour recommodation.

3. The Era of Labour Recommodification

In the last great transformation, the most relevant change of the first ‘disembedding’ phase was the development of national labour markets in which labour became a commodity, to be bought and sold, without capacity to resist exploitative and oppressive working conditions, or the receipt of low and irregular wages. Outwork and subcontracting were common, and the great feature was the mix of labour migration into the urban industrial areas and labour circulation, as workers moved to and from emerging labour markets. But all this came at a high and growing cost, of deprivation and the social consequences among the working population, and restricted productivity. Sooner or later, in order to sustain social stability and economic growth, the state had to respond by
ushering in social reforms that had the effect of reducing the commodity character of labour relationships.

This is often described as decommodification, in that participation in the labour market was more protected and income was made less dependent on the amount of labour performed. But, as argued elsewhere, this was really a fictitious decommodification, since the main changes involved a shift from monetary to non-monetary compensation but workers’ welfare was still made dependent on the performance of labour.4

In any case, since the mid-1970s there has been a process of labour recommodification around the world, which can best be captured by considering what is happening to the structure of incomes.

(a) Social Income

It may be useful to depict what has happened in the ‘disembedding’ phase of globalisation by means of the concept of social income. Obviously, in any but the most primitive society, everyone has some source of income, or dies.5 The total may be inadequate or grotesquely large, but to survive they must have something. There are various sources, and the composition determines not just the level but also the security of a person’s income.6

Basically, although many of the elements might be non-existent, any individual in any society has up to six sources of income, which together constitute the person’s social income. This may be defined as follows:

\[ SI = SP + W + CB + EB + SB + PB \]

where SI is the individual’s total social income, SP is self-production (whether self-consumed, bartered or sold), W is the money wage or income received from work, CB is the value of benefits or support provided by the family, kin or the local community, EB is the amount of benefits provided by the enterprise in which the person might be working, SB is the value of state benefits, in terms of insurance benefits or other transfers, including subsidies paid directly to workers or through firms to them, and the value of

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5 Even in the most rudimentary society, people have access to land with which to produce or acquire food, or receive gifts and support from those who do.

6 Of course, some groups receive less income than they earn, not because of taxes but because intermediaries control access and deduct some of it, so concealing their true poverty. Women, in particular, are often impoverished in this manner. If you wished to increase their income security, a primary objective should be to break the control mechanisms. Distinctions between gross and net incomes are as relevant for workers as for businesses, yet rarely do income statistics or labour market analyses take that into account.
social services, and PB is private income benefits, gained through investment, including private social protection.

We can disaggregate the six elements of Social Income as follows:

$$SI = SP + (W_b + W_f) + (FT + LT) + (NWB + IB) + (C + IS + D) + PB$$

where $W_b$ is the base or fixed wage, $W_f$ is the flexible part of the wage (bonuses, etc.), FT are family transfers, LT are local community transfers, including any income from charity, non-governmental organisations, etc., NWB are non-wage benefits provided by firms to their workers, IB are contingency, insurance-type benefits provided by firms to their workers, C are universal state benefits (citizenship rights), IS are insurance-based income transfers from the state in case of contingency needs, and D are discretionary, means-tested transfers from the state.

The relevance of the decomposition of social income is that the prevailing pattern of remuneration indicates the degree to which a person is subject to labour market forces. Thus, one can assess the degree to which the person’s labour is commodified and the extent to which he or she is commodified. To give the simplest example, if $W$ were a very large share of $SI$ the degree of commodification would be much greater than if $W$ were zero or a small part of the person’s total income.

In an era of de-commodification, $W$ would shrink as a share of $SI$, whereas in an era of (re-)commodification it would grow. One would also expect that in the former those elements of $SI$ that were relatively secure, as a result of institutional interventions or legislation, would be eroded, whereas those that were insecure and conditional on the performance of labour could be expected to grow in relative terms.

