The governance of economic uncertainty: beyond the ‘new social risks’ analysis

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1. Introduction

The New Social Risks (NSR) school of social policy analysis has enabled scholars and policy-makers alike to reshape their approach to take account of the main relevant changes that have affected advanced societies since the major reformulation of welfare state arrangements that took place, in most cases, after World War II (Bonoli 2007; Taylor-Gooby 2004). Major examples of these changes are deindustrialisation, female labour-force participation, ageing, flexibilisation and an increased variety in employment relationships. It shows how these changes have created new vulnerable groups; and it also shows that welfare policies have changed, bringing increasing diversity rather than convergence across Europe. Perhaps its most important contribution has been to identify the intricate set of relationships that link care policies (for children, the elderly and other vulnerable groups) to women’s labour-force participation, and to family structures, breaking down the divisions that led to these being viewed as separate areas during the heyday of male-breadwinner, industrial economies.

However, now that approaches to social policy have been reoriented in response to the NSR agenda, it is time to point to certain deficiencies in it, or to problems that it has either overlooked or discounted as unimportant. These can be grouped under the headings of scope, market dominance, interests, and governance.

Scope. The NSR school argues that welfare states have to be reoriented in a way that reflects changed socio-economic circumstances that are themselves taken for granted. There is no consideration of the possibility to change these circumstances through state policy, conflict, collective bargaining, corporatist practices, transnational regulations or other means. Hence, certain socio-economic circumstances remain outside the political sphere; their definitions are not questioned, and no inquiry is made into the sources of those definitions. Politics and policy are restricted to social and education policy that merely reacts to changes. This from the outset limits the scope of intervention, and the range of possible policies available to influence welfare...
is reduced to a restricted set of labour market, welfare and education policies. This is problematic, since it may well be possible that certain welfare problems are best addressed through, for example, a different regulation of international finance, changes in dismissal protection systems and the range of possible employment contracts, or alternative minimum wage policies. This is particularly relevant today, when policy makers in several countries are insisting that social spending must bear the brunt of the consequences of the crisis that has been caused by the malfunctioning of the Anglo-American neo-liberal financial model.

**Market dominance.** Further, the NSR perspective concentrates on adapting people to the market rather than reducing their dependency on it. The welfare state needs to prepare the labour supply in demand (both qualitatively and quantitatively), stimulate female participation and reduce welfare dependency. There is a risk that this leads to a situation in which people in low wage employment or working poverty become defined as social problems, and issues relating to them are removed from the labour relations and labour standards agenda. Also, the individual is seen as responsible for ensuring her own employment and can choose from the jobs offered, become self-employed, or seek forms of education that will improve her employability. Unemployment is thus an individual problem to be addressed through active labour market policies and education. The most obviously weak point in this reasoning is that it assumes that ordinary individuals have a capacity to predict and identify the kinds of job for which they should prepare themselves in future, while even specialist job-research institutions have difficulty making such predictions.

**Interests.** The NSR approach also fails to take account of the fact that it is to an important extent employers, managers and financial capital that drive and manage the uncertainties that emerge in the new circumstances, which are rarely ‘natural’ phenomena (Crouch 2009; Keune and Schmidt 2009). Their strategies have important effects on welfare and uncertainty, but the NSR approach tends to take these for granted as facts of life. The questions whether these strategies are acceptable, or whether there are alternatives to them, are not on the table. A conflict of interests between classes is therefore obscured by the NSR approach.

**Governance.** Although NSR pays attention to governance, and has clear links to research on ‘new modes of governance’, another school that tries to define the changed institutions of post-industrial society, it does not do so systematically. In particular, while claiming a new diversity of governance following a perceived decline in the role of government, it in reality concentrates only on the resurgence of the market and questionable claims for the importance of networks. In its concern to describe a shift from vertical (state) to horizontal (market and network) governance, it tends not to notice the growing role of the vertical governance of individual large corporations, for example in setting the terms of new forms of labour contracts and supply chains, or in replacing defined benefits pension schemes with (for employees) less advantageous defined contributions ones. It also fails to notice the reduction
in governance diversity involved in the decline in associational governance. The NSR approach risks to reduce this to macro-level participation in public policy through such devices as social pacts. It misses out on the role of collective bargaining, which has important direct and indirect welfare effects, and which is giving way in several industries and countries to autonomous governance by corporate managements. Collective bargaining operates directly on the welfare mix through such schemes as those for pensions, early retirement, work–life balance, or the implementation of state policies (Trampusch 2007). (For example, during the current crisis many short-time work schemes have been implemented through collective bargaining.) Indirectly, collective bargaining affects welfare through such devices as complementary dismissal regulations which influence if or when a person comes into contact with social security provisions.
2. Towards a new approach

