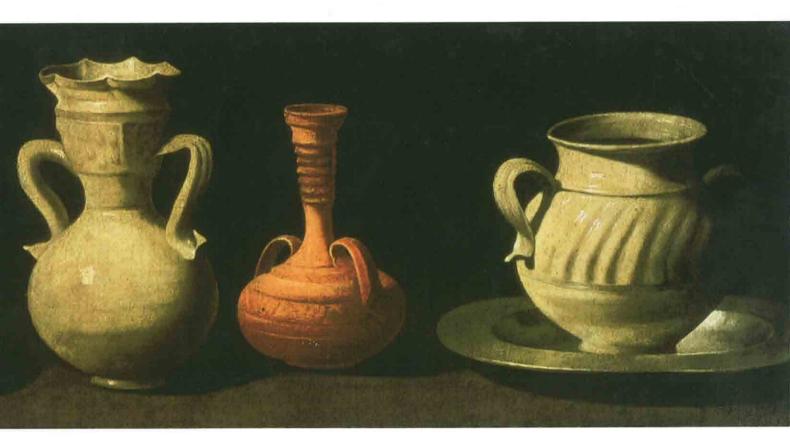
WORKS-HUMAN FULFILLMENT



EDMOND MALINVAUD AND MARGARET S. ARCHER

I WENT DOWN TO THE POTTER'S HOUSE AND THERE HE WAS, WORKING AT THE WHEEL.
WHENEVER THE OBJECT OF CLAY WHICH HE WAS MAKING TURNED OUT BADLY IN HIS HAND,
HE TRIED AGAIN, MAKING OF THE CLAY ANOTHER OBJECT OF WHATEVER SORT HE PLEASED.

JEREMIAH 18:3-4

PONTIFICAL ACADEMY OF SOCIAL SCIENCES

VORK HUMAN EULEILEILE



EDITED BY EDMOND MALINVAUD AND MARGARET S. ARCHER

PONTIFICAL ACADEMY OF SOCIAL SCIENCES

Copyright © 2003 by the Pontifical Academy of Social Sciences. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or means, electronic or mechanical, including photography, recording, or any other information storage or retrieval system, without permission in writing from the publisher.

Requests for permission to make copies of any part of the work should be directed to:

Sapientia Press of Ave Maria College 300 West Forest Avenue Ypsilanti, Michigan 48197 888-343-8607

Printed in the United States of America.

Library of Congress Control Number: 2002117172

ISBN 0-9706106-5-3

Cover Image:

Zubaran, Francisco (1598–1664). Still life with cup and vases, c. 1633. Oil on canvas, 46×84 cm. Copyright Scala/Art Resource, NY _Museo del Prado, Madrid, Spain

Table of Contents

Introduction

	Introduction, Edmond Malinvaud and Johannes Schasching
	PART I Work Across the World: The Present Situation and Current Trends
Chapter I	Work Across the World: Some Basic Features, Juan José Llach
Chapter 2	Ways and Means of Integrating the Young Unskilled into Work, Emilio Reyneri
Chapter 3	The Changing Meaning and Value of Work in a Globalized Information Society, David Lyon
Chapter 4	The Right to Work in Post-Communist Countries, Hanna Suchocka
Chapter 5	International Migration, Distribution of Work, and Development, Jerzy Zubrzycki
Chapter 6	Formal and Informal Activity in a Divided World, Else Øyen and Francis Wilson85
	PART II The Globalized Economy
Chapter 7	The Need for a New Global Legal Regulative Framework for Capital and Labour, Jacques Delcourt
Chapter 8	Financial Markets in Relation to Employment and Unemployment, Hans Tietmeyer 103
Chapter 9 Chapter 10	, ,

DΛ	рΤ	Ш
ГА	ĸı	111

	Contemporary Institutions and Their Responses to Unemployment
Chapter 11	Labour Market Deregulation and Christian Ethics, Bedřich Vymětalík
Chapter 12	Democracy: Its Connection to Employment and the Representation
	of the Interests of Capital and Labour, René Rémond
Chapter 13	The Right to Work and the Limits of Law, Mary Ann Glendon
Chapter 14	Unemployment in Mixed Economies: Avoidable or Not?, Edmond Malinvaud
Chapter 15	The Living Conditions of the Unemployed and the Effect of Alternative
	Social Security Systems: In Historical and Comparative Perspective, Hans Zacher
Chapter 16	The Division of Labour in Europe, Gerald Frinking
	PART IV Capital and Labor
Chapter 17	The Cost of Capital and the Uncertain Pre-eminence of Labour, Paul Dembinski
Chapter 18	Labor Law and Labor Relations: Comparative and Historical Perspectives, <i>Thomas Kohler</i>
Chapter 19	Trade Union Reorganisation and the Employment Crisis, Colin Crouch
Chapter 20	Employment and the Quality of Human Relationships: The Possibility
•	of a New Culture of Labour, Bedřich Vymětalík
Chapter 21	Dilemmas About Wages and Employment, Edmond Malinvaud
	PART V Analysis of Policy Options
Chapter 22	The Transformation of Labour, the Employee, and Employment, Jean-Yves Calvez 207
Chapter 23	'The Universal Basic Income': Its Contribution to Reducing Unemployment
	and its Relationship to Catholic Social Teaching on the 'Family Wage',
	Richard Hauser213
Chapter 24	Choice of Time and Job Sharing, Jacques Drèze22
Chapter 25	Welfare State or Work? The Interaction of Wages, Social Protection,
	and Family Change, Gosta Esping-Andersen
Chapter 26	Women and Work: The Radical Papal Teaching, Janne H. Matlary
Chapter 27	Integrating the Historically Disadvantaged into the World of Work, Glenn C. Loury

PART VI

The Culture of Work

Chapter 28	The Biblical Vision of Work and the Contemporary Context, Roland Minnerath24
Chapter 29	Ethical Values and the Japanese Economy, Joseph Pittau
Chapter 30	The Development of a New Culture of Work in the Context of the Reduction of Social Integration through Employment, <i>Pedro Morandé Court</i>
Chapter 31	The Significance of Labour in a Postindustrial Society: Unemployment and the Role of the Civil Economy, Stefano Zamagni
Chapter 32	The Changing Meaning of Work, Pierpaolo Donati
	Conclusion
	A Synthesis, Edmond Malinvaud
	Chapter Notes

TABLE OF CONTENTS vii



EDMOND MALINVAUD AND JOHANNES SCHASCHING, S.J.

THIS BOOK OF THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES is addressed to those concerned with the interplay between the implementation of ethical values and the knowledge of social phenomena. It is an outcome and presentation of the scientific exchanges and deliberations held by the young Academy on a subject of major importance for human fulfilment: work and employment. Before an explanation about the contents of the book, the institution under whose aegis it was produced must be briefly introduced.

The Pontifical Academy of Social Sciences was established in January 1994 by Pope John Paul II, who wrote as follows in his apostolic letter: 'Over the last century the Church has strengthened her "citizenship status" by perfecting her social doctrine . . . [thanks to] close collaboration, on the one hand, with Catholic social movements, and on the other, with experts in the social sciences John XXIII . . . stressed that the social doctrine must always strive to take into account "the true state of affairs" by maintaining a constant dialogue with the social sciences Facing the great tasks which the future has in store, this interdisciplinary dialogue, already fostered in the past, should now be given new expression Today I establish the Pontifical Academy of Social Sciences . . . with the aim of promoting the study and progress of the social, economic, political, and juridical sciences, and of thus offering the Church the elements which she can use in the study and development of her social doctrine'. !

In 2000, the Academy had thirty-four members from all the continents of the world; each of them is specialised in one or two of the main social sciences. Since its establishment, the Academy has held six plenary sessions and two workshops up to the end of 2000. To these some thirty outside experts have at times made their own special contributions.

In his encyclical *Laborem Exercens* (1981), Pope John Paul II argues that work is 'the decisive key of the social question'. He has therefore stressed the right and duty of the Church to proclaim again and again the dignity of human work, to denounce situations in which this dignity is violated, and to contribute to the solution of the urgent problems that work now faces. As the same Pope said in *Centesimus Annus* (1991), this is particularly urgent after the breakdown of Marxism and the re-emergence of the ideology of economic liberalism.

Aware of this major interest of the Church and concerned about the critical challenges faced by contemporary societies, well documented within the social sciences, the Academy decided to dedicate its first major efforts to the question of work and employment. Challenges are now arising because the nature and conditions

of work are changing everywhere and the practical achievement of the human right to work is exposed to risk. Three plenary sessions—held in 1996, 1997, and 1999—were devoted to this subject. The present volume is one result of these encounters.

The contributions published here must be placed within the framework of the attempts by our international and interdisciplinary Academy to carry out its mission. The aim is not to provide concrete solutions to the problems connected with work and employment; nor, indeed, is it to provide full discussions of the proposals made to solve these problems. It is, rather, to survey the main approaches that are now seen as relevant as scientific contributions to such discussions and to describe the most significant results obtained. Undoubtedly this is bound to leave many questions unanswered, as is normally the case in reports published by academies. Incomplete as it is, the scientific knowledge of phenomena, however, mattets. Even when scientists disagree, there is usually something to be learnt from their disagreements. In this spirit, our book must be seen as an honest attempt to present to the reader what the Academy has found most relevant to say so far to the Church about the views of our disciplines on work and employment.

More specifically, the programmes of the three sessions sought to span the range of issues raised by this subject; paying particular attention to ethical aspects, they also strove to open up wide-ranging reflections. In meeting such a task the Academy had to consider what in particular scientists could say about the options truly available to present-day societies throughout the world. However, in this respect at least, the reflection could not be complete. First, we lacked sufficient expertise on many social problems of our times. Second, there was the well-known fact that ideas about a given phenomenon or about the proper approach to the solution of a given problem often differ between specialists within our respective disciplines and from one discipline to another. Such being the case, it would have been artificial to look for an overall consensus which could then have been presented in this book. The reader will find, instead, a vivid expression of both the complexity of issues and the diversity of viewpoints from which each issue is approached by people who share the same fundamental values. The complexity of issues and the diversity of viewpoints must indeed be known and correctly appreciated before an informed adoption can take place of any strategy designed to meet a particular problem.

The complexity of continuously changing societies is well recognised. The possibility of studying social reality from different viewpoints is also well-known, whether the aim is the analysis of this reality or a search for solutions to challenging difficulties. This pluralism is not only possible but also useful and creative. It corresponds exactly to what the Second Vatican Council declared in *Gaudium et Spes* (1965): 'It is legitimate that several authors in spite of common ethical principles arrive at different concrete options about means'. Accordingly, the Academy does not attempt to force a unanimity of opinions on its members, but rather seeks to foster a creative internal dialogue that will lead to a fuller grasp of the issues.

This book begins with an expression of the teaching of the Catholic Church. At the beginning we present the background paper by Professor Johannes Schasching, S.J. on the key positions taken by the Church on work and employment. This paper was written in the summer of 1995 and was used as a point of reference by speakers at the three plenary sessions.

The central—by far the longest—part of the book contains extracts of the papers presented and discussed at the three plenary sessions. Full texts of the papers with, in most cases, reports of the discussion may be found in the published proceedings of the sessions.² These short contributions by academicians or outside experts are classified under six headings:

- 1. Work across the world: the present situation and current trends;
- 2. The globalised economy;
- 3. Contemporary institutions and their response to unemployment;

- 4. Capital and labour;
- 5. An analysis of policy options; and,
- 6. The culture of work.

Reflecting her contribution to this book, Professor Margaret Archer, who chaired the programme committee that was responsible for organising the scientific exchanges during the three sessions and who also acted as editor of the published proceedings, has written a personal thematic introduction. In this, she explains the motives that inspired her during those years when the committee had to decide about the subjects of the papers to be delivered and when she approached potential authors and wrote her introductions to the published proceedings. This rich thematic introduction, written ex post, is published here before the extracts.

Similarly, acting more as an Academician than as the president of the Academy, Professor Edmond Malinvaud undertook a personal synthesis of the papers and discussions that had taken place at the sessions. A first and incomplete draft of the synthesis was discussed in 1998 by Academicians at their fourth plenary session and this led to a number of comments and suggestions. In revised and completed form, this synthesis is published here after the extracts.

The reader may like to know that both the thematic introduction and the synthesis have the substantial although not unanimous support of our Academicians (no attempt was made to determine in detail the extent of this support for the thematic introduction and the synthesis since this would have had little meaning). More generally, this book, produced by the Academy as an autonomous entity, is in no way an expression of Catholic doctrine. It merely seeks to provide a relevant input into the formulation and development of that doctrine. At a wider level, it aspires to offer ideas and information to readers who are interested in a subject of crucial contemporary concern.

Editor's Note

Both U.S. and U.K. English spelling are used throughout Work and Human Fulfillment in keeping with the conventional English used by the contributors.

Catholic Social Teaching and Labour

JOHANNES SCHASCHING, S.J.

THE FUTURE OF LABOUR represents a basic theme of Catholic social teaching, starting from *Rerum novarum* and continuing through to *Centesimus annus*. The remarks that follow are an attempt to use some of the more important social documents to summarise its basic tenets, paying attention not only to the central themes but also to their development over the course of time. This paper consists of four parts. The first section concerns itself with "Labour and Class Society" (Leo XIII—Pius XI). The second is entitled "On the Way to a Culture of Labour" (John XIII, Vatican II Council, Paul VI, John Paul II). The third part is dedicated to the special problem of 'Labour and Development'. The conclusion sets out a number of questions and tasks.

One comment seems to be quite fundamental for a proper understanding of the statements of Catholic social doctrine on labour. The Church's teaching never attempts to present a rigorously scientific analysis of work, nor to develop detailed solutions to the problems of work. As John Paul II expressly puts it in *Laborem exercens*, the social encyclicals set out to place 'the dignity and the rights of working men' at the very center of the problem of labour. The social teachings are to act as an ethical guide to the shaping of the world of labour. Consequently, they are intended both 'to condemn situations in which that dignity and those rights are violated', as well as to motivate people to commit themselves to sociopolitical action for the 'authentic progress by man and society' (1).

To all intents and purposes, these statements constitute the terms of reference for the Pontifical Academy of the Social Sciences. The Academy will undoubtedly base its work on the basic principles of Catholic social teaching, especially on the principle of the dignity of man, and will always come back to them. These principles will be of particular importance when the Academy exercises the function of social criticism. The Academy will enter into a close dialogue with the social sciences to ensure that its statements will not be alien to reality, but solidly anchored in data. It will foster this dialogue even more intensely whenever it is called upon to collaborate in shaping labour more in keeping with the rights of man, thereby promoting the 'authentic progress of man and society'.

Work and Class Society (Leo XII-Pius XI)

It is a fact that Catholic social teaching in the stricter sense arose with the problem of labour in the early phases of the industrial economy. In pre-industrial society, labour was integrated into a society constituted by peasants,

artisans, and a corporate system. This should not be taken to mean that there were no problems of labour in this society. What was new about labour in the industrial era was the fact that it was economically exploited and socially marginalised. Socialism saw the solution to this in the organisation of labour and class conflict, which would enforce a classless society by means of a radical class struggle and the abolition of private property.

Leo XIII (*Rerum novarum*, 1891) was asked for guidance by the bishops and the Catholic laity. Many concrete proposals were made to him as to how the Church could solve the problem of labour. A first proposal was the reintroduction of the prohibition of interest. If no interest were paid, there could be no formation of capital and, consequently, no capitalist economy. A second proposal was that class society could only be overcome if the workers were to become owners of the enterprises. A third proposal was the creation of 'Christian' factories, where the ideals of Christian justice and charity would be practiced in an exemplary manner—by common spiritual practices, by ethical behaviour, and by just wages.

In Rerum novarum, Leo XIII formulated the position of the Church in relation to work as follows:

- 1. The Pope harshly criticised the two-class society that began to make its full effects felt in the industrial centers: On the one hand, an excessively rich minority that dominates not only the economy but also the state; on the other, the teeming masses of the labouring poor suffering under a yoke 'little better than slavery itself' (2).
- 2. The solution proposed by socialism, i.e., to enforce a classless society by the abolition of private property and mobilisation for the class struggle, was rejected by the Pope, not only because it denies the natural right to own property, but also because it menaces the freedom of man (3). But there was one insight that was fundamental for him: 'Capital cannot do without labour, nor labour without capital' (15).
- 3. Consequently, a solution to the labour question has to be found that avoids the error of socialism and yet is rooted in the conviction that, as far as natural law is concerned, the workers are just as much citizens as the proprietors, not least because they represent the greater part of the population (27). Succinctly stated, the solution must satisfy the following conditions: Working people must not be treated like slaves (16); a just wage has to be paid (34); the need for protective labour legislation must be recognised, particularly to safeguard women and children (33); workers must enjoy the opportunity to acquire private property (35).
- 4. Three forces will have to work together if these goals are to be attained: First, the Church through her moral teaching and her sponsorship of social action (13ff); second, the state through enacting social legislation that will humanise the situation of labour (25ff), but without thereby becoming the authoritarian dominator of citizens by displacing them from roles and activities that are properly theirs; third, self-help by the workers themselves, by means of associations of an economic, social, spiritual, and cultural character (36ff). These associations correspond to natural law and therefore the state cannot and must not prohibit them (38). But these associations should have religion as their foundation (43).
- 5. In summary, Leo XIII recognised that labour in these early stages of industrial society was being menaced on two fronts: by liberal capitalism and socialism. He rejected both ideologies and, even at that time, put forward the essential and basic rights of labour that had to be realised by the social policy of the state in collaboration with the organisations of the workers. In the Pope's eyes the decisive contribution was to come from the activity of the Church, since his encyclical was essentially intended for Catholic countries. He hoped that the moral action of the Church and the commitment of the Catholic associations would make it possible to create something like a 'Christian environment' that would prove capable of solving the problems of modern labour at a higher level, namely by a reform of conscience. The Pope was convinced that 'if society is to be cured now, in no other way can it be cured but by return to the Christian life and Christian institutions' (22).

Pius XI (Quadragesimo anno, 1931): Forty years after the publication of Rerum novarum, labour once again found itself at a crossroads. There had undoubtedly been some improvements in the course of the intervening four decades (59), but class society had been anything but overcome. Quite the contrary, a concentration of power had been achieved on the side of liberal capitalism that not only exploited labour, but also sought to dominate the state (105ff). On the side of labour, there had been a similar power concentration through organisation as a result of the influence of socialism, especially in its radical form of communism, that rendered the class struggle more acute and aimed at a classless society (101). Things were made even more difficult by the fact that there were far-reaching differences of opinion and conflicts even among Catholics. They concerned, above all, the question of private property, the relation between capital and labour, and the question of wages.

Totalitarian systems promised radical solutions: communism in the East, national socialism in Germany, fascism in Italy. Pius XI pursued two goals within his encyclical. The first was to eliminate the conflict among Catholics, the second was the offer of a new order of society that was to go beyond both liberal capitalism and collectivism, in either their fascist or communist forms. As far as labour is concerned, this was what the encyclical had to say:

- 1. Like Rerum novarum, Quadragesimo anno does not basically reject an economic system in which some people contribute capital and others contribute labour. The Pope repeats the phrase that had been used by Leo XIII: 'Capital cannot do without labour, nor labour without capital' (53). That is why such an economic system 'as such is not to be condemned' (101). In saying this, the Pope basically upholds the right of private individuals to own the means of production, but at the same time he emphasises the social dimension of private property (46).
- 2. As far as *Quadragesimo anno* is concerned, however, the decisive feature is its elaboration of the relationship between capital and labour. Here the encyclical repeats the basic ideas of *Rerum novarum*, but develops them further in several respects. It is noteworthy, for example, that the encyclical describes the procurement of places of work as a moral virtue (51). *Quadragesimo anno* assumes a very critical position vis-à-vis the actual distribution of the social product between capital and labour. There are two ways in which this distribution is to be rendered more just: by increasing the opportunities for the ownership of private property by workers (61) and by means of a just wage (63ff). The just wage is determined by the needs of the workman and his family (70), by the situation of the enterprise and its capacity to survive (72), and also by the consideration of the common good (74). It is noteworthy that *Quadragesimo anno* already mentions the possibility of going beyond the individual wage-contract rowards a kind of a partnership between capital and labour (65).
- 3. The measures just outlined are certainly practicable paths for introducing justice into labour relations. But they do not represent the ultimate goal. According to *Quadragesimo anno*, this can only be achieved by means of the 'principles of right reason and Christian social philosophy regarding capital, labour and their mutual cooperation' (110). It consists in the establishment of a new social order in which the conflict between capital and labour is eliminated by means of a corporative order (81ff). In this society there are no hostile classes of capital and labour, but only different social functions. With this proposal, the Pope seeks to make a contribution that will overcome both the error of liberal capitalism and that of collectivism.
- 4. There was one confrontation that Pius XI could not but expect. Italian fascism had instituted a 'fascist corporative state'. Although Pius XI, employing diplomatic language, recognised some positive aspects of this order, he left no doubt that in this system 'the state is substituting itself in the place of private initiative' (95) and had thus reduced or even eliminated the responsibility of other social forces.
- 5. Quadragesimo anno therefore holds that the problem of work can no longer be considered in isolation, as something self-contained, but only in connection with a far-reaching social reform which encompasses both a structural reform and a reform of the conscience. The structural reform embraces the domains

- listed in No. 2, but was to find its fulfilment in the guiding idea of the corporative order. Like *Rerum novarum* before it, *Quadragesimo anno* also stressed the importance of spiritual reform. This was to be accomplished, above all, by Catholic associations, especially those of the workers, but also by a general Christianisation of the social environment (139).
- 6. To summarise: If we want to understand this first phase of the Catholic social teaching relating to labour, we must keep in mind the two goals it sought to attain. The first was the responsibility and concern for the exploited working class that had come into being in the wake of industrialisation. Here one could already speak of an 'option for the poor'. The second goal was the battle against two ideologies: On the one side there was liberalism with its economic counterpart of liberal capitalism; on the other; there was socialism, which—notwithstanding the different forms in which it appeared—accepted the class struggle and aimed at the creation of a classless society. The two ideologies were as anti-religious as they were anti-Church, and this undoubtedly was one of the reasons why the Church opposed them both.

That Rerum novarum and, even more so, Quadragesimo anno called both for appropriate state intervention and self-organisation of labour was by no means new, because at that time both already existed in most of the industrialised countries. It is essential to note that the social documents of the Church formulated the decisive ethical principles for the solution of the labour question: the principle of the dignity of the worker as a person, the principle of subsidiarity, and the principle of solidarity as the joint responsibility of the social forces contributing to the solution of social problems; finally, the principle of the common good, whose pursuit is binding, not only upon the authority of the state, but also upon the individual citizens and organised social forces.

In this early phase, the Church was assigned a special task in the solution of the labour question. Although Leo XIII was in favour of a social policy by the state and self-help by the workers, he was profoundly convinced that the decisive force in the solution of the labour question would have to be the reform of the conscience and the reform of both attitudes and institutions in the Christian spirit. Forty years later, Pius XI could not but note that this had not been achieved. Class society had erupted with full force, and both liberal capitalism and Marxist collectivism had grown into potent menaces for the world.

Faced with this critical situation, Pius XI thought that with the idea of the corporative order he could offer a solution that had its roots in the tradition of Christian social thinking and represented an alternative to the two existing systems: liberal capitalism and collectivism. But there was one thing that was equally clear to him: The model of his proposed corporative order could be put into practice only if it was possible to accomplish a general reform of mentality. This was to be done by means of an intensive organisation of Catholic workers and also of the employers' associations, as well as a generalised 'Christianisation of the environment'. There can be no doubt that the Christian associations and the Christian trade unions made considerable contributions to the improvement of the situation of the workers and the overcoming of the class struggle, but they did not and could not create the conditions for the new corporative order.

On the Way to a "Culture of Labour" (John XXIII, Vatican II Council, Paul IV, John Paul II)

While the first period of the Catholic social doctrine concerning labour was relatively uniform and concentrated, above all, on overcoming class society and the exploitation of human labour, the second phase turned out to be extremely complex and dynamic. Rather than commenting on the individual social documents, it therefore seems more appropriate to highlight the central themes that seek to realise what Catholic social teaching itself designates as a 'culture of labour'. By way of introduction, it may be useful to indicate some of the essential elements of change which characterise the transition from the first to the second period. I shall do

this by referring to the documents of Catholic social teaching. Let me recall once more that the Church was never concerned with putting forward an exhaustive scientific analysis, but rather some focal points which assume a particular importance for the 'culture of labour'.

Milestones of Change

A far-reaching change of society took place between *Rerum novarum* and *Quadragesimo anno* and the publication of the subsequent social encyclicals, a change which profoundly influenced the Church's social teaching on labour. The various documents of Catholic social teaching stress the following factors:

Economic and Technical Progress

The encyclical *Mater et magistra*, published in 1961, already drew attention to economic and technological innovations and in this connection mentions the discovery of atomic power, growth of the chemical industry, automatisation, and worldwide communication (47). *Laborem exercens* subsequently speaks of the 'great changes in civilisation, from the beginning of the "industrial era" to the successive phases of development through new technologies, such as the electronics and the microprocessor technology in recent years' (5). In the industrial countries this caused a massive increase of productivity and a certain well-being of the masses (*Mater et magistra*, 48).

An essential part of this scientific and technical progress is represented by the internationalisation of the markets. Although several social documents expressed substantial reserve about the concrete shape assumed by world trade (*Sollicitudo rei socialis*, 48; *Centesimus annus*, 58), Catholic social teaching is fully convinced that the present unity of the human race 'demands the establishment of greater international cooperation in the economic field' (*Gaudium et Spes*, 85).

Social and Political Change

Here, too, *Mater et magistra* was the first of the social documents to draw attention to the ever-increasing social interdependence that was taking place in the industrialised countries of the West. The extension of state social policy and free access to education had led to growing democratisation and gradual elimination of the class structure (61). Its place had been taken by a plurality of group interests in rivalry with each other (48). But we must certainly not overlook that this went hand in hand with a growing depersonalisation and a loss of solidarity.

Even though the class society of the 1930s had changed, we must not overlook the fact that labour had not yet taken the place it should have in society. There still exists the danger of treating work as a special kind of 'merchandise' (*Laborem exercens*, 7). This is the result of two forms of materialistic economism. On the one hand, even in present-day capitalism, there are attitudes and practices that consider labour as nothing other than a factor of production, so that 'the error of early capitalism can be repeated' (*Laborem exercens*, 7). On the other hand, we have Marxist collectivism, which likewise degrades work into a commodity.

When we think of the collapse of this system in 1989, 'it cannot be forgotten that the fundamental crisis of systems claiming to express the rule and indeed the dictatorship of the working class began with the great upheavals which took place in Poland in the name of solidarity. It was the throng of working people which forswore the ideology which presumed to speak in their name' (*Centesimus annus*, 23).

Spiritual and Religious Change

It is striking how closely Catholic social teaching associates the change and future of labour with the spiritual and religious dimension. *Centesimus annus* admits quite openly that, as far as the industrialised countries are concerned 'for about a century the workers' movement had fallen in part under the dominance of Marxism' (26).

This period witnessed a massive alienation from the Church by the working class. Here, too, Catholic social teaching sees a far-reaching change. Its magnitude will largely be determined by the extent to which the Church and her social teaching make themselves heard in favour of the concerns of workers, and the extent to which she will succeed in developing something like a theology and a spirituality of labour.

Elements of a 'Culture of Labour'

John Paul II speaks repeatedly of the need to substitute the class struggle of yesterday by a culture of labour (*Centesimus annus*, 15). This culture of labour is possible as far as economic and technical conditions are concerned and it is necessary from a social and political point of view if we are successfully to face the challenges of the twenty-first century. Like every other culture, the culture of labour is made up of several elements, which the Church's social teaching subdivides into four dimensions, namely, the personal dimension, the economic dimension, the social dimension, and the spiritual and cultural dimension.

· The Personal Dimension of Work

We shall succeed in fully understanding the statements of the Catholic social doctrine on labour only if we see them from the viewpoint of the personal dimension, which is fundamental. As John Paul II puts it in his encyclical on human work: 'At the beginning of man's work is the mystery of creation. This affirmation, already indicated as my starting point, is the guiding thread of this document' (*Laborem exercens*, 12). Man stands in the very midst of this mystery of creation as 'God's project' with a twofold mission, self-realisation, and the further development of creation. Taken together, these tasks speak to us of a personal mission to work and to collaborate in God's design.

It is this mission that constitutes the dignity of man 'because through work man not only transforms nature, adapting it to his own needs, but he also achieves fulfilment as a human being and, indeed in a sense, becomes "more a human being" (*Laborem exercens*, 9). It follows from this that man at work must never be treated as a mere object or commodity but as a person. Consequently, the worker must be accorded precedence over all material factors of the economy. That is why *Rerum novarum* already condemned existing conditions as a fate little better than slavery for the industrial worker (2). The Second Vatican Council stated, 'Human labour which is expended in the production and exchange of goods or in the performance of economic services is superior to the other elements of economic life. For the latter have only the nature of tools' (*Gaudium et Spes*, 67). *Laborem exercens* underscores this statement as follows: 'The only chance there seems to be for radically overcoming this error . . . is the conviction of the primacy of the person over things, and of human labour over capital as a whole collection of means of production' (13).

This personal dimension of work, 'which is part of the abiding heritage of the Church's teaching, must always be emphasised with reference to the question of the labour system and with regard to the whole socio-economic system' (*Laborem exercens*, 12). One must therefore take a critical view of a labour system 'when it is organised so as to ensure maximum returns and profits, with no concern whether the worker, through his own labour, grows or diminishes as a person' (*Centesimus annus*, 41).

What Catholic social teaching has to say about the personal dimension of labour and the primacy of labour over capital has been followed by polemical discussions which continue up to today. In large part, these polemics stem from the mistaken idea that Catholic social teaching fails to recognise the importance of capital and therefore represents some kind of utopian viewpoint. That this is not the case will be made clear by the discussion of the next dimension of labour. The ultimate concern of Catholic social teaching, and especially that of John Paul II, is to place the ethico-religious value of personal labour at the very center of the economic

order. Here it belongs to a higher order and takes precedence over the purely material factors of the economy. This personal dimension must therefore enter as a constitutive element into every concrete labour system and economic order. 'The social order and its development must unceasingly work to the benefit of the human person . . . and not contrariwise' (*Gaudium et spes*, 26). This principle 'must constitute the adequate and fundamental criterion for shaping the whole economy' (*Laborem exercens*, 17).

· The Economic Dimension of Work

Although the personal dimension of labour stands at the very center of all Catholic social teaching, it has always been seen in connection with other factors, especially economic ones. Thus arises the need for 'reproposing in new ways the question of human work' (*Laborem exercens*, 5).

This brings us face to face with the basic question of the economic system in which labour is carried out. *Quadragesimo anno* already points out that the Church has no competence in 'technical matters' (41), Vatican II tells us that the Church, by virtue of her mission, is bound 'to no particular form of human culture, nor to any political, economic or social system' (*Gaudium et spes*, 42). Catholic social teaching does confront each and every economic system with the critical question of whether or not it corresponds to the image of man that the Church represents, and the social order that is consistent with this concept of personhood. This critical question was posed again and again in different historical periods and it can be summarised in the following way.

The collectivistic, centrally dominated economic system is condemned from *Rerum novarum* to *Centesimus annus* because it is contrary to the dignity of man and the nature of a free society. An economic system in which one side contributes the capital and the other the labour is 'not to be condemned' (*Quadragesimo anno*, 101) as such. The decisive question is how these two factors are related to each other and how the economy as a whole fulfils its responsibilities with regard to the common good.

Centesimus annus presents a certain conclusion to this long discussion when proposing the essential criteria for an ethically justifiable economic system: First, private property, which is essentially 'based on the law of common purpose of social goods' (30); second, free labour which should enjoy coresponsibility and participation (32, 35); third, the importance of economic initiative and entrepreneurship (32); fourth, the encyclical acknowledges the legitimacy of profit which it recognises 'is a regulator of the life of a business', but cautions 'is not the only one' (35); and, fifth, 'to guarantee that the basic needs of the whole of society are satisfied', the encyclical insists that the market and the economic process must be 'appropriately controlled by the forces of society and by the state' (35). Laborem exercens as well as Centesimus annus add the responsibility for continental and global common good.

This short summary does not reproduce the development of Catholic social teaching in this field in all its details, but merely seeks to show that in its statements on human labour it does not overlook the economic dimension.

Even though these statements about the economic system are of a general nature, they are of decisive importance for labour. Basing itself on the personal and economic dimension of labour, Catholic social teaching formulates a number of specific problems and tasks connected with labour:

The Right to Work. When the Church's social teaching speaks of a right to work (Pacem in terris, 18; Gaudium et spes, 67; Laborem exercens, 67) it always relies on two insights as its starting point. In an economy based on the division of labour, work always forms part of a particular economic system and a particular economic process. Therefore, it is dependent on the laws of this system and codetermined by them (Centesimus annus, 32). For this reason there cannot be a patent and ever-valid solution for the realisation of the right to work. Precisely because

work contains an essentially personal dimension, which means that it represents a mission and an obligation for self-realisation, organised social forces and the state are in duty bound to create the conditions in which the individual can realise his right and also his duty to work. It is for this reason that *Laborem exercens* appeals so insistently to the "indirect employer" to take every kind of initiative to make it possible for the right and duty to work to be implemented (18).

That is also the reason why the documents of Catholic social teaching describe unemployment as a "dread-ful scourge" (Quadragesimo anno, 74), as a 'nightmare' (Centesimus annus, 15), especially when young people are involved (Laborem exercens, 18). As far as John Paul II is concerned, the disconcerting fact that 'there are huge numbers of people who are unemployed or underemployed', while conspicuous natural resources remain unused and countless multitudes of people suffer from hunger, demonstrates 'without any doubt . . . that both within the individual political communities and in their relationships on the continental and world level there is something wrong with the organisation of work and employment, precisely at the most critical and socially most important points' (Laborem exercens, 18). In Centesimus annus, John Paul II further observes that 'a society in which this right is systematically denied, in which economic policies do not allow workers to reach satisfactory levels of employment, cannot be justified from an ethical point of view, nor can that society attain social peace' (43). It is quite obvious that this statement still leaves open a series of questions as to the ways and means by which the right to work can be realised in a complex economy and in a democratic manner. This is the very point where the gauntlet, as it were, is thrown down to the social sciences.

A Just Wage. The problem of the just wage constitutes a central theme of the economic dimension of labour in Catholic social teaching. John Paul II describes the question of just remuneration as the 'key problem of social ethics', and as the 'concrete means of verifying the justice of the whole socio-economic system' (Laborem exercens, 19). Once again, the treatment of this matter in Catholic teaching has not been static. Rerum novarum speaks quite generally of a wage that enables a worker 'to maintain his wife and children in reasonable comfort' (35). Quadragesimo anno stresses that the wages received by a worker should be sufficient 'for the support of himself and his family' (71). The same encyclical already adds that wherever this is not possible, under certain circumstances 'special provisions' should be made in order to do justice to families. Quadragesimo anno further mentions the state of business and its capacity for survival as factors to be considered in arriving at a just wage. The relation of wage rates to the common good also features in this discussion. The encyclical contains the noteworthy phrase, 'All are aware that a scale of wages too low, no less than a scale excessively high causes unemployment' (74).

Mater et magistra repeats the essential propositions of Quadragesimo anno, but adds two new aspects. For determining just remuneration, account should be taken 'first of all the contribution of individuals to the economic effort' (71). Moreover, one should think not just of the common good of a nation, but rather of the common good of the entire world economy (71). Laborem exercens further specifies the previous statements of the Church's teachings: A just wage must be sufficient 'for establishing and properly maintaining a family and for providing security for its future' (19). Such remuneration can be given either through what is called a family wage, that is an income sufficient for the needs of the family, or through other social measures (19). In this connection, Laborem exercens stresses that 'it will redound to the credit of society' to make it possible for a mother not to work outside the home on account of economic need, though it later notes that 'in many societies women work in nearly every sector of life' and warns that they should not be discriminated against there. Laborem exercens also expressly mentions that 'various social benefits intended to ensure the life and health of workers and their families play a part besides wages' (19).

Access to Private Property. Although the Church in her social teaching holds that an economic system in which the economic process receives capital from one side and labour from the other is 'not in itself to be condemned', and therefore describes the wage contract as basically permissible from an ethical point of view, she has always been convinced that the participation of labour in property ownership and capital was highly desirable. Rerum novarum already mentions this possibility and necessity (4, 17, 35). Quadragesimo anno expresses the conviction that 'at least in future, only a fair share of the fruits of production be permitted to accumulate in the hands of the wealthy and that an ample sufficiency be supplied to the workingmen' (61), and this not by any means solely in the form of a just wage for consumption but also by sharing in the ownership of economic property.

Although *Mater et magistra* notes that income due to professional qualifications has come to be of increasing importance, it nevertheless stresses the need for labour to acquire property ownership, precisely because of the relationship that it bears to personal freedom (112): 'Today, more than heretofore, widespread private ownership should prevail' (115). *Laborem exercens* repeatedly stresses the primacy of labour over capital, and John Paul II is convinced that this primacy must also express itself in a reform of the property system, specifically mentioning 'proposals for joint ownership of the means of work, sharing by the workers in the management and/or profit of businesses, so called shareholding by labour, etc.' (*Laborem exercens*, 14).

The Social Dimension of Work

According to Catholic social teaching, a 'culture of labour' comprises not only the undoubtedly important personal and economic dimensions of labour, but also its essential social dimension. *Mater et magistra* stresses that 'with the growth of the economy, there occurs a corresponding social development' (73). John Paul II speaks of a characteristic element that distinguishes work in a special manner: the fact 'that it first and foremost unites people' (*Laborem exercens*, 20). In other words, work both can and is called upon to serve as the basis of unity and community.

This statement is one of the most difficult in the corpus of Catholic social teaching and must not be understood in a romantic or utopian sense, particularly when one considers the history of the social question. Undoubtedly there were also labour problems in the society of peasants and artisans: poverty, exploitation, lack of rights. As the Church's teaching understands the matter, the social question in the proper sense started with the separation of capital and labour and the class society that resulted therefrom. How this social question presented itself in the first phase of Catholic social teaching, and the kinds of solutions that were proposed, has been described in the first part of this paper. What we are now particularly concerned with are the elements for the social culture of labour in the second period.

In this second phase, we have to bear in mind that, at least in the industrialised countries of the West, the ideology of the class struggle is no longer shared even by the working population. *Pacem in terris* describes the economic and social rise of the working class as the most important development (40). Efforts are being made to solve the problems of labour in a democratic manner. The Church's social teaching cannot but take this state of affairs as its starting point, and it is on this basis that it formulates the elements for a social culture of labour.

Social Partnership

Even though the primacy of labour over the material factor of capital is strongly stressed on the personal and ethical level, it is just as clear that within the production process, capital constitutes the necessary condition to enable people to find work. 'In general the latter process demonstrates that labour and what we are accustomed to call capital are intermingled; it shows that they are inseparably linked' (*Laborem exercens*, 13). Nevertheless, it is not at all difficult to foresee that there will be tensions and conflict between the two interest groups. Though these may no longer carry the hallmarks of the former class struggle, they could yet represent very real

conflicts of interest. In this second phase, Catholic social teaching no longer relies on the corporative order that *Quadragesimo anno* put forward as a model or means of resolving this conflict, but rather bases itself on the previously mentioned conviction that labour unites people, that it 'builds a community' (*Laborem exercens*, 20), that it leads to social partnership (*Mater et magistra*, 97).

Therefore in their second phase, the social teachings formulated the postulate that 'a labour system can be right, in the sense of being in conformity with the very essence of the issue, and in the sense of being intrinsically true and morally legitimate if, in its very basis, it overcomes the opposition between labour and capital' (Laborem exercens, 13). Catholic social teaching cannot determine what this labour system should be like in concrete terms. In this connection Laborem exercens refers to the many 'proposals' made by experts and by the Magisterium of the Church: They concern 'joint ownership of the means of work, sharing by the workers in the management and/or profits of businesses, so called shareholding by labour . . . (14). Even the further statements made by Laborem exercens as regards this matter remain open in many respects. 'A way towards that goal could be found by associating labour with the ownership of capital, as far as possible, and by producing a wide range of intermediate bodies with economic, social and cultural purposes; they would be bodies enjoying real autonomy with regard to the public powers, pursuing their specific aims in honest collaboration with each other and in subordination to the demands of the common good' (14).

The Organisation of Labour

That social partnership is not a utopian goal follows from the statements that Catholic social teaching makes about the organisation of labour. Even though the class struggle situation in the Western industrialised countries has undergone very substantial changes since the days of *Rerum novarum* and *Quadragesimo anno*, we must not overlook the fact that the 'defence of the existential interests of workers' (*Laborem exercens*, 20) still represents an essential task of a 'culture of labour'. That is why the Second Vatican Council speaks of the fundamental human right that workers have of freely setting up unions which can genuinely represent them (*Gaudium et spes*, 68). They are 'a mouthpiece for the struggle for social justice' (*Laborem exercens*, 20), 'even if in controversial questions the struggle takes on a character of opposition towards others'. This is not done 'in order to eliminate the opponent but for the good of "social justice" (20). In such cases there may well be difficult negotiations and at times even conflicts, but in the end people will always try to come to an agreement. In this respect the unions are 'a positive factor of the social order' and 'an essential element of social life' (20).

The Social Ecology of Labour

Catholic social teaching is convinced that in a world of high-speed technological progress and globalisation of markets, human work cannot but be subject to far-reaching changes, the full effects of which are not yet clear. Consequently, the Church has no patent solutions to offer, even though it is fully convinced that what really matters in this far-reaching process of change is to arrive at a 'culture of labour worthy of man by taking due account of the personal, economic and social dimension of labour'.

In this connection, John Paul II makes use of the term the 'social ecology of work' (*Centesimus annus*, 38). The meaning of this expression is this: Modern society is strongly determined by a tendency towards individualisation and privatisation. This is quite understandable and in some respects it represents a positive trend. Nevertheless, the challenges of modern society, both at the national and international level, call for strong solidarity. This solidarity will have to be rooted in human relationships that exist in and across various social levels. According to the Church's social teaching, humanisation of labour presents an important basis upon which to build solidarity because 'labour unites people' and 'builds community' (*Laborem exercens*, 20).

For this reason 'a business cannot be considered only as a "society of capital goods"; it is also a 'society of persons' (*Centesimus annus*, 43). One must therefore assume a critical attitude vis-à-vis a society in which the forms of social organisation, be they in production or consumption, make it difficult to bring about authentic interhuman solidarity.

In this connection it is noteworthy that Catholic social teaching speaks expressly of the relationship between the organisation of labour and the family. It is convinced that the overcoming of the individualistic mentality calls for 'a concrete commitment to solidarity and charity' and this begins in the family (Centesimus annus, 49). Thus, for example, a culture of labour should express itself by arranging working hours in such a way as not to prevent the family from fulfilling its tasks (Laborem exercens, 19). 'The true advancement of women requires that labour should be structured in such a way that women do not have to pay for their advancement by abandoning what is specific to them and at the expense of the family' (Laborem exercens, 19).

Centesimus annus pointedly observed that the Marxist solution failed because it perverted the rights of labour and thus destroyed the solidarity founded on work (Centesimus annus, 23). It is an urgent task to renew this solidarity, because it is badly needed by society as a whole. There is need for 'specific networks of solidarity' to prevent 'society from becoming an anonymous and impersonal mass'. A possible and necessary component of these networks of solidarity is the 'culture of labour'. It involves more than just the state and the market and is ultimately based upon the 'subjective character of society' (Centesimus annus, 49). Here we have the decisive challenge of the present-day world, a challenge that calls for a great deal of creativity.

The Intellectual and Spiritual Dimension of the 'Culture of Labour'

It is impressive to note the extent to which Catholic social teaching associates the culture of labour with an intellectual and a spiritual dimension. Indeed, in the first phase this association was so strong that it served as the source both for ethical motivation as well as the corporate social order.

In its second phase, however, Catholic social teaching tended to concentrate on the attempt to elaborate a 'Gospel of labour' (*Laborem exercens*, 6). This undertaking proceeds from the insight that the order of creation destines man to collaborate in a responsible manner in his self-realisation and the completion of creation itself (*Laborem exercens*, 9). That is why the real dignity of work is based not so much on what it has effectively achieved, but rather on 'its subjective dimension' (*Laborem exercens*, 9). From this dignity of work there follow the rights of labour, but also the obligation of labour (*Laborem exercens*, 16).

This 'Gospel of labour' opens work to a spiritual interpretation, which leads to the formation of a 'spirituality of labour' (*Laborem exercens*, 24). This spirituality is essentially based on three truths. First, the 'awareness of human work as a sharing in the activity of the Creator' (*Popolorum progressio*, 27f; *Laborem exercens*, 26), which implies both creativity and responsibility. Second, it draws from the example of Christ, who was not only the 'carpenter's son', but in his message compared the activities of men with the characteristics of the Kingdom of God. Third, through the interpretation of work as suffering, this spirituality sees work as a sharing in the Cross of Christ (*Laborem exercens*, 27) in its salvific and redeeming fertility, right through to the realisation of 'the new heaven and the new earth' (*Laborem exercens*, 27).

The decisive feature of these statements of Catholic social teaching is the positive view they present of human work. This 'gospel of labour' rests on the hope that work will develop from a fate 'little better than slavery' (*Rerum novarum*, 2) to a 'culture of labour' worthy of man (*Centesimus annus*, 15). Like every other culture, however, this 'culture of labour' is not an automatic natural event. The realisation of its personal, economic, social, and spiritual dimensions calls for the conscious and responsible efforts of man.

Work and Development

No review of the statements of the Church's social teachings on labour would be complete without a special section dedicated to the situation of the developing countries. Although many of the statements made in the section, 'Elements of a "Culture of Labour" also apply to the developing countries, the existing economic, social, political, and cultural conditions are such as to give rise to special problems and tasks. The following summary will show that this part of Catholic social teaching will have to be supplemented and enlarged in several respects.

It can be readily understood that Catholic social teaching did not offer a special treatment of the developing countries in its first phase because its message was primarily addressed to the industrialised countries of the West. But with *Mater et magistra* and the Second Vatican Council, a second phase began in which developing countries assumed a growing importance in Catholic social teaching. The following summary is deliberately limited to statements concerning the order of human labour. They can be summarised in two key concepts, namely the misery of underdevelopment and the challenges and tasks it presents.

The Misery of Underdevelopment

The encyclical Laborem exercens realistically notes that there exist grave injustices in 'living and working conditions' at the world level, and that these are 'much more extensive than those which in the last century stimulated unity between workers for particular solidarity in the working world' (8). This injustice expresses itself first in the fact that unemployment and underemployment bave assumed alarming proportions in the developing countries (Sollicitudo rei socialis, 18). This situation also exists in countries 'whose economies are still purely agrarian' (Popolorum progressio, 9). It has to be added that 'great masses of workers, in not a few nations, and even in whole continents, receive too small a return from their labour. Hence, they and their families must live in conditions completely out of accord with human dignity' (Mater et magistra, 68).

The causes of this misery are extremely complex and are at least partly to be found in the developing countries themselves. Funds given for the creation of employment possibilities were misused for personal enrichment, invested abroad, or employed for irrational rearmament. The social encyclicals also speak of a lack of freedom, of cruel rivalries between tribes, and of very substantial backwardness in the field of education.

The greatest responsibility and guilt for the misery of underdevelopment and its effects on labour rests with the industrialised countries. This is not primarily due to the lack of goodwill on the part of individual people, but is rather the result of economic and political mechanisms in the industrial countries. They tend to perpetuate a situation such that 'the wealth of the rich would increase and the poverty of the poor would remain' (Sollicitudo rei socialis, 16). This shows itself, for example, in the disastrous indebtedness of developing countries, which has assumed dramatic proportions in connection with the mechanisms of the financial markets (Sollicitudo rei socialis, 19), as well as in the protectionism and discrimination practiced by the international trade system (Sollicitudo rei socialis, 43).

Catholic social teaching does not limit itself to this undoubtedly incomplete economic and political analysis, but speaks in this connection about 'structures of sin' (Sollicitudo rei socialis, 36). Admittedly, these structures are always associated with the concrete deeds of individual people, but they become the source of further sin because they tend to be consolidated into social and economic orders and thus exert a negative influence on the moral behaviour of man (Sollicitudo rei socialis, 36). The economic impetus behind these structures is dominated by 'the all-consuming desire for profit' (Sollicitudo rei socialis, 37), which leads to hegemony and imperialism (Sollicitudo rei socialis, 39).

Whereas in the industrialised countries of the Western world the state and its social partners set a clear limit to this domination, this is, as yet, far from being done in developing countries. It is a fact that large enterprises do not lack social sensitivity in their own countries; 'why then do they return to the inhuman principles of individualism when they operate in less developed countries'? (*Popolorum progressio*, 70).

It has been stated already that the Church's social documents do not provide an all-embracing analysis of the problems of the developing countries. It also has been pointed out that in this very area Catholic social teaching still needs intensive research. For the immediate purpose of this summary, it is of importance to note that according to Catholic social teaching, labour in the developing countries today finds itself face to face with an injustice of 'far greater proportions' than did the European working class at the beginning of the industrial revolution.

Challenges and Tasks

There is a fundamental principle that underlies the whole of Catholic social teaching: 'Peace and prosperity, in fact, are goods which belong to the whole human race: It is not possible to enjoy them in a proper and lasting way if they are achieved and maintained at the cost of other peoples and nations, by violating their rights or excluding them from the sources of well-being' (Centesimus annus, 27). Therefore everything has to be done to ensure that 'the living standard of the workers in the different societies will less and less show those disturbing differences which are unjust and are apt to provoke even violent reactions' (Laborem exercens, 18).

In this connection the Church's social documents speak of a multistage process of building solidarity as a means of gaining control over the difficult problem of work in developing countries. The first form of solidarity must originate from the world of labour itself. 'In order to achieve social justice in the various parts of the world, in the various countries, and in the relationships between them, there is a need for ever new movements of solidarity of the workers and with the workers' (*Laborem exercens*, 8). Nobody has any illusions how difficult it will be to realise this appeal. The social teachings tell us that to promote solidarity we shall have to accept a redistribution of both work and income, not only at the national but also at the continental and global level. There is something else said with the utmost clarity in this statement: This solidarity cannot be forced upon the world of labour, it can be realised and implemented only in coresponsibility 'with them'.

Another decisive form of solidarity is closely related to the one we have just mentioned. Seen in a long-term perspective, the problem of labour in developing countries can be solved only if the developing countries and the industrialised countries will jointly undertake 'bold transformations, innovations that go deep' (Popolorum progressio, 32). This is one of the basic themes of Mater et magister and reaches, via Popolorum progressio and Sollicitudo rei socialis, through to Centesimus annus. Some proposals are made in this connection, but no patent solutions can be provided. There is a final appeal that Centesimus annus formulates in the following words: 'The poor ask for the right to share in enjoying material goods and to make good use of their capacity for work, thus creating a world that is more just and prosperous for all' (28).

Questions and Reflections

Catholic social teaching describes labour as key to the solution of the social question (*Laborem exercens*, 3). The underlying concept here is that labour constitutes the basis of order in society as a whole. In saying this, Catholic social teaching finds itself in complete harmony not only with experts in the social sciences but also with those engaged in sociopolitical practice.

The other parts of this contribution try to give a summary of the efforts made by Catholic social teaching in connection with labour. Two separate periods can be clearly distinguished. The first period was strongly marked by confidence in the ordering capacity of religion and the Church, be it as regards an all-embracing renewal of attitudes and institutions in the Christian spirit, or as the offer of the model of a corporative order derived from the Christian social tradition. The social encyclicals of this first period, *Rerum novarum* and *Quadragesimo anno*, undoubtedly made a contribution to improving the 'fate little better than slavery' of workers and to the formulation of basic principles for the solution of the labour question.

Both encyclicals came up against clear and obvious limits. These were set not only by the limited possibilities of attitudinal reforms, but even more importantly by the fact that the concept of a corporative order was simply unrealisable in a growing market economy. These limitations were exacerbated by economic and social dynamics in the second half of the twentieth century. In the industrialised countries of the West, the class society was steadily displaced by a complex and pluralist welfare society. These welfare states enjoyed a democratic political structure, but brought with them new forms of marginalisation that had significant repercussions for labour. In addition, the social teachings were confronted with the ever-more menacing claims of real socialism in the East and the challenges posed by the developing countries in the South.

Catholic social teaching thus had to come to terms with a completely new situation. Its dialogue partner was no longer a uniform Christian West, but rather a global world, pluralistic in religion and 'Weltanschauung'. Ever since *Pacem in terris*, the Church's social documents have been addressed to 'all men of good will'. This could not but bring in its wake an equally pronounced shift in the content of Catholic social thought. In his encyclical *Centesimus annus*, John Paul II speaks of 'being underway with mankind'. This phrase carries with it the conviction that Catholic social teaching, given its view of man and the concept of society based upon this view, can contribute 'principles of reflection, norms of judgment and directives for action' (*Octogesima adveniens*, 4) to the worldwide search for a more human economic and social order and, more particularly, to the problem of labour. The image of a shared journey also means that the Church's contributions will come not in the form of a monologue, but as the result of an ongoing dialogue with the modern social sciences and with all organised social forces.

In other words, Catholic social teaching is ready to learn from this dialogue: It cannot abandon its 'principles of reflection, norms of action and criteria of judgment', but it may well be ready to reformulate them in view of new circumstances and to give to its 'directives of action' a new and more concrete orientation. It has to be stressed once more that this calls for an intensive dialogue with the social sciences, since this represents the special task of a Pontifical Academy of the Social Sciences.

All these statements have a direct bearing on the basic theme of this paper, namely Catholic social teaching and labour. The documents of Catholic social teaching show that labour has a threefold meaning and task: It contributes essentially to the realisation of man as a person; it creates social relations and community; it contains and communicates sense and meaning. Let me say it once again: These statements are of a fundamental nature and are derived from the Christian view of man and society. The Church's social documents do not limit themselves to mere abstract formulations, they also try to indicate—for a variety of situations—the ways and means by which these functions of labour can be realised. This is true from *Rerum novarum* to *Centesimus annus*. It has already been admitted that some of these attempts came up against clear limits which then induced critical reflections within the Church itself.

This does not exhaust the challenges and tasks. The Church is fully aware that the 'future of labour and labour of the future' is facing rapid and profound transformations. Therefore it becomes the duty for Catholic social teaching, 'being underway with mankind', to follow this transformation with great attention and, in col-

laboration with the social sciences, to reflect about it and to reformulate its contribution to the 'culture of labour' for tomorrow. The following, almost telegraphic, remarks and questions are not to be understood as resolving this task. They are solely intended to give some idea of the direction this search could take.

"To Become More Man In and Through Labour"— The Function of Labour In Personal Realisation

Given its anthropological premises, Catholic social teaching speaks of a 'fundamental right of all men to work' (*Laborem exercens*, 18), a right which at the same time represents an obligation. Although the social encyclicals express full awareness of unpaid labour, they refer primarily to the right to work as means of livelihood and the denial of this right is described as a 'terrible scourge'. In this connection the social Magisterium further stresses, quite expressly, that work understood in this manner bears an important—though not exclusive—relationship to the personal realisation of the design of God, which is founded on man. It also makes it clear that work forms an essential part of personal fulfilment and of the social obligations which are anchored in man.

These very short and rather general statements raise a series of questions that call for further reflection. If man's right to (income-generating) work has such personal importance, what are the instruments at the disposal of the economy and of the society and of the state to give this right a concrete chance of being realised? Are pure market laws sufficient for this purpose or are other and subsidiary forces required? Can we legitimately accept that economic necessities will cause a considerable percentage of people, though perfectly willing to work, to remain not just temporarily but permanently excluded from this function of work in relation to personal realisation? Can there be an ethical justification for this?

A second question follows almost immediately from the first: If technological progress and the interdependence of markets in the society of tomorrow should substantially reduce the available amount of incomegenerating work, what conditions would have to be created to make it possible to offer other types of work and activities that would satisfy the requirement of self-realisation, without forming part of traditional, incomegenerating work? How can the material existence of these people be assured and how can they gain social acceptance?

A third question: It is generally accepted that economic growth is by no means necessarily connected with a decrease of unemployment. Similarly, a general conviction exists that unlimited economic growth can no longer be accepted for ecological reasons, which include our responsibility to succeeding generations. This again raises the question about the role of income-generating work and about a future society which should not again be divided into classes: the privileged one, which has opportunity to work, and the other, relegated to unemployment.

The questions formulated are not exhaustive. They simply follow from the basic requirement of Catholic social teaching: man's right to (income-generating) work with the aim of personal self-realisation and of personal fulfilment of his social obligations. It is not enough for Catholic social teaching simply to repeat this principle. It must try to show which interpretation has to be given to its moral principles in particular economic and social contexts. Only on this basis will it be able to make a realistic contribution to a 'culture of labour'.

"Labor Unites and Founds Community"—The Society-Founding Function of Labour

There are two reasons why Catholic social teaching places special emphasis on the function of labour in building society. The first is of a theoretical and theological nature. According to the plan of God's creation, man is a social being. This means humans not only have the capacity for but are in need of social relations with others.

These relations are not restricted to the fulfilment of such primary instincts as marriage and family, but also serve other social roles in the economy, state, culture, and religion. Catholic social teaching is well aware that this social dimension covers a wide spectrum, ranging from spontaneous self-sacrifice to purely imposed solidarity. Nevertheless, the very multiplicity of these forms and shadings of solidarity is an expression of the social dimension founded in the very nature of man. Within this fundamental vision, human labour also has a society-founding function.

The second reason is of a historical nature. Leo XIII, and even more strongly Pius XI, were faced with the fact that liberal capitalism had de facto divided society into two classes and that Marxism had elevated this class division and the class struggle into a principle. From the beginning, Catholic social teaching opposed these social practices and social theories. Instead it insisted on working towards a social reform in which capital and labour would not be united in an unrealistic harmony, but would collaborate in a responsible partnership. The fact that in the first period of its social teachings it relied primarily on the force of a moral and religious renewal and that *Quadragesimo anno* envisaged the solution as being a corporative order was conditioned by concrete circumstances. The subsequent social documents opted in favour of dialogue aimed at the realisation of a 'culture of labour' worthy of man. Even with this partially new approach, Catholic social teaching has by no means exhausted its obligation. It must still formulate a series of new questions and challenges, all in collaboration with the modern social sciences. Some can be formulated the following way.

First, that work can unite and should found community is not by any means a form of social romanticism within Catholic social teaching. Rather, it is a generally accepted element of modern business management. Earlier entrepreneurial structures with a markedly authoritarian approach are being replaced by the delegation of responsibility to teams with a high degree of competence, self-leadership, and self-control. That this is often done for reasons of economic efficiency does not in any manner contradict the ethical principle that work unites and should found community.

Second, there is a problem that should not be overlooked in this connection. Despite their potential contribution to the formation of community and to giving meaning to work, autonomous teams quite often bring with them the danger of group egoism and sometimes of ruinous competition. This form of work organisation can lead to conflicts between workers with full-time employment and workers with marginal employment. This is particularly true in short-term projects which do not guarantee long-time employment. These and other types of modern employment arrangements represent a specific set of problems for the social dimension of labour which pose new challenges for Catholic social teaching.

Closely connected with this set of issues is another problem. According to Catholic social teaching, trade unions represent a constitutive element of the modern economy and society. They came into being at a time when the rights of workers had not been secured, and they continue to declare themselves to be representing the interests and rights of working people.

In the days of the industrial proletariat, union members constituted a clearly recognisable group. In a society in which more than 80 percent of the active population are dependent workers and employees, the reference group of the trade unions becomes very complex. There are groups of employees who enjoy special rights and privileges and therefore no longer need the trade unions, and there are marginal groups which can hardly be organised, or whose interests are scarcely represented. In this connection one has to mention both the unemployed and immigrant workers. This new context creates significant problems for the formation and maintenance of solidarity at different levels, and represents a new set of challenges.

When Catholic social teaching says that work unites and founds community, it is clearly aware that this social dimension of work cannot be limited to a single enterprise, a single trade union, or a single country.

Within the European Union, labour is being faced with tasks that do not have just the social advancement of Europe as their goal, but also constitute a massive challenge for the internal solidarity of European labour. In the third millennium, the solidarity of European labour is required not only for the achievement of continental objectives, but has to play a decisive role in the realisation of global goals.

According to Catholic social teaching, the future of a society worthy of man will depend to a great extent upon the realisation of the 'culture of labour'. In the past, society was divided and fractured by the problems of labour. If, according to Catholic social teaching, labour is called to unite and to consolidate society, Catholic social teaching cannot limit itself to generic statements. Together with the social sciences it must reflect upon the new challenges, re-examine its own positions, and enter a creative and fruitful dialogue.

"The Gospel of Labour"—The Purpose and Function of Labour in Giving Meaning

One can quite easily understand that the modern social sciences are rather hesitant in speaking about the meaning and value of labour. This aspect of work is part of one's personal experience and is not very amenable to empirical research. In this context, one has to remember the ideology of labour formulated by Marxism, and recall that the ideologisation of labour formulated under real socialism led to legitimating totalitarianism.

From the start, Catholic social teaching spoke about the meaning and value of labour, which culminates in the 'spirituality of labour' explicated in *Laborem exercens*. The social teachings root the spiritual value of work in God's creative will. From this perspective, work has a threefold mission: the mission of self-realisation, the mission of contributing to the order of society, and the mission of protecting the 'Garden of God'. For many centuries, this theology and spirituality of labour both elucidated and gave a clear meaning to the work of peasants and artisans. Even though 'ora et labora', the ideal of monasticism, never became an exclusive value of the Christian people, it nevertheless constituted an important source of motivation for pre-industrial labour. It is not difficult to understand that, in Christian social thinking, this value orientation retained its fundamental importance for industrial labour. This does not exclude fresh thinking on the subject. On the contrary, it is necessary that Catholic social teaching engages in critical reflection about the new challenges which derive from the economic, social, and cultural transformations with regard to the meaning and value attributed to labour.

It is often said that industrial and postindustrial society is characterised by secularisation. This is to say, that the profane domains have lost their link with—and legitimisation by—religion, and have become autonomous substructures. According to the sociologists of religion, this also applies to a substantial extent in the world of work. Obviously, this does not preclude social minorities from continuing to accept this link and connection, but there is little hope for a general resacralisation.

It has to be added that today labour is also subject to the general change of values. For the industrial countries this change can be briefly characterised as follows: The average person considers himself to be post-authoritarian, post-solidaristic, post-transcendental, and post-materialistic. Put more simply, he is in love with freedom, with himself, with his terrestial life, and with the predominant culture. These statements do not represent immutable laws, but rather general trends which make their repercussions felt in the world of work, especially with regard to its meaning and value.

This does not mean that labour is now seen as nothing other than a necessary evil and that the ways of finding meaning lie outside income-generating work altogether. (Although this may well be the case for some people.) But, as empirical research has shown, this attitude is very far from being general. For example, modern business management characteristically tends towards organising work in such a way that it involves both the 'heart and brain', though hardly for humanitarian reasons, but rather with the interest of achieving economic efficiency.

It is increasingly accepted that the meaning attributed to labour is highly determined by the context of personal life as a whole. Even work with little visible meaning attains value and importance when it makes part of a life history that is characterised by a personal experience which is of value and which yields interpersonal satisfaction. This was equally true in pre-industrial society, but in a society where traditional labour values are gradually disappearing, this experience is becoming of ever-greater importance. In a society in which human dignity is respected, where people are engaged in movements for justice and look for ever-new forms of solidarity, there is also a chance that they will find new sense and meaning in labour.

When Catholic social teaching speaks of this sense and meaning of work, it does not do so as part of a utopian vision or wishful thinking, or in contrast with social reality. It does so on the basis of its religious and ethical premises, and their bearing upon the humanisation of labour. A 'culture of labour' in the true sense consists not only in safeguarding material and social rights, but also in fostering the experience of value and meaning. Catholic social teaching feels particularly obliged to mediate and communicate this value experience and source of meaning.

. . .

This paper has tried to summarise Catholic social teaching on labour in its historical context as well as in its essential content. The last segment briefly formulated a number of questions and tasks. A final word has to be added. All those who have their finger even very lightly on the pulse of the present-day discussion about labour are becoming more and more convinced that labour in the future and the future of labour will prove to be the 'key, probably the essential key, to the whole social question' (*Laborem exercens*, 3). Catholic social teaching has faced this challenge from its beginnings. It did not limit itself to ethical imperatives, but initiated movements and actions that made considerable contributions to a culture of labour. Catholic social teaching today finds itself on the eve of profound economic, social, political, and cultural transformations which will have a decisive influence on the future of labour. Therefore, social teaching must re-engage with the future of labour in a new and much more decisive way. There is no doubt that the Church's standard of research and its knowledge of problems of labour are full of gaps. The Church's contribution to a culture of labour, however, is both necessary and sought after. Such a contribution calls for a great deal of factual knowledge, further development of the Church's own social teaching, and a new commitment by the Church as a whole. The Pontifical Academy of Social Sciences is challenged by these tasks.

Thematic Introduction

Unemployment: Reconciling Social Needs and Economic Tendencies

MARGARET S. ARCHER

University of Warwick

FROM THE BEGINNING, Catholic social teaching has sought the reconciliation of two elements; on the one hand, its understanding of the deepest needs of the human person and, on the other, the type of social structure in which human beings can flourish. That the two must necessarily be conjoined derives from humankind's intrinsic sociality. However, although our human nature manifests constant and universal characteristics because we are timelessly created in God's image, the social circumstances which these confront display an increasing variability over time. Thus it was far from accidental that *Rerum Novarum* (1891), as the first of the encyclicals devoted to work and employment, should have addressed the 'new thing' represented by the capitalist social formation in Europe. What the sequence of successive encyclicals continued to do was to articulate the same principles of human nature with the ever-faster process of social transformation occurring over the last hundred years.

The creation of the Pontifical Academy of Social Sciences in 1994 was intended to intensify a dialogue. It constituted a recognition that the expertise of social scientists still remained one of the underused resources of the Church. Yet such a dialogue must work in both directions. On the one hand, the Academy needs to be challenged by the enduring principles of the Church's social teaching on work and employment, and the difficulties associated with their realisation. Specifically this means the central principles of social doctrine: the need and the right to work, as part of human self-realisation; the primacy of labour over capital; non-commodification of the worker; development of a global social ecology of work which promotes the common good and social solidarity; work undertaken as a spiritual vocation. These principles imply that we do share a vision and are being called to bring our expertise to bear in conceptualising its implementation. On the other hand, the rapidity of social transformation means that the context of social teaching needs continual updating because the process of reconciling our humanity to changing social structures is always ongoing, and now presents radically new problems with the emergence of socioeconomic globalisation.

It is significant that the tradition of social teaching has boldly and holistically attempted to disengage the axial principles of the social formations it has addressed. It has steadfastly refused to reduce these to discrete

economic, political, social, or legal problems. Thus the first two encyclicals focused on labour in a class-dominated society, attempting to strike a balance between capital and labour which would transform exploitative capitalism into a more corporate order. The postwar contributions sought to enunciate a social ecology of work, based on nothing less than a transformation of the 'subjective character of society'. More recently, those encyclicals which examine work and development have begun to recognise the 'structures of sin', fuelled by the 'all consuming desire for profit'² in which the first world has embroiled the third world.

Our canvas needs to be equally generous. By the end of the last millennium we had already entered the global age and little can be said about the exigencies of work and employment in one part of the world alone. Indeed, what goes on in the West is highly dependent upon what takes place in the rest and vice versa. With globalisation, the frail balance temporarily achieved in Europe between the forces of capital, organised labour, and state intervention is tottering. The previous counterbalancing of capital and labour has now tilted towards the global hegemony of capital, with the growth of multinational corporations, direct foreign investment, and international finance markets. We have moved, in North and South alike, to a situation that political scientists and sociologists no longer feel is adequately captured by the concept of 'social stratification', which implies a continuum of life-chances. Instead, they now prefer to talk about a much more discontinuous phenomenon—'inclusion/exclusion'. This signals that in the developed world there is a growing proportion of the population now marginalised from society-many of the young, unskilled, and immigrants—who, by virtue of their unemployment also feature among the homeless, those without social security or political voice and who are also deprived of educational prospects or adequate health care. This concatenation of social forces militates against their subsequent inclusion and makes the historical U.S. scenario of progressive intergenerational integration of immigrants appear as another case of 'American exceptionalism'. In the less developed world there are millions who cannot gain entry to the mainstream economy, yet for whom agriculture does not constitute a viable means of subsistence. The towns grow, but only to spawn the socially marginalised; despite the fact that many developing countries show a more rapid growth in per capita income than the advanced world.

On this canvas we must first sketch the quantitative and qualitative changes in unemployment itself, for this 'dreadful scourge'³ has intensified over the last quarter of a century. Here it is necessary to show how changes in the nature of work and employment have had differential effects upon the active population and to detect who has been most disadvantageously affected. This will form section one. It will concentrate upon the analysis of trends because the figures themselves are collated and readily available from the major non-governmental organisations. Secondly, the attempts of existing social institutions to come to grips with the problems of unemployment will be briefly reviewed. More details of these can be found in the body of the text.

Section three moves back to the big canvas and seeks to diagnose the macroscopic social contradictions which have generated this situation. It is undertaken from the perspective of the encyclicals which put 'the dignity and the rights of working men' and women at the centre and whose ethical purpose is intended to 'condemn situations in which that dignity and those rights are violated'. Here solutions are neither simple nor consensual. Therefore we will confine ourselves to a brief exploration of measures which have been discussed, over the three years of our work on this theme, and which at least have commended themselves as being compatible with the guiding principles and thus worthy of further investigation. As John Paul II stressed, the Academy's aim is not to advance concrete socioeconomic policies but to define the necessary social conditions which would, in and through work, offer the opportunity of personal fulfilment to all. It is the transformation of these social conditions, rather than economic policy as narrowly defined, towards which this volume points, although only in the most general terms.

The final section is devoted to work in the postindustrial society of the new millennium. There we sketch a vision of a new world of work, unconfined to regular paid employment, and based upon human utility rather than market profitability. This is a vision which would promote and enable a new participatory culture of work for all within the 'civil economy'. It is entirely different from the British compromise notion of a 'third way', which is wholly continuous with the past and merely represents a further version of tempering neo-liberalism with neo-labourism. The difference lies in foreseeing a genuinely new social formation. The greatest challenge here is to harness globalisation to the promotion of this inclusive vision, which needs to be as broad as humanity.

From its formation the Academy has concentrated its efforts on reaffirming the most central tenet of social teaching on work and employment, namely 'the right to work', by exploring how this can be realised given dramatic changes in 'industrial society' and the shift to a global economy. Simultaneously our contributions have also taken as their point of departure the principle of the 'priority of labour over capital', as has been reiterated with increasing emphasis in the more recent social encyclicals.

In a very broad sense, our first 1996 plenary meeting on *The Future of Labour and Labour in the Future* was a dialogue with *Laborem exercens* (1981) and its concern with the scandal of unemployment and accompanying social marginalisation. Contributions were predominantly descriptive, pinpointing the quantitative dimensions of unemployment, but also highlighting those qualitative changes in the active population which would seem likely to endure for the foreseeable future. Many of these changes constituted a dual challenge. On the one hand, they pointed to the replacement of the model of 'industrial society' which was the reference point of *Laborem exercens*, given the displacement of industrial production, both sectorally towards service work and geographically towards the third world, in the quest for cheaper costs of production. Contributors documented how the functioning of modern economies and the rapid transition to a global economy does not currently enable, much less foster, the employment of large sections of the population, whether in the developed or less developed countries.

In an equally broad sense, the 1997 plenary meeting on *The Right to Work: Towards Full Employment* addressed more closely the agenda set by *Centesimus annus* (1991), namely how to ameliorate if not overcome this situation. However, *Centesimus annus* did not systematically examine the issues arising from the world crisis in unemployment in the context of radical changes affecting all three factors of production: labour (shifting from industrial to service work), capital (increasingly invested in technology and its development, or increasingly detached from production within speculative finance markets); and land (which now constitutes a global terrain where bad economic stewardship can ecologically denude the earth). This challenged us to consider how fulfiling and non-exploitative work could become more available to all people in this transformed socioeconomic context.

Finally, the 1999 plenary meeting, devoted to *Towards Full Employment*, ⁶ was planned to examine more closely the question of what means could be entertained to achieve the greatest possible participation of the entire population in the world of work, but particularly by those groups who figure disproportionately among the unemployed in the developed world, namely the young and unskilled, and those whose occupational opportunities are severely hampered, particularly women and ethnic groups. Although an undoubted limitation of our work is its over-concentration upon the developed world, here we began to explore those global generative mechanisms which produced the same deleterious consequences in developing countries, though with higher human costs for the much larger populations involved.

Changes in Employment, the Active Population and the Nature of Work

Quantitative Changes⁷

First, when reviewing the world employment market it was clear that the problem of unemployment is increasingly evident on a global basis. For OECD countries, which largely succeeded in delivering full employment during the twenty-five years of postwar reconstruction, joblessness then increased with successive crises in the world economy in the 1970s (for OECD countries, unemployment has increased from ten million during 1950-1973, to thirty million in 1983, and stood at twenty-five million in 1990). This high rate of unemployment, which peaked at 8.5 percent of the workforce, meant, for example, that in some European countries a quarter of those under the age of twenty-five have never worked. In Eastern Europe 'full employment' evaporated in the 1990s with the suppression of latent posts (formal and fictitious jobs), the closing of state enterprises, and a disadvantageous export situation.8 In the third world, although there is a strong relationship between the level of GNP, of waged employment, and of standards of living with integration into the world economy (especially in Asia), this is only one side of the picture. The reverse face is that unemployment rises due to national debt depressing the capacity to create work, certain declines in the demand for raw materials (ironically, in part because of Western recycling), and to transfers of information technology which diminish labour intensiveness and which are not, as yet, offset by increases in purchasing power which sustain the demand for labour. In short the problem of unemployment is increasingly evident on a worldwide basis.

Qualitative Changes

What seems incontestable are that the following changes in the composition of the active population have accompanied the increase in global unemployment over the last twenty-five years. In other words, the successive crises in the world economy have not affected the potential working population in a uniform manner.

Instead, unemployment has been disproportionately concentrated in two categories: the young and the unskilled in developed countries.

The growth of jobs depends predominantly on expansion of the tertiary sector, hence the nature of work has shifted increasingly into services: business, social, and personal. Although more marked in the developed world, the growth of tourism produces the same tendency in certain less developed countries, whilst in others this trend is offset by the countervailing effects of external investment and 'transplanted production' which augment the secondary sector, since local wage levels are advantageous to the costs of production. This sectoral shift invites an updating of encyclicals which still tend to concentrate on the problems of 'industrial society', (i.e., where the secondary sector was dominant).

Because information technology requires the maximum use of workers' intellectual rather than physical ahilities, and service work calls upon their social skills, then the highest quality of education for all is necessary if inherited social inequalities are not to be perpetuated in the new world of work, whose own growth is predicted upon the maximal and universal development of human abilities.

Globally, female participation in the labour market is the single most important factor characterising the active population, though it is lower in predominantly Catholic and Muslim countries and highest in exsocialist ones. Nevertheless, this tendency shows rapid universal increases. There are no signs that this is an ephemeral phenomenon. Indeed, in combination with the expansion of the service sector, female participation is likely to intensify in the foreseeable future.

A corollary of increased female participation (given the demographic tendency for the majority of women to marry) is that at the family level we are increasingly dealing with dual-income units in the developed world and with dual-worker units in the less developed. This implies the need for a transformation in relation to the emphasis placed in encyclicals to date, which still retain something of the old focus upon a single male breadwinner and his needs to maintain his family. Given that this 'new' model appears to be here to stay, a full reconsideration has to be given to parallel changes in family requirements such as childcare and care for the aged.

Occupational mobility (lateral, not necessarily upwards) is an increasing tendency whose implications need consideration regardless of whether the 'flexibility of labour' is deemed (theoretically or empirically) to be conducive to economic growth. Such changes include frequent moves to different employers and worksites, the increase of 'homeworking', which some see as heralding the 'virtual workplace', more self-employment, and more contingent employment: part-time work, limited contracts, and cumulation of partial jobs. All have as their corollary an increased geographic mobility, even if it is confined to a fairly restricted area. Immobile labour, accustomed to one workplace and a lifelong residential abode, is diminishing despite resistance to closures of factories and of extractive industries.

This in turn poses the problems of reduced solidarity, of new forms of insecurity (high failure rates of self-employed initiatives), and isolation, given the increasing fragmentation of work which accompanies the applications of information technology. The maintenance of social solidarity with fellow workers is intrinsic to the lived unity of humanity, but modalities are changing and older forms of unionisation, syndicalism, and even professional associations are everywhere weakening. The problem is to identify viable new forms of social solidarity, since an attendant danger of flexible labour is increasingly sophisticated surveillance¹⁰ on the part of the new firms, whose intrusive dehumanisation of the dispensable worker simultaneously undermines the possible gains in self-determination, which flexible working may offer.

Simultaneously, international population movements have also been characteristic of the 'global market place'. However this is not synonymous with a free labour market. Migrant workers are moving from South to North in growing numbers, but southern migrants are not those in greatest poverty and this spells a certain 'brain drain' within the South.¹¹ Moreover, restrictive employment policies in the North not only intensify the above (by requiring capital and skills), but also raise moral and social questions, even if such workers are materially better off than if they had stayed at home, since 'guestworkers' (and, to an even greater extent, refugees) are often denied full civil rights in host countries.

It is necessary to note the progressive detachment of the sources which generate profitability from the world of work, and its implications for a more equitable global distribution of wealth. Thus, the ethical issue of dramatic increases in trading profits, which are largely detached from real economic processes and from production, needs to be addressed in terms of the fiscal measures appropriate to such capital gains and the harnessing of such revenue to boosting smaller and more labour-intensive production (both entrepreneurial and cooperative), especially in the third world. This is particularly pressing given the preferential access of large multinational companies to financial capital, when compared with medium- and smaller-scale enterprises. Their greater facility to access the global capital market leads to more capital-intensive production and to a corresponding reduction in the relative amount of labour employed. Consequently, it has now become frequent to find economic growth accompanied by a decrease in employment, 12 whose strategic manipulation has become part of global competitiveness: as in 'lean-production' and 'downsizing'. Even if increased labour productivity does stimulate employment in other areas, this does not guarantee reemployment of the redundant, and some evidence suggests that its main impact is registered in the growth of low paid service work.

Although it is impossible to generalise for countries as diverse as those constituting the third world, it appears that throughout the twelve countries of Southern Africa, unemployment has grown in nearly all over the last thirty years, as population has outstripped the growth of jobs in the formal sector. Economic well-being has not increased for the bottom half of their total populations. To a statistically unquantifiable degree, this has been partially offset by the growth of the informal sector of employment, but the range and terms of such work are too diverse and often too unstable to look to this as an automatic adjustment which will spontaneously counteract stagnation or decline in the formal sector of employment.

Unemployment: The Remedial Potential of Existing Social Institutions

In relation to one *leitmotif* of social teaching, namely the priority of the needs of labour over the power of capital, there has been consistent agreement in the Church that the profit motive should not exercise hegemony. On the contrary 'l'enterprise doit être citoyenne'. However to make it behave in this way requires representation, mediation, and participation, and here lies the difficulty. Not only are the unemployed not represented because they have no organisational capacity, but also collective bargaining has diminished in the past fifteen years, as union membership has declined considerably in developed countries.¹³

The tone of the Academy's evaluation of the impact of current institutional measures upon unemployment and its assessment of their potential to alleviate it is rather sober; these can indeed make a difference, but there is little ground for the hope that any of them can introduce a 'quick fix', or a durable one, for the unemployed.

First, in relation to legal leverage, although the 'right to work' is embedded in most of the world's constitutions, as well as in the United Nation's 1948 Declaration of Human Rights, it is rarely enforceable, and bears little demonstrable connection to labour policy or to the actual state of employment in any given country. The limits of the law in this respect are currently confined to persuasive normative reminders of the demands of justice and human solidarity.

Turning to the existing welfare state, three crises in different parts of the world have simultaneously augmented unemployment and generated a tendency towards the reduction of benefits and of social security provisions—the 1970s oil crisis in the West, the fall of Communist governments in Eastern Europe, and the declining economic strength of most developing countries. ¹⁵ The promise of the welfare state was not simply intended as an 'economic safety-net', but was an essential plank in 'social citizenship' that would reinforce democracy by strengthening social solidarity and overriding economic class divisions. With a reduced role for the welfare state in this respect, then *caeteris paribus* the probabilities of social unrest grow, since the economic marginalisation of the unemployed also threatens their exclusion from effective political representation.