(b) Dismantling Social Income

In the era of globalisation so far, there has been a strong shift back to money wages. There have been many pressures inducing this change. But four changes stand out. First, there has been a steady cutback in enterprise benefits (EB) via two processes, explicit disentitlement and implicit disentitlement. The former has come about through a mix of concession bargaining and legislative changes that have allowed firms to abandon or reduce their non-wage benefits, such as pensions, healthcare and worker subsidies of various kinds. The latter has come about by moving workers from statuses under which they had entitlement to such benefits to statuses in which they do not. All sorts of ruses have been used to achieve the latter.

A second feature of the restructuring of social income is that there has been a shift from universal and insurance-based state benefits (SB), in which workers and employers make contributions in return for contingency income transfers, to selective, means-tested benefits. Within that decline, there has been a shift from universal and insurance benefits (C and IS) to discretionary and directional transfers. Besides the obvious increase in worker income insecurity, these changes also weaken social solidarity. Indeed, the
decline in workers’ collective Voice has been both instrumental in the dismantling of social income and the result of it.

A third feature has been a trend towards the use of labour subsidies, effectively monetary supplements to top up low wages, which represent a subsidy to capital. The classic case is the Earned Income Tax Credit in the USA, but all industrialised countries have moved in that direction. These are surely a trade distortion, since they effectively subsidise relatively unskilled labour and thus artificially increase the competitiveness of import-substituting industries, such as garment production. One may predict that the subject of labour subsidies will come up before the World Trade Organisation sooner or later.

The fourth major aspect of the restructuring of social income has been the increased necessity for workers to rely on informal support systems, covered by the term CB in the identity. In effect, people have to find such support because of the removal of EB and SB. This relates to outsourcing and the restructuring of labour markets, because it means that many forms of labour have to be subsidised by supportive transfers from family members or communities. Workers where there are such networks can receive such support, undercutting those living where community systems have been eroded.

In any case, the restructuring of social income is central to the global growth of economic insecurity. As such, it might be of interest to see how the USA has been faring in terms of the extent and pattern of such insecurity.

4. Economic Insecurity in the USA: A Comparative Perspective

There is much anecdotal evidence that this phase of the global transformation has been associated with a growth of various forms of labour-related insecurity. But to examine the trends more systematically, we have developed a global database, through primary questionnaires completed for over 120 countries and through the construction of secondary data sets from diverse sources. The primary objective has been to identify patterns and trends in the extent of each of the seven forms of labour-related security, and then combining them into a measure of socio-economic security.

The methodology, explained in detail elsewhere, is as follows. First, we identify input indicators of the various forms of security, i.e., proxy measures of government commitments on the most relevant dimensions of that form of security, epitomised by ratification of international conventions. Second, we identify process indicators, i.e., measures of the existence or otherwise of mechanisms to put those commitments into practice. Third, we identify outcome indicators, i.e., measures of how well or badly actual experience of workers has been in that particular area. To give a simple example, an input indicator of work security would be ratification of occupational health and safety conventions or standards, a process indicator would be the existence of a labour

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7 At the meso level and micro level, we have also conducted establishment and household surveys focusing on socio-economic security, as indicated in footnote 2.
inspectorate to ensure that safety laws are put into effect, while an outcome indicator would be the accident rate in manufacturing and mining.

In practice, several of each type of indicator are combined into indexes, and these are combined into security indexes, using a variant of the methodology of the UNDP’s widely-used Human Development Index. In each case, the outcome sub-index is given double the weight of the input and process sub-indexes. Normalising the resultant indexes, we combine them into a composite **Economic Security Index**, which we are able to estimate for countries that together cover over 80% of the world’s population. Not all countries have all the data on the various forms of security, which is why the comparison varies for a different number of countries for each type of security. But for the overall index we do have data for 90 countries.