The NSR school is rooted in certain premises about the mainly benign character of the forces at work in post-industrial economies. In trying to go beyond the achievements of the school, we need to rebalance that assumption of benignity. Rapid change and globalisation, as well as the move away from Keynesian demand management, have together brought new vulnerabilities to working people’s lives, uncertainties which are in the first instance defined and managed by employers and the owners of finance capital. They have considerable scope to decide how uncertainties, experienced initially as exogenous shocks, will impact on different parts of the population, both within and beyond the labour force. Social policy, in the expanded sense of all interventions (positive and negative) that come between economic shocks and the lives of working people, has to be studied primarily in terms of this process. It should not be assumed that the crude old risks associated with labour’s helplessness in the face of major market forces have disappeared. This is clearly demonstrated by the global crisis that emerged in the late 2000s, which resulted in rapidly growing unemployment and the decline of the real value of pensions in many countries. Indeed, distinctions such as that between old and new risks are of secondary importance in this respect. This then leads us to examine various phenomena that go beyond the scope of the new social risks agenda.

The economic uncertainty of people with limited personal wealth and dependent on their place in the labour market for their security, the heart of the ‘old’ social risks, has in fact re-emerged as the central theme of labour policy through the dialectic over flexibility and security emerging from international, and particularly European, policy debates over the past two decades, with the European Commission’s White Paper Growth, Competitiveness and Employment (1993) and the OECD’s Jobs Study (1994) standing as crucial documents. (But see the OECD’s reassessment of its strong liberalisation stance in 2006 (OECD 2006a)). Globalisation and associated sectoral changes in employment, as well as rising costs of social policy, have been presented as challenging an earlier approach to work and welfare based on guaranteeing security to the working population, as well as to those remaining outside the labour force on grounds of age, disability, inability to find work, or motherhood. The new approach, of which the NSR school is a part, is based on maximising labour force participation in order to reduce dependency rates and increase the tax base, and on increasing work flexibility both among those within the existing workforce and those considered to be outside it.
While these new priorities bring some distinct gains to many parts of the work force, they have had the unfortunate indirect consequence of turning attention away from the guarantee of protection from uncertainty. The one word that embodied the new priority was, and remains, ‘flexibility’. This has brought a total reorientation of perspectives on all policies associated with labour. Davies and Freedland (1993), who in 1993 were able to remark that employment law is primarily about protecting workers from insecurity, have more recently (2007) declared that, at least in the UK, this has changed: employment law is now about fitting workers to the exigencies of the market and maximising labour force participation. They point out, in particular, how legislation that seems to be giving workers new rights (such as law for the promotion of employment among women or elderly people) is actually about increasing the supply of labour. Policy for skills is about improving potential employees’ quality and therefore their employability. One might summarise by saying that, if earlier labour law was concerned with human rights, today’s law is concerned with human resources.

But flexibility clearly stands in a relationship of some tension, not only with the demand of working people for stability in their lives, but also with the dependence on consumer confidence of an economy based on mass consumption. Some forms of labour flexibility are unwelcome to employers themselves, if it becomes difficult to sustain continuity of employment among skilled and well trained staff, or where firms are trying to develop strong corporate cultures. Policy-makers, including senior managements of large corporations, have not been presented with the simple possibility of tearing down protections that they had come to see as inhibiting economic performance, but have been required simultaneously to provide alternative forms of assurance to at least sections of the working population that, barring natural disasters and the unforeseen, should be able to plan their lives with reasonable confidence. This includes consideration of the different forms of labour flexibility, which can have very different implications for security. There has been particular interest in policies and practices that claim to combine flexibility and security, leading policy-makers to developed such hybrids as the primarily Danish and Dutch concept of ‘flexicurity’ (Madsen 2006; Wilthagen and Tros 2004), but the overall range of policies and practices involved in the reformulation of the balance between flexibility and security is considerably more extensive than this (Burroni and Keune 2011).

It is clear that new approaches are needed to bring together analysis of the full ensemble of issues affecting labour market policies, related social policies and industrial relations regimes in this changed situation, in terms of collective action games around the distribution of uncertainty. This can be tackled as a collective problem, in various ways, or it can be one of ‘dumping’ the uncertainty burden on different sections of the population. This is not because economic life today is more uncertain than in the past; the reverse is more likely. Rather, people in modern democratic societies have high expectations that they will be protected from economic uncertainty; but after the collapse of the post-war model, they experience greater difficulty in meeting those expectations; and there is some diversity in the possible answers to their problems.
To replace the narrow focus of current public policy concerns with flexibility and security, and to remedy some of the distortions of the NSR approach, we need to construct an analytical scheme to accommodate the wide empirical diversity of both policies and practices, and modes of governance, as there can be no exhaustive or theoretically defined empirical list of these. Creative actors are constantly seeking, and often finding, new means to achieve security in fluctuating world markets, or bending to that purpose policies that were initially introduced for other reasons. It is also important to recognise, particularly in a neo-liberal economy, that concern should not be limited to public policy; we must also embrace the practices of firms and other employing organisations.