If the needs of labour are to be advanced against the new powers of greater concentrations of capital, then two kinds of checks and balances will be required: organisational protection and legal control. As far as both are concerned, there is a pessimistic and an optimistic scenario. First, the relatively recent decline in unionisation is seen by many as a real reduction in the capacity of workers and employees actively to influence the national economy. From this point of view, labour stands at the crossroads; it either elaborates new concentrations of organised employees of sufficient size and professionalism to insert themselves into corporate decision-making, or its bargaining power will suffer progressive reductions. Although there is an enduring role for trade unions, this involves their increased contribution as sources of information and advice through which employees can upgrade their participatory role in firms whose management is increasingly informed, trained, and professionalised. This can enhance the negotiating strength of employees, but it seems highly dependent upon a parallel professionalisation within union organisation which, precisely because of its concentration upon effective par-

ticipation of the employed, may detract even further from Unions performing any representational function for the unemployed. Many would see the increased fragmentation and individualisation of work under the new conditions of information technology as inimical to expanding traditional forms of workers' association.

The more optimistic scenario is not necessarily at variance with the above. What is emphasised here, as an implication of the increased application of technology in both production and services, is the declining possibility of command management, when many of the newer forms of employment need to draw upon the whole of workers' abilities, including their initiative: involving teamwork, autonomous group working, decentralised decision-making, and so on. However, whilst this has potential for enriching the quality of working relationships,¹⁷ it does not by any means ensure an advance towards partnership. A mobile and flexible workforce would diminish this potentiality, just as technology is double-edged and can already be observed to be the source of new forms of surveillance and control of employees. In other words, the partnership potential accentuated by optimistic commentators would appear to depend for its realisation upon the enhanced negotiating strength stemming from national, and eventually international, associations of employees, as insisted upon by the first set of observations. One of the new items on the agenda of (re)organised labour, which would distinguish it from the traditional unionist concentration upon pay and conditions, would relate to the quality of working relations as an inseparable part of workers' active insertion into policy-making at all levels. This seems the most realistic way to envisage "the culture of work" becoming a genuine issue in industrial relations and the subject of actual negotiations rather than of external exhortations.

As far as education is concerned, two relationships have been exhaustively documented throughout the world. First, the greater the number of years of formal education completed, the better become people's life-chances in general, and occupational and earning prospects in particular. Second, the attainment of these educational and subsequent employment advantages is closely correlated with pupils' socioeconomic backgrounds, through which cultural advantages are intergenerationally transmitted in the family. Education thus plays a pivotal role in the dynamics of social inclusion/exclusion. However, as the gatekeeper to occupational opportunity, it continues to discriminate severely against those with the lowest amounts of social capital. In the developed world, inequalities of educational opportunities and outcomes are most marked for ethnic groups: of African rather than Asian extraction. The higher rates of unemployment amongst young blacks, together with greater poverty amongst unemployed blacks in relation to whites, contributes to the plight and the problem of the inner-city underclass as the most intractable expression of contemporary ethnic inequality.

North American data show educational enrolment to be the key factor; the longer African Americans remain in full-time education, and especially if they complete college, then the more closely their employment and earning patterns approximate to those of whites. Such findings have encouraged many educational institutions and prospective employers to practice policies of 'affirmative action' or other forms of positive discrimination. Yet it can be persuasively argued¹⁸ that the reduction of standards entailed in such programmes only serves to reinforce negative stereotyping, since it detracts from the esteem of successful blacks, whilst making black 'failures' doubly so. However, 'colour-blind' policies, which simply rely upon formal educational opportunity, can only protract ethnic differentials in both education and employment. Our existing institutions have signally failed to bring about 'civic inclusion' of many very large ethnic groups, of whom African-Americans are the most outstanding instance.

A more optimistic scenario would entail substantial investment in 'developmental' rather than 'preferential' action to break the persistence of historically engendered educo-occupational differences between ethnic groups. Measures such as provisional university admission, conditional upon making the grade through a couple of years of grant-aided study at local community colleges, or short-term pump-priming assistance for ethnic enterprises

could help significantly in reducing unemployment amongst the young and less skilled (where it is most marked and deleterious), whilst upholding and reinforcing the dignity of growing numbers who then demonstrate their ability to compete on universalistic terms. Such a policy of investing in people is feasible but has probably declined because of the substantial financial commitment required to make it have a real impact. Here it is necessary to face the fact that it is public funding which would be involved, since it will become more and more difficult to persuade companies to participate in pre-training because long-term employment within the same enterprise is becoming less and less the rule.

Throughout the world, the general institutional failure to minimise, let alone to eradicate, the dichotomy between 'inclusion/exclusion' everywhere increases the proportion of the marginalised population and the dangers resulting from their urban concentration. This growing reduction of social solidarity is equally hostile to the preservation of stable democracy in the developed world.¹⁹

Unemployment: Social Needs and Economic Tendencies Four Institutional Contradictions

The issue of full employment, and the best way to approximate towards it, entails the complete range of society's institutions. Appreciation of this is of the utmost importance for it is precisely what has been neglected in many of the dominant approaches to the problem which have been narrowly economic. Three crucial implications follow from the need to take the full array of social institutions into account.

- 1. There can be no satisfactory approach to the problem of unemployment which is based upon a unifactoral solution, that is one which envisages changes in a particular institution (most frequently in neoliberalism²⁰ the economy is targeted) and which does so without reference to its impact upon other social institutions.
- 2. Any such approach which is based upon transforming one institution fallaciously assumes that the institution in question is paradigmatic of all others and therefore that changes in one part of society will be automatically and harmoniously reflected by complementary transformations in the rest. Unifactoral approaches entail generic models of society which have been generally discredited, such as those which assume organic institutional integration or which presume unwarranted homologies between vastly different social institutions (for example, economy, polity, family, education).
- 3. Any approach which is predicated upon institutional complementarity, such that the desired changes in one institution are presumed to have only felicitous consequences for others, and therefore that no serious institutional conflicts will ensue, is equally erroneous. It entails conservative assumptions that at most there will be transitional problems of adaptation or it involves traditional functionalist explanations of temporary dislocations which will disappear when 'cultural lags' are overcome.

Contrary to all of these assumptions—unifactorality, homology, and complementarity—it is maintained that there is a major divide between social needs and current economic tendencies which surfaces through the institutions in which they are respectively embedded and expressed. There are two levels at which this tension is manifested. First, there is the level of 'actualism', which concerns those institutional incompatibilities which have surfaced as a matter of historical contingency, but to which vested sectional interests have become attached (for example, the *positions prises* by advocates of labour deregulation on the one hand, and traditional Unionist defences of acquired rights to security of employment, on the other). Such 'actualism' seems to have the virtue of dealing with the existing institutional array and of explaining conflicts of interest in terms of the

lack of goodness of fit between them. However, the drawback to an uncritical 'actualist' approach is that it confines us to the existing array of institutions and can only foresee solutions in terms of compromises and concessions taking place between them: It cannot envisage conflict or its transcendence in any other terms. Second, there is the level of real interests (i.e., what human beings by their nature require in order to flourish, as distinct from conditioned wants, demands or other appetitive states), where these are seen as matters whose fulfilment is not conventionally married to the defence of existing institutional forms and can generally be envisaged as best being accommodated by new institutional structures. Thus whilst 'actualism' deals with traditional conflicts between historically emergent institutions which embody divergent vested interests, 'realism' considers the relationship between real social needs, anthropologically grounded in what we are, and the transformatory implications of various proposals to reduce unemployment and to create work opportunities.

'Actualism' is only contingently related (via pragmatism) to ethical considerations, since evaluation is confined to the competing legitimacy claims of clusters of institutions which have emerged historically, such as particular legal investment patterns or given systems of Social Security. 'Realism' broadens the ethical ground to consider the desirability of potential institutional arrangements because it is linked to what is humanly needful rather than what is historically given.

The work of the Academy in the plenary sessions devoted to this theme has highlighted that there are four incluctable contradictions between economic tendencies, advanced as strategies to overcome unemployment, on the one hand, and conventional institutions defending social interests, on the other. By examining the four very schematically, the intransigence of these conflicts can be shown if they are considered solely at the level of 'actualism', i.e., they are simply not resolvable by trade-offs between extant institutions. This is both an immanent critique of what is possible amongst existing institutional arrangements and is also intended as a demonstration that any attempted institutional reconciliation at the actual level cannot satisfy the ethical requirement of introducing the universal right to work. As an analysis, it is intended to introduce the more radical 'realist' approach to institutional innovation which needs serious consideration, as the means of implementing work for all, and thus meeting the ethical injunctions embedded in the Church's social teaching on work as a universal social need.

The four contradictions in question are the following:

- 1. Free market development and the deregulation of employment
- 2. Finance markets and labour markets
- 3. Globalisation and local regulation
- 4. Unemployment and social solidarity.

Free Market Development and the Deregulation of Employment

Given the high correlation between rates of economic growth and rates of employment, which has maintained until recently, there is a strong tendency to (re)turn to (updated) conceptions of the free market as the mechanism whose 'hidden hand' will assure the best possible solution to problems of work and employment. As such its main tenets are minimalist state intervention and maximal deregulation of labour. Fundamentally, the argument is 'to the effect that the market constitutes the paradigmatic social institution, and offers the privileged vantage point, in relation to which all other social institutions must be understood and assessed. It is this assumption which produces the conclusion—that whatever is worthwhile about democracy derives from the market, and whatever is threatening to the market can be traced to democracy'.²¹ This highlights the basic contradiction between the economic tendency which is currently widely promoted in neo-liberalism and the interests vested in two other social institutions—trade union organisations for collective bargaining and

national systems of social security. Historically both of these emerged to offset the inegalitarian consequences of laissez-faire industrial development. Now, advocates of neo-liberalism see the institutional conflict between economic growth and the vitality of such protective institutions as insuperable. Hence the conclusion, on the neo-liberal scenario, is that these acquired social rights must be dismantled as they act as fetters upon economic growth which generates employment.

This case hinges upon the free market as the motor of the relationship already noted between economic growth and full(er) employment. The argument itself merits considerable attention because the presentation of such an economy as the 'paradigmatic institution' has implications for other institutions which would have to be ethically endorsed if untrammelled market mechanisms are indeed central to generating the optimal scenario for full employment. Thus labour market rigidity is attributed to the accumulated body of law providing labour protection. Hence, protected employment (dismissal only for good cause, security of tenure, etc.) is held to discourage the creation of new jobs by employers, reluctant to extend such legal rights to a larger working population. Rigid employment protection increases the high cost of labour through collective bargaining. Unions, it is held, have induced disproportionate increases in the wages of the less skilled. A similar effect is attributed to government intervention in the form of welfare benefits, because it is held that social security increases labour costs via higher taxation. Such welfare provisions fail to stimulate production, as well, in the views of some, as introducing a 'dependency culture' amongst workers.

The problem of unemployment, it follows, can only be rectified by the availability of more work, and job creation follows economic growth in the relative absence of restrictions.²² In other words, the labour market needs to become more flexible and this is held to entail its deregulation, i.e.:

- 1. a reduction in direct state intervention such that welfare payments are pegged below the level of low income employment (hence decreasing taxation, which then becomes available for investment, and simultaneously increasing incentives to take the employment available);
- 2. measures to ensure that pay settlements are not 'exceedingly' high, hence allowing pay differentials and thus work incentives to increase; and
- 3. the stimulation of greater geographical mobility by loosening the ties to any given workplace.

Here the 'American model' is often presented as a desirable one to follow, where a greater flexibility in wages and conditions of employment are held to have substantially reduced unemployment, even amongst the unskilled. Nevertheless, the concomitant stretching of wage differentials, coupled with precarious job-tenure, means that this model has an in-built tendency to intensify social divisions by generating a society where those with a high standard of living are increasingly separated from a large underclass, in which ethnic groups and migrants are disproportionately represented.

However, on the neo-liberal scenario the best protection for employees against arbitrary corporate action is not unionisation or regulation but full employment. The two are held to be increasingly in opposition to one another, because with the new international mobility of capital, aggressive wage bargaining and minimum wage policies merely drive investment abroad, and are thus counterproductive in outcome. Simultaneously, as far as the Unions are concerned, decreasing membership in developed countries, given quantitative and qualitative changes in employment, means that they consistently lose their traditional high ground as representatives of labour. Although an increasingly professionalised role is assumed by Unions in the intricacies of collective bargaining, meaning that institutional opposition continues, nevertheless this does not offer protection for the growing tracts of nonunionised employees, let alone the increasing numbers of the unemployed.

The other countervailing pressure which historically cushioned against the rigours of free market forces is the welfare state. Yet social security systems are themselves threatened by a high rate of unemployment which leaves a diminishing active population to supply the needs of the young unemployed and the pensions of the old who now live longer. This is the second institutional contradiction, because there is a strong tendency in the liberal economic orthodoxy to see full employment and welfare state provisions as standing in a zero-sum relationship. High levels of unemployment have been met in postwar years by increased social security entitlements and state intervention for the preservation of jobs (for example, especially in the mining industry). In the free market model, these are both deemed counterproductive by:

- 1. detracting from the investment income which would create new jobs elsewhere;
- 2. by inducing untaxed moonlighting among recipients of benefits; and,
- 3. by discouraging the more skilled from devoting more hours to the use of their productive expertise, due to the high tax levels their overtime would attract.

The argument continues that the adaptive failure of labour markets now overloads the welfare state and that governments react sensibly if they go down the path of retrenched benefits and deregulation policies.

However, there are two major problems raised by this course of action. On the one hand, deregulation at low wage levels, when coupled with declining social security provisions, is a formula for poverty. It is sometimes countered that this is not the case if those involved have decent prospects of (re)employment. However, prolonged unemployment on drastically reduced benefits affects not just the present population but entails intergenerational entrapment in poor nutrition, poor education, poor life-chances in general; in short, it projects unemployment into the next generation. On the other hand, the promise of the welfare state was not simply as an economic safety-net, but was essential to "social citizenship",²⁴ which would consolidate democracy by cutting across economic class divisions thus reinforcing social solidarity. Deprived of this role, then the probabilities of social unrest increase with attendant threats to democracy²⁵ and the safety of life in civil society.

Yet it seems unlikely that there would be a wholesale dismantling of social security since advocates of the free market generally accede to the necessity of indispensable minimalist provisions. This is because a greater flexibility of labour (as desired) will automatically increase frictional unemployment, ²⁶ and therefore short-term welfare support will be needed to provide for housing during times of re-location, for example, amongst the geographically mobile workers sought. Also it is generally accepted that state assistance will always be required for those whose unemployment derives from an inability to work. Moreover, there is a stronger argument for an active welfare state in order to stimulate the growth of the service sector, thus indirectly generating new employment among the most needy category, the unskilled. Whilst economic orthodoxy holds that service sector growth, which is partially dependent upon subsidisation, as in employment in education and health services, is self-defeating because of the mounting fiscal crisis, the alternative view maintains that, on the contrary, such a boost to skilled employment stimulates the use of outservicing by dual-earning couples, thus simultaneously defraying the costs involved, providing care facilities (children, the aged, and chronically sick), utilising the skills of the 'unskilled', and also protecting the replacement of the active population by helping to arrest demographic decline in developed countries, ²⁷ as has been the case in Sweden.

As John Paul II underlined in his 1996 address,²⁸ prosperity and economic growth cannot be realised to the detriment of persons and people. Liberalism, like any other economic system, thus commits a grave injustice if it benefits the possessors of capital whilst making workers mere instruments of production. Moreover in

1997,²⁹ the Pope underlined the fact that market freedom must not counteract 'le droit primordial de tout homme à avoir un travail'.

In this context, there are three compelling reasons which invite consideration of radical means for transcending this conflict between existing economic tendencies and social needs. First, there is the fact of the growing distinction between the crisis in employment and the crisis in production, such that today in the West upturns in production are frequently accompanied by downturns in employment.³⁰ There is a basic difficulty in pinpointing the contribution of labour to current economic activity and this indeterminate input also spells an indeterminacy between productivity/profitability and the actual income distribution. Second, attempts to treat the labour contribution as homological to technology, by applying productivity indices to it, seriously discounts the problem of their inappropriateness for certain socially necessary forms of employment (teachers, doctors, social workers, the police, magistrates), whilst contributing to the commodification of production workers. The alternative 'utility criterion' would lead, instead, to an enlarged conception of 'work' and 'employment' which embraces tasks that are of benefit to fellow human beings, but which are not susceptible to measurement by profitability/productivity criteria. Third, this introduces an ethical challenge to the index of market success, where it is queried whether the type of employment associated with profitability should ever be taken to be automatically beneficial in nature. After all, profitability can be higher in drugs and arms production than any other area, but these clear cases where economic growth is detrimental to persons highlight the problematic nature of this index, which is also associated with the promotion of consumerism and materialism.

Because the crisis in employment is unlikely to decline, even given moderate increases in productivity and profitability, since economic growth is increasingly related to the contributions of information technology and decreasingly associated with employment rates or measurable work inputs, then free market growth is not a mechanism that can be relied upon as a motor driving towards full employment or an income distribution based upon anything other than bargaining positions. Productivity now increases with a reduced number of workers and this is the millennial expectation for the whole of the Economic Union. In turn this will leave a growing proportion of potential workers in a structurally diminished bargaining position, given that the unemployed generally fall outside the aegis of collective negotiations. Yet it would make the sources of remuneration for a necessarily enlarged population, active in interpersonal services rather than productive work (for example, education and health care), extremely dubious on an economic scenario which includes reduced public spending as one of the fundamental tenets of neo-liberalism.

Hence the need to consider radical measures that would transcend the present conflict between social needs and current economic tendencies. In particular, serious consideration should be given to proposals for a 'Universal Basic Income' ('allocation universelle'),³¹ financed not by income tax but by taxing speculative capital gains.³² This would simultaneously reduce the difficulties which attend the financing of existing systems of social security, would place all people in a better bargaining position with potential employers, and would supply the means for remunerating those engaged in socially useful activities, and particularly voluntary work, which by their nature cannot be assigned a value by market mechanisms. However, too much hope should not be pinned upon this measure alone, for two reasons. First, in the OECD countries, any evolution in this direction will be implemented within the existing economic context. Second, its introduction into less developed countries is frankly inconceivable in the existing global economic setting. Modification of this context itself is the next concern.

Finance Markets and Labour Markets

Pivotal to the dynamism attributed to the free market are the workings of capital finance markets on a global basis. Investment is enhanced as derivatives enable the design of a better risk profile for businesses. Protago-

nists stress how this introduces a higher level of globalised economic stability by ironing out regional disturbances (for example, famine due to localised crop failures can be overcome by the worldwide integration of agricultural markets). This dynamism derives from the fact that there is no unemployment/underemployment of capital, since on the worst financial scenario capital markets will settle for low pay, but never for no pay, in explicit contrast with the labour market.

A major difference is therefore highlighted between the innovative power of financial markets in job creation and the rigidity of labour markets which depress it. This contrast is particularly marked in the differential internationalisation of the two: high for capital and low for labour.

However, any advocacy of a homology between finance and labour markets is extremely contentious.³³ It is certainly true that most national labour markets are far removed from the deregulation process characteristic of financial markets, but it does not follow that deregulation's main effect is to reduce unemployment rather than to increase profits. Nor does a blanket advocacy of deregulation prove compatible with a civilised, let alone a Christian society. What arises from this issue is the question of whether the labour market (people) should be modeled upon the finance market (things). Indeed can the analogy be used at all? Information can now be transferred in practically zero real time, but people cannot move as fast as information. Consequently, labour markets can never be as flexible as finance markets, and this is not to mention issues of family dislocation and the devolved costs upon labour of relocation (for example, language acquisition, loss of citizenship rights, disenfranchisement). This is the fundamental contradiction.

Moreover, the flight of capital is always more welcome than the international mobility of labour: Witness the condition of 'guestworkers' throughout Europe. Intensifying this contradiction is the fact that the mobility of labour, particularly when coming from less developed countries, rarely touches the poverty-stricken who cannot afford the price of moving and thus it often serves merely to displace some of the more skilled workers from the South to the further advantage of the North. In addition, restrictive employment policies in the North not only intensify the North–South divide, but also raise moral and social questions when 'guestworkers' (and, to an even greater extent, refugees) are usually denied full civil rights in host countries. The problem here is to integrate the person of the worker, transforming them from the objects of employment to working subjects, possessing the rights of citizenship and enabled to live in their family unit.

Thus it is important to consider radical scenarios on which the interests of labour may well be served by tighter regulation of finance markets. There is now a growing advocacy of the need for an international system of finance market supervision to avoid abuses.³⁴ Some of these are well-documented, for example the impact on the national debt of less developed countries and the manner in which the free circulation of capital, rather than performing its assumed boosting function, effectively augments unequal exchange with the third world.³⁵ What seems required here is a closer specification of those abuses rebounding upon employment, wage levels, and international inequality, together with the kind of measures which would curb these without destroying beneficial competition. Furthermore, the ethical issue of dramatic increases in trading profits, which are largely detached from real economic processes and from production, needs to be addressed in terms of the fiscal measures appropriate to such capital gains, especially since it is precisely the representatives of such interests who are most vocal in calling for labour deregulation.

Here the radical scenario hinges upon making the admittedly difficult distinction between investment finance and speculative capital gains, one which has become increasingly blurred with various developments like trading in futures and the derivatives market. Nevertheless, this is not to say that certain operations of the international finance markets are not unambiguously speculative, as for example in foreign exchange dealings. Given that each such transaction is logged electronically at source, the infrastructure for direct fiscal extraction already

exists. It should be noted here that the taxation of foreign exchange dealings would not entail costs being passed on to customers, in terms of higher prices, since only taxing purely speculative gains is concerned. What is required on this scenario is the development of a superstructural and overarching agency, because this finance market is one for which internal governmental initiatives cannot suffice. Nor is it one where great confidence can be placed upon self-regulation, which is built upwards from agreements between the existing authorities involved, because the escape-hatch of offshore dealing cannot be closed by such parties, but requires international prohibitive legislation. Such an international agency is an implicit requirement of proposals such as the 'Tobin tax' and the UNO report³⁶ which suggests taxing the international flow of speculative capital for the creation of a global social network to protect against poverty and hunger. In other words we need to consider a regulative body at world level to parallel the unregulated emergence of global speculation and to operate as an equitable redistributive mechanism which functions to offset the increasing capital divide between the developed and the developing worlds.

Globalisation and Internal Regulation

The third contradiction surrounding employment stems from economic globalisation, that is the emergence of a single interlinked market for the production and delivery of goods, services, and finance across the world. Although labour is the fourth element in these globalised forces of production, the effects of economic tendencies are to make it the subordinate and dependent element.³⁷ If the nineteenth-century history of the developed world is one where the gradual organisation of labour brought about some equilibration with the powers of capital, then late twentieth-century globalisation has effectively reinstated the original imbalance between them.

Currently there is a massive shift in the global balance of power characterising labour and capital in favour of the latter, which is attributable to the international expansion of multinational companies and their intentional undermining of the nineteenth-century balance achieved in the developed world. Thus capital concentration in the multinationals, which in 1994 were roughly estimated to control one-third of global private property, yields them an unprecedented hegemony over the job market, since the majority of new employment in developed countries is now generated by them. As a corollary, their power is to set different sectors of the global job market in competition with one another and thus to install a general weakening of organised labour on a worldwide basis.

Hence, on the one hand, mobile capital moves expressly to those parts of the world where labour costs are cheapest and where labour's organisation and acquired legal rights are also lowest. In this way, developed and underdeveloped countries are effectively pitted against one another in a competition to reduce labour costs and to generate the type of deregulated labour market which is most conducive to the extraction of profit by multinational investors. The impact upon less developed countries is thus to freeze labour organisation at the lowest possible level in 'exchange' for capital investment. Yet this non-reciprocal process does not even come with any promise of continued investment, since shifts in currency values mean that investment patterns track the lowest labour costs on a worldwide basis. Thus migratory capital systematically deserts existing locations in the interest of operating with the smallest wage bill. Because of the explicit avoidance by multinational companies of areas with any significant trend towards labour organisation, those countries which are sequentially deserted are left with no institutional basis for defending workers who are then vulnerable to whatever it is that indigenous political forces attempt to do in the face of the local economic crises which they now confront.³⁸

The broad notion that global well-being is best promoted by a completely flexible world labour market, which becomes homological to investment markets, is predominantly ideological. Not only, as already argued,

can people not display the same mobility as capital, without incurring considerable costs of dislocation, but there are further social barriers to the neo-liberal ideal of a global labour market. Enduring racism in the West places severe limits on workers' mobility and social discrimination generates undesirable consequences when it does occur. One of the most deleterious of these is the emergence of urban ghettos due to the workings of housing markets, which have knock-on effects for other social institutions, the most important being education which then largely reproduces the differential life-chances of different groups entering the system.

The contradiction occurs because few initiatives taken at the level of national policy are capable of counteracting the impact of multinational companies, whose annual turnover now exceeds the national budget of the smaller European countries and of many in the third world. Hence the paradox that although the right to work is a standard feature of some 160 national constitutions, yet global conditions are now more hostile than ever to the effective realisation of full employment by measures taken at the level of nation—states. Moreover, since investment patterns and the export of profits continue to reflect the contingencies of historical development, and thus to protract the effects of neo-colonialism, the global consequence is a widening of the economic gulf between North and South which is particularly impervious to political action on the part of poorer governments.

The World Summit for Social Development (Copenhagen, 1995) acknowledged this global economic tendency both to generate wealth in absolute terms, whilst simultaneously deepening the global divide between rich and poor nations, and to increase the prosperity of some whilst exacerbating social disintegration in others. Yet the doubt remains whether it lies within the abilities of most developed countries to transcend the contradiction between untrammelled patterns of multinational investment and the social needs which have no commensurate promotive agencies. Significantly the public debate surrounding G-7 policies has centred upon debt remission towards the twenty or so countries most negatively affected; something which, whilst desirable in itself, would, despite its conditionality, do little structurally to preclude the immediate recurrence of indebtedness.

More radical proposals go beyond reliance upon the concerted goodwill of the most powerful national economies. A cause for cautious optimism is found by many in legal institutions which already transcend national borders. However, when such nascent developments are inspected, then neither the Economic Union nor the International Court of Human Rights have yet seriously begun to codify multinational malpractice. Instead, the suggestion is to build beyond the economic confines of current international agencies, such as the International Monetary Fund, by advocating an 'ordre démocratique planétaire' (Jean-Paul II, April 26th, 1997). Its concomitant institutions would be dedicated to the counter-advancement of social interests which require representation and legislation, without which they will remain in a state of glaring non-complementarity with the effects of global economic operations. As was stressed in *Centesimus annus* (n. 58), countervailing institutions are needed at the global level to ensure that 'les intérêts de la grande famille humaine soient équitablement représentés'. As part of the general task of our Academy is to dialogue with the social teachings of the Church, it seems to be crucially important to underline those vital points, like the above, where our deliberations are in direct accord with the established corpus of social doctrine.

Unemployment and Social Solidarity

Unemployment constitutes a problem on a worldwide basis and one which has intensified since the 1970s. This spells a contradiction between patterns of unemployment and the social exclusion of large and important sections of the population. Since unemployment has been disproportionately concentrated in two major categories, the young and the unskilled, the contradiction with social integration entails the threat of a marginalised 'underclass' and the projection of social disadvantage as an intergenerational phenomenon. What augments this undermining of social solidarity is discontent, deriving from the relative under-employment of women in the

workplace, through traditional patterns of discrimination together with enduring problems of maternity leave and childcare, in conjunction with lasting over-employment of working women in domestic tasks within the home.³⁹ Enduring patterns of ethnic discrimination in work and employment further threaten civil society, especially as such groups are increasingly finding their 'voice' about such legitimate sources of discontent.

Since work contributes to the fulfilment of each person, by literally increasing their humanity, then the voluntary entry of women into employment should be welcomed. After all, women's' 'withdrawal' from the labour market had only been characteristic of the more privileged sectors of developed societies for a relatively short historical period—less than half a century. Obviously this raises questions about the discharge of family responsibilities, particularly towards children and the aged, but it is not one which can be answered by concentrating exclusively upon female roles. One of the challenges to the Church's current social teaching is to elaborate the moral requirements of responsible parenting by both partners.

In this context, job-sharing or partial working has been advocated to offset the marginalisation of the unemployed, representing a solution to the problem of social solidarity which would also be highly compatible with women's needs to combine child bearing and occupational continuity. Fostering the trend towards a shorter working week could significantly alleviate medium term unemployment, without negative consequences for productivity, by dissociating the time during which the company operates (say a six-day week) from the working week of employees (say four days). 40 Such proposals have encountered, at best, a lukewarm reception in business circles because they are held to increase unit labour costs and thus are considered as inimical to economic recovery and growth in developed societies.

A more radical solution to the problem of how to extend work to all, in the interests of both individual human fulfilment and also of social integration, would consist in a reconceptualisation of the terms 'labour', 'work', and 'employment', together with the relations between them. It is often assumed that it is predominantly in traditional societies that 'labour' and 'work', usually of subsistence nature and outside the monetary economy, are unconnected to employment (i.e., remuneration for holding a post). Equally 'employment', it is often forgotten, has certainly during the modern period often been completely dissociated from either 'labour' or 'work'. Not only are there late modernist equivalents of sinecure offices, especially in the former Soviet Union, but increasingly less and less of the active employed population has even a distant relation to production. Therefore, after two hundred years of privileging what is assumed to be productive employment, changed circumstances make it appropriate to consider redefining 'work and employment', such that the emphasis is placed on the recognition and extension of 'work' rather than upon a fixed quantum of 'employment'. In the developed world there is a vast quantity of voluntary, unremunerated endeavour which provides invisible support for the present economic systems and their active populations. In the less developed world, the informal sector operates both as a supplement to regular employment and as a shock-absorber against unemployment.⁴¹

The question is how to effect a real change such that proper recognition is given to those who make a contribution to society through 'work' rather than 'employment'. The types of work in mind are predominantly those falling into the category of caring—for example, children, the aged, the homeless, migrants, the environment. This neither is nor need become professionalised. Indeed one of the significant factors about it is that it utilises 'skills' that people already possess, or for which they require little additional training. Therefore to revalue their contribution would have most impact upon the category registering the highest rates of unemployment, the so-called 'unskilled'. Simultaneously, it would facilitate women's labour market integration by providing them with family services. The question remains of how this should be paid for, other than by highearning women who can buy these services on the market. Fiscal benefits and welfare payments would arouse the familiar objections about increased tax burdens in relation to economic growth.

However, were a much more social and less economistic notion of flexibility of the labour market to be entertained, then the sums can add up very differently. A radical notion of flexibility breaks both with the fixed distinction between 'work and employment' and equally with the outdated prewar model of entry to the labour market dating from 'apprenticeship' and being continuous until 'retirement'. Existing changes include frequent moves to different employers, more contingent employment (part-time, limited contracts, cumulation of partial jobs). What would be acknowledged is a new concept of the division of labour, which is already coming into being, yet needs to be recognised not just as a sporadic phenomenon, confined to certain categories, but as a generic life-cycle approach to conceptualising the labour market. In other words the majority of people could be seen as shifting between 'work' and 'employment' (to use the traditional terms) at different points in the family life-cycle, and in response to shifting preferences and economic circumstances. It would include some training of the unemployed for neglected social tasks, but would be much more generalised (and gender-unspecific) given the decline of factory-based production and the declining division between workplace and living-space.

To build upon this for all would not only prelude it from becoming a stigmatised sector for the less qualified, but would valorise voluntary work amongst the qualified and enable values other than unbridled careerism to be expressed throughout the life course. Simultaneously, it could significantly contribute to the problem presented by our top heavy demographic structures in developed countries. Here the pension bill escalates, given the tendency towards earlier ages of retirement, with the old becoming the greatest consumers of welfare services and the least of market services. Yet the whole concept of retirement, applied to a younger age group who also live longer and more healthily, harks back to the 'industrial society model'. Now thirty years of 'leisure' is an intolerable burden to many who cannot fill each day, but still need to make a valued social contribution.

Rather than become a reserve army of the post-employed, entry into voluntary work could be a normative expectation. This would increase the quality of auxiliary services (in schools, hospitals, prisons) where employed staff are too overstretched to supply the quality of services needed. Here a basic level of remuneration could substitute for pensions amongst a category of the population whose peak expenditure period is over. Since continued 'work' would be time-consuming, it could reasonably be expected to boost use of market services amongst what would become a less leisured retired group. Modalities and costings would require close scrutiny, but the real key would lie in generalising the normative expectation of making a continued social contribution. In turn, this would facilitate the reorientation of welfare state expenditure towards the skilling of the young and young unemployed adults.

To make the normative expectation of working central and universal is something which can be conditioned, but not determined, by structural adjustments in material elements like taxation and benefits, at least in the developed world. However, the core inducement has to be the fulfilment derived from the experience of work itself. This brings us to the spiritual dimension of employment and how this can be incorporated into a new culture of work, despite the increasing fragmentation, isolation, and personalisation of employment. It introduces a final contradiction between the fragmentation of individualised work experience and the normative universalism of a theology (or even soterology) of experiencing work. This perhaps presents the greatest challenge of all to the task which the Academy has undertaken.

Towards a New Culture of Work in a New Working Environment

The next millennium represents the opportunity for the emergence of a new culture of work. It does so because the old structural and cultural constraints upon work, stemming from industrial society, are passing away. On the one hand, although certainly only in the developed world, the old imperatives—of working

lengthy hours; of life organised around pit, production-line, or profession; and of strict divisions between the primacy of public employment and the accommodative privacy of family and community life—are breaking down. In their stead come the challenges which derive from work which is flexible, dispersed, and personalised. These are twofold; how to prevent them from issuing in individual hedonism or personal isolation and how to spread their potential advantages throughout society, to end the dysfunctional dichotomy between the employed and the unemployed? On the other hand, time is up too for the old underpinning cultural imperatives, whether the traditional Protestant work ethic and its misconstruction of capital accumulation as a sign of salvation, or the industrialised Confucianism which transmuted familial duties into entrepreneurial obligations. ⁴³ In both traditions, production has now become a secularised end in itself, thus evacuating meaning from endeavour and enterprise. Simultaneously, this challenges us to rediscover the *telos* of creativity and the *pathos* of solidarity—and to do so globally, for it is globalisation which has accorded this freedom and autonomy to the privileged in the developed world.

What has passed away is the old motto of the spirit of capitalism, 'time is money'. Instead, there is now space for a new inclusive culture of work which addresses the 'uses of temporality'.44 The time increasingly liberated by a century of technology, and half a century of informatics, has been wrongly allocated in the form of increased unemployment in the developed world and increasing exclusion of the majority in the third world. Yet this liberation of itself is no cause for regret. None of the proposals which we have entertained have sought the restoration of full-employment on the old terms of industrial society, for these imply consumerism and conflict with environmentally sustainable growth. They both alienate those in work, whilst marginalising the unemployed. Instead, we have looked for means of subsistence and regular work for all, but willingly accepted that in all likelihood this implies reduced hours: increasing partial employment, flexible schedules, job-sharing, and extended periods of leave. Such employment, which would be spread more widely, fosters the dignity of non-dependence and thus nurtures inclusivity, irrespective of class, gender, or ethnicity. What this proffers above all are opportunities to enter into additional working relationships, which are freed from the dictatorship of the cash-nexus. Time itself becomes a new currency, which underwrites new definitions of 'work', dissociated from the crude market exchange relations embedded in the notion of 'gainful employment', on its narrow definition. Such work is the domain for the expression of human persons and their sociality. Its practical expression is the development of the 'civil economy',45 which is the realisation of subsidiarity in society. Its modalities are reciprocity rather than exchange, and relationality rather than commodification—within the community which is now worldwide.

It elevates 'social utility' above profitability and social service above materialism. As such, it embodies the Christian ethic of work as service to our fellow human beings and participates in the activity of co-creation; 46 both physically, in our stewardship of the earth, and socially by furthering the conditions under which the whole of humanity can flourish. Doubts will be expressed from two quarters: from those who question where such human motivation is to come from in a secularised society, and who are thus sceptical about the necessary normativity becoming generalised, and equally from those who are dubious about there being any wellsprings of non-monetary involvement in work. We should not be afraid of exploring the implications of beginning to transcend a social formation which has reduced all transactions to the one common denominator of money, or be deterred from signalling new sources of normativity, motivation, incentive, and benefit, which can themselves stem from the use of alternative media—the prime medium being human capital in its non-commodified form.

In a civil economy, using alternative forms of currency, which embody different values of equivalency, commutation, and distribution, there can be general access to forms of goods, benefits, and services which cannot be assigned monetary value.⁴⁷ There is a whole series of alternative 'instruments of credit', such as 'time

banks', 'community service vouchers', 'cooperative dividends', and so on through which contributions to the civil economy could be registered as 'work'. Participation would bring its own individual and collective rewards and non-participation would bring its own losses. Thus, we do not have to predicate this transformation upon a prior diffusion of extraneous normative sources. We cannot pretend to have outlined the lineaments of the 'civil economy' in requisite detail, which would require much further work. However, we are signalling where we think that the burden of social scientific research should be placed in the twenty-first century; one which we believe is in conformity with the spirit of the Church's tradition of social teaching on work and employment and one which is appropriate for the third millennium.

To conceive of the development of a 'civil economy', we need to have confidence that part of the intrinsic constitution of every created human being is the capacity to recognise the conditions of his or her own thriving. And two things more. As the essentially pilgrim Church, we should be prepared to be in the vanguard of innovating work in the civil economy, for some agency has to make the first institutional gesture of communal reciprocity. As the quintessentially universal Church, we must conceive of this as a glohal endeavour and play our part in mastering those contemporary juggernauts whose activities now exclude the third world from participating fully in this vision for all.⁴⁸

PART

Work Across the World:

The Present Situation and Current Trends



Work Across the World: Some Basic Features

JUAN JOSÉ LLACH
Minister of Education of the Republic of Argentina

THE PURPOSE OF THIS PAPER is to demonstrate the variability of the growth in the labour force, of employment structures, and of unemployment levels across the world, and to suggest some hypotheses that could explain these variations.

The Hypotheses. The main hypothesis is that even when the level of economic development (GDP per capita or GDPpc) appears as a crucial determinant of observed differences in labour force size and growth, and of employment structures, cultural factors such as religion, the family, and government also play a very important role.

This role is played in different and sometimes contradictory ways. In the case of the supply of labour, it seems clear that those countries whose religion or culture give a central role to the family and to the birth rate will tend to show lower female participation rates in the labour force and higher labour force growth rates. In contrast, growth in labour force participation tends to be diminished by such typical forms of governmental intervention as the creation of pension systems or the extension of opportunities for formal education. Indeed, we will see that the form of governmental intervention influences not only the demand for labour but also the structures of employment.

The Typology of Countries. To elucidate these different sources of variability, a typology¹ of countries was constructed² in such a way that economically and culturally homogeneous types of countries were obtained. Although very important differences remain among countries of the same type, they are clearly less intense than those observed among countries belonging to different types.

The Supply of Labour

The growth rate of the labour force can be defined as the estimated increase in the supply of labour over a period of time. This rate is determined by demographic factors—not explicitly considered here—and by the participation rates in the labour force.

Labour Force Growth

Although poor countries have higher labour force growth rates than rich countries, no linear relationship exists between economic development and workforce growth. As the example of the Oil Exporters (Table, 1, cohort 14) clearly demonstrates, however, high immigration rates qualify this observation. Culture can also have a significant impact on labour force growth rates, as one can observe in the comparatively high rates of growth in Latin America, Middle-Income Africa, and other countries with strong a Muslim influence (Table 1, cohort groups 6 and 14).³ Cultural influences also explain the very low rates of growth in the Middle-Income Former Socialist countries.⁴

Shifting our attention to a comparison of the historical rates of labour force growth in the period 1965–1995 with the projected rates for 1995–2005, a drop in growth can be observed across most of the cohorts. Noteworthy exceptions are Low-Income African and Asian countries (still in the demographic transition stage, but also with Muslim influence), the Middle East, Turkey, and North Africa (again probably attributable to cultural factors), and the Pacific Islands (whose projected labour force growth may be due to increased immigration). In the Middle-Income Former Socialist and OECD countries, the projected stagnation of labour force growth could promise lower unemployment levels, but be very troublesome for the maintenance of pension systems.

Labour Force Participation Rates: The 'U-Shape'

Female participation in the labour market is the most important single determinant of general participation rates; hence general labour force participation rates and the rates of female workforce participation show a similar pattern. Women's participation in the labour force, however, is a complex phenomenon associated with cultural and religious factors as well as economic ones. Even when female participation is considered as being 'U-shaped' along the process of economic development, with higher rates in the traditional societies and in the most developed ones, we can observe the omnipresent influence of cultural factors (Table 2, third column). Thus, cohorts with significant Muslim (Table 2, cohorts 1, 6, and 14) or Catholic (cohorts 5, 11, and 13) influence tend to show lower levels of female participation. On the other hand, socialist or ex-socialist countries show very high female participation rates (cohorts 3, 7, and also 4).

Male labour force participation also demonstrates an (albeit attenuated) 'U-shape'. The downward zone of the curve can be explained by the gradual spread of pension systems, while the upward zone observed in high income countries could be the result of the gradual increase in the retirement age.

The participation rates of young people (i.e., persons between the ages of 10–19) also demonstrate a certain 'U-pattern', which is more pronounced in the case of young women. The initial decrease can be explained by the gradual extension of opportunities for formal education, even when this factor is overdetermined by the peculiar culture of Former Socialist, Muslim, and Latin American Countries in the central zone of the typology. The upturn observed in the high GNP zone of the typology is less clear, although it could perhaps be explained by a higher incidence of independent households established by young people.

The Employment Structure and the Labour Demand

The employment structure across and within the three classical economic sectors gives some basic evidence about the demand for labour in the economy. Even when these structures are strongly influenced by the level of economic development, it is also possible to find here the influence of unexpected and significant 'cultural' factors which are associated with characteristic types of governmental intervention. These cultural

Table 1. Labour Force Annual Growth Rate

	Labour Force An	nual Growth Rate
	1965–1995	1995–2005
1. Low-Income Asia	2.2	2.4
n = 11	11	11
2. Low-Income Africa	2.5	3.1
n = 44	36	36
3. Low-Income Former Socialists	2.1	*********
n = 9	9	0
4. Emerging Asia	2.6	1.4
n = 6	6	6
5. Low-Income Latin America	2.8	2.2
n = 14	14	14
6. Middle East, Turkey, and North Africa	3.0	3.0
n = 12	11	11
7. Middle-Income Former Socialists	1.0	0.1
n = 18	18	7
8. Pacific Islands	2.1	2.2
n = 16	1	1
9. Middle-Income Caribbean	2.0	1.3
n = 17	2	2
0. Middle-Income Africa	2.6	2.0
n = 6	3	3
1. Middle-Income Latin America and Europe	2.0	1.0
n = 8	8	8
2. Small European		
n = 10	0	0
3. High-Income Caribbean	1.8	0.9
n = 4	1	1
4. Oil Exporters	5.3	2.7
n = 8	5	5
5. High-Income Asia	2.2	0.5
n = 6	5	4
6. OECD and Israel excl. Japan	1.2	0.1
n = 21	19	18

Table 2. Labour Force Participation Rate

Labour Force Annual Growth Rate						
ν	% 1995	Males 15–64	Females 15–64	Males 10–19	Females 10–19	
1. Low-Income Asia	65.1	90.3	39.3	37.2	22.5	
n = 11	11	11	11	11	11	
2. Low-Income Africa	70.2	89.1	51.9	45.7	29.5	
n = 44	43	36	36	36	36	
3. Low-Income Former Socialists		79.1	59.8	14.5	12.7	
n = 9	0	9	9	9	9	
4. Emerging Asia	73.8	86.5	60.8	32.7	27.7	
n=6	6	6	6	6	6	
5. Low-Income Latin America	55.8	83.7	28.1	27.6	10.4	
n = 14	14	14	14	14	14	
6. Middle East, Turkey, and North Africa	51.7	82.5	20.9	23.4	10.1	
n = 12	11	11	11	11	11	
7. Middle-Income Former Socialists	74.2	79.9	68.0	16.3	14.1	
n = 18	10	18	18	18	18	
8. Pacific Islands	67.8	89.0	58.0	44.0	36.0	
n = 16	8	1	1	1	1	
9. Middle-Income Caribbean	67.7	89.0	57.0	22.5	12.5	
n = 17	8	2	2	2	2	
10. Middle-Income Asia	64.9	79.3	39.3	24.7	14.3	
n = 6	5	3	3	3	3	
11. Middle-Income Latin America and Europ	e 8.2	81.9	35.0	25.4	11.9	
n = 8	8	8	8	8	8	
12. Small European	67.0					
n = 10	5	0	0	0	0	
13. High-Income Caribbean	54.1	75.0	29.0	13.0	4.0	
n=4	2	1	1	1	1	
14. Oil Exporters	60.1	86.2	14.8	20.0	3.4	
n = 8	8	5	5	5	5	
15. High-Income Asia	67.0	84.1	49.8	16,6	15.4	
n = 6	4	5	5	5	5	
16. OECD and Israel excl. Japan	69.8	85.2	53.5	23.0	19.0	
n = 21	20	19	19	19	19	

factors provide a basis for formulating hypothetical explanations for the differences found among types of countries.

Distribution of the Labour Force Across Sectors

The participation of those working in agriculture in the total workforce is strongly related to the GNPpc or development level (Table 3, column 1). This is not surprising since the increase in agricultural productivity and the resulting urbanisation process is virtually a definition of economic growth, i.e., we are referring to a tautology. However, the 'premature' urbanisation of the labour force observed in both Former Socialist types (Table 3, cohorts 3 and 7) shows that some exceptions are possible. The relatively high proportion of agriculture in Middle-Income Africa and Middle-Income Latin America, on the other hand, could possibly be explained by a relatively high land endowment.

Another tautological conclusion of Table 3 is that the higher the GNPpc level, the higher the proportion of those employed in industry and services within the total workforce. What is not obvious, however, is the behaviour of the ratio of service workers to manufacturing workers, which is implicitly shown in the tables. Its positive correlation with the GNPpc is so weak that the exceptions are as important as the rule. Asiatic and Former Socialist countries have a low ratio, while Low-Income Africa, Low-Income Latin America, the Pacific Islands, and the Caribbean countries show a high ratio of service workers to manufacturing workers. An interesting hypothesis which could explain these exceptions is that, in the 'low ratio case', government intervention was used to create manufacturing employment, whereas in the types where the ratio is high, this intervention took place through the creation of government employment.

Distribution of the Labour Force Within Sectors: Waged and Non-waged Employment

As in the previous case of agriculture, a strong relationship between the level of GNPpc and waged employment exists in general. While in the first four (low income) cohorts, the average proportion of salaried workers is only 30 percent, in the four highest income cohorts, that average amounts to 85 percent. This also can be considered a tautology since the process of economic development has implied, up to now, an increasing proportion of firms organised around salaried work. The agricultural sector, however, shows a 'cultural' exception to that tautology (Table 4, first column). Economic underdevelopment typically is characterised by a high proportion of poor peasants in the workforce; to have a salary is something of a privilege there. Notwithstanding this, the two richest types of countries show a high proportion of independent farmers (not peasants); that phenomenon can be explained by the protection given by the government to the agricultural sector. In manufacturing and services, on the other hand, the relationship between GNPpc and salaried work is almost linear, the main exception being the relatively high proportion of salaried workers in the Former Socialist countries (Table 4, columns 2 and 3).

Employment Structure: A Synthesis

Contrasts in the employment structure among country cohorts are as striking as their differences in the level of income. The most significant feature is the proportion of independent agricultural workers: 50 percent of the total labour force are peasants in the poorest countries, while less than 5 percent are farm workers in the richest countries. On the other hand, while only 22.4 percent are urban salaried workers in the first four groups, this proportion amounts to 81.4 percent in the five richest countries. Independent work in the cities, on the contrary, decreases more gradually with the level of economic development and amounts to 19.7 percent of the labour force in the four poorest countries, and to 11.7 percent in the five richest.

Table 3. Distribution of the Work Force across Sectors

Distribution of the Work Force Across Sectors (in %)

	(111 70)			
	W.F. in Agriculture	W.F. in Industry	W.F. in Services	
1. Low-Income Asia	67.3	11.7	21.1	
n = 11	11	11	11	
2. Low-Income Asia	71.0	8.9	20.1	
n = 44	42	42	42	
3. Low-Income Former Socialists	30.0	32.2	37.9	
n = 9	9	9	9	
4. Emerging Asia	55.0	18.2	26.8	
n = 6	6	6	6	
5. Low-Income Latin America	30.3	22.1	47.6	
n = 14	10	10	10	
6. Middle East, Turkey, and North Africa	32.7	24.2	43.1	
n = 12	11	11	11	
7. Middle-Income Former Socialists	21.0	36.8	42.3	
n = 18	18	18	18	
8. Pacific Islands	18.8	22.7	58.5	
n = 16	5	5	5	
9. Middle-Income Caribbean	9.9	21.7	68.4	
n = 17	3	3	3	
0. Middle-Income Africa	19.7	26.0	54.3	
n=6	5	5	5	
1. Middle-Income Latin America and Europ	e 18.1	28.0	53.9	
n = 8	8	8	8	
2. Small European	8.1	32.3	59.6	
n = 10	2	2	2	
3. High-Income Caribbean	4.6	21.4	74.0	
n=4	2	2	2	
14. Oil Exporters	11.3	25.6	63.1	
n = 8	8	8	8	
15. High-Income Asia	10.4	32.6	57.0	
n = 6	5	5	5	
16. OECD and Israel excl. Japan	6.1	28.9	65.0	
n = 21	21	21	21	

 Table 4. Distribution of Work Force within Sectors

	Distribution of the Work Force Across Sectors			
	Share of Wage Employment in			
	Agriculture (%)	Industry (%)	Services (%)	
1. Low-Income Asia	9.1	50.0	50.3	
n = 11	11	11	11	
2. Low-Income Asia	15.2	48.7	44.1	
n=44	43	43	43	
3. Low-Income Former Socialists	17.2	77.6	75.8	
n = 9	9	9	9	
4. Emerging Asia	8.9	62.2	52.2	
n = 6	6	6	6	
5. Low-Income Latin America	38.7	67.I	62.5	
n = 14	14	14	14	
6. Middle East, Turkey, and North Africa	24.5	73.9	70.2	
n = 12	11	11	11	
7. Middle-Income Former Socialists	30.1	88.4	87.7	
n = 18	18	18	18	
8. Pacific Islands	22.8	79.6	78.4	
n = 16	8	8	8	
9. Middle-Income Caribbean	55.9	81.8	78.1	
n = 17	8	8	8	
10. Middle-Income Africa	43.5	78.4	74.4	
n = 6	5.	5	5	
11. Middle-Income Latin America and Europe	38.6	77.9	70.7	
n = 8	8	8	8	
12. Small European	36.7	92.6	92.2	
n = 10	4	4	4	
13. High-Income Caribbean	58.6	86.9	87.4	
n=4	2	2	2	
14. Oil Exporters	63.6	92.8	89.6	
n = 8	8	8	8	
15. High-Income Asia	29.7	88.0	77.2	
n = 6	5	5	5	
16. OECD and Israel excl. Japan	33.9	89.2	86.5	
n = 21	21	21	21	

Unemployment

The analysis of unemployment rates is more complex than is the case with those matters previously discussed. In the first place, unemployment statistics are less reliable and are limited to overt urban unemployment. Second, because intense changes in the labour supply arising from changes in the participation rates are nowadays very frequent; even in the short run the economic meaning of overt unemployment rates is not as clear as in the past. Third, there is no clear relationship between overt unemployment and economic development levels. However, the highest levels of unemployment are located in the central zone of the typology. This is understandable when one bears in mind that while in the poorest regions the rural—urban migration process is still absent or negligible, at the intermediate level of economic development it reaches its highest point, and is too rapid to match the possibilities of employment creation in the cities. Furthermore, global reforms and the processes of 'transition to capitalism' are more frequent in the middle-income countries, and generally imply an important, although transitory, increase in unemployment.

Beyond this general consideration about 'economies in transition', it is possible to obtain further insights from the following, more detailed, analysis of unemployment levels.

Low Unemployment Cohorts (at or below 6 percent) and Labour Flexibility

Low-Income Asia, Low-Income Africa, Emerging Asia, the Pacific Islands, the Small European countries (only one case), and High-Income Asia show the lowest unemployment rates. It is clear enough that Asia has found a largely unknown recipe by which to avoid unemployment. Beyond doubt, one of the ingredients is the sort of implicit bargaining that exists inside the firm: high flexibility of labour relationships rather than lifetime employment. The case of Africa is different and perhaps could be explained by the fact that in the poorest countries to be unemployed is a luxury which most people find impossible to afford.

Middle Unemployment Types (6 to 12 percent): High Labour Costs or Strong Rigidities Plus Economic Stagnation or Systemic Transitions

Belonging to this group are both Latin American cohorts, both Former Socialist cohorts, and the OECD countries. High labour costs and strong labour rigidities, both within the firm and within the labour market as a whole, are very widespread in these countries, and appear as a very probable explanation of the high unemployment level. In Latin America and the Former Socialist countries, the combination of these rigidities with global economic reforms have resulted in a dangerous mix. In the OECD countries, the dangerous combination is one of high labour costs, labour rigidities and low economic growth.

High Unemployment Types (More than 12 percent)

Middle- and High-Income Caribbean countries; the Middle East, Turkey, and North Africa; and Middle-Income Africa show the highest unemployment rates.

Successful Cases

In a world characterised by high unemployment rates, it is very important to analyse the success stories. These not only include the noteworthy case of Asia, but also some 'deviant' cases, in cohorts with high or medium unemployment averages. Such is the situation observed in some OECD countries, such as the United States (5.8 percent), which has a very flexible labour market, and Austria (4.6 percent) and Switzerland (3.8 percent),

both of which have interesting schemes of social agreements. In Latin America, Costa Rica (5.5 percent) and Chile (5 percent) deserve special attention as regards their social policies in general. ¹⁰ In turn, Estonia (2.6 percent), Latvia (5.3 percent), Lithuania (1.4 percent), and the Czech Republic (3.1 percent) have performed the 'transition to capitalism' with almost no costs in terms of unemployment. ¹¹

Epilogue

The purpose of this presentation is not to arrive at conclusions but simply to describe some basic features of human work across the world. Even at the very general level outlined by these statistics, we can see sharp contrasts with the principles of the social doctrine of the Church. At the same time, however, it is very important to observe the intense differences exhibited among countries, and to understand the fact that these differences are explained not only by economic determinants, but also by cultural particularities and the quality of governments.



Ways and Means of Integrating the Young Unskilled into Work

EMILIO REYNIERI
University of Parma

The Trade-off between Unskilled and Permanent Occupations in Affluent Industrial Society

EVEN IN MODERN INDUSTRIAL SOCIETIES, those which developed rapidly after the end of World War II, peaking in the mid-1970s, unskilled youths, who were present in far greater numbers, could only hope to get the lowest level manual jobs, but these had some small advantages. To those who came from the perennial uncertainty of agricultural jobs, construction or micro-industries and artisan workshops, a lifetime job contract in the assembly-line plants of large companies had its attractions. Being employed by a large firm, even as an unskilled blue-collar worker, was a step up, socially, confirmed by improved living conditions, which counterbalanced the monotonous nature of the job itself and the non-existent possibility of moving up the job ladder. Furthermore, in large factories and in working-class neighbourhoods, constant contact and a shared situation led to significant forms of social cohesion and a sense of belonging to a community.

For some time now, this trade-off between unskilled work and a permanent job, associated with decent social status, has no longer been available. The large manufacturing firms have closed down, or have been dramatically restructured: Great numbers of relatively unskilled workers have been replaced by far smaller numbers of technicians, white-collar and skilled blue-collar workers. In the developed countries, unskilled jobs remain only in small manufacturing firms, which provide neither lifetime employment nor social status, except in some special areas (for example, Italian industrial districts), where near full employment provides job security and the possibility of moving up the career ladder for those willing to take the risk, giving them the opportunity to become self-employed sub-contractors.

The current demand for unskilled labour has not diminished, but it now comes from the service sector instead of manufacturing, and there is no discernible compensation associated with it. Instead, there is a serious risk that job insecurity, stigmatisation, and social exclusion will go alongside a lack of skills and a lack of meaningful content to the work.

The New Opportunities for Jobs: From Which Service Sectors?

In almost every advanced country, most of the employment growth in the last twenty-five years has come from services: from business services and even more from personal and household services (health care, education, safety, entertainment, retail trade, catering, house maintenance, appliance repair, etc.). The scenario in the advanced countries should already be clear: to industry at large (including business services) goes the task of creating growth and wealth, to the other services that of creating employment.

Employment growth in personal services depends on the approach taken by a society to three main problems: how to guarantee safety and social order; how to keep the members of society healthy; and, lastly, how to reproduce the culture of a society, i.e., its lifestyle and knowledge. Those social reproduction functions can be carried out by almost every member of the society, within families or communities, or they can be 'specialised', that is they can be carried out by certain people as a paid job. Thus, the trend of labour demand in personal services does not depend on the needs of social reproduction functions alone, but also on how far these functions are performed by the users themselves and how far by specialised structures (either firms or public agencies).¹

The greater complexity of modern societies increases the need for knowledge, regulation, and, unfortunately, for security. Furthermore, both the greater number of working women and the aging of the population increase care needs for children and elderly people. Apart from household structure (single-person households or working women resort less to self-servicing), which alternative is chosen between services, offered by the state or privately, versus self-servicing, depends on how daily life is organised, for example, fast food (whose development is tied to the metropolitan way of life), and the problems of urban waste and personal safety. Lastly, state policies should also be considered. High levels of public spending, which favour the offer of collective services, obviously create employment in social services, while, if money transfers to households prevail or if public spending is low, there is a greater trend either towards self-servicing or private customer services.²

Combining these alternatives yields three possible cases: (1) a heavy tax load and extensive public services; (2) a middle to high tax load and greater money transfers to households than to social services; (3) a low tax load and services supplied largely by the private sector. The first case can be found in Sweden and the third in the U.S. and Japan, while the second one is typical of almost all European countries, although Germany is closer to Sweden and Great Britain to the U.S. This typology is important because of its impact on the skill structure of employment in personal services.

While in industrial and business services, work productivity is growing at rapid rates, in most other services productivity, at least until now, has remained at low levels, especially if the aim is offering a high quality service to the consumer. Stagnant productivity and labour intensive activities, however, are the only common features, since among those employed in these activities there are huge differences in terms of professional qualifications, wages, social prestige, and working conditions. Already at work in industrial production, the tendency for polarisation within occupational structures is even more pronounced in services, especially if we also consider 'underground' employment.

In fact, social services (education, health care, and welfare) are the sectors that employ the lowest proportion of unskilled workers, apart from business services, while the percentage is much higher in consumer-oriented private services (the retail trade, catering, laundering, housekeeping, etc.). Thus, the overall labour market is proportionately more skilled, on average, in countries where there are more social service jobs, in comparison to those with greater proportions of employment in the private services, although there are a sizeable number of highly skilled private service jobs, too. Moreover, in social services, unskilled workers enjoy job security and the possibility of part-time work, which is very widespread among women and to some extent also

among young people. This is regulated fairly, insofar as possible. This is not the case for those working in private services, as we shall see. In countries with low tax burdens, the labour cost is also reduced by lower social security payments, so the growth of employment in private services can be explained by low labour costs, besides the wide availability of unqualified female and ethnic labour. This makes it unnecessary to lower the cost of labour further by employing unregistered workers.

Unregistered employment is, instead, common in those countries where a medium to high level of public spending is more oriented towards money transfers to households than towards social services. As the high cost of labour handicaps private services, paid at union rates, people have no alternative other than that of producing personal services themselves within the household, or buying them from unregistered workers, in order to save on the social contributions and taxes of a regular labour contract. This is clearly the worst solution for unskilled service workers, depriving them of any rights and subjecting them to a wide range of risks.

Increasing Employment in Low-level Services in Response to the Growth in Female Labour Supply: Europe vs. the United States

Even in European countries, where unemployment has increased dramatically, employment has not decreased in the last twenty-five years. The increase of unemployment is actually due to the large growth in the labour supply, due to steadily increasing female activity rates. The growth in services (especially private, community, social, and personal services) and in the retail trade was similar to what happened in the same years in the U.S., if the relative populations are considered. Nevertheless, while the trends are similar, the result is different: the employment rate, and especially that of people employed in services, is lower in Europe than in the U.S.³

This could be due to a time lag. Once past the industrial society stage, the growth of demand for personal services is largely due to women's participation in paid work, creating at the same time a higher labour supply and demand as well. In the U.S. the growth of female participation in paid work started earlier and grew more slowly than in European countries; hence the adjustment process between a higher labour supply and a higher demand for personal services, substituting for those usually performed inside households, happened without sudden shocks. If this hypothesis were completely true, it would be enough to wait for a stabilisation of the changes inside households, so that a reduction in female household work causes a higher demand for personal services, either from the public or the private sector.

This is not the case, however, because the process in Europe not only was quicker than in the U.S, but also it occurred later and in a different economic and institutional context. First, from an economic point of view, during recent years the gap in work productivity between industry and most of the personal services has increased dramatically. Second, from an institutional point of view, wage differentials in Europe are far narrower than in the U.S. and less and less related to productivity differentials (either because of trade union bargaining or legislated minimum wage levels). Thus, in labour-intensive and low productivity activities, such as personal services, the labour cost is too high and demand too low, leaving needs unsatisfied and favouring self-servicing.

Therefore, the greater flexibility in wages and working conditions (added to poor income support for redundancy) has allowed the U.S. to employ many people in low productivity and low income jobs, mainly in personal services. They are the so-called 'working poor', who are employed and yet cannot escape their condition of poverty. On the contrary, in Europe wage rigidity and generous unemployment benefits, on the one hand, have reduced the demand for poorly qualified and low productivity labour, while, on the other, they have allowed unskilled workers to remain unemployed for long periods.

In most European countries, nevertheless, the story is not over, because we must take into account the underground economy as well. Measuring 'black labour', i.e., those paid activities that are not in compliance with taxation, social security, and labour laws, is not an easy task. Yet estimates agree that those activities are increasing, even in countries where they were almost unknown until a short time ago. The great majority of 'black workers' are employed in unskilled and low productivity personal and customer services, although many of them are employed by building sub-contractors, small manufacturing firms, and in agriculture too. Thus the flexibility in wages and working conditions that was not formally achieved because the labour market was strictly regulated by trade unions and/or the state was achieved in an informal way.

In the European underground economy we can roughly differentiate three areas. The first one, the highest as far as wages and skill level are concerned, is generally restricted to people in early retirement and double-jobholders, whose number is supposedly increasing, although surveys devoted to 'moonlighting' are still scarce. Local youth works mainly in the second area, whose working conditions are worse, although not as poor as in the third one, to which the ethnic minorities and the new immigrants are usually relegated, many of them remaining undocumented. The development of an underground economy is an endogenous phenomenon in European host countries and it cannot be ascribed to undocumented immigration. A vast supply of people ready to work in worse conditions than those provided by law and trade unions has provided strong support for the growth of the submerged economy in developed countries.

From a Deregulated Labour Market to a 'Market for Life'?

Apart from the underground economy, in recent years the regular labour market in the developed countries has also undergone significant deregulation. The parallel processes of downsizing and out-sourcing of production tasks have dramatically reduced the importance of large companies and increased the proportion of small and very small firms, where employee turnover is far higher. The temporary, unstable nature of working conditions is further increased by the spread of non-standard working relationships: fixed-time contracts, temporary work, part-time, sub-contracting, self-employed workers, seasonal work, and internships. These forms of regular yet precarious work have almost replaced the traditional, full-time, permanent labour contract for young people and are increasingly common among women of all ages.

Those who believe that increased market flexibility creates jobs may object that jobs that are precarious in theory may not be so in practice. In fact, a worker may have no legal rights with respect to job security but be more or less certain that he will not remain unemployed for long if another job is relatively easy to find, as in economies operating at near full employment. However, if the level of unemployment remains high, only some workers will be able to find another job rapidly: those with a relatively 'strong' market position, thanks to either their skills or their network of personal contacts, or both. Their career may actually benefit from the different experiences they accumulate through their various positions. This is what is commonly referred to as the professionalisation of the workforce, referring to technicians, skilled workers and professionals.

The scenario is quite different for unskilled workers, who rarely have the opportunity to better themselves professionally or improve their position. For them, a certain amount of uncertainty may be tolerable, economically and psychologically, as long as they are still young. But the initial effect is the delay in starting a family until economic conditions stabilise and permit young workers to face the costs associated with raising children. In the past, unskilled young workers had faced the same job insecurities at their point of entry into the labour market, but then, thanks to the trade-off offered by an affluent industrial society, they achieved a measure of job security that was sufficient to start a family.

What does the future hold for the unskilled youths who currently hold precarious jobs or, still worse, unregistered jobs? We do not know, because the changing economic landscape makes forecasting difficult, and we cannot draw our data from the experiences of recent generations. In any case, we should not be so worried about the twenty-year-old who is currently working in a casual job: He is still supported by a family network and is up to the task, psychologically, too. It is his future that is worrying: As he approaches thirty, he will require greater guarantees, both financially and psychologically. Unfortunately, this issue is never raised in the economic debate over flexibility, which ignores the fact that workers experience their relationship to the market differently, according to their social status and gender, their age and their family situation.

In labour markets that are less and less regulated by the state and/or large industry, 'strong' workers often benefit from extensive networks of contacts, which allow them to find a new job rapidly. It is proverbial that people look for work in many ways, but find it in one way only, thanks to personal relationships and relatives: 'who you know'. Survey data confirms this adage. But this is neither an effective nor a fair solution. First of all, these networks, no matter how extensive they may be, are by definition limited. So we are dealing with a second best choice, profoundly conditioned by the size of the network. Secondly, everyone does not have equal access to the web of relations and the information it transmits. This leads to a new form of discrimination between the well-connected and those on the margins. The weaker brackets of the labour force (the least skilled, the most recent arrivals) have fewer contacts and less experience upon which to rely.

This system can prove even more unfair in countries where strong ties prevail over more casual relationships, which give some people access to information about available jobs, and do it more rapidly as well.⁵ In contrast, strong ties, typically family-based or based on friendship, circulate the same information in a much more restricted environment, but guarantee the reliability and loyalty of the worker in question. This type of recruitment works for both low-skilled workers, whose willingness to work hard is difficult to evaluate in job interviews, but can be guaranteed by someone who knows them well, and for many skilled workers, when belonging to certain networks or social groups is important to the success of the tasks involved.

Apart from questions of fairness about a selection process based on inherited rather than acquired characteristics, the personal relationships affecting demand and supply can facilitate the development of 'community-businesses', where employers and employees collaborate in a context of reciprocal consideration. But it can also have less positive effects, when companies continue to exploit their workers. In these cases, friendships and family ties serve to guarantee the worker's submission. Here we can talk about a 'market for life', in which not only skills are exchanged, but also a worker's entire personality, all his personal relationships. This is almost always the case for the two lowest brackets of the underground economy, where the network of contacts serves almost exclusively to assure the employers that the workers will accept irregular working conditions without protesting.

A similar ambiguity also occurs in many jobs in industry and services. The skills that an ever-increasing number of workers of all kinds must have include teamwork, participating in achieving objectives, above and beyond their specific tasks, manipulating personal relationships both within the organisation and outside it, and the willingness to identify with their job. Apart from those who must 'lead' other workers, a sizeable and still growing number of workers must deal with the public or look after the sick, the aged, and the young. All these situations can also stimulate a community type of social integration. However, if sharp disparities remain in working conditions, status, and power, there is a strong risk that the worker will become alienated, not only in terms of his job, but also of his personality. The risk is clearly greater for unskilled workers, who are threatened with a return to serfdom status in a service economy.

What Form of Participation for Unskilled and Precarious Workers?

All this raises broad questions regarding worker participation, particularly for those without professional skills, when companies 'destructure' into micro-units, which utilise workers with whom there are no full-time, permanent work relationships. These employees have a high rate of turnover and many of them even move back and forth between employee status and freelancing. If they are able, they build a career based on moving from one job to another, so that they cannot form an identity based on their job in a company, but must base it on the professional community or on the local labour market.

For workers, it has always been essential to be able to alter not only the conditions in which they work but also the factors that affect their careers and the future of the company, which traditionally influences both working conditions and career possibilities. The new state of affairs is that the latter is separated from the former, because it occurs in a different context, the labour market. In addition, the higher rates of inter-company mobility make this second moment more important than the first. In modern labour markets, demand and supply are interdependent, so workers have considerable freedom to decide how they will act, within a set of constraints deriving not only from the companies, but also from the vast network of social, cultural, and political relationships. The outcome of their participation cannot, therefore, be taken for granted, as in the traditional, company-dominated context. The problems that arise are, however, quite different.

It is important to distinguish between the two moments of participation: the traditional but temporary one that occurs within the company, and the new, oft-repeated one, when changing jobs in the labour market. In the first, there is a risk of a separation between 'internal' and 'external' workers in the company. Often, with the consent of the 'insiders', the 'outsiders' are excluded from any type of participation. Those whose professional skills are strong enough to give them autonomy have no problems with this, but those without high-level skills are dangerously at risk of exclusion.

The possible forms of participation available pose still greater difficulties to workers in the labour market. Here, the key points are two: training processes, where job skills are acquired and maintained, and employment agencies, which assist in passing workers from one job to another. It is therefore necessary that these new 'contingent' workers be able to have an effect on the decisions made concerning job training and employment services. This is not likely, because workers are usually isolated in these contexts and, in addition, they are commonly faced with the most frustratingly bureaucratic aspects of their union organisations.

No Jobs, Poor Jobs, Fair Jobs

In order to combat the high rates of European unemployment, which hit unskilled youths the hardest, the 'American' model is often held up as an example to follow. Thanks to greater flexibility in wages and working conditions, it appears to have reduced unemployment sharply, even among the less skilled. The results obtained in this way are, however, well-known, so we must decide if it is better, from a social and ethical point of view, to have a class of working poor, with registered, but precarious jobs, or a mix of unemployed, who are more or less assisted, together with workers employed by the underground economy. In practice, the gradual deregulation of European labour markets is moving in the American direction.

Given that the outcome may be a reduction in unemployment and a shrinking of the underground economy, this solution does not provide an exit from the divided society, a 'two-tier' society where the high standard of living of most people is based on a large underclass of servants. This is not only unacceptable ethically, but unlikely in a European context which, at least till now, has been based on social cohesion, which explains

both the considerable support (coming either from the state or families) provided for unemployed people and the narrow wage ladder, aimed at protecting less skilled workers, in spite of their low productivity.

It is also unacceptable to wait until demographic decline reduces the labour supply, and therefore unemployment, even if the demand for workers does not increase. This option ignores the fact that unemployment is also the result of a mismatch between demand and supply and that, whether they wish to or not, the rich, developed nations are unable to stem the tide of immigration from poorer countries. In fact, in an aging society, the demand for personal services, particularly the less skilled ones, is destined to increase. Faced with a decreasing supply of workers from within its borders, the only option is to attract ever-greater numbers of immigrants willing to work at these jobs. Therefore, the current problems will not go away; but those who have to face them will change, meaning fewer and fewer native youths and more and more immigrants or children of ethnic minorities. Instead, there is a risk of worsening inequalities, if we add ethnic barriers to the existing economic and social ones, as some countries are already noting.

The key point is that we cannot solve the problem of unemployment among unskilled youth without also facing the problems posed by bad jobs. Both problems must be faced without any illusion that the development of technology and the growth of a deregulated economy will provide spontaneous solutions. This raises the question of which economic, social, and employment policies should be implemented by the state, and by its social partners, so that all those who wish to take on a paid job can have a fair job: that is, a job not only fairly paid, but also providing good working conditions, as well as an acceptable social status and a sense of meaning for people's lives.



The Changing Meaning and Value of Work in a Globalized Information Society

DAVID LYON
University of York, Ontario

THE PRESSURE TODAY is to dismantle the habits of permanent, round-the-clock, steady and regular work; what else may the slogan of "flexible labor" mean?' The key requirement of the so-called global information society is 'flexibility' in the workforce, and this has huge ramifications for the "meaning and value" of work. The old "work ethic" that modern industrial societies sought to inculcate in their workers assumed that work was a matter of spending time on a daily, routine, full-time and long-term basis, in paid productive activity, usually in the company of the same group of people, in the same place. Would-be workers today are encouraged to forget just those habits and assumptions in the name of 'flexibility'. Work at the start of the twenty-first century is characterized by its mutability in time and space, by multiple careers, or, at the other end of the scale, by casualization. You are more likely to be working on your own, and with less sense of entitlement to payment and acceptable working conditions, and less prospect of continuing indefinitely in the same job, than your post-Second World War counterpart in the North Atlantic region.

These are major changes, and it is widely suggested that the turn of the twenty-first century marks a moment within a process of radical transformation of work, relating above all to the adoption of communication and information technologies (CITs) and in turn, closely related with this, to globalization. Work is being decentralized, an increasing proportion of workers experience a growing autonomy—in self-employment, outsourcing, and downsizing—and old organizational structures are being replaced with dynamic processes.² Increasingly, at least in the affluent societies, appeals are made to management to aid the process of adaptation to what is seen as inevitable, ubiquitous change. The critical slogan of the 1980s was 'automate or liquidate',³ but this hardly captures the subtleties and varieties of change that accompany technological changes in the workplace, either then or now. Management, labor unions, and workforces all play a role in determining which 'human factors' are held to be important at any given moment. But while the variety of factors involved is often acknowledged, management approaches can deal only with discrete organizational aspects of work. The broader context of alterations in the very culture of work, consequent upon CIT-induced changes, cannot seriously be addressed merely by management-based approaches.

The other major context of, and feature of, changes in the meaning of work is globalization. Work is increasingly organized on an international level. The structure, stability, remuneration, and availability of work is often determined beyond national boundaries. Workers in the least developed countries scarcely have a toe-hold in the global economy, and those in developing countries are often restricted to work in export production that may mean little for national development. In the highly industrialized countries workers face greater uncertainties in the pattern of work and the expectation that longer periods of time will be spent in training for what employment there is. Capital and labor flows are accelerating in pace and diversifying in pattern, especially as workers move from less industrialized nations to those such as the U.S., Singapore, and Saudi Arabia. CIT-affected productive processes are spreading almost everywhere. Women are entering the international labor force in unprecedented proportion, often taking up low-paid production jobs. And organizational systems are in international competition, between for example, German codetermination, Japanese continuous improvement, and American flexibility.

In his illuminating work on the 'information age', Manuel Castells emphasizes the importance of these two factors—the informational and the global—and the ways that they are mutually implicated with each other, in his analysis of the 'network society'. He writes that the new economy is

... informational because the productivity and competitiveness of units or agents in this economy (be it firms, regions, or nations) fundamentally depend on their capacity to generate, process, and apply efficiently knowledge-based information. It is global because the core activities of production, consumption, and circulation, as well as their components (capital, labor, raw materials, management, information, technology, markets) are organized on a global scale It is informational and global because, under the new historical conditions, productivity is generated through and competition is played out in a global network of interaction.⁴

The resulting situation is one in which an asymmetrically interdependent world, organized around three major economic regions is 'increasingly polarized along an axis of opposition between productive, information-rich, affluent areas, and impoverished areas, economically devalued and socially exclude'. But because the technological infrastructure of the informational economy is organized in 'networks and flows', one's position in the international division of labor does not depend simply on region. All countries are penetrated by all four positions in which economic agents find themselves, and these are: 'producers of high value, based on informational labor; the producers of high volume, based on lower-cost labor; the producers of raw materials, based on natural endowments, and the redundant producers, reduced to devalued labor'.6

In the light of the foregoing, it is not surprising that these two aspects of contemporary changes—CITs and globalization—together have huge consequences for the meaning and value of work. Jobs available and the skills needed to do them are changing constantly, as the new technologies are adopted. But the global movement of capital and labor also affects work profoundly. As Hodson observes: 'The large-scale migration of production facilities to locations with cheaper labor is dramatically changing the mix of jobs available in both the nations receiving production jobs and in the nations losing these jobs'. It is one thing for governments to try to generate skilled labor, supportive infrastructures, and efficient organizations, in quest of long-term growth and stability. It is another to explore questions of how the meaning and value of work themselves should be reappraised in a global information age.

Castells argues persuasively that the fundamental transformation is not the growth of a global labor force, or changing employment levels, or even social polarization resulting from the global, informational economy, but rather 'the individualization of work and the fragmentation of societies'. This represents a reversal of the

historical trend within industrial societies of the salarization of work and the socialization of production. Now management is decentralized, work is individualized, and markets are customized. 'New information technologies allow at the same time for the decentralization of work tasks, and for their coordination in an interactive network of communication in real time, be it between continents or between floors of the same building. The emergence of lean production methods goes hand-in-hand with widespread business practices of subcontracting, outsourcing, offshoring, consulting, downsizing, and customizing'. 9

So what the new technologies make possible, namely the flexibility and adaptability of the productive process, meets little resistance from increasingly mobile capital, but this highlights the relative inflexibility of labor. Workers become more and more vulnerable to the system, and though some retain institutional protection, bargaining is individualized. This is why Castells sees the disaggregation of labor as being more significant than its polarization.

Workers everywhere are forced to be flexible. They must be prepared to move geographically, within or even beyond their own country if they wish to keep their jobs or find new ones. And they must adjust to flexible schedules, add time, or reduce time, in what amounts to a "just-in-time- labor" system. As Castells reminds us, life working time is also affected which, given the centrality of work to the structuring of social time, affects in turn social life patterns. Against the long-term international trend towards more similar work times, the flexible network enterprise is producing quite a range of different work schedule outcomes in different countries. Thus as Frédéric de Coninck argues, while work is more integrated at the level of the enterprise, workers themselves are at the mercy of a multitude of different work time-and-space situations, leading to societal disintegration.¹⁰

Integrated Work: Fractured Society

The striking thesis of Coninck is that two simultaneous processes are occurring in the global information society. At the level of the enterprise, work is increasingly integrated. At the level of the social relations of workers, breakdown (éclatement) is the trend. In the modern world, people inhabit increasingly plural worlds, with multiple places of socialization. The number of social contexts, each with its own logic, and in which the individual finds herself, grows constantly. In each context the bonds of relationship are weakened, for the simple reason that the individual self-investment in each context is spread more thinly. We are all confronted with this variety of calls, interests, and responsibilities, and only in small ways can we contribute to or control each sphere. Even more significantly, suggests de Coninck, what is missing is those "markers" (repères) that make sense of each situation.

The story of modernity, argues Coninck, is a story of growing specialization, and of a widening gap between public and private life. Social relationships have become more fragile in all areas. It is not necessarily that there is complete social collapse, as some communitarians fear, but that the technologically advanced societies have developed what Robert Wuthnow calls 'loose connections'. He all this happens—and here is the irony—at a time when work processes, which for centuries have served to structure social life, are becoming more tightly integrated. Companies control production processes over vast geographical areas—garment-makers such as Levi-Strauss or Benetton coordinate all their factories and distribution channels throughout the world—shifting resources like pieces on a chessboard. The enterprise expects a broader range of competences in the individual, leading to a workforce polarized between the knowledgeable salariat and those with relatively low educational and skills levels, and tries to hold these individuals together by means of 'human resources' departments. Workers assume that someone, somewhere, knows what is going on, and companies, often without knowing local details, assume that diverse work contexts are orchestrated into an overall pattern.

The sense that someone, somewhere, knows what is going on is reinforced by the experience of workplace surveillance, using techniques that are increasingly dependent on electronics-based communication and information technologies. Forms of workplace surveillance have increased in intensity and diminished in visibility since the introduction of automation and what Shoshana Zuboff calls 'informatization'. Although management may be physically absent, if not geographically remote from the workplace, this does nothing to lessen the feeling that the 'boss is watching'.

Wherever e-mail, telephones, and the Internet are used in work situations, they are vulnerable to monitoring. Movements are observed by video and CCTV cameras, which may be trained on production sites and parking lots. Keystrokes are counted, emotional labor-such as smiling or being "chirpy" at call centers-is monitored, and active badges or smart cards pinpoint the worker's whereabouts at any given time in the day. The overseeing may also be done directly by shareholders rather than managers. One Ontario company has placed a webcam in a call center so that any interested party may check what workers are up to at any time of day or night. And workers at a Midlands (UK) Toyota plant were surprised to discover that washroom urinalysis is a routine way of verifying the health of workers. In a globalized economy, workplace surveillance is also globalized. Before one ever obtains employment, it is more and more likely that employment screening methods will be used to precheck the suitability, reliability, trustworthiness, and health of potential employees. Risk management is practiced in many corporations, and in particular the likely health profile of intending employees is of vital interest to employers. This can be checked using methods that include genetic screening. The mobile worker may well have left health records in another state, province, or country. But the capacity to detect and predict disorders that could potentially affect work performance is not limited by geography. All these forms of workplace monitoring and surveillance are tied directly to the increasing integration of work, and flexibilization of labor. Indeed, the more employees are involved in flexible forms of labor, involving irregular schedules or travel and homeworking, for example, the more employers wish to keep tabs on their activities, their condition, and their deportment.