The USA does not emerge with as high a ranking as some would wish or expect, nor does its position correspond to what it would be if there was a straightforward correlation with national income per capita. The positions on each of the forms of security are as follows, out of the number of countries for which there were complete data, and with the final column indicating the most revealing feature of the US index by comparison with the average for rich industrialised countries:

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Rank</th>
<th>Total Countries</th>
<th>Feature</th>
</tr>
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<tbody>
<tr>
<td>Labour market security</td>
<td>16</td>
<td>94</td>
<td>(low input values)</td>
</tr>
<tr>
<td>Employment security</td>
<td>30</td>
<td>99</td>
<td>(poor input and process)</td>
</tr>
<tr>
<td>Job security</td>
<td>22</td>
<td>94</td>
<td>(strong process)</td>
</tr>
<tr>
<td>Skill security</td>
<td>12</td>
<td>139</td>
<td>(high outcome)</td>
</tr>
<tr>
<td>Work security</td>
<td>29</td>
<td>95</td>
<td>(poor input)</td>
</tr>
<tr>
<td>Representation security</td>
<td>41</td>
<td>99</td>
<td>(poor outcome)</td>
</tr>
<tr>
<td>Income security</td>
<td>23</td>
<td>96</td>
<td>(low process)</td>
</tr>
</tbody>
</table>

**Economic Security Index**  25  out of  90 countries

Bearing in mind that most of the countries are developing countries with very low values on many forms of security, the USA does rather badly. For each form of security, we divided countries into four groups – **Pacesetters** (those that do well on input, process and outcome respects), **Conventional**s (those that seem to have good input and good mechanisms, but only modest outcomes), **Pragmatists** (those that do not appear to have good commitments or mechanisms, but have comparably acceptable outcomes), and a **Much-to-be-Done** cluster of countries (those that have poor input, poor process and poor outcomes).

As indicated in the attached maps, although its position varies according to type of security, in all respects the USA fits in the Pragmatist cluster, well outside the group of countries that have established high standards. But it is the large part of the globe where labour-related insecurities are chronically high that offer the most likely destination of outsourcing in the next few years.
Labour Market Security - Clusters

Employment Security Index Clusters

Legend
- Pacesetters
- Pragmatists
- Conventionals
- Much-to-be done
Representation Security Index Clusters

Legend
- Pacesetters
- Pragmatists
- Conventionals
- Much-to-be done

Work Security Index Clusters

Legend
- Pacesetters
- Pragmatists
- Conventionals
- Much-to-be done
The USA comes out badly on the various forms of economic security, relatively speaking, because its governments have subscribed much less to international labour standards than many other countries and has had relatively ineffectual institutional
machinery to put them into effect. This is rather well-known. Global hegemony would come a little easier for the rest of us if it went with adherence to international norms forged by generations of knowledgeable people, many of them Americans, from across the world. Now we are faced by the irony that many commentators are complaining that outsourcing is due to the absence of decent labour standards in countries ‘sucking’ US jobs abroad.

That aside, there are some surprises in the international patterns, and some points to bear in mind in reflecting on the desirable responses to the insecurities surrounding such phenomena as outsourcing and external flexibility. Note, for example, that the USA does not do too badly when it comes to employment security, perhaps contrary to the image of a hire-and-fire culture. However, it provides lower employment protection than most other rich countries. So, it would be dubious to blame excessive employment protection for large-scale outsourcing.

What should be more worrying is that the USA scores relatively badly in the two forms of economic security that we regard as the meta securities, namely income security and representation security. It is the combination of basic income security and Voice that gives a person full freedom.\(^8\) If a person has basic income security, he or she can make choices rationally, and adapt to pressure to change more easily. But if the person lacks Voice, individually and collectively, he or she will always be vulnerable to loss of income, status, and other forms of security. This reasoning is why we gave double weight to income and representation security in our Economic Security Index.

The USA does very badly in terms of giving workers Voice, which is not only because of the low unionisation rate. An outside observer may join Americans in wishing it were otherwise, since we share some of the disadvantages that flow from that. But it is a reality that seems most unlikely to go away.

Compounding the problem, and reflecting it, the USA also provides a relatively low degree of income security. This in part reflects the very high level of income inequality, in part the selective and partial array of state benefits. Unfortunately, we know that low income security weakens representation security and vice-versa. That combination is a breeding ground for labour force fragmentation, which is discussed below.

American workers are by no means alone. Our data point to a deepening crisis, or challenge. Americans and their west European counterparts, and even many counterparts in the middle-income and developing countries where I have been working mostly in recent years, are constantly told that unless they make concessions their jobs will go abroad. The concessions they have made, and those that their governments have made on their behalf, have weakened income security more than they have other forms of security, although they have weakened those as well.