We can move to a more analytical level by applying the ‘grammar of uncertainty management’, the four main interrogatives, the questions: how? where? when? among whom? The first of these relates to the modes of governance. The other three concern the distribution of protection against uncertainty.
3. The grammar of uncertainty management

3.1 How? The means (governance) of distributing uncertainty

The theory of governance (Hollingsworth and Boyer 1997; Hollingsworth, Müller and Hollingsworth 2002) has identified a number of key governance modes. It should be noted that in practice these often operate jointly within an area:

Law. The first field to which we look for governance is to government, or the state. In the case of states under the rule of law it is necessary to separate government and law as two separate components of the state, as government itself is subject to law. There may be a distinction, even a conflict, between current government preferences and the existing state of the law. This will be particularly important in fields subject to change and controversy, as is the case with sustainable security. Law is essential for the definition of employment statuses and their associated rights, and including the various forms of ‘soft law’ that are emerging, particularly at the European level through the Open Method of Coordination.

Government. Government is clearly a central form of governance in the whole field of employment and social policy, including some of its more extended aspects. When combined with law and some other institutions as the state, it is also the modern institution most commonly identified as a public collectivity. We also include here, in addition to national governments, regional and local levels and the European Union.

Market. If law and government together constitute the forms of governance provided by the polity, there are also two forms of governance provided from within the economy. The first is the market, a public space in which virtually everyone participates. Its main form of uncertainty management is to convert uncertainties into tradable risks. Individuals participate in the market with very unequal resources. Not only does the strength in the labour market of workers with different kinds of skill and capacity determine their ability to demand different levels of security guarantees from their employers, but the market (combined with corporate hierarchy and redistributed by government through fiscal means), determines income levels, capacity to save from income being a major form of uncertainty protection. By themselves market forces do not categorise individuals into groups, but they may combine with other forms of governance (government, corporate hierarchy) to do so, as for
example in employers’ classifications of manual and non-manual workers, frequently with different arrangements for pensions, sick leave, etc.

*Corporate hierarchies.* Following on from this, individual firms establish different packages of entitlements for different kinds of worker, extending not only to direct employees, but also to contract labour and to the firms in their supply chains and their workers. Many items in these packages have direct and major implications for the degree of protection from uncertainty that individuals can expect. Employing organisations are important determinants of life chances for individuals. Although they are directly concerned only with working life, the income and status derived from that affect most other areas of life too.

It is as important to distinguish between markets and corporate hierarchies as it is to do so between law and government. The distinction has been important in economic theory ever since the theory of the firm (Coase 1937) identified a difference between the firm as a simple nexus of markets and as an organisation with the capacity to shape its use of markets, as in the distinction between external and internal labour markets. In more recent years the works of Oliver Williamson (1975; 1985) have firmly established markets and hierarchies as different forms of economic governance.

*Associations.* While, in modern societies, the polity and the economy are the principal sources of governance, other institutions in the wider society also regulate and manage areas of economic life. The most formal of these are associations, particularly important in the labour field through agreements reached between trade unions and employers’ associations, or sometimes individual firms (Schmitter and Streeck 1985). This governance operates at a number of levels, defining collectivities from local groups of firms to cross-national arrangements.

*Networks and communities.* Networks, as loose, informal forms of association, play an important role in modern economies, while the far tighter, but still informal units that we call communities, are more characteristic of traditional economies. Communities can be differentiated from networks by their tighter controls over the members, extending across many areas of their lives, and their development of moral codes and norms. However, in the study of the governance of security and flexibility, communities of various kinds, particularly the family, are of considerable importance, and networks relatively weak. The only kinds of network sometimes relevant are those among firms that regulate employment relations and local supply chains in a more informal way than is found in associational governance.

### 3.2 Where, when and among whom? The distribution of uncertainty

The study of inflation in the 1970s and 1980s made considerable use of the theory of collective action (Olson 1965). In particular it used Olson’s (1982)
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analysis of how business associations and trade unions would tend to solve problems affecting them by dumping them (technically, externalising) on to groups outside their own boundaries. In Olson’s limiting case, groups whose members constituted the greater part of a defined whole could not externalise, and therefore developed means for resolving problems without burdening others. While the dynamics of the distribution of uncertainty are different from those surrounding inflation, the issue of externalisation is central to both, as both define insiders and outsiders. Inflation research took it for granted that the associations at the heart of its analysis existed within nation states, and that the nation state constituted a universe within which the proportion of a wider community represented by a particular associational relationship could be assessed. Once we relativise the nation state, this analysis becomes more complex.

Four different approaches may be taken to the management of uncertainty in relation to an insider/outsider divide. First, members of a collectivity may try to externalise the insecurity that their members bear in the same way as was attempted with inflation, externalising on to other communities, separate from them in place. Second, a similar process may take place in relation to time: a society of people living in a particular period may postpone resolution of various issues, leaving a later generation to face the burden. These processes are of considerable importance, and elsewhere we have discussed them (Crouch 2010). Here however we shall restrict our attention to approaches that exist on the level of analysis at which most discussion of new social risks concentrates: distribution of risk-bearing within a collectivity, whose members may have to accept that they must internalise the uncertainty, minimising it by sharing it through various collective measures. Simple universal sharing constitutes the third approach, but in the fourth collectivities are internally stratified, and externalisation may take the form of more powerful members requiring the less powerful to bear disproportionate shares of the burden of uncertainty – a kind of internal externalisation. This may not necessarily occur as a result of conscious policy, but by repeated practice. In effect, sub-collectivities emerge within what seemed at first sight to be a single one.

