The Governance of Labour Market Uncertainty: Towards a New Research Agenda

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1. INTRODUCTION[*]

The major purpose of 20th century labour law in European countries, at least during democratic periods, was to protect employees from the uncertainty and insecurity otherwise inherent in the labour market (Davies and Freedland 1993; Knegt and Verhulp 2008). This has changed. With some exceptions, which can themselves be explained, most new labour law is likely to make workers' positions less secure. The change itself is easily explained. More complex is to work out its implications for the employment contract and for industrial relations in general. This includes consideration of diversity in the way in which the new agenda is being pursued. From this will eventually be derived a formulation of various new social models that are emerging, perhaps to replace existing ones of forms of industrial relations system (e.g. in Crouch 1993) or of welfare states (e.g. in Esping-Andersen 1990). For this to be achieved there needs to be a new research programme to consider what has been taking place in the different countries. At present all we can do is outline the parameters that a new account will need to consider.

Uncertainty has 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. 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 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 (Ashiagbor 2005; Gilbert 2004; Lødemel and Trickey 2001).

[*] An earlier version of this paper was given as one of the annual Sinzheimer lectures of the Hugo Sinzheimer Institute of the University of Amsterdam in November 2007. A slightly different version has been published as 'La governance in un mercato del lavoro incerto: verso una nuova agenda di ricerca' in *La Rivista delle Politiche Sociali*, 4, 11-37, 2008.

But flexibility clearly stands in a relationship of some tension with the demand of working people for stability in their lives, and 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, they 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’(Bredgaard, Larsen and Madsen 2005 and 2006; European Commission 2007; Muffels, Wilthagen and van den Heuvel 2008; 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, and now requires detailed research and policy analysis.

In a similar tension, the intensified search in Europe for competitiveness in a globalising economy appears at precisely the moment when anxiety about environmental damage and climate change are leading to serious questioning of the approach of pursuing competitiveness at any cost. That there are potential solutions also to this dilemma is indicated by the fact that some European countries - mainly the Nordic ones - manage to combine the highest rankings on indicators of both competitiveness and environmental awareness.

Challenges are also presented to the different forms of governance at work in the various policy fields. The crisis of the Keynesian model was often seen as a crisis for associational governance (or neo-corporatism), and an advance for reliance on market governance (usually assisted by strong elements of government intervention). Since then, policy-making by individual large corporations has also often seemed further to replace associational governance as well as government policy-making in fields of employment categories and rights, pay determination, and the determination of pensions. However, the public goods issues raised by uncertainty and environmental damage bring again into question the adequacy of governance by the market and individual firms, and thus bring a search for new modes of governance, or new combinations of old ones.

In the following pages I shall first sketch the historical background against which the present period can be seen as one of major change. I shall then establish a basic new framework for the analysis of labour policy, followed by some examples of how this framework might be applied to model a few significant policy varieties: post-war demand management; neo-liberalism; policies associated with British New Labour; 'new' social democracy associated with Danish and Dutch approaches to 'flexicurity'; and a 'discriminatory' policy form. Finally I shall review some of the policy areas that will need to be considered by research attempting to fill the currently empty boxes of my theoretical models. This includes consideration of the net outcome of uncertainty and its governance as various patterns of 'hedges' against uncertainty experienced by individuals (including negative hedges, i.e. those that actually intensify the level of uncertainty, at least for some.

2. Historical development of the governance of labour uncertainty

The latter part of the 19th and first half of the 20th centuries saw working-class life ravaged by major insecurity, as firms grappled with highly uncertain and unpredictable product markets, while banking systems were uncertainly founded, governments understood little of demand management, and mechanisms for handling risk in financial markets were poorly developed. Firms tried to use market forces as best they could to adjust supply and demand, including, particularly prominently, the labour market. Here they encountered the well known difference between markets in labour and those in all other commodities: the impossibility of separating the marketable resource (labour services) from the human beings who offered them (Knegt and Verhulp 2008). Radical uncertainty had of course faced human lives, especially those of poor people throughout human history; but the conditions of factory life and the dependence of employers on the continued application to work of their employees made industrial activities vulnerable. Riots, demonstrations, strikes became weapons in the hands of workers which, though often suppressed with violence, eventually led political and economic elites to welcome certain kinds of solution that might bring some protection to workers' lives. As democracy rose in various countries, political elites had a further incentive to reduce the impact of uncertainty on working populations. The spectre of communism as a potential response of workers to a solution to their problems with capitalism, the associated support given by many employers to fascism as an anti-democratic alternative, and the collapse of the latter in the outcome of the Second World War brought to nearly all western European countries an overwhelming priority on policies that would reduce uncertainty in workers' lives. They here mainly looked to ideas that had already been pioneered before the war in Scandinavia and the USA.