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8 For those wishing to see a fuller rationale for this claim, see Standing, 2002, op.cit, or G.Standing (ed.), Promoting Income Security as a Right (London, Anthem Press, 2005).
Outsourcing is one instrument of fear. So is the process, currently sweeping continental western European countries, of deliberately creating dualistic workforces, consisting of relatively privileged insiders, with access to a wide range of benefits and forms of security, surrounded by a motley assembly of ‘contingent’ workers, some working in the same premises, some working locally in other places, some in other parts of the country, and some ‘overseas’.

This divisiveness is best captured by the notion of fragmented workforces. In such circumstances, any sense of social solidarity is hard to imagine. Typically, those in one type of labour status have little in common with those in others. The issue epitomising the contrast between unified and fragmented workforces is social insurance, or the more general idea of mutuality. The principles of social insurance were central to the evolution of the welfare state as it evolved in the 20th century. No country had a full social insurance system, and there were important differences between the Bismarckian and Beveridge models of welfare. However, it was the norm that drove the labourist agenda and that united social democratic thinking for more than fifty years on both sides of the Atlantic and in many parts of the world, including most of the decolonising regions.

The principle was something that the ‘working class’ could rally round. You contribute today to give assistance to somebody in need today because tomorrow you might wish them to contribute to support you in times of mishap, infirmity, old age or bereavement. There have been many reasons for the breakdown of that system of mutual support.

5. Outsourcing as Metaphor

Labour outsourcing, or whatever it has been called in earlier times, comes into prominence in times of resistance to incipient economic restructuring. It is in part a reflection of resistance by workers to loss and threats to a set of pre-established entitlements and hard-won freedoms. It is also a means of accelerating change through inducing concessions.

Commentators who concentrate on the actual amount of outsourcing, perhaps dismissing it of limited significance, miss the point that it is because the extent of outsourcing is potentially vast that a few swallows do indeed mark the summer’s arrival. Or to alter the metaphor: the fear of the ‘sucking sound’ induces workers and their representatives, including government agencies, to accept that they must lose various enterprise and state benefits, or give up employment protection security and accept more flexible labour relations and payment systems.

If that is the main effect, then the significance would not be how large outsourcing was but how easy it would be to practise it and how many concessions could be forced on workers by its threat. Making people fearful may be a clever device for inducing people to accept a lower standard of social income.
Given the huge differences in labour costs, even net of any remaining productivity differences, between the USA and the industrial workshops of the world, most notably India and China, one should rather ask why outsourcing is so modest. Given the huge changes in labour policies taking place in both those countries, one can predict a rapid increase in the next decade. Here it is useful to recall the concept of social income. In China, in particular, the shift away from EB to SB in the last five years or so has been one of the least discussed trends that may profoundly affect the global labour market in the next decade.

One may propose a basic hypothesis. It is that social policy dumping in rich industrialised countries is being matched by the pace of regulatory reform in those energised workshop countries. It is surely wrong to have an image of a “race to the bottom”, in which wages and benefits are going to reach anything like those currently received by workers in India or China. But there is a high probability of a trend towards convergence, which, regrettably, will imply moves away from what had been established as ‘best practice’ towards a much lower level of economic security. This is not to be fatalistic or pessimistic. It is rather to suggest that an alternative strategy is required rather urgently.

6. What policies are needed?

We are faced with the prospect of a global labour market characterised by flexibility and insecurity stretching into the future. I believe that progressive social thinking should try to take that as given, rather than expect that there is much to be gained by trying to restore the trappings of industrial citizenship. The more interesting question is whether or not there are ways to overcome the several adverse trends associated with that reality. It is atavistic and misguided to try to recreate the system of industrial citizenship that characterised the three decades following the end of the Second World War.