Different policies and practices for the governance of economic uncertainty and the balancing of security and flexibility can therefore be analysed in terms of the main forms of governance involved and the forms of externalisation, internalisation or internal externalisation at work.
4. Policies and practices concerning the governance of uncertainty

There can be no exhaustive list of policies and practices, as they are empirical, and capable of considerable multiplication as human beings tackle issues in new ways and find creative and innovative solutions, sometimes not even aware that they are doing so. The following discussion will embrace what appear to be the major examples of these that are relevant to the task of moving beyond the NSR agenda and develop an extended concept of the social policy environment. Research would do well to look for them, and in particular to look for typical combinations in which they seem to appear. But it will also need to look out for policies and practices not covered here, but which are relevant to how the balance between security and flexibility is achieved in any given society at any point in time.

Table 1 summarises the principal terms of the following discussion. They are organised according to their principal modes of governance, though subsidiary modes are often at work too. In order better to perceive the implications of our account for the NSR school, we arrange the various components in three groups: those that would be considered to constitute ‘old’ social risks, but which we consider as still highly relevant to the experience of contemporary populations; those that form part of NSR analysis; and those that lie ‘beyond’ usual accounts of both old and new risks. By this we do not necessarily mean phenomena that are new or recently arrived on the scene, but those that are usually neglected by all schools of social policy analysis, but which we consider need to be introduced into the scene, as they are often central in setting the context in which more obviously ‘public policy’ elements operate.

*Employment law.* First, employment law provides frameworks of employment rights and limits to them. As noted above, during at least democratic periods, the main purpose of labour law has been to protect the rights of employees against employers who are regarded as being *prime facie* more powerful than they are (Davies and Freedland 2007; Knegt 2008). Labour law has therefore reinforced security, in some cases at the expense of flexibility. As such, it has come under sustained criticism from economists and others during recent years when employment sustainability has been seen to depend on increasing flexibility. The aim of much of this criticism has been to encourage labour law to accept a role in achieving a balance between security and flexibility. This is sometimes expressed in terms of degrees of deregulation, but deregulation nearly always requires some re-regulation, as maintenance of the market order itself requires a framework of rules (Majone 1990). A key development here in at least some countries has been the introduction of ‘reflexive regula-
Table 1  Potential analytical scheme for regimes of uncertainty distribution

<table>
<thead>
<tr>
<th>Principal governance modes</th>
<th>Policies and practices, by analytical framework</th>
<th>Characteristics</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>‘Old’ – but still real – social risks</td>
<td>‘New’ social risks</td>
</tr>
</tbody>
</table>
| Law                       | Employment law |  | I: none  
II: internal distribution  
III: ranging from sharing to internally externalizing | |
| Mainly government         | Social policies directly delivering services |  | I: family  
II: internal distribution  
III: sharing | |
|                           | Advancement of population’s skill and employability level |  | I: family, market  
II: place, internal distribution  
III: externalizing on to economies without advancing skills; internally externalizing at point of input on to families with difficulties in access; at output on to workforce with lower education achievements | |
| Government demand management |  |  | I: market  
II: time, internal distribution  
III: sharing | |
| Government, market, corporate hierarchy | Insurance and pensions |  | I: associations  
II: internal distribution; time  
III: shared within insured community; internally externalization through inequalities in access to schemes | |
| Mainly market             | Credit to sustain mass consumption |  | I: possibly government  
II: time, internal distribution  
III: externalizing on to future if confidence collapses | |
| Mainly corporate hierarchy | Managerial organization of activities offering varying degrees of security among different countries and regions; supply chains |  | I: market  
II: place, internal distribution  
III: externalizing or internally externalizing on to economies/regions on margins of corporate strategy | |
|                           | Internal labour markets and organization of work |  | I: market, associations, communities  
II: internal distribution  
III: internally externalizing on to marginal employee groups/contract workers | |
| Associations              | Collective bargaining | ‘New’ collective bargaining |  | I: market  
II: internal distribution; place  
III: ranging from sharing to internally externalizing, depending on inclusiveness and arrangements, can be externalizing on to other countries (competitive corporatism) | |
| Mainly community (including family) | Inter-generational transfers and support |  | I: family, possibly assisted by government via social insurance  
II: time, internal distribution  
III: shared within family; internally externalizing on to families with low resources | |

Notes:  
I Subsidiary forms of governance involved;  
II Relationship to issues of place, time and internal distribution;  
III Form of externalization, internalization or internal externalization involved.
tion’, or legally induced ‘voluntary’ regulation to induce reductions in standards of protection, matching attempts in collective bargaining for derogations from sector standards by company-level negotiators.