These policies meant:

1. The gradual spread of the standard employment form (a full-time working week of 40-48 hours for a predominantly male workforce, with open-ended contracts), in place of the various forms of precarious and casual work forms, including low-income self-employment, that had characterised the early decades of industrialisation;
2. Employment law mainly concerned to protect workers against arbitrary or rapid dismissal or redundancy;
3. Social insurance arrangements to reduce the decline in income faced by workers at the periods of greatest uncertainty: unemployment, sickness, disablement, old age;
4. Policies of demand management designed to smooth fluctuations of the trade cycle and thereby reduce consequent fluctuations in employment and income levels.

Not all these measures dated back solely to the Second World War: social insurance, for example, had been pioneered in late 19th century Germany and had been imitated in Austria, France, the UK and elsewhere in the early 20th century. Not all the measures were implemented equally in all countries: originally US-American, Fordist methods associated with the rise of the standard employment form were particularly imitated in France, Italy, and indeed the Soviet Union, less so in the Federal Republic of Germany or the UK; ‘Keynesian’ methods of demand management were prominent in the British and Scandinavian economies, never fully implemented in Germany. But by and large, and with differences in timing, this was the course on which all more or less democratic regimes in Europe had embarked by around 1950. Reducing uncertainty in workers’ lives had become a major practical political priority, probably for the first time in history. This ensemble of policies was expected to have, and often did have, a double, self-reinforcing impact: not only would workers’ lives be made directly more secure, but this would in turn make them more confident consumers, which would further boost demand for each others’ products – reinforcing the system through market means, and not just by correcting market failure.

As liberal critics had warned from the outset, an economy in which risks to mass incomes and unemployment were reduced would be prone to inflation, as market forces would play a reduced role in bringing wages and prices into stable alignment. In principle Keynesian demand management dealt with this, since governments would reduce demand in upward periods of the trade cycle to balance their encouragement to demand in slack periods. In practice however there was a ratchet effect in the mechanism, as it was difficult to reduce the public spending that had been used to boost demand, since this would mean cutting public services. In the event the economies that were most successful in managing inflation were those with neo-corporatist industrial relations systems – that is, systems where peak organisations, or small groups of sectoral associations, among employers and workers had considerable strategic authority over wage-setting. These groups were sufficiently dominant within their economies to be able to perceive the negative (inflationary) implications of their own actions, and therefore had an incentive to exercise restraint. There is no space here to rehearse the old arguments about the various ways in which these systems operated, their strengths and limitations, and how they fared in relation to other systems (see Crouch 1993, Traxler, Blaschke and Kittel 2001 for historical accounts). For present purposes we need notice two things only. First, the overwhelming motive of labour policy in this period was to solve the old problem of uncertainty in workers' lives. Second, resolution of this produced a new problem, that of inflation, solution of which depended partly on whether organised social actors could resolve a collective action problem.

Although the whole post-war period from 1945 to around 1975, what the French call *les trente glorieuses*, is often now presented as having been one long epoch of security for working-class lives, this is a misperception. In several countries (for example Italy) the secure prosperity promised by standard employment and Fordist working methods did not bear fruit until the 1960s; it was only in 1967 that Federal Germany accepted demand management; and more generally the era of generous rather than minimal welfare states did not get going until the late 1960s. Almost immediately followed, in the early 1970s, the sharp rises in global oil and other commodity prices that tested Keynesian management of inflation to destruction. Neo-liberal methods of allowing far more scope to market forces in economic management returned to popularity, becoming a policy orthodoxy in many countries, starting in the UK and USA, from the late 1970s onwards. Some components of labour security policy and some aspects of social policy expansion continued to advance throughout the 1980s, but under growing political pressure. Two related major new forces followed the crisis of demand management: the spread of industrial production to new parts of the world with wages, degrees of labour protection, and welfare states far inferior to those in western Europe (the general process known as globalisation); and a decline of employment in manufacturing industry. Globalisation was partly responsible for the latter, but other major causative factors were the growth of productivity in manufacturing (leading to the need for fewer employees per unit of output) and increasing opportunities for profitable activities in services. The decline of manufacturing reduced the importance of organised industrial labour, the force whose problems had stimulated concern for the issue of uncertainty in the first place. The challenge to the welfare state threatened a decline in employment in social and other public services, the group of employees that had come to rank alongside manual workers in representing the strength of organised labour and its demands for secure lives – if only because so many public service workers were employed in delivering that security.

Acceptance by public and private policy elites of the triple agenda of confronting globalisation, hastening sectoral change in employment, and accepting greater autonomy for unregulated market forces led to a 180° change in the priority of labour policy away from the guarantee of protection from uncertainty. The one word that embodied the new priority was, and remains, ‘flexibility’. This means a total reorientation of perspectives on all policies associated with labour. Davies and Freedland (1993), who in 1993 were able to remark, as quoted above, 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.

It is clear that new approaches are needed for the analysis of labour market policies, related social policies, and industrial relations regimes in this changed situation, so very different from the period when the focus of attention was on the search for solutions to collective action games around inflation to 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 very reverse is likely to be true. Rather, people in modern democratic societies have high expectations that they will find protection 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 answers that they may find to their problem.