Depending on the type of workplace then, many employees feel the effects of "global information society" as an impersonal means of coordinating and tracking their paid time and their productive activities. What is less frequently apparent, however, is that rising levels of workplace surveillance do not necessarily arise from the desire of management more tightly to control or discipline their workers. They may be less personally interested in workers than the workers imagine. Indeed, workplace surveillance is often a byproduct of computerization for other purposes. Just-in-time management or Total Quality Control produce surveillance effects that are experienced by the workers (who will discipline themselves in order to comply) but the purpose of these methods has to do with the flexibility or quality of production, rather than with an interest in how workers themselves perform. It is work that is integrated by these and other means. Whether or not workers are integrated socially within or beyond the workplace is, on present showing, a question whose answer certainly cannot be read off workplace experiences in any direct fashion.

The dominant techno-economic rationality of firms that determines and marshals the locations and timings of work within the network society simultaneously disrupts the patterns of life of the workers it employs. Temporalities are torn apart, spaces of work are split, with the result that workers are more isolated, individualized, segregated from each other. Yet paradoxically, Coninck notes, as firms seek more fluidity, flexibility, and mobility, they depend even more on those traits that take time—communication skills and trust, for instance—and that are enhanced by stability and rootedness in place. ¹³ Indeed, for all the talk of informational cities and virtual communities, the evidence suggest that as urban areas become more media-intensive, they also require better transit systems so that those crucial management decisions can still be made face-to-face.

One of those areas of social life deeply affected by these shifts is the family, and relationships between men and women. The changing location and timing of work, related to CITs, is especially marked in areas where women are most prominently involved. In Europe and North America, where the emphasis has been on raising the productivity of white collar workers, women have experienced a marked shift towards part-time rather than full-time work, more temporary work, and towards homeworking, moving from urban to rural areas, and beyond national boundaries. Only 50 percent of the UK labor force, for example, has a full-time, permanent job. And in the European Union, 83 percent of part-time jobs are held by women. Again, flexibility is the watchword behind these changes. In stark contrast to classic industrial situations, expectations about where work is done are as much subject to variation as expectations about when they are to be done. Within this situation one can also differentiate between the experience of, say, white and black women. Many of the latter are obliged by economic necessity to find full-time jobs, but tend to find themselves disadvantaged within those positions. A qualitatively different sexual division of labor is emerging with the widespread application of CITs in the context of restructuring. The old permanent workforce is dying, says Juliet Webster, ¹⁴ and we are 'in a period of unparalleled growth in insecure, contingent work in occupations of all kinds'.

At first glance, it may appear that flexibility could offer real gains for family life, permitting shared work schedules to match shared domestic responsibilities. However, this promise does not appear to have been realized yet. As Juliet Webster points out, it is not new technologies that somehow bring about innovations such as teleworking. They merely enable them to happen. One has to look at restructuring strategies that lie behind it—and they seldom have the aim of supporting more meaningful and stable family life! When decisions are made affecting 'operating units' (persons) from within 'human resources' (personnel) departments, often remote from actual worksites, it is hardly surprising that a sense of what workers actually do with their lives is missing. The overall effect may be bleak: It is to reinforce capitalist patriarchal labor relations; employers gain cheap labor, and men retain their domestic laborers.

At present, it does not seem that the flexible work structures emerging within global informational settings are being used to increase the incidence of domestic work-sharing, economic partnership and shared parenting responsibilities. And, of course, those structures cannot entirely be blamed for this situation either. But what it does show is this. The growing flexibility of work does not automatically support particular kinds of preferred social arrangements. If stable and equitable family relationships are valued, then changes must be sought at the domestic level as well as within the policies of firms, and through the supporting structures that government can offer through social programs such as childcare and fair pay legislation. Flexibilization may present more challenges than comforts to those committed to secure family life, but this means that the struggle must be engaged on many fronts at the same time.

Another way in which flexibilization has a social impact is in what might be called 'life working time'. Lifelong working hours have been decreasing in the technologically advanced societies during the past few decades, but growing flexibility has further ramifications. If, as Castells (and others) suggests, 'paid working time structures social time', then when people do and do not work, and at what points in the life-course work plays greater and smaller roles, will affect how the rest of life is perceived, enjoyed, or endured. Working time and working schedules seem to be increasingly diversified, in parallel with the disaggregation of labor. Along-side this is the dramatic shortening of the number of years of working life, again in the technologically advanced societies, such that in Germany, the U.S., France, and the UK, the activity rate of men between the ages of 55 and 65 has dropped by anything from 43 to 65 percent in the last twenty years! This means that of a potential lifespan of seventy-five to eighty years, only thirty (age 24–54) might be spent in paid work, thus diminishing—at least in principle—work's centrality to life.

This has implications, already being felt in several countries, for the systems of social support for those not in paid employment. Productivity increases would have to be substantial, as would the willingness to engage in greater intergenerational redistribution, in order to offset the accounting crises consequent on this shift. This leads Castells to propose that new social contracts are urgently required, in order to avoid the clash generated by the shrinkage of valuable working time, on the one hand, and the accelerated obsolescence of labor, on the other. Intergenerational conflict, and the further breakdown of social solidarity, could be the result.



The Right to Work in Post-Communist Countries

HANNA SUCHOKA

Minister of Justice of Poland

FROM THE POINT OF VIEW of its legal and constitutional classification, the right to work belongs to the group of economic and social rights. It is a part of the so-called second generation of human rights, as opposed to the first generation, ro which such rights and freedoms as personal freedom, freedom of speech, freedom of the press, freedom of conscience and religious creed. traditionally belong. The first generation rights are often referred to as traditional rights, and are nearly universally recognised to constitute the core of every state constitution, since they define and limit the scope of the authority of the state over the individual. Economic and social rights constitute a different problem. Discussion of their normative character is much more complex, and opinions as to the need for their constitutional recognition vary greatly, extending from liberal doctrine, which denies the need for constitutional inclusion of these rights, to socialist doctrines, which favour their very detailed formulation.

The debate over these issues has become particularly pronounced in the post-communist countries, and it clearly demonstrates that these are not purely doctrinal controversies, but on the contrary, disputes about issues deeply rooted in the social and economic realities of the post-communist states (i.e., states currently undergoing a process of economic transformation). As is well-known, work is affected by all the changes taking place in the field of the economy. Work and its conditions are intrinsically related to the choice of a given economic system and to changes in the methods of its administration. The changes that have been taking place in the post-communist states in recent years are a different set of tools through which the state manages its economy. They also represent a change in the role of the state and the relation between the citizen, hitherto the state's employee, and the state, the main employer. In this respect, the countries currently undergoing transformation appear to be the point of convergence for the problems concerning work that haunt the contemporary world. Consequently, the post-communist states provide an opportunity for a 'fresh' review of these problems, for investigating the development of the ideas pertaining to the right to work, the barriers to success in the fight against unemployment, and for determining whether the right to work constitutes a feasible objective.

Considered from a legal perspective, the right to work, as well as the other so-called economic and social rights, have undergone a peculiar historical evolution in the twentieth century. These rights did not constitute a significant element in the constitutional development of democratic-liberal countries. On the other hand, they were vastly expanded in the constitutions of the countries representing 'real' socialism, and such detailed constitutional inclusion used to be considered as an indicator of the progressive character of the communist system. These rights, and particularly the right to work, interpreted as the principle of full employment, played the role of fundamental slogans in the communist system. These rights however, as incorporated in an artificial economic system that the centrally planned economy constituted, were considered to be of propagandistic or declarative rather than of normative importance. They constituted a peculiar kind of socioeconomic principle of a particular sort of authoritarian state, rather than an individual right. That is why any profound, substantial discussion on the scope and importance of the right to work was impossible. Even today, though, discussion of the right to work under market economy conditions generates considerable excitement and irreconcilable values, and stand in opposition to one another.

On the one hand, there is the unquestionable value of full employment and, as a result, security for the individual. On the other hand, this value is to be realised by the market system of economy, built according to principles recognising the freedom of the individual. Experience shows that implementation of the principle of full employment is only possible under conditions of a system of central economic planning, a system which deprives the individual of the freedom of enterprise, private property, and which removes from him any responsibility for his own fortunes, i.e., in a situation in which man is considered to be a production instrument rather than a genuine entity endowed with his own entrepreneurial drive. Thus, implementation of a value such as full employment—at least under circumstances with which we have been familiar—always took place in a context which denied the personalist concept of the individual, i.e., in a situation which denied one of the canons of the social teachings of the Church.

Thus the only examples of implementation of the principle of full employment are the communist states. Yet, the implementation of such a 'version' of the principle caused a series of negative consequences which virtually denied the very essence of work, and reduced only to formal employment. Fictitious employment, the reverse of latent unemployment, became a common phenomenon. Any relation between employment and wages was lost. In the human dimension, this situation led to the loss of the work ethos and to the demoralisation of workers, whereas in the economic dimension it led to low productivity and, consequently, to the negative state of the economy as a whole.

On the other hand, the market economy principle, based on the recognition of the freedom of the individual and his responsibility for his own fortunes, devoid of any social considerations, leads to mass unemployment and, consequently, violation of the dignity of the individual who is unable to support himself by his own work. Thus the challenge the contemporary world poses is a search for the answer as to whether or not and how these two values can be reconciled. This particular dichotomy, this peculiar clash of values between the need for the introduction of the market economy and unemployment is particularly manifest in countries delivering themselves from the communist system. Hence we find that the use of the example of these countries is helpful.

The beginning of the so-called transformation process, which, in the economic dimension meant the introduction of the system of the market economy in the post-communist countries, meant renouncing the principle of full employment, the principle being, as already mentioned, basically fictitious. This resulted in massive unemployment, with both society and the state completely unprepared for this phenomenon. Society, accustomed to employment security and the idea that any concern about finding and securing work was the

responsibility of the state, suddenly found itself frustrated and lost. In the face of such particularly painful events as large-scale factory closures, and the not infrequent cases where all the members of a family were made redundant, the positive effects of transformation receded into the background. Moreover, these positive changes took place in a completely immobile society, a society whose members were accustomed to one place of employment, to one place of work, and one place of abode virtually throughout their entire lives. Such were the rules governing the communist societies, where man, owing to the existing economic infrastructure and housing system, was in a peculiar way ascribed to one place of work and abode.

It therefore should come as no surprise that, after the initial months of expectation of positive effects from the new system, a major campaign was launched against closing the hitherto existing establishments, against restructuring, and in favour of the full employment system in that which was obviously its only known version, that is, the 'real' state socialism version, with the state being the sole employer. The aim of suppressing unemployment became the leading issue of the whole transformation process. Consequently, inclusion of the right to work in the constitution has come to be recognised as a means both to guarantee employment and to return to previous solutions. Hence the intense pressure to include the right to work in the constitution in recent years. In the initial period of the reform of the system, at the time of a particular fascination with a market economy, MPs representing liberal parties strongly opposed the constitutional inclusion of the right to work, finding it an attempt to re-impose the communist concept. In doing so, they sought to limit the role of the state as the major direct employer.

The latest public opinion polls show that 59 percent of the respondents support the inclusion of social rights, and particularly the right to work, in the new constitution, whereas only 24 percent would like the new constitution to be predominantly a guarantee of political and human rights. It is thus obvious that the liberal democratic principle of the primacy of political over social rights is quite strongly questioned in society. This does not mean questioning the traditional rights themselves. Instead, it is a matter of supporting the supremacy of socioeconomic rights over the traditional ones. Such an attitude is undoubtedly the legacy of the communist system as well as deriving from fears about the current socioeconomic transformations which constitute a danger to these social rights.

Discussion of the concept of the constitutional inclusion of the right to work indicates that it is the one that is most prone to being an 'empty' or fictitious right. It is paradoxical that the right to work is ensured by the constitution of Spain, a country where unemployment levels far exceed the average for Western Europe and the U.S. At the same time, current experience indicates that unemployment levels are dropping faster in the U.S. than in Western Europe, although declarations as to the formal guarantees of the right to work as well as constitutional inclusion of the state's right to intervene in favour of reducing unemployment are far more common in Europe. Hence it is an obvious conclusion that the nexus between the constitutional inclusion of the right to work and reduction of unemployment levels is practically non-existent.

As pointed out in the literature, social rights do not have the same character as the 'traditional' rights, which guarantee the security of the citizen against the state. Consequently, unlike these traditional rights, the 'social rights' do not constitute a set of claims that an individual has in relation to various organs of the state. It is unquestionable that excessive legal guarantees, meant to ensure employment, provoke abuse on the part of the workers and, as such, become subject to moral condemnation. On the other hand, in a situation of tormenting unemployment and poverty, which results from economic underdevelopment and the collapse of declining industries, employers have an advantage over employees, and particularly prospective employees, which they may abuse. Furthermore, the lack of the fundamental stability of the employment relationship cannot be accepted on moral grounds. This is yet another example of the possible contradictions which are

persistent aspects of this issue. The problem of work or the right to work is thus not only a question of the mutual relationship of work and capital, but a moral issue, and, as exemplified by the above examples, a very complex one.

However, another aspect has to be stressed here. Namely, many considerations about the right to work underestimate, or even completely disregard, the question of the financial aspects and the financial condition of the state as one of the elements necessary to any implementation of the right to work. Any solution in the sphere of the right to work must not hinder economic growth, nor the stability of the currency, since it then loses its social relevance. Such hindrances can be the result of pressure aimed at maintaining obsolete and unprofitable socialist industrial giants, and the pay claims of these enterprises. In this context, the principle of employment protection, intervention in areas of employment security, and limited steps aimed at stabilising the employment relationship, appear to be reasonable solutions. So is the matter of organised assistance for persons whose unemployment is a result of a genuine inability to take up employment or to find other sources of subsistence.

The problem of forced labour has always been one of the more controversial issues. As a feasible objective, the right to work most certainly must have nothing in common with forced labour. Many an international agreement has attempted to ban forced labour. Hence one of the indubitable features of work, which allows for man's self-fulfilment, is freedom of its exercise. The communist states, having created broad and far-reaching guarantees for workers, such as protection against dissolution of the employment relationship, the stability of employment, and the assurance and limitation of working time, thereby brought about a situation in which the value of the work performed was, in certain cases, so low that people were not willing to take it up of their own accord. That is where the problem of forced labour originated. It has to be added that the organisation of forced labour is an intrinsic feature of totalitarian states.

The broad discussion that took place in Poland in the mid-1980s, in connection with the government's plan to register so-called 'patasites', or in other words, to introduce a certain level of duty to work, showed how much misunderstanding the problem generated. The proposed draft of this plan contradicted the Human Rights Agreement which Poland had ratified. Arguments stemming from Catholic social doctrine were relied upon, which pointed out that to approach work in terms of duty in a certain way undermines its absolute value. Through work, the personalist element should exemplify itself, and personal values should be achieved. This is denied, or at least fundamentally limited, in the case of forced labour. The arguments of human rights activists stressed that the unique feature of work is that it is constituted by its freedom. This was also the attitude of the majority of the members of the public.



International Migration, Distribution of Work, and Development

JERZY ZUBRZYCKI

The Australian National University

The Global Perspective

N 1989, the United Nations reported that some fifty million people, or about 1 percent of the world population, lived in a country other than the country of origin. Barely six years later the United Nations estimated international migration of all kinds to stand at 125 million.

In 1993, refugees totalled approximately eighteen million as the term 'ethnic cleansing' joined the twentieth-century lexicon of horrors. Some 85 percent of that number were located in the developing countries; of the remaining international migrants, some thirty-five million were in Sub-Saharan Africa, with thirteen to fifteen million each in Western Europe and North America. A further fifteen million can now be found in Asia and the Middle East, where a few countries (for example, Iran, Iraq, and Pakistan) have particularly heavy concentrations of refugees.

In global terms, international migration is on a far smaller scale than rural—urban migration. Yet its impact is out of proportion to the numbers involved. Migration is the visible face of social change. It is a face which is often greeted with apprehension. In the industrialised countries of the North and in many developing countries of the South, immigration has become a political issue. To quote from a recent intergovernmental discussion paper, 'Migration is now seen as a priority issue, equal in political weight to other major global challenges such as the environment, population growth and economic imbalances between regions'.¹ The global nature of these challenges was further highlighted when delegates from 120 nations met for the World Social Summit in Copenhagen in 1995 to discuss ways to reduce poverty that affects 1.3 billion people—a quarter of the world population. Underlying the discussion of poverty were fears of uncontrolled migration and environmental degradation, as articulated in the keynote address by Prime Minister Rasmussen of Denmark, who called for aid to stem emigration pressure in the South: 'If you don't help the Third World, then you will have these poor souls in our society Europe has now lived through a period where thousands and thousands of refugees are coming from various parts of the world ordinary people now recognise the global situation'.

Table 1. Foreign-born Populations in Selected Countries

Country	Year of Census	Foreign-born No. (000s)	% of Total Population	
Africa				
Ivory Coast	1975	1,477	22.0	
Ghana	1970	573	6.6	
South Africa	1985	1,862	8.0	
Zimbabwe	1982	527	7.1	
Americas				
Argentina	1980	1,912	6.8	
Canada	1981	3,867	16.2	
U.S.	1990	14,080	8.7	
Venezuela	1981	1,049	7.2	
Asia				
Bahrain	1981	112	32.1	
Hong Kong	1981	2,132	42.8	
Israel	1983	1,422	42.6	
Kuwait	1985	1,016	59.9	
Malaysia	1980	673	5.2	
Saudi Arabia	1974	719	11.8	
Singapore	1980	527	21.8	
United Arab Emirates	1975	356	81.8	
Europe				
Austria	1981	292	3.9	
Belgium	1981	879	8.9	
France	1982	5,002	11.2	
Germany	1986	4,513	7.4	
Netherlands	1986	552	3.8	
Sweden	1986	719	8.1	
Switzerland	1985	916	14.8	
United Kingdom	1981	3,390	6.3	
Oceania				
Australia	1986	3,247	20.9	
New Zealand	1981	465	14.6	

Source: International Migration Policies and the Status of Female Migrants, New York, United Nations, 1995 (ST/ESA/SER R/126).

The globalisation of the international labour market—the central theme of this paper—is itself 'the consequence of economic globalisation, capital mobility, the activities of international business corporations, and the widespread realisation by governments that human resources can be traded for profit like any other resource'.²

In general, contemporary international migration can be viewed as one more element in an increasingly complex set of exchanges (trade, technology, capital, cultural) among countries that possess differential power (economic, military, political). This growing interdependence between nations is associated with expansion of the international system; large and growing populations in many countries; growing economic disparities within and between countries; improved communication and transportation systems that permit information, people, and goods to flow rapidly between distant territories; transnational institutions such as corporations, the United Nations, and associated agencies (such as the International Organisation for Migration with its headquarters in Geneva), churches, and a range of smaller social service agencies that employ and transfer employees across nation—states; and social networks created through intermarriage and previous mobility patterns that link families and communities together in transnational support systems.

International migration or the movement of persons from their country of birth or residence includes four major components: the movement of permanent settlers, temporary workers, refugees, and illegal aliens. While permanent settler migration used to be the dominant form of international migration in the nineteenth century and the twentieth century immediately after World War II, currently it provides large numbers of migrants only to the United States, Canada, and Australia. Increasingly it is the other three components—temporary, refugee, and illegal, including asylum seekers—that introduce large numbers of a foreign born population to a variety of receiving countries (see Table 1). While governments have some control over immigration, the increasing volume of all forms of international movement makes control difficult.

Temporary migration incorporates a considerable range of movements, and, it can be argued, is becoming the dominant mode utilised by governments to admit foreigners. Temporary migration includes both migrants admitted for a specific time and purpose (such as work at a specific job), as well as migrants admitted without such restrictions but who have not been granted permanent residency status. Included in this category are the guest worker programmes implemented in West Germany, Switzerland, France, and other European countries in the 1950s and the 1960s; the *bracero* programme under which Mexican workers were admitted to the U.S.; the movement in the southern tip of Latin America to Argentina and flows from Colombia and other South American countries to Venezuela. The one region which still attracts temporary migrants comprises the capital-abundant, oil-producing, labour-scarce countries of the Middle East, where workers have been recruited from other Arab countries and from Asia to perform jobs in construction and other sectors of the economy.

The most recent trends in temporary migration suggest that this type of international movement is no longer the dominant pattern and that we are at a point of change. Temporary movement has been associated in the last two decades specifically with labour migration, but in the mid-1990s it has become clear that the age of great honey pots, like those of Western Europe in the 1960s and early 1970s and the Middle East in the 1970s and early 1980s, is over. In time it is possible that new major centres of attraction will appear, and Japan seems at least one of several such likely receiving countries. One thing seems certain: Future forms of temporary labour migration of the traditional, low-skilled type will not stop, but will occur in smaller volumes between economies further down the pecking order of international wealth.

The third and most dramatic form of migration is refugee movement. Although a fact of life throughout human history, political recognition of the need for international cooperation and assistance developed after World War I, when the League of Nations appointed Fridtjof Nansen as the first commissioner for refugees. Nansen's untiring efforts secured an orderly resettlement of some 2.2 million White Russian, Armenian, Greek, and Bulgarian refugees. Massive refugee movements followed in the 1930s as a result of the Spanish Civil War and, above all, Hitler's persecution of the Jews.

All of these movements paled into insignificance in comparison with the uprooting of some twenty million Eastern and Central Europeans during and immediately after World War II as a result of flight, expulsion, forced population transfers, and population exchanges. Similar to these European dislocations were the mass transfers involving some twelve million Hindus and Muslims after the partition of India and the creation of Pakistan in 1947, and the repatriation of about five million Japanese from the outlying parts of its empire following World War II. International movements of Koreans also occurred within East Asia. They had gone as workers to Manchuria and Japan between 1910 and 1945. Many returned after the war, but there are still substantial Korean minorities in Japan and in the Soviet Union. Later the Korean War precipitated large transfers of refugees and captives between North and South Korea, followed by what the United Nations described as the 'most desperate refugee problem'—the mass exodus of the 'boat people' from the former Indochina after 1975. Other major refugee movements in the last half century include the exodus of Palestinian Arabs after the first Arab–Israeli war, the expulsion of Asians from Uganda, the flight of the various tribal groups from Afghanistan following Soviet invasion, the people uprooted by war between Iraq and Iran, the situation in the Horn of Africa and in Rwanda, and the dislocation of some two million people in the former Yugoslavia.³

Like legal migration, the illegal movement of aliens is a response to factors both at home and at the place of destination. The illegal migrant is faced in his own country with unsatisfactory living conditions, poor job opportunities, or other unfavourable situations which he hopes to correct by emigrating. But, for one reason or another, he cannot legally surmount the obstacles set by the 'target' country. The estimated magnitude of the phenomenon, which affects all countries is quite considerable: 700,000 in the Ivory Coast of Africa, 1.5 million asylum seekers in Western Europe, one to two million 'illegals' in Venezuela, three to six million in the United States.

Illegal migration has many insidious aspects. Some governments tolerate their illegals as long as they need their labour—the number of deportations rising and falling with economic prosperity. As W. R. Bohning of the International Labour Organisation observed recently: 'Yesterday many governments were glad that they came, some even told their police to look the other way and newspapers were full of praise for hardworking foreigners who accepted jobs nobody wanted'. But after several years of economic recession, governments and newspapers are looking for 'scapegoats'. 'The phenomenon of irregulars', he concludes, 'resembles a yo-yo—you pull them up when you need them and you let rhem drop when you don't'.

Aliens use many devices ro get into another country. Some come openly and legally, as short-term tourists and students, only then to go underground when their visas officially expire. Some aliens use sham marriage to gain entry, a few are sailors who have jumped ship or stowed away, but the majority merely walk over the border to get from Colombia into Venezuela, or from Mexico into the United States. They do so primarily to fill those slots in the occupation and economic systems—the low wage, low status jobs—that are not being filled by the resident, upwardly mobile population. But this is a precarious state of affairs that raises the major issue concetning this type of migration: the likelihood that mass expulsion may occur if economic conditions or strong political pressures mount against illegal aliens.

This brief survey of the major components in international migration serves to demonstrate one principal feature of the trends outlined above: namely the extent to which migration policies of sending and receiving countries can be used to strengthen political and economic ties. In turn, decisions on the size and national composition of migrant labour feed into political relations between sending and receiving countries. Receiving countries can choose countries of origin of temporary workers in a 'buyers' market' to advance political ends. In the Middle East, for example, oil rich states can favour temporary workers from Pakistan or Bangladesh to further Pan-Islamic goals and to reduce dependence on Arab workers from particular political systems (such as

Palestinians, Syrians or Egyptians). Alternatively, importing workers from non-Arab, non-Islamic countries (such as the Philippines) helps, to some extent, to divorce decisions on international manpower sources from other obligations stemming from Arab or Islamic considerations.

The second major conclusion of the survey of the main types of international migratory movements is that it has become more difficult to distinguish between economic, political, and social explanations of migration. Many of the factors, such as overpopulation in relation to resources, poverty, or unemployment, can have direct or indirect linkages to ethnic or political conflicts, which at the same time create refugee flows. Beyond this, one must take into consideration events that directly create refugees. Even if the distinction is hard to make, the study of the causes of migration must include both individuals who migrate primarily for economic reasons and those who are fleeing from persecution in their homelands, as well as those who combine economic and political reasons.

We should be able to assume that labour migration is relatively easier to predict or influence than refugee flows triggered off by a civil war (for example, Rwanda) or major ecological disasters. We should, therefore, conclude that the doomsday scenario of a mass exodus is only likely to apply to extreme situations where a sudden and unexpected crisis forces people to escape in search of refuge. This is what happened when the Gulf War forced hundreds of thousands of Arab and Asian workers to return home almost overnight, when the tribesmen of Rwanda fled the carnage of the civil war to neighbouring Zaire, and when a single storm and flood in Bangladesh made some two million people take to their boats and try and find refuge in the Indian states of West Bengal and Orissa.⁴

This brief review suggests that the widening differentials in the levels of economic development and in the standards of political freedom and human rights have not necessarily been the main determinants of recent international migration. As a leading expert on international migration put it:

Persons suffering severe poverty are generally more likely to stay put until near-starvation overtakes and they struggle to move elsewhere probably, as in the case of Africa, to a nearby country not much better off than their own. Such persons, it has been argued, pose no migration threat to countries of the North: distance, inability to finance travel and fear of the unknown combine to prevent them from becoming part of a mass exodus. Greater pressure is expected to come from compatriots in better economic circumstances, or from persons in countries higher up the international per capita GNP ladder, who are ambitious, know where the opportunities exist, can raise the travel costs and, if necessary, will risk arrest in a country of the North knowing that their deportation is unlikely. Persons with these characteristics appear to typify the increasing asylum-seeker and illegal populations in countries of the North.⁵

Migration Pressure and Development

During the past several decades, rapid population growth has been the central development issue for countries of the South. Poverty, which currently affects some 1.3 billion people, has been linked to inadequate carrying capacity of these countries relative to population. Traditionally, the thinking has been that poverty results from limited resources that have to support an increasingly larger population. However, as the United Nations Human Development Report 1990 (subsequently referred to as UNDP)6 shows, it is a mistake to reduce the development problem to a mere numbers game. A broader understanding of human development makes it possible to arrive at its integration with the concern about population numbers. The definition of human

development provided by the *UNDP* focuses on the people as the real end of the development process. In essence, human development is concerned with enabling people to enjoy long, healthy and creative lives.

When this definition—however general and vague—is applied to countries of the South, certain tangible improvements can be observed in the key indicators of human welfare. For instance, during the three decades of the 1960–1990 period, the population of the South doubled from two to four billion. At the same time, in spite of the doubling of its population size, the South can still claim the following achievements for this period:

- · growth in food production exceeded population growth by 20 percent;
- · primary health care was extended to 61 percent of the population;
- · safe drinking water was extended to 55 percent;
- infant mortality was halved;
- · life expectancy has risen by 34 percent; and
- · literacy rates have increased from 43 to 60 percent.

The Report concludes, however, that although the North-South gap in living standards has been narrowed, the average per capita income in the South is still only about 6 percent of that in the North. It is this striking disparity which lies at the root of the problem discussed in this paper: the relationship between migration pressure (potential and actual) and development.

The argument of this paper is that the view of migration pressure, so dramatically canvassed at the Copenhagen World Summit on Social Development, is an oversimplification of the link between population growth, levels of income, and migration. Two aspects of this nexus require further elucidation.

In the first place there appears to be no direct relationship between levels of human development and income. For instance, by 1990 Sri Lanka had achieved a life expectancy of seventy-one years and adult literacy of 87 percent, at a per capita income of \$400. In contrast, Brazil had managed a life expectancy of only sixty-five years and adult literacy of 78 percent in spite of a per capita income of \$2,020. At the same time, Saudi Arabia had attained a life expectancy of only sixty-four years and adult literacy of 55 percent on a per capita income of \$6,200.

These facts debunk the view that once rapid economic growth and a high level of average income is achieved, benefits trickle down automatically to the masses. It seems that even with limited resources, substantial improvements in quality of life remain achievable. The *UNDP* argues that economic growth accompanied by a reasonably equitable distribution of income is generally the most effective path to sustained human development. If income distribution is unequal, and if social expenditure is distributed unevenly, human development may not improve much despite a rapid rate of GNP growth.

The second issue which deserves further examination is one already touched on in the previous section of this paper, namely, why does migration not arise in situations where there are different factors present that would, other things being equal, lead to migration?

Among the factors usually presented as causes of future international migration are, as already indicated, the issues of overpopulation, widespread poverty, and the structurally conditioned unemployment in the third world.

In 1994 the population of the world increased by ninety-seven million and the yearly growth is also expected to increase over the next decades. The world's population is expected to increase from the present (1994) 5.57 billion to 6.25 billion in the year 2000, and 8.5 billion in 2025. The majority of this population increase occurs in the South at the same time as the population of the North is aging. The expected increase in population is leading to concern about how the increasing population, primarily in Asia and Africa, will be

able to support itself on the limited resources that are available. But at the same time, South–North migration has so far not usually originated in regions with the largest overpopulation and poverty. Rather, international migration has been more prevalent from the more economically developed regions of the South. The Philippines, India, China, Sri Lanka are examples of countries that provide substantial flows of international migration. It seems, therefore, that *overpopulation cannot be identified as a major*, independent, or sufficient cause for increased South to North flows.

The labour force of selected Asian countries that can be taken as indicative of the South, is also increasing on average by 2.3 percent during the 1990s. This is taking place due to a rapid increase of people in the young, working age category and also because more and more women are moving into the workforce. At the same time, growth in GNP does not necessarily lead to creation of a large number of new jobs and often growth is only relevant to a small fraction of the population.

Unemployment in developing countries has structural causes that seem difficult to change in the short run The global economic relationships between the North and the South, with disadvantageous terms of trade for developing countries, appear difficult to influence. At the same time, as has been shown, it is also true that it is not always the unemployed who migrate. It is not the poorest who become migrants but people who have access to some economic resources and often have jobs. Their urge to migrate is dictated by the desire to improve their already favourable situation relative to the rest of the population. Poverty and unemployment in the South seem not to be sufficient reasons to predict strongly increasing South–North migration flows in the third millennium. Thus, in examining the economic foundations for modern international migration, we must look beyond the lack of economic development to the spread of increasingly capital-intensive economic development to the third world population that are linked to the developed world by modern systems of transportation and communication.

The current prognosis of a significant if not dramatic future increase in international migration is often based on population growth and unemployment. This paper has shown that such forecasts must be analysed critically and carefully. It is not sufficient merely to observe that these factors exist. They must be judged in combination with a number of other factors, regional and local, historical, cultural and political, if we want to predict international migration or changes.

Employment Prospects and Structural Issues in the Industrialised North

This paper has argued that in the study of international migration the reality of a global economy, polity, and social system must be recognised. Wallerstein⁷ traced the origins of the present world system to the mercantilist period in the seventeenth century. Contemporary economists and sociologists have shown that there is a global labour market in the modern world economy. As the world becomes more interdependent and integrated, factors such as North–South relations, international migration, together with refugee flows and development aid are increasingly dealt with by policy-makers as high priority issues that influence international relations and security. For example, in the European Community, closer cooperation within the framework of the EEC countries, economic recession, high levels of unemployment, and a renewed debate about the actual effects of development aid are factors causing governments to introduce harder asylum policies and cuts in the aid spending. In general, several governments of the industrialised North (for example, Canada and the United Kingdom) are commissioning investigations into the possibilities of redirecting aid to decrease the urge for people to emigrate from less developed countries. The relation between aid and migration is, however, unclear and most existing studies rest on fairly loose assumptions.

Cuts in aid spending are but one symptom of a disease that grips the industrialised North. It is a disease that eats away first at the social tissue of the working population, and then attacks the blood system of social support. Its destructive energy comes from a powerful dynamic, part greed, part fear, that moves an insecure majority, a fearful business class, and panicky governments to an increasing neglect of what were once seen as their duties.

To call this disease unemployment—there are now more than twenty million unemployed throughout the industrialised North—or a consequence of economic liberalisation, is to slip back into terminology that narrows and distorts reality. This is not just a matter of people out of work but of a ruinous revolution in behaviour that touches everything from education to marriage. The consequent social problems are enormous and have a bearing on the attitudes to and treatment of migrants—legal and illegal.

In the traditional immigrant receiving countries—the United States, Canada, Australia, and more recently the oil-rich countries of the Middle East—the social consequences of unemployment are aggravated by a structural feature of the employment system, a feature some scholars have called the dual labour market.⁸ Piore, for example, analyses the United States' labour market and argues that imported, largely unskilled labour, can contribute to the creation of a secondary, partially unofficial labour market in industrial societies.

The dual-labour market hypothesis—in its extreme form—presents a model in which the market is divided into a primary sector and a secondary sector. The jobs in the primary sector are largely reserved for the native-born. Migrants are found in the secondary sector. There is thus a fundamental dichotomy between the jobs of migrants and the jobs of natives. The role of migrants in industrial economies can be traced to the factors that generate the distinction initially, to the role and function of the secondary sector in which migrants are found, and to the evolution of its labour requirements.

In modern industrial societies, the ageing native populations can no longer satisfy the entire demand for labour even in periods of recession. Many vacant jobs with low status, like cleaning jobs and jobs in heavy industry are shunned by younger native-born people whose training has predisposed them for better jobs in industry and, increasingly, in the service sector. There is little doubt that social welfare support has reduced labour mobility and relieved pressure, especially on educated youth, to accept uncongenial jobs. In these circumstances, jobs with low status are filled by labour from the parallel, secondary labour market.

Part of the theory of the secondary labour market is the proposition that it only competes with the primary labour market to a certain extent, and for this reason, it is assumed to lie in the interests of the employer to support the immigration of labour. This analysis was applied mostly to the immigration experience of the United States (Puerto Rican and Mexican labour) and Western Europe (Turks in Germany, and Algerians in France) in the 1960s and 70s. The lengthy recession and stagflation that followed at the end of the 1970s meant that labour migration largely ceased. Despite the shrinking labour market, however, migration and refugee flows to the North increased. Both refugees and other immigrants, especially family members allowed under various reunion programmes, have now become competitors for limited job vacancies and shrinking social welfare, and this may have contributed to the increasing xenophobia and unrest in many countries.

The structural impact of immigration must also be seen in the context of internationalisation of the labour market. Two points must be noted concerning the flow of capital and the impact on the countries of emigration. Industrial capital flows more and more from the centre to the periphery when capital is scarce but labour is plentiful and cheap. Thus, in less developed countries of the South, industries are established that produce for export to the world markets. ¹⁰ In opposition to this, it has been emphasised that the overwhelming portion of industrial production, despite the new international division of labour, still takes place in the centre, i.e., in the developed North. ¹¹ It is clear, however, that the structural changes in the American

and European labour markets have decreased demand for labour in those industries that were filled by immigrants during the 1960s and 1970s. At the same time, new economic opportunities created in the South may have contributed to emigration pressure by new groups in the population taking paid employment and changing traditional work structures.

The second consequence of the new international division of labour is its impact on the relative ranking of regions. It has been argued that migration has historically occurred particularly from regions with relatively lower wages (the periphery) to regions with higher wages (the core). Capital strives for profit maximisation while labour strives for a successive equalisation of global wage differentials, but it is always labour that comes up short. International migration can be a result of trade and financial contacts between politically and economically unequal units in the world system. But the changes that take place in the global system are only the changing of position and rank by single states. The structure itself of unequally distributed wage zones remains unchanged and this generates potential emigration pressures.

The inequalities in wage levels are also reinforced by structural inequalities of power relations since many regions of the South depend for their development on the North. As argued by some representatives of the dependency school, 12 countries of potential emigration become dependent on more powerful and financially strong countries of immigration. The structural inequalities deepen the difficulties or achieving changes in the emigration countries and give rise to increased emigration from the periphery to the core, a migration that is expanding all the time through social networks.

Conclusion

The widening gap in development levels between the South and North, and the resulting inequality of wage levels, present a major challenge to policy-makers in the global context. There is overwhelming evidence that the dominant model of modernisation within the neoclassical economic theory, ¹³ which saw migration as an essentially positive solution for underdeveloped countries with surplus population, is not valid. As Appleyard put it, ¹⁴ 'There is now general consensus that the South–North predicament cannot, nor ever could be solved through emigration per se. The orders of magnitude . . . are too large; nor would countries of the North open their gates to all comers Even if some western countries decided to increase substantially immigration as one means of arresting demographic decline (and the OECD has warned that this is not so easy a 'solution' as sometimes thought), intakes would certainly be selective (young, skilled workers and their families) and numbers suggested would have no noticeable affect on North–South demographic differentials'.

Basically, the need is for a reform of fundamental institutional structures that help to maximise employment. Applied to the global economy we include in this goal development policies for the purpose of maximising employment. Importantly this includes human development as envisaged in the UNDP. Some of the social priorities here include the seeking of more resources to foster linkages between social and economic development, integrating better funded humanitarian support and the launching of macroeconomic programmes more effectively, helping settlement of refugees, and so on. In promoting such reforms 'the principle of subsidiarity is of particular relevance. The international community cannot pretend to substitute properly for the responsibilities of governments and of the decentralised bodies of the countries'. 15

All in all, then, the issue of appropriate employment policies and migratory pressures in a world economy split into the haves and the have-nots must be treated in a holistic manner to encompass development cooperation, refugee, and immigration policies. A comprehensive development strategy in which international migration is assigned a specific role represents the most promising direction.



Formal and Informal Activity in a Divided World

ELSE ØYEN University of Bergen

FRANCIS WILSON

Cape Town University

THE CONCEPT of the *informal sector* was first defined as a 'residual' category, that is, all those incomegenerating activities that did not take place in the formal sector belonged to the informal sector. As it turned out, the majority of the world's population could be found in the informal sector. In the developing countries, homebased activities or the 'backyard economy' (i.e., the home production of vegetables and other plants on a small plot of land in the city or elsewhere for home consumption and bartering, but also different kinds of small-scale home production and sale of items generated, for example, through garbage picking) forms a significant and so far invisible contribution to the national economy. Small landholders, self-employed people, occasional labourers, people living off criminal and semi-criminal activities also form part of the informal sector. Use of child labour in the formal economy is likely to be referred to the informal sector, partly to make it invisible to the regulations of the formal economy. The unpaid work women perform in the home and on the farm can be defined as belonging to the informal sector. Only during the feminist revolution did unpaid housework in the Western world become visible through a new kind of accounting which showed its significant contribution to the national economy.

ġ.

Although sufficient data are not available, it can be argued convincingly that a very large part of the incomes that sustain poor people are largely found in their activities in the informal sector. Let it be added, that many non-poor people likewise find their income in the informal sector, whether it be through criminal activities or within legally defined activities.

The International Labour Organisation, writing in the Asian context, drew attention to the fact that the whole concept of the 'informal sector' was loose and could mean different things depending on the circumstances. It 'manifests itself in different ways in different countries, in different cities within the same country, and even in different parts of the same city'.²

Like 'unemployment' the concept of the 'informal sector' seems to have been given two meanings: one broad; the other narrow. In terms of the broad definition, the informal sector is defined in the literature to include virtually all unrecorded economic activities—both large- and small-scale, and both legal and illegal.

Without going as far as those who exclude rural activities from the narrow definition of the informal sector, it is nevertheless clear that a working definition of the term can not usefully be as broad as to include all that is covered in MacGaffey's study³ which includes trade in stolen fuel, poaching, and smuggling on a massive scale. One useful approach was that adopted by Nattrass in a South African field study. 'In most cases', she writes, '[T]he informal sector has been described as consisting of all those people outside formal wage employment in the large-scale officially recognised and regulated sector, as well as all enterprises which function outside government rules and regulations and which operate on a small scale using labour intensive technology [A]s a general rule, one should argue that an informal sector enterprise must manifest at least two of these three characteristics'.⁴

For the purposes of this paper we shall work with a narrower definition of the informal sector which will not encompass the full range of 'second economy' activities as described by MacGaffey. Nor shall we include organised crime, but will concentrate on that narrower definition of the informal sector as the micro-enterprise sector, which is seen by many writers as containing the potential for generating the jobs necessary to reduce the massive levels of unemployment and poverty found in so many parts of the world. Broadly speaking the focus is on small-scale, labour-intensive economic activity whether within or beyond the scope of official rules and regulations. Note that there is no suggestion that all such informal sector activities must be confined to the urban areas although it may well be that the majority of them are in practice concentrated there.

The Case of South Africa

Table 1 provides a brief economic profile, over the past thirty years, of the twelve mainland countries which in 1999 were members of the Southern African Development Community (SADC).

This table reflects a number of realities—and masks others. First we should note the enormous variation between countries even in one region of the so-called third world. There must inevitably be considerable scepticism about the usefulness of any economic generalisation across a subset of countries whose populations range from less than 1 million to over forty million; whose average annual growth rates vary from over 8 percent per annum, over twenty years, to a continuing decline of almost 7 percent per annum over the same period.

Secondly, over the past thirty years, throughout virtually the entire region there is likely to have been an increase in unemployment as population has risen faster than jobs in the formal sector. This includes industrialised South Africa.

Thirdly, the reduction in GNP per capita in over two-thirds of the population of the SADC points to the failure of the economy to halt the steady impoverishment of the region, with the exception of Botswana and, in more recent years, of Mozambique whose economy finally seemed to touch bottom at the end of the 1980s. Elsewhere on the continent the economic record is similarly mixed; but universally the impact of war has been devastating. Statistics are hard to come by and are not always reliable but in Angola, three decades of virtually uninterrupted civil war, both caused and fuelled in large measure by the battles for control of the country's diamond and oil resources, continues to devastate an economy with vast potential.

One important conclusion is that despite all the hopes pinned upon political independence from the beginning of the 1960s; despite all the analyses and proposals by developmental economists and others; and despite all the practical efforts by governments, business people, workers, and farmers (whether large- or small-

Table 1. Southern Africa: Population, Urbanisation, and Economic Growth

	Av. Annual Growth: GNP per capita					
Country	1965–1984	1985–1994	Population 1994 (millions)	% Urban		
Botswana	8.4	6.6	1.4	30		
Mozambique	NA	3.8	15.5	33		
Namibia	NA	3.3	1.5	36		
Tanzania	0.6	0.8	28.8	24		
Lesotho	5.9	0.6	1.9	22		
Subtotal			49.1			
Zimbabwe	1.5	-0.5	10.8	31		
Malawi	1.7	-0.7	9.5	13		
Congo (Zaire)	NA	-1.0	42.5	NA		
Swaziland	4.1	-1.2	0.9	NA		
South Africa	1.4	-1.3	40.5	50		
Zambia	-1.3	-1.4	9.2	43		
Angola	NA	-6.8	10.4	NA		
Subtotal			123.8			
TOTAL			172.9			

Source: World Development Reports, annual.

scale) economic well-being has not been fostered amongst the bottom 25 to 50 percent of the population of the twelve countries of Southern Africa, with the possible exception of Botswana whose total population is less than 1.5 million and for whose poorest fraction the spectacular economic growth of the past quarter century seems to have done surprisingly little.

But the statistics themselves do not tell the whole story. Indeed the very definition of the informal sector discussed above warrants our taking into account that economic activity which is excluded from the official accounts. At the same time it is important to recognise that the fact that a significant informal sector (or even second economy) may exist does not necessarily imply that it does. We are thus driven to recognising the importance of estimating the relative size of the informal sector, which may vary considerably from country to country.

There are two further changes affecting the whole region whose impact is not yet captured in the economic profiles of the twelve countries.

The first is the extent of HIV infection. The evidence now available points to a 'new wave of impoverishment' particularly in Sub-Saharan Africa. Life expectancy throughout the region is falling dramatically. In eighteen of the twenty-two (mainly) Sub-Saharan African countries studied 'HIV/AIDS would reduce life expectancy by at least ten years and in fourteen it would push child mortality up by at least fifty deaths per 1,000 live births.' There is no doubt now, write the authors of the World Development Report, '(T)hat AIDS is closely linked to poverty. Poverty offers a fertile breeding ground for the epidemic's spread, and infection sets off a cascade of economic and social disintegration and impoverishment.' In the absence of a breakthrough in

the treatment of HIV infection, the emerging scenario of populations (led in many instances by the young, economically active, better educated sections) dying en masse of AIDS requires a paradigm shift in strategic planning, whether with regard to job creation, the role of the informal sector, or anything else.

The second major shift in any new thinking about unemployment and the informal sector is the acceleration in the process of globalisation. This has happened in the 1990s through the combination of a number of factors including the establishment of the World Trade Organisation, with the ending of the Uruguay Round of GATT in 1994; the information revolution including the development of the Internet (based on the diffusion of personal computers); and the not unrelated growth of the global financial market in a world that no longer sleeps.

From the perspective of the informal sector, or of job-creation generally, the impact of globalisation can be felt in a number of important ways including (on the positive side) the possibility of accessing wider markets. More immediately, and on the negative side from the producer's point of view, is a downward pressure (due to competition resulting from the lowering of tariff barriers) on prices of some of the goods most likely to be made in the informal sector. Another type of impact relates to the macro-consequences in individual countries of the sudden, relatively large flows of short-term speculative capital either into or out of the local stock market. These flows, over which the individual country has little if any control, can wreak havoc with the most careful plans regarding appropriate exchange and interest rates to stimulate economic growth so as to generate more jobs.

It is against this background that the struggle of entrepreneurs in the informal sector is played out. In Southern Africa, as in many other parts of the world, there is a growing belief that the small enterprise sector has great potential to alleviate unemployment and to spur economic growth in times of recession.

There have been a number of attempts to gauge the relative size of this small-enterprise informal sector in the various countries of Southern Africa. How significant is the informal sector in South Africa, for example? Working with the narrow definition which focuses on small enterprises and tends to ignore criminal activity such as robbery or drug dealing whilst including all those enterprises which, because of tax evasion, operate effectively on the wrong side of the law, the consensus has been that the contribution of the informal sector is somewhere under 12 percent of GDP with Rogerson suggesting a best estimate of 9 percent and an absorption of some four to five million workers. However, the estimates vary widely with some ranging as high as 40 percent of GDP, though most observers believe this figure is far too high. The absence of reliable and meaningful data is widely recognised and is referred to by the ILO, 'as a core problem in employment planning for the informal sector.'9

But there is one part of the informal sector in South Africa about which there is now (post-1993) considerably more information than in the past. This is that part of the economy made up by the self-employed. Whilst there are significant numbers of self-employed persons (such as doctors and lawyers) who are clearly not part of the informal sector, there is nevertheless considerable overlap between the self-employed and the informal sector, particularly at lower income levels. The total number of self-employed individuals in South Africa in 1993 is estimated from the Saldru random sample survey of 9,000 households at 1.1 million which compares with the Central Statistical Services' estimate of 1.2 million persons employed in the informal sector. But this is very different from the Rogerson estimate of four times as many. Of the 1.1 million self-employed estimated from the Saldru survey, two-thirds (66.6%) were found in only five occupations: street-seller (23.3%); shopkeeper (12.8%); shebeen (illegal bar) operator (11.4%); sewing/selling clothes (9.8%); artisan (9.3%). Bhorat and Leibrandt point also to the 'notable' fact that less than 1 percent (0.77%) of the self-employed works in manufacturing.

Given the lack of systematic information about the informal sector as a whole (including ventures employing more than one person) can anything meaningful be said about it? Rogerson, for example, drawing on the

Table 2. Unemployment in South Africa, 1993 (%)

	African	Coloured	Indian	White	Total
All	39	21	11	5	30
Male	34	17	8	4	26
Female	44	25	17	6	35
Rural	42	10		4	40
Urban	35	26	10	4	26
Metro	34	19	12	5	22
16–24 yrs	65	41	24	11	53
16–24 yrs 55–64 yrs	20	9	5	2	15

Source: South Africans Rich and Poor, Baseline Household Statistics, Saldru, Cape Town, 1994.

empirical studies that have been done draws attention to two fundamentally different types of activity in the informal sector: bare survival activities, on the one hand, and dynamic expansionist enterprise, on the other. 'The mass of informal enterprises in South Africa's large cities, towns and rural areas fall within the category of survivalist enterprises. Typical examples are urban cultivators, child-minders, street barbers, or garbage scavengers, rural collectors of traditional herbs, and the ubiquitous township retail operations of spazas and hawkers. Also included in the category of survivalist enterprise are the rash of urban rural cooperatives that have appeared over the past decade' [1984–1994]. One further finding that seems to hold true in all the South African studies is that, relative to other countries (including those of the SADC), manufacturing activities are relatively underdeveloped in the micro-enterprise or informal sector, especially in the urban areas. Thus it is estimated that in urban South Africa manufacturing accounts for only 17 percent of micro-enterprise activity whilst in Malawi, Swaziland, and Zimbabwe the shares are 28 percent, 33 percent, and no less than 65 percent, respectively. The major reason for this urban backwardness within South Africa seems to be the repressive legislation of the Apartheid cra which discouraged black-initiated economic activity in the urban areas of the economy until as late as the 1980s. By 1992, however, these regulatory constraints were no longer seen as important obstacles.

The precise impact of the informal sector on unemployment in South Africa is by no means clear. Consider the following table.

Assuming that those who were employed in the informal sector in 1993 declared themselves to be employed and not 'looking for work', these figures represent the level of unemployment in the country, including those who said that they wanted work but had given up looking for it. The level averaged 30 percent. It is possible that, in the marginal world where work in the informal sector may imply waiting at home for somebody to come and buy some apples, the figures may not be quite as precise as they look. The findings, confirmed by other studies, are striking. Overall unemployment is high and, compared with earlier years, rising. But it varies widely by race; by gender; by age; and by urban verses rural geographic location. Variations range from a mere 2 percent for white males, in the last decade of their economically active lives, to no less than two-thirds (65 percent) for young black men and women under the age of twenty-five, not studying and in need of work.

Some Comments on Strategies Ahead

These figures drive home the fact that the need for expansion of the informal sector varies widely even within one economy, certainly one as fragmented as South Africa's. In outlining a possible strategy for encouraging the development of the informal sector in South Africa we can start from the macro-perspective which is very clear. For a whole combination of reasons including poor educational and training policies and a failure to invest appropriately, growth of the South African economy by the end of the 1970s had slowed dramatically. This trend continued during the 1980s until by the end of the decade growth had virtually ground to a halt, so that per capita income was falling and the gap between new jobs in the formal sector and the net number of new people coming onto the labour market each year was widening alarmingly. In this situation of massive unemployment and in the absence of any kind of social security for new entrants to the labour market and for many older job-seekers (particularly women), the only recourse was to some form of informal subsistence activity.

Despite some improvement in the economy following the political settlement and the successful transition to democratic rule in 1994, this trend of a widening gap between net additions to the labour market as a result of population growth and the tiny number of new jobs in the formal sector (including government) seems to have continued. Meanwhile the pressure for expanding the informal sector continues unabated as more unemployed people crowd into existing activities such as commuter taxis, for example. But this very process implies that less workers are being employed in the formal sector, hence the demand for taxi services decreases at the very moment that people are trying to provide more. This implies a falling level of profitability in such informal sector activities. Thus, paradoxically, the very pressures leading to an increase of the informal sector eventually lead on to its contraction.

Rogerson identifies a second factor in the growth of the informal economy which is also due, to some extent to pressures on the formal sector. This is the process of 'informalisation' where, by circumventing labour regulations and avoiding trade union monitoring, 'formal factory jobs are increasingly displaced by jobs in unregistered plants, and in homeworking.' 13 In the shoe industry, for example, during the 1980s, if not earlier, major manufacturers were deliberately organising the expansion of at least part of their production on a 'putting-out' or 'cottage-industry' basis. By the mid-1990s it was estimated that no less than 20 percent of total output (some ten million pairs of shoes per annum) was being produced in the informal sector in this way.

The debate about the value of expanding the informal sector in this manner is riven with contradictions. At onc end of the spectrum informalisation could be a process whereby ruthless employers evade hard-won (but costly) protective factory legislation against dangerous and/or environmentally damaging production methods by sub-contracting to small groups which may work at home or elsewhere. At the other end, informalisation could be a process whereby unnecessarily high production costs (including wages pushed well above market rates by militant trade union action) are cut sharply thus leading to significantly increased sales and hence employment. In practice, any process of informalisation is likely to lie somewhere between these two ends of the spectrum. But there is one further consideration. Costs in a particular sub-sector of a national economy may be such that the product is undercut by one from some other country as a result of a reduction in tariffs due to agreements with the World Trade Organisation. This particular impact of globalisation can benefit consumers as a result of lower prices, but this can be at the expense of a massive loss of jobs by producers. The pros and cons of increasing trade by means of lowering tariff (and non-tariff) barriers requires careful assessment in terms of the particular circumstances and also of the timing.

There is evidence to suggest that whilst an increase of trade can be shown theoretically to increase general welfare this does not necessarily imply that a particular group (or even country) will benefit as a result. In this context it is worth noting that preliminary analysis of the impact of the conclusion of the Uruguay Round of

GATT negotiations (December 1993) and the establishment of the World Trade Organisation under the Marrakesh Agreement in April 1994 suggests that Africa stands to lose rather than to gain, at least in the short run. He are continent has virtually no power at the international bargaining tables and can do little other than accept the terms which others have set. In this context it is surprising to find South Africa pursuing trade liberalisation (by reducing tariffs) at a pace faster than that required by the agreements in the multi-lateral trade negotiations. It is also worth noting that a century ago when its economy was much weaker relative to that of industrialised Europe, the United States passed the McKinley Act (1890) to ensure heavily protective tariffs (of the order of 50%) against imports of all types of industrial goods which Europe could, at that stage, produce more cheaply. But it is clear from the South African case study that the impact of globalisation on unemployment, particularly of unskilled workers and hence on the informal sector, is such as to require very careful strategic policy objectives being developed at a macro-level with regard to tariffs, labour market policy, social security, and taxation.

Despite the ambiguities and despite the assessment of some analysts that the advance of flexible specialisation in South Africa holds greater potential for the 'informalisation'—or break-up—of large enterprises into low-cost, non-unionised sweatshops than for the clustering of small enterprises that are engaged in constant innovation, there is widespread consensus about the necessity for government policy to support the further growth of the informal sector.

But a crucial distinction is drawn between the 'survivalist' enterprise (which is estimated to constitute 80 percent of the small enterprises in South Africa) and viable or growth micro-enterprises. With regard to the former the argument is that state assistance should be considered primarily as 'a form of poverty relief or welfare support', 15 which should be sustained until such time as the economy picks up and such enterprises acquire a new dynamic of their own or people find they no longer need them as they move into an expanding formal sector. With regard to the latter there are a number of practical suggestions as to how supportive intervention might take place particularly in the construction industry and in the manufacturing sector. To these we would add the belief, not widely shared by those concerned with development in South Africa, that rethinking the use of the land for the expansion, not least for export purposes, of small scale agriculture and horticulture holds considerable potential for job creation at reasonable levels of income.

Conclusion

There is room to draw together a few conclusions:

- 1. Differences not only between countries, such as those of Southern Africa (to say nothing of the wider 'third world') but also within individual countries are such as to render virtually useless any general analysis as to how best to develop the 'informal sector'. Strategies have to be devised which are specific to particular circumstances in each case.
- 2. Contrasting South Africa with other countries in the region, it is obvious that, for policy purposes, a clear distinction needs to be drawn between those which are largely industrialised, with a majority of the population in the urban areas, and those which remain largely rural, with farming—whether for subsistence or for commercial purposes—as the major occupation.
- 3. For an industrial country like South Africa, whose citizens are under pressure from widespread and increasing unemployment, intelligent and meaningful support of the urban informal sector is vitally important. At the same time it is necessary to recognise that expansion of the informal sector is not

- enough. Even (perhaps particularly) in the more industrialised countries such as those in Western Europe and elsewhere there is recognition of the fact that not even a combination of the formal and the informal sectors will provide sufficient income for all citizens in the twenty-first century.
- 4. Another possibility for income generation which is not necessarily classified as part of either the formal or the informal sector lies in the growth of grass-roots cooperatives. Whilst many have failed, there are some notable successes (such as Mondragon, the Amul Dairy, or the Grameen Bank) which can inspire hope for the poor.
- 5. Finally, for those who are unable to obtain jobs in the formal economy or to create them, through either some form of micro-enterprise or some imaginative cooperative initiative, some support via the state seems increasingly likely to become a political necessity in the economies of the future.

The Globalized Economy



The Need for a New Global Legal Regulative Framework for Capital and Labour

JACQUES DELCOURT

The Catholic University of Louvain-la-Neuve

TO BEGIN WITH, we should emphasise that the necessity for a new, global, legal, regulative framework for capital and labour is found in the accelerated transformation of the context within which the management of capital and labour, as well as their interrelations, operate. The need for new global regulation stems from the fact 'that the "social question" has acquired a worldwide dimension.' This 'does not at all mean that it has lost its incisiveness or its national and local importance. On the contrary, it means that problems in industrial companies or in the workers' and union movements of a particular country or region are not to be considered as isolated cases with no connection. On the contrary they depend more and more on the influence of factors beyond regional boundaries and national frontiers' (Solicitudo Rei Socialis, 9).

The need for a new framework is brought to the fore by the interplay of the processes of the internationalisation and the globalisation of exchanges, markets, and competition, as well as of the systems of production and communication. In a situation characterised, on the one hand, by internationalisation, and thus by the spatial and transnational expansion of economic activity, and, on the other hand, by globalisation—that is, by the intensification of functional interdependence—the regulation of capital, labour, and their relations can no longer be seen solely within the context of nation—states but must be seen against a wider background which is international, continental, and worldwide in character. In effect, these macro-processes have an impact both upon the mobility and flexibility of labour and capital, as well as upon the transferability of information, knowledge, know-how, and culture.

The differential mobility of these three factors—labour, capital, and knowledge—makes up the point from which one should attempt to build a new global and legal framework for the connections between capital and labour, and between material and tangible capital, and non-material capital.

Disjunctions between Capital and Labour

An unregulated internationalisation and globalisation of competition, markets, and systems of production reinforces the disjunctions between the requirements of the accumulation of capital and the requirements of economic development. The internationalisation of the circulation of money and capital is not conducive to bringing about a commensurate degree of productive investment nor to achieving levels of employment which correspond to the volume of investment.

At a world level various factors tend to reinforce the disjunction between the interests of capital and those of labour, the increasing difference between the mobility and fluidity of capital and the mobility and fluidity of labour; labour is often very restricted territorially. This differential in mobility is not systematically compensated for by an acceleration in the circulation of knowledge and know-how.

Such a gap between the mobility of labour and that of capital is obviously not conducive to the achievement of a balance of power between these two factors. This is all the more the case because a discontinuity is introduced within labour itself, between cadres who form a denationalised and multinational élite and the mass of workers, whose sphere remains limited to the national. Today, the power imbalance between labour and capital is all the greater because companies are able to disinvest and relocate without much regard for the social problems which are thus caused for the labour force and the local population. This imbalance in power is even more important than the successive waves of innovations which lead to drastic reductions in jobs and to downsizing. The growth and permanence of unemployment undoubtedly handicaps the negotiating strength of workers and union representatives, while allowing for a management which is separate from capital and its accelerated accumulation. Acute poverty persists in the wake of underemployment or lasting unemployment. All the ingredients necessary for the development of an informal economy are assembled. There is thus a real risk of groups forming outside of the formal economy and of gangs and maĥas engaging in a chain of businesses on the borderlines of legality, if not actually illegal. There is the added menace of corruption and the danger of the the formal economy being destabilised by the informal economy. This danger is greater in the poorest countries.

The problems presented by the relations between labour and capital and the search for a balance in these relationships are considerable but do not solely concern workers and their representatives. The disjunction between the mobility of labour and of capital provides the latter with the possibility of bypassing not only the union bastions but also consumer associations, ecological movements, even states themselves. In effect, the superior mobility of capital allows it to avoid national rules and conventions relating to labour, to the protection of the environment, or even to fiscal and social taxation by allowing deficits to appear on its accounts in places where profits are more highly taxed in order for them not to appear where taxation is lowest. This is done particularly by means of pricing in the transfer of components from one area to another, as well as through a channel of registered offices established in various tax havens. Through these different means competition arises between diverse fiscal systems.

The Differential Mobility of Capital and Labour

The processes of internationalisation and globalisation at an economic and financial level have radically disrupted the balance between labour and capital in the world. In general terms, money and capital are considerably more mobile and fluid than labour. The international flight of capital is easier than the transfer of workers, even if the numbers of migrants are by no means negligible. Today money circulates at the speed of light and the cost of this mobility has been much reduced.

This global mobility of capital is a condition for economic growth and development in the world. The greater the monetary and financial mobility, the easier it is to seize upon investment opportunities wherever these may exist on the planet. It should also be underlined that this growing mobility is a result of seeking opportunities for investment and profit; it does not derive from the better management of risk, or the search for the security of assets, or from opportunities for speculation.

Today, capital circulates in the world without major restrictions, it occupies a privileged position in terms of global mobility. During the twentieth century, the scientific and technical revolutions in communications and transport, as well as in their modes of connection and coordination, have aided the acceleration of the global dissemination of images or messages, of advertising, of knowledge, and of ideas. These revolutions have permitted the fluid operation of world markets in primary materials, semi-finished and finished products. They have facilitated the establishment of multinational production systems, the multiplication of multinational and global companies. They have increased the speed of financial transactions, the circulation and fluidity of money, the mobility of capital, and the flexibility of investment.

On the money and capital markets electronic and information technology are leading to the annihilation of space; by the use of the new technologies money is easily transferable around the world. They can also be transformed without difficulty from one financial product into another. Transferability and transmutability on the monetary and financial level are almost perfect, all the more so as the majority of economies and countries are open to the strong wind of competition and internationalisation. In many countries, everything is done with the aim of facilitating the circulation of money, of attracting capital from abroad, while at the same time permitting the repatriation of profit.

The revolutions in transport and communications have not only increased the mobility and flexibility of money and capital but also those of different factors which play a role in the development of the world economy. As a result of these revolutions 'factors regarded as immobile are becoming as mobile in international space as in national space' (1). Though not all circulate everywhere at the same speed and with the same facility.

An important disjunction thus appears today between the respective opportunities for the mobility of capital and labour, even if the mobility of labour has significantly increased in comparison with the past. In the European Union, for example, free circulation has been stipulated in law. But it has not been this migration, internal to a continent, which represents the most spectacular movements. Whatever the obstacles placed in the way of migrants, people continue to move from poor countries and countries destabilised by conflicts to the countries with advanced economies, in Europe, the United States of America, and Australia, to the oil-producing countries, and to the new developing countries.

That explains why the most developed countries still maintain strict immigration controls, except with regard to executives, whose temporary or permanent expatriation fosters the international promotion of their skills and thereby of capital itself. At the end of their mandate, such executives can repatriate without difficulty. For other categories of workers, international migration poses enormous problems. In general terms, entry is refused to those who seek to move to countries where they can feed themselves and escape famine, to work and enjoy a comparatively high level of income. In purely economic terms their thinking is well-founded, but if they have entered by clandestine means it is not unusual to see them deported.

It is thus understandable why capital has a degree of fluidity and a rate of mobility which is always greater than that which exists for workers. The latter are even less mobile if they are responsible for a family. The universality of the money and capital markets contrasts with the fragmentation of labour markets in the world. The principle of territoriality governs labour, but not capital, even if certain treaties, such as that of the European Union, are intended to bring about the free movement of workers.

The territorial character of labour would not represent a problem if the mobility of money and capital truly promoted investment and development throughout different countries and regions. In our era, capital comes and goes freely without much consideration for the social consequences of relocation and disinvestment. The low geographical mobility of labour could, to a certain extent, be compensated for by a better diffusion of knowledge and practical experience, as well as by the extension of basic education and lifelong training.

The Spread of Flows of Money and Capital

Before the Asian crisis, many experts involved in analysing the diverse indices relating to the evolution of the capitalisation of stock exchanges throughout the world, their turnover, and the value of foreign exchange transactions were maintaining that these indicators have all been growing at higher rates than, for example, the GDP of the OECD countries or the value of world commerce. Throughout the world, financial investment has been overtaking investment in production. In this respect, the journal *Finance et Bien Commun*, published by the 'Observatoire de la Finance' in Geneva, constitutes an important source of basic information; it is indispensable for more detailed analysis and interpretation.

From the figures which are available one can demonstrate that new issues, which make up 10 percent of stock exchange transactions, are placed by large companies which have high levels of capital. Financial internationalisation thus runs the risk of developing at the expense of the financing of small- and medium-sized companies, of which only a very small number are quoted on the stock exchanges. In addition, analyses carried out by the OECD show that direct foreign investment is largely made up by the countries which constitute the "Triad", that is Europe, North America, and Japan. It appears that outside these zones investment is restricted primarily to certain sectors of commerce and those services associated with them, such as maintenance and repairs.

The first question is thus to discover whether the primary function of the market in these areas, i.e., to bring about the optimal worldwide allocation of capital and investment, is properly realised. In a world of speculation, which places priority upon the optimisation of financial returns in the management of capital, this cannot be regarded as certain. Only such a proper allocation could constitute a guarantee of world economic development and employment.

Finally, if a connection exists between the extent and pace of financial internationalisation and of economic internationalisation, this does not mean that the choice of location for the establishment of the units which make up a multinational company is a matter of no importance. Even if at a rather facile level ready reference is made to the internationalisation of production and of systems of production, not all the regions of the world have the same possibilities in relation to development, either today or in the future. They are far from being equally attractive to investment and to capital.

The Concentration of Development in Cities

Even if it is the case that, within the modern economies, the flows of capital are developing smoothly because of networks established between units or companies dispersed throughout the world, and even if international commerce is composed to a large degree of trans-frontier flows of capital, this does not mean that the choice of location for plants or investment is irrelevant. In reality, rather than talking about the internationalisation of production one should speak of its concentration in cities. Rather than refer generally to the global diffusion of systems of production, it is necessary to highlight their massive concentration in a small number of urban

and industrial regions, in enclaves of development which are interconnected. In effect, in a global open economy, these are the ports of entry to continents, which act to polarise development, as do the points of intersection of the world's great transport routes, whether these be by air, sea, or land. By taking this double process of 'maritimisation' and 'metropolitanisation' as a starting point, one can understand the fragmentation and the profound dualisation occurring within countries and continents, and between developing regions, and those which lag behind them. Far from removing differences between peoples and regions, their chances of development are less equal than ever.

When choosing where to establish themselves abroad, investors clearly favour those regions where they can make economies in labour costs; they favour places which offer a sufficiently large range of qualified or easily qualifiable workers, controllable and controlled enclaves, where they can avail themselves of a panoply of logistical and administrative services suited to their purpose. This explains the metropolitan and restricted nature of global economic development. Here, however, a nuance emerges. In effect, if the chances of development and of employment are not equal according to region, the inter-regional distribution of revenue is often greater than that of economic activity and of employment. This undoubtedly arises as a result of the greater dispersal of places of residence but also because of the mechanisms of the redistribution and sharing of revenue.

The Growing Importance of Qualifications within an Innovative Economy

Today, manufacturing processes are inseparable from the processes of the creation, transmission, and assimilation of knowledge. The evolution of products and processes is more dependent upon the processes of the creation and transmission of knowledge and skills. In order to survive within a framework of global competition companies must continually produce, import, or acquire knowledge, skills, and culture. Every company which wishes to be innovative must at the same time be the importer, producer, and distributor of knowledge; it must be an educator and trainer. In many companies, 'development programmes have been set up which are centred on the use not so much of the material resources available but of the "human resources" (*Centesimus Annus*, 33). 'Whereas at one time the decisive factor of production . . . was capital—understood as a total complex of the instruments of production—today the decisive factor is increasingly the person, that is one's scientific knowledge, one's capacity for interrelated and compact organisation, as well as one's ability to perceive the needs of others and to satisfy them' (*Centisimus Annus*, 32).

In our era, when knowledge has become a force in production, it is necessary to invest in people. A country's capacity for research and development, its capacity for innovation in daily or long-term work, depends, in the last analysis, on investment in education and training. Education and training, the management of non-material capital, the management of personnel, and the development of human resources thus all become a strategic issue for companies, for states and for workers, whether they work for public or private companies, national or multinational.

In a situation of hyper-competition, the imperatives of innovation do not only apply to developed countries. Furthermore, wherever companies establish themselves and develop in the world, their decisions take into account the levels of education and training of workers available on the labour markets, as well as the efforts and expenditure made by individuals and states with regard to the ongoing adaptation of knowledge and combinations of skills. It is not so much the plethora of workers who have little or no qualifications which direct the choice of where to locate or relocate companies, but the availability, quality, and diversity of human resources.

Fundamentally, in matters of labour and human resources, the geographical mobility of workers is not the main problem but rather the need for workers who are sufficiently qualified, or qualifiable, and adaptable. In

a system where innovation constitutes a permanent factor, the free circulation of information and knowledge becomes the essential. In such a system, education, apprenticeship, and training represent a major element in terms of the profitability and accumulation of capital. In an economy of innovation, in order to be and to remain innovative, companies have to become educators, and, with this goal in mind, they have continually to promote apprenticeship, self-education, and the training of staff, either alone or in collaboration with external organisations involved in the education and training market. There has been an increase in training institutions both inside and outside companies.

The question of the free circulation of knowledge thus comes into conflict with those questions posed by the free circulation of labour and capital. The circulation of information and knowledge, as well as the transfer of technology, constitute a significant element in competition and the management of capital, work, and personnel. Even more than in the case of currencies and money, messages, whatever they may be, can circulate worldwide at the speed of light. The circulation of knowledge is not achieved in an arbitrary way. At the heart of modern economies based on innovation and knowledge, its free circulation remains limited by the keeping back or withholding of knowledge for gain. The free circulation of knowledge implies that intellectual property rights are not extended indefinitely and excessively beyond that which is necessary for the promotion of innovation. The free circulation of knowledge and skills would presuppose the removal of numerous obstacles placed in their way and an attempt to prevent their diffusion from being restricted to a closed circle of multinational and global companies, with the consequent monopolisation that this involves.

Conclusion

Solidarity: An Essential Basis for the Global and Legal Regulation of Capital and Labour

Spatial and functional interdependence is a fact. The domino effect brought about by the Asian financial crisis clearly demonstrates this reality. But this organic interdependence does not mean that solidarity between nations develops in tandem. In the course of previous decades and at many levels—national, continental, and global—the trend has been to opt for the minimum regulation of capital and labour. Dominant, neo-liberal thinking has argued that real development would result from the conversion of increasing numbers of countries to the principles of the market economy and liberal democracy. Today, most countries have adopted these principles and state intervention has been curbed and reduced.

In addition, at a global level, it has been held that development can be promoted without a high degree of coordination between world institutions with their own specialisations, each being content to intervene in its own sphere of competence without any great thought for the tasks of others. The lack of coordination is particularly evident between organisations which are active at a global economic and financial level and the other organisations such as the United Nations.

During the second half of the century, we have admittedly avoided new world conflagrations, but today it seems clear that national liberal management and minimal world regulation increase global wealth but are unable to provide answers to the most pressing problems of inequality, hunger, malnutrition, poverty, and illness. Illiteracy is growing in the world and, in many developing countries, education levels are falling. Development thus appears more unequal than ever between developed countries and the developing world, between regions and countries in different continents, and between different social groups as a result of the underemployment, endemic unemployment, and exclusion which affects a growing number of people in the world.

One of the results of this imbalance is the proliferation of an informal economy and its emergence at the margins of legality, and of institutions which have submitted to the law of the jungle, often far removed from any form of solidarity above that at the local level.

Moreover, in those areas where industrial and service activities have developed, they have resulted primarily in urban agglomerations, in sprawling industrial zones, which have been constructed without reference to standards of urban planning and the principles of land development, without consideration for the environment and without respect for natural and human resources. This results in irreversible ecological damage.

Whatever the reservations which may be attached to the word 'plan', there will be no world development without a world plan for employment which places the highest priority on solving the social problems engendered by an economy which only operates according to material needs. The efficiency of such a plan for development and employment obviously depends on the ability to establish a real dialogue beyond the borders of the triad made up of Europe, the United States, and Japan, and to initiate collective, tripartite negotiations between the large nations but on a global scale, and thus between the forces of capital and labour, in collaboration with states. One cannot expect a level of real solidarity which is at the service of genuine development to occur without this fundamental accord between capital and labour. Global regulation should concern itself with how the capital which circulates in the world serves investment and real economic development for the benefit of all and the well-being of future generations. Present investment and production will affect the future, including their intergenerational effects.

The most important problem, however, with regard to workers, is perhaps not primarily that of geographical mobility. Global regulation of the relations between capital and labour should aim to develop access to knowledge and culture for the greatest number and to develop that adaptability without which the cycle of working life runs the risk of being destabilised. In the future, illiteracy, the exclusion from access to knowledge and education, will be accompanied by very real risks of exclusion from work and employment and will also lead to other forms of social exclusion.

Throughout this contribution I have tried to show the growing importance of the disjunctions between the global means of managing capital and finance and the territorial and local means of managing labour problems.

Global regulation for these problems would presuppose the existence of global trade union organisations, capable of transcending nationalism, regionalism, and localism, and of forming associations of workers and groups of workers distributed in an ever-wider range of jobs and professions. Such organisations would need sufficient expertise to struggle effectively against the 'decline of solidarity' caused by the various forms of fragmentation and dualisation which arise between the qualified and the less qualified, between workers in employment and out of employment, between workers of national origins and those from abroad, between those from rich countries and those from poor countries, and between workers from the industrialised regions and those who come from less developed regions. This new regulation will not come into being until a sufficient number of union leaders and workers become aware of the need for a global solidarity and can then involve capital in the common pursuit of true development. At present, it seems clear that the conditions for a world dialogue and global negotiation of this type are not yet to be found.



Financial Markets in Relation to Employment and Unemployment

HANS TIETMEYER

Deutsche Bundesbank

Trends in the Financial Markets

IN THE PAST TWO DECADES, a profound structural change has occurred in the national and international financial markets which have been characterised by the emergence of new financial instruments, financing techniques, and market segments; an increasing interlinking of the national financial markets with one another and with the international financial markets; and by an associated internationalisation of the financial services business.

Increasing Internationalisation

These upheavals were fostered mainly by changes in macroeconomic and institutional conditions. By the beginning of the seventies, the destabilising effects which different national economic policies of the industrial countries were having on international capital transactions could no longer be coped with, even by using capital controls; the result was the collapse of the postwar monetary system of Bretton Woods in 1973 and the transition to flexible exchange rates, accompanied by a dismantling of capital controls.

An important impetus for the internationalisation of the markets was the emergence of financial requirements which could no longer be met from domestic financial sources and surplus savings which could not be accommodated in the national markets. There was, in other countries, a first 'wave' of such disequilibrium following the sharp oil price rises in 1973–1974 and 1979–1980. Some of the countries relying on crude oil imports were forced to raise loans abroad, whereas the oil exporters were looking for investment opportunities worldwide for their massive revenues. In addition, many developing countries tried to accelerate their economic development through progressive capital imports and a sharp increase in their foreign indebtedness. The restrictions on international capital movements, which still existed in many cases at the time, fostered the development of financial markets for certain currencies outside their respective currency areas. A second 'wave' of external financing needs occurred from the middle of the eighties when many countries, particularly many industrial countries, greatly expanded their already high indebtedness by virtue of sustained deficits in the public sector and the social

security system. The financing of the public sector deficits, which are frequently needed, through capital imports, strengthened the international integration of the national financial markets, notably the securities markets.

The strong momentum in the financial markets would not have been conceivable, however, without the rapid progress in data processing, communication, and payment system technologies, and without the deregulation of the financial markets in many industrial countries and also the liberalisation of the international exchange of financial services. The dismantling of administrative restrictions on pricing, on business opportunities in the financial services sector, as well as the abolition of capital controls and the restrictions on the right of establishment, extended the legal scope of financial market participants. Technological progress created unprecedented options for action. It facilitated the development of extremely complex new financial instruments, reduced the transaction costs of portfolio restructuring, and ensured real-time access to the same information worldwide. The search for profitable investment and favourable borrowing terms—supported by communication technologies—is today conducted on a global basis.

Innovative Financial Instruments

The structural change in the financial markets is mirrored in the growing significance of new market players. Innovative financial instruments open up new investment and financing alternatives, provide additional options for the transformation and reallocation of risks and for liquidity provision at low cost. The upheavals in the securities markets are particularly notable. In some countries, especially in the United States and the United Kingdom, there have already been marked shifts away from the traditional bank loan towards securitised financing. The rise in fundability and liquidity of assets, associated with securitisation has contributed greatly to the strong growth in the financial markets.

The growing use of derivatives is likewise a reflection of the high innovative potential in the financial markets. These are financial instruments whose value is derived from the market price or a corresponding index of an original underlying instrument. Their common denominator is a future-oriented contractual element. The central economic function of derivative instruments consists in the low-cost and flexible design of individual risk positions. In contrast to traditional risk transfer operations, derivatives make possible the protection against risks or the selective assumption of risks at a comparatively low input because the underlying instrument itself need not be transferred. Through the use of derivatives, the features of existing financial instruments can, moreover, be changed in such a way that new assets emerge which were not available before.

Institutionalisation of Saving

As to the market players, the trend towards the institutionalisation of saving is particularly evident. Institutional investors, such as investment funds, pension funds, and insurance enterprises, are playing an ever-increasing role in attracting and investing monetary capital. Third-party management of assets has become an important industry. The fierce competition for the management of investable funds has led to a professionalisation of fund managers and of the methods they use. Together with this development, there has been a tendency towards a reorientation of investment behaviour. The traditional practice of buy-and-hold finance, under which securities once purchased are held until their final maturity, has given way to transaction-driven finance as portfolio management is geared, more and more, to short-term results. This is a further cause of the dramatic rise in trading in the financial markets, which today are partly detached from real economic processes.

The Influence of Financial Market Trends on the Real Economy

Positive Effects

At first sight it may appear that these structural changes in the financial markets have created a highly complex financial world which, largely detached from the real economy and in a way which is not very productive for the national product, is preoccupied with making more money and whose development, at best, has only a marginal bearing on the subject of 'labour and employment'. This impression is misleading; the dismantling of previous restrictions and the resulting globalisation and professionalisation has increased the intensity of competition in the financial markets. Thanks partly to the development of innovative financial instruments and financing techniques and to the saving of transaction and information costs as a result of the progress made in communication technology, the capacity of the financial system to perform its mediation services has been further improved. This tendency towards more complete and more efficient markets ultimately benefits the suppliers of, and demanders for, capital, whose specific requirements regarding the shaping of payment flows and risk provision can now be better met than before.

Using the example of derivatives, I would now like to briefly explain how certain trends in the financial markets may have direct positive effects on the real economy. As mentioned, derivatives make possible a low-cost design of the risk profile according to individual preferences; now the individual market player has to decide which risks he assumes himself and which risks he transfers against payment to a third party. The microeconomic restrictions which previously existed on the ability to act are thereby reduced. An entrepreneur can separate the business policy risks of an investment from its financing risks and, moreover, design his financing terms more favourably. In macroeconomic terms, this improves the underlying conditions for investment decisions and for a steadying of capital formation. As a result, overall output might expand at a higher and steadier level; this may be associated with an increase in employment and possibly in remuneration.

Risks

Besides these positive effects of structural change in the financial markets, the negative side of this development must also be considered. The first thing which comes to mind in this context is the greater short-term volatility of financial market prices, at least in some periods.² Basically the greater liquidity of individual markets and their closer links should contribute to the better absorption of shocks. It appears, however, that at times this was overridden by other factors which contributed to making the markets more susceptible to changes in sentiment. As portfolio management is geared to performance over the short term, events which are of short-term relevance and short-run expectations are playing an ever-greater role. The real-time access to information, moreover, involves the danger of cumulative misassessments. Furthermore, the growing spread of computer-assisted trading leads to reflex-like action if data are entered 'unchecked' and without careful interpretation. All this fosters the markets' propensity to more vehement reactions than before and leads to price movements which are 'uscless' in macroeconomic terms or even reduce efficiency.