**Social policies.** Prominent within the realm of formal public policy is the delivery of various services. These have a wide variety of implications for security, not all of them obvious. In the first instance, directly provided services remove certain important areas of activity from the market, providing security of continuing access to them during times of economic difficulty. Especially among lower-paid workers, this can relieve the strain of labour-market insecurity, possibly enabling them to accept more uncertainty in that market than counterparts in societies where social service provision is much lower.

From this has flowed a secondary, originally accidental consequence, which has its own implications for economic uncertainty, appreciation of the importance of which constitutes one of the main achievements of the NSR school. Public services offered in kind include a range of care services: child care, sickness care, elderly care. Where these services are provided by the market, they tend to be too expensive for people on modest incomes, so there is under-provision. They are often provided within the family, primarily by women. In that case the provision exists, but not as part of the labour market. Where government provides or subsidises services, they are still primarily provided by women, but within the labour force, generating jobs, incomes, and therefore purchasing power. Further, other women relieved of family caring roles by the availability of the public services, enter other parts of the labour force. This leads to a kind of femino-multiplier of job creation. At least within Europe, those economies that provide high levels of publicly funded direct services have higher levels of female and aggregate employment (Esping-Andersen 1999). To the extent that populations live in male/female partnerships, the increase in female participation has brought the stability of two separate employment incomes to households. In such cases, given the differences in the sectors in which men and women are likely to work (with women less likely to work in the exposed sectors), the dependence of individual households on individual industries and on the private market will often be reduced. Most important, the femino-multiplier has both created employment and, as a consequence, taxation revenues, which make possible further public-service provision.

**Improving skill levels and employability.** A form of security provision that is fully compatible with the free market is when individuals insure against future labour-market risk by investing in their own educational opportunities, including when they engage in mid-career education and training in order to anticipate future adverse labour-market change affecting their current employment. While wealthy individuals might do this unaided, this is a field with considerable government involvement; there is considered to be a collective interest in workforce upskilling, which extends beyond individuals’ perceptions of their own interests; it is very difficult for individuals to anticipate future labour-market skill changes. Given that most education involves young people, it is also a form of future investment that requires a major contribu-
tion from the family. An exception may be training provided to employees by the employer. Here the issues are the amount of training employers provide and the type of training, i.e. if it equips employees only with firm-specific skills or also with skills that increase their employability and mobility beyond the firm. The time-related nature of the distributions involved here is relatively short-term, and they are therefore turned into distributions among contemporaries. Whether and among whom they externalise depends on the identity of the collectivities managing them. If it implemented by families, it is likely to reproduce and enhance existing social inequalities; if by the state, the outcome depends on the characteristics of the scheme adopted.

Social policy measures to stimulate labour-force participation, or active labour market policy (ALMP), another central theme of NSR analysis, also need to be considered here (for a recent survey of different labour market policy measures being implemented in Europe, see Eurostat 2009: 269–72). In many countries many transfer payments are increasingly being linked to active labour market policy measures which are in turn often linked to official encouragement of training and education. These are responses to fears about the sustainability of social transfer regimes alone. There is an important triangle linking social insurance and social security, ALMP and personal investment in education. To the extent that ALMP policies are linked to transfers, they take the form of ‘workfare’, threatening loss of benefit if advantage is not taken of activation opportunities. If they are more linked to improved access to investment in personal futures, we may speak of Danish and Dutch ‘flexicurity’ measures (Muffels et al. 2008; Rogowski 2008; Wilthagen 2002; 2004), though the distinction is far from clear. These systems are all based on sharing within a community, but with possible inegalitarian effects where ability to benefit from schemes is unevenly distributed.

Demand management. In Keynesian demand management government acts alongside the market. It uses its own spending to boost the economy to avert recession and to cool the economy during inflation. By damping the impact of the trade cycle it seeks to reduce the degree of insecurity in the labour market. This was the main macroeconomic strategy pursued in the USA, the UK and the Nordic countries for the first three decades after World War II. The approach fell into relative disuse after it was considered to have worsened the inflationary crises of the 1970s. This change precipitated the chain of developments that led eventually to the questioning of employment security regimes that emerged during that same post-war period, but it remains among the policy devices that governments still use. It operates over time, using government’s own spending to smooth trade cycles, and its impact within a society tends to be egalitarian. But these characteristics depend on governments being willing to act counter-cyclically during both parts of the trade cycle, and not only to encourage demand during potential recessions.