3. Establishing a new framework of analysis

The purpose of the rest of this article is to sketch the outlines of a potential new approach to that analysis, which also indicates the scope for a new research programme based on the centrality of the governance of uncertainty. The recent burgeoning literature on forms of governance directs our attention in particular to:

- *legal frameworks*: 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 actions*: the whole field of employment and social policy, included the more extended aspects of the latter mentioned above, and including regional and local government and the EU, as well as national level;
- *associations*: prominent in the bipartite negotiation of labour standards and tripartite social pacts, at a number of geographical levels;
- *corporate hierarchies*: the important role of individual firms in establishing forms of working and associated labour statuses and balances between flexibility and security;
- *communities*: traditional groupings around family and neighbourhood; not discussed much in modern governance literature, but often important to the daily lives of poorer people in particular;
- *networks*: mainly important for informal regulation at local and regional levels.

Depending on the various power balances within them, these different governance forms may be associated with distinctive policy and practice types, outcomes and distributions.

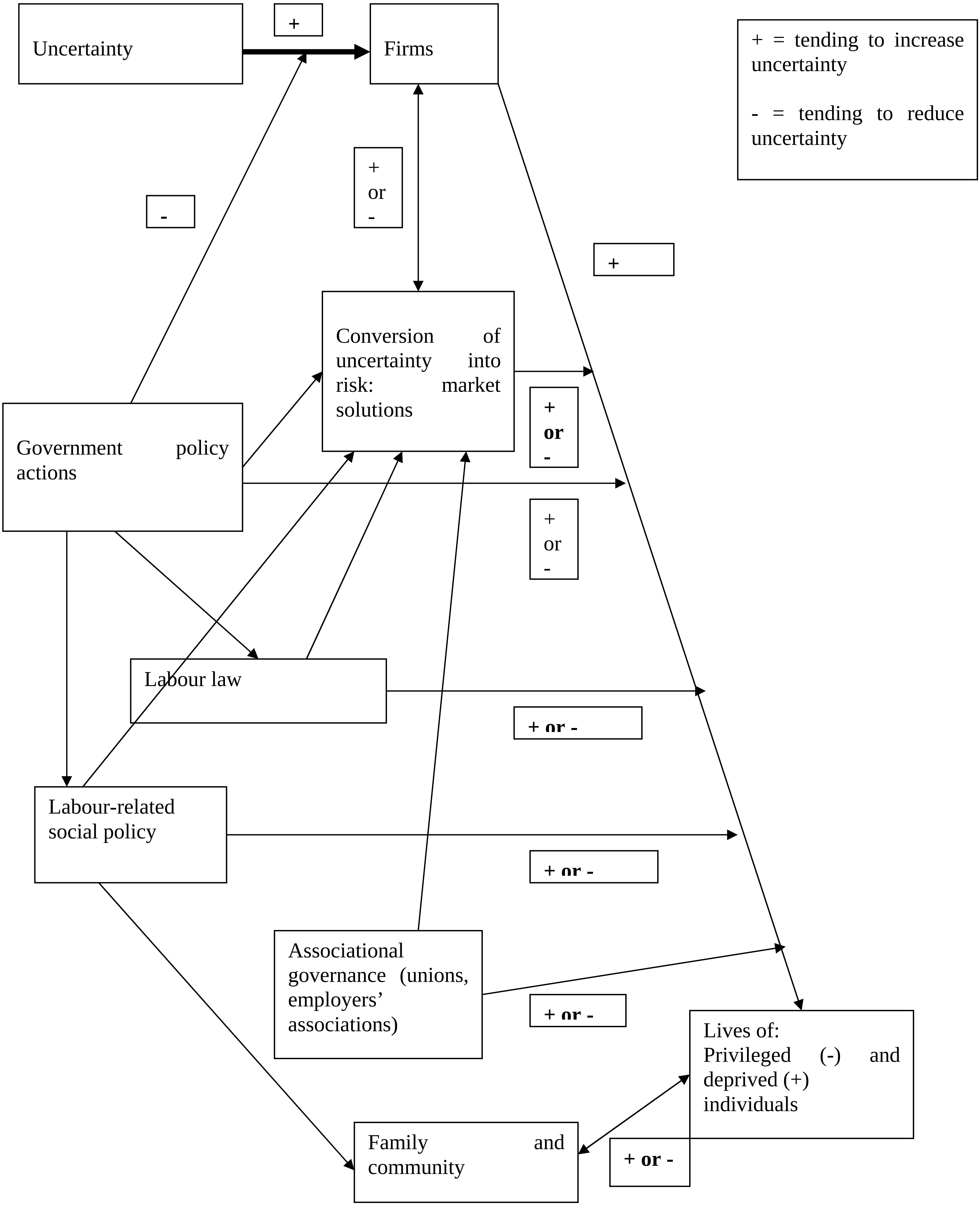
Figure 1 depicts the many possible journeys of an instance of uncertainty as it progresses from the world at large to the lives of individual human beings, where it becomes definable as a 'problem'. The uncertainty is seen as first striking firms, as in the modern economy all economic activity is focussed through them. As market actors, firms' first response is to marketise uncertainty, that is to convert it into risk (Beck 1986; Luhmann 1991), most obviously in the form of insurance, but also in derivatives trading, hedging, and other activities of contemporary financial sectors. Once elements in uncertainty can be calculated and have probabilities assigned to them, they become calculable. One of the most important discoveries of the late 20th/early 21st centuries is the constantly enlarging scope for trading in risk. It is this that has enabled a series of crises that, in the late 19th or early 20th centuries, would have produced general economic collapse, to be contained and stabilised. An important aspect of this has been increased capacity of firms and individuals to borrow ever larger sums of money, because their creditors are able to use the new financial markets in order to sell the debt as risk funds.