A further concomitant of financial market trends which can be observed, predominantly in the Anglo-Saxon countries, is the growing use of financial contracts with short maturities or money-market-related interest rates. Given such increasing short-termism, the uncertainties of planning are growing—as noted—and this tends to have a negative effect on growth and employment because investment projects, which would be profitable over the long term, are not realised and because hedging costs are higher.

In addition, some observers have detected a greater susceptibility to crises and an increased fragility of the financial system as a result of innovations in the financial markets. The focus of interest is once again the increasingly widespread use of derivatives. A consensus has not yet been reached on this question. The complexity and the resulting opaqueness of these instruments for most people should not lead us, however, to assume that the attendant risks are automatically uncontrollable. A differentiated analysis is needed in this respect. What is important with regard to the risk of the emergence of financial market crises on a scale which jeopardises the entire financial system is the capability of individual market players to bear the risks they have assumed without negative external effects. A key consideration in this context is that business in derivatives in some sectors is concentrated on a relatively small number of market participants worldwide. This involves the danger of knock-on effects if just one single important market participant defaults. Although derivatives as such are not the cause of a potential systemic crisis, the risk concentration on a few market participants is a latent danger for the stability of the system. This must not be underrated, because individual risk positions can fluctuate sharply in response to market developments in a way which is difficult to predict and impossible for outsiders to identify and which may soon crode existing capital reserves.

Interim Balance

To point to possible risks of certain developments does not mean their rejection. The positive effects of recent trends in the financial markets are likely to be more important than the dangers they involve. This applies all the more as neither the participants in the financial markets nor economic policy agents are exposed to events without any protection. There are possibilities of limiting or counteracting potential dangers.

The experience of the last few decades has shown that a policy of an early and steady reduction in administrative restrictions, one which integrates or subordinates any special individual interests of the financial services sector to macroeconomic interests, contributes to a steady development of the financial markets, free from major distortions. A late and abrupt policy of liberalisation, which is partly forced on policymakers by the circumvention of existing regulations, has led to surge-like changes in the financial systems of some countries. In such circumstances, market participants have no time to adjust to the changed scenario in a continuous learning process. A resulting slippage of several market participants was probably partially to blame for the crises of the recent past. These developments were supported, or even made possible, by a monetary policy which was at times overly lax. For example, such a financial market climate fostered the emergence of a bubble economy in some countries during the second half of the eighties. The subsequent bursting of the price bubble resulted in high real economic costs. This should not be ascribed to recent developments in the financial markets themselves, but to the mistakes of the policymakers concerned and to the macroeconomic environment. The increasing short-termism evident in many countries can likewise be attributed, at least partly, to an inflationary environment over an extended period of time.

For the future it is important to curb the risks emanating from new financial instruments. The market players themselves bear special responsibility for financial market developments. Dealing appropriately with the new instruments places high demands on all market participants. Thorough training of staff members and a risk-conscious behaviour on the part of management are major preconditions for averting future damage. A crucial condition for responsible action by market participants is, furthermore, the improvement of the transparency of off-balance-sheet transactions, particularly in the case of derivative instruments. In addition, general government regulations may be necessary to protect third parties against possibly severe negative consequences. This is the task of an internationally harmonised system of financial market supervision, and this is the aim of the efforts being made by the central banks of the major industrial countries, in the context of their Basle cooperation.³

A return to the supposedly tranquil world of administrative restrictions and national protectionism is neither technically possible nor politically desirable. If we succeed in safeguarding the stability of the financial markets with the aid of general regulations in keeping with market conditions, they will make an important contribution to growth and employment. This may not be self-evident. However, both theory and past experience prove clearly that the underlying conditions with which market players in the goods and factor markets are faced are of crucial importance for the trend in the real economy. The financial system is only part of this set of data; if it does not function, however, this inevitably spreads to the goods markets and indirectly to the labour markets. Financial markets, which are as complete and perfect as possible are therefore a necessary pre-requisite for the smooth functioning of the real economic sector. They are not a sufficient condition, however.

Economic and political mistakes may even be 'penalised' all the more harshly the more efficient is the worldwide allocation of capital. Enterprises respond to an adverse locational quality in their own country by increasing their direct investment abroad; investors demand compensation for monetary policy, fiscal policy, or structural shortcomings in the issuer's country in the form of higher risk premiums and therefore higher nominal interest rates. As a rule, however, such reactions are likely to provide stimuli for adjustment; the result is that over the long term, the positive effects of functioning financial markets will prevail. To this extent, the financial markets today exercise some control over the quality of economic behaviour and policies of individual countries.

In addition, the change in the financial markets has direct effects on employment. Following the new opportunities brought about by liberalisation and technical progress, particularly in the field of data transmission and processing, the macroeconomic significance of the financial sector has so far increased perceptibly in all major economies. Banks, investment companies, and other financial intermediaries as well as the stock exchanges are important employers today. Other sectors, too, are being positively influenced indirectly, be it the construction industry, the catering trade, or other areas. Recently, however, there have also been signs of some structural changes which might reduce the direct positive effects which financial market developments have had on employment to date. The advance of telephone banking, computer banking, and electronic money might cut the number of employees in the banking sector during the next few years.

Special Features and Trends of the Labour Market

On the face of it, the trends of most labour markets stand in marked contrast to the internationalisation of the financial markets. There are only a few free international markets for labour. The geographical mobility of labour has increased appreciably compared with the past, and differs distinctly from country to country, but it remains relatively small. Scientific and technical specialists, show-business stars, and top athletes are exceptions which, although very much in the limelight, are ultimately not typical. A more important factor is the movement of refugees and asylum-seekers, which are quite often motivated, inter alia, by employment and income considerations.

The clear limitation of the regional expansion of the labour markets compared with the financial markets, a limitation which is particularly pronounced in Europe, owing to historical, linguistic, and cultural differences, can be explained mainly by the integration of people into their social environment; this integration does not play a role in the case of real means of production. Falling transportation costs, for example, have led to greater geographical integration of the labour markets and a previously unknown separation of place of residence and place of work; by contrast, commuters or migrants without a fixed abode are gaining in significance but are still rather rare.

On the other hand, the geographical mobility of capital is frequently overrated. The appearance of highly organised international markets for financial capital often conceals the fact that real capital, which has more in common with human labour, is often tied to a certain location. The decision in favour of a production centre constitutes an investment, just as does the decision in favour of a place of residence or work; the costs of that investment are often tied up over the long term and can be recovered only by generating output and income at that centre. Of course this does not apply to the same extent to investment in capacity extensions and rationalisation measures.

Whereas the regulation of national and international financial markets is much more efficient today, in many major countries, than it was as recently as the 1960s, and whereas reforms have not only accompanied, but in some cases even paved the way for, technical and organisational progress, there are no similar developments discernible particularly on the labour markets of Western Europe, where the regulations are both far more numerous and stricter. Some statutory underlying regulations are undoubtedly necessary to ensure a balance between the interests of employee and employer; however, the question arises of whether the framework which emerged over the years, inter alia, in industrial and corporate constitutional law, in labour and labour protection legislation and, above all, in collective bargaining law between employer and employee organisations has not become so narrow that it unduly restricts the labour market. Much the same applies to real capital. Investment is frequently subject to time-consuming authorisation procedures which jeopardise the utilisation of market opportunities.

In another respect, the difference between labour and capital seems to be more significant. The problem of an underemployment of capital over extended periods does not exist. Faced with the alternative of low pay or no pay, capital owners regularly decide in favour of low pay, whereas employees and their organisations quite often opt for no pay, that is for unemployment, cushioned by government or social security assistance.

The Internationalisation of Financial and Goods Markets and the Problem of Underemployment

International Trade and Employment

The rise in underemployment in Western Europe since the middle of the 1970s has taken place in a period of increasing internationalisation of the financial and goods markets; as a result, some observers concluded that underemployment was also a consequence of internationalisation. In part this is quite justified, although unemployment in most cases arose only because the structural adjustments associated with the progressive international division of labour clashed with the supposed vested rights and immobilities of those affected. However, in general growth in productivity of the major industrial countries likewise abated during the same period. The reconstruction and catching-up process after the end of the Second World War, which was accompanied by rapidly rising incomes and thus a relaxation of the distribution conflicts, had come to an end. As wage trends in the West European industrial countries adjusted, with a time-lag of several years, to the narrower scope for distribution, unemployment increased sharply in the interim.

Whether the growing internationalisation of the markets ultimately promotes or hampers the employment trend depends on the capability and willingness of an economy to adjust and on the prevailing economic and social system.⁶ On the one hand, with the interpenetration of economies, competition from imports increases and crowds out less competitive enterprises and industries while, on the other hand, the best enterprises and

industries of a country and the persons employed in them benefit from the additional sales opportunities. The capability to adjust becomes a key variable for the future trend in employment and prosperity. It is not only more flexibility and differentiation in the field of wages which is called for, the willingness and capability of employees to move geographically and adapt professionally is likewise of crucial importance.

The growing international integration of the markets promises greater stability. Regional disturbances have a lesser effect on the international markets and are scarcely felt by individuals. The problem of famine, for example, to the extent that it originated in local crop failures, has largely been overcome owing to the world-wide integration of the agricultural markets. Similarly, local sales crises do not immediately jeopardise jobs if production surpluses can be sold abroad; and if the propensity to invest declines, savings can be invested in other countries without curbing business activity in the form of shortfalls in demand.

International Mobility of Capital, Exchange Rates, and Employment

The potentially positive effects of the increasing international integration of national goods markets crucially depend on an adequate stability and calculability of exchange rates. The foreign exchange market, as an important segment of the international financial markets, is therefore attracting greater attention. Over the longer term, changes in exchange rates should largely balance differences in inflation. Empirical experience shows that exchange rate movements over the short term, and quite often over the medium term, clearly exceed the balancing of differences in inflation. The fact that in a world with huge amounts of highly mobile capital the external value of a currency is largely determined over the short term by the investment decisions of professional financial market players operating internationally is of crucial importance in this respect. The foreign exchange flows arising from the international exchange of goods and services, by contrast, have comparatively little influence on exchange rate formation over the shorter and medium term.

Owing to their intertemporal character, investment operations in the financial markets are greatly determined by expectations. Today, as already mentioned, expectations are formed rationally, i.e., using all available information. This information includes not only economic fundamentals but also separate assessments of future market trends and of a country's political prospects. The resulting (sustained and distinct) deviations from purchasing power parity may have a lasting effect on the profitability of existing production plants and jobs. Changes in sentiment in the financial markets triggered by expectations may, moreover, cause sharp short-term exchange rate fluctuations. The greater uncertainty associated with this hampers the international exchange of goods and services.

Although, as a result of innovations in the financial markets, exchange rate risks can be limited by means of instruments such as futures contracts and options, additional costs arise. A method of hedging against longer-term exchange rate movements is often not available, with the result that the risks remain with the enterprises. This jeopardises investment in export sectors, which are often particularly productive, with corresponding consequences for employment. This applies especially to countries whose currencies have appreciated excessively. Depreciating countries, by contrast, often get a worse rating in the foreign exchange markets in the ensuing period as well and therefore have to pay additional risk premiums on interest rates; as a result capital investment and the servicing of public debt become costlier, with corresponding consequences for growth and employment.

In light of this experience, it seems at first sight understandable that some critics wish to throw a spanner in the works of the international financial markets in order to counter short- and medium-term fluctuations of exchange rates (and interest rates). When making such proposals, however, their proponents often forget that the welfare gains of free trade in goods can be enjoyed only under the condition of free payment flows, which inevitably include free capital movements. Attempts to separate cross-border payments for goods and services

from those for capital transactions have not yet proved very successful. Under the present and future technical and organisational conditions, financial flows can no longer be controlled by or separated from their link to real economic processes.

Under the present conditions the attempt to fix exchange rates administratively is likewise possible only to a limited extent. Such a fixing presupposes lasting harmony of underlying national developments and policies or the subordination of fundamental aspects of national policies to supranational determination. However, very few countries are willing and able to surrender their national sovereignty in this way. Experience in Western Europe of the European Monetary System has shown how difficult it is to achieve such an integration and subordination over the long term. It remains to be seen whether, and to what extent, the planned European monetary union will lead to more sustained exchange rate stability in Europe. The selection of participating countries⁸ and, in addition, their willingness to form a lasting political community (with solidarity) will be crucial for its success.

The recipe for correcting 'wrong' exchange rates and for stabilising the exchange rate system is often seen worldwide as the increased international cooperation of national policymakers. Experience of the Plaza and Louvre agreements in the 1980s shows, however, that international cooperation can only be successful if it is accompanied by credible measures to correct misalignments in the participating economies. Concerted interventions in the form of foreign exchange purchases and sales by the central banks may set signals for the initiation of a process of adjustment of exchange rate patterns, but they are no substitutes for eliminating the economic misalignments in the participating countries. Lastingly successful international cooperation also presupposes that the participating countries recognise that the adjustment measures to be adopted in the national sphere are ultimately in their own interests. An exchange rate policy actively geared to the depreciation of the national currency, which aims at increasing employment by improving the international competitiveness of the domestic export sector, is ultimately counterproductive because any exchange rate-related competitive advantages are cancelled out by a higher domestic price level.

The Significance of the Mobility of Capital and Labour

With the mobility of capital, the costs of employing an inappropriate wage policy increases. While even in a closed economy, an aggressive wage policy does have consequences, these are aggravated if capital owners find better investment opportunities abroad.

Following the dismantling of numerous external barriers and the economic policy reforms in many countries, these have become more attractive to investors from highly developed industrial countries. The worldwide gain in freedom should increase prosperity as a whole; however, it may prove—temporarily—to be a disadvantage for employees in the Western industrial countries because East European centres, for example, now compete for scarce capital with those in Western Europe. Accordingly, the standard of living in the countries in transition may rise more rapidly than would be the case if they could resort only to domestic savings. Such capital-reducing effects may, however, for a time necessitate a stagnation or perhaps even a reduction in real wages in the high-wage countries of Western Europe if increasing underemployment is to be countered there.

With the opening-up of the markets, a further step forward was taken in Western Europe. The basic freedoms of the European single market include the free movement of employees and the freedom of establishment for self-employed persons, as well as the freedom of payments and thus of the financial markets. Basically, this also meets the preconditions for a single European labour market, which in this way could keep pace with the internationalisation of the financial markets.

One consequence of the freedom of migration, however, is a tendency towards price adjustment, although this is occurring extremely slowly compared with the financial markets. Since the open labour market is now tending to move in the direction of equalising wages, insiders, who have been protected by the domestic wage bargaining cartel, have recently started resisting foreign outsiders and requesting government intervention to restrict competition. In Germany, for example, a special statute is to declare that domestic pay rates in the construction sector are minimum wages in order to ward off competition from foreign construction workers and so prevent social dumping. This would enable management and labour to prevent foreign competition through setting sufficiently high wage levels. Such an intervention would undoubtedly impair the internal market.

Conclusions

If the ability of a market to function is measured, as is customary in economics, by its capability to allocate the goods traded on it efficiently, the financial markets, on the one hand, and the labour markets, on the other, should be given different marks. If the financial markets, despite some exaggerations, are said to be making a positive overall contribution and the labour markets (at least that of Western Germany) to be showing distinct shortcomings in their functioning, this may seem a generalisation, but it nevertheless gets to the core of the matter. This is not so much due to a basic difference between 'capital' and 'labour', even though the differences should not be underrated. Instead, it is, above all, the partly divergent approaches of capital market policy, on the one hand, and labour market policy, on the other, which have contributed much to the differing performance of the markets. Most national labour markets are far removed from the deregulation progress in the financial markets. This is the point to start—taking account, of course, of the longer-term social effects; otherwise 'unemployment' might remain the key issue during the coming decade.

In a world in which, thanks to the progressive mobility of knowledge, capital, and labour, there are hardly any unassailable locational advantages any more—apart from favourable climatic conditions—the basic setting shaped by people and policymakers is becoming more and more important. In the first place, legal certainty and the acceptance of peaceful competition are to be cited as the predominant features for all markets. This by no means implies that we are necessarily moving towards a world which is controlled exclusively by market relations and in which there is no room for social protection and interhuman help.

On the contrary, a smoothly functioning social system, which is not in contradiction to economic laws but makes use of them, is a positive locational factor in international competition. Neither social unrest nor a confiscatory burden of taxes, levies, and restrictive regulations are a recommendation for a location. Not least for that reason, it is important for the developed countries to overcome their underemployment problems by initiating suitable reforms, particularly as in the long run an increasing proportion of the population cannot be financed by those in employment without the burden of taxes and levies rising to an intolerable level. ¹⁰ Cuts in the social security network which are made too late, and are then necessarily abrupt, may cause unrest because they scarcely improve employment prospects in the short term and that unrest, in turn, may hamper the social and economic recovery.

As mentioned, the international financial markets are increasingly assuming the function of a guardian of national policies. After the opening up of the markets, capital can more easily flow out of those countries in which earning opportunities are comparatively poor. This increases the pressure on policymakers to improve locational conditions. One may regret that pressure; it is, however, inevitable because it is a consequence of the unavoidable opening of the borders and the internationalisation and globalisation of the financial markets. Ultimately, this trend should ensure that economic mistakes in monetary, fiscal, and labour market policies are increasingly banished.¹¹ For countries in transition it is often particularly painful, but useful for disciplining policymakers, that, judging by all past experience. financial markets have a long memory. Borrowers in countries

which had a mistaken policy in the past often have to pay high risk premiums even if there has been a fundamental change in their economic policy. In the assessments of financial markets the credibility of policies in the countries concerned plays an increasing role.

Owing to the sensitivity of the financial markets and their significance for growth and employment in individual countries, the willingness to seek better international economic policy coordination has increased with the progressive integration of the world economy. This does not mean growing regulation at the international level but rather coordinated deregulation and more free trade, although the transition is taking place increasingly in blocks, so that some residual discrimination against outsiders remains. Internationally coordinated measures beyond this are doomed to fail, this at least is the experience of the past, unless they are accompanied by confidence-building reforms in the participating countries themselves.

The international availability of knowledge and the mobility of capital of themselves exert pressure for an adjustment of pay rates, beyond the measure associated with free trade in goods. In the recent past, migration pressure on the rich countries has been added. Many people think that this immigration jeopardises these countries' prosperity and social stability. Mainly for that reason West European countries are not, at present, prepared to grant a general freedom of entry analogous to the prevailing freedom of capital transactions, at least not for those coming from countries from which people would like to emigrate owing to the prevailing social and political conditions. To this extent, too, there seem to be limits to the parallels between trends in the financial and labour markets for, as a rule, fleeing capital is gladly accepted—in contrast to labour. However, since the fall of the Iron Curtain, the countries of Western Europe have increasingly been repeating the experience of the United States, namely that complete insulation against migration is a hopeless goal as long as the prosperity differential relative to the neighbouring countries has not levelled off. In the long run Western Europe will have no alternative to making its labour markets more absorptive, on the one hand, and to supporting prosperity-increasing reforms in its neighbouring countries, on the other.

Little would be gained, however, if the opening-up of the markets were linked to the prior condition of the international harmonisation of social policy, as is often called for. For the convergence of social policy advocated in this context does not aim at a better orientation to economic laws but at a harmonisation at the level of those countries of Western Europe which are rather unwilling to undertake reforms. Such a 'social' component of internationalisation would ultimately amount to forcing the poorer countries to adopt the social standards of Western Europe which are often not very efficient; the consequence would be rising unemployment in these countries, too, and thus a growing pressure for migration to Western Europe. ¹³ Instead, we should look for ways and means of shaping not only the regulation of the financial markets but also the labour market system and social policy in line with the challenges of our times.



The Economics of Globalization: Problems and Policy Responses

THOMAS PALLEY AFL—CIO Washington, D.C.

Globalization and the Relevance of Catholic Social Teaching on Labor

NATIONS AND COMMUNITIES around the world are today confronting the process of globalization. This process refers to the creation of a unified global economy through the breaking down of barriers between national economies. Globalization is creating both new opportunities and new problems. The opportunities include the possibility of raising global economic productivity and advancing economic development in underdeveloped countries, thereby raising standards of living around the world. The dangers include the introduction of new sources of economic instability, and a shift in the relative bargaining power of labor and capital that risks lowering wage incomes for the benefit of profit. These dangers have been brutally illustrated by the suffering caused by East Asia's economic crisis, and by the subsequent spread of the crisis to Russia and Brazil.

The concerns raised by globalization resonate deeply with the long history of Catholic social teaching on labor. This teaching emphasizes the concept of a 'right to work' at a 'just wage', with work being such that it is consistent with 'human dignity' and contributes to 'fulfillment as a human being'. Globalization has unleashed forces that potentially impinge negatively on every dimension of this teaching. Thus, increased international integration has unleashed forces of wage competition which have contributed to lowering wages in industrialized countries, and this threatens the payment of just wages. It has also facilitated companies taking advantage of retrograde employment conditions in countries where workers are denied rights of free association and collective bargaining, thereby threatening the realization of human dignity through work. Finally, international financial integration has unleashed new forces of economic instability that have undermined the ability to achieve and sustain full employment, and this threatens the notion of a right to work.

How to make Catholic social teaching on labor an economic reality is a major task. To this end, the Church has acknowledged a need for dialogue with the social sciences. In participating in this dialogue, economists are implicitly asked to adopt an instrumentalist approach, whereby their understanding can be used to help make Catholic teaching a concrete reality. It is in this spirit that the current paper has been written. The

paper analyzes the economic foundation of globalization, and proposes a series of policy responses designed to preserve the opportunities of globalization, while curtailing the threats.

The Origins of Globalization

Globalization refers to the increased international integration of national goods, financial, and labor markets. This process of integration is being driven by the competitive search for new markets by firms and by the law of market arbitrage which has profit maximizing firms equalizing the price of similar goods and services across markets.

In many regards, globalization represents a logical extension of the processes that have driven domestic economic development. Thus, the formation of a unified national market in nineteenth-century America was also driven by the search for new markets and the law of market arbitrage. Similarly, the emergence of wage competition between the U.S. economy's 'sun' and 'rust' belts in the 1970s, has parallels with wage competition between developing and industrialized countries today. However, globalization transcends national boundaries, whereas earlier periods of economic integration tended to take place within the context of the national unit.

The process of globalization is girded by technological and organizational innovations that enhance the mobility of capital, thereby allowing business to operate on a global scale. These innovations are the product of 'Schumpeterian' market forces that reflect the workings of a dynamic capitalist economy. Business seeks to maximize and increase profits, and it does so through technological and organizational innovation. Firms can gain a competitive advantage over rival firms by capturing a greater share of the existing market, or they can create a new market that destroys the old. They can also innovate in ways that redistribute income from labor to capital. This latter form of innovation amounts to reslicing the economic pie rather than increasing it. Both forms of innovation are visible in the process of globalization. Thus, firms use the global economy both to lower their costs to gain competitive advantage over rivals, and also use the threat of international job relocation to win wage concessions from domestic labor.

Globalization has also been fostered by an economic policy which has removed barriers to international trade, investment, and financial flows. Though these policies appear to be exogenous changes, they can also be viewed as the endogenous outcome of corporate 'political' innovation. Just as business has an incentive to innovate with regard to products, technique, and location of production, so too it has an incentive to capture government policy so as to change existing laws and regulations to its competitive advantage. Such political innovation is clearly evident in business' advocacy of the North American Free Trade Agreement, 'fast track' trade negotiating authority, and the Multilateral Agreement on Investment (MAI).

Over the last decade, globalization has become an increasingly contested matter. The impulse behind this new found contested status is the spreading realization that globalization creates both winners and losers, that in many instances the losers are large in number, and that the winners seldom compensate the losers. On the positive side, globalization has increased international goods market competition, thereby lowering consumer prices, increasing consumer choice, and increasing productive efficiency. The integration of financial markers has also facilitated the provision of financing to developing countries, which has opened the potential for them to grow faster. On the negative side, it has contributed to the transfer of U.S. manufacturing jobs to developing countries, producing wage stagnation, and the worsening of income inequality in the United States. It has also promoted the emergence of extreme financial instability in the international economy.

The fact that globalization brings both benefits and costs has made it a contested issue. Almost all agree that the process of globalization cannot be stopped, nor is it desirable to do so. The real debate is about the

balance of benefits and costs under the existing process, and the policy adjustments needed to enhance the benefits and reduce the costs. One view—call it the optimists' view—maintains that the benefits clearly outweigh the costs under existing arrangements, and that these benefits would be even larger if national economies were more open and markets more flexible. A second view—call it the pessimists' view—sees the process of globalization as problematic, with the balance of benefits and costs more finely balanced. Moreover, the costs are large, and could get larger as globalization matures. What is needed is a change in the rules and institutions of the international economy that would alter existing patterns of incentives, thereby discouraging economic actions that generate costs and promoting actions that bring benefits.

Globalization and the Problem of Economic Leakiness

One way of thinking about globalization is to view it as creating a 'leaky' economic environment in which national economies are no longer sealed off from one and other. This new environment is marked by a pattern of incentives that can give rise to bad economic outcomes, as well as making it difficult to implement effective policy responses. Three different types of leakiness can be identified.

- 1. Macroeconomic leakiness refers to the tendency for aggregate demand to leak out of national economies owing to a larger propensity to import. It is the result of increased international trade which has changed patterns of spending. The increase in macroeconomic leakiness is captured in Table 1 which shows the degree of country 'openness' as measured by the ratio of imports plus exports to total gross domestic product. A measure of zero corresponds to a totally closed economy which has no imports or exports. Economic openness has increased almost everywhere, and in the U.S. it has increased 138 percent over the last thirty years.²
- 2. Microeconomic leakiness refers to the tendency for jobs to leak out of an economy if labor markets are not sufficiently flexible, labor costs are too high relative to other countries, or profit taxes are relatively unfavorable. This form of leakiness has greatly increased owing to greater mobility of production, itself the product of reduced transportation costs and changed technologies that have facilitated new structures of production. Costs of transporting goods have fallen dramatically. In the 1960s, the cost of sea freight was 5 to 10 percent of the value of goods: today, it is around 1.5 percent. Costs of foreign production have fallen because tariff barriers have been reduced, thereby making it less costly to produce goods in one country and sell them in another. Costs of coordinating production in different locations have also fallen owing to improved communication and production technologies. Thus, whereas factories used to be marked by management's offices sitting directly above and looking out over the factory floor, today, management can be located in New York while production takes place in Guangdong, China.
- 3. Financial leakiness refers to the increased international mobility of financial capital. Innovations in electronic communications and money transfer, combined with the abolition of capital controls, have made it easier to shift money between countries. As a result, financial capital now moves in response to small differences in cross-country interest rates and perceived future rates of return, and to differences in national economic policies and inflation rates.

These three forms of leakiness have changed significantly the economic structure and the pattern of incentives facing business. They have also made the conduct of domestic economic stabilization policy more problematic, as well as creating perverse incentives for policymakers to follow contractionary policies. The new pattern of incentives has similarities with the prisoner's dilemma. The market sends signals encouraging a particular type of behavior, and when one market participant adopts such behavior they are made better off: however, when all adopt the behavior, all are made worse off.

Table 1. Openness of OECD countries, 1966-1995

	1966	1995	Change 1966–1995
United States	9.9%	23.6%	138%
Canada	39.1%	72.3%	95%
Japan	19.4%	16.8%*	-13%
Germany	51.1%	63.4%*	24%
United Kingdom	37.8%	57.3%	52%
France	25.0%	44.5%	78%
Italy	28.1%	43.2%*	54%
Austria	51.4%	76.2%	48%
Belgium	73.5%	137.2%*	87%
Denmark	58.5%	63.3%	8%
Finland	41.3%	67.5%	63%
Netherlands	89.8%	100.0%	11%
Norway	83.2%	70.6%	-15%
Portugal	54.1%	61.0%*	13%
Spain	20.2%	47.3%	134%
Sweden	43.8%	75.3%	72%
Switzerland	58.7%	66.9%	14%
G-7	30.1%	45.9%	53%
Europe	51.2%	69.6%	36%

Openness = [Exports + Imports]/GDP.

Source: Author's calculations using IMF statistics. G-7 and Europe computed using a simple average.

Financial Leakiness³

This too has been driven by technological innovations and policy changes. Improvements in electronic communications and money transfer technologies have greatly lowered the cost of transferring funds between countries, which has hugely increased the extent of such transfers. Elimination of official controls on capital flows between countries has also increased the extent of transfers. Thus, according to the Bank of International settlements, the ratio of foreign exchange (FX) trading to world trade was 10:1 in 1980; by 1992 it was 50:1; and by 1995 it was 70:1.

This expansion of international financial flows bas increased the risk of financial instability and reduced the scope for economic policy autonomy. The increased risk of instability arises because of greater speculation in capital markets. Sudden changes in portfolio preferences can cause abrupt changes in asset prices. A loss of investor confidence in one country can cause a capital outflow, and as investors sell off their holdings they drive up interest rates, while their currency sales drive the exchange rate down. Such shifts are particularly problematic if a country is a net foreign debtor whose debts are denominated in foreign currency. In this case, the fall in the exchange rate increases the burden of foreign debt service.

^{* = 1994} data.

Moreover, it is not just the country from which investors are exiting that suffers. The exchange rate rises in countries experiencing capital inflows, and this can profoundly affect their competitiveness in international goods markets. Consequently, employment in trade-related sectors may be severely impacted despite no change in factory floor productivity.

Keynes⁴ described speculation through a metaphor whereby financial investing was akin to the newspaper beauty contest in which contestants picked the person they thought other contestants thought the most beautiful, rather than the person they truly thought the most beautiful. The same may hold in stock markets where the trick is to buy stock that others are buying rather than the stock of the soundest company. The theory of rational asset price bubbles explains how asset price bubbles can be self-sustaining through expectations that become self-fulfilling. De Long et al.⁵ explain how 'noise' traders, who trade randomly and disrupt market signals, can survive in the long run: all that is needed is that noise traders be less risk averse than 'fundamentals' traders and therefore purchase assets with slightly higher expected returns. The problems of speculation are compounded by herd behavior that is rooted in rational maximizing behavior. Banerjec⁶ presents a model of herd behavior in which the actions of others are believed to convey information that is valuable in one's own private decisionmaking, and this results in 'follow the leader' behavior. Palley⁷ presents an alternative 'safety in numbers' model of herd behavior whereby managers have an incentive to behave like other managers to avoid the risk of being singled out for bad performance. All that is needed is some degree of risk aversion and that pay be based on relative performance.

These microeconomic accounts of speculation and herd behavior provide the behavioral foundation that explains why international financial speculation can be a significant threat to economic stability. This claim is strongly supported by recent events in East Asia. In the early 1990s, financial investors acquired a taste for 'emerging markets'. They were initially rewarded with spectacular profits, which attracted even larger flows of funds and produced a herdlike move into East Asia. These moves were facilitated by the elimination of controls on capital flows into and out of many countries in the region. In 1997, a combination of growing current account deficits and a realization that much of the capital inflow consisted of short-term lending that was up for repayment, prompted investors to begin to exit. This then triggered a rush for the exits, with investors seeking to protect the value of their holdings by converting them back into hard currencies. This selling drove asset prices down and depreciated East Asian exchange rates, thereby raising the burden of East Asia's foreign currency-denominated debt. The increase in debt burdens caused widespread bankruptcy and pushed East Asia into deep recession.

Another problem resulting from increased financial leakiness is loss of national policy autonomy. The precise nature of the limitations on policy depend importantly on the exchange rate regime. In the Fleming–Mundell model,^{8, 9} when exchange rates are fixed, international financial capital mobility neutralizes monetary policy but leaves fiscal policy intact. Conversely, when exchange rates are flexible, fiscal policy is neutralized but monetary policy remains effective.

Fixed exchange rates mean that monetary policy is ineffective. The gain is supposed to be that they bring exchange rate stability. However, financial leakiness can undo this and render a system of fixed exchange rates highly unstable. One source of difficulty is that countries differ in their rates of inflation and productivity growth, and this necessitates periodic exchange rate adjustments to ensure that countries do not become internationally uncompetitive. These adjustments in turn open the door to speculation. In effect, speculators are offered a 'one-way' option. The weak currencies are easily identifiable on the basis of economic fundamentals. Consequently, there is an incentive to sell these currencies and buy back in after the devaluation. If a devaluation occurs, speculators win big: If not, all they lose are the transactions costs which are increasingly negligible. This one-way option is what Mr. Soros exploited in 1992 when he speculated against the pound sterling.

The above argument is that speculation can force premature abandonment of a fixed exchange rate, but fundamentals would have required this anyway at a later date. Morris and Shin¹⁰ show that speculation can force abandonment of a fixed exchange rate even where it would have been sustainable on a fundamentals basis. Given the finite holdings of reserves by central banks, speculators can simply outself the banks, forcing a devaluation. Moreover, this has become easier to do given the decline in transactions costs and the growth in financial markets' capacity to leverage assets. Thus, under current procedures for defending currencies, whereby each central bank defends its own currency, fixed exchange rates may no longer be a viable option.

Flexible exchange rates preserve the effectiveness of monerary policy, but here too financial leakiness is problematic. Increased economic openness means that countries are more prone to imported inflation caused by sudden exchange rate depreciation. To guard against depreciation, governments are prompted to follow policies that are viewed favorably by financial markets. Given financial markets' dislike of inflation, policy-makers therefore incline toward policies that are more anti-inflationary and carry slightly higher unemployment. Moreover, to the extent that financial markets dislike budget deficits, policymakers also incline towards greater fiscal austerity. To the extent that financial markets dislike trade deficits, this provides an additional incentive towards austerity. Moreover, this incentive is strengthened by increased macroeconomic leakiness because now expansionary policy has a smaller impact on domestic employment, so that the benefits foregone are smaller. Finally, there may also be a prisoner's dilemma regarding interest rate policy. Each central bank has an incentive to raise interest rates marginally above the global average to guard against capital flight and support its exchange rate. However, when all pursue this policy, the result is higher interest rates everywhere. None gain a relative advantage, and all are pushed in a deflationary direction.

Finally, these arguments reveal how the three different types of leakiness interact in a negative fashion. Macroeconomic leakiness reduces the scale of the employment multiplier which reduces the benefit while raising the cost of expansionary macroeconomic policy. It also makes economies more subject to imported inflation. Financial leakiness, in combination with macroeconomic leakiness, then gives policymakers an incentive to tilt policy in a deflationary direction. This includes an incentive to reduce budget deficits in order to placate financial markets. Reduced budget deficits then amplify the problem of tax burden shifting posed by microeconomic leakiness, requiring either less government spending or higher taxes on labor.

Policy Responses to Increased Leakiness

Increased economic leakiness poses serious challenges to policymakers. Each type of leakiness is a problem in its own right, but the problem is worsened by the fact that the different forms of leakiness interact synergistically. This means that a comprehensive policy response is required.

The benefits of globalization are real. They result from increased international trade, and from the channeling of funds to worthwhile investment projects in the developing world. Such investments are profitable for investors and contribute to economic development. However, in the absence of a response to the problems of leakiness, these benefits of globalization may be overwhelmed by costs. Increased leakiness threatens to exert a deflationary influence on economic policy that raises unemployment through higher interest rates and lower government spending. It also threatens to shift the burden of taxes away from capital income on to labor income, and this may occur at a time when the wage share of income is already subject to downward pressure. The race to the bottom that results from attempts to lower costs and gain international competitive advantage also threatens gradually to degrade national systems of social protection. Lastly, there is evidence that increased financial openness has created greater financial instability.

Increased macroeconomic leakiness means that economic activity is more interlinked across countries, and this calls for improved macroeconomic policy coordination. This need is further increased owing to greater financial leakiness which makes financial capital more responsive to small interest rate differentials. In this new environment, coordinated interest rate adjustment becomes particularly important in order to avoid destabilizing capital inflows and outflows.

Increased macroeconomic leakiness has also made it more difficult to pursue unilateral policies of domestic demand-led growth, and this has encouraged a switch to policies of export-led growth. However, though such policies can work for one country acting in isolation, they cannot work when all pursue them. One country's exports represent another's imports, so that not all can run trade surpluses. If all try to grow on the basis of demand in other countries, none expand demand and the result is a global shortage of demand and a global recession. ¹¹ Furthermore, export-led growth also tilts firms' strategic focus towards wage cutting to gain a competitive cost advantage, and it exacerbates 'race to the bottom' systems competition for similar reasons. Work place standards, employee protections, and environmental standards can raise costs, giving firms an incentive to lobby for their elimination, on the grounds that they result in reduced international competitiveness.

For these reasons, policymakers should abandon their focus on export-led growth and switch to policies encouraging domestic demand-led growth. This applies particularly forcefully to the IMF which has consistently recommended that developing countries pursue export-led growth strategies. This has contributed to job loss in developed countries, enhanced the extent of global wage and systems competition, and aggravated the long-standing trend of deterioration in a developing country's terms of trade. A new policy mix that fosters economic development through domestic demand growth is needed.

One component of this new policy mix must include debt relief and the provision of credit on easier terms. This is necessary to finance the import of the capital goods needed for development, and to provide relief from interest service payments, which force countries to export to earn the necessary income. There are also benefits to developed economies in the form of increased demand for exports of capital goods.

Having developing countries move to a domestic demand-led growth path also requires rising wages to support domestic consumption, and this necessitates leveling the playing field between business and labor. Core labor standards that give workers rights of free association and allow them to form unions and bargain collectively are essential. Rather than being a market distortion, independent trade unions are the private sector solution to the current imbalance of power created by capital's new found mobility. Evidence that democracy and labor standards positively affect economic outcomes is provided by Rodrik¹² and Palley. Rodrik reports clear evidence that democracies pay higher wages. Palley reports evidence showing that countries instituting changes giving workers the right of free association experience faster growth.

Core labor standards also benefit workers in developed countries by lessening the incentive for firms to engage in systems competition. This stands to subtly alter the dynamics of trade in a welfare-improving fashion since the focus of competition would be pushed away from wages and workplace standards towards labor productivity, product quality, and business mark-ups.

Finally, labor rights and the right to form strong independent trade unions are also vital for reasons of governance. The IMF has increasingly emphasized the problem of political corruption and economic cronyism, which has given rise to misallocation of borrowed resources. It has proposed solving this problem through greater market discipline imposed by increased financial transparency and further financial liberalization. The argument is that market competition will compete cronyism away. However, to the extent that cronysim is politically sponsored, eliminating it requires political reform that puts in place counterveiling forces that can

block it. Human and labor rights, that give workers the right to free association and confer the ability to organize independent trade unions, are the foundation of such reforms.

Microeconomic leakiness also pits business against government, and it endangers the public sector by undercutting governments ability to tax capital income. This also worsens the distribution of income, as well as giving a deflationary tilt to fiscal policy. Tax competition is the problem, and eliminating such competition requires greater harmonization of tax rates across countries.

Financial leakiness is the third area demanding a policy response, and East Asia's financial crisis has clearly shown the dangers of such leakiness. The conventional wisdom is that the crisis resulted from inadequate financial transparency, and the problem can be fixed by improved accounting standards, increased transparency, and further capital account liberalization. However, this diagnosis fails to recognize the problems of increased financial instability and loss of policy autonomy posed by increased financial leakiness.

Improved transparency and accounting standards are desirable, but they do not address the problem of financial leakiness. There is a need to reduce speculation and get investors to invest with an eye to the long term with proper regard to risk. Tobin taxes¹⁴ that reduce currency market speculation are needed, as are Chilean-style speed bumps that oblige investors to commit for a minimum time period. Not only do these measures reduce the incentive for destabilizing speculation, they can also help restore domestic policy autonomy. By adding a little friction, financial capital will be rendered less mobile and therefore less able to veto policies it dislikes. Asset-based reserve requirements¹⁵ can also help enhance domestic monetary control, as well as being useful for discouraging short-term international lending which has proved so destructive in East Asia.

Finally, new arrangements are needed for defending currencies against speculative attack. Under the existing system, each central bank is responsible for defending its own currency, and this places the onus of defense on weak-currency central banks. Given their finite holdings of foreign reserves, and given the capacity of modern financial markets to leverage positions, central banks can now be bankrupted of foreign reserves by market speculators. A new system is needed. If the onus of defense were placed on central banks whose currency is appreciating, then central banks would be restored to a dominant position. In place of defending a currency with limited supplies of foreign reserves, central banks would have the unlimited supply of the printing press, thereby restoring dominance over foreign currency speculators. ¹⁶

Establishing the Foundation for a Consensual Response to Globalization

In many regards, the process of globalization is a logical extension of the economic process that created unified national economic systems. In the U.S., the creation of a successful national economy that delivered widespread and stable prosperity required national economic institutions. Labor law was codified through the Wagner Act; the National Labor Relations Board was established to govern relations between business and labor; a national minimum wage was established to prevent worker exploitation; and national child labor laws were established to prevent exploitation of children. The Occupational Health and Safety Administration was established to ensure workplace safety, while the Environmental Protection Agency works to secure a clean environment. In financial markets, the Securities Exchange Commission helps ensure probity in financial markets, while the Federal Reserve is responsible for the governance of the banking system. These institutions contribute to the making of an efficient unified national economy. In a sense, they address the problems of macroeconomic, microeconomic, and financial leakiness as they apply within the domestic economy. Just as the creation of a unified national economy requires new institutions of economic governance, so too does the new global economy. Such institutions are needed to bar unacceptable dimensions of competition and behaviors which generate destructive instability.

Recognition of this need leads to recognition of a larger abstract point. Proponents of the existing model of globalization argue for more open trade, greater deregulation, reduced government involvement in the economy, and more liberalized financial markets. These calls are couched in terms of creation of a global free market, which carries great rhetorical appeal. However, the reality is that they also aim to establish new institutions and rules, such as the World Trade Organization and the Multilateral Agreement on investment. All economies require rules, and this applies as much to a global economy fashioned under the Washington consensus as it does to the economy fashioned under the New Deal. The implication is clear: Globalization is not a natural process that has to be fatalistically accepted. In the words of John Sweeney, president of the AFL—CIO, 'The global economy is not a natural outgrowth of the workings of an invisible hand. It is an act of man, not of God.' The problem is that the new global economy has been made to benefit some at the expense of others. Hence, President Sweeney notes that it has been 'created by government muscle, wielded behind closed doors, largely on behalf of the most powerful corporate and financial interests.'

This leads to a closing point. The new institutions required by the global economy depend critically on how we understand the economic world. Economists tend to assume that markets are perfectly competitive, and in such markets power is absent. It is not a matter of agents being equally powerful, but rather a matter of complete absence of power on the part of all. In such an environment, market competition serves to protect market participants from exploitation. Agents get paid their economic worth because perfect information ensures competitors will bid for their services, and because perfect mobility allows them to move and do business with others if they face exploitation. In this world, frictions are undesirable because they inhibit mutually beneficial exchange and because they inhibit mobility. It is this thinking that has prompted economists to push for elimination of tariff barriers, capital market openness, and deregulation of labor markets that includes lowering minimum wages and weakening unions.

However, if the real world is characterized by power and bargaining rather than perfect competition, frictions and transactions costs acquire a totally different economic significance. Simply eliminating frictions, as has been the policy recommendation of the Washington consensus, does not create an efficient perfectly competitive market. Instead, it serves to redistribute bargaining power and alter patterns of incentives. In this environment, frictions can be a good thing that remedy market failure arising from grossly unequal distributions of market power. The forces of technological and organizational innovation have been tearing down barriers and frictions that previously restrained capital, and policymakers have indiscriminately abetted this process. However, in a world of bargaining power, the proper policy response is to discriminate between frictions, distinguishing between those that diminish public well-being and those that enhance it. In some areas policy should aim to reduce friction, in other areas it may need to augment it. This is an intellectually very different conception of the economy from that which guides policy today.



The Present and Future of Work

BELISARIO BETANCUR
Former President of Colombia

Introduction: Definitions

WORK IS THE FIRST of all human rights, if not for its place in the hierarchy of rights, then for its importance as the means by which other rights are realised. Perturbed by the ideas and practices of trade on a global scale, temporarily threatened by new technologies, work begs priority consideration in the international arena.

Globalisation has arrived, bringing with it fundamental changes in the concept and distribution of work, as well as reactions which often take the forms of resistance and protectionism. At the same time, a significant change is affecting workers themselves, and because conditions 'internal' and 'external' to the worker come together in this change, its character must be taken into account.

This text draws from the author's experience, first as the Colombian Labour Minister from 1962 to 1963 and subsequently as the Head of State from 1982 to 1986, as well as from time spent as a professor at numerous universities throughout Latin America. Such experiences have taught the author to think that even if globalisation and change are inevitable, the term globalisation itself has yet to achieve a clear and satisfactory definition. This definitional failure extends to and muddles all discussions about the contemporary status of work.

Another difficulty is raised by the temptation to treat the terms *globalisation* and *internationalisation* as if they were equivalents. If one falls into this trap, all attempts at analysis become fruitless. Therefore, one must differentiate: that which is 'international' simply refers to activities or analyses going beyond the national level, while 'global' speaks of a strategy that supposes integration.

Unsynchronised Development

It follows that globalisation is a desideratum, one proposed both in the medium and long term, whose inevitable exigencies must be met in keeping with the stage at which the process of development finds itself. The unsynchronised development of the world's economics poses a stern challenge to the orderly process of

globalisation. Developed countries began opening their economies during the last phase of economic integration, which is a stage prior to globalisation itself. In contrast, both the developing countries and the 'poorest of the poor', the nations of the fourth world, currently find themselves in only the initial stages of integration into the world economy.

This unsynchronised development does not promote a logical perception of universal planning. Similarly it obscures a clear-sighted view of the international division of labour under a regime of globalisation. The problem of uneven development has repeated itself in each phase of history. For our purposes, it is enough to recall the many places in which feudal systems survived, even as capitalism took root and unfolded in others. In short, whether developed countries like the idea or not, globalisation is proceeding unevenly, and its effects are dislocating not only the traditional structures of work and employment, but traditional social structures as well. The consequences of these dislocations could become serious. Thus, there are those who would rather pay now, and in cash, for the cost of the 'externalities' that social adjustment to globalisation imposes to avoid the even greater costs of disorder.

The present age has caused these economic and cultural changes to accelerate, and therefore made it important to identify their varied roles and characteristics. In effect, the computer revolution prefers the labour arena; levels of specialisation increase without producing hyper-specialisation; training remains valid for less and less time, requiring continued professional development; automation has increased in nearly all phases of the productive process; and the growing displacement of workers has been observed through the transference of basic operations to those regions where costs are lower, i.e., salaries, bonuses, insurance, social benefits, and so on, under the formula of offshore value-added labour.

Priorities

These consequences of globalisation are far-reaching and reveal themselves in matters such as governability, social debt, culture, growth, productivity, in the terms of exchange, and in the structure of employment. The perception and prevention of the problems that flow from globalisation pose stern challenges to the quality of the leadership of those who guide the process. Fundamentally, the world of labour is what must be understood. Economic development cannot ignore its cultural impact. Culture fulfils the human who produces it, changes it, suffers from it, and should benefit from transformations in it.

The foregoing allows one to understand how material labour can exist as intellectual work, and serves as a basis for evaluating priorities in different nations. Today's society has substituted the type of energy used to advance production, and in so doing, has introduced changes in the division of labour and in the manner of participation. These changes of energy have transformed the concept of manual labour from its previous status as a source of energy to a lesser and replaceable value-added status. Intellectual work has not escaped unscathed. Its value or appreciation depends on its proximity to the productive process. Production above all other things is what shapes and steers scientific and technological knowledge, the developments in which, in turn, have forced a revolution in educational systems.

Manifest Destiny

Within this socioeconomic framework, the first international division of labour is observable. It separates those in developed countries who, through intellectual work, create the means of production, from those in developed

oping nations, who deliver consumer or finished products. In the same way, knowledge produces an immense division of labour in the intellectual arena. Leadership in the 'production' of knowledge and technology has a dynamism that both classifies and stratifies societies. At the first level are the developed nations, who 'produce' scientific and technological innovations. At the second level stand the developing nations whose 'knowledge workers' can borrow and adaptively employ the intellectual 'products' of the developed nations. At the least developed level are those nations whose workers chiefly apply the borrowed knowledge and mechanically produce the goods which embody it. The impact of knowledge has created a challenge in developing countries to generate behaviour, attitudes, and abilities to sustain them in their capacity to borrow the incessant innovations of science and technology. The creation and maintenance of these attitudes express the 'manifest destiny' of the globalisation of work and production.

However, one must consider some gradations (or nuances) in the process of globalisation. The special assignment for third world countries in this process, given their geographical locations, continues to be the supply of renewable and non-renewable natural resources, as well as the utilisation of basic labour. Once again, the influx of knowledge and technology has introduced important social and cultural changes—in this case, through the introduction of intensive agricultural techniques. A well-known pattern repeats itself here: Technology breaks the historically established link between extensive agricultural production and the intensive use of local labour. In other words, innovative techniques of agricultural production are associated with the minimal absorption of rural labour. Thus, economic return is guaranteed by the magnitude of the loss, starkly represented in economic and human terms, of employment capacity in this sector of production.

The Golden Age of Services

Such phenomena, of greater production with less labour, speak of a golden age for services, reflecting negatively on developing countries and positively on developed countries. Services are associated with greater consumption and more leisure time. In developing countries, services reflect the social distance between those who make up the armies in the battle between the rich and the poor, while in developed societies they express the objective consolidation of the economic and cultural components of the quality of life. Therefore, a peculiar division has arisen between those who some have characterised as the *consumers of the quality of life* and the *consumers of survival*.

Services generate a cultural transformation produced by the substitution of *idleness* for *free* or *leisure time*, where 'idleness' in underdeveloped countries constitutes having nothing to do. There are those who affirm that at no time are the poor more aware of their poverty than when they are forced to face 'leisure time'.

Leisure has become a consumer good, and a considerable part of modern technology is dedicated to satisfying the demand for it, so much so, in fact, that today the instruments which define it are associated with leisure and the producers of them absorb an appreciable portion of the so-called basic family spending needs. The Italian Swiss businessman Orio Giarini made an in-depth analysis of this in his exposé for the UNU-Wider Conference of Helsinki in June of 1994 for the Club of Rome.

It is often asserted that the comparative advantage of developing countries in the supply of raw materials guarantees their place in the globalisation process. This affirmation appears questionable. Progressively, a disassociation between production and the use of raw materials has occurred. In the United States, over the past twenty-five years, a nearly 80 percent increase in the production of manufactured goods has been paralleled by a significant reduction both in employment and the consumption of raw materials.

The Baggage Car of History?

It is well-known that a considerable amount of raw materials have lost their importance as necessities of production, removing them from the poorer nations' inventory of goods for sale. This is particularly true in the area of mineral raw materials. They will not disappear from the marketplace, only from the global orbit of that matketplace, retaining a lesset value in the developing countries that still can use them.

The situation becomes more complex if, as stated earlier, one considers the growing impact of electronics, computers, miniaturisation, and the rapidly growing practice of recycling, which reduces the need for raw materials, thereby affecting not only the flow of resources towards the underdeveloped countries, but also the effective placement of labour.

The Informal Economy

In Latin America, and in general in developing countries, different structures of employment coexist. In a single place, there may be labour models dating from the nineteenth, twentieth, and twenty-first centuries, operating alongside one another, without the adjustment that allows for confidence in a rapid homogenisation that would facilitate a viable policy.

Real unemployment levels are high. Collection and reporting of the data that accurately expresses its full scope is hampered by a cosmetic cover-up. In effect, countries in deep poverty register less unemployment than countries with more advanced development, without considering that in those countries unemployment is accompanied by benefits.

Unemployment has forced an informal economy to form. Unemployment is also the prime cause behind the feeling of transience that ends up by destroying both culture and social relationships, which results in the further fragmentation of the bases of social coexistence.

The grand generator of employment that was the state has seen its responsibility shrivel, a development induced by the process of modernisation. Unemployment has also resulted from the increasing adoption of new technologies by traditional enterprises. The rhythm of economic development has brought with it the closing of enterprises—large, medium-sized and small—with the consequent growth of unemployment, while automatisation and computerisation create new declines in the demand for labour.

Marginal Labour

Something that cannot be forgotten is the loss of the quality of employment. One speaks of employment growth, which is quantitatively certain, but it corresponds to the loss of quality employment and the appearance of degrading labour positions. Marginal labour and informal labour tend to be the 'assembly halls' of poor societies. The difference between the two is that while informal labour has been able to establish some actual continuity, marginal labour is defined fundamentally by its lack of continuity. If the employment structure is serious in developing nations, it is even more so in those regions of the planet that have come to define the contours of a worrisome fourth world. There the objective conditions of underdevelopment in the third world more than meet their match in the contest of misery.

The seeming unattainability of stable work for people on the fringes of society encourages imaginative solutions. An impressive case is that of the 'Recuperar' cooperative in Medellin, Colombia, which arose from a combination of ideas and efforts to solve the problem of waste management in the city. The people who organ-

ised the enterprise were the mayor, some young professionals, and a group of illiterate ragpickers who lived in the mountain of trash that had formed over the years. In twelve years, this cooperative has become an institution that has created more than 1,000 jobs in recycling plastic waste, and is involved in cleaning and maintaining parks, subway stations, and transportation terminals. Its affiliates can now read and write, and their children now attend secondary schools and universities. Their presence in public places is an example of creativity and of overcoming adversity.

In Search of Hope

The society of the future harbours a new phenomenon, which is a generic characteristic of the North–South conflict. Every 'North', made up of those who in live wealth or in general comfort, also has its own 'South', peopled by those who suffer poverty or unemployment without any alternative. The appearance of poverty within wealth is one of the great ironies and challenges of the present and the future, which we have seen worsen because of the flow of migration of contemporary nomads in search of hope.

Even in this world of injustice, the seriousness of a woman's plight is striking. She is highly discriminated against and unprotected, and she constitutes the largest contingent of the poorest of the poor. Even should a woman find herself in another place upon the social labour ladder, she nevertheless faces notorious disadvantages. These disadvantages are evident despite development in advanced societies. Thus, United Nations' figures show that a woman's income has dropped from 71 percent of a man's salary to only 66 percent. And even greater discrimination can be observed in the labour market, as the concentration of women in the lowest paid sectors of the economy, particularly in value-added production, demonstrates.

In Latin America, labour market discrimination against women is even more evident, especially if one takes into consideration that women make up more than half of the population. Working women comprise no more than 27 percent of the labour force and work in jobs characterised by low wages and productivity. That does not mean, however, that women are unoccupied. If one distinguishes between 'working' and 'labouring', women of the third world are linked permanently to non-paid domestic work, where they are an element of family continuity. This phenomenon is not exclusive to urban centres. The double occupation of the woman in rural areas is notable, where she must also cultivate the land because of the massive migrations of men to the city. In general, the ruling culture of work continues to see women as residual components, an attitude that extends to the rural areas as well as the cities. For example, illiteracy is greater among women. Low school performance records, repetition of school years, and school-leaving rates are greater among girls than boys. Malnutrition indexes are higher for females, and stability at the workplace, when women can find employment, is conditional and fragile.

Additionally, we should not overlook working children, who suffer the most shameful degradation in the labour structure. Because of conditions of extreme need, they become the cheapest labour. Their exploitation in the present not only destroys their childhood, but leaves them without the skills and education that would help them to secure their future.

Globalisation Boosters

Globalisation, as a propect and as a possible utopia, presents itself as a biased project, not only in the structure of labour and its effects on labour itself, but also in all fields of endeavour. The new, innovative realities of economic

modernisation and the removal of barriers to trade have not changed the developing world's situation substantially from yesterday's condition of dependence, which continued during both the period of modern industrialisation and the post-Cold War era. The upper levels of society in developed and developing countries have qualitatively improved their lot, but on comparing them, the qualitative gap between the upper levels of the first and third worlds seems greater than ever. It is also true that work levels and quality in jobs within applied technology have improved, yet display the same growing distance that appears when one compares these worlds.

The dynamic process of science, technology, and production that has already designated the devices designed to promote globalisation deserves attention. Market boosters, cost, government, and competition boosters; financial, labour, communications, and computer boosters have been put into place. It is supposed that on applying them we will see each society's labour structure advance, yet these will bring with them a growth in the distance between developed and developing nations.

There is already talk, for example, of *market boosters*, making per capita income equal among industrialised nations, thereby providing equal levels of lifestyle, which would permit the emergence and growth of global supermarket chains, the identification of global customers, and the development of global advertising; of *cost boosters*, such as accelerated, innovative technology, the generation of scaled, flexible economies and of robotics to replace cheap labour; of *government boosters*, such as the insistence of consumer societies on the opening-up economies, the creation of blocks of trade communities, and reduced tariffs; of *competition boosters*, such as the globalisation of companies, market penetration via networks, increased trade, and the acquisition and reengineering of companies; of *labour boosters*, such as accelerated and continued training; of *science boosters*, *computer boosters*, and so on.

The Possible Utopia

Such steps suggest the development of similar 'booster' instruments for the countries and economies of the third world. But please observe the *vade mecum* of these proposals! They go no further than constituting a timid maintenance plan for the place that the third world already occupies in the world organisation of labour, and of the economy in general. The World Bank, for example, maintains its objectives of long-term structural adjustment, based on favouring the free circulation of capital, the reduction of production costs, and incentives for exports. These objectives will augment the disparate interchange within the globalisation strategy. To that will be added the massive incorporation of new technologies applied to production, especially in services such as telecommunications, the relative reduction of real salaries, the management of unemployment (in part through the magnanimity of nongovernmental organisations (NGOs), labour reorganisation, and the privatisation of state enterprises. Are these the answers? Or would it be wiser to redistribute existing work by reducing the number of hours in each working day and creating more leisure time? These measures and objectives lead towards the creation of a modernising, technocratic elite, who will act as the true proponents of globalisation. Globalisation eventually will prove attractive, though initially it will be devastating for many human beings, groups, and societies. Moreover, some countries will have to carry the burden of social debt for those groups that are prepared for only a limited entry into the global club.

Globalisation as a possible utopia is already an imperative, but the perception exists that for it to be less traumatic, we must first seek the grand objective of humanising man and mankind. Here humanisation serves as a filter, a manner of decanting the other instrumental objectives which are pronounced as valid by a liberal market economy, or as some would call it, the *totalitarianism of the market economy*, in order to forge a new world with the least possible social cost.

With the third millennium here, we must decide whether a few or all of us should arrive at the utopia which globalisation promises, even though we may be required to reduce partially the accelerated rhythm that many cannot sustain. Perhaps this reduction of accelerated growth would be the best contemporary version of the parable of the good Samaritan. There is no question of abandoning the goal, only of thinking more clearly that the economic is also the globalisation of all that is human, and that the ethics appropriate to the ends must correspond to the ethics appropriate to the means.

129





Labour Market Deregulation and Christian Ethics

BEDŘÍCH VYMĚTALÍK

Centre for Social Education, Christian Institute of Ostrava

PRESSURE FOR THE REMOVAL of labour market regulations has undoubtedly to be placed in a broader context. The fall of communism in the countries of Central and Eastern Europe was generally accepted as a victory for capitalism, as a confirmation of the fact that that there is no alternative version of the economy. However, the new society which is gradually being formed, whether called postmodern or postindustrial or postcapitalist, bears less and less resemblance to the capitalist society of those 'thirty happy years' of the welfare state in Western countries after World War II.

Limitations of Western Models

'Western society' developed for many years as a society based on gainful employment which safeguarded a person's financial standing, social status, and identity. These served to reward the efforts connected with education and appropriation of society's norms and values. The labour market enabled young people, in particular, personal and family independence. Wages brought means for the free use of leisure time. Gainful employment also gave rise to contacts, provided a framework for time distribution, the means for consumption, and a reputable lifestyle, even if strenuous manual work was the source of them. Only gainful employment was required and appreciated: Other activities were considered to be less valuable. Material security in case of illness, in oldage or in cases of emergency, were also linked to gainful employment. Full employment, with comparatively high incomes, enabled the financing of these social security systems.

The poverty and misery of the third world did not touch the developed countries. On the contrary, it was known that the indebtedness of developing countries brought a further transfer of money, which benefited rich countries, and that were all countries to achieve the same level of development as the West, this would result in economic collapse on a global scale. Publicly it was stressed that a certain degree of unemployment in developed countries was only a temporary problem, which could be solved by further economic growth. At the

same time, Western countries managed to master existing and potential conflicts within society on the basis of a lawful state and parliamentary democracy, as the counterparts of the labour market and civil society.

Those conflicts and injustices, which manifestly existed, were not considered to be decisive. Although there were different opinions concerning securing economic growth, the growth of new jobs or the financing of social security systems, nevertheless, there remained an unshakable faith in continuing economic expansion and in the efficient performance of society based on gainful employment. This faith was invigorated by the fact that the growth of wealth was accessible to all social strata.

The 'Western' way of management did allow contemporary generations a tremendous growth in general welfare and gave hope of a permanent boom. The emergence of new technologies further reinforced this expectation. There were no doubts that it brought new possibilities for the increase of social wealth. It was presumed that this would bring with it new jobs for those who had had to leave their now-outdated positions. However, what escaped attention was the fact that new techniques and new technologies generated an increase in productivity, with a much smaller number of workers, and that advanced technology is less and less reliant upon the work of traditional workers in the primary or secondary economic sectors.

Technical progress in agriculture has already gone so far that farmers in developed countries represent only 3 to 5 percent of the economically active population, and have become a marginal force. The countries with the highest productivity in agriculture are the countries in which the percentage employed in it is the lowest in relation to total inhabitants.

The proportion of traditional industrial workers has decreased simultaneously. In 1990 it represented only one-fourth of jobs in the U.S. and it continues to diminish. It was expected that in the year 2000, traditional workers in developed countries would represent no more than one-sixth to one-eighth of the labour force, and some even predicted their shrinkage to a mere one-tenth. This substantially reduces the proportion of wages earned by production workers in relation to total production value. During the period 1949 to 1990, this proportion decreased from 40 to 24 percent in the U.S. Workers' jobs represent only a small fraction of production costs for a majority of the goods produced in the U.S. and other developed countries. This fraction will continue its rapid decrease due to the application of computer-controlled rohots.²

It seems that Marx's vision of a victorious proletariat was thus defeated for the second time: in the first place, by the intense growth of productivity which enabled an increase of wages and an improvement in workers' status, such that the proletarian revolution lost its justification, and in the second place, by the fact that the classical working class shrank in number and lost its social significance. The old class society ceased to exist. The division between rich and poor, however, continues and even deepens. It touches different social strata and groups, but it does not reflect the obvious polarity of two antagonistic social classes. It can, however, be no less dangerous if the changes taking place do not result in social consensus.

Growth of Unemployment

For the first time these changes seem to endanger developed Western countries. The living standard of their inhabitants is still high, faith in the welfare state still persists, but larger and larger cracks are appearing. Both pillars on which the model of the welfare state rested—full employment and assistance in case of need—have crumbled, and ways to strengthen them have so far been sought in vain.

Unemployment in Europe varies within two-digit numbers. Data from June 1996 show that there were thirty million unemployed, of which 12 percent were in France, 10.3 percent in Germany, 15 percent in Spain, and 12 percent in Italy. Every tenth European is looking for a job. Even more disturbing is the fact that

basic unemployment, i.e., that part of unemployment which does not disappear with an economic recovery, has increased from five to twenty million during the last two decades. The search for efficient solutions to its elimination still continues. The number of unemployed in the United Kingdom is 7.8 percent, which is below the European average, but more than half of the unemployed have been jobless for more than a year. According to research, 55 percent of European citizens consider the feeling of personal insecurity to be their most important concern about employment. Attempts at reducing unemployment, or at least at reducing it significantly, seem to be completely ineffectual. Governments receive a declining proportion from wages for funding sickness benefits, old-age pensions, or unemployment payments. This shows that even the Western model of state is slowly reaching its limits. The question of a crisis in capitalist society arising from lack of gainful employment is now openly discussed.

The Deterioration of Social Security

Problems are brought about not only by unemployment itself, but also by growing pressures to dismantle the existing social security systems. Next on the list is the dismantling of civil society itself. The argument is well-known: First, it is necessary to strive for economic growth which would enable the provision of welfare for all. This would best be achieved by giving free play to 'the invisible hand of the market'. Everything that limits its activity endangers economic efficiency and human freedom.

In developed countries high unemployment levels, efforts to eliminate social benefits, relentless pressure to reduce labour costs, and the instability of employment related to growing poverty create the feeling of a threat even for those who do have jobs. In any case, there is little hope that in the event of losing one's job, the new job would be better paid than the existing one and that it would be long-term or permanent. That is why even employees of long-standing experience a greater fear of losing their jobs—not because redundancy becomes more probable, but because its consequences become more horrific.

These tendencies manifest themselves in the same way in the U.S. In spite of the fact that the unemployment level is below 6 percent, in spite of the fact that during the last four years some eight million new jobs were created, fear among Americans is at the highest level since the time of the Great Depression. According to one survey, 30 percent of Americans state that they are afraid of losing their jobs.³ Jobs for a 'lifetime' are ending and people are looking for new jobs before losing their existing ones. Professor Richard Freeman of Harvard argues that as the labour market goes through long-term basic transformations these will have less effect upon the more educated employees. According to him, what is at issue is less these changes as such, but rather the increasing uncertainty which accompanies them.⁴

The Paradox of the Contemporary World of Work

The core of the problem has been defined by Shoshana Zuboff in *The Age of the Smart Machine*. In principle, all corporations (companies) now have the same technologies at their disposal, the same system of work, and the same software. The only way of succeeding in competition lies in allowing the biggest asset of the corporation—its labour force—a higher degree of freedom to use technology for the creation of new products and new services which sell well. Instead of this, for decades corporate America has regarded its employees as liabilities rather than assets. However, if America wants to reap the benefits from trade expansion and technological innovations, it must master the problems of work-force transformation. This means better training programmes, greater sensitivity to the fear of redundancy, and participation in management.

In other words, if human knowledge has become the most important source of wealth in advanced economies, it is necessary to look for creative methods of using this knowledge in the interests of competitiveness. This entails stimulating the interest and initiative of employees and creating conditions in which people feel satisfied with their positions and enjoy their work. Instead of that, many companies view their employees as a negative cost item which must be reduced or preferably replaced by machinery.

We thus arrive at another regrettable paradox of the contemporary world: While the need to use the full potential of human resources 'opens up the chance of the century', namely to enhance human dignity in modern economies and democratic culture,⁵ the status of workers in a large number of companies is deteriorating and human dignity is being harmed. Creative human capital is thus being suppressed. This is to the detriment of economies and obviously does not correspond to the requirements of Christian ethics.

The Need for Changing Approaches

The mechanisms of economic development can be coordinated. The economy is not a rigid creation of nature, but rather a historic and cultural creation. It is a system of institutions which—although often appearing as an objective power, as an external force which restricts the possibilities of action—was not created without regard to man but formed by him. Man creates it himself and then obeys it. That is why it is possible to create structures which conform to the requirements of justice and, at the same time, support economic development. However, the prerequisite is that there must be sufficient will to introduce them and an ethical approach must replace the ruthless quest for profit.

Market Regulation

The approach to market regulation serves as a good example. The notion that there is only a choice between a free market and a centralised one is completely false. Harvard Professor and Secretary of Labour in the Clinton administration, Robert B. Reich, states quite unambiguously: "The idea of a free market which would not be influenced by laws and political decisions is pure fantasy".6

The deregulation of the market is justified, but it must also transform the character of government intervention, from one seeking concrete results to one dedicated to the creation and maintenance of new markets. Politicians cannot jettison their responsibilities in this context. Robert Reich gives several specific examples illustrating how precipitous deregulation has had very costly consequences. At the beginning of the 1980s, the government allowed mortgage banks to invest customers' savings freely. Simultaneously, it insured depositors against possible losses. This enabled banks to speculate wildly without any real risk of loss. The result was that the price-tag for this 'deregulation' cost American taxpayers more than 300 billion dollars. In this connection, Professor Zamagni of the University of Bologna points to the paradox of freedom brought about by the functioning market. If only the most capable survive in the market, then according to market laws the others must cease to exist. As a means for resolving this paradox, he proposes introducing into the market certain requirements for solidarity as its constituent framework.⁷

Unemployment and the Problem of Inflation

High unemployment represents one of the burdens of the contemporary world. It is generally accepted that it must be eliminated, but attempts to do so have not been very successful. The argument that economic growth would bring new jobs for the unemployed has failed. Downsizing now makes more workers obsolete than can

be absorbed by newly created jobs. Moreover, these new jobs often require completely different training from the skills possessed by workers made redundant in the old industries.

The growth of productivity has been significant. In 1960, in West Germany, the production of goods and services, valued at one million DM, required forty workers; in 1990, the same effect was achieved with only ten workers.⁸ In 1995, it was estimated that within the European Union the existing volume of production and services would require approximately twenty to twenty-five million fewer jobs by the year 2000.

Does this mean that the unemployment problem is insoluble? In a situation where millions of people in the world live in poverty, where their need for goods and services is completely unmet (leaving aside population growth in LDCs), significant reductions in poverty will be a long time coming. In developed countries there is a great potential for implementing new environmentally friendly technologies, for example, the use of solar energy; recycling used materials; investments in the infrastructure, such as health services, schools, and so on, all of which could contribute to reducing unemployment.

The real question is whether there is a genuine will to resolve the unemployment problem. Economists are persuaded that a drop in unemployment fuels inflation, and this is considered to be more dangerous than unemployment. This is based on the assumption that the unemployment rate determines the level of wages in a given country. Growing unemployment reduces the purchasing power of employees and therefore reduces the price of goods: Reduced unemployment, on the contrary, results in price increases. "This, however, is not good business for financial markets, not only because additional costs limit their profits, but also because this recovery is connected with the spectre of inflation, which frightens people more than anything else'. 9 It was precisely the thirty years of economic recovery after World War II that brought about high inflation, the victims of which were the financiers. That is why a reduction of unemployment below a certain percentage is against their interests.

In the United States, economists considered it as an 'article of faith' that the natural unemployment rate must not fall below 6 percent, otherwise there is a threat of accelerated inflation. Ten years ago, when unemployment dropped below 6 percent, inflation accelerated—which is used as a constant warning. However, Robert Reich points out that this thesis is no longer valid. He argues that the unemployment rate in the U.S. has dipped to 5.1 percent and is the lowest for the last seven years; yet wages are increasing and there is no threat of spiralling inflation. 'How low can unemployment go?' 'What is the real "natural" rate?' Robert Reich's reply is that 'no one knows precisely. But whatever it is, we need not assume it is fixed at that level. It can be lowered further'. 10

Although many employers have difficulties at present in finding the employees they need, some 6.8 million Americans who want to work are unable to find a job. Another 4.4 million have part-time jobs, although they would prefer full-time work. This is because these applicants for work do not have the required knowledge or skills, or they have different skills, or because they do not know what skills are needed, or because they live in the wrong place, or just because they consider themselves to be too old. Thus Reich concludes that 'the best way to reduce the "natural" rate of unemployment is to ease the transition of these prospective workers into a workforce. This has been a central goal of this administration's labour policy'.¹¹

These examples show that the unemployment problem can be solved. It cannot, however, be solved if there is lack of willingness to take the necessary measures and particularly if a reasonable humane approach is ignored and personal profit is sought to the exclusion of other considerations. References to the free action of market forces are just a pretext. The ethical approach can offer a solution.



Democracy: Its Connection to Employment and the Representation of the Interests of Capital and Labour

RENÉ RÉMOND

Fondation Nationale des Sciences Politiques, Paris

HOW DOES THE DEMOCRATIC CONTEXT modify the relationship between work and society? In what ways does democracy affect the organisation of work? These are the questions which need to be answered.

As a point of departure I propose to address the most current question, which has been instrumental in causing work to become a matter of priority for governments as well as the governed, i.e., the acknowledgement that everyone has the right to work, and its corollary, where this is accepted as legitimate, of the obligation on the part of society to ensure work for everyone and, in consequence, to make full employment a responsibility of the public authorities. This demand has a long history, and is almost as old as the concept of democracy itself. Is it not significant that the right to work figured among the demands formulated in France during the early stages of the Second Republic, at the time when male universal suffrage was introduced, which was then the symbol and the definition of democracy? The demand was raised again during the Second World War by the Allied governments, which established it as a common objective once democracy had been restored and took it upon themselves to bring about full employment. The process of reconstruction, and then growth, enabled them to keep this promise for a quarter of a century and to satisfy a need which derived its psychological importance from the memory of the effects of the crisis of the 1920s. However, since the first oil crisis, the growing gap between the development of production and the increase in the number of people seeking employment, as well as the internationalisation of exchange, have given this old demand a contemporary character and a certain degree of urgency. At the same time they have raised questions as to the political sphere's ability to find an adequate response to this demand.

The question directly concerns democracy because of the connection that exists between it and the recognition of the right to work. The two are connected in more ways than one. Democracy aspires to the greatest possible degree of equality between all members of society. Today, there is no greater source of inequality than the unequal distribution of resources in relation to employment. In times of crisis the difference between those

who have guaranteed work and those who have lost their jobs or are unable to find work is more important than any other: in particular, between those whose status guarantees them security throughout the entire duration of their professional life and those who are exposed to the precariousness of employment and who, as a result, feel constant anxiety as to their future. The effects of this inequality are considerable and multifarious. They are concerned not only with the uncertainty felt in relation to the future or the impossibility of ensuring one's own subsistence and that of one's dependents, but also stem from the position that work occupies in modern societies. For one or two centuries, during which our countries have experienced a succession of industrial revolutions, remunerated labour has been the principal and almost exclusive means by which a person assumes his place in society. Without this status one fails to exist in the eyes of others. In order to exist, to be acknowledged, to have an identity, one has to maintain social relations, to belong to groups, and this need is primarily fulfiled by employment. One is defined by one's job. This is confirmed by the contents of identity questionnaires and administrative forms, which everybody at some point has to complete. One of the first questions, coming immediately after the person's age and sex, is an indication of that person's profession. Such a question demonstrates the importance of work in one's own understanding of oneself, as well as in the minds of others. Those who do not have a profession or cannot mention a job are not recognised and find themselves rejected and among the excluded. Democracy must also strive towards universality, which by definition is an aspiration towards equality. Failure to fulfil the demand for recognition, which is as profound a need as that of earning one's living, is to deny the essential principles of democracy. There is, therefore, a fundamental connection between democracy and the recognition of the right to work for everyone.

This connection has a number of consequences. I shall only mention here three of the most current or most important. Since democracy has a tendency to universality, the recognition of the right of everyone to have a job must apply to everybody. In this respect women have no less of a right than men. The affirmation of the equality of the sexes in relation to the right to work is not without consequences for the teaching of the Catholic Church in relation to society. For a long time the Church, while rightly emphasising that equality was not the same as uniformity and should not lead to a misunderstanding of natural differences, could have been understood to give the impression that it restricted the social role of women to that of being the mother of a family, which confined them to the home. It is a basic feature of the development of our societies that the majority of women now aspire, for various but legitimate reasons, to remunerated social activity. How, then, can one ensure, democratically, the equality of the sexes in finding work and in levels of remuneration? How can one see to it that women's careers proceed in parallel with men's while they also have to bring into the world—and educate—children?

The presence, in developed societies, of immigrants who have been born elsewhere and have come in search of work or who have been brought to a certain country in order to satisfy labour demands, poses a delicate problem at a time of underemployment due to the inevitable competition for work that arises between immigrants and indigenous workers. Should the latter be given priority because they are citizens, and thereby be afforded preferential status, or should, on the contrary, an outlook and approach of strict equality be maintained between all those who are looking for work? Democracy is not good at adapting to inequality of treatment; how can the reactions of rejection, as expressed by public opinion, be overlooked?

The increasing demand for qualifications as a result of technological progress is leading to the gradual disappearance of manual tasks which, at the beginning of the industrial revolution, represented the majority of available employment and required only physical strength. In consequence, the correlation between the level of training and the chances of finding work has become ever closer. All governments emphasise training, but there remains an apparently irreducible proportion of individuals who, for various reasons, are incapable of

acquiring this type of training. What can be done? How can they be employed? The greater the increase in the general level of training in a society, the greater the number of those who attain a high level and who become critical of those who have been prevented from following in their footsteps. Far from bringing about the progress of democracy, efforts to develop education actually combine to deepen inequality and help create a dual society. The impossibility of gaining access to the same training condemns people to unemployment because work is the main factor making for social integration, whilst its absence brings about exclusion. This represents perhaps one of the greatest challenges to democracy.

How, in economies in which complexity constitutes one of the dominant characteristics, could democracy transform the right to work, which follows from its principles, into an effective reality for the majority when political power lacks the means to create jobs? The state should not allow its role to be replaced by the intervention of entrepreneurs.

An answer can probably be found in seeking a new definition of work which enlarges the concept. For some two hundred years, our concept of work has involved the direct production of material goods, as represented by industrial work, or salaried remuneration which is calculated in relation to the capital gain created by labour itself. This type of job increases less quickly than the number of job seekers. It would therefore be necessary to integrate other forms of activity which do not correspond to a merchantile definition. Not only would this not contradict the notion of democracy, it would without doubt comply with its essential principles. It is not only democracy which insistently invites this revision of the criteria by which such activities are evaluated but also the general development of societies. The overly narrow criterion of profitability, interpreted as a function of accounting procedures, will have to be replaced by one of social utility. Many undertakings are not immediately profitable and yet are indispensable because they meet collective needs. Besides, does this not already apply to a large number of tasks which escape, and will always escape, productivity indicators? What should the productivity of a magistrate be? What meaning can be applied to the notion of productivity in the transmission of knowledge through teaching? There are so many tasks whose usefulness is not in doubt and for which remuneration cannot be calculated according to the ordinary criteria of work. This redefinition of the concept of work calls for a legal definition which is more flexible and more wide-ranging.

The growing range and extent of unemployment, the gravity of its effect upon individual prospects, and the destiny of societies as well as the urgent necessity to remedy it, together confer a particularly contemporary character upon the demand for the right to work and require our maximum attention. Independent of crises or emergency situations, the organisation of labour poses democracy with permanent questions which are no less important.

Here we return to a previous line of argument. Is it conceivable, in a society which has established democracy as the guiding principle for its system of political organisation and the rule by which most general problems are resolved, that particular institutions and sectors of activity function according to different principles, let alone according to contrary principles? For example, is it possible that a company can respect no other principle than the hierarchical, that labour relations should continue to be governed by means of authority, that power should be wholly concentrated so that the holders of capital alone take the decisions which affect the existence of the company? If this was accepted in the past, it now seems less permissible that the various elements which contribute to the existence of the organisation are not informed, consulted, or included. This is all the more so as the majority occupy roles which require a greater level of skills, intelligence, initiative, and responsibility than when physical strength represented the primary feature of wage earners in the workings of a company. It is certainly not a matter of questioning the need for an authority which takes decisions and to which belongs the basic responsibility. Today, however, companies need to treat their employees as citizens

within the company itself. It is not only the democratic nature of the political system which predisposes this conclusion. It is a certain vision of man which prevents companies from considering themselves as absolved of all further obligation after paying their employees. The company should also be a place where personality is formed, a place of freedom and of responsibility.

Companies also have obligations towards the national community. It is not enough for them merely to obey the law. It goes without saying that they have to observe the regulations stipulated by the relevant political organs but they also have to take the general interest into account. This means that profitability should not constitute the only criterion for their strategic decisions. The maximisation of profit should not be their only objective. It is ever more common to refer to the duties which companies have towards the citizen, thereby recognising that they have greater responsibilities. When a company decides to allocate a part of its profits, even if minor, for other purposes than capital remuneration, payment of dividends or reinvestment, for example, by supporting humanitarian action or cultural activity, it does not thereby contradict its own purpose, nor should this be considered a misappropriation of funds. Corporate sponsorship is a form of participation in the life of society.

If public bodies have normally refrained from intervening in labour relations, leaving those parties involved to negotiate freely, they should not neglect them entirely. Force should not be allowed to decide any potential disagreements. Democracy abjures any type of coercion, including that which stems from the superiority of the strong over the weak. Democracy implies that the law shall prevail over force. It is also the responsibility of democratic institutions to define the framework within which disputes which inevitably result from the conflict of interests and the divergence of views should be resolved. The framework must establish the appropriate rules of procedure and maintain respect for legal statutes. In order to exist, democracy requires the consent of the majority. Considering the relative character of the majority of solutions implemented, it always prefers to seek a compromise between the interests of both parties. As a result, it favours negotiation and consultation. In exceptional cases, where agreement seems impossible between parties, whose positions have become irreconcilable, it is incumbent upon democratic bodies to impose arbitration for the sake of the common good.