In thinking about the policy responses to a world of outsourcing, we must remember that there is another outsourcing that is ultimately more significant, the outsourcing of capital. Much of this is done simply to avoid and evade corporate taxation. Numerous companies have moved their headquarters and/or subsidiaries to tax havens. From there they can indulge in sophisticated transfer pricing so as to disguise profits. This has lead to the convenient argument that capital cannot be taxed heavily, or perhaps not at all, because its potential mobility is so high that you will merely lead to a mass outsourcing of capital and jobs.

So, along with other forms of social dumping, governments are indulging in a beggar-my-neighbour process of tax dumping, which has produced a situation in which not only are taxes on capital falling while taxes on labour are rising (relatively, and often in absolute terms as well), but also subsidies to capital are rising (to attract or retain foreign investment) while subsidies to workers and their families are falling. This pattern has fuelled government budget deficits, which in turn has provided a political justification for cutting social transfers and social services. It is a recipe for chronic
inequality that is much greater than can be conveyed by conventional income statistics, because the non-monetary elements of social income are becoming much more unequally spread, with some groups losing on most counts and some gaining on most.

There should be two primary concerns. The first is finding ways of responding to the chasm of inequality. The second is to determine which forms of socio-economic security are crucial. As far as the second is concerned, and without going through the reasoning in what is intended to be a short paper, I believe that the two meta-securities are *income security* and *representation security*.

If we reflect on how we must rethink income security, we must recall the main trends. Inequality arises increasingly from a shift in the functional distribution of income, from labour to capital. Workers have weakened bargaining power, while capital can be as mobile as it wishes, thus lowering corporate taxes and inducing governments to provide capital with an increasing array of subsidies. One may wish for much stronger bargaining power for workers, but the prospect is unlikely, at least under the old guise of labour unions. More realistically, the growing inequality must be combated by other methods, including opportunities for profit-sharing, both individual and collective.

In other words, as people move to a lifestyle of *portfolio working*, a desirable response would be a social income system based on *portfolio incomes*. Imagine if most people had multiple sources of income to go with multiple forms of work, including care work, and various forms of community work.

As far as *representation security* is concerned, it is about time that we accepted that labour unions and trade unionism have had their day. But the need for Voice, collective and individual, is greater than ever. Obviously, the form of Voice must depend on the nature of the labour process. That is why something like community unions or civic associations are more likely to be the appropriate vehicle, a mechanism in which ‘outsourced’ workers and homeworkers can be represented as much as full-time regular wage workers. There has been much debate on what form of organisation is ideal. Among the dangers are the threat of cooption by interests that are not ground in *work* and *economic security*. To give a topical example, organisations run by a religion tend to be organisations run for a religion. It is for this sort of reason that one should wish to see associations that relate to the principles of occupational guilds.

That is for another occasion. However, as far as outsourcing is concerned, those who fear their jobs being outsourced, or who fear their communities are about to be blighted by a mass outflow of jobs to Mumbai and other distant places, must reflect on the adage that we are as weak or as strong as the strength of the weakest link in the labour chain. Traditionally, the great labour battalions in the rich countries, most notably of all, the AFL-CIO in the United States, made public pronouncements in support of “the international labour movement”, but they acted in their own nationalistic interest. Of course there have been exceptions. But the legacy of the practices of the AFL-CIO in the era of Meany and Lane Kirkland included fragmented, passified workers’ movements in many parts of the world where outsourcing has been booming.
Now, the challenge before us all is to give assistance to the weakest in the global labour chain. If their work and income opportunities and their Voice are strengthened, we too stand to gain. Outsourcing is a reminder to recall the rallying cry of workers throughout the ages.
Outsourcing involves several levels of worker. There is the highly-paid, highly-educated IT specialist, the clerical ‘call centre’ type of worker and there is the relatively ‘unskilled’ worker, usually a woman, who is required to do assembly labour. Each tends to suffer from some forms of insecurity and each has some advantages for those doing the work. But one of our analytical problems is that we do not have a very clear sense of how outsourcing fits into an emerging *class structure*. I am appending this note because it seems we need to have a clear idea of how the international pattern is taking shape in order to develop a feasible strategy for social protection, social solidarity and redistribution.