FIGURE 1: see page 10

In effect, this has been neo-liberalism's answer to the problem of market failure formerly addressed through Keynesian policies: instead of government re-establishing producer confidence by sustaining demand, individuals and firms sustain demand by borrowing, and their debts are shared in an ever-lengthening chain of risk trading. The system has its limits, as the 2007-08 crisis, starting in the US sub-prime mortgage market but rapidly becoming international, revealed. This was precisely a market that enabled relatively poor people, whose lives had been made uncertain by the very insecure state of the lower deciles of the US labour market to sustain their consumption – and in turn to sustain production – by incurring large debts. The risk that they would not be able to afford to repay their debts was 'solved' by their banks selling their debts on in the risk market. In addition to displaying the more familiar labour market institutions of labour law, social policy and industrial relations, Figure 1 therefore also shows many potential links between these fields and those of financial markets.

The analytical approach adopted here does not see all 'solutions' as necessarily serving all interests equally: distributive politics is a struggle of interests, not a system of justice. Burdens may be very unequally and unfairly allocated, and this can happen in the operation of the market as much as in that of other governance mechanisms. The signs on the arrows that feed back from the market into the impact on the lives of people are therefore shown with negative (indicating a reduction in uncertainty) signs for some but positive (indicating an increase in uncertainty) for others. The identity of the groups positively or negatively affected is not known a priori, but will be discovered by research. All we know at the level of theory is that such a diversity of impact is likely to take place.

Figure 1: Mapping the flow of economic



Part of the risk is passed on by firms to workers and potential workers: firms might deal with uncertainty by laying workers off, reducing their pay or working hours, reducing their pension rights and other firm-level social benefits. This uncertainty is destined to disturb the lives of the non-market human providers of marketable labour services and cause distress, unless something intervenes to ease the shock (Schmid 2006 and 2008; Wilthagen 2002). Figure 1 displays the various agencies that might intervene to govern or manage this process. This includes the full array of institutions that we expect to see in the labour market: trade unions, government, law, family and community. As Trampusch (2002; 2007) has argued, in some countries industrial relations institutions are producing agreements on forms of social benefit to substitute for declining welfare state provision. The ensemble of all these institutions has to be considered to give a full account of the protection from and exposure to uncertainty experienced by various groups. In different regimes, they operate in very different ways; and it should not be assumed that they always operate to reduce uncertainty, which is why Figure 1 shows them, like the market solutions, with different signs for different groups. The following discussion will isolate a number of policy regimes, selected to be illustrative rather than exhaustive, in order to demonstrate the utility of Figure 1’s model of the governance on uncertainty.

3.1 Post-war demand management

In the post-war model, firms were assumed to pass much of the burden on to labour, with limited possibilities for marketisation of the uncertainty as risk. However, government would intervene *prior* to this, by reducing the overall level of uncertainty in the economy through demand management. This policy model therefore uses the arrow in Figure 1 that impacts on uncertainty even before it reaches firms. It will be noted that this implies considerable capacity on the part of governments (i.e. national entities) to affect the general context, which was clearly not ‘global’. Following that, labour law would protect workers; trade unions would negotiate with employers associations for both their wages and further conditions of employment. The welfare state would provide some protection through social insurance (not market insurance). Arrows on all these bore negative signs, indicating a reduction in uncertainty. There was little for the family and immediate community to do. The model mainly assumed a stylised mid-life male worker as the human being protected; rather than family and community being a source of protection to the worker as in earlier and indeed later times, the worker was seen as giving support to the family.

The general economy within which all this was taking place was of course a market economy: there was a labour market, with wages and job allocation determined strongly by market forces. Among higher income groups the market featured more strongly, with private pensions and insurance and private labour market institutions featuring more strongly than social insurance and public job-finding agencies. But for the mass of the work force the impact of market forces was muted. A further element in this was the fact that the standard employment form meant that the internal labour markets of corporate hierarchies featured more strongly than the external 'pure' labour market in determining the market environment where it did operate. The arrows indicating market solutions were certainly active, and with various different distributional outcomes (both positive and negative signs were active), but the general trend of policy was towards reducing the impact of markets.

This was the idealised picture. Its implementation and points of emphasis varied considerably from country to country and from time to time, and detailed research would reveal these and their distributional implications.