Democracy must by definition mean the representation of all people and their inclusion in the social order. This is a delicate point, one of the most controversial of our time. How can one ensure that those who represent are truly representative? The democratic societies in which we live are experiencing a crisis of representation. This is not of democracy itself, which as a principle is now almost universally accepted and to which there is no alternative, but of representation within democracy, in the political area as well as among union movements. The political parties have lost the trust of the public, just as the professional associations have lost the trust of those whom they are supposed to represent. During social disputes, people continue to have confidence in agencies which emerge as the occasion demands and then disappear. Public agencies thus find themselves deprived of responsible representatives capable of understanding a general interest above and beyond that of those groups whose immediate interest they defend.

The representation of diverse categories exhibits another flaw which leads us back to the above-mentioned problem of underemployment and the right to work. The swelling ranks of the unemployed are not represented, they have no organisations of their own, and the large central unions are almost exclusively concerned with protecting the interests of their members who are employed. The already shocking inequality between those who enjoy stable employment and the rest, which is the point with which this paper began, thus also constitutes a disparity in representation. The unemployed have no means through which to express their demands. It is incumbent upon the unions to provide them with a voice. This inequality represents a serious

threat to democracy, for which solidarity is necessary. Solidarity should extend as far as the acceptance of worksharing schemes and shared remuneration with others by those who are fortunate enough to hold employment in a time of crisis. From this example one can appreciate the diversity and scale of the consequences which the genuine acceptance of democratic principles and values should have on the organisation of labour.

Up to this point we have argued as if each society, within a national context, formed an isolated entity whose fate could be determined while remaining oblivious to the rest of the world. That this is no longer the case hardly needs to be demonstrated. Everyone is aware of this on a daily basis. Everything which can be democratically decided by the political authorities of a democratic country is subject to revision; it must take into account the good of the planet as a whole. How can democracy be preserved and how can problems hope to be resolved in a democratic manner if such efforts constantly run the risk of being negated by external, non-democratic countries that do enjoy democratic institutions and do not observe the conditions which derive from them? International relations are not regulated by democratic principles and essentially remain governed by force. The internationalisation of the economy and of foreign exchange, the removal of all the barriers which protected national territories, the compression of space by the communications revolution, and the growing importance of non-material transactions have all enabled the most powerful or the wealthiest to impose their will. In the absence of an agreement by all parties involved to respect certain rules, the efforts undertaken to ensure that the workings of the economy and labour relations comply with the requirements of equality and universality, which are inseparable from the idea of democracy, run the risk of being no more than a fragile edifice, which can be swept away by the first crisis to occur.

Given such conditions can one really afford to ignore the international dimension? It is precisely the universal dimension of the Catholic Church which brings people together from all continents and cultures. It was Pope John XXIII who, in his encyclical *Pacem in Terris*, hoped and prayed for the institution of a form of world government. Without wishing to indulge in wild dreams, could one of the specific contributions of our Academy not be to emphasise the need and urgency of taking a world view of the problem and to encourage that which is already being done in this area, in particular those organisations whose responsibilities exist on a worldwide scale?



The Right to Work and the Limits of Law

MARY ANN GLENDON

Harvard University Law School

Work as a Right

A 'RIGHT TO WORK', in some form, has become a standard feature of most of the world's 160 or so constitutions, as well as of United Nations human rights documents. The formulation in the U.N.'s 1948 Universal Declaration of Human Rights is fairly typical: 'Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment'. The right belongs to a cluster of 'social and economic rights' that began to be widely recognized, alongside traditional political and civil liberties, in the new constitutions and international human rights instruments that proliferated after World War II. From their inception, the new social and economic rights were in tension with the older liberties, for the former presuppose an especially active governmental apparatus, while the latter are primarily meant to limit the power of the state.

Though the trend to make work the subject of a constitutional right did not become pervasive until the era of constitution-making that began in the late 1940s, the idea that the polity has an obligation to provide work to able-bodied citizens goes back at least to early modern times when emerging nation states began to take over social functions that had previously been performed by feudal lords or religious groups. Obligations on the part of the state to provide food, work, and financial relief to persons in need were acknowledged in several eighteenth- and nineteenth-century continental European constitutions and codes—often along with a reciprocal duty to work. Tocqueville described these ideas as 'half borrowed from the Middle Ages, half bordering on socialism'.²

In the first half of the twentieth century, a scattered group of countries embodied these notions in new constitutions, and framed them in the modern language of rights. The underlying philosophies of the Weimar Constitution of 1919, the Soviet Constitution of 1936, and the Irish Constitution of 1937, were, to say the least, quite diverse. But each in its way gave modern expression to the idea of a state with affirmative responsibilities for the basic needs of its citizens. It was also in this period that the International Labor Organization was founded and

began its efforts to promote improvements in working conditions. This confluence of social democratic, Christian, Marxist, and paternalistic thinking helped to prepare the way for a much wider acceptance of social and economic rights in the wave of constitution-making and international human rights activity that followed World War II.

The United Nations commission that drafted the 1948 Universal Declaration of Human Rights found a varied range of support for the idea that several social and economic rights, including the right to work, should be among the freedoms proclaimed to be fundamental and universal. That proposition was backed not only by the socialist representatives, but by the Commission's Chair, Eleanor Roosevelt (whose husband had urged a 'second bill of rights'—including the right to a job—for the United States³), and by Jacques Maritain (whose inspiration derived in part from *Rerum Novarum* and *Quadragesimo Anno*). Thus, the right to work became ensconced in the document that is generally recognized as the 'constitution' of the international human rights movement.

The Universal Declaration in turn added impetus to the tendency to cast social and economic concerns in the language of rights in the post-WWII period, when several countries adopted bills of rights for the first time, and established courts with varying degrees of power to review the constitutionality of legislative and administrative action. In that process, several 'new' rights found their way into the constitutions of many liberal democracies, side by side with traditional political and civil liberties. Social and economic rights were also prominent features of the East European socialist constitutions, and of constitutions in the many former colonies that achieved independence in the postwar years. In some of these documents, the right to work is combined with a duty to work.

The countries that have not explicitly recognized a constitutional right to work remain a sizeable group that includes England (one of the few remaining nations without a single-document constitution) and the United States (where the Supreme Court has repeatedly declined to interpret the eighteenth-century Constitution and its amendments in such a way as to 'constitutionalize' social and economic rights). Germany is a special case because its statutory right to work gains a certain constitutional aura from Basic Law Article 20 providing that Germany is ein demokratischer und sozialer Bundesstaat (a democratic and social federal state).

Yet even countries without a *constitutional* right to work have recognized the right to work as a universal human right by virtue of having signed United Nations instruments.⁴ In sum, then, virtually every nation on earth is committed to the idea of a 'right to work', at least as a 'common standard of achievement'.⁵

That apparent consensus, however, is paper-thin. For there is no consensus on what it means to have a right, much less on what this particular right or obligation means. Nor is there a common understanding of the relation of the right to work to other rights that can be in tension with it—such as property rights, or rights to freely pursue a trade or occupation. Nor does anyone have a clear idea of how a right which depends so heavily on economic conditions can be implemented.

The Limits of Law

How can governments guarantee a right to work, when the job supply depends upon conditions that law and government have limited ability to affect? The approach of the Soviet Constitution of 1936 to this problem represented a high-water mark of legal hubris. Today, Article 118 on the right to work has a hollow sound:

Citizens of the USSR have the right to work, that is, the right to guaranteed employment and payment for their work in accordance with its quality and quantity. The right to work is ensured by the socialist organization of the national economy, the steady growth of the productive forces of Soviet society, the elimination of the possibility of economic crises, and the abolition of unemployment.

The legally sophisticated draftsmen of postwar constitutions in the liberal democracies grappled more forthrightly with the difficulties. They well understood that rights to work, shelter, and so on could not be 'guaranteed' in the same way as, say, freedom of speech and assembly. Social and economic rights, such as the right to work, are what legal theorists call *positive* rights to emphasize that their implementation requires a rather extensive, affirmatively acting official apparatus. Traditional political and civil liberties, by contrast, are primarily *negative* rights, requiring little more than that the state refrain from interfering with whatever is being protected—speech, the free exercise of religion, the precincts of the home, and so on.

This positive—negative distinction, like most other legal distinctions, is not airtight. Traditional political and civil liberties, do, of course, require an apparatus for holding elections and the administration of justice. But that apparatus does not exist for their sake alone. What sets the social and economic rights apart is the exceptional demands they make on the state and society, as well as their heavy dependence on economic conditions.

Positive rights are thus destined from the outset to be in an uneasy relationship with negative rights. Consider, for example, the tension between the right to work and the commonly protected cluster of rights that includes private property, personal liberty, and the freedom to freely pursue a trade or occupation. The right to work implies that someone—the state or society—is obliged to provide work, or at least actively to foster conditions designed to promote the supply of jobs. The similar-sounding negative right to freely pursue a trade or occupation implies that the state must interfere as little as possible with economic initiative and entrepreneurial activity. (States in practice often affirmatively foster entrepreneurial activity, but not as a matter of right or obligation.)

To some philosophers, tensions among competing rights doom the ambitious modern human rights project to incoherence. The more values that are cast as rights, the more weighty that criticism becomes. But the decision by the United Nations and many countries to recognize a limited group of potentially conflicting rights implies a judgment that, as Maritain put it, 'the antagonism between the "old" and the "new" rights of man... which many contemporary writers take pleasure in magnifying, is not insuperable'. And indeed that judgment is borne out by the legal experience of constitutional democracies such as Germany where judges regularly employ the interpretive method of pragmatic reconciliation (*praktische Konkordanz*) to resolve tensions among various rights—in the light of their relation to one another, and to the design and purpose of the Constitution as a whole. The aim of this method is to give as much scope as possible to each right without undermining the others.

Many observers would even say that rights which are in tension may nevertheless be mutually reinforcing, perhaps even necessary to one another—like the elements of a geodesic dome. For example, the U.N. Committee on Economic, Social, and Cultural Rights recently stated, 'Democracy, stability and peace cannot long survive in conditions of chronic poverty, dispossession and neglect. Political freedom, free markets and pluralism have been embraced with enthusiasm by an ever-increasing number of peoples in recent years, in part because they have seen them as the best prospect of achieving basic economic, social and cultural rights'. If that is correct, however, an extraordinary degree of political art and science is required to maintain an optimal balance under constantly shifting conditions, and to keep some rights from becoming master rights to which others are regularly subordinated.

The draftsmen of postwar human rights documents typically signalled their awareness of the special difficulties attending the implementation of positive rights by formulating them differently from negative rights. Unlike negative political and civil liberties which (in most liberal democracies) can be directly enforced by the persons affected, positive rights are typically framed as what lawyers call *programmatic* rights. A programmatic right (or obligation) does not give rise to legal claims that individuals can enforce by going to court (though

occasionally a court will censure a government for failing to live up to its programmatic obligations). Rather, it represents an official, high-level commitment to an ideal or goal, in short, to a program, whose implementation depends on ordinary politics and available economic resources.

The entire 1948 Universal Declaration is programmatic in this sense, for its Preamble expressly declares it to be a nonbinding 'common standard of achievement'. In 1966, however, most of the rights in the Declaration were made the subject of two international covenants, the Covenant on Political and Civil Rights and the Covenant on Economic, Social and Cultural Rights (ICESCR). Once signed and ratified, these covenants become part of the law of the signatory nation. But there are two major differences between the 1966 covenants: The rights in the latter are subject to the availability of resources, and the obligation it imposes is one of incremental realization. Concerning the right to work, Article 6(2) of the ICESCR provides that 'The steps to be taken . . . to achieve the full realization of this right shall include technical and vocational guidance and training programs, policies and techniques to achieve steady economic social, and cultural development and full and productive employment under conditions safeguarding fundamental political and economic freedoms to the individual'. Even that modest degree of commitment was too much for some nations, including the United States (which has signed, but not ratified, the ICESCR).

So far as national constitutions are concerned, the programmatic nature of social and economic rights or obligations reveals itself in various ways. In Germany, for example, the constitutional language creating an affirmatively acting 'democratic and social federal state' is so cryptic as to remain meaningless without extensive legislative specification. In countries where social and economic rights are more specifically enumerated in the constitution itself, the special nature of these rights is commonly indicated by presenting them as statements of political principles or goals to guide the organs of government. For example, the Swedish Instrument of Government mentions the right to work in a section titled, 'The Basic Principles of the Constitution':

Art. 2. ... The personal, economic and cultural welfare of the individual shall be fundamental aims of the activities of the community. In particular, it shall be incumbent on the community to secure the right to work, to housing and to education and to promote social care and security as well as a favorable living environment. 9

Another method is employed in the Spanish and Portuguese constitutions which expressly provide that the social and economic rights are not enforceable in courts.

In countries where the aspirational character of these rights is not so evident from the constitutional text itself, their programmatic nature appears in other ways. In France, for example, individual claimants do not have access to the Constitutional Council which reviews legislation for conformity to constitutional norms only at the instance of the National Assembly, or a specified proportion of its members. In Japan, shortly after the adoption of the 1947 Constitution (which included much of Roosevelt's 'second bill of rights'), the Japanese Supreme Court held that social and economic rights 'must, in the main, be carried out by the enactment and enforcement of social legislation [The] state does not bear such an obligation concretely and materially toward the people as individuals'. ¹⁰

Thus, in practice, the legal situation in countries with constitutional rights or obligations regarding work is not very different from that in countries like the United States and England without any such constitutional rights. In both groups of countries, the specific content and limits of the right are basically left up to legislation. In both cases, employment policy emerges from ordinary political processes.

This does not mean, however, that constitutional rights to work have no legal effect at all. One highly important effect of programmatic rights is to endow statutes enacted to carry out the constitutional 'program' with a presumption of constitutionality. For example, the German Constitutional Court has upheld labor legislation that would probably be found unconstitutional by the United States Supreme Court.

Constitutional rights to work may also exert an influence on political deliberation, legislative and executive action, budgetary appropriations, and national priorities in countries where they are present. Such an effect is speculative, however, for there is no way of knowing what any given country would have done if its constitution had been different in this respect. Nor does the presence or absence of a constitutional right to work correlate in any simple or obvious way with the vigor or intelligence with which various countries at comparable levels of development pursue policies designed to minimize unemployment and maximize job opportunities. In some countries, the tradition of an affirmatively acting sovereign may have prompted adoption of the constitutional right, rather than vice versa. In others, the wish seems to have been father to the thought—as in poor nations with severe employment problems where constitutional rights to work are very common.

How then should one view this 'right' that is not really enforceable, and that bears so little demonstrable connection to labor policy or to the actual state of employment in a given country? Skeptics of positive rights contend that they are not rights at all. If one can't go to court to enforce it, they say, why call it a right?

Critics of positive rights go further. They assert that programmatic rights are apt to be economically counterproductive and politically dangerous. In this view, social and economic rights potentially impede the realization of fuller employment by dampening economic growth. At the same time, the argument goes, these rights tend to aggrandize the power of the state and to encourage judges to overstep the bounds of their role. Explaining the traditional U.S. reluctance to recognize positive rights, a prominent federal judge (who is also a leader of the 'law and economics' movement) has stated: 'The men who wrote the Bill of Rights were not concerned that the federal government might do too little for the people, but that it might do too much to them'.¹¹

The claims of skeptics and critics of rights to work cannot be lightly dismissed. And yet, just as one can underestimate the limits of law as command, so one can overlook the power of law as persuasion. Law, especially constitutional law and human rights law, is more than the will of the sovereign. It is more than a means of avoiding or settling disputes. It is also a way in which human beings try to make sense of things, to order their lives together, to establish priorities—in other words to envision the kind of society they wish to bring into being.

Thus, it is worthwhile recalling that when we make social justice concerns highly visible in constitutions and international declarations, we are—among other things—making a statement about what kind of people we want to be, and what kind of future we hope to have together on this planet. The post-WWII drafters understood this very well.

The 'Risk of Solidarity'

When the framers of modern human rights declarations decided to place rights to work, education, and minimum subsistence alongside traditional negative liberties, their hope was to broaden the range of officially recognized social concerns, to heighten their visibility, and to amplify what it means to ground a regime of rights upon the innate dignity and worth of every human being. A UNESCO committee appointed shortly after the founding of the U.N. to study the theoretical foundations of human rights began its report with the words: 'An international declaration of human rights must be the expression of a *faith to be maintained* no less than a program of actions to be carried out'. Laying the groundwork for the inclusion of social and economic rights in the 1948 Declaration, the committee went on:

It is this faith, in the opinion of the UNESCO committee, which underlies the solemn obligation of the U.N. to declare . . . the rights which have now become the vital ends of human efforts everywhere. These rights must no longer be confined to a few. They are claims which all men and women may legit-imately make in their search not only to fulfill themselves at their best, but to be so placed in life that they are capable at their best of becoming in the highest sense citizens of the various communities to which they belong and of the world community.¹²

The drafters of the 1948 Universal Declaration of Human Rights proceeded along that line, but they were under no illusions about the precariousness of their enterprise. Jacques Maritain later recounted that it had been relatively easy to get the representatives of various nations to agree that a certain group of rights should be deemed fundamental—so long as no one asked why. Philosopher Richard McKeon, who had served on the UNESCO Committeee on the Theoretical Bases of Human Rights, wrote, in a similar vein, that the task of the drafters of the Universal Declaration was not to achieve a doctrinal consensus, but to achieve agreement concerning rights which may be justified on highly divergent doctrinal grounds.

Unfortunately, as the Declaration approaches its fiftieth anniversary, it is apparent that the nations of the world have kept the 'faith' in a selective and, all too often, self-interested fashion. Social justice concerns in particular have so regularly been given short shrift that one might describe the social and economic rights (or obligations) as the neglected offspring of the human rights movement. The U.N. Committee on Economic, Social, and Cultural Rights reported in 1993 that in member states, and in the international community as whole, 'violations of civil and political rights continue to be treated as though they were far more serious, and more patently intolerable, than massive and direct denials of economic, social and cultural rights'. 13

In the U.N. context, where a 'cafeteria' approach to human rights generally prevails, the single most consistent champion of an integrated, holistic approach to the Universal Declaration has been the Holy See. The idea that social justice can and must be harmonized with political, civil, and economic liberties has been the touchstone of the Holy See's advocacy in international settings. Indeed, amidst the cacophony of special interests and power politics, the Catholic Church has often been alone in standing clearly, consistently, and unmistakably for human freedom *and* solidarity.

The social encyclicals of John Paul II have stressed that rights under *both* of these headings are grounded in the innate dignity of each and every human being. *Centesimus Annus* says of the right to work: 'A society in which this right is systematically denied, in which economic policies do not allow workers to reach satisfactory levels of employment, cannot be justified from an ethical point of view, nor can that society attain social peace'.

In 1995, Pope John Paul II took the occasion of the fiftieth anniversary of the founding of the U.N. to stress the essential unity of the U.N.'s human rights corpus. He reminded the nations that the promises they made in the wake of the horrors of World War II were rooted in respect for human dignity. He celebrated the freedoms of which the liberal democracies are justly proud, saying that humanity has been 'inspired by the example of all those who have taken the risk of freedom'. But then he asked: 'Can we not recommit ourselves also to taking the risk of solidarity—and thus the risk of peace?¹⁴

That question directly poses the challenge confronting the ambitious modern human rights project: It is nothing less than the challenge of bringing together the two halves of the divided soul of the human rights movement—its commitment to human liberty and its acknowledgment of common responsibility for the poor, the weak, and the vulnerable.

Thus, in a world with a billion adults unemployed, it is worth asking: If the right to work is ineffective, as skeptics say, is there a way to make it effective? If that route is fraught with peril, as critics say, is there a way to minimize the danger?

Smart Solidarity

The fact is that practical and empirical knowledge is rather primitive about what kinds of social justice measures, private or public, do or do not work, and under which circumstances. We know more about what does not work than about what does. Lawyers, policymakers, economists, and social scientists know embarrassingly little about side effects, and unintended consequences; about what helps and what hurts. This seems due partly to a shortage of empirical work, partly to the intrinsic difficulty of the subject, and partly to the distraction of a long, sterile debate between the partisans of big government programs on the one hand and advocates of lais-sez-faire on the other. In an updated version of that argument, both the right and the left are using the rhetoric of 'globalization' to portray ordinary politics as defunct: the left with the aim of arousing popular anxiety and unrest; the right to argue that all other values must be subordinated to the need to be 'competitive'.

The problem of 'smart solidarity' thus directly challenges everyone who wishes not only to maintain social justice commitments in the canon of human rights, but to make them more effective. It is a hopeful sign that policymakers all over the world do seem to be thinking in a more nuanced way about the appropriate or optimal roles and relationships among government, markets, and the mediating institutions of civil society. They are beginning to ask better questions and to investigate them empirically: What does each institution do best? At what level? How can the harmful tendencies of each be checked without killing the geese that lay wholesome eggs? Many countries are grappling with a set of problems that are in a general way similar: how to achieve the optimal mix in a mixed economy; how to move forward simultaneously towards a strong economy, a regime of liberty, and a social safety net; how to administer social assistance without undermining personal responsibility. On our increasingly interdependent planet, each of these problems has its international dimensions and analogs.

So far as the law is concerned, this focus on the 'how to do it' questions has fostered a healthy realism about the uses and limits of law, an abandonment of the myth that complex problems can be solved simply by 'passing a law', and a long-overdue interest in alternatives to direct, top-down regulation. It may well be that an active government acts best by strengthening the rights and responsibilities of other institutions. Of particular interest in this respect is the nascent research on 'reflexive law': forms of legal intervention that aim at setting conditions or establishing frameworks, rather than directing outcomes. (An example of this type of law from labor history would be the U.S. labor legislation of 1935 which, in response to the circumstances of the time, promoted a particular type of mediating structure—unions—and tried to foster private ordering through collective bargaining, rather than minutely regulating the terms and conditions of employment as many other nations do.) Reflexive law aims to confine the state's role where possible to providing a structural basis for the coordination of interaction among social subsystems, and to shape procedures for participation and communication within and among these structures.



Unemployment in Mixed Economies: Avoidable or Not?

EDMOND MALINVAUD

Centre de Recherche en Economie et Statistique, Paris

Preliminaries

IN ITS MODERN CONNOTATION the concept of unemployment is relatively recent and applies primarily to industrial countries (Salais et al., 1986). Nowadays, statisticians classify an unemployed person as somebody who is not in gainful employment, who is seeking gainful employment, and who is available to hold a position of gainful employment. However, these various terms would be too ambiguous if they were not clarified further, so varied are peoples' positions regarding employment. Estimates of the numbers of unemployed are thus somewhat conventional and comparisons between rates of unemployment are affected by this fact to a greater or lesser degree.

In particular, it is often a source of surprise to find relatively low rates of unemployment in less developed countries, where a significant part of the population lives in an agricultural environment and works in the traditional sector. Almost everybody is 'employed', sometimes with very low productivity, which is often, moreover, considered as a sign of 'hidden underemployment.' For this reason, many analysts consider it more appropriate to refer to urban rates of unemployment with respect to developing countries, rather than to an overall rate of unemployment (Todaro, 1985). For the countries of Sub-Saharan Africa, in the mid-1980s, the International Labour Office suggests urban rates of unemployment varying from 9.7 to 31.2 percent (ILO, 1992). I shall, however, not dwell on this point any further as the question which this paper attempts to address is obviously not pertinent to an analysis of labour problems in subsistence economies.

In the market economies, where a high level of material affluence prevails, unemployment is in part simply the consequence of the freedom, which workers and employers alike enjoy, of deciding what to do, and thus of seeking the best opportunity before committing themselves. In itself this part of unemployment is not contrary to human dignity, particularly if personal and family resources or social welfare ensure an adequate standard of living. Economists classify this as 'frictional unemployment', which they treat separately in order to concentrate their attention on the remainder of unemployment.

This remainder is generally analysed as constituting an excess of the supply of labour over the demand for labour. In correlative terms, frictional unemployment has a wider meaning than that outlined above, as one cannot expect the respective compositions of labour supply and labour demand to match perfectly, whether by region, profession, qualifications, work conditions, or other factors. It is therefore normal that certain types of supply and demand are not actually satisfied because of their own characteristics, even when, overall, the labour market seems to be in equilibrium. We shall not concern ourselves further with this point now but will return to it later.

If the definition of unemployment is conventional, that of frictional unemployment is yet more so. Fortunately, what follows is not highly dependent on the accepted convention: Rates of unemployment around 10 percent are generally understood to be well in excess of the figure one would reasonably attribute to frictional unemployment (for evidence refer, for example, to Malinvaud, 1984). If a rough order of magnitude is required, I would propose the figure of 5 percent for the rate of frictional unemployment in Europe and in comparable countries.

The question posed in the title of this essay should be understood in relation to the right to work. This right, stipulated in the constitutions of many different states and in the social teaching of the Church, is very special: no formula can characterise in an atemporal and obvious way the personal conditions for the realisation of this right (see 'Elements of a "Culture of Labour", Schasching, this volume). Rather, it is a matter of the duty of the national community towards the entirety of its members.²

How far does this duty extend? The approach of this contribution, which is strictly positive rather than speculative, does not lend itself to answering such a question. However, for the purpose of clarity in the analysis which follows a provisional answer is required in the form of a working hypothesis. I propose that a suitable response is that it is incumbent upon the community to ensure that unemployment does not consistently exceed the level of frictional unemployment, which one could call 'unemployment at full employment'. At first sight this response might not seem demanding enough. In effect, it concedes that through, for example, the payment of benefits, the community can absolve itself of its duty towards the temporarily unemployed, as well as towards those who are in the long run only able to supply labour for which there is little demand (the second part of frictional unemployment).

Upon reflection, however, this answer seems to be extremely demanding. It suggests that priority be given to the struggle against unemployment above all other commitments of public policy, including other social commitments.

Before proceeding, we should ask ourselves what recommendations could be offered if it were established that from now on unemployment will be inevitable in the mixed economies with which we are familiar. Indeed, one cannot avoid the question because social objectives other than support for employment are never completely sacrificed.

Certain proposals figure in writings on the hypothesis of inevitable unemployment. It is worth remarking that, at least to my knowledge, few of these writings propose what might seem an obvious solution, that of a return to the managed economies which prevailed in Central and Eastern Europe some years ago.³ Incidentally, this shows that full employment is not regarded as an absolute priority to be placed above the standard of living and free enterprise.

A recent book by Boissonnat (1995) mentions solutions which have been proposed to tackle 'the end of classical full employment'. A reading of them leaves me disappointed. The perspectives which they offer seem too vague in their content and uncertain in their consequences. At one extreme, some authors advocate as a solution a coexistence between sectors which encourage competitiveness and competition and other sectors

'governed by different principles.' Is this different from the approach which in Sweden led to inflation in the public sector and which that country is now seeking to abandon? Other authors suggest that the social expression and integration of work can be recreated outside the classical forms of labour, such as in the domestic sphere, in private associations or even in voluntary work. More often than not such proposals fail properly to address the question of remuneration, which should be forthcoming for such nonclassical forms of labour, as well as the status of those who would discharge these roles; concrete examples exist, for example, in Belgium.

In the end the solution which is most closely studied consists in the search for a reduction in the average working time of full-time employment. This is based on the observation that, in many countries, the downward trend in work time came to an end around 1974. It admits the possibility that a reduction could now be brought about without affecting the development of production and therefore without harming the profitability of companies. It proposes that the implementation of such a measure should be left to collective negotiation, with the supervision and support of the public authorities where necessary. Economists remain divided in relation to the hopes which can be placed on this proposal and the conditions which should be engendered in order to promote its success.⁴

Proposals based upon related principles and offering more ambitious and often utopian objectives have also been, and are still being, formulated. In this vein, twenty years ago the economist Emmerij proposed a programme to reduce the role of professional work in the life cycle of people. Instead of imposing a rigid sequence of education, work, and retirement, he advocated the introduction of a more flexible system favouring alternation between education, work, and leisure during adult life (see Emmerij, 1980) and the discussion which follows).

Developments Over the Last Two Decades

How have the opinions of economists on the matters under review evolved since the 1960s? They have quite clearly been influenced by the changes in employment since that period, as well as by the progress in theoretical research. In order to ascertain facts which affected former certainties, the first three sections of this part of my paper will consider, respectively; (1) the effects of the development in the world economy; (2) the various vicissitudes in Latin America, Asia, and Africa; and (3) employment problems in Europe. The final section will concern economic history in the long run. Are we on the threshold of a fundamentally new phase in which difficulties concerning employment will be of a permanent nature, or are we, on the contrary, reliving the experience of depressive periods within long cycles?

Economists could clearly not remain insensitive to the increase in unemployment which has accompanied the successive crises in the world economy. We know that for the countries which make up the OECD, the number of unemployed fluctuated around ten million between 1950 and 1973, rising to twenty million in 1980 and to thirty million in 1983, before reaching the figure of thirty-five million today (or about 8.5 percent of the active population) after falling again to twenty-five million in 1990. It was clearly necessary to reconsider explanations of unemployment and see how they could account for a phenomenon which had become at once so enormous and so worrying.

As in many other eras, public opinion has been quick to place the blame on technological progress, the most obvious consequence of which has been the requirement of a reduction in labour needs for the same levels of production. Economists have had to remind people, time and again, that such reasoning is incomplete: We must take into account the fact that technological progress also enables the growth of production and an increase in living standards. Technological progress constitutes just one of the changes to which economics

have to adapt. Moreover, such progress was particularly rapid and easily incorporated during the decades of full employment in the postwar period. Thereafter it slowed down somewhat.

A secondary difficulty should be mentioned, one which derives not from the importance of progress but from its nature, in a period when international trade is intensifying. The progress of information technology has made it possible for many tasks to become mechanised, has led to an increasing need for qualifications for the majority of jobs, and has facilitated long-distance communication. At the same time, the production of goods requiring less skilled labour has been moved to countries with low labour costs. This contributes to the development of such countries but represents a threat to those people in the affluent countries concerned who occupy the least skilled jobs, i.e., where the labour costs are maintained at too high a level in relation to competition. However, the scale of this phenomenon, which is, moreover, difficult to quantify, is limited and in any case can only be responsible for a small part of the rise in unemployment (see, for example, A. Wood, 1995), and the symposium of which this article forms a part).

The internationalisation of markets has other consequences, some of which tend to destabilise those economics which are not capable of adapting properly. In the last two decades, we have seen a significant rise in the price of oil followed later by its fall. The deterioration in the terms of trade of energy-consuming countries between 1974 and 1984 was particularly harmful because the majority of countries had allowed a certain rise in inflation, which then accelerated. The only means of eliminating inflation was by implementing deflationary policies. These had to be the more forceful and harmful to employment as real remuneration was more rigid in these countries.

The importance of oil revenue, followed by financial deregulation, created new borrowing and credit facilities, often from abroad. However, neither the financial institutions nor rheir clients were able to foresee the multiple consequences—the fact that deflation would cause a substantial rise in the real cost of borrowing, linked to interest rates which only inflation made tolerable; the fact that where the quantitative rationing of credit disappeared, this had to be substituted by price rationing, or in other words an increase in rates; and the fact that easy credit could fuel speculative bubbles in the prices of financial and real assets, with the risk of a subsequent sharp fall in these prices. The depressions which followed should therefore come as no surprise: the excessive and overly costly private indebtedness in many countries of the third world, the perception hy many households and companies at the end of the 1980s that they had to reduce their level of debt, the rise in real interest rates to prohibitive levels, crises on the stock markets, the stagnation of the real estate markets, and the insolvency of several financial institutions. Past experience shows that all of the above could not but seriously affect labour markets.

The financial markets and the effects of errors made by managers are not the only factors involved. The intensification of competition on the commodity market compels companies continually to upgrade their performance to the benefit of their clients, but also at the price of reorganisation and restructuring. The effects of this are particularly harmful to staff when the economy is less buoyant and where the management is less far-sighted or less prepared for such an eventuality.

Altogether, the current period reminds economists, many of whom had tended to forget the fact, that the efficiency of the market economy has as its counterpart the severity of the sanctions which it imposes and the need for flexibility in the face of developments which often border upon instability.

Today it is less possible to speak of the third world without acknowledging the considerable diversity of countries which one places in that category—countries whose respective economic development has been very different. I am not in a position to comment properly on such development and the conclusions drawn from it by expert economists from these countries. To be aware of the importance of the third world for the present and future state of humanity is not enough, on its own, to provide the objective knowledge which is gained by

people working on the spot. Fortunately, it is sufficient for me here to reflect upon how the history of the world in the last twenty years may have affected the ideas of economists everywhere about the inevitability or not of unemployment. From this general point of view I believe that two statements need to be made, a main proposition and a secondary one, which is also of significance.

First, the search for original solutions to resolve the economic problems of underdevelopment has failed, in spite of the work dedicated to it by many economists in the postwar period. Speaking in general terms, it has to be said that the countries which have succeeded best in raising the standard of living and the level of employment of their populations, and in reducing the dualism of their economies, are also those which have chosen to accept the market economy and to benefit from its advantages. This, of course, is not a simple recipe which can be implemented by an expert coming in from outside. The countries involved have to be prepared to put in hard work and to invest, particularly in human capital. They have to be astute in finding their own way forward, a path which has often been achieved through a public sector, conscious of its responsibilities, and well-advised industrial and agricultural policies. However, to take advantage of the opportunities offered by the international market has almost always proved beneficial. It is also obvious that the just distribution of profit is not automatic, which gives the governmental authorities the responsibility to intervene and to do so in as wisely as possible, given that the effects have to be evaluated correctly and in a long-term perspective.

Second, the risk exists, more so than in the former industrial countries, that expansion will be accompanied by a general rise in prices and that inflation, once in place, tends to accelerate to a point where it clearly becomes detrimental to distributive justice and economic efficiency. A deflationary policy is therefore necessary which is harmful to employment until the economy has been stabilised (on these matters, see M. Bruno, 1995). The governmental authorities are therefore also responsible for ensuring that public finance is established on a sound, permanent base.

Employment in Europe offers the most marked contrast between the 1960s and today. From having low rates of unemployment, the opposite is now almost everywhere the case. It is also in Europe that the theory of inevitable unemployment has most followers. It is natural that we should study the specific causes behind the particularly serious nature of unemployment in this region. The large majority of economists attribute the main role to the inability of European economics to adapt properly. However, they remain divided about the role of European macroeconomic policies. This will now form the focus of the rest of the paper.

For fifteen years, European macroeconomic policies have often been accused, in academic writings and at international scientific meetings, of having been generally too depressive in tone, or more exactly of not having sufficiently supported labour at times when the state of the economy was unfavourable—public budgets which were too harsh, interest rates and exchange rates which were deliberately kept too high. The defenders of this approach, which is followed in the larger part of Western Europe, prioritise the fight against inflation and stress that monetary policy has little impact upon medium- and long-term interest rates, given the influence of the financial markets. They also point out that public deficits and public debt are nowadays too important for one to place an exaggerated emphasis on previous budgetary policies. Some of their opponents accept the pessimistic diagnosis of the state of public finances but believe that the central banks are in part responsible by having set short-term interest rates at too high a level. These and others argue that, having failed to support the demand for labour during previous depressions, the authorities then tolerated too great an increase in unemployment and that this still leaves its mark on the present situation because of unemployment hysteresis, bearing in particular on long-term unemployment; we shall return to this point.

The difficulties that the European economy had in adapting were numerous. First, the rapid growth experienced in the first decades of the postwar period caused everybody—workers, employers, and governments

alike—to believe that growth was a permanent fact and that it would allow real remuneration and the funds set aside for social security or collective needs to rise year after year. From the end of the 1960s this exaggerated expectation set in motion a spiral effect in the rise of wages and prices and led to a progressive increase in inflation. The situation became even more serious when, in the mid-1970s, several changes took place which should have been foreseen. The exceptional rise in productivity fell off and the terms of international trade, which previously had developed favourably for European needs, deteriorated sharply, particularly as a result of the increase in the price of oil. Japan and the new industrialised countries, which had formerly been clients of Western Europe when acquiring their equipment, now became its competitors. The world economy, which had formerly seemed so stable, became significantly more unstable. As a result, the profitability of European companies deteriorated to such an extent that at the beginning of the 1980s many of them did not have the necessary funds to guarantee their survival, let alone to invest.

Despite the increase in real interest rates, the profitability of European companies has since re-established itself because of a prolonged stabilisation in the levels of real wages. The required adjustments, however, are held back and will continue to be held back by other rigidities. These were often the involuntary result of policies which sought the better implementation of social objectives, in particular policies which were devised to deal with unemployment. At the same time, the public sector progressively assumed more of the role of the employer, at the cost, however, of budgetary difficulties which often prohibited the development of public infrastructures and services, as well as support for the economy.

The search for flexibility, which has been underway in Europe for fifteen years, is not easy, particularly as the previously formulated social objectives cannot be abandoned but must now be realised through new and better conceived methods which do not have the secondary and undesirable effects of former policies, through methods which are more compatible with the interplay of economic incentives.⁶ Neither can the effects of greater flexibility be produced immediately. Only in the long run can such flexibility enable Europe to benefit from a more rapid rise in employment when the economy is buoyant, and to resist a rise in unemployment when the economy is depressed.

In particular Western Europe must resolve the problem of labour costs which, in most countries, are too high for the full employment of unskilled persons. This problem, mentioned earlier, is of a quite specific nature owing to the relatively high level of minimum wages, combined with significant public contributions linked to wages.

Summing up, economists draw the following conclusions from the above-mentioned developments over the course of the last twenty years: (1) no viable perspective seems to exist which would be preferable to that offered by a market economy of which the public authorities would be able to take advantage; (2) the internationalisation of the economy raises very great opportunities, but also presents risks of instability, which will have to be better contained; (3) economic policies should not overestimate the permanent potential of an economic system and thereby run the risk of having later to pay a price in terms of unemployment; and (4) within the limit of this potential, there exists scope for choice, but every rigidity must be compensated for in the long run by acceptance of a lower average standard of living and the reduced possibility of a rapid return of employment when favourable conditions allow it.

This final conclusion deserves further reflection, as the works of economists are today often perceived as leaving no room for choice—the laws of the world market economy are said to be binding everywhere, including in the social sphere. Economic science does not justify such an extreme position. On the contrary, it acknowledges the diversity of structural policies relevant to each country, within constraints which are the counterparts of the advantages offered by participation in the world economy. Economic science, however, has the duty to seek to provide a realistic evaluation of the scope for choice, which one would obviously wish were larger.

Taking a longer historical view, economists also remind us that prolonged periods of stagnation have occurred in the past, for example between 1870–1875 and 1890–1896 in Europe, and that they came to an end. Economists find it hard to believe that, following the various phases of disorder and stabilisation which brought about, over the last twenty years, the depressive mood in the world economy, the time will not come again when a more balanced trajectory is established which will be favourable to employment. In other words, they are unwilling to believe that unemployment permanently exceeding frictional unemployment is inevitable in a well-governed market economy. However, they are less sure of this fact and place more conditions upon its realisation than they would have done previously.



The Living Conditions of the Unemployed and the Effect of Alternative Social Security Systems: In Historical and Comparative Perspective

HANS ZACHER

Max-Planck-Gesulschaft zur Förderung der Wissenschaften

GLOBALISATON RAISES VITAL ISSUES for the politics of the welfare state and for the conventions of welfare-state societies. There are three outstanding aspects of this situation. First, in the past, the politics both of the state and of social forces in Western Europe were characterised by the sovereignty of states within national boundaries. As a result of globalisation, control over economic and social conditions is reduced in a manner which is without historical precedent. Second, labour is everywhere faced with an uncertain future, and all groups must wonder whether in comparable conditions of investment and production what they have to offer is competitive, i.e., the qualified versus the less qualified, young versus older workers, immigrants versus those born in a country. Whether one thinks in terms of nation or society, the old idea of the standard job and of the social security it provided are now called into question. The media, parties and associations, parliaments and governments are striving together to find a new orientation.

The Confusion of the First World

The Rise of Unemployment and the Changes in the Pattern of Employment and Unemployment

In the industrialised market economies of what used to be called 'the West' the trend towards unemployment, which has been clearly visible since the 1970s, positively soared in the 1990s. By the middle of the decade, the average rate of unemployment of the OECD countries had risen to over 10 percent, which meant a rate of as much as 20 percent in certain countries. In many counties this development gave rise to the regulation of benefit payments to the unemployed (passive employment policy)—specifically with a view to adapting them

to what the public purse could afford. At the same time, active employment policy and its relationship to passive employment policy, were reappraised.

The unemployment figures—leaving aside the problematical nature of unemployment statistics—give a very incomplete picture of the total changes which have taken place. In many respects they hide the full extent of underemployment. In addition to the officially unemployed, according to national conventions, who are available for work and/or who claim unemployment benefit, there are also people whose employment is made possible thanks to the benefits payable under active or passive employment policies, short-time workers (temporary, part-time workers who receive income supplement), persons paid from public funds and persons whose income is guaranteed during a course of training.²

To the above must be added those who come under allied social security systems, particularly invalids and persons who reach the age for the old-age pension and other benefits. It is particularly difficult to establish to what extent the granting of invalid allowances and the flexibility of the system and its management are a function of the state of unemployment.³ Where a regime encourages early retirement, closer scruitiny may be called for.

Account must also be taken of the 'silent reserve' of persons who in fact seek paid employment but not under the conditions of the labour market, and those who, not qualifying for benefits, see no purpose in registering as unemployed. There are also those who having other income have no need of unemployment benefit or give preference to family duties. With married people, this may entail the support of the partner; in the case of single people through widow/widower allowances, payments to single mothers, and so on. In any case social benefit for maintenance (child allowance) or to meet specific needs (for example, accommodation allowance) also enter into the basic framework. Even where paid work is performed, the old pattern of the job-for-life has gone, to be succeeded by patterns which are far from uniform.

There is limited permanent employment and there is more and more employment for a limited time only. There is also an increase in part-time work and here it is again necessary to distinguish between different forms of part-time work. There is that kind of part-time work, normally half-time or longer, which provides a living. There is part-time work which allows for other priorities such as family duties. There is charitable or community work undertaken by those who have other means of support. Sometimes, part-time work, the remuneration of which would not normally be regarded as sufficient to live on, is accepted out of sheer necessity. These minimal activities are excluded in individual countries, particularly Germany, from the social security provisions connected with employment.⁴ There is also long-term part-time work, lasting several months or more, which must be distinguished from part-time work lasting a day or a week. There is also contract work, which may be irregular and there are growing opportunities for work undertaken at home. Last but not least comes the phenomenon of illicit, or undeclared, work

A topic currently much under discussion is the increase in 'dependent independence' or false independence. This phenomenon does not yet appear to have been properly classified. The borders between true employment and such independence are vague. Also the question as to what extent the social security of the employee extends to 'independent dependency' is far from clear. In a number of countries, developments in the labour market have induced many people to opt for independence.

In total, the new complexity of employment and unemployment has eliminated the old formal structure of working life. More and more, in the countries of the first world, an informal sector is to seen of a kind which is typical of developing countries.

The Situation of Those Concerned

What do these developments mean for those concerned? The starting point is that a permanent job is synonymous with income, effectiveness, social connectedness, and social security. Underemployment means that the conventional package is reduced, with varying effects. Put in a different way, the conventional notion of unemployment is the counterpart of permanent employment. With the development of a multiplicity of forms of work, unemployment itself assumes a multifaceted character. In the areas which we have sketched, which lie between a permanent job and unemployment in the full sense, we find the most varied mixes encompassing elements of both employment and unemployment.

Part-time work basically gives access to all the positive elements of work: income, effectiveness, social connectedness and social security. This access is limited because of the short period of time worked, though what this means in real terms depends upon individual circumstances. The consequences for social security can be particularly problematic. It can be adjusted proportionally where it is a question of income replacement. Where, as in the case of sickness benefit, it relates to meeting certain necessary items, benefit can only be provided in full or not at all. But even if benefits could be adapted proportionally, this does not eliminate social problems. Are there grounds, in order to ensure an income, for disproportionally increasing social security? Should negligible part-time activity be excluded from social security benefits on the grounds perhaps that neither wages nor social security are sufficient to live on? The answers to these questions vary greatly from one country to another.

If a social income, specifically granted on account of unemployment, or universally, because of age or invalidity, as a minimum welfare benefit is guaranteed, the income element becomes of prime importance. Second, social security is provided extensively, supplementing social income replacement. Thus additional social security in case of sickness or for old age is guaranteed for unemployed persons who draw unemployment pay. The elements which are otherwise connected with paid work, namely effectiveness and social connectedness, then depend upon private circumstances and the social environment. These may however also be matters of concern for social policy. In many countries, social welfare payments for unemployment are made subject to a willingness to undertake work for the community. Thus that effectiveness and social connectedness obtained within the framework of freely chosen work is something which may be experienced in another way is therefore not to be overlooked.

With the exception of social security, a person living by illicit or undeclared work, experiences all the advantages of employment subject to the burden which the illegality entails. In place of social security there is social assistance in case of emergency. In all other cases, when the job goes income goes too. It may be that private circumstances or the social environment permit effectiveness and social connectedness outside of work. This may be assumed if other fulfiling activities are the reason for doing without work.

In the days of the standard or permanent job and the notion of full employment, the idea prevailed of protecting the unemployed from falling through the 'net' and the level of social benefits was largely geared towards this. The dissolution of these parameters now raises the question whether, if the pattern of working life opens downwards, the benefits for unemployment should also be 'opened downwards'? This corresponds in general terms to the reduction of social security payments, social assistance,⁷ and the quality of leisure which is opened up with these payments. This reduction arises not only from the conclusions which the legislators draw from the development of the economy, it is much more a result of the correspondence between the systems of social security and permanent employment. To the extent that the normal parameters of work have gone or have lost their effectiveness, social security institutions are losing their power and significance. This 'opening downwards' corresponds quite specifically to reductions in social security in case of unemployment, particularly where social security or welfare benefit is paid, either under positive employment policy or in return for the

benefit itself, subject to the performance of work.⁸ A regime of this kind can be used in conjunction with efforts to keep people in work or get them back to work. It also expresses a willingness to allow those who refuse to be helped back to work to fall through the net.

The Special Burden of the Post-Socialist Countries

The dominance of economic structures can be seen at its most dramatic in the former socialist countries. Once we explain the effect of globalisation in terms of the new scope and methods of the factors of production, i.e., work, capital and land, and the worldwide comparability of the quality and price of products—the basic difficulty of the countries in transition⁹ becomes clear. Work, capital, and land under socialism were not interrelated so as to yield a profit within the framework of individual enterprises. Work, capital, and land must be turned once again into economically viable units. This necessitates a correspondingly high quality of management and a labour force which is capable of facing worldwide competition. The third prerequisite is that the necessary capital investment must be forthcoming. It is precisely with regard to competition for investment capital that the economic units in a number of countries are hindered by problems of infrastructure, of legal practices, of the legislative framework, and of the political system itself.¹⁰

These difficulties make it tempting for the countries in transition to avoid the corporate–economic reorganisation of production and thus evade the enormous friction connected with it. Basically, this means a deficit in productivity. Poor economic performance, however, means lack of financial resources for the state and the two together mean a breakdown of industrial life and widespread poverty for all those who have to rely on state benefit. The policy gain is low unemployment. Reorganisation of the economy, on the other hand, leads as a rule to high unemployment which goes with the readjustment of the labour force to the new entrepreneurial groupings and the new production processes. Naturally it brings poverty with it as well.

Such are the challenges which face social benefit, especially social security, policymakers.¹³ They must distinguish between internal protection which the employer has to provide, without destroying the profitability of the enterprise, and the external social security system, support, and social assistance. That is to say, it is necessary to look to contributions and tax to finance the social benefit system, notwithstanding the fact that the economy has yet to develop full productive efficiency. The recipients of social benefit must for their part be persuaded to be content with what an economy in a process of reorganisation can afford to pay from contributions and taxes.

However, all countries have created systems of security against unemployment. Whilst they were still under socialism some set up basic systems of social assistance. The real protection afforded thereby is far from uniform. There can be no resort to empiricism. It is evident that an active social policy is of paramount importance. Its objective must be to qualify labour for its new role in a new economy. These measures have nonetheless failed to halt the propensity to emigrate which seems so prevalent in these countries. 14

The Disparity of the Developing Countries

The paths taken by the developing countries have become more diverse in the 1980s and 1990s then ever before. More precisely, the countries of East and Sourheast Asia have reached the peak of the world economy in terms of a number of performance criteria and thus have given a powerful boost to their globalisation. The other regions have remained well behind. Here too the difference between them have been substantial, viz. South Asia, Latin America, and the Caribbean, and lastly Africa south of the Sahara.

Southeast Asia has showed not only an impressive growth but also an upsurge in employment which is in a class by itself—and in particular a sustained movement of activity from the informal sector to the formal industrialised sector. Malaysia, Singapore, Taiwan and China actually had a labour shortage. The extension of social security systems¹⁵ has progressed only gradually and has been limited to simple techniques. Here, too, factory systems represent a substantial supplement and also denote a special relationship between the entrepreneur and his employees. A specific system of unemployment insurance exists only in the People's Republic of China, where, however, it is very selective.¹⁶

In comparison, Southeast Asia has made only moderate progress, with development being preponderantly in the urban informal sector rather than the urban formal sector. Here, too, the expansion of internal social protection and external social benefit systems is slow and uninspiring. There is a general lack of systems of protection in case of unemployment.

Latin America presents a many-sided picture. After rising considerably in the 1950s, 1960s, and 1970s, activities in the urban formal sector fell slightly in the 1980s and 1990s. Here, too, however, the urban informal sector has grown. Unemployment, which in view of the various sectors of activity involved, is difficult to calculate, has varied greatly. In the field of social security, it is one of the peculiarities of this part of the world in that it relates more to the middle classes than to the needy sections of the population. Only exceptionally are there any special systems of social security for unemployment.

The most deprived region is that part of Africa which is south of the Sahara. Activities in the urban formal sector declined steadily in the 1980s. Only in individual countries—Botswana and Mauritius—was there an increase. The decline in the urban formal sector, in combination with the massive flight from the countryside, led to a growth above all in the urban informal sector. It is estimated that 60 percent of the working population in the cities are active in this sector. Unemployment in this situation is difficult to define and to calculate. Systems of social security and other social benefit systems are unequal, but generally meagre. There is a lack of social security for unemployment.

The question of patterns in work and unemployment, both from the point of view of society and of the individual, and of the situation of the unemployed, is a complex one, particularly in the third world. A common factor everywhere is that the unemployed basically have no safety net in the form of social security. They seek refuge in the 'subformal' sectors. There they may stand on their own feet, or receive help, but they may also sink into poverty. Taking care of the unemployment is basically not a direct and explicit burden of the economic system. On the contrary, however, the formal sectors create a wide reserve with which to supplement the labour factor in the urban informal sectors, too.

This cannot mean that the situation of people in 'subformal' areas have no claim upon sociopolitical responsibility, yet this cannot follow the conventional methods of social security, welfare, and assistance which have grown up in the 'formal' sectors of the long-industrialised countries. The choice seems to be between the (reactive) provision of concrete help and services, and (proactive) provisions which aim to qualify people for work.



The Division of Labour in Europe

GERALD FRINKING

University of Tilburg

THE MAJORITY OF EUROPEAN COUNTRIES register large differences in the division of professional and domestic labour between men and women, and major differences are also discernible between the policies formulated to deal with this division of labour.

Societal Forms of the Division of Labour

This essay will primarily concentrate upon the societal form of the division of labour within the family. By means of an international comparison, we shall attempt to understand groups of phenomena which, in their interdependence, represent national *consistencies* proper to each country. These consistencies are caused by factors which intervene concurrently in both spheres, affecting both individuals and structures. Through the concept of *regulation* one can find the means to understand the dynamic of the procedures and their reciprocal interactions. Therefore, the patterns of evolution of work result in regulations at the level of the family and vice versa. This constitutes a corpus of mutual influences between them which establishes itself permanently.

What principles allow us to demonstrate the societal form of the division of labour? This analysis is governed by two principles, which are derived from the fact that society is conceived of as a global system. The first is to understand the relationship between work and the family as the expression of this system, and to try to show their consistency and their regulation of the whole. The second is to point out the singular nature of each societal form in a given society or era. It will then be possible to make a comparison between the different systems.

Three stages are distinguished in this analysis.

1. What economic, social, and institutional elements should be considered, in each country, in order to develop a societal comparison of the forms of the division of labour within the family?

Table 1. Labour, Family, and Societal Regulation

Variable				
Economic Sector	Agriculture	Industry	Tertiary Commercial	Tertiary Public
Work	Family	Men	Women, Commercial Services	Women, Public
Type of Family	Patriarchal Family	Conjugal Family	Family with One Earner	Family with Two Earners
Domestic Work	Large Family	Small Family	Commercial Services	Communal Services
Regulatory Agent	Family	Company	Market	State
Mode of Regulation	Family	Commercial	Commercial	Political

Source: Barrère-Maurisson, 1995, p. 19.

There are four such elements:

- a. the dominant type of economic sector (agriculture, industry, commerce, and the public sector),
- b. the dominant type of family form (patriarchal, conjugal, families with a single earner, or two equal earners),
- c. the method of participation of men and women in remunerated work,
- d. the method of organising domestic labour (by large or small families, commercial services, or public facilities).

2. How can we construct the societal form of the division of labour within the family?

This can be done by analysing the correspondence between the main types of family and those of work (professional and domestic). For example, one can see a type of division of labour appearing in the family, common in the Nordic countries, with the family now composed of two salaried people, the strong participation of women in work, as well as the presence of a service sector, etc. In this manner one can define (Barrère-Maurisson and Marchand, 1990) four types of division of labour in the family, corresponding, in a group of developed countries, to four modalities of adjustment between family characteristics and those relevant to the economy.

3. How can we ascertain the process of regulation in force in each country?

How can we detect the logic which produces this coherence and the interrelationships observed? To do that it is necessary to position oneself in relation to the societal manifestations of the division of labour, which I outlined previously, and to analyse the role of the institutions and organisations which, in each case, ensure the consistency of the system. In concrete terms, one therefore studies the role and relations which the different social agents have to play in each country, especially families, companies, organisations, the market, and the state. In identifying the agent which, at a societal level, plays a predominant role in the articulation between the two spheres (remunerated and nonremunerated, private and public), one can show the process of regulation at work in each case. In this manner, three major modalities of regulation can be detected in accordance with the predominant role, played by family, companies, the market, or the state. We have categorised these three major means of regulation as 'family', 'commercial', and 'political'.

Table 2. Comparison of Societal Forms: Spain and Sweden

	Spain	Sweden		
Work	Women do not work or work within the family	Women work part-time		
Economic sector	Agriculture			
	Industry	Service sector		
Family	Traditional division—one earner	Equal division—two earners		

Source: Barrère-Maurisson, 1992, p. 232 (adapted).

However, in practice the situation proves to be more complicated, above all when several agents are active simultaneously. Case studies thus showed the interaction, sometimes conflictual, of these agents, who are responsible for certain policies in the areas of work and the family (Fagnani and Buffier-Morel, 1995).

Societal Forms of the Division of Labour in Europe

Several authors (Barrère-Maurisson and Marchand, 1990; Kempeneers and Lelièvre, 1991; Willemsen and Frinking, 1995) have demonstrated a great variety of societal forms in the relation between work and family life in industrialised countries. I shall here refer to the results obtained by Barrère-Maurisson and Marchand, which I prefer for theoretical reasons, despite the fact that the analysis is old, dating from 1990. More recent works arrive at very similar conclusions.

The authors in question develop a typology which derives from an analysis of the principal components which groups serveral sets of countries together. In Europe two groups of countries clearly stand opposed to one another: (1) the countries of Southern Europe: Spain, Greece, Italy, Portugal; and (2) the Scandinavian countries: Sweden, Denmark.

Between these two poles, which are clearly evident from the analysis, are located those countries which show characteristics often falling near the middle. These are: (1) the countries of West Europe: France, Belgium, the Netherlands and the United Kingdom; and (2) two countries, Ireland and the former Federal Republic of Germany, which represent separate cases. The first, however, is close to the Mediterranean countries while the second is closer to the countries of West Europe.

What are the characteristic elements of the countries in question as categorised? The cases of Spain and Sweden illustrate the societal consistency of these two polar types, as is illustrated in Table 2.

The Role of Policies

The study of societal forms in the division of labour in the countries of Europe shows that the countries which have a similar societal form, typified by a relatively high rate of female labour, also have significant legislation to regulate compatibility between work and family life. On the other hand, countries with low female participation frequently have few measures in this area.

In order to appreciate the role that policies play, it is first necessary to specify the measures which are to be included. Research on the impact of measures operative in the countries of the European Union can include considerable diversity, for example, special holidays for salaried parents, childcare facilities, positive action in favour

of equal opportunity, and so on, measures which can be expected to affect the distribution of remunerated tasks as well as non-remunerated activities.

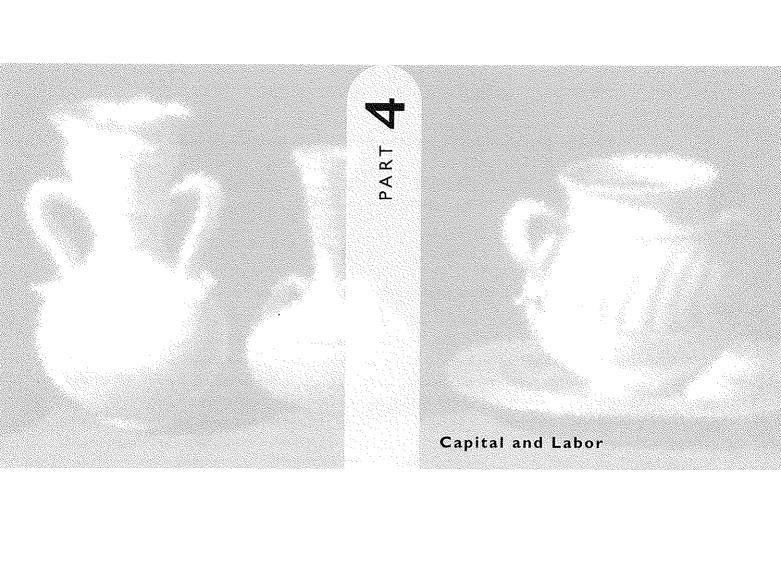
Evaluation of the measures in question is, at first sight, not simple, given the great diversity of policies involved. Until a new order emerges we shall categorise the measures in operation as follows:

- the organisation of work time,
- · the abolition of discrimination between men and women in the labour market,
- the development of services to the benefit of working parents,
- the adaptation of the social security system and fiscal system, and
- the organisation of school timetables.

It is then necessary to define the objectives of different policies in these areas. In a general manner one can say that the principal aim of the decision-makers is to bring about improvements in the compatibility between work and family life. This means that the measures adopted must take into consideration those professional problems which occur in family life (for example, how to respect working hours when children are ill), but equally family problems which parents have to face in their working life (for example, who will take care of the children during work hours). It is true that this distinction can seem academic. A close reading of the texts, supplemented by an analysis of parliamentary and public discussions, often allows one to ascertain the main grounds underpinning a certain number of measures which are taken and, thereby, to identify the principal objective of the various policies.

Conclusions

The European Union, the geographic territory which forms the subject of this study, stands on the verge of major economic and financial changes. At first sight the corresponding changes at the social level can neither be predicted nor anticipated. On the contrary, the systematic opposition of the United Kingdom to any extension of the social policy of the European Union has led to its isolation within the Maastricht Treaty. The result is the extremely uneven development of the Union, highly integrated at an economic level, with the prospect of a single currency, but very unsystematic at a social level, permitting each country to maintain a large degree of freedom of action with regard to its own social policy. Nevertheless, the emergence of this new European entity constitutes a new reality. This supranational entity will create a new political context and thus have a new impact upon national contexts. Even without the implementation of a Community social policy, the European Union will be a force to be reckoned with. Its appearance would necessarily complicate our analysis regarding the concept of regulation. The genesis of this new European entity raises the question of a redefinition of the social agents and their interrelationships.





The Cost of Capital and the Uncertain Pre-eminence of Labour

PAUL H. DEMBINSKI

University of Fribourg

Capital and Labour as Complements and Substitutes

ONE OF THE MOST IMPORTANT and complex decisions that any contemporary enterprise has to take, in its capacity of organiser of the interaction of factors of production, concerns the precise factor-mix it is going to use. Factor-mix means the absolute quantities of each factor of production used, their relative proportion and the intrinsic quality of each of them. Factor-mix decisions are crucial for the two dimensions of the enterprise mission, the technological production process and the distribution of value added in this process.

Of the utmost importance is the fact that the factor-mix used by the same enterprise will change according to relative factor prices on the market. The lower the relative price of capital, the more capital-intensive will the enterprise factor-mix be. The same applies on a macro-level: the lower the price of labour, the more labour-intensive the factor-mixes used by the enterprises and hence the higher the employment level.

Economic theory argues that relative factor prices are country-specific. On the demand side, they are influenced by enterprises' needs and willingness to pay. On the supply side, the relative factor price is influenced by the relative scarcity of factors on a given market.

In fact, in an era when national market boundaries have collapsed, especially for financial capital, the reassuring picture presented by the theory has to be revised. It does not account for the changes that globalisation has introduced into the world financial landscape. A dual financial system is emerging worldwide: part of it is global, open only to global players, the rest is still compartmentalised in national or local subsystems. In consequence, for instance, a very big enterprise, on the *Fortune 500* listing has greater access to global capital markets, and will obtain better conditions there when raising additional capital, than a small unknown enterprise, without a track record, seeking a local bank loan. This example shows that these two types of enterprises will face different relative factor prices. Thus, if these two enterprises have a similar command of technological processes, their factor-mix will look totally different—rather capital-intensive for the global enterprise, more labour-intensive for the local one. Depending on how the product market and the respective command of

technology evolve, most probably one of the enterprises will be squeezed out of business because of its inability to compensate for the unfavourable differential in relative factor prices.

The differences mentioned above will have a strong selective impact on 'new entrants' into product markets. New or mature small enterprises, looking for new activities, will most likely avoid fields and industries where competitors have access to global financial markets and where the required factor-mix is thus capital-intensive. In fact, the capacity of the enterprise to obtain factors of production at specific prices and in specific quantities will determine the type of new, additional activities which the enterprise will choose to enter or develop, and not the other way around, as theory might suggest.

Pre-eminence of Capital Over Labour

The value-added which is generated by an enterprise results from the interaction of the two factors of production, labour and capital. Beyond organising this interplay and finding the appropriate factor-mix, any enterprise has also to manage the appropriate distribution of value-added among the contributing factors.

In the short run, value-added can be seen as pie whose distribution is determined by contracts the enterprise has signed, either with the providers of financial capital, loan contracts, or with its employees. Once all the claims have been satisfied, the residual part of value-added goes to investment capital, i.e., that part of the financial capital which is exposed to risk. According to most world legal orders, when value-added is insufficient to cover all claims, then labour claims are privileged and have to be paid for first. The legal hierarchy of claims may suggest that contemporary business practice is compatible with the basic principle of Catholic social teaching, namely the predominance of labour over capital. This, however, is a misleading perception of enterprise behaviour, as is shown when analysis is extended over the long run.

The level of returns on invested capital, required and expected by the providers of funding, is one of the most important parameters driving enterprise decisions in the field of factor-mix. Thus, in response to long-term changes in factor prices, enterprises will modify their factor-mix so as to achieve the required returns on invested capital. For instance, when the relative price of capital for the enterprise is falling, all things being equal, the enterprise will be encouraged to adopt more capital-intensive technologies. It will engage in such a policy either when this provides for an increase in the returns on invested capital or when it gives the enterprise a technological advantage. The shift toward more and more capital-intensive technologies, due to easier and cheaper access to capital markets, both credit and stock, explains the paradox according to which share prices rise when big enterprises announce massive layoffs. In consequence, in the longer-term perspective, labour appears as instrumental in producing a required level of return on capital, and the pre-eminence of capital over labour seems more to be the case than is the reverse. This practice stands in contradiction to the basic principle of Catholic social teaching.

The share of labour in value-added is higher by ten percentage points in small and medium enterprises than in big enterprises within Europe (64.7 percent and 73.1 percent) and by almost fifteen percentage points in Japan (57 percent and 73.4 percent). Data are lacking for the U.S. The gap between the two populations of enterprises seems to be steadily widening, at least in Europe, over a ten-year period.¹

According to a recent study of the sources of European competitiveness, 'In the European Union, capital/labour substitution explains nearly half of the increase in labour productivity (i.e., total value-added/amount of labour—PHD), whereas in the U.S. it has contributed only marginally to labour productivity growth. In Japan, it explains almost two thirds There is evidence that the relative prices of labour rose faster in Europe than in the U.S. Wages increased more than the prices of machinery and equipment. Real interest rates did not differ much between Europe and the U.S. in the last decade'.²

Although the European Commission's conclusion acknowledges the importance of the drive towards a higher capital intensity, due to falling relative prices of capital, the second part of the argument is not convincing for two reasons. First, it focuses only on the changing level of wages to explain relative prices, without looking closely at the capital side where, according to our hypothesis, in relation to the globalisation of the capital market globalisation process, capital costs differ not so much across countries, but across categories of enterprises. The main divide concerns the cost of debt capital to the enterprises that have access to global markets, compared with others which do not. Second, the relevant capital price, from the perspective of the enterprise, is neither fully reflected by the 'real interest rate' nor by prices of equipment, but by the nominal cost of capital.

The Creation of Financial Assets in Global Markets³

Attention must be drawn to the dichotomy between the physical and financial meanings of the concept of capital. From a business perspective, financial capital means more than equipment, especially in the present postindustrial world, dominated by intangible assets. According to standard economic theory, at any given moment the physical amount of total available capital is limited. As for any scarce resource, market forces of supply and demand will allocate the stock of capital across the economy and determine its price in accordance with its productivity and scarcity. In real business life, where only financial capital counts, the critical question to ask is whether it makes sense to consider financial capital as a limited stock. If this were not the case, if there were reasons to consider the supply of financial capital as not being limited, then the classical price mechanism, postulated by standard economic theory, would have difficulties in operating. In consequence, the whole construct of 'relative factor prices' as being objective—i.e., not enterprise-specific—would be put into question.

A financial asset is created when two actors exchange money for 'a piece of paper' which stands for a bundle of property rights, either in physical goods or in other financial assets. The difficulty in analysing the creation of financial assets comes from the fact that their almost infinite variety combines into a multi-layered pyramid. For instance, less than 10 percent of all transactions on stock markets generate financial flows that go to enterprises against new shares—90 percent of these transactions are 'secondhand' transactions.

Without entering the tricky field of statistical measurement, a general point can be made. Due to prudential regulations, financial institutions cannot legally extend their lending infinitely, but, technically speaking, their margin of manoeuvre in creating financial assets is very important. The willingness to take additional risks is the only truly limiting factor in the creation of financial assets. In other words, additional financial assets can be created instantly, solely by virtue of an agreement or contract between two actors, each of them acting within a specific framework of business and legal constraints and objectives. In general, in times of increasing globalisation, providers of funds seem to prefer certain types of clients to others: namely very large enterprises, which do not have any problems in raising additional funds, while small and lesser known companies are confronted with a kind of credit rationing.

The global capital market offers an almost unlimited supply of funds to the very big enterprises known as 'the global players'. Not only do these multinational companies have access to funds at very low costs, but also they are structurally able to locate their productive capacities in regions where labour costs are low. The drive of these enterprises to substitute capital for labour is only limited, which may sound paradoxical, by the low cost of labour. In any case, within a given set of feasible factor-mixes, these enterprises will determine the amount of lahour they use once they know their cost of financial capital, and not the other way around. The situation for those enterprises that do not have access to an unlimited supply of funds, but are exposed to more or less open rationing, is different: The amount of available capital will determine the amount of labour used.

For each of the two groups of enterprises, the readiness of financial institutions to provide capital will determine the relative factor prices the enterprise is confronted with, and thus, indirectly, the level of employment. For both groups the same capitalist logic applies; both aim at the highest possible return on capital invested. In both cases, as stated above, the principle of the primacy of labour over capital is violated. The only difference will be in the factor-mixes used: the enterprises for which capital is cheaper will tend to substitute more capital for labour.

Conclusions

Three sets of conclusions are drawn here; those relating to a new programme of research, those directed at economic policy on the labour market, and finally the most important, those directed towards Catholic social teaching.

Towards a New Research Programme

Two insights developed above are worth recalling. At this stage these preliminary conclusions have to be further validated by research and observation. They have to be used as starting points for a research programme that would take stock of the fundamental changes in the way the world economy functions: Nation–states have lost much of their supremacy, and many economic and financial phenomena are transnational and global. The multinational enterprises, the main global players, seem to be today the major structuring force of the world economy. The meaning and consequences of such a shift of power from states to markets and enterprises have to be properly grasped and conceptualised. The time is ripe to focus research on mechanisms of interdependence among national economies, global markets, and data which, in turn, should confront received economic theory in order to update it where possible.

The first of the preliminary conclusions links the issue of relative factor prices to the least discussed effect of globalisation—the emergence of a global capital market. The nonfinancial enterprises which are able to tap this market number no more than a couple of thousand worldwide. They are the biggest enterprises, the best known, and with the best financial management. Below this global market, a whole array of more limited, specialised, or local markets provide financial capital to small- and medium-sized enterprises. These markets differ in many ways but are all interdependent and are connected to the global market by a pyramid of intermediaries. The question of at which level of the pyramid (i.e., at what price) a given enterprise can rise funds depends, among other factors, on the size, performance, and reputation of the enterprise. In other words, at the present time, the cost of capital is much more enterprise-specific than received economic theory suggests. The most urgent questions is this field relate to the consequences, at the enterprise level, that differing factor prices have on the factor-mix used and the insufficiently investigated allocative efficiency of financial markets.

The second preliminary conclusion is not new. It asserts simply that the factor-mix used, at the enterprise but also at national levels, depends on relative factor prices. As the price of capital is more and more enterprise-specific, the capacity of governments to steer national relative factor prices by regulating the labour market alone is very limited. The effectiveness of this steering, and its impact on factor mix used by national enterprises, depends as much on the evolution of capital prices as on labour regulation per se. Research should focus on ways and methods, and also their social and economic consequences, which could increase the cost of capital to enterprises while lowering their labour costs. A more even sharing of the overall burden of taxation between the two factors could be a way forward.

Table 1. Typology of Possible Regulations on Factor Markets and their Consequences for the Pre-eminence of Labour over Capital

	Labour Regulated	Labour Unregulated	
Capital Regulated	National solutions, prevalent until the late 1970s; pre-eminence of labour over capital not impossible	To be experienced; in theory would allow for the pre-eminence of labour over capital	
Capital Unregulated European situation, in most countries, since the early 1970s—high unemployment; pre-eminence of capital over labour		American situation: low level of unemployment leading to an apparently high level of 'poor employment'; pre-eminence of capital over labour	

Unemployment Policy: Beyond the Deadlock

The arguments developed in this paper suggest that relative factor prices are critical in determining the quantity of labour that enterprises will use when producing within national boundaries. In order to increase the labour intensity of production, governments, especially European ones, strive to lower the absolute cost of labour to the enterprises. This, however, is only part of the story. The other avenue would be to modify the relative price of labour by increasing that of capital. Consequently, in terms of policy, answers to unemployment have to be sought not only on the labour market, but also on the capital market. It is not impossible that the labour intensity of production would grow if real interest rates grew. Very little has been attempted in this direction. Even at the policy level, the prominence of capital is accepted as given, as a matter of fate.

Table 1, above, presents a typology of regulations that influence the factor-mix used by enterprises. The chart simplifies reality, but hopefully not beyond the point that would make it meaningless. Out of the four possible solutions, three have been experienced in recent times. The national regulation of capital and labour markets was normal in the period from the late 1940s to the early 1970s. Since then a trend towards the deregulation of financial and capital markets has started in order to achieve a higher level of economic efficiency. For the global enterprises, this has meant that the cost of capital charged by the markets escapes most national regulations. All of this has happened as though the shift towards global markets was exogenous, with these markets suddenly escaping the reach of any single national government. Although the philosophical premises underlying this trend have never been properly analysed, its economic consequences have more often than not been taken to be incluctable and hence not assessed on their own merits. In other words, the pre-eminence of returns to capital over any other concern has become taken as natural.

The OECD governments have reacted to this change in two very different ways. The American reaction, especially visible in the 1990s, was to free the labour market from almost any regulation. As signaled in the above table, the consequences have been clear: a fall in the overall rate of unemployment, but also a rise in the numbers of the 'working poor'. Most European governments took a stand almost opposite to the American one: the strengthening of the minimal regulations of the labour markets coupled with high social security payments to the unemployed or marginalised. Here the results are also well-known: comparatively high levels of unemployment, but rather low levels of social exclusion.

Of the four combinations of labour and capital market regulations, three have been experienced in recent times. The fourth solution combines a regulation of capital markets with the absence of regulation in labour markets. In theory at least such a solution could help to restore the pre-eminence of labour over capital and

bring economic activity in line with the postulates of Catholic social teaching. Without any doubt, the solution today seems much less feasible than before the 1970s, when capital markets were national and not global. Today such a move would require close cooperation of at least the G-7governments. In imposing a worldwide minimal price of capital, analogous to that which the OECD governments are now advocating for labour markets, when they call for developing countries to accept the so-called 'social clause' in WTO agreements, the factor mix used by enterprises could be steered in such a way as to lower unemployment both globally and locally.

In order to make the 'fourth solution' workable and appealing to policymakers, the research programme proposed above is more urgent than ever.

Catholic Social Teaching and the Challenges of Finance in the Postindustrial Age

Until now, Catholic social teaching has kept outside of the world of finance. The time has come to recognise the crucial importance of finance in the present-day world, and the specific conditions under which the financial system operates. Capital today has little in common with the 'tool of production' observed by Leo XIII when he was preparing *Rerum Novarum*. Present-day capitalism is built on the pre-eminence of financial capital over labour. This situation has many roots, and many consequences for the contemporary world. The time seems ripe for Catholic social teaching to take stock of these changes, and to address these issues with its usual reserve and prudence. In taking up this challenge, Catholic social teaching would make a move towards meeting the expectations of many Christians and professionals in the world of finance, who strive for guidance in order to give a meaning to their everyday work.

Among the many economic issues linked to the process of 'financiarisation' that require a fresh look from the perspective of Catholic social teaching, three are especially worth mentioning:

- the question of financing intangible assets, of related property rights and particularly of 'human capital';
- the process of financial asset creation, which looks more and more like a creation *ex nihilo* of assets that, once created, are entitled to returns by their sheer existence;
- the widely spread aspiration, in Western societies, to use financial assets as insurance against any kind of danger or risk the future might bring. In this perspective, return on capital hecomes the cornerstone of most not only economic but also social institutions. The moral foundations of such aspirations should be assessed both at an individual and a social level.



Labor Law and Labor Relations: Comparative and Historical Perspectives

THOMAS C. KOHLER

Boston College Law School

Introduction

AS A SEPARATE AREA OF LAW, the law of employment is relatively new. For example, the first legal treatise dealing strictly with the employment relationship did not appear in the U.S. until 1877. Similarly, the first work to treat the individual contract of employment in Italy was published only in 1901. One legal scholar has noted that in many European countries, labor law only became recognized as a discrete field after World War II. This observation raises a definitional problem. Nearly everywhere, the term labor law refers to the law of collective bargaining and collective agreements. In some places, however, and particularly in Germany, the term more widely indicates the entire body of legal regulation that affects the private employment relationship. Broadly speaking, this includes both individual and collective labor law, as well as the law of social security. These operate together as part of an articulated whole, and it is misleading to assess the law regulating the individual employment relationship in isolation from collective labor law.

In contrast, in the United States context, labor law typically designates solely collective bargaining, while employment law specifies protections for the individual employee. These latter include statutory prohibitions of employment decisions based on factors such as race, sex, age, or disabilities, as well as judicially developed protections against unfair dismissal for individual employees. While labor and employment law are not wholly distinct fields, they rest on different bases, and in the final analysis, are intended to achieve rather different goals. Unlike the German system, American employment law has had a piecemeal development, and its various aspects often stand quite independently from one another, and from the law of collective bargaining.

In part, these terminological differences reflect the lack of systemization that is characteristic of common law methodology, which unlike the approach of the Continental civil law systems, is heavily analogic. More important, they exemplify two distinctly different responses to the issues raised by the 'social question', and to the problems in employment ordering that have arisen during the past quarter century. In many ways, the U.S. and German models represent opposing 'ideal types', between which the employment ordering regimes of

other industrialised nations fall. For this reason, and because of the influence of Germany and the U.S. on the legal, social, and economic orders of other nations, they provide useful models for describing and comparing the characteristics of labor and employment law.

The late appearance of labor and employment law hardly is surprising. As has been seen, the search for an ordering regime, appropriate to mass employment, took several decades to develop. In typical fashion, the law did not lead these developments, but chiefly followed them. The key characteristics of collective bargaining systems had crystalized in most industrialized nations before the outbreak of the First World War. The time for formally instituting what the parties themselves had developed would occur in the decade or so that followed.

The German Model as the Continental Prototype

The principal lines of present-day German labor relations law were laid down during the Weimar period (1919–1933). The Central Commission of Co-operation (Zentralarbeitsgemeinschaft) reflects the role of the parties in the law's promulgation. The employers' associations and the trade union federation established the Committee at the end of the World War. In so doing, the employers pledged the unhindered recognition of unions and both parties asserted that collective bargaining should serve as the chief means for ordering the employment relationship. The pathbreaking work of legal scholars such as Phillip Lotmar and Hugo Sinzheimer also assisted in establishing the theoretical basis for German labor law and elaborating its contents. The Works Councils Act of 1920, the creation of the labor courts system (1926), and the establishment of a comprehensive unemployment insurance and job placement system (1927) are considered to be some of the most significant legacies of the Weimar era.

Individual Labor Law

German labor law developed as protective law, i.e., as law to protect the weaker party to the employment contract. The idea that the state should play a positive role in supporting the individual's development of his or her personality (in part, through assisting to stabilize the employment relationship) runs throughout. Consequently, German labor law presents an imposing edifice of extensive protections for the individual employee. These include broad protections against dismissal, the right to an annual vacation of twenty-four days, regulations concerning maximum daily working hours, the guarantee of continued remuneration in case of sickness, as well as a impressive variety of other statutorily guaranteed rights. Freedom of contract remains the basis of German employment law. However, by creating a statutory 'scaffolding' that conditions, qualifies, or fixes the permissible terms, the state plays a large role in shaping the nature of the employment relationship.

Collective Labor Law

This relatively high level of state intervention affects, but hardly displaces, the significance of collective bargaining in the German employment ordering scheme. In the German concept, collective bargaining represents an autonomous lawmaking scheme which both embodies and operates according to the principle of subsidiarity. As the German Constitutional Court characterizes it, the collective bargaining process entrusts to the parties the crucial task of the "meaningful ordering of working life" (sinnvolle Ordnung des Arbeitslebens). ¹

In keeping with the idea of contractual freedom, the collective bargaining agreement sets only the minimum employment conditions, which become part of the terms of the contract between the individual employee and the employer. These minimum terms may be improved, but not reduced, through individual agreement. Similarly, by the operation of the law, the collective agreement binds only an employer who has assented thereto, and the employees who are actual members of the union which negotiated it. In actual practice, however, employers generally extend the collectively bargained conditions to all employees in the workplace. According to the so-called 'principle of contractual unity' (*Prinzip der Tarifeinheit*), only one collective bargaining contract will govern the conditions of a given workplace.

Although they are possible, collective agreements between a single employer and a union are unusual. Typically, collective agreements are concluded between individual unions and an association of employers at branch or regional level. This pattern of settlement precludes collective agreements from taking into consideration the particular problems and conditions of a specific business or workplace, and complicates, if not forecloses, direct employee involvement in the employment ordering process. It is at the latter, 'grassroots' level that the distinctive German labor relations institution, the works council (*Betriebsrat*) exists and exerts its influence. The works council represents the chief means by which workers participate in management decisionmaking. As such, it constitutes a central feature of the German employment relations system.

The Works Council and Workers' Participation

As previously noted, the works council traces its development to management efforts to develop alternatives to autonomous, self-organized employee associations. After World War I, the Weimar Constitution (Art. 165) called for the creation of establishment workers' councils (*Betriebsarbeiterräte*) which would become part of a hierarchical system of workers' and economic councils. These were to culminate in a Reich Economic Council (*Reichswirtschaftsrat*), comprised of employers' and workers' representatives, that would review and give opinions on any draft legislation concerning social or economic matters. The Economic Council was also to have the power to propose legislation. With the enactment of the 1920 Works Councils Act, only the first level of this scheme was realized. To secure its passage, however, the Act had to be tailored in a way to make it acceptable to the conservative majority in Parliament. This resulted in the works councils standing separately from the unions, and being confined to representing the employees of only one employer. Thus, the works councils established by the 1920 Act closely resembled the alternatives to collective bargaining that employers had developed in the nineteenth century. Not surprisingly, the unions had many misgivings about, and objections to, this structure, which were strongly reiterated with the reintroduction of the works councils system in the Works Constitution Act of 1952. These concerns and dissatisfactions were, at least to some extent, addressed in the 1972 amendments to the statute.