Insurance. As already noted, within markets it is possible to assign probabilities to uncertainties and then to turn them into tradable risks; this is a form of distribution of the costs of uncertainty over time. In a pure market economy, workers and others would insure themselves against risks that might affect
their security. But, important though the insurance model is for many purposes, it is not common for the mass of a workforce to insure privately against labour market risk. Such behaviour is vulnerable to three market failures. First, the costs of such insurance are likely to take the poor to very low levels of subsistence, leading them to place a small improvement in comforts today over provision for the future. Second, more generally than this, individuals are myopic in relation to likely major economic developments and would find it hard to make rational calculations concerning their insurance needs. Third, the classic reasons for breakdown of insurance markets – adverse selection and moral hazard – are likely to be a severe problem, particularly for insurance against sickness and unemployment. Finally, given that the collective interest in achieving sustainable security is greater than that of any individual, individuals must be expected to take precautions below the level needed for this collective purpose.

This is therefore an area where governments have intervened. The most direct form of government intervention to seek to reduce economic uncertainty is the provision of social insurance systems, usually reinforced by social security measures. In the former, management of schemes is often shared with associational governance. These systems are limited to distribution within the risk community identified, though they also operate across the time dimension as does all insurance. In principle they are relatively egalitarian, but systems comprising schemes for different occupational groups have certain inequitable effects. For example, workers on flexible contracts often build up fewer entitlements than their colleagues on open-ended contracts. Also, many workers may be left outside the scope of all insurance schemes, in particular workers in the informal sector or workers active as dependent self-employed.

The market has been more active in the pensions part of social insurance. In fact, within pensions we see four strong governance modes: government, in the form of public social insurance; associational governance in those countries and sectors where pension funds are typically managed by unions and associations of employers; the corporate hierarchy in the case of company and occupational pension schemes not subject to associational governance; and the market in the personal pensions sector.

*Credit-based economies.* A market-driven practice that has developed in some countries in recent years has been to separate individuals’ consumption behaviour from their labour market income through extensive unsecured credit, usually mortgage debt but also credit cards. Although these practices developed solely for reasons associated with the financial sector’s search for profits, it had the unanticipated effect of reducing the stress placed on individuals’ concern for labour-market security as such. It required three conditions to grow. The first was a general rise in home ownership funded by mortgages, giving individuals on moderate and even low incomes forms of collateral partly independent of labour market position. The second was the growth of secondary financial markets that enabled the risks associated with housing and other forms of debt (such as credit cards, which were growing
during the same period) to be shared among an increasing number of players in the financial markets. The third was the global deregulation of financial markets, which enabled more and more players and holders of different kinds of funds to enter these markets. Eventually risks were being shared so widely that collateral requirements on mortgages, credit cards and other forms of debt became nugatory. The sums that people could borrow both rose strongly and became detached from their labour market positions.

The system can be seen as a market-generated functional equivalent of government demand management – a form of ‘house price Keynesianism’ (Hay et al. 2008), or ‘privatised Keynesianism’ (Bellofiore and Halevi 2009; Crouch 2009). Whereas under straight Keynesianism government sustains mass demand through its own borrowing, here the borrowing is undertaken by individuals themselves, incurring mass individual debt. Financial irresponsibility curiously became a collective good. This element – the maintenance of consumer confidence – has meant that public policy eventually became involved in sustaining it. The model depends on continued housing market buoyancy, and governments may intervene to ensure this situation. This regime is vulnerable to eventual questioning of the value of the risks being traded, as was demonstrated in 2007–08 in the global financial crisis.

Managerial organisation of activities. The corporate hierarchies of major companies, acting alongside the market, have an impact on the spatial distribution of security when they devise a strategy for locating jobs with different levels of security in different parts of the world, or perhaps regions of a large nation state. Individual corporate practice, alongside other governance forms, is also important in structuring different security outcomes for different parts of the work force within a society through the way in which it defines different work categories and their attendant privileges. Both international and internal practices extend from a firm’s own employees to its supply chains.

Management strategy is concerned to maximise the interests of the firm; the geographical distribution of degrees of security and insecurity within different societies that flow from its actions is just a by-product, but the social implications and resulting inequalities of this can be extensive. Complications are introduced if firms use their geographical flexibility to create labour insecurity in all countries in which they operate, in the stereotypical ‘race to the bottom’ in labour standards. From a European perspective there are differences between geographical flexibility that extends to other parts of the world, and that contained within the basic rules of EU social and labour policy. This has of course become particularly important since the entry of the new member states in central and eastern Europe. This has led, not merely to competition between Europe and the rest of the world, but – at least as importantly – competition within Europe between different member states, different regions, and, by implication, different social models.

Within internal markets explicit or implicit guarantees of employment and/or stable incomes are offered to parts of the work force, often combined with
having other parts within the firms on flexible contracts or in the external market through sub-contracting and supply-chains. The protection offered to privileged groups or, more generally, to insiders is partly dependent on outsiders bearing the brunt of any difficulty encountered in maintaining the stability guarantee given major market fluctuations. In explicit cases, employers distinguish between categories of workers who enjoy guarantees and those who are regarded as temporary or casual. This has been a central feature of large Japanese corporations, and also of German firms distinguishing between Stamm- (core) and Randbelegchaften (marginal workforces). The general theme has long been recognised by students of the labour market as ‘segmentation’ (Berger and Piore 1979; Loveridge and Mok 1979) or more recently as dualisation and insider–outsider divides (for example, Häusermann 2010; Emmenegger et al. forthcoming).