3.2 Neo-liberalism

In a simple neo-liberal perspective, all that labour policy needs to do is to reduce impediments to market forces: trade unions must lose their role in wage-fixing; there should be no demand management; social policy should be residualised so that taxes are lowered and more economic activity flows directly through the market; and the protection of labour law should be reduced so that employers can improve the efficiency of their firms by hiring and firing at will. Also, the long historical trend towards generalisation of the standard employment form should be reversed in favour of more self-employment, and more contract rather than directly employed labour. Neo-liberalism does not seek precarious and temporary forms of employment to contrast with standard employment, but an erosion of standard employment as such: if no-one has protected employment, no-one needs to have a special precarious status. The approach also includes the original US meaning of supply-side policy to mean reducing all impediments to the free-market utilisation of human resources. The purpose is to achieve the most rapid possible adaptation of labour to the requirements of competitiveness; in the long run it is expected that uncertainty should be reduced as successful adaptations are made. But in the meantime uncertainty in workers' lives has be intensified and past protections against it broken down.

The neo-liberal policy frame therefore deals with uncertainty affecting labour very differently from the demand management model. There is no government intervention before uncertainty hits the firm; the firm is left to deal with the total amount of uncertainty itself; and the extent of uncertainty is greater, as it stems from a globalising economy. This is one reason why the nation-state base of Keynesian demand management could no longer cope. To deal with this situation, the firm has far more possibilities available to it to marketise uncertainty as risk, as discussed above. While neo-liberal ideology does not explicitly include this multiplication of risk trading in its theoretical apparatus, its development at this period has refuted many of the predictions made by neo-liberalism's critics that it would lead to a return to an economy of boom and slump. As already noted, it is possible that the recent turbulence around sub-prime mortgages has indicated the limits to this extended risk trading – it was unlikely ever to have had infinite capacity – but it certainly made possible an extended period of more or less stable economic development in capitalist economies. The market arrows in Figure 1 are therefore highly active in this model, with differential effects on different population groups.

Under a pure neo-liberal regime - rarely seen in practice - governments, social policy, labour law and labour market associations completely relinquish their past role of protecting workers from uncertainty: the only purpose of government action in changing labour law is to *increase* the exposure of workers to market forces and hence to intensified uncertainty, in order to improve the efficiency of market forces in the labour market. These arrows therefore bear positive signs, indicating that they work for an increase in labour uncertainty. Government also withdraws social policy that is seen as slowing down labour's adaptation to market forces. It may however seek to enable workers themselves to reduce their uncertainty by turning it into tradable risk: taking out private insurance as pension provision, investing in their own skills training, taking out mortgages and buying stocks and shares in order to equip themselves with private fall-backs in the event of job loss or career disappointment, to replace social insurance which is being withdrawn. Strengthening risk trading institutions in the financial sector is therefore fundamental to a neo-liberal labour market strategy. Government and other institutions therefore try to offset the uncertainty-intensifying (positive arrow) consequences of their direct effects on the labour market by encouraging individuals to seek market solutions that will bear negative signs for them.

While neo-classical economics, the theoretical basis for neo-liberalism, has little to say about family and community, and while these institutions are of no if not negative interest to the more libertarian forms of neo-liberalism, in practice a neo-liberal labour market depends quite heavily on whatever has survived of those traditional forces, as they provide a further base for individuals' lives which does not derive from the state. At the heart of this policy stance is a refusal to recognise any difference between the worker as supplier of labour services and the worker as a human being with a life outside the market, which he or she wants in some way to protect from the market's uncertainties. This is a political weakness of the pure neo-liberal model: human beings are likely to resent the reduction of their lives to market forces.

3.3 British New Labour

A distinctive policy approach has been that associated with the *soi-disant* 'New' Labour governments of the UK since the late 1990s. Emerging from the spectacular collapse of an interventionist and trade-unionist party in the 1980s, the leaders of New Labour sought to build a party and government that would be particularly close to the neo-liberal frame without deserting some of the concerns of its largely working-class electorate. This involved the stance that, within full acceptance of the neo-liberal, globalised economy, government action and labour law could assist individuals to confront the new challenges, not just by breaking down barriers to their exposure to market, but also by equipping them with new skills and with various forms of support to enable a higher proportion of the population to enter the labour force and earn wages. This is the approach that Davies and Freedland (2007) describe, as mentioned above. Like the neo-liberal one, it insists on reductions in protection against uncertainty, but unlike pure neo-liberalism promises to equip individuals with attributes that will enable them better to deal with that uncertainty. Like the neo-liberal approach, it believes in negative 'activation' policies, forms of active labour market policies (ALMP) that involve punitive measures against those who are reluctant to find jobs, what Americans call ‘workfare; but it also advocates ALMP in the original, Scandinavian sense of positive measures to equip workers in their job searches. For the New Labour model, labour remains primarily a market resource, but the human beings who present the resource need to be reassured that public policy is helping them to be effective market actors.