The institutional separation between the unions and the works' councils continues to exist in form, but substantially less in fact. At present, an overwhelming majority of the members of works councils are also union members. This gives the unions influence over, and direct communication with, the works councils. It also permits the works councils to serve as direct 'grassroots' links between the unions and individual workplaces. In short, the works councils system is largely grounded by its relationship with autonomous employee associations. While the employer is responsible for their economic support, the works councils consist solely of employee representatives who are selected by their colleagues. Unlike the unions, which represent only their actual members, the works council represents the entire employee complement in the workplace. Although the law requires them in every workplace with five or more employees, many small- and medium-size employers have no works council.

The works councils have extensive participatory rights that include personnel and economic as well as social matters. These rights are backed-up by the employer's duty to supply the works council with any information necessary to effecting its tasks. The law also establishes several areas where the works council has a codetermination right. The employer may effect no decision on matters that fall within the scope of this right without having received the express consent of the works council. In other words, on these topics, the works council has a managerial right that is coextensive with the employers'. The works council and the employer may also promulgate a 'works agreement' (Betriebsvereinbarung). The agreement constitutes a contract between the employer and the works council and may settle matters over which a codetermination right exists. In some ways, however, the works agreement resembles the collective bargaining agreement because it may also establish minimum conditions that have a normative effect on the individual employees' contract with the employer. To prevent the undermining of the collective bargaining system, however, works agreements are prohibited over topics that are treated in a collective agreement. This is a very broad prohibition. So long as an employer operates in a geographical region or a branch of industry where a collective agreement exists, works agreements over subjects treated in the collective agreement are banned. This is true even if the employer is not itself a party to the collective agreement. This rule reflects the importance of the collective bargaining system in the German scheme of labor relations.

The Anti-Type: The American Model of Collective Labor Law

Several aspects of the American system of 'free' collective bargaining stand in rather sharp relief to the German model. In the American scheme, the state establishes and sanctions a voluntary ordering system, but leaves the outcomes achieved through the process to be determined wholly by the parties, free of governmental influence. This regime represents an example of what Gunther Teubner terms a 'reflexive' legal scheme. The goal of reflexive law, Teubner states, is 'regulated autonomy', or controlled self-regulation. Reflexive legal schemes entail minimal state intervention in the ordering of relationships because they rely on market mechanisms to shape their results.

In the United States, the term 'collective bargaining' is virtually synonymous with the Wagner Act. The core goal of the statute is to protect and enhance individual status through the defense and maintenance of freely formed and autonomous employee groups. This feature defines the statute and characterizes the unique position that it holds in American law. The Act represents the only place, in an otherwise highly individualistically oriented jurisprudence, where the law has encouraged the formation of mediating bodies through which to promote individual empowerment and to foster self-determination. In the final analysis, the Wagner Act rests on a distinctly different idea of the character of human personhood than that which typically informs American law.

Congress enacted the Wagner Act in 1935. In so doing, and in contrast to the rest of the industrialized world, Congress deliberately opted for a system that would involve minimal state intervention in the employment relationship. As in the German conception, collective bargaining in the U.S. can be understood as a private law-making system. In contrast to the German conception, however, the chief function of the collective agreement in the U.S. context is not to establish a set of minimum employment conditions that strictly apply only to the union's members. Instead, the American collective bargaining agreement elaborates in a binding fashion all aspects of the employment relationship for all the employees in the affected workplace. Thus, the United States Supreme Court has described the collective bargaining agreement as not just a contract, but 'a generalized code' that represents 'an effort to erect a system of industrial self-government' through which the

employment relationship can be 'governed by an agreed-upon rule of law'.² The promulgation and administration of this law is largely the responsibility of the affected parties alone. Consequently, American collective bargaining agreements typically erect a private dispute resolution system—the grievance arbitration process—that the employer and union jointly administer. These systems generally have jurisdiction over nearly every sort of dispute that might arise concerning the employment relationship. The presence of an arbitration system normally precludes the courts from adjudicating matters that come within the parties' dispute resolution scheme.

The so-called exclusivity principle is the foundation of the American model of collective bargaining. It also marks one of the starkest differences between the American and German industrial-relations systems. The exclusivity principle rests on the idea of majority rule. The principle establishes the association formed by a majority of employees in the affected workplace unit as the exclusive representative of them all. The principle prohibits an employer from attempting to bypass the majority-designated representative by unilaterally changing the terms or conditions of employment, or by dealing with individuals or groups of employees independently of the union. The preferred status the majority representative enjoys in this scheme carries with it the obligation to represent all employees fairly, regardless of their support for or membership in the union.

The exclusivity doctrine prevents the fragmentation and dissolution of the strength employees achieve through collective action. It thereby acts to protect the principles of majoritarianism that underpin the Act. The exclusivity principle also reflects the fact that American workers generally organize and bargain on a workplace or employer basis, and not on a regional or industrywide basis. To a substantial degree, the principle is a function of the emphasis in American-style collective bargaining on local, 'bottoms-up' lawmaking. The centrality of exclusivity to the Act reveals the statute's preoccupation with the removal of impediments to the free formation of autonomous, self-organized employee associations. In adopting the Act, Congress intended to institute a comprehensive, uniform, and flexible system through which the employment relationship could be ordered. Hence, rather than attempting to adjust specific problems legislatively, the Wagner Act left it to the parties themselves to promulgate arrangements appropriate to their circumstances. The chief significance of the American collective bargaining scheme lies in the opportunity it provides to involve people in making and administering the law that most directly determines the details of their daily lives. The process both permits and requires people to decide for themselves the kind of people they will be, and to explain and justify those choices to one another. Succinctly stated, American-style collective bargaining provides employees with a powerful means to participate in a broad spectrum of managerial decisions, which it accomplishes through establishing the law making process at the 'grassroots' level. Accordingly, the American labor law scheme also represents a concrete embodiment of the subsidiarity principle.

American Employment Law

During the past fifteen years, the practice of collective bargaining in the U.S. has steadily declined. In contrast to 'traditional' labor relations law, two sources of employment law have become of ever-greater significance in the American context. The first of these are statutorily guaranteed protections against discrimination in employment decisions based on factors such as race, color, creed, sex, or the national origin of an employee. These are far-reaching protections that primarily are contained in the famous Title VII of the Civil Rights Act of 1964. The Age Discrimination in Employment Act of 1967 (which prohibits age-based employment decisions and covers all employees over the age of forty) and the recent Americans with Disabilities Act (1992) are modelled after Title VII and extend that statute's protections against discrimination in employment. Unlike the Wagner Act, however, the rights created in these employment discrimination

statutes are not intended to involve workers in the ordering process. Rather, their goal is to open and extend employment opportunities, particularly for socially disadvantaged groups, by prohibiting management from the use of the statutorily outlawed criteria as the foundation for employment-related decisions. The rights these enactments create are individual rights that exist as a matter of positive law. With very limited exceptions, these rights are held by all persons, regardless of their status in the workplace hierarchy. The American employment discrimination statutes, and the remedies that have been developed for their enforcement, and especially affirmative action programs, have had substantial influence on foreign legal systems. Germany, England, the European Union, Canada, and India are a few examples of jurisdictions where the American model has been used as a pattern for lawmaking.

Judicially developed restrictions on unfair discharge represent a second significant source of contemporary American employment law. These restrictions began to be developed by the courts during the late 1970s and early 1980s. These developments were conscious reactions to two phenomena: the decline of unions and the practice of collective bargaining in the United States, and the growing instability in employment relationships, particularly among long-term, relatively well-compensated managerial employees. Like the employment discrimination statutes, the remedies these judicially developed doctrines provide are chiefly driven by litigation. Once more, their goal is not to provide employees with an opportunity to engage in the employment ordering process, but to prevent employment termination for arbitrary reasons. The protections they afford individuals against discharge are nowhere near as generous as those available under German law. In short, the U.S. remains a "hire and fire" society, with opportunities to dispute the discharge, if one has the access to legal help, and the ability to endure the arduous litigation process. Capital mobility, and not employment stability, represents an attitude that stamps the character of American employment law generally.

The Current Status of Labor Law and Labor Relations Systems

Since the onset of modernity, the farseeing amongst us have warned about the spread of a particular sort of individualism that would erode the mediating bodies that constitute civil society. Nevertheless, Tocqueville believed that the family would be the one institution that could survive modernity's atomizing force, while Durkheim thought that the employment relationship would provide people with the stable bonds linking them to others, replacing the disappearing institutions which traditional social life once had supplied. Neither has proved to be the case. A quick glance over the social and worklife landscape reveals the following.

- 1. Membership in autonomous employee organizations is declining nearly everywhere. For example, union membership in the private sector in France presently stands at 5 to 6 percent, a figure that one noted French labor scholar describes as a 'critical threshold.' Similarly, union density in the U.S. has declined from a level of about 35 percent in 1960 to less than 11.5 percent today; some experts expect this rate to fall to 7 percent by the end of the decade. Between 1975 and 1993, Japanese union density rates declined by over 10 percent (to 24.2 percent), a trend that is continuing. Although it is the home of the world's largest trade union, and despite the centrality of collective bargaining to its labor relations system, German unions also have experienced substantial membership losses.
- 2. In the U.S. at least, union decline is part of the generalized decline of all the mediating groups in society. In fact, union decline has been something of a leading indicator for the decline of mediating bodies in the U.S. as a whole. The fact that union decline has occurred at roughly the same time that families, churches, fraternal and service groups, grassroots political clubs, and similar mediating institutions began to deteriorate should come as no surprise. No single mediating structure is likely to flourish in the absence of others. All

require and can engrain the same sorts of habits: decision, commitment, self-rule, and direct responsibility. No single institution alone can inculcate or restore these habits. The existence and decline of all these bodies is mutually conditioning. The collapse or deformation of any one of them threatens the rest.

- 3. The employment relationship is changing and in many cases is much less a 'relationship' than formerly.
 - a. In the U.S., so-called contingent employment arrangements (part-time, temporary, and limited-term contractual arrangements) are on the rise. One well-known observer of labor market trends characterized these arrangements as 'just-in-time' employment. As American businesses seek to become more competitive, she predicted, 'all employment relationships are going to become more fluid.' Many commentators forecast that businesses increasingly will have only a 'core group' of long-term employees, supplemented as needed by contingent workers.
 - b. Likewise, employment leasing arrangements also are becoming increasingly popular. Under these arrangements, an employer contracts with a third-party to supply its employee complement. These arrangements pose challenges to collective bargaining and related employee representation and participation systems.
 - c. 'Self-employment' is also a rising phenomenon, at least in the U.S. Lawrence Mishel and Jared Bernstein³ state that "Much self-employment is disguised underemployment, as can be seen from the fact that self-employed workers earn far less than those on regular payrolls." According to the authors, the self-employed have more education than their wage-earning counterparts. Nevertheless, self-employed women earn only 63 percent as much as salaried women. The income differences between self-employed and salaried men are negligible. However, the educational gap between the two groups of men is greater than between self-employed and salaried women. The self-employed also typically have fewer benefits.
- 4. The workplace itself increasingly is less one 'place'. So-called 'telecommuter' arrangements are on the rise, both in the U.S. and in Germany. For example, in 1989, ten percent of the Chicago area employees of AT&T were working at locations other than company facilities, many of them at home. The term 'virtual workplace' describes what many believe will typify the new work-world, which will be accompanied by an increasing isolation from one's coworkers.
- 5. The newly emerging patterns of work organization mean that it will be increasingly difficult to distinguish between 'employees' and nonemployee 'independent contractors', who are owed no benefits and for whom no expectations of continuing work relationships are created.
- 6. It also is becoming increasingly common for the employees of several businesses to work together at one workplace; thus, some employees simply do not work at a site owned or controlled by their own employer. In Germany, for example, such arrangements have put the works council system under great stress.
- 7. Job stability is a major preoccupation everywhere. For those with jobs, however, pay instability may also be a matter of increasing concern. So-called variable pay plans, which tie pay to continuous profit or productivity improvements, are becoming increasingly popular with management.
- 8. In light of the changes in employment, one German scholar has described German labor law as 'a tanker in the fog'. If so, the various aspects of American labor and employment law appear more like a disorganized squadron of boats, several of which have struck shoals. As the practice of collective bargaining has declined in the U.S., there has been a corresponding increase in the piecemeal and ad hoc regulation of employment through the states and Congress. A blue-ribbon presidential commission on the future of U.S. labor relations has urged that nonlitigation-based models be used to handle employment disputes. Similarly, a U.S. federal court system report has recommended that all noncivil rights employment matters be removed from federal court jurisdiction.

Of course, not all aspects of the developments described above are undesirable. Telecommuting and flexible working hours may permit employees more freedom to determine their own working conditions. They also may afford women with young children more opportunities for participation in the workforce. Flexible employment arrangements and pay plans also may give skilled and so-called 'knowledge' workers greater ability to select the sorts of projects and tasks they wish to work on, and to earn considerably more. New patterns of work organization have done away with multiple levels of supervision, giving some employees more ability to determine for themselves how to perform their work, and a greater range of tasks to perform. For the skilled and well-educated, such changes may be liberating. One pressing question is how equitably these chances for greater self-determination will be distributed.

Authentic freedom and self-rule require a background. Modern capitalism however has a strong tendency to overwhelm and eventually to dissolve the discrete, local, and particular institutions—which Edmund Burke called the 'little platoons' of social life—that provide this background. These grassroots institutions are the places where the habits of self-rule are practiced and learned. Regrettably or otherwise, there is no invisible hand that guarantees their existence, nor that automatically checks the centripetal forces that modern markets exert.

The future contours of labor and employment law are unclear. Increasingly, however, the trend has been the restrictions and dissolution of opportunities for working men and women actively to participate in the promulgation and administration of the order that most directly affects their day-to-day conditions. Briefly stated, working people at nearly all levels of the economy are becoming the objects of administration rather than active and self-determining agents. Such conditions are in the most serious sense inhumane.



Trade Union Reorganisation and the Employment Crisis

COLIN CROUCH

European University Institute, Florence

WHETHER ONE EXAMINES the issue from the perspective of neoclassical economics or from that of trade unions, union involvement in economic decisionmaking and the current unemployment problem seem mutually inimical. From the former perspective trade unions are a major source of the rigidities which in theory prevent labour markets from clearing. From the union perspective, high unemployment raises the power of employers relative to employees in a manner that makes active employee involvement, especially through unions, in economic decisionmaking very unlikely. However, detailed scrutiny suggests that the issue might be less simple than this.

In the background rests concern over the implications for employment of economic globalisation, by which I mean the extension of a single interlinked set of markets and organisations for the production and delivery of goods, services, finance, and to some extent labour across the entire inhabited world. A central contention of this paper is that the adjustment problems caused by globalisation are essentially transitional. Admittedly, the transition will be a long one. The recent economic advance of Southeast Asia and the extension of capitalism to Eastern Europe still leaves vast quantities of labour beyond the reach of the global economy. Important moves are being made in Latin America and the Arab world; some parts of the immense territories and populations of China and the Indian subcontinent have become involved; most of sub-Saharan Africa is still untouched. Further, in many of these countries, dictatorships of various political colours are able to secure certain competitive advantages that flow from the suppression of demands for labour rights. Nevertheless, beyond the long transition lies a world worth waiting for, where more people, in more parts of the world than ever before, experience decent levels of prosperity, and where old and new producers will find their niches in a greatly expanded world trading system.

At present we are experiencing a massive shift in the global balance of power between capital and labour, as the far superior relative mobility of the former increases its scarcity, and this is having consequences in the domestic politics of every country as capital demands the deregulation of labour markets and the erosion of

measures for workers' security as the price for continued investment in any particular location. Eventually this relative advantage will subside. Once we take this view of the transitional nature of the process it is possible to advance ideas for 'tunnelling through', for trying to limit the consequences for social policy and labour rights of the dramatic but temporary shift in global capital-labour relations that is taking place.

Changes in Types of Unionism

The shift from manufacturing and manual employment to services and nonmanual work have negative implications for the role of unions in a roundabout way. Not only are levels of union membership and institutionalised industrial relations typically lower in services, other than public services, than in manufacturing industry, but both services and nonmanual employment tend to produce a different kind of unionism. Even in Scandinavia, nonmanual unions are rarely capable of the central coordination that was an important feature of manual unions. This reduces the capacity for central action by confederations, which in turn limits the capacity of unions to pursue strategy. They become more limited to specific bargaining goals for individual groups of employees, and therefore less capable of acting at the level of demands for general rights. The old manual unions were associated with a very clear agenda of social policy in nearly all countries. It is far less clear what is the general social strategy of nonmanual and services-sector unions.

Some reorganisation of institutions is possible to tackle this problem, as has been shown in Denmark.¹ A recent restructuring of unions and employer associations better reflects the new occupational structure, and less weight than in the past is placed on a centralised bargain in the manufacturing sector to secure overall order. One consequence of this is a considerably lower level of coordination than in the past, but that was inevitable. A role for organisations in monitoring developments in the labour market has been preserved. Similar changes have recently been executed in the Austrian, Dutch, Irish, and Norwegian labour markets. In a crisis, employer and employee organisations in these countries therefore remain capable of shaping changes in terms and conditions of employment through dialogistic means, partly external to the market. This may become particularly important in some countries after the introduction of a single European currency. This will remove from national governments the ability to adapt to asymmetric, external, economic shocks by devaluing the national currency, in principle leaving major deflation as the only means of avoiding inflation and regaining competitiveness. Dialogistic labour markets, where central organisations have retained some strategic capacity, would also, in principle, have the ability to make direct wage adjustments in order to avoid the need for this.

Where some residual scope for central coordination is retained it also remains necessary for governments and employers to include labour representatives in discussions of economic adjustments; without that labour can lose its voice entirely in the politics of the economy. This is particularly significant if one considers the earlier argument that some of the pressure of globalisation is transitional. If that is so, it would be rational for those committed to the defence of particular institutions to protect the form of the institutional design at the expense of substantive gains—in particular by sacrificing wage increases. Levels of living can be restored by an incremental process; the restoration of rights is a more difficult task that requires strategy. Indeed, in even a shorter term the choice may not be a zero-sum. Declining security leads to declining consumer confidence, which further depresses economic activity and therefore wages. However, only a strategic labour actor can persuade workers to adopt such policies. Left as individuals without coordination, individual workers are forced to seek short-term maximisation in the labour market. If changes in employment structure destroy the coordinating capacity of trade unions, the ability of labour, though not of course capital, to act strategically, in the

face of its common problems, may be permanently impaired. This tendency is further strengthened by the declining capacity of nation-states themselves to act strategically in the global climate of regime shopping.

The Scope for a Union Response

The future activity of trade unions will have to take account of these various changes and of the complexity of the overall situation. There will certainly be some excellent possibilities for skilled, rewarding work within the new technologies, and within occupations, such as those in the caring professions, where the scope for replacement of human labour by capital is more limited. There will certainly be some disastrous instances of job loss—quite possibly enough of a net loss to make it impossible in anything like the foreseeable future to return to what the postwar world understood as full employment. Unions therefore need strategies that will enable them to do three things: first, to take maximum advantage of the optimistic scenario, to try to ensure that as much of the workforce as possible is able to enjoy opportunities for creative and rewarding jobs and that unions have a role in representing their interests; second, to ensure that these new possibilities are used in ways that maximise human gain and opportunities for participation, rather than simply enhancing the power of managers and employers; and third, to cope with the implications of the virtual certainty that there will be an inadequate number of job opportunities of this kind. I here concentrate on the industrial relations aspects of these wider problems.

The most important examples of optimistic possibilities concern Japanese work methods, which do not fit easily into any western stereotypes.² Since the early 1950s Japan has had, in its great companies, a system of lifetime guaranteed employment in exchange for total worker commitment to the company. There is considerable debate about the origins and significance of this approach, but only one point concerns us here. Because Japanese employers believe they can both trust and secure the cooperation of a large core group among their employees, they are prepared to relinquish some of the controls of individual performance associated with Fordism. They can therefore give these workers flexible roles where they will be expected to break with strict Fordist rules about the division of labour and to exercise a variety of different skills. Further, bonuses can be calculated for groups rather than individuals, leaving it to the groups to organise themselves for the work. This enables Japanese firms to make use of versatility, flexibility, and a variety of forms of work organisation in a way not available to employers and employees locked in mistrust, where management's main concern is to define a work process such that the employees cannot cheat it, even if it is suboptimal in its use of the workers' talents and in the variety of work organisation forms it makes possible.

To the extent that unions have historically thrived within a context of Fordism and Keynesianism, this could seem to be bad news. The development of company loyalties and strong worker commitments to their jobs, and government economic intervention that consists mainly in working alongside industry associations may not seem attractive to traditional trade unionists. But they need to develop ways in which they can gain from the idea of workers' company loyalty. If the most lively economies in future, the ones avoiding the low-standard route to competitiveness, will require a commitment by workers to their employing organisations, then employees, and political forces claiming to represent them, stand to gain from workers at all levels acquiring a new post-Fordist professionalism, a dedication to working skilfully and hard in ways that enhance their value and reduces their disposability. In a world where identities and communities are collapsing, the firm, the employing organisation, will probably become increasingly important to many of us. The fundamental point for industrial relations strategy is that if company identity is to be so important within a society, it must be a shared identity that comes within the scope of democracy, and not one that belongs to management alone.

The Participatory Company

Attention must therefore be paid to the place of employees within the company. Even modern participatory firms remain in most cases managerial dictatorships, in which decisionmaking is retained in a small number of hands, power concentrated in managerial ranks. Even if there are elaborate consultative exercises, they are controlled, managed, and surrounded by public relations propaganda. And we are living in an age when the managerial elite is newly aggressive and ambitious in its claim for pre-eminence, reward, and unshackled power. Judged as communities fit to attract the loyalty of the intelligent adult citizens of a democracy, firms are unacceptably primitive—unless some means is found for autonomous representation of employee interests, those interests being defined to include commitment to work, skill, and the goals of the company. Something of a contribution to spanning that difficult gap is to be found in the German and Austrian works councils, and in particular in the role that unions often have in advising and assisting works councillors in meeting the challenges of participating in human resource management exercises. Note that it has to be a participation aimed at improving production, not just a defence of workers' limited interests The German unions, and especially IG Metall, have seen in a combination of their cooperation with works councils and the role of highly skilled workers in the German economy the basis for a distinct German alternative to Japanese methods.

Looking at this issue in a different way, there is a curious asymmetry in the current managerial model of so-called participatory firms that try to exclude a union role. On the one hand stands management, informed by the whole science of the world's management schools, able to buy all the expertise it needs. On the other hand stands a group of employees and what they happen to know—which is largely what management has told them. If one were genuinely trying to maximise the gains that might come from interaction between managers and workers in performing a firm's tasks, one would never design such an information asymmetry. If management gains by maximising the quality and quantity of advice available to it, employees must gain by acquiring similar access.

This signals the new role for trade unions: as sources of information and advice for employees on how to contribute more effectively to their work, and on formulating alternatives to proposals coming from management which may often maximise managers' particular interests rather than those of the organisation as a whole. In many countries unions are in no position to perform such a role. They lack both the expertise and the institutional role. Even the German unions, which—albeit indirectly through works councils—have both, find it difficult to keep pace and avoid being pushed out by management.

Renewing Collective Bargaining

Despite the apparent changes of the 1980s and early 1990s, we still need to look at structures for collective bargaining. The more the company becomes a focus for social identity, the more urgent it is that unions, probably alongside a works council structure, reconstruct themselves and their approach to their members' skills. However, the overriding framework is no longer likely to be the national solidaristic one that Scandinavians built and benefited from for so many years. In the new economy employees are increasingly members of small groups, each defending their own professional identity, potentially against each other. Beneath this however there can continue to be, provided it is expressed, an underlying unity about the role of labour and its dignity, and in administering a decent labour market policy.

Further, we have never enjoyed, and cannot have, an economy with both strong trade unions and a good trade-off between inflation and unemployment unless there is some disciplined self-regulation. This would now

be even more difficult to achieve in many countries than in the past. To secure any coordination there need to be national arrangements ensuring the concentration of bargaining periods into a short period of time, as occurs in Japan. This forces bargainers to take note of what each other is doing and therefore become aware of the impact on labour costs at the national level. The neoliberal policy of deliberate disaggregation of collective bargaining, especially in the public service, is therefore the opposite of what is needed. The strategy of market-sensitive labour markets only works if we assume a long-term future of precarious employment, with rapid adjustments of demand and supply. This assumes a low skill requirement so that demand is for general labour rather than specific skills that can become scarce; and arrangements for easy hire and fire, with working hours rapidly adaptable from short-time to far too long in line with the rapidly shifting needs of what would remain a short-term economy. The rival strategy assumes skill, security, and shortage. Without basic discipline that fails.

Flexibility with Security

It is necessary to find ways of maximising the possibilities for flexibility in the use of labour without exposing individual workers to levels of insecurity that both cause stress to their daily lives and depress their consumer confidence. It is important to establish a strong floor of security rights that prevents employers from forcing low-paid employees to bear the awful burden of a constant fear of unemployment. The modern capitalist economy needs ordinary working people to have the confidence to take on major financial commitments, to buy houses or apartments, to bring up their children in security and stability in a society that largely lacks the stability once provided by settled communities. The centrality of these needs are lightly forgotten by employers wanting to make their own difficulties a little easier by readily making people redundant.

Legislation and collective bargaining need to make it easy for employers to do things that increase flexibility while not threatening individual security. Recent adaptations of labour policy in the Netherlands, initiated by the government but then negotiated and adjusted through the bipartite Stichting van de Arbeid (1997), have been attempting to do exactly this by providing legislative frameworks for various kinds of 'atypical' employment.³

For example, the trend to subcontracting being adopted by nearly all major companies has considerable potential for reconciling flexibility with security. While individual companies may need to adjust their use of such services as cleaning, security, and distribution from time to time, a subcontracting firm specialising in some of these areas will probably find that, outside major recessions, a decline in contracts from one firm is compensated by a rise elsewhere. Subcontractors could probably therefore offer secure contracts to their own staff while being able to adjust the quantity of labour supplied to individual client firms. In some cases major business service companies do this already, but many do not. It remains a sector dominated by 'cowboy' firms with poor working conditions. By and large these firms operate outside the scope of public policy; no one cares what happens to them, and government rarely asks what they would need to become better employers. Were the labour movement to change its attitude to subcontractors, it would probably find that there were many ways of bringing them 'out of the cold'.

Similar arguments apply to franchising, which is becoming an increasingly important means whereby firms, especially in retailing, can have many outlets without employing staff to run them. At its best franchising provides flexibility to the company concerned and some of the autonomy of self-employment and entrepreneurship for the franchisee; at its worst the latter has all the insecurity of self-employment but also all the hierarchical control of employee status. Some franchising arrangements are capable of providing rights and some basic guarantees to franchisees. These cases should be studied and an attempt made to impose conformity with their models of best practice on the system as a whole.



Employment and the Quality of Human Relationships: The Possibility of a New Culture of Labour

BEDŘÍCH VYMĚTALÍK

Centre for Social Education, Christian Institute of Ostrava

THE GROWTH IN THE PROPORTION of knowledge workers and service workers requires new methods for achieving their highest efficiency. In industry it was possible to split manual labour into optimal partial operations and thus to create conditions for higher efficiency. Even in this kind of work, the activity and initiative of responsible workers made a contribution, but it is quite indispensable in the case of specialists and service workers. To obtain great efficiency from them entails winning their active involvement which is impossible if the work does not satisfy them, motivate them, or convey that they are respected as human beings. That is why new management methods are being sought, which would engender more interest and initiative among people. They bear a wide variety of names: "Total Quality Management", 'Lean Management', 'Human Resources Management', all of which share a common core underneath their fashionable labels, as has been affirmed by Dr. Wolfgang Riezle, member of the board of directors of BMW in Munich:

the common core will remain: The idea of a hierarchical company organisation—where a powerful management orders an ordinary worker how, when and what to do—has been abandoned. Instead of this outlook, imagination, creative abilities and the engagement of every individual are required, mobilised and introduced into the creative process . . . This means first of all that every collaborator must have the possibility to identify himself with the common goal of the company. This is the proper role of management: to define an acceptable and binding system which gives the workers motivation and sufficient space for their best possible contribution to the success of the company.

Such new management methods are not based primarily on human concerns, but are driven by company interests in improved development, competitiveness, productivity, and profit. However, it is becoming recognised that these goals cannot be attained in a developed society without the active engagement of workers by giving

them more responsibility, more self-fulfilment, and more autonomy in the working process. Superficial modifications are not sufficient anymore. 'For the first time in the history of industrial nations the coming years will bring competition not only in prices, creativity and quality, but also competition in labour and company culture and the appreciation of man and his value in the world of labour'.² He adds that in this way the next century presents an opportunity to realise the dignity of human labour in modern economies within a democratic culture.

Elements of a Culture of Labour in Human Resource Management (HRM) Methods

The methods of labour management in use today (under different names) cannot, however, be considered as embodying the social teaching of the Church without some further explanation. For example, the Human Resource Management (HRM) model contains a number of elements which correspond to the ideas of this teaching, or at least are not in contradiction with it, and rightly consider human resources to be the decisive factor in production, which must be 'nurtured as a valued asset'.³

However, if these methods treat people *only* as a source of productivity and profit (in spite of proclamations to the contrary) and do not take into account their subjectivity and human dignity, they can then lead to increased exploitation, to the detriment of the workers, and finally to the loss of the company as well. Hence, the criticism of Keenoy⁴ (1990), according to whom 'the normative humanistic rhetoric of HRM is a means for manipulating meaning and its primary purpose might be to provide a legitimate managerial ideology to facilitate an intensification of work'. Nevertheless, there exist a number of positive examples of using HRM methods, which have improved the efficiency and activity of workers and at the same time have favourably influenced their position within the working process. The implementation of HRM methods in the Ford company in the United States and in some other American companies has attracted considerable attention. It appears that a change of approach to the human factor alone can bring about considerable changes in the corporate climate, even if it is introduced for purely enterpreneurial interests.

The Experience of the Ford Company

The Ford company encountered many problems in 1980. Customers were not satisfied with the cars produced and the company's share of the market was decreasing. The Ford company suffered a loss of 5.1 billion dollars in that year, which was the second biggest loss in the history of U.S. corporations. In response, three top managers of the company—Petersen, Page, and Poling—initiated an evaluation of Japanese findings on the key elements for transformation, which they expressed as the three 'p's: people, products, and profits. According to Petersen, this represented a radical change in both the philosophy and culture of management. Prior to that time, employees were simply regarded as a means to profit, but now they were accorded a key value. They issued a statement about the mission, values, and guiding principles of the company and prepared a letter to all the employees in which they stressed that company policy involved supporting and enabling all employees to participate in management and to contribute to the company's success.

Participation in management began with the formation of problem-solving groups and of quality circles. Subsequently, involvement was extended to include participation in other processes usually reserved to management, such as planning, goal setting, communication, and decision-making. Finally, the forms of participation of employees in management were studied in forty outstanding U.S. companies, from which six firms were selected: IBM, TRW, 3M, General Electric, Dana, and Hewlett-Packard.

Ford concluded that these companies had ten features in common:

- 1. Each firm circulated a statement of corporate goals and values, and its executives spent 50 to 80 percent of their time outside their offices trying to communicate those ideas to their employees.
- 2. All six emphasised the importance of people and respect for every individual. They agreed that the skills and quality of their staff were their only competitive advantage. Products or technology can be purchased, but usually do not advance the company's position for long.
- 3. They substituted trust for strict rules and controls. When the task force met with Hewlett-Packard CEO, John Young, one of the first things he said was 'We trust our people'.
- 4. Every firm insisted upon being customer-driven. IBM told the task force that there were very few ways an IBM employee could get fired, but one of them was keeping a customer waiting or letting a phone ring more than twice in a customer service centre.
- 5. All six used teamwork, particularly multi-departmental teams, to develop products and services at the cutting edge.
- 6. They tried to eliminate levels of management and to play down authority. At one Dana plant there were only three levels: hourly workers, their bosses, and the plant manager.
- 7. The companies emphasised free, open, face-to-face communications. Hewlett-Packard called this 'management by wandering about'.
- 8. Managers relied on peers, and occasionally on subordinates, to help evaluate other managers. Team players were promoted over individualists.
- 9. All six offered sophisticated training for managers, as well as for hourly employees.
- 10. Managers of the corporations made a habit of asking their people: 'What do you think?'

In 1980 Ford started to use these new approaches in the development of a new car, the Taurus-Sable, planned as the best car in its class. The company succeeded in effecting a substantial reduction in components and increased the professional involvement of the workforce. Quality then increased, with only 1 percent of the cars needing repair, in comparison with the previous rate of 10 to 15 percent. The car had Japanese quality and European style. Some 250 million dollars were saved in the development of the car and the period of development was shortened from six to four years.⁵

Implementation of HRM in other Companies

David Mercer, who spent fifteen years in IBM, described its corporate philosophy as a partnership between the employees and the employer, based on mutual trust. The stress is put on full employment and security at work. Other principles include respect for human dignity, emphasising individuality, extended communication, support for individual development, participation in management, and the development of autonomous teams and cells, which are the building blocks of a newly emerging cellular organisation structure which will probably predominate in the next century.⁶

John Storey lists twenty-five attributes which together characterise the HRM style. According to a survey carried out in fifteen miscellaneous organisations, all of them applied at least one of these elements. The results were similar in a survey carried out later in Leicestershire in 560 firms with fifteen or more employees. Furthermore, this produced the interesting finding that although it had been presumed that new management methods were characteristic of big companies, the results showed that a considerable portion of small and medium-sized companies were also interested in implementing these methods.⁷

Examples of Joint Enterprises in Germany

Human Resource Management and other similar methods do not solve (with a very few exceptions) the problems of integrating labour and capital. This integration can be achieved by employees sharing capital holdings in combination with their participation in management. In general, financial participation alone is not very efficient either for the company or for the employees. Only if it is used comprehensively, together with participation in management and other well-tried elements of HRM methods, does it have positive results.

Companies in Germany, which have attempted to make their employees not only partners but even coentrepreneurs, can be used as an example. Their methods are described by Paul Halbe in *Die neuen Unternehmen*⁸ which examines twelve German companies of various sizes and from different regions of the country. They include companies owned by individual entrepreneurs, joint stock companies, limited liability companies, as well as limited partnership companies. All of these companies gradually applied, in part or in full, the seven basic principles of corporate relationships related to financial management. Those companies, however, which had applied all the seven principles were the most successful in the market.

The seven principles are the following:

- 1. Full knowledgeability of workers about company activities, results, and aims. The worker must have the feeling that management really considers him to be its partner, that it trusts him, that it does not hide anything from him and that it relies on his contribution. This includes full knowledgeability about capital flow, wages, dividends, and royalties. It also involves the creation of trust and an enterprising atmosphere. Multi-faceted information, communication and openness are the first prerequisites for the conscious participation of employees in the company's activities.
- 2. Education and training. If the developed world becomes a society of knowledge, it is necessary to impart the required knowledge to all the workers. It is necessary to ensure a long-term growth in their professional standing, to appreciate their suggestions, to guide them to become interested in innovations, to inform them on the newest findings related to their fields, and to teach them interpersonal relations.
- 3. Creation of conditions for the greater independence, responsibility, and self-realisation of employees leading to their professional cooperation. This comprises the use of well-proven HRM methods, the creation of autonomous production groups, and the use of teamwork and decentralisation.
- 4. *Time ownership.* A new culture of labour is not confined to employment but encourages workers in other activities as well, including use of leisure time to foster the creation of new communities and relations. The distribution of working time which best suits the individual performance of the worker is allowed, when feasible, and individual working hours, part-time work, and flexible working hours are made possible.
- 5. Motivation in remuneration. Wages and bonuses still constitute the most basic security of the worker. However, certain other motivating components are recommended, such as profit-sharing and the so-called 'investment salary', through which the worker can share in the company's productive capital.
- 6. Participation in management in various forms. A broad range of decision-making is left to the employees. Organisation ceases to be managed structurally, but is oriented towards processes, people, and customers. The employees should be drawn into the management process in such a way that they feel they are really participating.
- 7. Financial participation in the company's results and preferably a share in productive capital. Forms of this vary, from the monthly sharing of profit to remuneration at the point of retirement, from the donation of capital shares to shares fully purchased by the employee.

The form of financial participation often changes, for example, from monthly profit-sharing to stock-sharing or to a sleeping partnership. Some companies use an independent employees' company for capital-sharing. Such companies proved to be especially useful, as they provide an overview of the involvement, control, and utilisation of capital. The border between labour and capital is eroded as employees can partly attribute the economic growth of the company to their own money. In this case, capital emerges from its anonymity.

The companies described above also confirmed another important finding. Sharing and participation is most efficient in smaller entities, where people are not strangers. It was found that if the number of employees exceeded approximately 200, it was better to create smaller units. In any case the entity should not exceed 500 employees. A characteristic feature of these companies is the fact that they develop entrepreneurship amongst the workers. This is an important idea, which is supported by the social teaching of the Catholic Church and one which evidently brings benefits to companies themselves.

It is necessary, however, to stress that:

- 1. The companies described above did not represent a conscious implementation of the social teaching of the Church, with a few exceptions such as the Hettlage company. Nevertheless, some other companies departed from purely businesslike considerations and their approach apparently paid off. Brune Hettlage himself declared in 1984: 'I do not regret for a single moment that I had invested twenty-one million DM in this idea'.9
- 2. Policies of joint entrepreneurship do not automatically mean the success of the company: these measures support better human relations inside the company which thereby have the possibility of increasing efficiency. However, management style is decisive: A manipulative employer who introduces these methods only to get more productivity out of people distorts these policies and may lose money in the process.
- 3. The basic prerequisite of successful implementation is the commitment of management in applying these principles. They cannot be implemented 'from the bottom up', but come from management, be it an individual businessman or a team of executives. All companies are also 'tailor made' according to the way in which managers interpret and implement these principles. Nevertheless, this indicates that within the framework of Christian ethical principles it is possible to offer a broad palette of possibilities for choice and responsibility.

There are often objections raised against sharing and participation in companies: If these companies are so successful, why did they not expand much more than they did? Paul Halbe's answer is that entrepreneurs are held back by vested interests in their positions. They are afraid that things would not work unless they retained their managerial control. They do not want workers to know their incomes and the incomes of the top managers, or to become acquainted with the company's financial situation. They do not want to 'step out of their own shadows'.

Another probable reason may be an entirely natural fear of change and uncertainty as such. Controlling a process of change is very demanding and requires special managerial 'know-how'. The larger companies hire specialist consultants for this purpose, while the smaller companies usually cannot afford such an approach. This is why successful examples play such an important role: They can serve as guidelines. The implementation of a new culture of labour undoubtedly imposes considerable demands on management: courage, determination, purposefulness, and concerted efforts.

The example of German companies striving for suitable forms of joint entrepreneurship with the employees, with the aim of achieving higher profit, confirms that this can bring about the benefit of greater involvement for workers who can thus more effectively realise themselves at work as human beings. They thus represent a further impulse towards a democratic culture of labour.



Dilemmas About Wages and Employment

EDMOND MALINVAUD

Centre de Recherche en Economie et Statistique, Paris

The Working Poor

POOR PEOPLE EXIST IN ALL COUNTRIES and everywhere most poor adults work, although often in the black economy, or at least in the informal sector of the economy. The limits of our subject require that the concept of 'working poor' be used here for low-income people employed in the formal economy, the only economy to which wage policies would apply.¹

During the last two decades most Western European countries have resisted the trend towards declining real wages for unskilled jobs, thereby containing the increase in the number of working poor. Have they thus contained the increase in poverty? Is there any lesson to be drawn for other regions of the world, and in particular for low income countries? Such are the two main questions I would like to address in the remaining parts of this paper. We will begin with elements of diagnosis, before moving on to the study of policy options.

Trends and Their Explanation

The trend towards declining real wages for the unskilled has been most effectively documented and studied in the United States. As often happens in economics, the diagnosis is not strongly established, even in the case of the U.S., but it is sufficiently clear for our purpose. Let us now summarise it.

We must first distinguish between the trend towards lower real wages for the unskilled in industrial countries and the trend towards increasing wage inequality all along the wage scale. The two trends have different implications from an ethical point of view and they do not challenge Catholic social teaching in the same way. If they have been seldom distinguished in the analytical studies which seek to explain them this is not only because they have occurred simultaneously; it is also because although persuasive and useful explanations require rather precise analysis and evidence, the data which is available to us in this area are often rather unsatisfactory in terms of what is really required.

A natural explanation of the increase in wage inequality could be found if the trend in the structure of the labour supply in terms of skill levels had been very different from the trend in the corresponding structure of the demand for labour. But during the past five decades, both structures have moved *grosso modo* in the same way: towards higher skills in the supply of labour because of progress in education, training, and diffusion of technical information, and towards higher skills in the demand for labour because of the nature of technical progress and, in industrial countries, because of increasing competition from newly developing countries for goods with a high unskilled labour content. For a satisfactory explanation of decreasing wage inequality in the 1950s and 1960s, followed by increasing inequality since then, we need a rather precise assessment of the relative speeds through time of the two structural trends, corresponding respectively to the supply of labour and to the demand for labour. Such an assessment can be given: It shows that the change in the relative speeds, from the early postwar period to more recent decades, has not been dramatic.² There remains room for institutional factors, as well, to have played a role, particularly in the U.S.: the decline in the real value of the minimum wage, the decline in unionisation, and the movement in favour of economic deregulation.³

Common wisdom among economists now claims that, although exposed to the same trends in the structural compositions of demand and supply on their labour markets, Western European countries have reacted differently from the U.S.: They have limited the increase in wage dispersion, especially by maintaining the purchasing power of minimum wages, but, so the argument goes, the counterpart has been that these countries have had to accept high unemployment amongst the unskilled, a trend which the U.S. has avoided. Blanchard shows that the argument is to some extent misleading because there is a better explanation for most of the increase in European unskilled unemployment, namely the importance of overall unemployment, which the U.S. has avoided thanks to its macroeconomic policy. Indeed, it is well understood that, in response to overall unemployment, unemployed skilled workers have accepted jobs which would have otherwise been offered to lower skilled workers.

However, the existence of a remaining trade-off appears likely and must be investigated. Before we consider what can be said about it today, let us broaden the scope of our vision in order to put the question in a broader perspective, something which ought to be relevant for our reflection about ethical priorities.

Employment, Poverty, and Social Exclusion⁴

Using the indicator that is now conventional in statistics about poverty, and referring only to Western European countries, we see that the poverty rates of households with unemployed heads are much higher than those of households where the head is in work. In general they are higher by a factor of two to four. On this basis, we might have expected a priori that the rise in unemployment would have led to a significant increase in poverty. Such was the U.S. experience for some time: Evidence for the period 1959 to 1983 suggests that a 1 percentage point rise in prime-age male unemployment was associated with a rise in the poverty rate of about 1 percentage point. But, interpreted as a simple law, this association should have meant—given the large decrease in U.S. unemployment since 1983—a lower poverty rate recently than has actually been the case. Available statistical data for Western European countries suggest a positive but indeed much weaker association between unemployment and poverty, an association that may have been counteracted by other factors which act to reduce poverty.

Unemployment and poverty are both causing 'social exclusion'. The exact meaning of these words, which have recently entered social discourse, is not always clear. However, observers agree that it makes sense to speak of some people as being socially excluded and that a proper measure of the phenomenon ought to reflect three aspects. First, the notion is relative: people are excluded from a particular society at particular times. Second, exclusion implies actions, with an agent or agents: people may refuse jobs and prefer to live on unemployment benefits, or they may be excluded from work by the actions of other workers ('insiders'), unions, employers, or

by government, simply because the last has failed to carry out appropriate policies. Third, the notion has a dynamic aspect: People are excluded not just because they are currently without a job or a basic income, but because they have few future prospects.

This last feature is also part of the concept of poverty, which may be seen as the result of a cumulative process of social disadvantage. Social structures and social behaviour may play a part when different societies are compared in terms of the extent of poverty and incidence of social exclusion. Paugam has argued that this dimension is relevant even within the rather homogenous group of countries which make up the European Union. Considering data drawn from regular statistics as well as from qualitative social surveys of seven countries (Denmark, France, Germany, Great Britain, Italy, the Netherlands, and Spain), he noted a convergence at some points: Precariousness on the labour market and in the family, and insufficient access to health service or to public welfare benefits, are correlated with poverty in all of these countries. But Paugam also identified notable examples of divergence between these countries in those domains which reflect the strength of an individual's social connections: precariousness of consumption is not correlated everywhere with weak family connections or with the nonavailability of a private support network. Paugam concluded that the results confirmed the hypothesis that poverty manifests itself in different forms in different countries, according to the specifics of economic development, of the labour market, of the strength of social networks, and of the degree of state intervention in the lives of disadvantaged people.

In other words, various possibilities are open to societies in order to respond to poverty. Acting on low-skilled employment and/or low wages is one route, but not the only conceivable one. We shall, however, restrict attention to just one question: Do minimum wages cause unemployment amongst the unskilled? We shall again broaden the scope of our discussion in the last section of the paper where we shall refer to programmes meant either to increase the employability of people or to provide income support to the needy.

Minimum Wages and Unskilled Unemployment

The existence of a legal or conventional minimum wage in a country, in a region, or in an industry may be justified as being the most effective way to prevent some employers from exploiting employees who have no other option than that of remaining in their jobs. My intention here is not to question the existence of such a phenomenon, but rather to query its possible negative effects on employment, particularly where the levels of minimum wages are high enough to imprint a visible mark on the statistical distribution of wage rates, i.e., where a substantial proportion of workers receive a wage exactly equal to the minimum.

In order to be as clear as possible, I shall focus on a simple case: a hypothetical country where there is a national minimum wage equal to x times the median national wage. The question then arises: What would be the consequences for employment if the real value of the minimum wage was 1 percent lower? The answer is likely to depend on many characteristics of the country and of its labour market. In particular we may expect it to depend on the value of x, and that it will perhaps have 'no significant impact' where x = 1/3 (typical of the present U.S. situation) and 'a considerable impact' where x = 2/3 (roughly the present French situation).

In the past, economists of different persuasions have often debated about the answer to such a question (often giving radically different evaluations) and they are still debating the issue. A large number of econometric studies have been carried out during the last twenty years, but their results have not always been concordant and they have not always been received as providing an answer to the most relevant form of the question. Lack of concordance and possible lack of relevance create a problem which will be explained presently.

However, everything being considered, we may at least rule out the extreme thesis, which has at times been voiced and which attributes a dominant role to minimum wages in explaining the level of overall unemployment.

If a cause of unemployment at all, minimum wages are only one cause amongst others, a cause that can directly concern only the employment of the unskilled or of the young applicant to the labour market, and a cause that cannot be significant where the levels of minimum wages are low. This being said, anything that increases the unemployment of the unskilled is worrying because of present and likely future developments in the structures of supply and demand on the labour market, and because of the resulting increase in poverty and social exclusion. Equally, anything that increases unemployment amongst the young is worrying because of the importance at that age of a positive insertion into the world of work.

Moralists who have to face the dilemma between maintaining the real wages of the working poor unchanged at their low level, on the one hand, or somewhat improving their employment, on the other, would certainly appreciate more precise knowledge of the terms of the trade-off. A brief explanation of the difficulties of such an assessment may be the best way by which to convey a sense of the real importance of the trade-off. I shall be brief in discussing two considerations and expand a little more on a third.

First, econometric measurement frequently faces difficulties in its attempt to allocate observed results to the various causes that have played a part and have combined their effects. The difficulty is common, except when there is a really dominant cause. This is an unfortunate fact of the scientific conditions with which economists, and probably also other social scientists, have to operate.

Second, some economists attribute an important indirect role to minimum wages in generating overall unemployment, in the same way as they attribute an important indirect role to income compensation granted to the unemployed: In both cases the protection of workers is said to make all workers less prone to accept 'the verdict of the market'. Where minimum wages and unemployment benefits are generous, workers are said to obtain excessively high wages, which, so the argument goes, generate unemployment. However, it appears that this argument is unlikely to have universal validity. A diagnosis has to be given in each situation in order to know whether average wages really are too high and, if so, to make it possible to act more directly on average wages rather than engaging in a policy of dismantling minimum wage legislation and unemployment compensation regimes.

Third, the trade-off has an important time-dimension which can be neglected and ought not to be. If the minimum wage is lowered, the impact on the income of the workers concerned will be instantaneous, whereas the increase in the chances for unemployed unskilled people to find jobs will be slow—it will appear progressively, over a period covering a decade or more. Indeed, the extra demand for low-skilled labour will come in part from changes in methods of production, which will be less labour-saving than they would have been otherwise. It will come in part from changes in consumption habits following the decrease in the relative prices of goods and services which have a high content of unskilled labour. Such effects take time to work their way through. Such effects are particularly difficult to measure by direct econometric studies because the difficulty mentioned in the first observation made above will be magnified by the staggering of effects. Fortunately, it is possible to gauge eventual impacts by using other sources of information than the developments observed immediately after the changes in minimum wages, sources, indeed, which are appropriate for the detection of the determinants of the long-term demand for labour. These sources lead to the conclusion that where levels of minimum wages are high, changes in these levels should eventually have quite significant effects on the employment of the category of persons affected by such changes.

Although no one should interpret my estimate as accurate, I believe I must give a quantitative answer to the question posed a few paragraphs earlier. Thus I shall venture to say that where the minimum wage rate is high (x = 2/3), given present European prospects about future employment of persons with low skill, and everything else remaining unchanged, a decrease of 1 percent in the minimum wage is likely to lead to an increase of 1 percent in the long run (after not much more than a decade) of the employment of the group

directly affected by the initial decrease—a group amounting to something like 20 percent of the labour force. Giving top priority to the right to work would imply accepting a decrease in the minimum wage. Giving priority to maintaining the income of the employed working poor would lead to the opposite decision.

Lower Wages or Lower Labour Costs?

Faced with the dilemma which has just been posed, in Western Europe a number of economists and those holding public positions have suggested that an escape could be found by a kind of fiscal manoeuvre. This occurred in late 1992 and in 1993, when it became clear that a serious depression was under way in our part of the world and that unemployment, which had been decreasing since the middle of the 1980s, would peak again, perhaps at an even higher level than before. Since most of our countries were financing a large part of their welfare transfers by a payroll tax, or something equivalent, the idea was to reduce the rate of the tax levied on low wages and to find alternative ways by which to replace the public funds which were thus lost. The minimum wage, and more generally the wages received by low-wage earners, could thus be maintained unchanged while the cost of labour for their employers would be lowered and the demand for low-skill labour would be stimulated. The policy would thus counteract, at least to some extent, the damaging effects of the depression on the working poor.

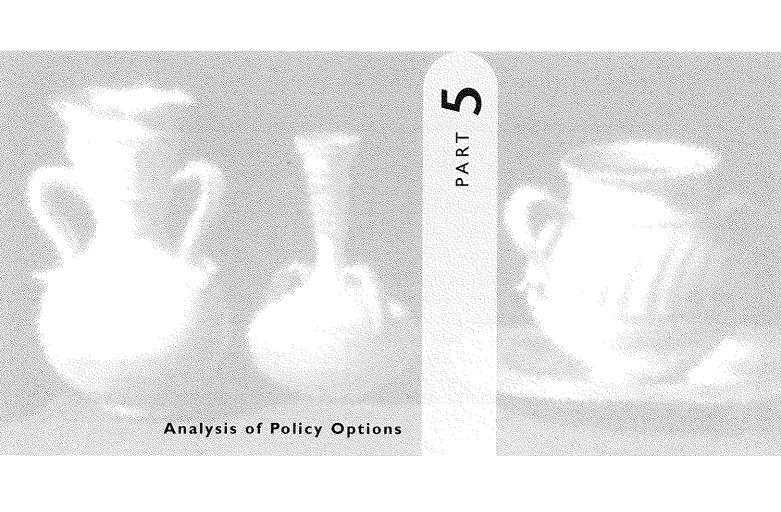
Among the proponents of the idea was the European Commission, which included it in a programme submitted to ministers. Whereas the programme was not accepted as such by the European Union, a number of countries proceeded with this fiscal manoeuvre in some form. We now have a better understanding of the implementation, limits, and chances of success of the policy. These will now be summarised.

- 1. Implementing cuts in payroll taxes is feasible, at least within a certain range. In France since 1995, the cut has meant a decrease of 13 percent in the labour cost of employees paid at the minimum wage, together with a progressively decreasing percentage at higher wages of up to 1.3 times the minimum wage. However, in one respect implementation is not satisfactory: it is decided upon each year for the following year without any guarantee that it will be renewed. Such a practice, which unfortunately is now a frequent feature of policy measures aimed at stimulating employment, makes no sense: It fosters an unwarranted expectation of quick effects and it leaves employers uncertain as to the future situation when they decide whether they should take irreversible decisions about increasing their staff of unskilled workers and about changes in their methods of producing and operating.
- 2. A number of evaluations have been made of the long-term employment effect of permanent cuts in payroll taxes. Most of these have reached results similar to that given by the simple following calculation: If the decrease in the labour cost concerns 20 percent of the labour force and is on average equal to 10 percent, the expected increase in employment, on the basis of the evaluation outlined at the end of last section, may be, respectively, 10 percent for unskilled persons and 2 percent for the whole labour force. This is not negligible given the importance of employment for those who are unemployed. But this requires time: It cannot be expected to bring significant results on the short-term horizon with which our politicians usually operate. Moreover, on its own, this action will not solve the unemployment problem now experienced by many countries.
- 3. Objections have been raised by some economists against the policy now envisaged. Some have argued that a better policy would be to upgrade skills within the population. Unfortunately, the diagnosis according to which it would be possible to do better in this respect in the future than is commonly assumed does not seem credible in Western European countries. Our teachers are already asked to keep up with technical progress and to prepare children and teenagers for life, yet an increasing proportion of these young people

- are growing up in unfavourable family and urban environments. When they look closely at the challenges faced by our education systems, specialists are not optimistic about the insertion into work of a significant minority of our youth. Their insertion will largely depend on what the demand for unskilled labour will be.
- 4. Other economists are worried by the distortion that the cuts in payroll taxes introduce into our fiscal systems. This concern is understandable: So many special arrangements have been inserted recently into systems, which earlier were organised around a few well recognised principles, that resistance to new changes may be chosen as a sound policy. I do not agree in the present case with such a policy because I believe that, considering what is at stake, we ought not to be unduly dogmatic. I must, however, recognise that damages might result from the distortion in question.
 - For instance, with the schedule now operative in France, in order to grant a rise of 100 francs in the monthly take-home pay of an employee earning only the minimum wage, the employer has to incur a cost of 260 francs, whereas in order to grant the same rise to another employee earning 1.3 times the minimum wage the cost amounts to 187 francs. The disincentive to giving a rise to the first employee, either on the grounds of seniority or because of promotion, is particularly strong. In the long run it would be likely to lead to unhealthy practices in personnel management in relation to low-wage earners. Those people might be then kept in a kind of 'poverty trap'.
- 5. In order to remedy this kind of distortion, we may consider a schedule which would make the increase in the labour cost, after a given rise in the take-home pay, equal to the same amount at all levels of wages. Along these lines we would say that the cut in the payroll tax would concern all wages and would be equal to a fixed sum per full-time employee. The problem with such a schedule is that, for the same decrease in the labour cost of workers earning the minimum wage, it leads to a much larger decrease in public resources, and thus the compensation by additional resources derived from other taxes has to be all the more important. Thus, the move no longer appears as a small change in the taxation system. It should, rather, be viewed as a true fiscal reform and ought to be discussed as such. Decisions are then more difficult to reach. Perhaps, however, the examination of such a reform would be a good thing in itself. Perhaps it would even offer an opportunity for a full reconsideration of all welfare transfers, a reconsideration that some observers believe to be increasingly impelling.
- 6. This paper must refrain from entering into this broader issue, which would clearly require a great deal of space. Let us just note that with the flat-cut schedule described above each full-time employee could be said to receive a 'basic wage' exempt from payroll taxation. A schedule of this sort calls to mind the old proposal for a 'negative income tax' or the more recent proposal for a 'universal basic income', which is discussed by Hauser in this volume. It is different because it concerns the individual wage earner rather than his or her household and because it is granted only to full-time wage earners, although perhaps also to other wage earners pro rata temporis. There are, however, a large number of affinities in the discussion of the advantages and problems of both systems.

Since Western European welfare systems now contain a number of means-tested transfers, our countries may be said to stand halfway down the road towards a universal basic income, and we already see difficulties produced by the fact that take-home low wages are in some cases hardly higher than the take-home income of those who are not working. This creates a disincentive which may induce some people to prefer not to work. Such people are sometimes said to be kept in an 'unemployment trap'. The possible existence of this phenomenon, which would challenge Catholic teaching about the value of work, clearly deserves our attention.

Indeed, the possible roles of the so-called poverty trap and the unemployment trap add dilemmas to those to which attention has been paid in this paper—dilemmas which involve such ethical values as liberty, autonomy, and confidentiality on the one hand, and as responsibility and solidarity on the other.





The Transformation of Labour, the Employee, and Employment

JEAN-YVES CALVEZ

Centre Sevrès. Paris

THE IDEA OF A MAJOR TRANSFORMATION in labour has been a subject of debate for some time. In France, as Reni Passet declared in 1956: 'With the introduction of the electronic machine the world is definitively entering a new phase of the industrial revolution'. The author regarded this pronouncement as being ahead of its time and as view which was still relatively isolated. In my opinion he was right, bearing in mind that at the beginning of the 1950s there was a first wave of development in the field of automation and much deliberation about its consequences. This, however, was rapidly superseded by the relative ease with which labour was then absorbed during a buoyant phase of the industrial cycle and world demand. Much more is at stake today, and the change is now spoken of by everybody.

When the Wealth Produced No Longer Depends on the Quantity of Labour

'The new phase,' said Jean-Paul Maréchal, 'is characterised by an organisational transformation in companies which, by uncoupling the quantity of direct labour from the volume of wealth produced, establishes a new economic and social organisation whose the methods of functioning will quickly be developed'.² Direct labour is 'labour immediately applied to goods', according to Ricardo. One could add to that a large section of transport and commerce, as well as services in the primary and traditional sense of the term. Maréchal speaks of an 'expulsion' of man from the productive sphere. This constitutes the crucial point.

When Distribution Can No Longer Be Fully Guaranteed by the System of Production

At the same time, the 'information revolution,' as defined by Maréchal, 'in expanding its influence increases the efficiency of systems of production when considered individually but, at a global level, results in a situation which is inefficient from an economic point of view and where reappraisals of the democratic consensus will become increasingly common'. One of the characteristics of the new situation is that

the system of production is itself less and less able to provide for the distribution of income. Paradoxically, this occurs when the prevailing liberal doctrine, pervading the entire world, expects almost all distribution to be effected by the production system and at the same time rejects secondary distribution. This was the message of 'Reaganism' or of 'Thatcherism', and is the meaning which is propounded in many different countries today.

Labour Time will Cease to be the Dominant Time

On a more sociological or anthropological level, the following observation has been made: 'Labour, as shaped by the industrial revolution, that is as a waged activity, exercised full-time over various decades, no longer seems truly to constitute . . . the dominant element in the life-cycle, i.e., a period which structures and polarises the entirety of social time around its own structure'.⁴

The previous quotation is from the work *Temps et Ordre Social* by Roger Sue. Sue cites the following statistic: In 1980 the time expended on work represented no more than 18 percent of the waking hours of an average person, this fell to nearly 14 percent in 1990. A fall of 4 percent in ten years is obviously a development of major significance. Furthermore, the time expended on work during an average day, for the whole population over the age of fifteen, is estimated at only 2 hours, 31 minutes since 1986.

When dealing with such statistics we should certainly be wary of forming hasty conclusions, especially as they refer to people throughout the age range, and 'third' and 'fourth' ages are growing rapidly. The decline is not in doubt. For the active population, in the strict sense of the term, this reduction must amount to almost 50 percent over the course of one century. 'The dominant time,' concludes Jean-Paul Maréchal, 'which in primitive societies was sacred time, in the Middle Ages religious time and since the beginning of the industrial era work time could henceforth become free time'.⁵

Salaried Work as a Guarantee of Integration, Including Political Integration

Another aspect of the transformation is highlighted in the following quotation: 'In losing its "quantitative" importance, work is also deprived of its function as an instrument of social integration, resulting in the formation in the heart of industrial societies of a cybernetic void which nothing at the present time seems ready to fill'.⁶ By a cybernetic void we understand an absence of guidance, of an overall framework. This is also the point of view of Dominique Schnapper as expressed in her book *La Communauté des Citoyens*, which was published in 1997. In recent times it is integration through (salaried) work which has been the basic integrating factor, the integration of the 'citizen'. What happens when this role of work is called into question?

B. Perret follows the same argument in *L'Avenir du Travail*, published the same year. He refers exclusively, and a little more broadly, to the idea of economic exchange: 'The affinity is obvious,' he says, 'between the impersonal character of political relations and the functional integration of individuals guaranteed by market exchange Throughout the West, the state and the market have developed along parallel lines, and rather than being in opposition, have worked hand in hand in the affirmation of the individual'.⁷ For the vast majority of people, the market is the place of exchange for the products of their labour and they have no citizenship outside this.

The Relative Decline of the Wage Contract

Another feature of the situation, which also concerns integration, is the decline of the wage contract even when the number workers employed in industry, or workers employed in services directly related to industry, is not in decline. To a very large degree, services are now being out-sourced (for example, various forms of maintenance, and of course cleaning). Numerous companies no longer directly employ the numbers necessary for their operations. Independent labour is developing as a result. Companies conclude fewer labour contracts (and salary contracts) and an ever-greater number of 'commercial' contracts.

A laudable development, one might say, as the salaried condition has been synonymous with dependency. A fortunate decline, one could add, of the very large organisation in favour of a multiplicity of units, both in services and in production. At a political level as well, it is possible to view this development with relative optimism. What harm is done if the integration of the citizen is no longer so much a question of compulsory wage labour and shared work culture, but is a matter of free choice? Is this not progress? However, one should not fail to point out that salaried labour in a large organisation, accompanied by union activities, not only achieved integration through constraint. It also had an integrating effect, which was more enriching, through association, the camaraderie of work, a common culture developing in union activities and workers' struggles, and the training offered at work or through other forms of professional association.

The Largest Transformation

The most immediately apparent transformation is that of unemployment, which is now large-scale, long-term, and particularly affects the young. In continental Europe above all, but also in third world countries, such as Argentina, the phenomenon has already affected an entire generation, beginning with the crisis which started around 1975.

This depression first appeared to be of a classically cyclical nature; its end was taken for granted and a revival in production and sales was foreseen. Since then, however, there have been several economic revivals in many countries but these have had scarcely any effect whatsoever on employment. Little by little, people have had to accept the evidence that today there exists a net disjunction between the crisis of unemployment, on the one hand, and the crisis of production, on the other.

It is traditional industrial employment which is affected, following automation, and the results of information technology. This has a long way to go before its full importance can be assessed. Economists produce startling figures concerning the future of industry in the strict and traditional sense of the term. In the year 2015, 8 percent of the active population will be responsible for the production of everything which we currently place in this category throughout the world. It is of course impossible to make an accurate estimate. I would prefer to point out that the statistics are only startling to those who have a short memory. In several West European countries, including Italy and France, more than 40 percent of the active population were employed in agriculture, when, shortly after the end of the Second World War, an extraordinary revolution took place in the methods and production used in that sector. The percentage of those employed in agriculture plummeted to around 5 or 7 percent within forty years or less. For a long time, however, this massive fall was compensated for in other sectors.

However, in the future, industry will no longer be able to play a compensating role. On the contrary, it is itself experiencing a decline in employment. Is not the solution simply to seek alternative forms of compensation for these declines, particularly by increases in interpersonal services of every kind which are only partially

automated? This is the main question to be addressed today. It is a matter of transforming new needs, which are already real enough (for education, health, culture, and the caring professions), into 'demand', i.e., manifested through our economic preferences. Generally speaking, we are quite inconsistent; we are already aware of the importance of new needs but still not used to paying for them, whether individually or collectively. The task to be undertaken involves changing our ways of thinking, with a view to organising work in new ways. It is a matter of urgency that those responsible take on board this change in mentality rather than leaving all the influence to traditional advertising, which still unduely augments the profits of industry.

The American Example

It should be pointed out that the pessimism expressed today about employment in Continental Europe is sometimes challenged by reference to the example of the United States, or even of Great Britain. The United States in particular has, it is sometimes claimed, long since resolved its problems in this area through deregulation.

This example, in my view, underlines the point which I emphasised earlier, namely the necessity of realising that employment must develop in interpersonal services, including health, the caring professions, education, and culture. It is by no means certain that the increase in employment in the United States, accomplished through services, has yet reached saturation point in all of these sectors.

The example of the United States also supports rather than contradicts another point of view. This is that the production system, specifically including the provision of services (and taking iuto consideration the varied forms of wage contracts associated with them), distributes income unsatisfactorily and less effectively than was previously the case. With the multiplication of jobs, the result has often been low remuneration. *In this respect* the economy does not function properly when workers who are potentially employable remain without employment and have to live off welfare. It functions hardly any better when newly created jobs offer remuneration only slightly above the level of welfare. One should therefore strive in a new way for a larger 'secondary' distribution of income than was formerly the case. This would represent a temporary approach, necessary until services are correctly valued. In relation to this every liberal should listen to the words of John Stuart Mill writing on the subject of poverty in Manchester in the nineteenth century: 'Unlike the laws of production those of distribution are largely a human institution'.⁸ By this he meant that instead of ignoring this matter, all possible steps should be taken when distribution is inadequate.

On a more general level, the American example does not contradict the diagnosis of a 'major change' in work, of a decline in the time dedicated to work as the 'dominant time' in life, and of the need to question its significance in man's existence.

The Emergence of Radical and Fundamental Questions

This situation also raises fundamental questions. For example, should work really occupy as much space in the life of man—in a social as well as individual sense—as it has done in recent times? Whether taken philosophically or 'anthropologically' this is a crucial question. It is posed as a result of the factors which we have mentioned above. It also arises from certain views on the solutions which are current today, above all those which propose that a 'subsistence' income be granted to everybody 'separate from the conduct of all work'. This proposal is argued for, according to Jean-Paul Maréchal, by economists such as Keith Roberts, Reni Passet, and Yoland Bresson. Two Austrians have long held the same idea, Liselotte Wohlgenannt and Erwin Buchele, as has

the economist and philosopher of Louvain-la-neuve, Philippe van Parijs, whose writings are known in France, and the French writers Andri Gorz and Jean-Marc Ferry.

Mention is made, with more or less the same meaning, of 'subsistence income', 'basic income' (Grundeinkommen), 'income of citizenship' and of 'universal welfare'. Beyond the question of the current level of long-term unemployment resulting from automation, the proposal is justified by three factors. First, the effect of the information revolution, means that production depends to an ever-greater extent on activities which take place independently from the processes of production in its strict sense. Second, this technical knowledge constitutes a shared patrimony, the fruits of which should be available to everyone. Finally, social welfare already represents on average (for 1991) 34 percent of gross disposable income in France. (A comparable or even greater figure can be found in countries neighbouring France, in particular in Germany.)

Universal Welfare as Proposed by Jean-Marc Ferry

Jean-Marc Ferry defines 'universal welfare' in the following way: 'primary social income distributed equally upon an unconditional basis.' It can also be termed, again according to Ferry, 'citizenship income'. The first and immediate argument in its favour, according to Ferry, is the current new crisis in employment: 'Even if a revival does indeed take place, economic growth will not be capable of creating more jobs than the numbers of unemployed. In itself it will not provide a solution to social exclusion. The crisis thus forces us to consider a new paradigm for distribution—to distribute a basic income to all citizens, whatever their position in relation to production, rich or poor, active or unemployed, students or the retired'. ¹⁰

From this one could conclude that it is necessary (and sufficient) to devise other means of distribution—of how to share out available work, inspired by the principle of justice. Ferry believes it necessary to go further, as a result of other arguments mentioned above. In a society as complex as that in which we live, it has become impossible to make any level of income, whatever it may be, correspond to a 'contribution' made by people involved in the process of production. This 'contribution factor' has become a 'myth', 'As it is impossible, in the majority of cases, to measure individual productivity'. 'Not only', continues Ferry, 'is it impossible to attribute the progress in an economy's productivity to a category of specifically determined factors, and still less to certain specific individuals'; the new idea must be entertained, that '(if) justice consists of giving to each the equivalent of his productive contribution (this) neglects the fact that all these 'invisible factors' of technological innovation form part of the results of production. Also to be taken into account is the cultural capital of the community concerned, and, gravitating like a constellation around these factors of productivity, the whole institutional environment—the education system, social security, political participation, the media, not to mention the great spiritual imponderables'. 11

The last term includes the moral stare of a nation or civilisation at a given moment in history: everything which fundamentally plays a role in the constitution of a community and which results largely from the efforts of past generations. Who could say, given these conditions, that the (primary) distribution of income is not simply the result of power, or of very circumstantial factors such as proximity to advantageous situations? For what real reasons are they advantageous? They are forms of production where large amounts of capital are involved: employees in these sectors, with the same level of skills, are at a greater advantage *caeteris paribus* than those who carry out tasks in which little capital is invested, especially the majority of services. The level of income also depends on demand, and thus on scarcity and scarcity could also be understood here to apply to certain types of services.

Ferry concludes that there is no drawback in ensuring that everyone has a basic level of welfare. This would be 'decent' in absolute rather than relative terms, since it is in no sense a question of a 'minimum

income', such as for example the current French 'RMI' ('minimum wage of insertion') and its equivalents in many European countries. An income, in this case a differential linked to work, would accrue to certain people, according to their wishes and circumstances, as their basic income.

The most significant aspect of the way in which Ferry posits universal welfare consists in the freedom which he envisages from what is traditionally the coercive aspect of work. More often than not, people have been forced to earn their living through work, often in undesirable but unavoidable conditions in order to obtain subsistence. Today this is no longer necessary. 'When affirming the right to income, it is necessary to disassociate it from forced labour and, in so doing, to think instead of the right to work as such, i.e., as a right and not as a duty imposed from outside by the necessity of earning income, which does not always form an independent right'. ¹²

The point seems clear enough: One could thus work in the pursuit of a moral imperative of a Kantian type, one could work altruistically for humanity. Ferry would accuse those who question a right to income, independent of the right to work, of revealing 'the prejudices and presuppositions of a repressive concept of work', repressive because it supposes that except for the constraint represented by subsistence, people would be loath to work at all. In this respect, says Ferry, people also refer to the disincentive effect of a measure such as 'universal welfare.' But, he counters, 'for what type of activity would universal welfare play a disincentive role a priori? Certainly not for activities which are interesting, gratifying, and at the same time enriching and remunerative. We should remember that universal welfare would not function in the same way as, for example, the RMI, unemployment benefit, housing benefit, a basic wage, or in the same way as any welfare or assistance in general. Universal welfare is, in effect, something acquired once and for all for everybody. It does not disappear when claimants find work or with an improvement in household income. Therefore, not only does it not act as a disincentive, in general or on average, except for forms of activity which are regarded as the most undesirable, but it could not, unlike other state social benefits, constitute a situation of assistance or welfare subject to cost-benefit calculations.¹³

It would certainly be possible to debate whose ways of thinking correspond to these views. Some people, close to traditional unionism, doubt them. Nonetheless, the fact remains that new questions are being posed by authors such as those I have mentioned above, who advocate 'universal welfare'. However, can one accept, as they propose, that the place and role of work in human existence should become so relative?



'The Universal Basic Income': Its Contribution to Reducing Unemployment and its Relationship to Catholic Social Teaching on the 'Family Wage'

RICHARD HAUSER

Johan-Wolfgang-Goethe Universität

The View of Catholic Social Teaching on Relevant Questions

MORE RECENT Catholic social teaching has developed a number of normative principles which are relevant to our theme:¹

- 1. The right to a life worthy of human dignity.
- 2. The right to work.
- 3. The duty to work.
- 4. The entitlement to an equitable wage which is sufficient to maintain a family.
- 5. The principle of the equal treatment of men and women.

These principles require precision and interpretation if they are to be used for the evaluation of a specific proposal for reform. Whilst the right to a living needs no further elaboration, it is necessary to be more precise as to what we mean by 'worthy of human dignity'. Independent of all further aspects of a life worthy of a human being—such as liberty, rights to property, protection under law, protection from violence and tyranny, the right to the vote—there is also the matter of guaranteeing a sociocultural basic minimum² which encompasses not only an absolute basic minimum necessary to survival, but also a relative basic minimum which permits a person to enjoy a degree, however modest, of social participation, to avoid marginalisation, i.e., social exclusion.

By work is understood goal-orientated activity which serves to deploy a person's own powers as, without such activity, man is diminished. Work should however also promote the cohesion of society. The social Magisterium of the Church understands work in the same circumscribed manner in which full employment is viewed in certain states: not as a right attaching to the individual which is capable of enforcement but as something which policy-makers and those involved with the labour market have a duty to promote. 'At the same time they do not fail to draw attention to the fact that mere full employment (that everybody is doing

something and getting paid for it) is not sufficient. What is necessary is for everybody to be meaningfully employed in a manner which brings satisfaction to the individual himself and is also useful to others (the community)'. Unemployment is seen as a great evil, particularly where it affects young people.

The duty to work is founded upon the notion that only by activity can man realise himself and serve the further development of creation.⁴ On a narrow definition of the right to work, this claim would refer only to paid work, including self-employment, and would exclude housework, for example, or the bringing up of children, or work in an honorary capacity. This cannot be what is meant; the duty must encompass a kind of work which is fulfilling to the individual and useful to others. The duty to work is also fulfilled by the furtherance of employee participation in corporate decision-making relating to questions of capital and profit.

The claim to a just wage certainly presents the greatest difficulties of interpretation. Pope John Paul II designates the question of a just wage as 'the key problem in social ethics'. A just wage presupposes an ethically defensible economic system. In the history of Catholic social teaching other criteria of a just wage have been developed.

First, the wage should recognise the worker's contribution towards the total economic output of society; second, the wage should be sufficient to maintain a wife and children at a fair standard; third, the wage should be sufficient to guarantee a secure future for the family; fourth, wages should be neither too low nor too high, as either way the result is unemployment; and fifth, where a family wage is not possible, special provisions should be introduced for family support.

With regard to the equal treatment of men and women in employment, the pronouncements of the encyclicals are ambivalent. On the one hand, it is stated that mothers should not have to go to work for financial reasons, and on the other, that in many societies women work in all areas of the economy and that they should not be discriminated against.⁶

In addition to the principles of the social Magisterium listed here, due account must also be taken of relevant criteria from political economy. The objectives sought include the 'maintenance of a mixed economy' in which a balance between freedom and justice is possible, 'promotion of growth', a 'higher level of employment', 'price stability', 'equilibrium in foreign trade', 'fair provision from the public purse', 'taxation according to ability to pay' and a 'far-reaching balancing of the budget', 'optimum allocation of the factors of production', 'acceptable distribution of income and property', 'regional balance within a region', 'social security', 'integration of all members of society', the 'protection of the environment' as well as 'international balance between different societies'. Whilst these additional aspects can only be touched upon in the following pages, they must at least be mentioned.

Varieties of Basic Income

In all the variants of a universal basic income there are certain common characteristics:⁷

- The legal right to a basic income is derived from citizenship or legal residence.
- Every individual is entitled to a basic income.
- The level of the basic income is independent of a person's other income and property and of the property and income of relatives.
- The basic income is paid out regularly.
- The basic income is paid out of taxable income; it is not dependent upon previous social security contributions or other individual payments of tax and deductions.

Variations upon the universal basic income are distinguished by the following:

- whether they provide for a standard of living sufficient for a sociocultural minimum for a person without special needs;⁸
- · whether they include a commitment to paid labour or to socially useful activities;
- · whether they provide for a full or only partial integration with income tax;
- · whether they presume abolition of social security and all other social payments financed by taxes;
- whether in the determination of payment they take account of differences in needs between persons and the special needs of individual groups of persons ascertainable by objective means (for example, age, whether handicapped or not, or in need of care).
- Moreover there are provisions for limitations on those drawing basic income, so that it is no longer a question of a universal basic income but of a conditional basic income.

In the following pages three selected variants are outlined.

A first variant may be described as the pure form of universal basic income. In this variant universal basic income fully covers the sociocultural minimum for every person and is paid out regularly each month. In no way is there a duty to work. The universal basic income replaces all social security and the existing tax-financed welfare payments. It is free of tax and is combined with a purely proportional, individual income tax levied upon any earned or uncarned income. There is no basic tax allowance, i.e., other income is fully subject to tax. There is no settlement of tax payment and basic income payment. There are, however, for every recipient of a wage or salary two counterflows of payments: On the one hand, in the form of basic income payment from the state to the individual and, on the other, in the form of tax paid by the individual to the state. These flows are equal in the case of a small group of earners who are at break-even point, leaving no surplus. As a rule the level differs from person to person. A person's net credit or debit can only be established retrospectively by off-setting payments against each other.

A second variant is partial basic income, discussed by Parker and Atkinson with reference to the English system of social security. This differs from the pure form of universal basic income mainly because the partial basic income constitutes only a fraction of the social-cultural minimum. Other social security arrangements must therefore be retained. Here, too, there is individual taxation. The basic tax allowance is however reduced by the amount of the partial basic income. If the taxable earnings exceed the basic allowance, the difference is paid out additionally to the taxpayer. Over and above this, the tax-rating principles must be made wider by the cancellation of various tax credits and exemptions. A variation of this kind may be regarded as a compromise between the existing system of social security and a general basic income.

A third variant is represented by conditional basic income payable to certain sections of the population which are easily definable by objective criteria. This too is an individual basic income entitlement which is independent of direct pre-payments and of other income and is financed by taxes. The number of receiver groups may be large or small. Closely allied to this variant is definition of recipients by age, children, young people, old people, by earning capacity, those unfit for work, by objectively ascertainable, special and permanent cases of need, blind persons, the severely handicapped, whether mentally or physically, or prevention from earning for recognised reasons, such as bringing up children, attending to those in need of care, or other recognised honorary or unpaid activities. A double drawing of basic income where two or more criteria of entitlement are met is to be avoided. Such basic income may, together with other income, be made subject to overall income which is itself calculated according to principles of individual taxation, the income tax tariff having to include a basic

allowance equal to the sociocultural minimum. Apart from this, all other tax credits and allowances and exemptions applicable to the case in hand may be disallowed. Obligatory social security, financed by contributions, may be scrapped altogether or continue as a reduced form of supplementary insurance. For other cases which are socially recognised but not covered by basic income, either social insurance financed by contributions or tax-financed transfers granted in the form of needs- and income-dependence are necessary.

A conditional basic income violates one of the conditions stated for the characterisation of social support as a universal basic income, since it is not available to every member of a resident population but only to selected groups. Bringing together the elements of a conditional basic income in existing tax and transfer systems can either be very limited or it can be extended to ever more sectors of the population, so as in the long run to encompass the extreme cases of general and unconditional basic income, where so desired. How close one comes will depend on financial considerations, on the recognition of the facts of the particular case, on the desired extent of security afforded, the estimation of undesired responses and economic effects, and also on the problems of transition from an existing insurance system to a stronger system founded upon basic insurance elements.

The Relationship between Basic Income and Family Wage

In this century, all highly industrialised states have developed into welfare states 10 on the basis mainly of organised market economies with regulated labour markets characterised by extensive social security and tax systems and income redistribution mechanisms. Even in welfare states, however, the state regulation of labour markets cannot extend far beyond job protection and can do little to influence wage levels. These limits of state control of the labour market are further reduced by the integration of nation states into a comprehensive economic and currency union and through globalisation of economic relations. The enactment of a minimum wage sufficient to maintain a family of four or five above the sociocultural existence minimum is hardly possible within this framework without causing high unemployment among workers who are less qualified or who on grounds of health are incapable of a very high output. It would be even more problematic if the state were to rule that the level of minimum wage at a constant output should be graded according to personal status and number of children. Trade union pressure to raise family wages is strictly limited, particularly where a differentiation of hourly or monthly wages according to personal circumstances and number of children is demanded. The result would be an immediate market-driven selection process giving preference to 'cheap' single workers and correspondingly discriminating against fathers and mothers with high unemployment quotas. In the past, when almost every adult was married with children, this problem may have been slight. In the meantime there has been a strong growth in the number of unmarried people and childless couples in the industrialised countries, with the result that the inevitable effect of this phenomenon on the labour market could become a serious threat to the family. This would run counter to the aim of promoting the family. For these reasons the notion of wages differentiated according to personal status and number of children must be rejected. Family circumstances and the number of children may be taken into consideration within the framework of the prevailing mixed economic order only through an extensive state family allowance or at least through compensation arrangements which place an obligation upon all the firms in a sector. This gives rise to the question, to what extent do the three variants of a basic income operate to give families a fair deal within the definition of the Catholic social Magisterium?