For our purposes, it might be useful to consider the following image of social fragmentation taking place internationally. The point is to identify groups that have distinctive sets of entitlements and patterns of social protection and security, and that are likely to have a particular attitude to forms of social protection and commodification.

A feature of the fragmentation is that growing numbers of people are detaching themselves or being detached from mainstream national regulatory and protective systems. It is presented in descending order based on average social income.

*The elite.* At the zenith of the globalising economy is a tiny minority of absurdly rich and high-earning people, whose impact is out of all proportion to their number. Some of these have long since reached the stage of seeing their incomes rising almost exponentially. They are global citizens. Expanding the stratum down to multi-millionaires, the relevant points are that they are detached from national regulatory and social security systems, neither needing nor contributing to them, either psychologically -- not feeling committed to their maintenance or improvement -- or politically. The elite has strong income security, and whatever they need of other forms of security. Their biggest danger is hubris, and being caught in criminality. But there is no prospect of their commodification; they merely want others to be that way.

*Proficians.* These are the new craftsmen of the global flexible economy. As the name implies, they are a mix of professional and technician, mostly working as consultants or in short-term contracts. They operate in a climate of insecurity, but are well compensated for this. Perhaps their main form of insecurity is work insecurity, epitomised by the frenzied pace of their erratic work schedules, stress and burn-out. Often able to evade or avoid taxation, they are at least partially detached from state-based social protection systems. Many of them are commodified in that they must sell themselves with bravado. Confidence tricks are often part of their trade. They typically welcome and glorify market society, until they reach their burn out point. Proficians comprise one segment of outsourced workers.

*The salariat.* This consists of salaried employees, including those working in civil services, corporations, para-statials and other bureaucracies. They have employment

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9 I will not discuss this appendix in my presentation. It is added just for possible interest.
security, but probably suffer from job and skill reproduction insecurity because they may be moved around and/or gain promotion in their enterprises by leaving technical skills behind them. Because of their high incomes and a tendency to identify with management, employers and the elite and proficient strata, members of the salariat typically feel detached from the state social protection system, seeing their future income security in terms of private insurance benefits and earnings from judicious investment. They are still relatively well protected from commodification.

* **Core workers.** These are what those with long memories used to call the working class. Welfare states were created to serve their needs, those in full-time, regular, typically unionised jobs, with manual skills. During the era of statutory regulation (c.1945-75), it was presumed that they represented the norm and that a majority of workers in all countries would eventually belong to this stratum. The larger the proportion of people belonging to it, the more people in a position to support and benefit from an insurance-based social protection system and the mainstream regulatory system. Although the legitimacy of a redistributive welfare state depended on core workers, they actually never comprised a majority in most countries and since the 1970s have been shrinking. This is not just a reflection of “de-industrialisation”, and the associated dispersion of manufacturing wage labour around the world. It is also because of various forms of labour market flexibility. Core workers long had most forms of labour security, but as the wage system has become more flexible a growing proportion of their income has been insecure. They also suffer from increasing job and employment insecurity, while their unions have been enfeebled. And with their numbers dwindling and not expected to grow, their agenda has lacked legitimacy. They have experienced more recommodification than any other group.

* **Flexiworkers.** These comprise a disparate group in non-regular work statuses, including casual workers, outworkers, sub-contracted labour, agency workers and domestic workers. Their common characteristic is labour insecurity in all seven forms. In the era of statutory regulation and welfare state capitalism it was presumed that these “informal” statuses would decline as economies developed. In recent years, they have appeared to be the future. Not only have the number trapped in petty activities in rural and peri-urban areas grown, but flexible labour processes have boosted many other forms. Growing proportions of labour forces have lacked entitlement to mainstream statutory protection and have been disentitled to social transfers.

* **The unemployed.** Globally, the number has risen in the era of market regulation and globalization, although the distribution of the unemployed has shifted, and many more are unmeasured. They suffer from growing labour market insecurity, and from more income insecurity, because unemployment benefits has been cut, duration of entitlement has been shortened, and conditions for entitlement have been tightened.