More implicit policies take the form of widespread understandings that certain principles will be followed in cases of redundancy or short-time working, such as tacit understandings that women, or immigrants, or very old workers will have the weakest claims to tenure. Anti-discrimination and equal opportunities legislation has often restricted the scope for such explicit practices. Nevertheless, demographic distinctions might produce implicit distinctions. For example, workers of different ages, ethnicities, genders might be typically found working for sub-contractors rather than in leading firms themselves. Use can also be made of illegal workers (usually illegal immigrants) in order to concentrate insecurity in particular groups and provide reassurance to others. All such cases of distinction between secure and insecure workers enable core workers to remain confident consumers while labour markets become flexible, but at the expense of potentially low confidence among the outsiders.

**Collective bargaining.** Associational governance, here collective bargaining between trade unions and either individual firms or groups of employers, is normally associated with reinforcing labour-market security, and is often criticised for doing so at the expense of flexibility and therefore in unsustainable ways. Alternatively, it may achieve a balance between security and flexibility by enforcing distinctions between insiders and outsiders. However, because collective bargaining involves negotiation and is capable of operating at a strategic level, it is possible for the participants in bargaining to trade flexibility and security. This can happen under a variety of contexts, but not all. For example, when bargaining takes place at the level of the individual firm, workers’ representatives may have to trade the short-term protection of their members’ security against possible needs for flexibility if the firm is to survive and thrive. This is generally known as concession bargaining. Alternatively, unions may protect the positions of current insiders at the expense of outsiders, through such formulae as ‘first in, last out’ (which tends to discriminate against young workers, as discussed above), or discriminating between a permanent core work force and one on temporary contracts. Economists’ theories of trade unions regard these practices as axiomatic to how unions operate (for example, Blanchard and Summers 1986; Rueda 2005; 2007). This is because they assume a model of company-level bargaining (as in the US and Japanese cases). But a union with members across an entire industry or other
generally defined labour market is likely to see such arrangements as leading eventually to employers’ preferring the creation of temporary and insecure contracts over stable ones. For example, in Spain, the European country where most use is made of temporary contracts, unions oppose the strategy (Talani and Cerviño 2002).

Above individual firm level, collective bargaining may be involved in explicit flexibility/security trade-offs, but only where bargaining takes a co-ordinated form, with unions and employers associations being so structured that they cannot easily avoid taking responsibility for macroeconomic consequences of their actions, including a significant role for unions and associations representing the exposed sector of the economy (Traxler 2003; Traxler, Blaschke and Kittel 2001; Traxler, Brandl, and Glassner 2008). This takes us back to something similar to the politics of counter-inflation strategies in the 1970s. Different forms of coordination will have different implications for different patterns of flexibility and security: for example, the difference between vertical and horizontal coordination and the role of sectoral or company-level negotiations. Some forms are more consistent than others with the maintenance of security traditionally associated with multi-employer, sector (or inter-sector) bargaining.

A different attempt at a kind of ‘collective privatised Keynesianism’ has been made by German unions. They have sought to use collective bargaining counter-cyclically, accepting restraint and the priority of competitiveness during periods of rising costs, but seeking to boost consumption through high wages during recessions (Erne 2008).

*Inter-generational transfers and support.* Family also appears prominently as an institution for managing security balances among individuals and over time, outside the scope of the market. It is an important channel for inter-generational financial transfers, for example in housing finance. While elements of its role can be seen in most societies, there is considerable diversity. There is also a considerable difference in mean ages for young people leaving the parental home – ranging from the early 20s in north-west Europe to over 30 in the south-west. This is relevant to different ways in which young people are helped through difficult labour-market situations in different societies. Social norms about family obligations play a part in determining these differences, but they are sometimes supported by social and fiscal policy (Jurado Guerrero 1999). Again, as this becomes a form of governance among contemporaries its impact depends on differences in access to the relevant resources among different families.

Family has particular implications for the labour market position of women. They often occupy insecure places in the labour market, but may be deemed to have a primary identity as working within the family, with security provided by a husband or other male ‘bread winner’. Studies of social policy and redistribution usually concentrate on relations between markets and state provision, leaving out these activities of the family. While its welfare role was historically considerably reduced by the rise of the welfare state, it remains
fundamental for the living standards and security of persons not participating in the labour market, whether because of age, disability, household responsibilities or unemployment. There is also considerable diversity in the relationship between families, welfare states and commercial activities and the provision of care services. Family members both provide and receive care, in both cases affecting the labour market. This kind of role for the family perpetuates inequalities across generations, and there may be doubts about its sustainability. It depends today on certain incentives from social policy and transfer payments (mainly pensions), and certain forms of gender relations. In some countries the family’s capacity to support its members through insecurity depends on the house price phenomenon discussed above, with older generations being able to stand by younger ones because of the security of their property assets.
5. Applying the framework