The universal basic income covers the sociocultural minimum for children, for spouses who are not available for work because of duties of childcare, and also for working spouses. As it is granted equally to men and women, any discrimination is avoided. It constitutes an alternative to the impractical minimum wage, differentiated according to size of family and occupation of the spouse and treats equally those persons bringing up

children alone, orphans, and also families for which nobody can provide through paid work. Only by a salaried occupation or private means is it possible to aspire to a standard of living transcending this minimal provision and attaining higher levels of the sociocultural well-being.

A universal individual basic income also provides inducements to modify demographic behaviour: to the extent that married couples abstained from having children for financial reasons, this obstacle is overcome. Two or more persons in a single household consume substantially less than they would living separately. The saving thus achieved favours the joint household by permitting a higher living standard, and this has the effect of encouraging marriage. On the other hand, the individual taxation connected with a universal basic income, in the case of progressive taxation tariffs, operates to the effect that both spouses aspire to equally high salaries so that there emerges a tendency to job-sharing on the part of mothers with small children or part-time working by both spouses.

A particular problem is posed by the combination of a universal basic income with the duty to work proclaimed by the Catholic social Magisterium. On the one hand, it makes the receipt of a basic occupational income dispensable provided one is satisfied with the modest living standard guaranteed by the basic income. In such a case, the duty to work would mean uothing. On the other hand, the safeguarding of a minimum socioeconomic existence permits the worker to opt for meaningful and satisfying activity without having to pay too much attention to the level of wages in order to survive. Unpaid voluntary activity would be made easier by means of a universal basic income. As the furtherance of meaningful activity is also advocated by the Catholic social Magisterium, there results a certain ambivalence.

Summing up, one can note that a universal basic income would correspond to Catholic social teaching in respect of a family wage or, as the case may be of adequate arrangements to substitute for such a wage. With regard to the duty to work and the meaningfulness of work it is necessary to take a balanced position between two conflicting aspects. However, this by no means leads to the fulfilment of all requisite criteria.

The payment of a partial basic income clearly falls below the level of providing a minimum social-cultural existence for an adult or a child, by, perhaps, a third or a half. As will be shown, the decisive reason for this lies in the extremely high financial burden which a universal basic income securing a minimum existence would entail. A partial basic income of this kind would replace any family allowance, financed by tax, which may hitherto have existed. According to how far the former systems of child and upbringing allowances made provision for non-working mothers, the situation of families with children may be better or worse. These effects at individual levels are wholly dependent on the systems of social security already existing in a country and on the initial situation of individual families. Even if one were prepared for the sake of transparency to take these various effects into account, the objection would still remain that support is at too low a level. This objection loses none of its power if consideration is given to the savings of a family. From this it follows that in a joint household, a partial basic income, because of its low payments, cannot be regarded as an adjustment, at least not in the case of the lower paid, which would bring the wage level up to the extent envisaged by Catholic social teaching.

One conceivable variant of a conditional basic income consists in tax-financed state welfare payments confined to groups of children of minority age and spouses who are unable to work because of the duties of childcare and those bringing up children alone. This is paid regardless of other income, either of the receiver or of his or her spouse. This would be a family-related conditional basic income. Previous welfare payments which served as family allowances would have to go. A family-related basic income so structured would not necessarily be connected with the individual taxation of income. A common assessment of married couples or even of married couples and children would also be possible, provided due account was taken, for each member of the tax unit, of a tax-free basic allowance amounting to the sociocultural existence minimum.

A family-related conditional basic income would be a wage supplement which fully meets the requirements of Catholic social teaching on a family wage. As this basic income can only be granted for underage children, or even for children up to school-leaving age, and for child-rearing, there arises no conflict with the 'duty to work'. Discrimination against women can be avoided by making such a basic income payable to either parent, whichever of them is bringing up the children, and furthermore by making it optional as to which one it is, by dividing the responsibility and through part-time work by both spouses. As in the case of a universal basic income, with such a family-related conditional basic income the problem of people not having children for financial reasons would be largely overcome; the effect of encouraging matriage would however be less than with the universal basic income as there would be additional conditions for receiving the benefit.

To sum up, it may be noted that a family-related basic income would fully meet the requirements of Catholic social teaching. For an overall judgement on the desirability and practicality of an arrangement of this kind, other criteria would need to be considered.

Influence on Unemployment?

The introduction of a universal basic income would lead to a reduction in the labour supply. There are two reasons for this: First, part of the current working population would either curtail their working hours or retire from the labour market, temporarily or permanently, since they would be assured of a minimum living. This would apply above all to people with low earning potential whose unemployment quota is particularly high and is expected to be higher as a result of structural changes. Also the number of married couples with children available for work would diminish, where the main reason for working is to earn an adequate living. Second, taxes to finance a universal basic income would be so high that the willingness to work of those with high earning potential would fall considerably. Employers could count upon an increased demand for jobs because of the higher purchasing power of the lower income groups. Considered overall, in an economy which had no external economic relations, production potential would presumably recede due to lower labour input but would be more balanced. In the longer term, because of the substantially higher tax burden, the investment flows would probably diminish which in turn would mean lower economic growth.

In an open economy with strong international connections—such, for example, as in the EU—the effect of encouraging immigration, given a universal basic income, must be considered. Immigration would increase the burden of a universal basic income and counteract its unemployment-reducing effect. This could only be countered by drastic immigration controls or by excluding immigrants from eligibility for the universal basic wage.

Under a regime of family-related conditional basic income, the decrease in the number of parents with small children seeking work would he greater among the lower than among the higher income groups since the basic income, which would be the same for all parents, would replace a larger percentage of the earned income temporarily foregone. This is desirable in view of the higher unemployment quota of the poorly qualified. Whether the reduction of unemployment would be greater among men than among women would depend upon how the couple benefiting from the family-related basic income shared the task of caring for and bringing up small children. It should not be overlooked that a temporary withdrawal from the labour market has, in the long run, an adverse effect on future employment and earning opportunities. This can lead to discrimination against women where the traditional separation of roles is adhered to. No marked influence on the demand for work by the employer is to be expected from a family-related conditional basic income. The stimulus to greater immigration would also be smaller than in the case of a universal basic income.

Closer examination shows that a family wage which takes account of the size of the family to be maintained, in an economic system organised predominantly on market lines—as found in the highly developed industrial and welfare states—cannot fail to have severely negative effects. Both the universal basic wage and a family-related conditional wage are supplementary arrangements which would satisfy the demands of Catholic social teaching. A partial basic income would not do so. A greater contribution to the reduction of unemployment might be expected from a universal basic income than from a family-related conditional basic income. The financial burden of a universal basic income, resulting from the abolition of all other social payments, including social insurance, which would have to be financed by higher taxes, is so great that an adjustment of the prevailing system of social security to a universal basic income is not feasible. On the other hand a family-related conditional basic income would be financially possible. A conditional basic income of this sort can be understood as an essential strengthening of family support.



Choice of Time and Job Sharing

JACQUES H. DRÈZE
The Catholic University of Louvain-la-Neuve

Economic Approaches

Choice of Time

THE REDUCTION IN TIME worked in life has been apparent for approximately 150 years and during that period has followed a very regular trajectory. It is evident on three fronts: weekly time worked, yearly time worked, and time worked throughout a person's active life. Weekly and yearly time worked decrease tendentially and in parallel at an annual rate of around 0.5 percent. Time worked in a person's active life is sbortened at the beginning by the extension of study and at the end by the reduction in the age of retirement. The average time worked during a person's active life, however, rose between the beginning and middle of the twentieth century due to improvements in health and life-expectancy.¹

The tendential reduction in individual time worked absorbs about a third of the progress in the productivity of working hours. This seems to correspond to the choice made by workers to deduct part of the fruits of progress in the form of time gained, but the largest part in the form of income and therefore of consumption or (social) security. To a certain extent the decisions are individual ones, part-time jobs, breaks in career or gradual retirement are sometimes, although very rarely, as I will explain later, responsible for the time taken. For the majority of workers, however, weekly hours and annual holidays are the subject of agreements at the level of the company, sector, or sometimes of the state. Legal retirement schemes are typically devised nationally. The financial balance for providing pensions is fragile in many countries today, and this has slowed down the reduction in the conventional age of retirement.

How do the desires of workers for the allocation of the fruits of progress become concrete when the decision is collective? Usually, economic theory treats 'working conditions', of which working hours are one aspect, as *public assets*, for which theory is well-developed and easy to illustrate. Consider the choice of the number of working hours in a workplace where workers are remunerated on an hourly basis. Each worker will evaluate, in monetary units, his own marginal rate of substitution (MRS) between income and leisure, i.e., the hourly

salary which makes him indifferent when it comes to working or not working one hour more a week. The rate will normally rise with the weekly time worked (the rarity of leisure) representing an ascending curve of the supply of hours. Each worker will want his time worked to be such that the MRS is equal to the current salary. This is the optimal time worked for him.² These optimal times vary from one individual to another, particularly by age, sex, family situation, patrimonial resources, the attraction of the work, and so on. The collective choice must therefore reconcile the individual preferences. If the decisions are taken by majority vote they will correspond to the preferences of the average voter³—half of workers will thus want to work more and half less. This wholly theoretical solution is basically confirmed in the fact that surveys on the hours desired do not produce clear majorities in favour of change.

Because of the differences between individuals and social groups, economic efficiency increases with the possibility of individual choice; for working part-time and overtime within the company, holding several posts concurrently,⁴ or working different hours according to the companies concerned.

The reduction in individual time worked is accompanied by various types of reorganisation, such as recourse to team work and work on Saturdays or Sundays, which makes it possible to separate or to 'uncouple' the hours of company activity from those of workers. As the weekly time worked diminishes, this separation will become more evident, given the aim of maintaining or increasing the time during which equipment is used and limiting material investment. The methods of reorganisation are largely inspired by technology, profitability, or client demand for services. This is why recourse to such methods varies from company to company and also from country to country. The disparities between countries casts doubt on the hypothesis that the methods employed are always the best.

Work hours constitute only one means among many for the management of time. Amongst the others those particularly deserving of attention are educational and leisure activities and domestic labour. The hours devoted to these activities are organised differently. For the education of the young the hours are (I hope!) stipulated by teaching timeatables. The working hours of the teachers are adjusted accordingly. The non-correspondence between school hours and working hours poses problems for many parents. For adult education and leisure time, the hours are chosen outside the slots regularly devoted to salaried work.

Therefore, when after 1950, the 'typical' working week was progressively shortened to five days from the previous six, leisure activities and adult education came to include Saturday as well. Schools adopted a five-day week much later, doubtless less for educational reasons so much as to allow for the simpler organisation of family spare time.

Domestic labour continues to fall primarily on the shoulders of women, whatever their employment timetables.⁵ I do not endorse this but only state the fact. As long as this cultural asymmetry continues, women will have more difficulty than men in reconciling family with work, even beyond the period of fertility and carly childhood of their offspring. They also dedicate more time to caring for sick or aged people.

Ideally, one would want the global society to attempt to organise the best possible management of time for all activities, while realising a balance between their respective requirements. This is extremely difficult as the decision-making bodies are not coordinated, i.e., political authorities, collective agreements, companies, schools, cultural or sporting bodies. The market is not a suitable institution for the solution of this problem. In the search for a balanced management of time, the point of view of women should be predominant. On the one hand, they suffer more of the consequences, and, on the other hand, they are more involved and understand the problems better. Unfortunately, it has to be acknowledged that their political, union, economic, or even cultural influence remains weak in relation to the implications of decisions made by these agencies.

Job Sharing

In order to present the problem of job-sharing it is necessary to start from a rather different consideration from those mentioned previously and to speak of 'jobs', or even more precisely, of 'stable jobs.' A stable job is a work relationship considered by both parties as having the potential for continuing for as long as circumstances allow, without either of the two parties ending it for trivial reasons, as could be the case with 'occasional' jobs (jobs limited to the execution of a precise task during a specific period without the assumption of renewal). Stable jobs permit the acquisition of experience, the development of complex interpersonal relations, the establishment of capital in the form of mutual trust, the engendering of motivation and reward within the time worked and the alternation of tasks. The context of stable jobs offers the chance for staff development within work and the creation of a capital base of productivity (firm-specific human capital).

Stable jobs are important to workers for two reasons. On the one hand they encourage personal development within work, as just mentioned. On the other hand, they carry not only expectations of economic security but also of geographic and social stability. These are necessary for the creation of relationships and that lasting integration which improves the quality of life, for example, by enabling people to start a family, find accommodation, establish friendships, belong to a local community, with its attendant educational, medical, cultural, sporting, and other dimensions.

Most adults value holding a stable job, in which they supply working hours at the decreasing marginal rate of substitution between income and leisure mentioned previously. Different people attach different value to holding a stable job. In particular, this value varies with age and family situation, rising progressively at the beginning of adulthood, reaching its peak when family responsibilities are greatest and then decreasing as these responsibilities diminish.

From the point of view of companies, the supply of stable jobs entails initial costs, including advertising and recruitment costs, the training period within the company, long-term commitments, such as incremental pay scales linked to seniority and redundancy payments. Furthermore, the creation of a stable job also presupposes that business will be stable, being sustained by demand for the goods and services produced by the company. Pessimistic or overly uncertain expectations discourage companies from meeting these initial costs. They then make recourse to temporary contracts, temporary workers, overtime, or subcontracting. Correlatively, the initial costs and the productive capital of workers cause companies not to dismiss their stable employees in the event of a temporary fall in the level of business. There is, therefore, a temporary withholding of surplus labour and a lack of elasticity in starting salaries as well as in the time worked.

It has to be acknowledged that decentralised market economies suffer from a structural weakness, that is to say the volatility of aggregate demand. This is not the place to introduce a review of macroeconomic theory, which is anyway difficult due to the lack of unanimity among theoreticians. However, the available statistics speak for themselves. Between 1928 and 1935 real national income (GDP) fell by 29 percent in North America and by 10 percent in Western Europe. Between the period 1950 to 1973 and the period 1973 to 1994 the rates of growth of real GDP fell from 4 to 2.5 percent in North America and from 4.8 to 2.1 percent in Western Europe, leading to accumulated reductions in growth of some 35 and 70 percent, respectively. For twenty years, European rates of growth, calculated over five years have alternated between 3 and 1.5 percent, accumulated differences of 7.5 percent over five years. Whatever the theoretical interpretation we place on this phenomenon, its extent is not in doubt, with inevitable consequences for the volatility of labour demand. Today we are confronted by extremely high levels of unemployment and great uncertainty as to macroeconomic development in the medium-term. This problem is now at a critical level.

The absorption of economic fluctuations through unemployment leads to a double inefficiency. On the one hand, there is the waste of resources, primarily human (the under-use of abilities) while many needs remain unsatisfied, and, on the other hand, there is the inefficient distribution between the employed and unemployed of jobs and hours worked. The theme of job-sharing relates to the second aspect.

First, due to individual differences in the value ascribed to stable employment, there is a systematic connection between unemployed people placing a higher value on a stable job and the holders of such jobs placing a lower value upon it. No market exists, however, in which these jobs can be exchanged; the fact that the value placed on a stable job diminishes with age explains the frequent recourse to early retirement in Europe. Second, because the supply of working hours is characterised by a growing marginal rate of substitution between income and leisure time, the distribution of contracted hours between the employed and unemployed is inefficient. In global terms, a larger number of jobs entailing fewer hours would be more efficient, productivity remaining the same; this is a justification for part-time work. However, the creation of jobs is held back by the initial costs involved.

If one accepts that a degree of structural instability exists in decentralised market economies, and if one considers that the inefficiencies outlined in the previous paragraph are important, it is natural to try to share jobs and hours during periods of recession. This is certainly the approach which cooperative institutions such as a kibbutz would follow. Faced by a fall in temporary employment, a kibbutz would look to distribute efficiently the allocation of reduced labour among its members, rather than reduce the working time of an arbitrary section of such members, particularly the young, to the point of unemployment, while maintaining full working hours for the others.

The Choice to Share

The challenge which confronts Europe today is the universally high level of unemployment and the impossibility of reducing it in the short term. Is it possible to improve work sharing (jobs and/or hours) in the short-or medium-term, by measures compatible with the efficient management of time in the long term? The preceding pages show that this would indeed be desirable. The majority of European countries have sought the means to do so, sometimes with disappointing results. Economic studies allied with experience allow us at least to clarify the nature of the challenge.

A proper understanding of the temporal horizon (the operative time) allows for the first clarification. When I began to think about job-sharing almost twenty years ago, I proceeded from the following observation. The impact of reductions in salary costs upon employment is small in the short term (elasticity @ -0.15), but substantial in the long term (elasticity < -1). In order to combat unemployment effectively, reductions in salary are at best a long-term instrument (let us say ten years). On the other hand, faster results could be anticipated from reducing time worked, even given a rise in costs in the short term, as long as costs do not increase in the long term. In particular, one could foresee a tendential reduction in time worked, a reduction achieved over the next ten years, while ensuring that all increases in costs are clearly understood as temporary and cancelled out in the end.

Experience has shown that on one point I was mistaken. The impact upon employment of measures to reduce time worked is itself also weak in the short term and also requires a long time to realise the effects of reductions in salary. Beyond specific measures—early retirement, part-time work, and career breaks—the reduction in annual time worked only creates jobs in the medium term, primarily in a period of prolonged recession.⁶

The question which faces us today is thus to know whether we want to reduce time worked as a mediumterm measure in the fight against unemployment. Taking into account the scale of unemployment today and the unfavourable prospects for its reduction in the short term, I believe that we cannot reject the idea of work sharing, while temporarily speeding up the reduction of time worked.⁷ This is what has happened since 1979, a rapid reduction at the beginning of the 1980s, but insignificant from 1985 to 1995.

Conceived as a medium-term measure, the reduction in time worked confronts workers with the problem with which they have had to deal for 150 years. How do you distribute the fruits of progress between time gained and increases in income? Indeed, in the medium term, the reduction in time worked will partly be paid for by workers, or else the increase in salary costs will destroy jobs. The ingenious measures sometimes invented to reduce time worked without negatively affecting individual income⁸ are short-term solutions which do not stand the test of time. In the long term workers must 'buy the time gained.'

The obvious question is therefore to discover whether the modalities for the reduction of time worked offer an improvement in the quality of life which compensates for the loss of income. I mentioned earlier the general terms for this choice for each person or household. In conclusion, I will give a specific example, namely a four-day week, with a progressive transition from thirty-six to thirty-two hours a week. However, the idea of fighting unemployment adds a further dimension to the question—even though a reduction in time worked would exceed the extent desired by the average worker, would it be justified by the prospects of work sharing that it opens up? On this occasion this must necessarily be a collective decision, including the unemployed, of today and tomorrow, and no longer one made by the employed alone choosing between leisure time and income.

This is the challenge which faces us today. It is more complex given the aspect of sharing between the employed and the unemployed. The fact that sharing forms part of time worked does not simplify matters, even if every person employed today is potentially a member of tomorrow's unemployed. I cannot emphasis too strongly that the specific options relate to the organisation of time in all facets of social life, and not only work.

The European Experience

Many European countries have attempted to promote job-sharing through a number of specific incentives or regulatory measures. The degree of success is mixed. Reductions in hours worked per week have been gradual, mostly taking place in the early 1980s, and have had little immediate impact on employment. One reason for this is that the reductions were implemented first in firms or sectors with redundant workers, hence ones which were not rehiring. The positive impact came later, during the 1986–1990 recovery when the employment aspect of growth was unexpectedly high. Labour hoarding had been eliminated through reductions in working time and new hirings were for shorter hours. Still, reductions in the working week have acted as a substitute for lay-offs in individual firms (for example, Volkswagen).

Reductions in the working week pose the problem of maintaining company hours and output (hence costs) through shift work. I shall return to this issue in my conclusion. Quantitatively, the more significant measures were early retirement and part-time work; extended periods of leave also contributed, though on a smaller scale.

In countries such as Belgium, France, Germany, or the U.K., early retirement programmes have with-drawn up to 3 or 4 percent from the labour supply. Perhaps one-third of these cases corresponded to workers' wishes, another third to the shedding of labour, and one-third to involuntary retirement with replacement. The cost of these measures is quite high—say around U.S. \$6,000 per worker/per year on average, with a range from U.S. \$3,000 to \$12,000.

More recently, activity rates among older workers have fallen substantially, twice as much as is accounted for by early retirement programmes. Only one European worker in four is still employed at the official retire-

ment age. Progressive retirement, or half-time early retirement, seems desired by many workers but is seldom implemented outside Sweden. The low activity of older workers, though less damaging than the unemployment of the young, is a form of exclusion calling for attention. The financial equilibrium of retirement funds is not directly affected, though it is influenced by overall unemployment, but demographic trends call for the maintenance and possible postponement of the official retirement age.

Part-time work has increased everywhere in Europe over the past fifteen years, and especially over the last five. Part-time work is almost exclusively concentrated among women and a large number of them declare in surveys that they take such jobs by choice. The best predictor of a woman working part-time is the age of her youngest child. These data have not been linked to the availability of childcare facilities.

The most significant trend has been observed in the Netherlands, a genuine extreme case, where two women out of three work part-time, with 80 percent of these doing so by self-declared choice. Also one Dutch man out of six works part-time, 45 percent of these by choice. Among the explanations advanced, evidence suggests that the quality of part-time jobs has improved as average female wages are higher for part-timers than for full-timers, and that women have convinced trade unions to promote part-time work, with firms accommodating this and public programmes supporting it. In other countries, unions and women's organisations are generally hostile to part-time jobs due to the low quality and low pay of the work. The debate is not over.

Extended periods of leave, whether on a full-time or half-time basis, are clearly chosen and never imposed. Leave of up to five years duration is possible in several countries, with a replacement income equal to unemployment benefits and mandatory rehiring. In Denmark 2.5 percent of the labour force is currently on extended leave. In Belgium, where 85 percent of the beneficiaries are women, the percentage is 1.2 percent, but rises to 4 percent in the public services, where, unlike the private sector, this is a worker's right. Some organisations favour a compulsory period of leave of five years duration during the career of each worker (male and female). This is more difficult to implement and its mandatory nature is not consistent with individual choice.

Conclusions

The following conclusions seem warranted:

- 1. Extended periods of leave improve the allocation of time as well as jobs and deserve full encouragement.
- 2. Part-time work is sought by many women aged twenty-five to forty, especially mothers of young children, for periods of five years or more.
- 3. Progressive, i.e., part-time, retirement is sought by men and women and deserves to be promoted as a substitute for early retirement or other forms of inactivity.
- 4. To meet the valid objections raised against part-time work, a significant upgrading of the quality of part-time jobs (schedules, wages, rights, career opportunities) is needed.
- 5. The trend towards shorter weekly and annual hours will continue and its immediate acceleration could help reduce unemployment in the medium-term, provided this is done:
 - with no increase in unit labour costs;
 - with no loss of output, by dissociating company hours of production/operation from individual working hours;
 - in a manner conducive to an improved quality of life.
- 6. Scheduling activities at work and outside work raises difficult problems of coordination calling for collective decisions which ideally should largely be influenced by women.

One integrated approach towards meeting the requirements mentioned under points 2, 3, 4, and 5 above is to promote a four-day working week, with six days of activity by firms and public services, and with weekly working time being progressively reduced to thirty-two hours. This would carry the implication that nearly all employees work part-time (four days or fewer out of six) from the viewpoint of the firm—thereby providing a (the *only?*) solid basis for upgrading the quality of part-time jobs. It would also facilitate work sharing. Yet, this would also create new problems of coordinating work with non-work activities, which need to be investigated as per point 6.

Postscriptum: Links with the Social Teaching of the Church

Promoting a better allocation of time and more sharing of jobs is entirely in the spirit of the Church's social teaching and of recent pronouncements by bishops in a number of countries which stress:

- the personal dimension of work
- the right to work (full employment)
- the advancement of women through work, at no expense to the family.

However, the social teaching of the Church still remains largely centred on the male bread winner earning a family wage. It should instead respond to the current trend of ideas favouring individual social security rights. It should also respond to the challenge of implementing equal access of men and women to paid employment as well as individual and social fulfilment through work.



Welfare State or Work? The Interaction of Wages, Social Protection, and Family Change

GOSTA ESPING-ANDERSEN

University of Trento

The Problem

IT HAS BECOME PART of received wisdom that the postwar harmony of welfare state growth, equality, and full employment has turned negative-sum. The erstwhile capacity of OECD countries to sustain full employment was based on a combination of circumstances that no longer obtain, and are certain not to return. First, it was anchored in an economy driven by industrial mass production and consumption. Second, income redistribution, high wages, and a high social wage helped consolidate and smooth demand. Third, the full employment commitment was basically limited to the male breadwinner.

Expanding world trade, it is said, causes a loss of competitiveness among domestic OECD mass-production industries. Hence de-industrialisation since the 1970s has created mass unemployment and has severely eroded the position of less skilled workers. The emerging service society is, of course, an alternative source of demand for workers. Yet, reliance on services faces two constraints. First, a large share of services, in particular business and health services, tend to be high skilled. Labour-intensive demand will mainly come from personal or social services (say, restaurants, laundries, daycare, or home helpers), but these often require social and cultural skills. Second, following Baumol, the gap in productivity growth between services and manufacturing implies that service jobs will grow only if labour costs are lower or, alternatively, if subsidised (i.e., government employment). The 'welfare state' solution, as we have seen in Scandinavia since the late 1960s, can compensate for stagnant market services and can also boost aggregate participation levels via its promotion of women's employment, but in an egalitarian wage regime, as in the Nordic countries, the long-run effect is a mounting fiscal crisis or a drain on the tradables sector.

Prevailing theory therefore posits that a return to full employment will require more unequal wages, enhanced labour market flexibility, and a relaxation of social entitlements. The alternative is high and chronic unemployment that will adversely affect youth and the less skilled.² In the postwar 'golden age', the mass of

unqualified workers migrating from agriculture could easily find well-paid and stable factory jobs. In 'postin-dustrial' society, the excess of less skilled workers can count on neither.

The great contrast is usually drawn between Europe and North America. European labour markets are characterised by their high wage costs, earnings compression, and strong job protection. In the EC countries, average *legislated* labour costs are three times higher than in the United States, and the ratio of unskilled to skilled worker earnings hovers around 80 percent, compared to 50 to 60 percent in the United States.³ Also, the guaranteed social minimum, whether measured in terms of minimum wages or in terms of social welfare benefits, is substantially higher in Europe (excluding the U.K.). In the United States, the minimum declined in real terms during the 1980s; this did not happen in Europe. And job protection (worker dismissal rules, for example) is clearly much stronger and more rigidly enforced in Europe. Thus, on the OECD index of labour market rigidity, the Anglo-Saxon nations score an average of 1.6 compared to 8.0 in Scandinavia, and 10.8 in the European continent.

The European response to the unemployment challenge has, in other words, prioritised worker protection and social welfare. The standard view among economists, with certain exceptions, is that this is self-defeating. The strategy, if we may call it such, has however been motivated by two key considerations. The first is to safeguard family welfare. Where the male breadwinner model remains dominant, not only individual workers but their entire family would be severely threatened by wage erosion and job insecurity—both statically and dynamically: In a static sense because day-to-day living standards rely on the 'family wage' principle; in a dynamic sense because a stable and well-paid lifelong career is necessary for pensions and other social entitlements. Clearly, trade unions and the median voter will, in this context, safeguard existing rights. The second has to do with 'competition strategies'. Contrary to the deregulation approach, EC nations have in great part chosen a high-wage based quality production strategy. It was assumed that the productivity dividend for slimming the workforce would pay for early retirement.

Nevertheless, the European choice in favour of 'equality' has been pursued in two distinct, even opposite, ways. Until recently, the Nordic group avoided mass unemployment by a mix of government service growth and active labour market policies. The consequence has been a massive rise in women's employment, now standing at 80 percent in Denmark and Sweden, and a comparatively smaller decline in older male participation. Hence, aggregate employment/population ratios are 15 to 20 percentage points higher than in the EC. An integral element is the consolidation of the two-earner, dual-career family model. Social policy has sought to harmonise women's family and work responsibilities, thereby securing stable and even rising fertility.

The Continental European group, in contrast, has favoured a labour reduction approach, largely premised on early retirement. The concomitant discouragement of female labour supply in many countries, both via tax treatment and via 'familialistic' social policy—for example, reluctance to provide public care services—means that activity rates remain low. With rising educational attainment women decide to pursue careers. Since this occurs in a hostile environment from the point of view of harmonising careers and family responsibilities, the result is delayed family formation and *declining and even record levels of low fertility*. Paradoxically, in postindustrial society a profamily policy may reproduce family dependencies but may actively discourage family formation.

The lack of dynamism in either public or private services in most EC countries means a stronger tendency towards 'insider-outsider' labour markets, in which the high wages and job security enjoyed by the male breadwinner, the 'insider', in essence causes unemployment and exclusion for their sons, daughters, and wife. This, in turn, promotes additional family dependency. In Southern Europe today, more than 50 percent of adult youth continue to live with their parents. Among unemployed youth, the figure rises to 90 percent.⁴

Considering the different employment performance of Europe and the Anglo-Saxon countries, the argument that 'equality' and 'jobs' are at loggerheads seems compelling. North America and the Antipodes, with

rising inequalities, enjoy much stronger job growth, relatively lower unemployment and, perhaps most important, less entrapment in long-term unemployment. Scandinavia managed to secure employment growth and modest exclusion until the mid-1980s, after which however there has been a convergence with the EC at least in terms of unemployment; and the EC countries score extremely high on any indicator of exclusion.

The Basic Argument

Is there, then, no positive-sum or Pareto-optimal solution to the trade-off? In this paper I argue, first, that the trade-off is less evident than often claimed. More important, the trade-off appears very differently if we, so to speak, endogenise the family in our analysis. The core of the argument is the following. The growth of service employment is not solely a matter of wage costs but also of household decisions. Inherently, services compete with household 'self-servicing': we can cook, launder, or amuse ourselves at home or, alternatively, consume restaurants, laundries, or theatres.⁵ In the postwar golden age, families created domestic jobs by consuming cars and TVs. Today, they create jobs by externalising their servicing needs.

The question, then, is how to nurture outservicing? A first condition is adequate family income. Wide-spread poverty or low incomes are prohibitive from this point of view. A second has to do with relative costs, that is if wages are too high many services will price themselves out of the market. A third condition has to do with need and capacity. The traditional family, with a full-time housewife is, as we know, a good hedge against poverty and an effective institution for social integration. Yet it is suboptimal for the service economy. In contrast, 'atypical' households, especially single-person and dual-earner families, are much more prone to externalise services. The dual-earner family, moreover, is an even better hedge against poverty.⁶ It follows that women's economic integration may hold the key to a Pareto-optimal resolution to the equality—jobs trade-off. For this to happen, however, an active welfare state is necessary.

The Trade-off Revisited: Families and the Welfare State

Employment growth today depends mainly on services and these fall into three distinct groups.

First, business services, including finance, insurance, real estate, and professional services. Their growth, mainly a function of corporate outservicing, has been substantial in all countries and accounts in large measure for the rising professional and technical occupations.

Second, *social services*, including health, education, and welfare services. Their growth is in large part, but not exclusively, driven by the welfare state. Health and education has expanded everywhere. Welfare services, such as care, have expanded very powerfully in Scandinavia, but have enjoyed some growth also in North America within the private market. They have been stagnant in EC Europe. They combine professional workers and also a large pool of lower skilled workers, for example, hospital cleaners, home helpers. Welfare service growth is related to family externalisation and women's entry into paid employment.

Third, personal services, including leisure, restaurants, and consumer services. Their growth is almost exclusively in the market and is characterised by their labour intensiveness and low skill profile. They have been stagnant and even declining in both Scandinavia and most of EC Europe, but are quite dynamic in North America. Their dynamism is a function of household servicing choices. Where wage costs are high, this sector may survive and even grow on the basis of self-employment or irregular employment, as is the case in Southern Europe.

Table 1. Household Consumption Elasticities by Adjusted Income Levels in Italy, 1994

			Mean percent of
	Constant ²	В	total consumption
Basics	1.040	1.03	54.7
Nonessential goods	1.705	0.66	23.8
Education	1.942	2.56	0.5
Health	1.882	1.63	3.0
Personal services	1.735	5.04	2.8
Leisure services	1.873	4.34	1.3
Restaurants, etc.	1.750	1.19	11.0
Median adjusted income	1.761		

Source: Analyses of 1994 Italian Household Consumer Expenditure Survey.

The growth of personal and social services depends on the micro-choices of households. In turn, as is well-known, families' decisions whether to externalise or internalise service consumption is a function of three variables: income (Engel's law); relative costs (the Baumol 'cost-disease' problem); and needs.

Examining this micro-link, I will limit analysis to market services with unusually labour-intensive employment: personal services in general, and restaurants, cafes, and hotels in particular. Let us begin with the well-known income effect. Table 1 shows income-consumption elasticities for major items of family consumption. What is clear, at least in the case of Italy, is that elasticities are steeper and 'entry-level' income requirements higher for services than for material goods. Health and education is, in Italy and elsewhere in Europe, mainly provided by the welfare state and private consumption is logically modest. From a comparative point of view, Italians spend a large amount on eating out and rather little on other personal services. These cultural traits are evident in Table 1.

Here a comparison with the United States is informative. As we move from the lowest to the highest income quintiles, the American 'elasticities' are much flatter than the Italian. Lacking a national health service, American families are constrained to spend a good deal on private health care, about twice as much as Italians, and four times as much as Swedes. In Italy, private health consumption is more of a luxury for the rich. This holds to a lesser extent for restaurants where, in Italy, massive spending first begins around median income. The incomeeffect on eating out in America is, in contrast, less drastic, presumably because eating out is much cheaper.

Families' propensity to consume rather than self-service is related to income, but also to family structure. Singles and two-earner couples are, for a host of reasons, more prone to outservice, regardless of social class position. This is clear from Table 2. Within each socioeconomic group, the two-earner unit consumes about 25 to 50 percent as much services as the traditional 'male breadwinner, female housewife' family. We can thereby rule out class effects in terms of consumption style. Here, then, we have identified a possible positive-sum solution to the equality-jobs trade-off: on one hand, two-earner families are optimal from the point of view of poverty; on the other hand, they generate jobs.

Still, as we have noted, families' decision to consume personal services and eat at restaurants is constrained by relative costs. It is also possible that private service spending will be 'crowded-out' because of high taxes, i.e., the welfare state effect, or, if not, because of the need to finance private welfare, as is the case in the U.S. We examine

¹ Household incomes are adjusted for size using the square-root of number of persons.

² The constant is in '000 lire.

Table 2. Italy: Household Types and Expenditures on Personal and Restaurant Services by Social Class. Spending as a Multiplier of Mean

	Bourgeoisie	Middle Class	Working Class
Single person	1.9	1.3	1.1
One-earner couple	1.7	1.0	0.7
Two-earner couple	2.1	1.5	1.3
One-earner child family	1.5	0.9	0.7
Two-earner child family	1.9	1.3	1.1

Source: Analyses of 1994 Italian Household Consumer Expenditure survey.

Table 3. Expenditure on Personal and Restaurant Services: The Impact of Relative Costs and Welfare 'Crowding-Out' Effects. Cross-Section Analyses

Equation 1	a	wage differentials	R-squared
	9.34	-0.80	0.01
		(1.75)	(-0.25)
Equation 2	a	welfare state	
	16.40	-0.340	0.16
	(2.68)	(-1.40)	
Equation 3	a	welfare state	private welfare
	24.70	-0.540	-400.17
	(3.00)	(-2.0)	(-1.50)

Wage differentials are measured as ratio of lowest quintile earners to the mean'. The welfare state is measured as expenditure as a percent of GDP, and private welfare in terms of percentage average household expenditure on health and education for OECD countries.

in Table 3 the relative impact of these factors on household personal and restaurant consumption. Wage differentials, as a measure of relative costs, clearly do not affect household expenditure levels, although they might influence spending elasticities. Also, the crowding-out effect of welfare states or private welfare is not particularly strong. In other words, despite the very tentative nature of these analyses, it does not appear that our earlier conclusion is much affected by cost or welfare state crowding-out effects, at least as far as family *expenditure* is concerned. Put differently, if the cost of eating out is high, families will do so less frequently, but they will nonetheless do so.

Family Consumption and the Service Employment Dividend

The final link in our argument concerns the employment dividend of family spending. A simple OLS cross-sectional estimate of the impact of household expenditure and wage inequality is shown below (t-statistics in parenthesis). The dependent variable is employment in eating, drinking, and lodging establishments.

The household spending effect is significant and positive, when controlling for relative costs (wage differentials) as well. Notice, however, that wage inequality does promote employment. Family spending accounts for 24 percent of the explained variance; wage differentials, 76 percent. In other words, low costs are comparatively more important than household spending, but both are significant sources of job growth: one is tendentially capable of off-setting the other. If this is the case, a 'Pareto-optimal' solution would have to be found by striking a balance between wage inequality and maximising family outservicing.

Large welfare states do have a dampening effect on *market* service employment (although not particularly on spending). In fact, when controlling for the welfare state, the household expenditure variable becomes less important.⁸ This is less the case for private welfare.

The Welfare State Challenge

It is probable that deregulation and more wage inequality are conducive to service employment growth. Yet, if the direct policy objective is to resolve the unemployment problem among the less skilled, the evidence is less compelling. Deregulating labour markets, we know, has positive effects in terms of creating more flexibility and limiting the duration of unemployment or exclusion. We also know that existing rigidities can be—and are—dodged by informalisation, such as self-employment or undeclared employment. Hence the extremely high unemployment rates in Southern Europe should not be taken at face value.

A 'low wage-deregulation' strategy, as pursued in North America and the U.K., runs the risk of producing a poverty spiral in which declining earnings are matched by declining social protection. The result, as witnessed in the United States, is a large mass of below-poverty level earners (estimated at around 15 percent of the workforce). Of course, spouses can compensate with extra labour supply (as they have done) to maintain family living standards. Still, a large and growing mass of American households are in poverty (about 18 percent) or at very low incomes, thus precluding them from consuming those very services that they, themselves, are likely to produce. The outcome is a Disraelian two-nation society in which masses of poor service the rich.

In contrast, the 'high wage' strategy, coupled to extensive job protection for the insiders, promotes exclusion. Where, as in Continental Europe, families depend on the high earnings (family wage), job security, and pension rights of the male breadwinner, any major moves towards deregulation and wage inequality will clearly impose a major threat across the population. If, on the other hand, this very scenario causes exclusion and massive, long-term unemployment among youth and women, the consequences are easily perverse: familialistic social policy, meant to encourage family formation and fertility, is now actively jeopardising both. It is not accidental that Spain and Italy today suffer from the world's lowest fertility rates. Youth in general, and unemployed youth in particular, remain dependent on their parents and are thus forced to delay marriage and fertility. The 'reservation wage' of unemployed youth becomes, so to speak, the living standard provided by the father–breadwinner.

The principal cause of youth unemployment is lack of job growth. This can be secured through a 'low wage' approach, but at the cost of inequalities, poverty, and, possibly, crime. It can also be nurtured by high incomes and a reorientation of family policy in favour of the two-earner, double-career household.

Rather than blindly deregulate wages and labour markets, a 'Pareto-optimal' policy should therefore promote a balance between wage inequalities and family service consumption. The findings suggest that as the need for wage inequalities (and thus also welfare state rollbacks) diminishes the more 'atypical' families become dominant. Since female employment is a key defining characteristic of our postindustrial society, some degree of optimism is called for.

The suggested 'Pareto-optimum' poses, however, two problems. First, since the long-term future of the welfare state hinges on fertility, it is clearly necessary that women's integration in the economy be coupled to affordable care services. In a low-wage economy this is possible within the market—except for low-income households. In a high-wage economy, the restoration of fertility levels will require an adequate welfare state provision of social care.

Second, if low pay and generally unattractive service jobs *are* needed and *will* grow, peoples' life-chances are affected. The basic issue is how to prevent workers becoming trapped in 'lousy' jobs and ensure career mobility. Indeed, from a life-course perspective there are no welfare negatives as such associated with a spell in poorly paid employment. What we do know is that, for most people, chances for upward mobility are closely related to education. For particularly disadvantaged groups, such as single parents, escape from entrapment also requires active income maintenance.

It is, then, obvious that contemporary welfare states will need to reorient their policies in favour of youth and working-age adults. Yet, in many countries—Southern Europe, Japan, and the United States in particular—the welfare state bias in favor of the aged is not only extreme but also growing. On average, the Continental European welfare states spend 2.3 times as much on the aged as on the young; the Anglo-Saxon nations, 1.1 times as much; and the Nordic welfare states only .6 times as much. Not only does aged-spending crowd out programmes for the young, but it also misallocates purchasing power from a job-creation point of view. The aged are intensive consumers of welfare state services, but the *least* prone to consume personal market services.



Women and Work: The Radical Papal Teaching

JANNE H. MATLÁRY

University of Oslo

BEFORE DISCUSSING the political implications of the social teaching on women and work, it is useful to look at some key statistics in this area. They are drawn from the U.N. publication *The World's Women 1995. Trends and Statistics*, which in turn in based on input from all the major U.N. agencies. Addressing the global population of women, the publication summarises the situation for women as one in which women work more than men, but most of women's work is unpaid. Women in the developing world work in the informal sector and in the family, but have no access to credit, land ownership, or wages; women in general work in different jobs from men, which carry lower salaries and lower status, and they continue to have major responsibility for household work when they also have a paid job (ibid., p. 105).

In the West, women spend about 30 hours a week on housework while men spend ten to fifteen hours. Women do all the traditional household chores; men perform the traditional male tasks. Yet, from 1970 to 1990 women's share in the labour force has increased globally. In the West it makes up around 40 percent.

Unemployment varies between men and women, albeit in different ways. In some European states—in Spain, Belgium, Italy, and Germany—women are very disadvantaged in terms of employment where the number of unemployed women far exceeds that of men. Likewise, in terms of *youth* unemployment, the rates for women are far higher than that of men in the same states, including France. Looking at types of occupation, there is, as expected, a predominance of women in the 'clerical and service sector', but there is also a growing number of women in the professional and managerial category. In Europe, women are much more likely to work part-time than men, and earn less than men despite equal pay laws. There is paid maternity leave in all European states; however the length of time varies greatly, from one year with full pay in Norway to only some few weeks in other states.

The sustained attack on work in the home that the feminism of the 1970s launched has done a great amount of damage to the role of motherhood and all the work that it entails. No one who has small children can doubt that they entail much work. It is work that never finishes, for which few if any are grateful, and

which is neglected by society; in fact, it is completely unappreciated by the state. This invisible work is nonetheless the work that sustains and builds societies. When the mother works outside the home, her 'second shift' begins when she comes home. If she works in the home, no one thinks that she really works.

The clear yet sad conclusion to be drawn is that if there is to be a realistic choice between work at home and outside the home, massive political changes must happen in advanced European welfare states. First, the basis for taxation and social policies must be the family and not the individual. The concept of 'family income' must be developed. Second, work in the home must be counted in the GNP and be given social recognition as work, that is, count towards pension points and sickness benefits. States have no incentive to do this, as they incur more social obligations by doing so. Further, most women in politics do not see housework as important to the advancement of women, and thus try to make sure that this option is nonexistent. For instance, in the Scandinavian states only women with a job outside the home get paid maternity leave.

What about the second option which women should have: the ability to combine professional work and motherhood in a way that fully respects motherhood, i.e., which is based on the 'right to be different'? Is this an real option in today's Europe?

Women today have children relatively late in their fertile age. Those who get an education have to wait until their late 20s for their first child. Once they finish their education, they have to, and want to, find a job. However, at the same time they ought to have their first child. Soon after they ought to have their second, third, and perhaps fourth child. This activity is roughly concentrated in the period hetween 30 and 40 years of age. It is this period, which I call the 'life-phase squeeze', that the major parameters for the rest of one's life have to be laid down, in terms of family and professional life. In addition, this is the period of life when women also take care of ailing parents. Combining such family obligations with motherhood and work outside the home is a tall order.

The situation for women who work outside the home and have small children is usually one of working at two jobs. The 'second shift' constitutes a full job, but this is 'invisible' work. In the egalitarian states of Scandinavia there is little possibility of hiring domestic help to do housework beyond cleaning and au pair positions. The requirement is to pay domestic workers a salary that equals that of an industrial worker. This means in effect that parents have to do the lion's share of all 'home work' themselves.

Do men and women share equally in this third job? The answer is a very clear no. There is no exception to the conclusion that it is women who work most at home, regardless of their hours outside the home: 'The contribution that women in dual-career house-holds made . . . was still almost three times as great as the contribution made by men'. There is no major difference between state types and countries. On a global scale, this difference between men's and women's work is even greater. The Beijing conference on women highlighted the fact that women's work is unpaid and unrecognised: In the developing world, men account for two-thirds of all remunerated work. In the Western world this is a bit more balanced, yet women still only spend 34 percent of their working time on paid work whereas the male ratio is 66 percent.²

Further, the reason why women work so much and men help so little lies in attitudes, not in political or economic incentives. However great the latter, men everywhere are equally behind on domestic work sharing. There are smaller variations in time spent on domestic work between European countries, but the overall trend is consistent. This invites the conclusion that women are fairly exhausted during the period in which they have small children, which is also the period when they compete with men in their professions. They are 'squeezed' not only by having a job outside the home and one inside the home, but also by the lack of real work sharing with their husbands.

Thus, a very important improvement for women is the gradual change of mentality with regard to men's roles as fathers. Younger men in Norway now increasingly demand work terms that are compatible with their

responsibilities as fathers, and I think that this helps enormously in bringing about a needed attitudinal change in work life. Women alone cannot and should not bring about this change—men are also responsible for sharing their time between family and outside work once children are beyond the infant stage.

Those who have a family know that there has to be a profound sense of complementarity if a modern family is going to work and be a place for harmonious development of all its members. On the practical level, two jobs outside the home and one inside the home make three. Unless the spouses really complement each other and work in true solidarity it is usually the woman who ends up doing two of these three jobs. Men need to change their attitude to this, and women today really need men who understand the importance of this.

The Christian view of the sexes is one of complementarity in equality. Men and women are fundamentally different, yet equal as human beings, in human dignity, and in rights. There is, in my experience, a profound truth in the stress on this difference and on the complementarity. Since modern life is so stressful and hard-pressed for time, parents have to be act with more solidarity with each other in the daily work in the home and with the children. Having children means that the 'second shift' starts after normal working hours, and it does not end until the children are grown up. Fathers can do most of the work with children as well as mothers, especially when they are beyond the breast-feeding stage, and fathers become, in my experience, much more mature as human beings when they assume practical responsibilities for the children. Also men must dare to tell their employers that they prefer not to travel or work overtime because they are fathers. Only a generation ago, fathers were generally not involved in direct work with children.

Also of direct relevance here is the almost total lack of an extended family. Western women have few or no relatives around to step in and help with babysitting, or be of assistance in case of illness or absence. The tremendous resource that women in the developing world have in this respect makes it much easier to have many children. My African colleague in the Holy See's Beijing delegation has four children like me, but unlike me she could rely on relatives to look after them while she was away—an unheard of luxury for someone coming from a society where families have become dependent on the state rather than on relatives.

The cross-pressures of motherhood and professional work is highest in the period when women have children, and political measures are needed in most societies to make sure that a woman is not discriminated against by her employer when she gets pregnant, such as losing her job. Depending on the state structure and other factors, *maternity policies* will necessarily differ. However, some factors are, in my view, important: maternity leave ought to be paid, it has to entail a guarantee of job security, and it has to be long enough so that the mother can avoid the stress of 'double' work as long as she breast-feeds, often up to nine months. It is beyond doubt that breast-feeding is very important to the child, and also to the bonding between mother and child.

The choice to have clildren is immensely easier to make if there is maternity leave that is *independent of the employer*. A woman who has one, perhaps two children may 'get by' without criticism from her employer—this is, after all, still the 'normal' family. But the woman who is pregnant for the third and fourth time always feels that she somehow lets the employer down—she has children all the time. Thus, when a woman goes against the current and has several children, she must at least not be directly and formally dependent on her employer, who should not be able to put pressure on her. This requires that the employer does not pay her maternity leave and that she has a formal right to retain her job after her absence. This said, it must be added that the reality in Europe in this regard today is a far cry from the above: In most states women have a short maternity leave; often they have no legal job guarantee, and there are many cases of women who lose their jobs once pregnant. In the current state of high structural unemployment in Europe, women are at a disadvantage, both in applying for jobs, as the employer 'fears' that she will have children, and in retaining her job, if she has children.

Finally there is the issue of *attitudes*—employers' attitudes, men's attitudes, and the attitudes of society at large. Work life and political life in the West are still largely organised on men's terms. By this I mean that children are nonexistent in this scheme of organisation. The reason mothers with young children virtually have *no place in political life* and thus no political power is that they cannot justify sitting in meetings till midnight or travelling much of the year. Women in political life are those who either have no children or have grown-up children. They usually do not speak out for motherhood. Male politicians are not generally interested in this issue and, even if they are, women have defined 'women's issues' as something that only pertains to them. When there are female ministers in a government, they are usually in charge of the Ministry of Social Affairs, Family, or Equality—ministries with which men are seldom entrusted.

In work life the situation is similar: only some few women are powerful enough to question the structures of work life itself and to demand that it be better organised for parents of small children. Very few men follow suit. Usually men regard motherhood as a 'female problem' from the standpoint of professional work, and few are the men who take full responsibility for their fatherhood in their professional sphere. If both spouses work outside the home, the 'home work' and care for the children require that the father also says to his employer that he has to stay at home with a sick child or pick up a child from school. Only if and when men assume their equal share of family responsibility will it be possible to effect real changes in the attitudes of employers and in the organisation of work. With modern technology, much can be done in terms of working more from home and working flexible hours.

However, the fact remains that the family with small children needs to have sufficient time for children. This probably means that both spouses should work less than other people during this period of life. This issue is a political and public one, because having children is extremely important for any society. The state therefore should actively support families, in its own self-interest.



Integrating the Historically Disadvantaged Into the World of Work

GLENN C. LOURY

Boston University

MY SCHOLARLY WORK on the problem of race relations began with a general inquiry into the theory of economic inequality. Specifically, my 1981 paper, 'Intergenerational Transfers and the Distribution of Earnings', which appeared in the journal *Econometrica*, introduced a model of economic achievement in which a person's earnings depended on a random endowment of innate ability and on skills acquired from formal training. The key feature of this theory was that individuals had to rely on their families to pay for their training. In this way, a person's economic opportunities were influenced by his inherited social position. I showed how, under these circumstances, the distribution of income in each generation could be determined by an examination of what had been obtained by the previous generation. My objective with the model was to illustrate how, in the long run, when people depend on resources available within families to finance their acquisition of skills, economic inequality comes to reflect the inherited advantages of birth. A disparity among persons in economic attainment would bear no necessary connection to differences in their innate abilities.

In other research, I applied this mode of reasoning to the problem of group, as distinct from individual, inequality. That analysis began with two observations. First, all societies exhibit significant social segmentation. People make choices about whom to befriend, whom to marry, where to live, to which schools to send their children, and so on. Factors like race, ethnicity, social class, and religious affiliation influence these choices of association. Second, the processes through which individuals develop their productive capacities are shaped by custom, convention, and social norms, and are not fully responsive to market forces, or reflective of the innate abilities of people. Networks of social affiliation are not usually the result of calculated economic decisions. They nevertheless help determine how resources, important to the development of the productive capacities of human beings, are made available to individuals.

More concretely, one can say that an adult worker with a given degree of personal efficacy has been 'produced' from the 'inputs' of education, parenting skills, acculturation, nutrition, and socialization to which he was exposed in his formative years. While some of these 'inputs' can be bought and sold, some of the most crucial

'factors of production' are only available as byproducts from activities of social affiliation. Parenting services are not to be had for purchase on the market, but accrue as the consequence of the social relations between the custodial parents and the child. The allocation of parenting services among a prospective generation of adults is thus the indirect consequence of social activities undertaken by members of the preceding generation. An adolescent's peer group is similarly a derivative consequence of processes of social networking.

I concede that this is an artificial way of thinking about human development, but the artifice is quite useful. For it calls attention to the critical role played by social and cultural resources in the production and reproduction of economic inequality. The relevance of such factors, as an empirical matter, is beyond doubt. The importance of networks, contacts, social background, family connections, and informal associations of all kinds has been amply documented by students of social stratification. In addition, values, attitudes, and beliefs of central import for the attainment of success in life are shaped by the cultural milieu in which a person develops. Whom one knows affects what one comes to know and, ultimately, what one can do with one's God-given talents.

Social Capital and Inequality

While all of this may seem obvious, the fact is that, prior to my work, formal theories of economic inequality had said little about the role of social background. I was the first economist to use the term 'social capital' in reference to these processes by which the social relationships that occur among persons promote or retard their acquisition of traits valued in the marketplace. A large and growing literature has since emerged in which cognizance is taken of the myriad ways that a person's opportunities to develop his natural gifts depend upon the economic achievements of those with whom he is socially affiliated. This literature suggests that unqualified confidence in the equity and efficiency of the income distribution produced by the market is not justified.

In particular, this analysis has an important ethical implication: Because the creation of a skilled workforce is a social process, the meritocratic ideal should take into account that no one travels the road to economic and social success alone. The facts that generations overlap, that much of social life lies outside the reach of public regulation, and that prevailing social affiliations influence the development of the intellectual and personal skills of the young, imply that present patterns of inequality—among individuals and between groups—must embody, to some degree, social and economic disparities that have existed in the past. To the extent that past disparities are illegitimate, the propriety of the contemporary order is called into question.

I have employed this framework to explore the legitimacy question with respect to inequality between blacks and whites in America. In a theoretical example, I showed that, notwithstanding the establishment of a legal regime of equal opportunity, historically engendered economic differences between racial groups could well persist into the indefinite future. I concluded that the pronounced racial disparities to be observed in American cities are particularly problematic, since they are, at least in part, the product of an unjust history, propagated across the generations by the segmented social structures of our race-conscious society.

Thus I would argue, as a matter of social ethics, that the government should undertake policies to mitigate the economic marginality of those languishing in the ghettos of America. This is not a reparations argument. When the developmental prospects of an individual depend on the circumstances of those with whom he is socially affiliated, even a minimal commitment to equality of opportunity requires such a policy. In our divided society, and given our tragic past, this implies that public efforts intended to counter the effects of historical disadvantage among blacks are not only consistent with, but indeed are required by, widely embraced democratic ideals.

Color-Blind Extremists

This argument leads naturally to the question of whether affirmative-action policies are necessary and justified. To emphasize that racial group disparities can be transmitted across generations through subtle and complex social processes it is not necessarily to endorse employment or educational preferences based on race. (I will offer in due course a number of reasons to think that these policies should be curtailed.) But recognizing the importance of social segmentation does cause one to doubt the ethical viability, and indeed the logical coherence, of 'color-blind absolutism'—the notion that the Constitution requires government agents to ignore the racial identity of citizens. Ironically, recent claims by some conservatives to this effect bear an eerie resemblance, in form and in substance, to the similarly absolute claims of some card-carrying civil libertarians on behalf of a 'wall of separation' between church and state.

Consider that, as a practical matter, the government cannot enforce laws against employment discrimination without taking note of a gross demographic imbalance in an employer's workforce. Yet the government's requiring that employment data be reported by race is already a departure from pure color-blind behavior. So too is the practice, nearly universal in the public and private sectors, of targeted outreach efforts designed to increase the representation of blacks in the pool of persons considered for an employment opportunity. Accordingly, the more intellectually consistent of the color-blind absolutists now recommend, as logic would require, that we repeal the civil-rights laws and abandon even those efforts to achieve racial diversity which do not involve preferential treatment. But is that stance consistent with fairness?

More subtly, how can a college educator convey to students the lesson that 'not all blacks think alike', with too few blacks on campus for this truth to become evident? Were an American president to assemble a cabinet devoid of racial minority representation, would not the legitimacy of his administration rightly be called into question? What prison warden could afford to ignore the possibility that racial friction among his inmates might threaten the maintenance of order within his institution? Perhaps this is why presidents, prison wardens, and college educators do not behave in a purely color-blind fashion in our divided society.

Coming up with cases that challenge the absolutist claim is not difficult. Can the police consider race when making undercover assignments? Can a black public employee use health insurance benefits to choose a black therapist with whom to discuss race-related anxieties? Can units in a public housing project be let with an eye to sustaining a racially integrated environment? What about a National Science Foundation effort that encourages gifted blacks to pursue careers in fields where few now study? Clearly, there is no general rule that can resolve all of these cases reasonably.

I would venture to say that the study of affirmative action has been too much the preserve of lawyers and philosophers, and has too little engaged the interests of economists and other social scientists. It is as if, for this policy, unlike all others, we could determine a priori the wisdom of its application—as if its practice were always either 'right' or 'wrong', never simply 'prudent' or 'unwise'. However, although departures from color-blind absolutism are both legitimate and desirable in some circumstances, there are compelling reasons to question the wisdom of relying as heavily as we now do on racial preferences to bring about civic inclusion for black Americans.

Logical Stereotyping

One such reason for questioning the wisdom of affirmative action is that the widespread use of preferences can logically be expected to erode the perception of black competence. This point is often misunderstood, so it is worth spelling out in some detail. The argument is not a speculation about the feelings of persons who may or

may not be the beneficiaries of affirmative action. Rather, it turns on the rational, statistical inferences that neutral observers are entitled to make about the unknown qualifications of persons who may have been preferred, or rejected, in a selection process.

The main insight is not difficult to grasp. Let some employer use a lower threshold of assessed productivity for the hiring of blacks than whites. The preferential hiring policy defines three categories of individuals within each of the two racial groups which I will call 'marginals', 'successes', and 'failures'. Marginals are those whose hiring status is altered by the policy—either whites not hired who otherwise would have been, or blacks hired who otherwise would not have been. Successes are those who would be hired with or without the policy, and failures are those who would be passed over with or without the preferential policy. Let us consider how an outsider who can observe the hiring decision, but not the employer's productivity assessment, would estimate the productivity of those subject to this hiring process.

Notice that a lower hiring threshold for blacks causes the outside market to reduce its estimate of the productivity of black successes, since, on average, less is required to achieve that status. In addition, black failures, seen to have been passed over despite a lower hiring threshold, are thereby revealed as especially unproductive. On the other hand, a hiring process favoring blacks must enhance the reputations of white failures, as seen by outsiders, since they may have been artificially held back. And white successes, who are hired despite being disfavored in selection, have thereby been shown to be especially productive.

We have thus reached the result that, among blacks, only marginals gain from the establishment of a preferential hiring program—they do so because the outside observer lumps them together with their superiors, black successes. They thus gain a job and a better reputation than they objectively deserve. Moreover, among whites, only marginals are harmed by the program, for only they lose the chance of securing a job and only they see their reputations harmed by virtue of being placed in the same category as white failures. In practical terms, since marginals are typically a minority of all workers, the outside reputations of most blacks will be lowered, and that of most whites enhanced, by preferential hiring. The inferential logic that leads to this arresting conclusion is particularly insidious in that it can serve to legitimate otherwise indefensible negative stereotypes about blacks.

A New Model of Affirmative Action

Another reason for being skeptical about the practice of affirmative action is that it can undercut the incentives for blacks to develop their competitive abilities. For instance, preferential treatment can lead to the patronization of black workers and students. By 'patronization', I mean the setting of a lower standard of expected accomplishment for blacks than for whites because of the belief that blacks are not as capable of meeting a higher, common standard. In the 1993 article 'Will Affirmative Action Eliminate Negative Stereotypes?' that appeared in the *American Economic Review*, Stephen Coate and I show how behavior of this kind can be based on a self-fulfilling prophesy. That is, observed performance among blacks may be lower precisely because blacks are being patronized, a policy that is undertaken because of the need for an employer or admissions officer to meet affirmative-action guidelines.

Consider a workplace in which a supervisor operating under some affirmative-action guidelines must recommend subordinate workers for promotion. Suppose further that he is keen to promote blacks where possible, and that he monitors his subordinates' performance and bases his recommendations on these observations. Pressure to promote blacks might lead him to de-emphasize deficiencies in the performance of black subordinates, recommending them for promotion when he would not have done so for whites. But his behavior could undermine the ability of black workers to identify and correct their deficiencies. They are denied honest feed-

back from their supervisor on their performance and are encouraged to think that one can get ahead without attaining the same degree of proficiency as whites.

Alternatively, consider a population of students applying to professional schools for admissions. The schools, due to affirmative-action concerns, are eager to admit a certain percentage of blacks. They believe that to do so they must accept black applicants with test scores and grades below those of some whites whom they reject. If most schools follow this policy, the message sent out to black students is that the level of performance needed to gain admission is lower than that which white students know they must attain. If black and white students are, at least to some extent, responsive to these differing expectations, they might, as a result, achieve grades and test scores reflective of the expectation gap. In this way, the schools' belief that different admissions standards are necessary becomes a self-fulfilling prophecy.

The common theme in these two examples is that the desire to see greater black representation is pursued by using different criteria for the promotion or admission of black and white candidates. But the use of different criteria reduces the incentives that blacks have for developing needed skills. This argument does not presume that blacks are less capable than whites; it is based on the fact that an individual's need to make use of his abilities is undermined when that individual is patronized by the employer or the admissions committee.

This problem could be avoided if, instead of using different criteria of selection, the employers and schools in question sought to meet their desired level of black participation through a concerted effort to enhance performance, while maintaining common standards of evaluation. Call it 'developmental', as opposed to 'preferential', affirmative action. Such a targeted effort at performance enhancement among black employees or students is definitely not color-blind behavior. It presumes a direct concern about racial inequality and involves allocating benefits to people on the basis of race. What distinguishes it from preferential hiring or admissions, though, is that it takes seriously the fact of differential performance and seeks to reverse it directly, rather than trying to hide from that fact by setting a different threshold of expectation for the performance of blacks.

For example, given that black students are far scarcer than white and Asian students in the fields of math and science, encouraging their entry into these areas without lowering standards—through summer workshops, support for curriculum development at historically black colleges, or the financing of research assistant-ships for promising graduate students—would be consistent with my distinction between 'preferential' and 'developmental' affirmative action. Also consistent would be the provision of management assistance to new black-owned businesses, which would then be expected to bid competitively for government contracts, or the provisional admission of black students to the state university, conditional on their raising their academic scores to competitive levels after a year or two of study at a local community college. The key is that the racially targeted assistance be short-lived and preparatory to the entry of its recipients into an arena of competition where they would be assessed in the same way as everyone else.

Racism and Responsibility

Unfortunately, economists seem to be the only people persuaded by, or even interested in, this kind of technical argument about affirmative action. Therefore, I turn now, in my capacity as an intellectual and a citizen, to a range of moral and political considerations that may be of broader interest but that still point in the same direction. Begin with an obvious point: The plight of the inner-city underclass—the most intractable aspect of the racial inequality problem today—is not mitigated by affirmative-action policies. Defenders of racial preferences answer by claiming this was never the intent of such policies. But this only leads to my second point:

The persistent demand for preferential treatment as necessary to black achievement amounts, over a period of time, to a concession of defeat by middle-class blacks in our struggle for civic equality.

The political discourse over affirmative action harbours a paradoxical subtext: Middle-class blacks seek equality of status with whites by calling attention to their own limited achievements, thereby establishing the need for preferential policies. At the same time, sympathetic white elites, by granting black demands, thereby acknowledge that, without their patronage, black penetration of the upper reaches of American society would be impossible. The paradox is that, although equality is the goal of the enterprise, this manifestly is not an exchange among equals, and it never can be.

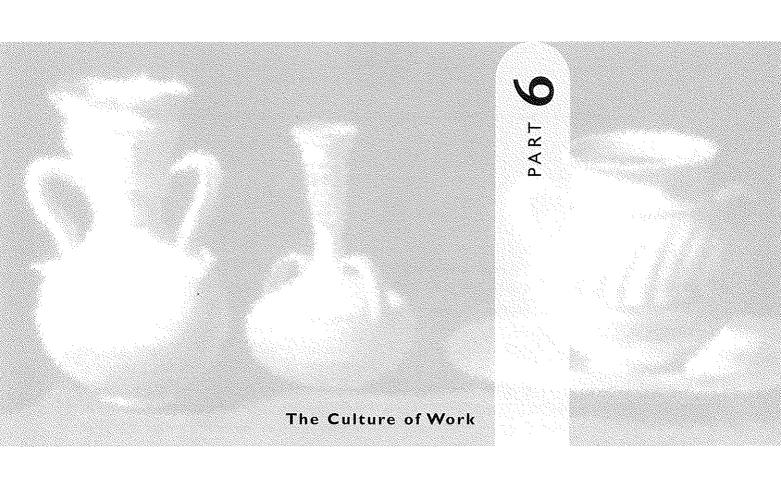
Members of the black middle class who stress that, without some special dispensation, they cannot compete with whites are really flattering those whites, while exhibiting their own weakness. And whites who think that, because of societal wrongs, blacks are owed the benefit of the doubt about their qualifications are exercising a noblesse oblige available only to the powerful. This exchange between black weakness and white power has become a basic paradigm for 'progressive' race relations in contemporary America. Blacks from privileged backgrounds now routinely engage in a kind of exhibitionism of nonachievement, mournfully citing the higher success rates of whites in one endeavour or another in order to gain leverage for their advocacy on behalf of preferential treatment. That Asians from more modest backgrounds often achieve higher rates of success is not mentioned. But the limited ability of these more fortunate blacks to make inroads on their own can hardly go unnoticed.

It is morally unjustified—and to this African-American, humiliating—that preferential treatment based on race should become institutionalized for those of us now enjoying all of the advantages of middle-class life. The thought that my sons would come to see themselves as presumptively disadvantaged because of their race is unbearable to me. They are, in fact, among the richest young people of African descent anywhere on the globe. There is no achievement to which they cannot legitimately aspire. Whatever degree of success they attain in life, the fact that some of their ancestors were slaves and others faced outrageous bigotry will have little to do with it.

Indeed, those ancestors, with only a fraction of the opportunity, and with much of the power structure of the society arrayed against them, managed to educate their children, acquire land, found communal institutions, and mount a successful struggle for equal rights. The generation coming of age during the 1960s, now ensconced in the burgeoning black middle class, enjoy their status primarily because their parents and grand-parents faithfully discharged their responsibilities. The benefits of affirmative action, whatever they may have been, pale in comparison to this inheritance.

My grandparents, with their siblings and cousins, left rural Mississippi for Chicago's mean streets in the years after World War 1. Facing incredible racial hostility, they nevertheless carved out a place for their children, who went on to acquire property and gain a tochold in the professions. For most middle-class blacks this is a familiar story. Our forebears, from slavery onward, performed magnificently under harsh circumstances. It is time now that we and our children begin to do the same. It desecrates the memory of our enslaved ancestors to assert that, with our far greater freedoms, we middle-class blacks should now look to whites, of whatever political persuasion, to ensure that our dreams are realized.

The children of today's black middle class will live their lives in an era of equal opportunity. I recognize that merely by stating this simple fact I will enrage many people; and I do not mean to assert that racial discrimination has disappeared. But I insist that the historic barriers to black participation in the political, social, and economic life of the nation have been lowered dramatically over the past four decades, especially for the wealthiest 20 percent of the black population. Arguably, the time has now come for us to let go of the readymade excuse that racism provides. And so too, it is time to accept responsibility for what we and our children do, and do not, achieve.





The Biblical Vision of Work and the Contemporary Context

ROLAND MINNERATH

Université Marc Bloch, Strasbourg

BEFORE THE INDUSTRIAL ERA, the Protestant Reformation proposed a Biblical re-evaluation of labour, creating an archetype which paved the way for the individualistic and secular ethic of industrial society. Luther emphasised the Bible's theme of the suffering and condemnation attached to labour following the Fall. He also insisted on the sheer inability of man to find salvation through his own works. Labour is understood within a context of faith, in relation to which it is put into perspective. In itself it cannot provide salvation. One cannot derive ultimate certainty from it in this life. At the same time one must work and rely on God's will alone. We have no means of understanding what God's plan is for us. Work is thus not an end in itself. God has called each individual to his position. Labour becomes a *Beruf*, a calling, a vocation. All labour has the same human value if it is realised in the freedom of faith. Professional activity or service exercised within the community answers a specific gift of the Creator. To work is for us a necessity. The contemplative life, associated with idleness, is not admissible.

Calvin sees in the fruits of labour a sign of the benediction from God; without this blessing all labour is in vain. The elect are predestined to be saved, without any merit on their part. As the question of predestination remained uncertain, reformed Christians threw themselves into work with even greater ardour, seeing in the prosperity they acquired a sign of their having been chosen. Calvinist doctrine places emphasis upon hard work, thrift, re-investment, and the sacrificing of the joys to be gained from the fruits of labour today in order to ensure the future, a future which is always postponed. Max Weber put forward the theory of the Protestant ethic and the spirit of capitalism, not without errors or prejudices, as the recent works of Michael Novak have demonstrated. The Protestant Reformation placed labour on an eschatological basis. At its centre is God in His glory, not the kingdom of man. Modernity removes God from the perspective and makes the human and social value of work the achievement of Promethean man.

Since the beginning of the modern era, the idea of work has been subjected to a process of secularisation of which the consequences are still evident today. It has gradually been separated from its Biblical meaning and

has become the guiding concept for industrial society. During the Renaissance *scientia et potentia* already formed the two levers by which man emancipated himself from any reference to God and undertook to transform nature. Since the eighteenth century, work has been exalted as an activity of autonomous reason, a means for the self-realisation of man, the centre of the universe. Liberal political economy analyses it as a factor of production, along with land and capital. A human and ethical concept of work has given way, little by little, to a purely economic understanding. As a factor of production, labour is remunerated at the minimum possible level for it to be reconstituted. Labour is divided and organised according to the needs of production and the advance of technology. It is something which is purchased, discarded, and sold as a commodity.

The division of industrial labour and the proletarianisation of industrial workers attracted the first criticism. Without renouncing the optimism of Hegel, for whom human labour hastened the realisation of the Spirit rendered free and happy, Marx was obsessed with the alienating condition of industrial labour and the social system which it imposes. However, his approach to labour is quantitative, analysed as surplus value incorporated in the final product. According to Marx, labour has always been exploited by economic systems, i.e., slave labour and wage labour. He wished to reverse the logic of the exploiter–exploited and envisaged a society where all wealth would be shared and labour would be the free creative contribution of each person.

Marx's aim was the emancipation of the worker. In this he did not succeed, being emprisioned in the premises of the Enlightenment and of Liberalism which reduced man to productive labour while at the same time exalting his capacity to transform the world. Work maketh man, and human history is seen as the product of man through man's labour. It has been said that the Marxist Utopia was a secularised form of Biblical eschatology. In place of the modern incarnation of the Biblical idea, we received an atheistic Promethean ideology and a totalitarian social system.

In the present-day crisis which arises from the globalisation of markets, for many people wage labour has become something which is a luxury, something which is sought after and unobtainable. Contemporary man identifies less and less with his work. He is no longer the master of its content or its purpose, still less of its permanence. He has to move from one job to another. In this context it is difficult to find any place for a philosophy, let alone a theology, of labour. At the same time, human activity has extended its domination of nature, man, and the cosmos to the point where it enjoys absolute control over it.

Does the Bible still offer any hope to the workers and unemployed of today? There is obviously no point in turning to it for technical solutions or the provision of a model transposable to modern working conditions. The Bible provides us with a structure of meaning and a hierarchy of values in which the person, society, and God are at work. This triangle was abandoned long ago by contemporary social philosophy. Liberalism and socialism began by removing God and the rest followed therefrom. Liberalism concentrates on the individual and socialism on the collective. Both have exaggerated the importance of productive work as an expression of total autonomy. The Bible reminds us of a simple equation—all activity comes from God and returns to Him.

'The Father Always Works' (John 5:17)

The first page of the Bible shows us the Creator at work. From the beginning he created, 'He made the earth and the sky'. The Bible uses the verb *bara* to describe the activity of God in material creation (Psalms 115:15; 121:2; 134:6) as also in the history of salvation (cf Psalms 66:3; 196:13; 107:22). God 'made' his people (Deuteronomy 32:6). Creation is a continuous work. God created all things out of nothing (2 Maccabbees 7:28) and everything exists through His will. He maintains and protects the beings that He has created (Wisdom 11:25; Job 34:13–15). The man fashioned by Him was placed in the Garden of Eden or Paradise in order

that he should cultivate it and look after it. (Genesis 2:15). Work is not a consequence of the Fall. From the beginning, man's purpose has been to cooperate in the creative activity of God. God gave irrigation, the plants, and fruit, but His Paradise requires the intelligent labour of man in order to harness all these resources and give them value. Through man God continues His creative activity. God remains the sole master of the world, in which He has placed man as the manager of His estate (Psalms 24:1; 50:10). Moreover, the earth produces its fruits independently of the efforts of man. The priestly account, for its part, emphasises the power accorded man to subject creation, in association with the Creator, to achieve the works which God Himself left uncultivated. To dominate the world and make it fertile (Psalms 8:3–8), God placed within it man and woman, who form together 'His image and likeness' (Genesis 1:26). This should have been the relation between God, man, and work. This optimistic vision of labour contrasts with the myths of the Near East where men are created to serve the gods and work as slaves in their service.

The second picture sheds light on another aspect of man and labour. Disobedience to God provoked a rupture between man and his Creator, which immediately affected his relations with the world. Labour will no longer be a game with God. Genesis 3:14–19 shows the consequences of the Fall on man's work. Henceforth, it will be described as 'suffering'. It becomes a harsh necessity. The earth will not always be fertile. It will cost man sweat and toil to obtain from it his means of subsistence. However, despite the rupture brought about by disobedience and the suffering henceforth attached to his work (Genesis 3:17–18), man retains his vocation of being associated with the Creator. Work is not the consequence of sin because it predated it. Labour itself is not the object of malediction, but the earth itself (Genesis 3:17) which will only be profitable to man at the cost of his efforts. This malediction was to be lifted when Noah, in a gesture of natural religion, offered a sacrifice to God (Genesis 8:22). God saw to it that man would find in creation that which was necessary for him to live. From this it emerges that labour belongs to the same nature of man as created in the image of God, that no one has the right to live off the work of others, and that each must be able to live, with his family, from his labour. Each human being has an innate right to work.

'I Also Work' (john 5:17)

Jesus was tekton (Mark 6:3), an 'artisan', according to tradition a carpenter. In Israel, rabbis held manual jobs. During his ministry, supported by the alms and provisions of the women followers (Luke 8:2–3), he and his disciples considered themselves ergatai, workers deserving their wages (Luke 10:7). The world of work occurs frequently in Jesus' parables, such as that of the worker of the eleventh hour (Matthew 20:1–16). The idle are seen in a bad light. The meaning of work is to be found in its anticipation of the world to come (Matthew 25:14–30). For Jesus, as for the Old Testament, work comes naturally to man. It is not an end in itself. One must not close one's ears to the word of God (Luke 10:40–42), nor to the primary importance of seeking the kingdom of God and His justice (Matthew 6:21–34). Jesus is severe on those who acquire wealth selfishly and trust to the security that it brings (Luke 12:21). If it becomes an end in itself, the life of man falls under the yoke of Mammon (Luke 16:13).

Jesus uses the language of work in order to point to a different reality. His messianic mission is described as labour (ergon). The signs by which he shows that the Kingdom of God has been inaugurated are his erga (Matthew 11:2) or his dynameis, 'His works of power.' John speaks of semeia and of erga. Jesus, in carrying out these tasks, is engaged in work (ergazomai, John 5:17). Those who labour with him work with him on the harvest are workers (ergatai). God, who sends them, shall reward them. (Matthew 9:37; Matthew 10:10). The fishermen of the lake become 'the fishers of men' (Mark 1:16; Luke 5:1–11). Work, the natural condition of

man, is raised to become part of the plan. Jesus works on God's undertakings for the salvation of man. He chooses and sends the apostles to labour to spread His work.

'To Work in Order not to be Subjugated' (2 Thessalonians 3:8)

During his apostolic mission Paul worked (*ergazesthai*) with his hands in order not to be a charge on anyone, such as by making tents (cf. 1 Thessalonians 2:9; 2 Thessalonians 3:7–8; Philippians 4:11; 1 Corinthians 4:12; 2 Corinthians 11:9; Acts 18:3; 20:33–35). He called such manual work *kopos* (toil) and *mochthos* (fatigue, cf 1 Corinthians 4:13; 2 Corinthians 6:5; 1 Thessalonians 2:9). In his 1 Thessalonions, to his readers who were gripped by the temptation of eschatological idleness, he recommends, as 'progress', that in order to live in fraternal charity they should 'live quietly, mind your own affairs, and work with your hands, as we charged you; so that you may command the respect of outsiders, and be dependent on nobody' (1 Thessalonians 4:11–12). Work ensures autonomy and allows one to help the truly destitute. In conclusion Paul again asks that the idle be received back, that is to say those 'outside the law', who do not follow the law (*taxis*) given by the Apostle (1 Thessalonians 5:14). Such was the teaching, the *paradosis*, which the Apostle bequeathed to his community (cf 1 Thessalonians 4:1–2).

In 2 Thessalonians Paul returns with greater emphasis to the theme of the *ataktoi*, the idle, in the long passage of 2 Thessalonians 3:6–12. Some have succumbed to eschatological fever, which has become a source of disorder (cf 2 Thessalonians 2:2). Idleness is not in conformity with the tradition handed down by the Apostle. Paul here quite rightly proposes himself as a model to imitate (2 Thessalonians 3:9). He derives a rule from work: 'If someone does not wish to work then he need not eat!' Paul forbade loafing as unproductive and as something which was discouraging to those who work. He asks that those who do not wish to work be kept separate from the community until they are ready to be taken back. Expectation of the end, judged to be near, should not cause us to neglect our present condition, but engender hope. Work is the only decent occupation which allows us not to abuse the solidarity of others and to contribute to a constructive communal climate.

Paul also considers the ministries conducted in the communities as a kopos, as toil. Those who 'suffer (kopiao)' in their service, in particular those who hold the leading positions in the community, deserve to be held in esteem 'because of their work (ergon)' (1 Thessalonians 5:12–13). Toil and service to the community are synonymous (kopos: cf. Matthew 9:37; 1 Thessalonians 2:9; Romans 16:12; 1 Corinthians 15:58). Both are to be accomplished 'in the Lord' (1 Corinthians 15:10–50; Ephesians 6:5–8). In fact, the communities maintain their ministers who are forced to give up their work. The early Church rejected the itinerant preachers who abused hospitality and it condemned idleness (Didache 12:3). During the first three centuries, jobs linked to immorality or idolatry were forbidden to those requesting baptism (Apostolic Tradition 16). For the baptised certain activities were proscribed, even if these were admissible in the eyes of society. The attitude of Christians is in stark contrast to the scorn of the Ancients for manual labour (cf 1 Clement 49:5; Origen, Contra Celsum III, 55). They introduced real changes in social life. A new ethic of work was in the act of emerging.

The Christian work ethic takes up the Biblical tradition in the following ways:

- 1. By nature, labour is a joyful participation in God's sovereignty over the world. It exists for the harnessing and management of the resources of creation.
- 2. A consequence of the rupture between man and God it is also suffering and expiation. The Sabbath allows man to refocus his and work and life on the Creator. Tempted to regard himself as the centre of the universe and to forget God, work is necessary for redemption (cf Romans 8:20–25).