For example, neo-liberalism tells individuals that they must ensure that they equip themselves with the skills that employers might need – that is, taking on themselves the risk of working out what these skills might be, and of investing in them. New Labour promises state help in identifying these skills and subsidises their acquisition: government shares the individual’s market risk, making it easier for the latter to take bold decisions. Otherwise, the New Labour model resembles the neo-liberal one, including its reliance on the expansion of risk trading in financial markets and the associated shared interest in the strength and wealth of firms active in these markets, including a policy of encouraging workers to invest in equities and private pensions. New Labour’s enthusiasm for the new financial sector has surprised many of its supporters who have appreciated its active labour market policies and measures for maximising labour force participation; they have not understood the dependence of these on risk trading in the economy at large.

In sum, while nearly all arrows in Figure 1 remain as for the neo-liberal case, some new arrows running from government, law and social policy carry negative (uncertainty-reducing) signs towards at least some individuals.

New Labour’s relationship to family and community are even more ambiguous than those of neo-liberalism. More worried than neo-liberalism about social cohesion in the context of insecure labour markets, it is concerned to have these institutions strong and functioning. But its policy of maximising labour-force participation among young mothers, the disabled and the elderly leaves it with very little of a community or family existing outside the market frame. These mechanisms rather become a further extension of market risk sharing rather than forces compensating for market risk.

3.4 New social democracy

In countries with a happier past record than the UK's of a relationship between social policy active trade unions on the one hand and creating a strong market environment on the other, there have been further divergences from simple neo-liberalism, though there is still acceptance that government cannot do much to protect firms from uncertainty by protecting them from global challenges. More scope is seen for action to protect individuals from market uncertainty. While the basic operation of the arrows in Figure 1 remains more like the neo-liberal case than that of post-war demand management, there are further departures of the kind seen in New Labour. In addition to positive ALMP there are public policy guarantees of protection while workers experience insecurity in the labour market. This conflicts with the neo-liberal model, which insists that if workers are offered such supports they will be more likely to evade market pressures on them to seek work, forcing up the price of labour and in the long run reducing demand for it. This new social democratic model, pioneered in particular in recent years in Denmark and the Netherlands – and not necessarily with social democratic parties in government - usually goes by the name of flexicurity, though that term is now being used to describe a far wider range of policies, not always with the same concept of balancing workers' acceptance of labour market flexibility with public policy security. The end result is similar to the neo-liberal and New Labour one: a better functioning labour market with enough flexibility to cope with rapid and major change and with globalisation; but more priority is given to workers as having lives outside the market.

3.5 'Discriminatory' policy forms

A different, 'discriminatory' approach divides the working population into several parts, with some being offered protection from uncertainty and others being exposed to it. The former are regarded by such policies as being both human resource and human person; the latter are solely resource. We see this approach in those systems that grant high security rights (protection from redundancy, social insurance support if unemployment should occur) to some, while others have temporary jobs, precarious posts outside the protection of normal labour law, or only social assistance and not social insurance (as in many continental European systems). Sometimes particular age groups are defined by these sharp differences of rights (as with young temporary workers in Spain), or women workers, or immigrants and ethnic minorities.

Here it is particularly necessary to take advantage of the provision made in Figure 1 for there being more than just one typical ‘working human’ as ultimate recipient of whatever uncertainty has not been rerouted on the way. In the simplest case, we have to imagine two such figures, one that receives a number of protections from social policy, employment law, industrial relations practices and probably the policy of firms themselves; and one that is left unprotected by them as in the neo-liberal case. This might become the case in social democratic systems with apparently universal rights, as the number of immigrants in the economy rises, and these remain outside full citizenship rights. In most cases, however, the discriminatory approach is not concerned with policies for positive ALMP, as the protected groups receive their protection by virtue of the social categories to which they belong rather than any labour-market attributes.

This observation makes a general point that should be borne in mind in all analysis: individual cases will rarely be the pure embodiments of one theoretical model, but traces of various models will be found within them. (For example, as Clasen and Clegg (2003), and Erhal and Zajdela (2004), have shown, accounts that identify activation policies with ‘liberal’ welfare states like the British one is often considered to be, and not at all with ‘continental’ ones like France, are considerable over-simplifications.) In an exploratory consideration such as that launched here, one inevitably has a mixture of purely theoretical (e.g. neo-liberalism) and partly empirical (e.g. New Labour) types. The next stage of theoretical work is to refine a set of theoretical models. After that comes detailed research on individual cases to see precisely how they match on to the theory. For example, are there typical relationships between the use of market and non-market institutions in the governance of uncertainty, or is a jumble of empirical paths possible? With what empirical descriptors do we fill the theoretically empty boxes of those social groups privileged and those deprived by the distribution of uncertainty? And do positives and negatives stemming from different institutions tend to accumulate around the same groups (as implied in Figure 1), or are compensatory mechanisms at work (e.g. does social policy reinforce or compensate for the distributive inequalities of the market)?