There is no space here to present detailed applications of the above outlined framework to specific empirical cases. Rather, we want to give one key illustration of how existing research can be broadened by factoring in some of the above discussed dimensions, with the aim of strengthening the analysis. This example concerns the segmentation of the labour market, resulting in growing differences between insiders and outsiders as well as a growth in low quality or precarious jobs. This issue is high upon the European social policy research agenda and on the political agenda across the EU. At present, the analysis focuses largely on (i) mapping differences between groups active on the labour market in terms of flexibility, wages and welfare entitlements; (ii) the role of legislation in terms of dismissal protection and non-standard forms of employment in fostering or reducing segmentation (for example, Esping Andersen and Regini 2000); (iii) the extent to which reforms of the welfare state and labour market policies can exacerbate or limit insider-outsider differences (Wilthagen and Tros 2004); and (iv) the role of political actors (political parties of various colours, trade unions) in developing public policy that cements or reduces segmentation (Rueda 2007). In this way, a number of the elements of the above developed framework are present.

However, with some exceptions, two of them are almost invariably absent, one being the role of corporate hierarchies and managerial strategies and the other being the role of associational actors through collective agreements. Indeed, the main part of the literature limits itself to the study of regulations and politics at the macro level. This in our view leads to only a partial understanding of the emergence and development over time of segmentation and low quality jobs. We shall here confine ourselves to some examples of managerial strategies. But when considering associational actors it would also be important to perceive the role of managerial strategies; the outcomes of collective bargaining are at least in part shaped by managerial preferences, not just by those of trade unions.

Where corporate hierarchies and managerial strategies are concerned, these are in the social policy literature largely treated as a black box. The employers’ need for flexibility is often accepted as a given but little attention is given to the question whether this need really exists, what alternatives are open to firms to create flexibility, and what factors determine their choices in this respect. This is surprising, since it is first and foremost through managerial strategies that low quality or precarious jobs are created and segmentation or dualisation is shaped. And as indicated above, multinational firms can also
allocate outsider jobs in specific geographical locations or stages of their supply chain. Of course the legal and social policy context sets boundaries to such strategies, but within these boundaries firms have a range of options, while they also explore how the boundaries themselves can be stretched. Within the same framework not all firms behave in the same way, not even within the same sector, emphasising the importance of understanding their strategies when studying segmentation.

A good example of this is the recent growth of dependent self-employment, which formally is self-employment but where the conditions of work are similar to those of employees (one client, hierarchical relationships, etc.). These jobs are, especially in the case of lower educated jobs, often considered outsider jobs since they lack in many cases any form of dismissal protection, lead to no or only limited accumulation of social security entitlements, and impose high levels of working time flexibility. They emerge first of all because firms, out of a mix of cost, flexibility and control considerations, convert standard jobs into dependent self-employment through 'hierarchical outsourcing' (Muehlberger 2007). It is only after firms start creating such jobs that a political debate emerges on the need for legal reforms and targeted social policy to deal with the phenomenon, or that trade unions start considering their role in representing such quasi employees (for example, Supiot 2001; Pernicka 2006). Similar arguments can be developed for temporary contracts, low wage jobs or other low quality jobs. Hence studying the process, mechanisms and motives of the creation of such jobs by firm can broaden our understanding of segmentation processes.

And of course the reverse mechanism can also be at work. In particular large firms have the resources and instruments to develop their own way of internally combining flexibility and security at firm level, in order to, for example, reduce uncertainty for workers and to increase their motivation, participation and productivity (Burroni and Keune 2011). This may well mean that they increase security for (some of) their workers to above the level set by the regulatory framework with the aim of tying them to the firm and/or strengthening their performance, a process that may again lead to segmentation, both within the firm and in the more general labour market. Studying managerial strategies and their consequences is vital to understanding both processes of segmentation and ways of remedying it. Appropriate interventions do not necessarily have to be limited to redressing the effects of firm strategies (for example, by providing more social rights to outsiders), but can be addressed to these strategies themselves (for example, by limiting the strategic options of firms where the use of certain atypical forms of employment are concerned).
6. Conclusion

We offer the above approach as an overall framework of analysis for an extended concept of the social policy environment. It incorporates the insights of the NSR school, without making any claims that the newly identified risks have somehow eclipsed the importance of the older ones. In expanding the range of study to include corporate practices as well as formal public policy, it partly recognises the degree of privatisation that has taken place in several social policy fields – for example, pensions – and the role of autonomous decision-making by corporate managements that has dominated decision-making. However, we also take the opportunity to include a regard for the role of private corporate welfare practice that should really have been included by all approaches many years ago.

Finally, and with particular regard for this role of autonomous corporate decision-making, our approach does not make the implicit functionalist assumptions of much NSR accounts. We do not necessarily always assume conflict and a lack of shared interests, but we present an account that can recognise inequalities of both power and distribution. Our approach does not assume that all is for the best in a best of all possible worlds.
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The governance of economic uncertainty: beyond the ‘new social risks’ analysis
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