* **The detached.** This is a growing category in many countries, cut off from mainstream state benefits, lingering in poverty, anomic and threatening those above them in the income spectrum because others fear falling into their ranks. In recent years,
Politicians have been inclined to treat these victims of economic liberalisation, as in need of “re-integration”. They linger in the streets, in bus and train stations, in city parks. They make those above them in the social order feel uncomfortable or smug, depending on where they fit. The detached represent fear. And it is fear that induces concessions from the near poor – the ultimate tool of inequality.

If one divides societies and the international economy into these seven strata, one sees that the top three are increasingly detaching themselves from state-based social protection, while the bottom three are being detached by explicit and implicit disentitlement to its benefits and services. Although one may choose a different way of stratification, the analytical device may also help us to picture the growing inequality of social income and deterioration of economic security.

Table 1 is an interpretation of what anecdotal evidence suggests are the sources of income received by the several strata, or the sources on which each relies. The asterisks indicate the main sources of income for the higher-income strata; a blank implies that the source is not applicable, or that no guess on aggregate trend is reasonable. The table’s final row indicates what seems to be the global trend for the source of income specified by the column. Thus, the base wage has tended to decline as a part of social income, the flexible part of the wage has been rising, income from private savings and investment has been rising sharply, and so on. The +/- sign means the source has risen for higher-income groups, fallen for others.

Table 1: Sources of Social Income, by Socio-Economic Status

<table>
<thead>
<tr>
<th>Sources Stratum</th>
<th>Wb</th>
<th>Wf</th>
<th>FT</th>
<th>LT</th>
<th>NWB</th>
<th>IB</th>
<th>C</th>
<th>Is</th>
<th>D</th>
<th>PB/K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elite</td>
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<td></td>
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<td>+</td>
<td>+</td>
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<td></td>
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<tr>
<td>Proficians</td>
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<td></td>
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<td>+</td>
<td>+</td>
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<td></td>
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<td>*</td>
</tr>
<tr>
<td>Salariat</td>
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<td>+</td>
<td></td>
<td></td>
<td>*</td>
<td>*</td>
<td>+</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Core</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
<td>--</td>
<td>--</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexiworkers</td>
<td>--</td>
<td>+</td>
<td>+</td>
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<td>--</td>
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</tr>
<tr>
<td>Unemployed</td>
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<td>+</td>
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<tr>
<td>Detached</td>
<td>+</td>
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<tr>
<td>Global trend</td>
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<td>+/-</td>
<td>+/-</td>
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<td>--</td>
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<td>+</td>
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</table>

Table 2 complements Table 1, in that it indicates how the seven strata experience various forms of security. Thus, for example, proficians have high levels of income security and skill reproduction security, being in control of their own activities, but no employment or job security. Core workers have some employment security (although diminishing), relatively high work security and reasonable entitlement to enterprise and other benefits.
### Table 2: Forms of Labour Security, by Socio-Economic Status

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</tr>
</thead>
<tbody>
<tr>
<td>Elite</td>
<td>+</td>
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<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>Proficians</td>
<td>(+)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>+</td>
<td>+</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>Salarit</td>
<td>+</td>
<td>+</td>
<td>(+)</td>
<td>+</td>
<td>(+)</td>
<td>+</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>Core</td>
<td>0</td>
<td>(+)</td>
<td>0</td>
<td>+</td>
<td>0</td>
<td>0</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Flexiworkers</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Unemployed</td>
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<td>–</td>
<td>–</td>
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<tr>
<td>Detached</td>
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<td>–</td>
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</tbody>
</table>

**Note:** +, above average; 0, average or not applicable; -, below average.

Tables 1 and 2 suggest a way of interpreting what is happening to income and income security. The socio-economic fragmentation has produced a situation in which those in -- or identifying with -- the top three strata feel increasingly detached from the mainstream state social protection system. They are thus less inclined to defend its principles of social solidarity, while the bottom three strata feel deprived, detached by disentitlement to the benefits long offered to core workers, to whose ranks they had aspired. To them, there is no solidarity on offer, and for them, to talk about social solidarity would sound like a sick joke. The detachment and lack of social solidarity have contributed to the loss of legitimation of the welfare state.