4. Towards an analysis of inequalities in the distribution of uncertainty

While this empirical analysis cannot be carried out here, it will be useful to set out the kinds of issue that the study of distributional struggle, leading to certain patterns of inequality in the distribution of uncertainty, will need to consider. These are issues that are vulnerable to political exchange, differences in power and the mobilisation of resources, and conflict (Korpi 2003). It is in this area that social and employment policy within nation states (and to some extent within the EU) is most closely contested, and where it has most immediate and direct consequences.

We are therefore concerned with the ways in which law, the policy and administrative practice of both public authorities and major corporations, and the market carry out the following activities:

1. Provide social and material infrastructures that facilitate labour-force participation and improve chances of confronting uncertainty through opportunities for mobility and change. For example, how effective are transport systems and Internet systems in facilitating firms and individuals in taking advantage of opportunities for moving from insecure to more secure activities? Access to facilities like child care determines different forms of labour market participation among men and women, and among women in different economic positions depending on how the facilities are organised and funded (Leitner and Wroblewski 2006). Differential capacity to take advantage of education and training opportunities affects initial labour-market opportunities, possibilities for advantageous subsequent mobility, and transmission across generations. Given that the major growth activities in modern economies are located in large cities, much of this question has to do with the quality of specifically urban infrastructures and institutions made available at town or city level, and their distribution within them.

2. Assign different levels of uncertainty- and risk-bearing among shareholder and owner interests on the one hand and employees and ex-employees on the other (including profit-participating managerial staff). For example, do conditions in stock markets require profit rates to be targeted (pushing the burden of uncertainty on to wages and numbers employed), or are they a residuum (leaving capital owners to bear the brunt of uncertainty)? Are pensions based on defined contributions

(reducing investors' certainty) or defined benefits (reducing employees' and ex-employees' uncertainty)? To what extent does risk trading by the financial sector reduce the uncertainties faced by firms in other sectors of the economy and their employees?

3. Produce different income levels. While income is not primarily a product of policy (except in the case of corporate policy in internal labour markets), different levels of pay can considerably affect the practical consequences of different levels of formal security. For example, among the self-employed (formally the most high-risk category of employment) will be very high earners who can fund periods without work from ample savings without much disturbance to life patterns, and very low earners with no savings at all.

4. Define different employee categories in terms of differing claims to tenure and income guarantees (e.g., different degrees of protection against redundancy, work reductions and other forms of employment and income uncertainty.) Observers first started identifying the growth of segmentation in labour markets over 25 years ago (Berger and Piore 1980), but it is likely that the process has been gathering pace, and with growing complexity and diversity of statuses, in recent years.

5. Organise welfare claims and social policy rights either to reinforce or to offset patterns of unequal exposure to uncertainty emerging from 2., 3. and 4. For example, the organisation of pension, sickness, disability and unemployment entitlements can either compensate for labour market inequalities or reinforce them. Under this head we are primarily concerned with claims and rights that are explicitly defined in relation to individuals, but the discussion overlaps with that under 1., which was more concerned with collective goods, though frequently collective goods to which individuals have differential access. Factors discussed in 3. above and 6. below define the residential location of different categories of person, and hence their relative levels of access to the urban infrastructures considered in 1.

6. Align socio-cultural categories with patterns emerging from 3. and 4., or, in contrast, offset such patterns. Secure and insecure labour categories can be defined in two different ways: (i) those defined by the operation of the labour market and

social policies themselves, as in 3.-5.; and (ii) those defined exogenously. Examples of (ii) occur when formal rules use certain explicit criteria to define categories of person – gender, age-group, ethnicity, religion, nationality - as having particular rights/ lack of rights to enjoy certain statuses. There has been a strong tendency in recent decades for policy to reject this approach to defining rights - except for nationality, which may be becoming *more* important at the present time as a consequence of increasing *de facto* global labour mobility. However, empirical tendencies for persons in certain type (ii) categories to predominate in certain type (i) categories is very widespread and may form a principal means whereby type (i) categories acquire distinctive social characteristics. They may in this way either acquire political acceptability (because politically weak categories occupy the most insecure positions), or indeed become politically contested (because association of certain social groups with insecure status may facilitate mobilisation).

It should not be assumed that policies defining either kind of category necessarily do so deliberately, in the sense that they may not always be defined with certainty, flexibility and security outcomes in mind. These elements may comprise unintended side-effects of the main purpose of a policy. For example, patterns of child care may have resulted from concerns about children's welfare, about education, or about the role of women; but they may have consequences for different typical employment patterns and locations on the continuum of certainty and uncertainty of the two genders. A considerable amount of policy activity in recent years has resulted from growing appreciation of some of these unintended consequences and attempts to change them when the consequences are viewed negatively. The outcomes of policies and practices may also diverge because of changes in their context. It has already been noted above how absolute income levels affect the implications of different levels of formal security. Another example would be the way in which regulations designed to safeguard job security might turn out to *reduce* security if they lead to employers moving out of the jurisdiction concerned.

4.1 From arrows and signs to hedges

The analysis above based on Figure 1 saw issues from the perspective of different governance institutions that operated (through arrows) to either reduce or increase (negative or positive signs) the uncertainty being experienced by human persons.

From the perspective of those persons the net effect of these various arrows and signs will be a pattern of different forms and degrees of protection - or hedges - against the adverse consequences of economic uncertainty. These hedges differ in size, with several of them having negative values (i.e. occupying a certain position intensifies uncertainty), and also in character. There are, for example:

- market hedges: the strength/weakness of an individual's position in the property and/or labour markets;
- employment status hedges: degrees of protection from or exposure to uncertainty defined (by law or by employer practice) in the employment status of an individual or group;
- work practice hedges: the different means by which employers seek to achieve flexible working can have very diverse implications for workers' security, ranging from sub-contracting to individual self-employed, casual workers (extreme numerical flexibility) to having committed employees trained in a range of different work operations. Sometimes these differences are closely related to the employment status differences discussed immediately above;
- insurance hedges: protection from or exposure to uncertainty afforded by public or private insurance schemes against employment threatening risks;
- social support hedges: non-insurance based protections from adversity;
- substantive social policy hedges: the whole range of measures that might improve an individual's position in the labour market (and hence reduce exposure to uncertainty), such as ALMP, education and training, child-care and other forms of domestic support; negative hedges would include the absence of such measures;
- category definition hedges: criteria that define membership categories providing for or excluding from access to various forms of uncertainty protection.

There is a further distinction among policies and practices that define classes of persons, which has already appeared in some of the above examples, between those that establish a basic set of rules to promote invidious uncertainty distribution, and those that off-set or compensate for the former rules. For example, a welfare system may allocate superior pension rights to those in high-earning positions, but then institute a poverty-protection programme for those not enjoying those rights (the difference between social insurance and social assistance in most systems).

Employment law might provide for easy dismissal of employees (low certainty), while social policy may provide generous unemployment pay (high certainty), as in flexicurity systems. The existence alongside each other of secure and insecure employment statuses may encourage an ethnic segregation among majority and minority groups respectively, which anti-discrimination laws then try to offset. It is through these conflicts, contradictions and attempts at reconciliation that different resulting distributions of security and flexibility are achieved.

Different distributional outcomes can have positive-, zero-, or negative-sum outcomes. Positive-sum situations arise where a policy or practice that improves the circumstances of some people, or identifiable groups of people, also improves the circumstances of others, with no negative outcomes affecting further groups. Examples would be policies that generate employment for people outside the labour market in ways that in turn create further new employment for others still, rather than by taking work from those in jobs, as when improved work opportunities for women create further new employment in child care and domestic support activities. When situations of this kind can be identified, we can speak of sustainability.

Negative sums will be found where advantages are gained by some groups at the expense of others, whose negative situation then impacts negatively on the first group. This occurred in many of the struggles by different groups to avoid damage by anticipated inflation during the 1970s. Such outcomes are not sustainable, as everyone loses. However, because of this, and provided certain collective action problems can be resolved, the first group is likely to perceive that it is no longer gaining from the game, and there should be a shared interest in changing it, abandoning the policies and practices that have produced it.

Sustainable, but morally problematic, are the many zero-sum cases, where one group gains at the expense of another in a way that has no negative consequences for itself, as for example when security is achieved for part of a labour force by designating a separate category of insecure workers who never acquire the ability to join the secure group. Such situations are very widespread in attempts to deal with problems of uncertainty through distributive means. Unsustainable are zero-sum games played out across generations, where an existing generation gains at the expense of a future one. However, these may remain zero-sum and not generate incentives among the first group for a change of policy, because the first generation will have died out (and ceased to have an interest) before the negative consequences are realised. Such cases present very severe collective action problems. They are most clearly seen in the climate change issue, but there are also instances in the field of employment and social policy, as in the case of unsustainable pensions policies.

5. Conclusion: A new approach to the study of national models

The questions addressed in this discussion suggest a new approach to the study of national 'social models'.

First, it should not be assumed that typical national approaches forged during the third quarter of the 20th century will be those in operation in the changed economic circumstances of the early 21st century, though of course due attention must be paid in research to ways in which path dependencies from the earlier period continue to affect the ways in which national policy makers address the changing agenda.

Second, it should not be assumed that the national level is as overwhelmingly important as it seemed to be in the earlier period: the general effects of globalisation and the role of multi-national corporations, policy at the EU level, and, counteracting these tendencies, different social and employment policies and practices at local and regional level as responses to the globalisation challenge, must all be taken into account.

Third, as the above discussion has indicated, the number and range of policies and practices that need to be studied is considerably larger than that which has been used in most existing attempts to identify national social models (a point already well demonstrated by Bambra 2005). The approaches of large firms must be considered alongside public policy; employment and social policy must be considered together, including some elements of the latter (e.g. childcare and pensions) which were not usually seen as relevant to employment; the impact of policies and practices on different social categories is also important. Indeed, the model-building exercises of the previous generation of social scientists would probably have gained from taking account of some of this wider variety of variables (Kasza 2002). It is not really the case that a once simple world has suddenly become more complex, but we are today more aware of interactions among those different fields because of the pace and extent of attempts at policy change.

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