- 3. The Christ, for whom sacrifice is a 'labour' and 'service' which saves, restored the alliance with God. Man can cooperate through his works due to the unmerited grace of Christ who purifies and gives meaning and completion to his work.
- 4. The primary goal of labour is to make the person socially autonomous and not a charge on others. The second goal of work is to help those who cannot support themselves—to provide relief to widows and orphans, not to maintain the idle. Autonomy and solidarity go hand in hand. The wealth of the creation is intended generically for all men. It must be administered in the service of the common good (cf Luke 16:1–18).
- 5. The Bible condemns labour which is stultifying. Labour should be free. Forced labour is condemned. A Hebrew can only keep another Hebrew in slavery for six years. He has to pay him and provide him with rest on the Sabbath and give him his liberty and the means for his independence on the seventh year (Deuteronomy 15:12–18; Leviticus 25:35–43; Exodus 20:10). The Sabbath restores labour to its humanising dimension, because man is made for God and is not made only in order to engage in work which is dehumanising. Technology should be at the service of working man and not the reverse.
 - The Old Testament contains elements of protective legislation for the worker. It is forbidden to exploit him, to defer the payment of his daily wages (Deuteronomy 24:15; Leviticus 19:13; Job 7:2). Withholding the worker's wages is regarded as a crime comparable to homicide (Leviticus 19:13; Deuteronomy 24:14). It is the height of iniquity (Jeremiah 22:13). Wages must cover the necessities of life (Luke 10:7; 1 Timothy 5:18).
- 6. The Bible does not endorse the Graeco-Latin principle of idle pleasure and shows no indulgence for idleness. To spend one's time enjoying the fruits of one's labour is not satisfying either (Qohelet 2:24–25). The Bible does not share the Greek prejudice according to which intellectual work is worthy of the free man. The rabbi does not disdain to work with his hands in order to earn his living. Jesus did the same. Paul asked that we imitate him in this (1 Corinthians 4:12). Labour is not an end in itself. To amass wealth for its own sake is condemned. Work for work's sake is vanity, observes Qohelet (Qohelet 2:4–11). It can lead to frustration if it has no other motive than the results achieved.
- 7. The Bible condemns work which is done without and against God: that is to say work which is wholly autonomous. The enterprise of building Babel leads to confusion and to the division of humanity (Genesis 11:7–8). The Bible repeats that if God is not the original author of all human works these have no substance (Psalms 127:1; Matthew 7:26). On the other hand, to contribute one's labour to the creative work of God is a source of happiness. Labour is not a means of power to achieve man's unlimited domination over nature. It must be inscribed within creation, which man is called to cultivate, maintain, heal, and put in order, and not to destroy. To remain human, labour must constantly resist the temptations of Promethean pretention, the exploitation of man by man, the unscrupulous exploitation of natural resources. All of these considerations are only possible if work is a communion with God. With Christ human labour enters into the economy of grace.
- 8. It is not enough to refer subjectively to the dignity of work by which man expresses his creativity and talents. Objective work is set down in the Bible in precise terms. It is not a matter of indifference what man does through his work. He is called to establish order in creation and to take from it what it can produce. Man can also reverse the perspective and use his power, derived from work, for the transformation of the world for his own ends. In such a way idols and false gods can be manufactured from man's hands, causing him to turn away from the Creator and worship his own works (Deuteronomy 4:15–16). The making of idols is condemned (Deuteronomy 4:28). St. Paul sees this as the action of a humanity which has become distanced from the natural revelation of God in His creation; the worshiping of a creature rather than the Creator (Romans 1:23–25). Not all activity which leads to the transformation of the world is a properly human activity. Permanently to compromise the great ecological balances, to produce mass arms of destruction, to manipulate the human embryo for experimental and commercial purposes, to practice

- animal and then human cloning, are activities by which man misappropriates the goods of divine creation to indulge his own excesses. All activity which leads to death is an illustration of the original disobedience. All activity which creates, preserves, heals, and gives meaning to life is an activity which cooperates with the Creator.
- 9. The contemporary problem is twofold—to develop the economic system in such a way that all human beings can find their way to participating in it through work, and also to develop creation without devastating it, to produce that which is necessary for a human life which is worthy of everyone. In order to avoid deadends, we should allow ourselves to be guided by the internal compass which the Creator placed in our moral conscience, remembering that Christ has always delivered us from our tendency to dominate and destroy, and established for us the new creation, freed from death, which God has designed for the happiness of all.



Ethical Values and the Japanese Economy

JOSEPH PITTAU

Secretary of the Congregation for Catholic Education

SINCE 1868, the Japanese economy has risen and fallen. Japan's modern rise began with the sweeping nineteenth-century reforms brought about by the Meiji Restoration whose goal was to catch up with the industrialised West. Military defeat in 1945 marked the end of this period which was followed by another dramatic economic rise. The aim was to catch up with, and possibly surpass, the West. The 1992 collapse of the 'bubble economy' heralded another collapse which highlighted some dangerous rigidities in politics, society, and the economy and showed that at the moment when the Japanese thought that they had caught up with the West and had surpassed it, Japan was dangerously weak. Now Japan is on the rise again, but it has to catch up with itself: Japan must reinvent itself.

To understand the present crisis of Japan, and the Asian crisis as a whole, we must understand the ethical-religious principles which have inspired first the Japanese and later the Southeast Asian peoples in their economic achievement. As a general principle, Western business society grew from the Christian ethics pertaining to individuals and organisations and based on universal principles—monotheism and the individual human person. Japanese society is based upon the Confucian ethic of relationships, which is particularistic in scope (family, group, nation) and collectivistic in its quality.

More than any other religion or ideology, Confucianism has been influential in forming Japanese work and business ethical attitudes. At decisive moments of Japanese history, Confucianism, with its ethical orientation, has been the key element in forging the political and economic system of Japan. The Taika Reform, with the Seventeen-Article Constitution of Shotoku Taishi in 604, the unification of the country under the Tokugawa Shogunate (1603–1868), the Meiji Restoration (1868) and its consequent radical changes, and finally, the postwar period (1945–) have always had Confucianism as their ideological inspiration and ethical orientation. Confucianism, even more than Shintoism and Buddhism, has provided the ethical principles on which to base fundamental reforms.

We have to be clear that the influential ideology is 'Japanese' Confucianism, that is to say, Confucianism interpreted in a Japanese manner. Originally, it was an inspiring philosophy that preached simple maxims of

brotherhood and justice, founded on respect for customs, on ceremonies and on community relationships. It stressed harmony between people rather than belief in a transcendental God or gods. In the basic five relationships, there was no cult of the individual, whether between father and son, ruler and subject, husband and wife, older brother and younger brother, or friend and friend. The faith of Confucius was inseparable from a belief in community. The relationship, not the individual himself, was the measure of things.

Confucianism was imported into Japan in the fourth century A.D., and successive waves of scholars produced later modifications. It has been a permanent quality of the Japanese introduction of foreign religions, ideas, or even technologies that, in the process of acceptance, these religions or currents of thought are filtered, re-interpreted, and Japanised. Whereas in China, Confucianism had benevolence as its central virtue, in Japan, loyalty became the central virtue. Loyalty means total devotion to one's lord or group, firm, or company; it is the will to serve, even at the sacrifice of one's own life. Loyalty, together with filial piety and respect for elders, form the triad of values which regulate the social, hierarchical relationships. In such an ethical system, individualism does not flourish. Japanese Confucianism demands obedience to superiors, service to parents, reverence to elders, and conformity with the majority. There is very little room left for the problem of the individual conscience or for a universal norm.

The Confucian orientation appears very clearly in the Seventeen-Article Constitution of Shotoku Taishi, promulgated in 604. In Article I, the Constitution states that Japanese society must be based on the fundamental principle of wa, or harmony. 'Harmony is to be honoured, and discord to be averted. However, everyone has his personal interpretations and biases, and few are far-sighted. Hence there are those who disobey their lords and fathers and who quarrel with their neighbours. When concord and union are maintained between those above and below, and harmony rules in the discussion of affairs, right reason will prevail by itself and anything can be accomplished.'

Nobody is allowed to form opposition subgroups within the community. Affairs should be discussed in a spirit of calm until a reasonable decision is reached, which is the most desirable from the point of view of the whole community. In Articles X and XVII, dictatorship is rejected. In order to achieve harmony, rulers should discuss important matters with their subjects and should reach decisions in a democratic way. Article II states the need to propagate Buddhism in order to elevate the moral level of the individual.

According to Shotoku's model, Japanese society is composed of the emperor, the state officials, and the people. Article XII decrees that local governors are not rulers but civil servants. Other specific norms for the administration are these: state officials must obey imperial edicts (Art. III), understand that decorum (ceremony, manners) is the foundation of law and order (Art. IV), and administer political justice, without which loyalty to the emperor and benevolence to others would be impossible (Art. VI). Bureaucrats must respect sincerity, which is the mother of justice (Art. IX). They should not accept bribes (Art. V). The right person should be appointed to the right job (Art. VII)). They should arrive at the office as early as possible and be ready to work overtime (Art. VIII). They should be guided by the principle that work will be rewarded (Art. XI). The people should be served without delay (Art. XIII). They should not feel jealous of a colleague's success (Art. XIV). Finally, during the busy agricultural season, other burdens should not be imposed on farmers (Art. XVI).

Although Article II speaks explicitly of Buddhism, the Shotoku Constitution is essentially Confucian. Harmony, decorum (good manners), loyalty, benevolence, sincerity, justice are all Confucian rather than Buddhist virtues. The Constitution stresses that decisions must be made democratically. At the same time the people must obey the imperial edicts unconditionally. This seeming paradox between a democratic decision-making process and the absoluteness of imperial commands is easily resolved because the emperor can communicate only those orders which have been democratically decided. Even today some of these fundamental orientations

are still valid and form the ethical underpinnings of the Japanese economy. Buddhism and Shintoism and now Christianity have influenced Japanese ethical behaviour, but it is still fundamentally Confucian.

From this Confucian attitude we could say that the Japanese see themselves primarily as members of groups, in which specific intragroup or intergroup relationships take precedence. In other words, ethics are more relativistic or situational than universal. These intergroup and intragroup relationships are clear in the Japanese employment system, particularly in large corporations. The following are some of the characteristic expressions:

- education, and education tested by a long series of examinations, will provide a basis for selection and recruitment;
- employment will be a lifelong job with the same company;
- promotion will be based on length of service;
- the relationship between superior and subordinate and between employer and employee will be quasifamilial;
- the rights and duties of employer and employee are extended to their families;
- the company will provide most of the employee's basic needs, including housing, work canteens, and medical, educational, and recreational facilities.

In such a system, loyalty is the most important virtue. The employee not only feels obliged to stay on in the same company even if he is offered a more attractive job elsewhere, but he cannot afford to move. There is little chance that he will be offered a job by another company. Choice and competition in a free market are made at the start of one's career. The Japanese do not wish to move wherever and whenever an opportunity for advancement presents itself. It is not culturally acceptable for an employer to hire or steal someone else's employee. No company wants to hire someone who already has an internalised loyalty to another company.

The assumption, in large companies, that employment for both management and labour will be for life breeds a strong sense of loyalty in both groups, which the company assiduously cultivates. Initial in-service training includes a great deal of company indoctrination and relations of intimacy and trust are encouraged between superiors and those below them. Sports teams and other group activities are sponsored by the company in order to make the lives of the young workers centre on the company as much as possible. The permanent workforce of a company becomes, for the individual, a group to which they are proud to belong. Their loyalty to the company assures it of an enthusiastic labour force, which takes pride and satisfaction in its work, is happy to work overtime, and does not even take full advantage of the vacation provisions made by the company.

The identification of the workers with the company, and not with their fellow craft workers, meant that as labour unions developed they were not organised by crafts but by companies. The workers saw no need to oppose technological progress for they knew that the company would train them in new skills if their old company-acquired skills were no longer useful. Labour in Japan has not opposed technological advances, as it has often done in the West.

A final benefit of the system has been the avoidance of periodic rises in unemployment since companies do their best to keep all their permanent workers even during an economic downturn. During the thirty years of rapid economic development, unemployment in Japan remained below 2 percent. It should be pointed out that the Japanese way of reporting unemployment differs from ours. For the economy as a whole, and even for the taxpaying companies, it was no more burdensome to retain employees during a slack period than to pay unemployment benefits financed largely through taxes on the companies. For the individual worker, the resulting job security gave him self-respect.

Lifelong employment by and total commitment to the company demand a careful examination of all companies before a decision to join a particular company is made. There is strong competition among candidates to join the most desirable company. The company, for its part, must carefully screen prospective employees since the offer of employment is an offer of total protection. In education, there is a fierce entrance examination system to enter the best educational institutions, which prepare the students for the top occupational groups. What we have said so far applies mainly to large companies; small and middle-size companies do not guarantee lifetime employment.

The Japanese executive tends to think of himself as a community builder as much as a profit-maker, and considerations of prestige and social responsibility can weigh as heavily with him as monetary reward. He cherishes harmony rather than justice as the highest social good. His idea of community service, however, is a narrow one; it is concentrated on a single industry or a single company, often to the exclusion of everything else. His ideal is to encourage those under him to take decisions and to feel loyalty to and responsible for the whole concern.

This Japanese system is not without its flaws and weaknesses. The pressures in a society that stresses harmony and loyalty above everything can bear heavily on individuals, especially the gifted. There is the loss of creativity, the stifling of an individual's own feelings, the homage paid to mediocrity in high positions, the gap between what the Japanese call the *tatemae*—the desired appearance of things—and the *honne*—the actual condition, the real thought, the motives that one really has. The members of any Japanese group linked by a web of mutual obligations are apt to forget their manners when they have to deal with other unrelated groups. They still communicate poorly with non-Japanese and can be too diffident. Their lack of response comes from a genuine perplexity at how to deal with foreigners who are by definition outside their web of commitments. Some affect an extraordinary tunnel vision, which enables them to go about their job of enriching the company with blithe disregard for the feelings or interests of other companies or other countries, and often even for the feelings or interests of their own families. There is also a lack of transparency, which can cause grave social, ecological, and individual damage both within the company and in the country at large. The 'company first' mentality forces people to hide ecological or financial tragedies, hoping that nobody will notice them.

So far I have dealt mainly with the influence of Confucianism. However, Buddhism and Shintoism have also provided some important elements of the economic and business attitudes of the Japanese. Zen Buddhism, in particular, has become a method of training in perfection; a method of concentration and self-control; a training in efficiency, in aesthetic appreciation, and in creativity. Outside Japan, it is rare to find techniques of mysticism practised by many without the reward of the religious mystic experience; yet it has been practised here hy policemen and soldiers, sportsmen, artists and businessmen as a superior way of reaching perfection in their chosen way of life. Through the practise of Zen, one reaches complete denial of self (muga, mushin, i.e., nonexistence of the self). New employees of big firms are often sent on some kind of Zen spiritual exercises with the aim of reaching a plane of expertise, above and beyond their normal professional competence. The tea ceremony, flower arrangement, traditional calligraphy, bonsai, and martial arts such as judo, kendo, aikido, and others are deeply influenced by Zen and are ways to attain that state of total concentration and total freedom which engenders the 'naturalness' of perfection, the awareness of the least details, and the search for beauty and simplicity.

Shinto's special contribution is what we might call the 'sense of vitalism' in Japanese work ethics and business behaviour. Shinto emphatically affirms the primacy, nobility, beauty, and wonder of life. The Japanese generally call Buddhist *bonzes* for a funeral, but they marry with Shinto rites and present the newly born to the local Shinto shrine. A celebration of fertility is implicit in many of the solemn rites held at the Imperial Court, and a cult of fertility is explicit in may riotous festivals (*matsuri*) which take place at all seasons in the coun-

tryside. The world and man, in Shinto myths, are not created, but generated by the gods. The concepts of life (inochi) and birth, accomplishment, combination (musubi) are central to Shinto thought. Creative evolutionary development forms the basis of the Shinto worldview. At the back of the Japanese mind lies a deep and comforting feeling that the generation of beings, the production of things, doing, organising, creating, adding, innovating, enriching are all fundamentally good actions, and that by working, transforming, and expanding, one is fulfilling the fundamental law of the universe.

Work for the Japanese is not the punitive result of original sin but an aspect of *musubi*, production, generation, combination. Shintoism provides the inspiration for the Japanese characteristic we foreigners often call 'workaholism', but the Japanese themselves see work as the real aspect of life. Work is, after all, making things as the gods made the worlds.

Conclusion

Japan ended the 1980s and entered the 1990s as *The Japan that can say NO*—the title of a best-selling book by Sony's then-chairman Morita Akio and prominent author and politician Ishihara Shintaro. The idea was that Japan should stand up to pressure from the United States of America on trade and other issues. Japan was 'number one' and should not be bullied by anybody. Japanese confidence then began to erode. Surging land prices made many rich but left others with bigger bills to pay. The great tradition of harmony, uniformity, and loyalty to the elders and to the group was crumbling. In politics, corruption was endemic, and, while the economy was healthy, the country at large looked the other way. When recession hit in 1992 and the Nikkei share average plunged to just 40 percent of its 1989 peak of 38.916, everybody realised that something was wrong. In the general election of 1993, voters threw out the Liberal Democratic Party after thirty-eight years of uninterrupted rule.

The close relationship between politicians, government bureaucrats, and businessmen that had been one of the main reasons for the rapid economic development of the postwar period could not survive the confusion of coalition politics. Investigations of the behaviour of high-rank bureaucrats, who so far had been represented as professionally well-prepared, highly competent, and morally incorruptible, were carried out and a number were condemned and jailed. This should have been the moment to find new leaders in the business world. But the tradition of harmony, loyalty, and the ideology of the company as a family has prevented a shake-up and the recession has continued. In moments of crisis the traditional oriental values have been a hindrance in the process of finding new leaders. When innovation, creativity, and personal responsibility are required, the Confucian values are not enough.



The Development of a New Culture of Work in the Context of the Reduction of Social Integration through Employment

PEDRO MORANDÉ COURT

Pontifical Catholic University of Chile

Configurations of the Problem

AT THE PRESENT TIME society is experiencing a deep transformation of the culture of work because the best known models of social integration through work have lost their viability, either wholly or in part. Will these transformations give rise to a new culture of work? It is not my intention here to add more empirical material, but rather to offer a reflection, from the perspective of the sociology of culture, which may help us to understand the meaning and significance of the new trends.

Sociology has always stressed that forms of work co-evolve with society as a whole. For this reason, the general hypothesis that I intend to examine is that, at the present stage of social development, work is beginning to be culturally organised on the basis that 'time' is a very scarce good and that the traditional accumulation of value that labour generates no longer depends exclusively on the quantity and quality of the products of work, as was the case with handwork or industry during the first phase of modernisation.

Work and Time

Although work is subject to social temporality, the way in which this temporality is determined has not always depended upon work itself, but rather upon other social factors such as, for example, harvesting cycles and agriculture determined and regulated by nature, the ritual determination of the festival calendar, and the religious perception of time in this world and of the eschatological time of 'fullness'. In premodern societies time was very freely given; it was superabundant, of natural or divine origins, and a matter of solidarity down the generations, as is shown admirably by the construction of the great Medieval Gothic cathedrals. In the context of this freely given quality of time, the obtaining of interest from the lending of money was condemned as usury, and the Biblical institution of a jubilee year when debts were remitted and the ultimate meaning of the

universal destination of goods was remembered, seemed socially reasonable. Certainly, the most universal among all these goods was time.

It can be maintained that bourgeois culture was the first culture to modify this vision of temporality in a substantial way. Groethuysen summarised the newness of the situation in his affirmation that society 'no longer works to order the world—as was the case in pre-bourgeois society—but rather ir orders the world around work'. In assuming that work was the goal of the social order, work acquired a level of universality within that culture which was previously unknown because it ceased to be something which only some people were forced to do or an instrument in the differentiation of certain categories of people. It became a reference element common to all human beings, and work became transformed into the foundation of social integration. It enabled the incorporation into the work market of all kinds of occupations, including those with a high component of intellectual activity, and especially those to do with public and private administration, trade, scientific activity, and even artistic-cultural activity.

However, the sociological interpretations of this change which was introduced by bourgeois culture ended up with the theory of 'infinite technical progress' or the theory of the 'end of history', theories which presupposed the unity of the whole of reality and gave to temporary contingency the character of an instant in the development of the whole, governed by the 'invisible hand' or Hegel's 'cunning of reason'. As a consequence of these suppositions, the value of the opportunities offered by work was concealed, since every action was seen rationally only as a 'means' to an 'end' which guided it and surpassed it in terms of time, and which ultimately corresponded to an absolute value, rationally formulated by the legal order. With this development, ideological discussion about the rational ends of society acquired priority over the consideration of any contingency. At the same time, the perfect society was held to be that which could foresee in advance the effects of all actions undertaken from the stance of instrumental rationality, and which could thereby adapt its course to what was previously planned. In this context, full employment was seen as the ultimate rational end of all planning.

However, the goals of subjecting the temporality of the market to the temporality of the decisions and priorities of a centralised power, in the form of a 'socialist state' or of a 'welfare state', progressively revealed itself to be inefficient, unable to adapt to the freedom that technological development gave to people through the provision and dissemination of opportune and decentralised information. The great ally of the market in the process of its progressive imposition as a mechanism for the regulation of social activities has been information technology, which has increased the speed of decision-making to a level which cannot be matched by an organised bureaucratic organisation rooted in the theories of rationalisation.

The New Valuation of Contingency

The theory of social systems has had the merit of demonstrating that the complexity of social differentiation introduced by functional organisation renders self-evident the fact that an omniscient observer cannot exist, that is one with the capacity to foresee through rational calculation the consequences of highly contingent decisions. First, this is because every observer has a blind spot in his range of observations. Second, it is because society is not only formed by the effects of past actions but also by expectations about prospective reciprocity, and this introduces into its own operation an implicit 'indeterminacy' and 'risk' factor which, at its very limits, is unknowable and incalculable. Third, it is because the introduction of functional mechanisms in the calculation of equivalent exchanges, especially the monetarisation of social operations, generates a speed in these exchanges which greatly surpasses the speed of reflection. The theory of functional systems invites us to interpret this differential in speed as a contingency differential, which is not grounded in any idea of society

but in society itself. The conclusion of this approach is that modernity is not the result of a successful modernist ideology, but the result of the organisation of society itself into functional environments. No specific subsystem within it can seek a hierarchical supremacy over all the others.

This profound cultural change, which opposed the premises of rationalism, was not imposed by political or military means in the form of a victory of one ideology over others, but by technological innovation. While technology remained on a controllable scale in relation to the normative structure of society, it remained concealed as the structuring principle of social coexistence and was considered as somewhat like a neutral tool at the service of those who possessed it. But the new scale inaugurated by nuclear technology, and the later conquest of our aerospatial surroundings, showed that technology transcends the ideological and jurisdictional approaches, and cannot be considered, therefore, only as an instrument for some goal determined from outside and imposed by virtue of an act of collective will. With the development of information technology, it becomes evident that cultural rationality should be looked for in technology itself.

The Principle of 'Indifference' or 'Functional Equivalence'

The new principle that determines technology consists of effective choice from among comparable alternatives which are, ultimately, equivalent. The ability of the machine to increase the complexity of operations beyond its mere mechanical use lies in its ability to provide choice from among indifferent alternative options. But, contrary to what has happened in the past in relation to ideological options, the reason behind the choice of a particular alternative does not necessarily lead to a discarding of the rejected alternative, but involves leaving it, in latent form, as a possibility to hand which can be recovered at any instant. If such an alternative is coded binarily in a 'yes' and a 'no', neither the assertion nor the negation constitute an ontological assertion or negation of the existence of some object, but only the determination of a temporary course of action which at any moment can be inverted. Therefore, the most important problem to be solved is the potential for reversibility of what was decided, that is to say, its temporality, rather than the differential quality of the alternatives at play, which are supposed to be comparable or equivalent.

The social sphere which can be organised most readily according to this new principle is, without doubt, the economic sphere. But by demonstrating its effect on the economy, this organisational mechanism expands to other parts of social life as well, and comes to be incorporated into bureaucratised formal organisations such as enterprises and the state. Finally, the current trend is the generalisation of this functional principle to social life as a whole, as much in the public sphere as in the private.

The more the various spheres of social life adopt this functional criterion for decision-making, the greater is the possibility that, as a consequence, an 'acentric' or 'policentric' society will emerge, one in which each subsystem, with equal right, claims for itself the autonomy of its operation without accepting hierarchical criteria defined from outside its boundaries. This is not a sort of philosophical recovery of the principle of autonomy against heteronomy, as it would be interpreted by rationalist Enlightenment thinking, but of an operative protection of the subsystems to increase efficiency, especially with regard to temporality.

The emergence of the so-called 'consumer society', as well as the stabilisation of the democratic political system, has been made possible largely thanks to the generalisation of the possibility of choosing from among indifferent alternatives and from among 'substitutional' products. That is what has allowed us to operate in contexts of increasingly complexity where the social risk of future operations is counteracted by a guarantee that provides decision-making with the possibility of choosing from among comparable alternatives and not radically different ones.

The Application of the Principle of Indifference to the Sphere of Work

I would like to draw attention to some important aspects of the realm of work relationships and the models of social integration that are rooted in it. First, although work is considered a universal principle which expresses rationally founded social coexistence—to the extent that the juridical order can consider it as being a right of people—the functional organisation of work means that the opportunity, temporality, circularity, and value of work is specified in very diverse and different ways. Does it make sense to compare the brilliant and instantaneous remarks of a comic who lifts the rating of an entertainment TV show with the observations of a lecturer facing a captive audience in a classroom which will be there for a long period? Lecturers usually make better jokes than comics, and the latter sometimes, impart more wisdom than lecturers. But they operate in completely different functional environments which are structured on the basis of a diverse meaning being given to 'opportunity'.

The right to work, as a generic concept, does not differ very much from the right to existence itself, but nobody could establish a priori the particular way in which that right should be specified, since its accomplishment largely depends on the functional subsystem into which each individual is integrated and his or her personal abilities to respond appropriately to the changing conditions of his or her environment. Some recently reformed political constitutions have incorporated social rights into the guarantees that they protect, but this does not represent much more than a declaration of good intentions, given that law itself cannot specify how such rights can be promoted and upheld.

Second, the functional specification of work, which depends to such a great extent on the technologies available in the corresponding subsystem, has led to a point where its added value depends increasingly on the intellectual abilities that it incorporates and less and less on the workforce as such. The perception of the value of time as a scarce good is one which it is impossible to achieve when one starts from the application of physical force alone, and it requires, in consequence, a sharp perception to adapt to the functional requirements of the given environment. Competitiveness, in the sphere of commercial activities, as in that of games and sports, merely substantiates that time acts more negatively against some people than others.

This reason reinforces the conclusion that work and employment cannot be located within the context of the functional organisation of society. What does full employment mean in heterogeneous circumstances? If one looks at the conventional figures on employment, one can say that the rate of unemployment in my country is approximately half that of highly developed European countries. But it is evident that from this fact I cannot conclude that my country is closer to full employment when compared with Europe. Not only are the social security conditions very different, but also the stability, the opportunity, and the technology of employment can only be compared with difficulty. The work to which all human beings have right is that which is able to give present value to the future, and to offer a reasonable expectation of reciprocity and intergenerational solidarity.

Third, I would like to point out that the crisis of the models of social integration favoured by managers and workers' partnerships for the collective negotiation of their interests has its origin in the fact that these organisations do not seem to have been able to develop the temporal flexibility required by an economy of 'opportunities'. Everybody seemed to agree on the fact that wages should be linked to productivity. The difficulty of this agreement goes beyond a mere declaration of good intentions, since within the context of the functional organisation of social activities, the estimate of the present value of future activities depends fundamentally on the quality of information and on the capacity to manage that information in relation to time. Evidently, I cannot generalise beyond the limits of the reality that I know, but I would like to say that, in our context, the greatest difference that exists between managers and dependent workers, in relation to wage negotiation, is the quantity and quality of information. The trade unions usually outline their present requests as a sort of compensation for the situation that was experienced in the past, and managers are accustomed to point

out that what matters in relation to competitiveness is in fact the correct prediction of future developments.

Could these capacities be equalised in a collective way? Certainly a great deal can be done in this direction, but success in policies of this type is highly conditioned by the sensitivity of local markets to the opportunities offered by information. As is the case with all other goods, if information is no longer very scarce, it loses value, as well as its predictive capacity. This is what is really represented by the selectivity introduced by the functional organisation of social activities into subsystems in order to produce a contingency differential in their favour. There is no way of escaping this conclusion, and this is what makes discussion between workers and managers about wages according to productivity extremely complex and difficult to implement in a collective way. This is, in my opinion, the real reason which lies behind the reduction of the power of unions.

Culture as Shared Time

Under these conditions is the formation of a new culture of work once again able to offer bonds of solidarity and of social integration among people? Could there be a culture which values opportunity and ephemeral things when we have always been accustomed to think about culture as a phenomenon of long duration which expresses the historical identity forged by nations through many generations? It is difficult to give a positive response to these questions, since never before in history have we had a social organisation that is linked in such an immediate way to information and time. I just want to point out some aspects which I think we should keep in mind in future reflections on the subject.

A first point I would like to stress is that the way in which the approach to the functional organisation of behaviour expands into the social environment is not based on force, in contradistinction to what happened in the case of differentiation in ranked or segmented societies. Because it involves the adoption of choice and of judgement based on an understanding of alternatives as indifferent, this functional criterion presents and validates itself as an indifferent option. Nobody could say that this change has been introduced by force, either through the normative structure or by political institutions or by economic arrangements.

This has happened in the case of work as well. We are not dealing here with what happened during the first industrial revolution where the enclosure laws or the poor laws introduced a new style of forced labour. It has been the newness of the new work positions and of technological innovation which has in itself offered a different alternative. Consequently, there are no reasons to interpret this tendency towards functional organisation as an enforced and inevitable outcome, which necessarily embraces every social experience. It should he seen, rather, as an opportunity to compare the benefit of activities carried out according to their ability to take advantage of time with profit and efficiency.

As one can readily observe at a global level, the evolution of society toward functionally defined forms of organisation even tolerates the existence of subsystems whose behaviour is not adapted to this tendency. For example, such is the case with religion, which far from adapting functionally to the remaining social structures, perseveres in the definition of hierarchies and nonfunctional forms of action, supported by metaphysical or theological presuppositions. It can be said that coexistence among functional and nonfunctional forms of organisation is not a problem for functional society, but it is rather implicit in it. Indeed, if it is possible to differentiate social subsystems by considering time as a very scarce good, it is because in some other part of the system or of the environment somebody must consider time as a much more gratuitous and abundant good, to the point that it is not necessary to attribute any monetary value to it. This is what ordinarily happens in religious communities, in the experience of marriage and the family, or what can be generically called the sphere of the natural sociability of people. The nonfunctional dimensions of work and of social life do not encounter a hostile

atmosphere in the functional organisation, but rather one which is merely indifferent to them. At the same time this criterion must assume the existence of parts of social life which are functionally organised.

Today, a culture of work can only be thought of as a culture of freedom and solidarity, as has been repeatedly emphasised in papal teachings and, in particular, in *Centesimus Annus*. Although in the context of a directive society which determines each role and its respective status, the justification of work could be simply be socialised as an obligation or as the compensatory reciprocation of gifts received. However, in the context of the functional organisation of society, such a justification for work would be insufficient and would require a more appropriate motivation in order to practise personal freedom as a capacity to choose, and not only, in a negative sense, as liberation from external coercion.

The increasing involvement of greater intelligence and creativity offered by technological innovation has created an opportunity by which progressively to transform the experience of work from drudgery and the expenditure of personal effort to an experience of freedom which develops people according to their capacities. This development can only be shared in solidarity if it takes place on time, that means, in unison. To achieve this, it is not only necessary to create new work opportunities in the economic environment itself, but it is also necessary to strengthen the bonds of solidarity within the family, where time does not have an economic value and where the person can acquire that development of his/her basic intellectual and affective abilities which will allow him/her to face working life in a balanced way, strengthened by the requirements of creativity and personal dynamism involved in the new technologies.

It is my view, given what has been said in this paper, that there will be no new culture of work if there is not simultaneously a new and deeper evaluation of marriage and the family. Only someone who has committed himself or herself to another person forever and in an irrevocable form, that is to say, without the accountancy of time, can develop a monetary accounting of time in a functional way without destroying himself or herself. If, on the contrary, matrimonial and family bonds are subject to variable timing, i.e., 'for as long as we get along', where the sense of the free-giving of time is lost, then the person loses a reference point which enables him or her to settle down in a reality which transcends functional organisation. The functional organisation of society is in itself not irrational, as long as it is carried out by subordinating the accounting of efficiency to certain activities, distinguished from those that involve the person in his or her unity and wholeness, and are not, therefore, subject to calculation. The time of a specific human activity can be the object of a transaction, but that time which corresponds to a person's lifetime, that is to say, to his or her entire existence, is obviously not subject to transaction. The achievement of a sound definition of what corresponds to each of these social spheres is what will be able to maintain the viability of this differentiation in the future.

For the first time the concept of service, which has always been identified in the Christian tradition with Christ's kingdom, has the opportunity of being realised today through economic activity. The value of work well-done, its creativity and imagination, its timing, its effective contribution to the improvement of the quality of life in the family and society in general, is one of the essential features of a morality that can give rise to a new culture of work, as much in the functionalised sphere of society as in the nonfunctional sphere of the family and of the relationships characterised by free-giving. Creativity transcends both spheres. It is one of the essential concepts proposed by the teaching of the Church for the development of a theology of work: that is to say, to see human activity not only within the perspective of this-worldly secular activity, but also as collaboration with the work of the Creator.



The Significance of Labour in a Postindustrial Society: Unemployment and the Role of the Civil Economy

STEFANO ZAMAGNI University of Bologna

Introduction and Motivation

THE THESIS WHICH WILL BE DEFENDED in this paper is that *today's* unemployment is the consequence of a social organisation which is unable to articulate itself in a way to make it possible to utilise all available human resources. It is a fact that the new technologies of the Third Industrial Revolution liberate more and more social time from production processes, a time which the existing institutional set-up transforms into unemployment, in Europe, or into new forms of social exclusion, in the United States. In other words, the extraordinary increase at the macro-level of the availability of time, instead of being utilised for a variety of different uses, continues to be used for the production of commodities which people could happily stop consuming had they a real, as opposed to virtual, chance to spend their incomes on other categories of goods, such as relational goods or merit goods. The result of this stubborn blindness is that too much intellectual energy is devoted to finding solutions to the unemployment problem which are either illusory, that is only temporary, or which generate perverse effects, such as frustration, the working poor, consumerism in lifestyles, as we will see later on.

How do I account for the prevailing inability to solve the labour question without generating socially dangerous and morally unacceptable trade-offs, such as work for all versus a substantial reduction in social security for the workforce? I believe the answer is to be found in the manner in which the process of development has been conceptualised and analysed within a theoretical set-up including only two basic institutions, the state and the market. My argument, in this paper, is that we urgently need to contrast this form of reductionism and expand the frame of economic discourse by including civil society in the picture. In particular my ultimate target is to contribute to the enlargement of the scope of economic inquiry, by visualising a market economy as being composed of both a sphere of private economy and a sphere of civil economy. It will be shown, in the following pages, that the civil economy is constituted by a kind of contract, but not by a trade contract. The

civil economy is founded on the principle of reciprocity, whereas the private economy is founded on the principle of exchange of equivalents. As the literature on social capital has shown, successful societies are those which are capable of developing an efficient network of non-profit and voluntary organisations, and of cooperative firms, so that the population ceases to look towards paternalistic states for the provision of various kinds of social services. Above all, successful societies are those which enable people to undertake cooperative ventures for mutual advantage. Essentially, this means favouring the emergence of a new economic space, the space of the civil economy, which rests upon the creation of social structures which are capable of engendering a flow of voluntary exchanges on the basis of mutual expectations of reciprocity.

The route I suggest for encouraging the emergence of a civil economy is one which makes explicit use of the principle of subsidiarity, a principle which, according to Catholic social teaching, states that recourse to a higher level of authority should be invoked only whenever it is absolutely necessary. More precisely, the twin ideas of horizontal relationships and devolution of sovereignty are summarised in the notions of subsidiarity and federalism, respectively. Not surprisingly, both concepts have been repeatedly invoked in the process of construction of the European Union since its inception. As Porta and Scazzieri¹ correctly point out, subsidiarity should not be confused with federalism or administrative decentralisation. In fact, the principle of subsidiarity is rooted in a conception of sovereignty that is very different from the conception which attributes the monopoly of sovereignty to the nation–state. It reflects a view of diffused sovereignty in which the decentralisation of government functions is simply a consequence. It follows that the principle of subsidiarity is rooted in a conception of the state which is different from both the notion of the 'minimal state' and the notion of the 'paternalistic state'. In particular, subsidiarity entails a nested structure of governmental levels that cannot be reduced to a single encompassing hierarchy. The notion of subsidiarity, when transferred to the realm of economic questions, translates itself into the notion of the civil economy.

The Damage of Unemployment

To give a wide-ranging perspective to the argument that follows, this section will highlight what I consider to be the most serious harm caused by mass unemployment at both the individual and the social level. The long-lasting exclusion from productive work of millions of people not only demonstrates an inefficient allocation of resources, and thereby a loss of aggregate output, as is obvious once we bear in mind that labour is a factor of production, but it introduces into our advanced societies a real rationing of freedom, as von Hayek acknowledges in his fundamental work *The Constitution of Liberty* (1960). Indeed, it is now generally confirmed that in the long run jobless people endure psychological suffering, a condition that has nothing to do with decreased income, but is instead related to the ability to do and to learn. According to Sen's capabilities approach, this means that the functioning of the long-standing unemployed changes, in that their actual capability to attain their goals declines dramatically, a circumstance that no official statistics will ever manage to reveal.

A serious consideration of the restrictions upon freedom thus prevents us from putting income from wages and transfer income on the same plane, even if of the same amount, such as unemployment benefits, minimum guaranteed income, or various forms of family aid. The awareness of the source of one's income is not without significance when values such as self-esteem or personal autonomy are at stake. As Margalit² remarks with great insight, striving for the creation of a just society is not enough. What one should desire on top of that is a 'decent society', that is, one that does not humiliate its members by allocating benefits and advantages at the same time as it denies their identity, when, for example, society disregards peoples' preferences or their cultural background. It should be noted that whenever this occurs, what invariably happens is a weakening of

social values combined with the spreading of cynical practises. The latter occurrence, in turn, heavily impairs the effectiveness of social sanctions, which are resorted to in order to combat deviant behaviour of one kind or another. It should therefore come as no surprise that areas or regions with long-term mass unemployment present high rates of organised crime. This happens not only because the jobless find 'work' within criminal organisations, but chiefly because others who have a job do not feel it to be their duty to enforce compliance with a social order which systematically marginalises significant proportions of its members.

I should like to mention a further, serious form of damage caused by unemployment. As Sen convincingly argues, if it is true that 'people learn by doing', it is no less true that they 'un-learn by not-doing', which is tantamount to saying that unemployment generates a loss of cognitive capability. Let me pause for an instant to clarify this point of paramount importance. One peculiar feature of the present epochal transition from a Fordist to a post-Fordist society is the significance of knowledge, as a vehicle of development, even though, unlike goods, it does not immediately benefit those acquiring it. In fact, the new technologies embody and express a knowledge which is only partly codifiable, therefore easily imitable and transferable; the remaining part is 'tacit knowledge', that is, specific to certain individuals and acquired only through experience. This tacit component makes individuals and institutions move along paths laid down by past activities and learning and enables skills to improve through an incremental accumulation. Now, one channel providing accrued technological capabilities is working activity itself. The relationship between technological capability and working activity is twofold: In the course of the working process, acquired technological abilities are exploited, but further capabilities are also created.

A third very negative element related to unemployment, and one that is hardly ever mentioned, has to do with the restraints which unemployment places on the possibilities for businesses to adopt the most advanced technologies available. In brief, the following occurs. As we know, the present technological trajectory entails a continuing adjustment of the organisational structure of companies to changes in information technologies, as well as a practically uninterrupted restructuring of an incremental kind. To quote but one example, let us think of the relevance, in terms of business reorganisation and restructuring, of the introduction of *lean production* and *just in time* methods. In the context of high unemployment rates, it is not easy for firms to carry out frictionless reorganisations and restructurings for the obvious reason that such processes invariably entail at least temporary losses of jobs, and are opposed in various ways by working people. This is not the case in the presence of near full employment because, if a worker generally prefers to stay in the place in which he or she works, it is equally true that the cost associated with changing jobs is far exceeded by the alternative of unemployment.

As is adroitly pointed out by Sen, unemployment contributes in this specific sense to technological conservatism, hence to making the organisational structure of the entrepreneurial system inflexible and to impairing the so-called X-efficiency. The transfer of new technologies to appropriate centres, for their subsequent dissemination among companies, can only yield partial and suboptimal results. It is widely known that new information technologies can even be offered free of charge at the social level, but for them to be profitably adopted they have to be absorbed individually. That is to say that the toughest barrier to their dissemination is the limited absorption capability of new technologies. One can thus understand why unemployment, at a time of remarkably accelerated technological progress, seriously hampers the development process.

The Political Unfeasibility of the New Golden Rule of Employment

One of the most momentous consequences of globalisation is the fact that the economy is now global, in a way that politics is not. As we can all observe, the link between state, territory, population, and wealth is fading

away. The domestic agendas of competent authorities within national states are more constrained by interdependence and the degrees of freedom of political choices are dramatically reduced. What ensues is that, confronted with growing economic powers, more or less amiable Leviathans witness a shrinking of their sovereignty and authority. As a matter of fact, nation—states are compromised by two interrelated constraints. The first is an internal one: the need, generated by democratic rule, to avoid extreme fiscal burdens on the middle classes in order to finance, for instance, investment projects or public consumption programmes. The second constraint is an external one: national states no longer manage to avoid confrontation with the expectations of international capital markets. Governments are subject to unrelenting demands for credibility from international finance; even modest differences shown by credibility indicators turn into intolerable differentials of interest rates. Under such circumstances, monetary sovereignty and fiscal sovereignty have become almost nonexistent for national states. Therefore an employment scheme focusing on inflationary monetary policies, or on deficit spending policies, would be doomed to failure from the very beginning.³

With regard to the other reason, it is certainly true that policies reducing labour-costs, combined with policies stimulating aggregate demand, might, in some sectors, promote production more rapidly than productivity increases, thus contributing to reducing unemployment. At what price would such a positive result be achieved? As the U.S. experience unmistakably shows, the price would be the acceptance of the rise of a new social class, that of the working poor. A recent statistical survey by the U.S. Bureau of Census reveals that in 1993 some forty million people, 15 percent of the total U.S. population, were below the poverty line and that the most numerous components of this group were working people whose tasks were not such as would allow them to command a pay level that placed them beyond poverty. In the pre-globalisation period, such or similar situations could be, indeed were, avoided by fattening the economy's residual sector, i.e., the one not subject to international competition. When economies were still essentially national ones, alongside the sector facing international competition, which employed the minimum number of workers compatible with competition, a sector was kept alive, protected by tariffs or institutional barriers, whose function was precisely the absorption of redundant labour. Suffice it to think of the public sector or even the service sector: inefficient firms and non-profitable initiatives were kept alive as a sort of buffer or sponge. Globalisation has practically done away with this duality of sectors: from 1993, the establishment in Europe of the single market opened up virtually all sectors of the economy to international competition. Furthermore, the pervasive application of new technologies to the service sector itself, by determining sizeable productivity increases, no longer permits a conception of this sector as a sponge. Delocalisation also affects tertiary sector activities, for example, Swissair logistics were realised in India!

This implies that competitiveness is the horizon against which any discussion aimed at creating new jobs should be framed. Only competitive firms can be created and prosper, thus generating employment. Working activities increase along with firms' competitiveness margins: This is the new *golden rule of employment*. It is an important novelty if one considers the recent past when (nearly) full employment could be ensured by keeping alive the economy's 'dead branches'. At the same time, however, this rule is an extremely difficult one to enforce in practise.

In the first place, this is because new technologies increase the system's average productivity more than they can increase the demand for goods and services. It has been estimated that, in OECD countries, average productivity rises by some 3 percent yearly. Yet it is impossible to raise the average demand for goods by 3 percent, year after year. Think of what first occurred in agriculture, and then in basic industries, iron and steel, cement, and the chemical industry: An increase in productivity has caused a dramatic reduction of employment. Indeed, if a society that is experiencing constant, high rises in its average productivity does not want its employment rate

to change, it should increase consumption by the same rate as it rises in productivity. However, since the consumption of goods, and more so of services, takes time to occur, consumption must move at a frenzied pace in order to keep the employment level unchanged. As early as 1970, Linder demonstrated the paradoxical outcome of growing consumption intensity: The consuming of ever-increasing quantities of goods within the same time period reduces, instead of enhancing, utility, that same utility that rational economic agents should try to maximise. As a matter of fact, aiming at higher consumption intensity may be advisable in the very first stages of industrial development, during which the mass production pattern asserts itself, but for the most part it tends to cause utility, that is welfare, to diminish once the process has been carried through.

A second, significant reason why it is not feasible to comply with the new golden rule of employment is that the latter would eventually unleash a new form of competition, which Hirsch⁴ calls positional competition. What makes positional competition alarming is that it exemplifies a real case of destructive competition, for it worsens both individual and social welfare levels in that it generates waste at the same time as it disrupts the social fabric. Unlike sports competitions and the familiar market competition, where there are certainly winners and losers but everyone can resume the game at a later stage, in positional competition the loser is always a loser.

To sum up: The point is that if we remain within the conceptual scheme that identifies full-time work with full employment, the pursuit of this goal collides with the pursuit of other legitimate goals, such as environmentally sustainable growth; or a model of consumption that does not alienate by frustrating individual preferences; and a nonstratified and tendentially 'inclusive' society. In other words, the ultimate limit to proposals that seek to mitigate the calamitous level of unemployment, is the generation of dangerous trade-offs. In order to distribute work to everyone, one has to encourage neo-consumeristic models or one has to socially legitimise new forms of poverty or one has to restrict the liberty of citizens. All this is ethically unacceptable within the framework of Catholic social teaching. Therefore, one should take courage and try new approaches.

A Way Out of Trade-offs: The Idea of the Civil Economy

To highlight the essential elements of the notion of the civil economy it is useful to contrast it both with the public economy and with the private economy. Now, if we can identify the public economy with the set of activities organised and legitimised by coercive powers, and the private economy with the set of profit-oriented activities organised according to the principle of exchange of equivalents, the civil economy is represented by all those activities in which neither coercion nor profit are the *primum movens* or the ultimate goal. In other words, while in the public and private spheres, economic decisions are legitimated respectively by citizenship and by purchasing power, the counterpart in the civil economy is the *reciprocity principle*.

In a recent study, Kolm⁵ formulates the reciprocity relation as a series of two-way transfers, independent of one other, yet interconnected. Independence implies that each transfer is in itself voluntary, which means free; in other words, no transfer is a prerequisite for the occurrence of the other, as there is no external obligation in the mind of the transferring subject. This characteristic differentiates reciprocity from the familiar market exchange which is also a set of voluntary two-way transfers, whose voluntariness is global, in that it applies to the whole set of transfers, not to each single transfer in isolation. In other words, the transfers implied by the exchange of equivalents are each the prerequisite of the other, so much so that the law can intervene to enforce compliance with contractual obligations. This is not the case with reciprocity, even though market exchange and reciprocity alike both imply voluntariness and oppose command relations. At the same time, however, there is more freedom in reciprocity than in the exchange of equivalents, where transfer in one direction is made compulsory by transfer in

the opposite direction. This is precisely why, with reference to freedom, one can claim that market exchange places itself in an intermediate position between coercion and reciprocity. Reciprocity's other characteristic—two-way transfers—is what distinguishes such a relation from pure altruism, expressing itself in isolated one-way transfers. In both cases, however, transfers are independent and voluntary, hence reciprocity takes up the intermediate position between market exchange and pure altruism.

The reciprocity relation does demand some kind of balance between what one gives and what one expects to obtain, a balance that is not expressed in a definite exchange relationship since it can vary according to the extent to which moral sentiments like sympathy and benevolence are practised by the subjects involved. Unlike market exchange and coercion, and like altruism, reciprocity cannot be explained in terms of self-interest alone: Dispositions are basic elements of reciprocity. This is why economic literature, shackled to the rational choice scheme, cannot account for reciprocity, nor can reciprocity be understood as a special case of a repeated game. Instead, reciprocity possesses a strategic dimension of its own, as happens in any interaction among subjects who ask themselves: 'should the recipient of my transfer not reciprocate, at a later moment I will somehow put an end to our relationship'.

What is the difference from the exchange of equivalents? Such a difference is twofold. In market exchanges the determination of the exchange ratio, the so-called equilibrium price, logically precedes the transfer of the object exchanged. Only after buyer and seller have agreed, say, on the house price is the property right of the house transferred. Conversely, in the reciprocity relation, the transfer precedes, both logically and temporally, the reciprocated object. Under reciprocity, the person who initiates it has only an expectation of eventual reciprocation. In the economist's language, this means that ties of reciprocity may modify the outcome of the economic game, whether by tending to stabilise cooperative behaviour by agents interacting within contexts of the prisoner's dilemma kind, or because the reciprocity practise tends to modify endogenously the preferences themselves, that is to say the form of individuals' objective-functions.

To what extent is reciprocity practised and how significant is it in real life? Contrary to what one might assume, even a casual examination suggests that it is a very widespread phenomenon, especially in advanced societies. Not only it is practised within families, in small informal groups, by associations of various kinds, but the transaction network based on the practise of reciprocity as a ruling principle is present in all those enterprises that constitute the varied non-profit making world, from cooperatives in which reciprocity takes the form of mutuality, to voluntary organisations where reciprocity verges on altruism, on the free gift.

Indeed, the bulk of social life consists of interrelated other-oriented behaviour, motivations, and sentiments, which are neither purely self-interested 'exchanges' nor pure unilateral gift giving, both of which appear as borderline cases. This is the field of reciprocity, where the gift/return-gift relation constitutes the simplest form and component, but which includes many more complex relations. Reciprocity is a major type of social interaction in all groups and organisations, especially in successful ones. Family life is essentially reciprocity, and only occasionally verges upon strict exchange or pure command which are, in fact, often embedded in a larger framework of reciprocity. Reciprocity is the cement of cooperation, which explains why many failures in cooperation, predicted by standard game theory, do not occur. Some of the most perceptive analyses of society, especially in anthropology and in sociology, have seen reciprocity as the basic social fact and the main glue that holds society's members together. Indeed, giving should be seen as the basic social act, since in taking and exchanging people treat others as things, rather than as ends in themselves, they reify them; reciprocity is the basic fact constitutive of a society and the door to intersubjectivity. Reciprocity often is the means and vector of mutual self-interest, but it is much more than this, as it also implies attitudes towards others which are intrinsically valuable and valued by all, such as gratitude, consideration, empathy, liking, fairness, and a sense

of community. Moreover, the presence within a population of these dispositions can be affected by policy, since they depend not only on education and imitation, but also on the institutional set-up prevailing at a given moment which can foster them by rewarding them, in one way or another. Hence, any form of social ethics, and in particular normative economics, that forget to deal with the possibilities of reciprocity miss out a major feature of their own area of inquiry.

An advanced economy requires a practical implementation of both principles. It is unrealistic to think that all kinds of economic transactions can be based upon the 'culture of contract', namely, the exchange of equivalents. If this vision were to become the ruling one, individual responsibility would reduce to the terms of contract, with grotesque consequences. If the culture of contract fails to be integrated with the 'culture of reciprocity', the potential of the system as a whole is going to be damaged. Hence the urgent need to help the sphere of the civil economy to take off.

The Constitutional Prerequisites of the Civil Economy

How much space is it advisable for civil society to occupy in the current division of this 'territory' between the state and the private market? How can one oppose the increasing arrogation of totalising functions both by the state and the private market when they manifest a temptation towards hegemony, by constraining the area of operation of intermediate bodies? More specifically, which categories of goods and services do citizens want to be produced and distributed according to the rules of the private economy and which according to the rules of the civil economy? The central question concerning the transition to the post-Fordist era, now underway, is to understand how it can be made possible for collective subjects to decide, freely, on the ways of producing and offering various categories of goods, from private goods to public goods, to merit goods, to relational goods,7 which these subjects demand through their purchasing power. It is unthinkable to resolve the matter by referring to the principle of efficiency, as it is used in traditional economic theory. Indeed, what is at stake is not a problem of the optimal allocation of scarce resources, but a problem of liberty.

So what must be done at a constitutional level so that the sphere of the civil economy can adequately expand to absorb labour set free from the sphere of the private economy and to contribute to the creation of a thick network of trust relations? The answer is basically that it is necessary to overcome the neo-corporatist form of social order. Within this form, collective actors do not act separately from the state, but through it or with its recognition. It is the government, operating as a social mediator, that leads the representatives of various stakeholders in society towards a social equilibrium. Now, the gradual demise of the nation-state, for wellknown reasons, leads to the crisis of the collective actors it legitimated. This is why the neo-corporatist method can no longer be defended. Despite its historical merits, it cannot function any longer. Hence the two horns of the dilemma: The supporters of the liberal-individualistic position, who observe the decline of the collective actors with favour, press for the reassignment of their tasks to individual agents in order to achieve social cohesion via the private market. This path does not seem viable for the following basic reason. Today, our advanced societies all face a problem of an inadequate supply of relational goods and, since these are genuine goods, a society that could not ensure their adequate supply would have a lower level of well-being (regardless of the volume and quality of private goods that society would be able to secure). On the other hand, the production of relational goods can take place neither according to the rules of the private market—for the fundamental reason that no allocation of property rights can be properly defined for this category of goods—nor according to the rules of the state—indeed, coercion destroys relationality. It must therefore be concluded that ad hoc economic agents are needed—the agents constituting the civil economy.

The other horn of the dilemma, favoured by those who, like this writer, identify themselves with the liberal-personalist position, consists of putting civil society to work in such a way that the intermediate bodies may form a new institutional infrastructure of the post-Fordist society. Within such a scheme a twofold role would fall to government. On the one hand, it would recognise, not grant, self-organisation to collective agents in all those areas in which their members, in total autonomy, claim to have legitimate interests to protect. That corresponds to what the principle of subsidiarity, according to Catholic social teaching, requires: The upper body must not simply delegate or distribute quotas of sovereignty to the lower body—this would be a 'granted' subsidiarity, that is political and administrative decentralisation. It should instead recognise, and therefore favour, what the lower body is capable of accomplishing on its own.

On the other hand, government must enforce the rules of this self-organisation, such as transparency, rules about access to the sources of financing, tax schemes, in such a way that the dividing line between the civil and private economies is traced by competition and not by dirigistic decisions stemming from above, as is the case with the neo-corporatist model. The notion of competitive self-organisation is what defines the model of social order defended here. It embraces the need to leave individual and collective actors the power to decide freely upon the composition of the various categories of goods, such as more private goods or more relational goods, and the ways of supplying them. The utility that I derive from the consumption of a good or service does not depend solely on the objective characteristics of that good or service, but also on my degree of involvement and participation in the act of choosing it. Ultimately, this is the deep meaning of an authentic economic democracy, for which pluralism *in* economic institutions is not enough; rather, it needs pluralism *of* economic institutions themselves.

I am perfectly aware of the difficulties inherent in the practical realisation of the model of competitive self-organisation as a model of social order. Catholic social teaching knows the snares of the passage between the Scylla of neo-statism and its neo-corporatism, and the Charybdis of neo-liberalism and its social atomism. As in all human endeavours, it would be naïve to think that new, radical processes do not entail significant social conflict. The interests and differences involved are enormous and distress about the future is spreading today throughout intermediate bodies. This distress is being used by those supporting the idea of the 'culture of crisis' as a political device producing, according to circumstances, a market Machiavellism or a political Machiavellism. It is precisely against this neo-Machiavellism, and its underlying ethical relativism, that those who, like Christians, are the bearers of a specific message of hope, should put up a fight. Catholic social teaching acquires significance and credibility, even with the non-believer, whenever it is embodied in actual experiences which do not simply represent traditions of moral reflection, but turn into laboratories for innovative life-practises.



The Changing Meaning of Work

PIERPAOLO DONATI

University of Bologna

Work/Unemployment as a Sociocultural Problem

AT THE END OF THE TWENTIETH CENTURY, the problem of unemployment appears in entirely new terms. The foundations of that specific 'civilisation of work' which has characterised modernity must be abandoned and, with it, the conceptualisation of unemployment that has prevailed until now.

The unemployment issue is not only imperative because of the fact that international statistics show that the phenomenon persists and indeed is worsening on a worldwide scale in all its forms. Nor does the new feature come from a renewed awareness that unemployment is the product of profound social injustices and that it leads to socially disastrous effects, inasmuch as it entails social exclusion, breaks down the fabric of human relations and erodes the bases of social solidarity. This was already known, although recent research has provided new evidence and shed light on new manifestations of these general processes.

What makes the problem of unemployment radically new is the fact that, in it and through it, an epochal historic change is revealed that is upsetting the entire working world and with it the whole of society. The quantitative–qualitative characteristics which unemployment is taking on reveal: (1) that a process is underway making work precarious on a universal scale; and (2) that the traditional boundaries between work and non-work are shifting and, more generally, that radical changes in the connections between work and social action are emerging.

If we continue to be prisoners of the old work/unemployment dichotomy, meaning by 'real work' a stable, regular, long-term job, and by unemployment, a lack of 'real work', we will find ourselves in a situation filled with unsolvable paradoxes. These paradoxes cannot be taken care of with *lib-lab* solutions, a mix between liberalism and socialism, i.e., through remedies based on balancing deregulation, that is freedom and flexibility, and reregulation, that is security and control, of work among the state and market actors. In this framework (*lib-lab*), despite all the efforts made, unemployment continues to increase. We have to ask ourselves then if the conceptual framework in which the problem of work is understood and tackled is not intrinsically distorted or at least insufficient. In my opinion, the answer must be in the affirmative. In order to understand the

new terms of the unemployment issue, it is necessary to redefine work, but in order to do this, it is necessary to escape from the cultural framework in which modernity has conceptualised work.

In this contribution, the task I have set myself is to redefine the field in a dual sense: On the one hand, from a negative viewpoint, I would like to put the framework which currently dominates the subject of work/unemployment up for discussion; on the other, from a positive viewpoint, I would like to support the thesis that the search for remedies to the problem of unemployment ought to be entrusted to approaches and instruments that consider work as a fully and properly social activity.

In other words, I intend to tackle the theme of unemployment starting from the problem of the meaning of work. The theme has been somewhat neglected in the past two decades. Only recently has this theme recaptured some vigour. I would like to show how and why the struggle against unemployment will depend primarily on the way in which a culture understands the *meaning of work*, and the implications that are drawn from this for the organisation of society.

The problem of a lack of work is defined today essentially in terms of economic scarcity. Everyone holds that secure and satisfying work is becoming an increasingly scarce resource and life chance. With regard to this observation, two theses provide competing interpretations in this area.

On the one hand, there are those who hold that precisely because 'real' work is becoming increasingly scarce it is becoming ever more important and discriminating in forging the destinies and life processes of human beings. Unemployment is seen above all as a problem of social justice in the distribution and redistribution of resources and thus as a problem of social struggle, especially on the part of the disadvantaged, youth, women, and professionally unqualified social groups.¹

On the other hand, there are those who hold, on the contrary, that we are approaching 'the end of the society of work' (Arbeitgesellschaft),² or the 'end of work,³ in the sense that the notion of society "centred on work" is becoming outmoded. Those who support this thesis, which is presented in many different formulations, hold that it will be necessary to abandon the concept of work and they propose to substitute the concept of 'activities' or similar terms. The unemployed, those who are dismissed from the system of 'real' work, could be eliminated by giving value to activities of all kinds of a noncompetitive character, with a different production logic from those proper to the 'central' occupational sectors of the past which were well remunerated and guaranteed in terms of their security, and by giving more importance to what is called 'active otium', to free time, and to the quality of life outside of work.

Who is right? Obviously the confrontation between these two theses must be set up correctly. In order to do this, the meaning of work to which we are referring must be clarified. The authors are not always explicit in this regard. If the traditional meaning of work is kept, as defined in the Taylor-Fordist industrial society, it is obvious that a problem of scarcity exists, but we must ask ourselves if only that type of work is 'real work'. The first thesis, which is widely supported by the labour unions, retains the modern concept of work: this can be necessary for societies in the process of modernisation and still in the stage of industrialisation, but it is no longer suitable for societies that are already modernised. The second thesis proposes abandoning the concept of work as a required activity and exalts flexibility and creativity, but it often seems to speak the language of a culture that has nothing to do with work because it refers to expressive activities or to economically marginal occupations which do not seem capable of supporting an economy of real development. Those who support this second thesis look toward a society that is hardly decipherable in terms of human characteristics.

In this contribution, I would like to support a *third* thesis, different from the two that have just been mentioned. Against the first thesis, I observe that the transformations of work in the advanced economies are now radical to the point where the abandonment of the modern definition of work is becoming unavoidable. Against

the second thesis, I observe that the concept of 'activity' amplifies and differentiates the concept and reality of work in a morphogenetic way, but it cannot substitute anything for it. The society of the future will be one which will stress, even more than in the past, the importance of work, but for this reason the meaning and form of work will have to be radically changed. This will have enormous consequences for the system of social rights connected with work and for the whole configuration of society. The area of choices and tensions is marked by the alternative between mass unemployment and the liberation of work (and not the liberation from work).

My thesis is that whereas in the premodern eras work was principally a servile activity of organic interchange with nature; and in the modern, industrial era, a marketable performance for the production of goods and services in the sense of 'objects' (manufactured goods, artificial constructions); in the postmodern era work is primarily taking on the value of a social relation in that it is given value because of the relational qualities it offers and implies. Of course, the preceding work cultures are not completely superseded and they continue to characterise the more traditional segments of advanced societies and broad strata of people in those societies which are undergoing modernisation. But work is differentiated differently in various cultures, for it is derived from a process of social morphogenesis of work that is both cultural and structural, and not merely driven by the industrial organisation of society.

The conclusion drawn here is that if the prevailing concept of work continues to be that of the industrial era, as is still the case in a great part of the world, the problem of unemployment is being tackled with old instruments. These are characterised by the search for new forms of regulation of the interests and transactions occurring between economic and political actors, and work through the relations between state and market, which are intrinsically inadequate to confront the problem of unemployment, since they deal with unemployment as a mechanical issue without social content. In order to face up to the structural and cultural changes underway, a new framework is needed which will consider work as a reciprocal activity between subjects interacting as producers—distributors—consumers in a 'civil' economy; civil here means capable of civilisation and is not synonymous with the so-called third sector.

Substantially, my thesis is that with the decline of the industrial (Fordist) order, regulated by the postwar welfare state, the progressive reduction of Fordist work will not mean the 'end' of work nor the exaltation of free time and voluntary activity, but the redefinition of work as a significant, communicative activity in highly differentiated production—distribution—consumption networks whose dynamics we must understand.

Work as a Social Relation: New Horizons for the Twenty-first Century

From a broad sociological perspective, work (as an occupation) can be defined as: (1) a personal activity aimed at a socially useful end, (2) from which resources are obtained for living for those who do it and/or for those to whom this subject may wish to distribute them. The definition seems obvious, but it is not so by any means. It places the emphasis on two characteristics, one general and one specific, which are matters of dispute.

1. There are some who deny, in theory or in practice, the goal-oriented character of work by saying that it is only a functional service, a performance; this is the nucleus of the secularised approach. There are those who recognise its finalist character, but see the purpose only in terms of instrumental compensations such as money or prestige; they adopt a utilitarian ethic. On the other hand, there are those who recognise that work is a human action and thus have recourse to a non-utilitarian ethic; this is the nucleus of the human-istic approach. The latter holds that, properly speaking, the ethic begins where, and at the moment when, the human being conceives of his/her life, and thus his or her work, as a task.⁴

The purely empirical observation that many people, the majority according to opinion polls,⁵ are not aware of the ethical character of work but only consider it for its usefulness does not belie the sociological definition of work that I have given. For this it would be sufficient to analyse people's lives in a little more in depth from a sociological viewpoint. This can be seen, for example, in the research on the effects of unemployment which shed light on the drama of unemployed persons precisely as an extinguishing of their moral life.⁶ In a complex society, it is the lack of work which shows the ethical contents of work a *posteriori*.

2. The characteristic that distinguishes work from all other goal-oriented relations, or the specific characteristic that underlies its meaning, is the fact that obtaining the resources necessary for life depends on this activity. If this were not the case, the activity would not be work but another type of relation.

Until now there has been a direct connection between work and resources obtained directly in market relations, although they are regulated by the political system and channelled by collective organisations, such as labour unions. The new fact is that the connection is becoming less and less direct and is mediated by a third party. A third party assures the resources for living. In the past decades, the role of this third party has been taken on by the welfare state but it has absorbed too many mediating functions of safeguarding workers, generated perverse effects, and has management problems today. Could there be other agencies, mechanisms, or relations that would take on this role? I think that precisely on this point we are witnessing the birth of a new societal configuration. Work cannot be detached from its goal-oriented character, namely to obtain the necessities of life, but the connection can be mediated by new systems of social relations which will reshape the freedom of work, on the one hand, and security in life, on the other, through new associative agencies which are different from the state.

My thesis is that the postmodern era will tend to put more and more emphasis on the relational aspects of work, the *external* aspects of which are visible in the relations of exchange, and the *internal* aspects that have to do with the fact that the goal of the activity and the way of performing it are socially mediated through the subjectivity of individual persons. In order to present this vision, I will use two arguments. The first concerns the empirical transformations of work as a social relation; the second has to do with the current morphogenesis of the professions.

In a general way, work is being transformed because its boundaries are shifting and becoming intertwined with activities that do not fall within the modern definition of work. We are moving towards a kind of society in which a plurality of theoretical conceptions and practical cultures of work will coexist in competition with one another. They can be distinguished and classified on the basis of the meanings that stress: work as a value of exchange (commodity), as an activity that is legitimised for political purposes of decommodification (goals not conditioned by the market), as a communicative relation of reciprocal service, as a virtuous action that responds to primary human needs (Figure 1). In this last meaning, a certain process of cultural and perhaps also religious re-enchantment is revealed.

Interpreted in an analytical sense, these meanings correspond to four fundamental dimensions of work as a social relation. Everywhere and in every case, work implies—even if only in a latent way—a value of exchange (A), a situational end of an extra-economic type (G), a form of communication for reciprocal social integration (I), a response to primary human needs according to use values (L). Interpreted in an empirical sense, these meanings can lead to identifying material areas in which each of the four symbolic codes prevails. For example, one possible translation of Figure 1 into empirical terms is the following: A corresponds to market work, G to civic work (civic obligations), I to work in networks of an associative kind (third sector, voluntary service économie solidaire, etc.), and L to work of a domestic kind and in informal networks.

How are these different meanings of work differentiated and how are they integrated? To respond to this question, it is necessary to have a generalised theory of work as a social relation, and from this vantage point,

Figure 1. Differentiation in the Meanings of Work

G

Work as an activity that gains value from extra-economic ends (political de-commodification)

A

Work as an exchange value (or commodity) (commodification)

Ι

Work as a relation of reciprocal service (communication in solidarity)

L

Work as production of use values which respond to primary human needs

work can be interpreted through three major semantic codes: as, a symbolic reference, a structural bond, and an emerging phenomenon.

As a symbolic reference (*refero*), work is a search for meaning. This can be seen very clearly in young people for whom work has the main value of being involved in the search for existential meanings: The search for one's first job means making the choice of a symbolic commitment which can—above all—offer a human meaning. For instance, empirical investigations reveal how the younger generations in Europe emphasise detachment from the instrumental value of mere profit and instead stress the values of intense human relations with work companions and/or with a client.

As a social bond (*religo*), work is the structural resource that makes up the fabric connecting agents with a system of expectations, rules, and common interactive patterns. It is thus an essential basis of social cohesion.

As an effect of exchange (*Wechselwirkung*), work is what emerges from the reciprocal interaction between the workers and between those who work and those who make use of the products. As an emerging effect of these systems of exchange, work shows its functional character in that it regenerates social bonds among the members of the production—consumption network.

Looking at the *gendered* character of work is also part of this theory. In fact, everything that we have said about the new cultures of work and, in particular, about the importance of not using strictly economic and political criteria for giving value to work, can also be seen as a manifestation and effect of the crisis in male work (or, of male models of industrial work) with respect to the emergence of women's work. The male ethic emphasises the capacity for individual performance, the instrumental value of the task, the hierarchical structure of command, power, the value of the service, in brief, instrumental achievement. The female ethic accentuates the expressive value of the task, the process, the relationality, the care, the quality both of the product and of the service, in brief, work as a coordinated, less segmented accomplishment that is attentive to the fact that autonomy is expressed in responsibility. In a better way than men, women connect the quality of the work with its results and grasp the social usefulness of work.

This is not a matter of affirming the supremacy of one cultural mode of working over another, or of inverting the *sex typing* of work. It is rather an observation that the mass entrance of women into the labour market, which has taken place in the past decades, has contributed to great shifts in the meanings of work, and also in the end to the 'destiny of gender' in assigning one type of work to one gender or another. The attempts to institutionalise this new situation through work 'quotas' reserved to one of the two genders, or the adoption of an 'affective paradigm' of work have proved to be a disappointment and a failure. The value and symbolic patterns of work carried out according to gender allow interesting developments be expected in the emergence of new cultures of work.

To hold that transformations of work are shaping it more and more as a social relation means asserting that:

- 1. Work is increasingly being socially mediated, even in relation to nature and to the material things produced there: It assumes relations; it takes place within social relations; it leads to social relations. Therefore, society is intervening more and more in work activity and giving it value (compensations and sanctions) according to new rules.
- 2. Present-day society emphasises the importance which work has in the relations between the subject who acts and the one to whom he or she turns (employer, client, or user in general) and the type of bond that exists between those who create the goods and those who make use of them. A new civil economy is born; cultures of fair trade are affirmed.

These new mediations and the relative changes in the process of devaluing certain forms of work and of giving value to other forms of culture must be taken seriously.

The second argument considers these transformations as a morphogenesis of occupations and professions. A synthetic glance over the changes in occupations, jobs, and professions shows that today: (A) in the market, (G) in civic occupations, (I) in the third sector (economy of relations), and (L) in the informal networks there is an explosion of new profiles and working styles which the existing juridical regulations cannot control and which the labour unions themselves and the structures of neo-corporatism cannot manage.⁷

Few see in these processes the emergence of a new social relationality. The cultures of work are still to a great extent conditioned by an old approach that tends to define work on the basis of the different material and formal contents of functional performances, whereas there is a significant lack of a relational vision of work. Relationality is seen at most in that part of the so-called social economy which produces caring services.

These processes have given rise to theories about the end of work (as employment) and a transition has been noted from the status of 'job' to the status of being 'active'. A shift of this kind seems to many to be impracticable. What seems correct and possible is to generalise the concept of work from employment to 'work activity' in the sense thar *it refers to an action that is binding by contract*, whether this contract is taken on voluntarily or results from a social role that is binding for the person, thereby keeping the concept of work distinct from that of a simple activity which does not imply juridical obligations related to a contract.

The relational approach is in agreement with this viewpoint with one proviso: The work contract must be the regulative expression of a relation which is not merely instrumental but community oriented as well. Work refers more and more to exchange circuits which involve the common good (as a relational good) of a network of producers and consumers who occupy increasingly interactive and even reversible roles.

The insurmountable limit of modern ethics (bourgeois and Marxist, liberal and socialist), and thus the structural limit of the *lib-lab* solutions which are so much in fashion today, lies in the fact that they seek the meaning of work outside its relational contents, or at least they do not see the human richness of work as a social relation. They do not see how the category of work is central when work is no longer defined as a relation of exploitation of nature, or in terms of the relationship between servant and owner, worker, and capitalist, or worker and employer, but as a complex exchange relationship between human persons and between their communities.

Ever since Aristotle's time, the West has made one fateful distinction with perverse outcomes: namely, the distinction between man's activity as a bios practicos and human activity as a bios teoreticos, the former meaning labour (tiresome and necessary), and the latter, a free and unconditioned activity ('action', as Hannah Arendt calls it). Marx drew all the consequences from this separation of them which had grown up over the course of the ages, and delineated his antithesis between alienated work and man's vital activity (menschliche Leben-

statigkeit), conscious (bewuste Tatigkeit) or free (freie Tatigkeit) activity. On this basis, through mere dialectical antithesis, he develops his theory about the end of work and of the society of work.

In reality, the Aristotelian distinctions and the Marxist antitheses, with reference to which a great part of liberal thinking has also been defined, are now behind us. These categories of thought lose meaning when we think of work as a social relation that implies simultaneously and interactively an *active life and a contemplative life (bios practicos and bios teoreticos)*, because it involves the entirety of the human person.

To liberate work in this way means to see it as an 'action among' subjects which is intersubjectively qualified. The turning point lies in the fact that work is no longer undertaken simply to obtain a salary for survival or for the production of a good to be given in commodity exchange; it is rather done to produce a good on which both producers and consumers depend for their lives. This does not happen everywhere, but only where it is possible 'to goal-orient' work.

When conceived of and undertaken in this way, work becomes not only a 'merit want', but also and above all a 'relational want'. 10 This is so not only because the system of relations for the activity that is defined as work conditions its meaning, but because work comes to consist of ('and is made up of') social relations on which all those who are involved depend.

If we start from the idea that work is a social relation, we can get out of the conceptual framework that has imprisoned Western culture in which work has been defined as an instrumental service, that is the object of appropriation and/or contract in the dialectics between servant/owner, proletariat/bourgeoisie, worker/employer.

We can then see work as an activity in exchange systems which are differentiated from one another, which have (or could have) different forms of currency, with different rules of equivalency, commutation, and redistribution. What we usually call 'money' is only *one* of the possible forms of *instruments of credit* for acquiring goods and services. The differentiation of society brings with it the rise of differentiated spheres with their own symbolic codes of transaction and thus with their own 'currencies' and rules of exchange. These spheres are not necessarily separate but can (or could), in turn, also be associated or reach an agreement with one another through further forms of exchange which would make goods and services accessible to all the members, through forms of conversion of the individual currencies in force in each relational sphere where work takes on its own means of being carried out, organised, and valued.

The idea of the Citizen's Minimum Wage is not only compatible with this view of things but favours it. In fact, supposing that individuals can enjoy a minimum income in cash, they could add to this income a whole series of 'instruments of credit' (other forms of money) which each person obtains through his or her activity in various spheres of life and work, in the form of access to benefits, goods, and services that are not and cannot be given monetary value.

The transition process to this new economy of work is favoured by the fact that in the exchange spheres, regulated on the basis of those activities that are different from work in a traditional sense (occupation is the principal source of income), the social relation which work expresses in a broad sense (and which is contained in it) is revalued and enormously strengthened. Here the work-relation becomes a good in itself and a dimension comparable to other dimensions in terms of the usefulness and of the 'money' (instruments of credit) it provides.

This perspective can be criticised and opposed by one fundamental objection which still expresses all the abstract and mechanical weight of modernity. The objection states that monetary money (the instrument of credit expressed in currency) is far more advantageous than all the other forms of 'money' because it has the quality of abstraction, i.e., it can be exchanged with any other good without being subordinated to relational conditions. Indeed, it works precisely on the condition that it can be transferred only if it maintains or

increases the possibilities of being used without any extra-economic bond, i.e., if it increases the conditions of communicative contingency.¹¹

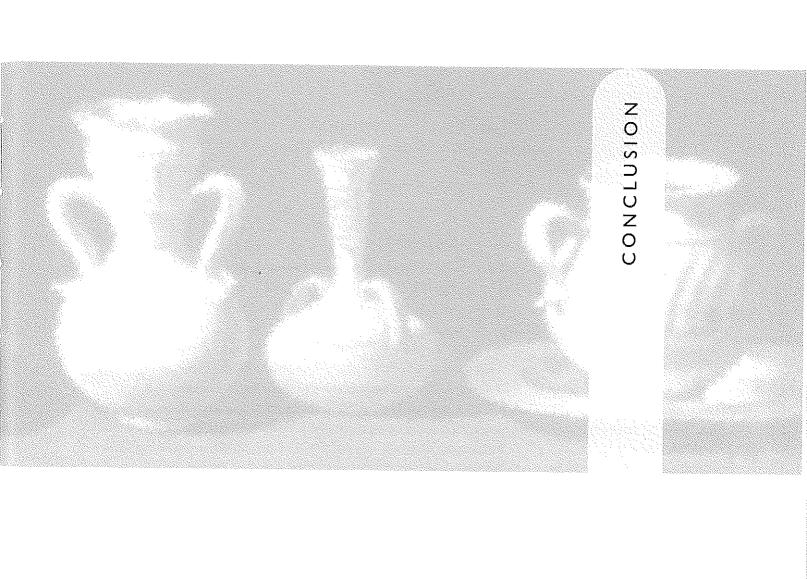
However, in my opinion, the objection is not seriously detrimental. We can keep the advantages of 'money' as a generalised, symbolic means of exchange, produced as an 'evolutionary universal' by modernity, while giving life to new systems of exchange, different from the typically capitalistic market. This can be done for some good reasons.

First, because the process of unlimited financing of the economy through currency produces perverse effects (for example, the phenomena of instability of world financial markets are well-known and the ruin of entire areas of the globe through simple monetary decisions taken in places which have no relation to the areas involved in the financial movements). These perverse effects indicate that there are thresholds beyond which the extension of only one currency, on a worldwide scale, should not go.

Second, because forms of generalised use of non-monetary instruments of credit can also be found (for example, the time used in 'time banks' could be transferred from one bank to another).

And, third, because the balancing between the abstraction and concreveness of instruments of credit can be more appropriate in areas of exchange, precisely where we want to limit the commodification of what is exchanged, as in the case of merit, positional, and relational goods, and in general of non-negotiable human goods (non-marketable).

In brief, thinking that systems of exchange can be created with different forms of money does not mean that work can be recognised only if it pertains to a specific social group or to particular, limited, and exclusive social circles. Of course, opening up the 'economy' to the relational dimension does not imply going back to an economy of barter. On the contrary, it means inventing postmodern forms of complex exchanges in which work itself is seen as a complex activity entailing management of one's own time in differentiated spheres. It means holding that work can be valued to the maximum degree as a relation with a *sui generis* meaning.





EDMOND MALINVAUD

President of the Pontifical Academy of Social Sciences

Introduction

THE PREVIOUS PAGES present the results of the scientific interchanges which took place during the Academy's plenary sessions of March 1996, April 1997, and March 1999. These meetings were geared towards directing a contribution of social scientists to the dialogue that the Church wishes to hold with them so that she can develop her social doctrine. These pages do not conceal the presence of differing views within the Academy in relation to some issues. But they exhibit a high degree of unity about objectives and sources of inspiration within the Academy, as well as agreement on a large number of points.

The Academicians accept the idea that this doctrine, as expounded in the first chapter of this book, needs further elaboration because of changed circumstances, such as increased female participation in gainful activity, the shift in the nature of work in developing countries, the spread of mass unemployment in developed countries, the impact of information technologies, the increasing role of education—which is both valued for its own sake by workers and required for jobs offered by employers—the new need for flexibility in productive and commercial activities, and the importance of globalisation and of financial markets. Catholic teaching should also be developed in order to adapt it further to modern societies, which give a lesser role to government and a greater one to private corporations and private associations.

The Academicians recognise the serious limits to their scientific understanding of all these phenomena, which challenge their disciplines as much as they challenge Catholic doctrine. They believe, however, that the established results of scientific research can in many cases provide valid inputs into the development of this doctrine.

Ethical Principles³

For human beings work and employment are not only means by which to obtain an income and satisfy consumption needs. Work should also be, and is often perceived to be, a contribution to creation. Employment is more and more seen to be necessary to the full integration of adults in society. Work and employment are thus parts of the requirements for human dignity, a value to which the Academy attributes high priority. Conditions

must be sought, under which the opportunities to achieve personal fulfilment in and through work could be offered to all those who, out of personal choice, are ready to accept the terms which prevail in their society. Such is the inspiration behind the affirmation of the right to work understood as 'a standard of achievement' (U.N. Declaration of Human Rights).⁴

Respect for human dignity also justifies the legal protection of workers against exploitation, and more generally the importance of a good system of labour laws. Such a system must be implementable in the long run, a requirement imposing, in any socioeconomic regime, limits which must be identified. Indeed, some legal rights formally granted to workers might otherwise turn out to have unwanted effects which are detrimental to labour, in particular when they strongly conflict with productivity, and hence with obtainable standards of living.

Similarly, concern for the fulfilment of human dignity by future generations should never be neglected by human societies. Considering the uncertainty of future living and working conditions, respect for this ethical principle may call for prudence when present-day institutions and structural policies are decided upon: what is decided now must be suited to future needs, even under unfavourable scenarios concerning, for example, demographic and economic trends.

The social doctrine of the Church asserts the primacy of labour over capital. The Academy accepts this principle and wants to emphasise its main justification as follows. Whereas both labour and capital contribute to the production of goods and services, work has an extra value for human fulfilment and dignity. Labour should never be seen as just an instrument, on a par with capital which is usefully employed. The dignity of labour also requires, other things being equal, that the most productive techniques be applied; this requirement imposes a due recognition of entrepreneurship without which these techniques would not be implemented, and of capital as a factor of production, indeed an important factor in most of these techniques.

The old dichotomy between labour and capital may hide the increasing importance of knowledge and information in making production efficient, and of the importance of education in making labour valuable and able to move from one job to another when this is justified. Knowledge, a part of the 'intangible capital' of the production unit which has acquired it, is intimately related to the education with which the labour force is endowed—its 'human capital'. The quality of human capital does not depend only on what has been learned in the past. It also depends on the ability of workers to assimilate new information or new skills, and more generally on their ability to adapt to new circumstances. Since education and adaptive abilities also contribute to personal fulfilment, the Church may have to state explicitly how the primacy of labour over capital applies to 'knowledge capital' and 'human capital', and with due recognition of the fact that unskilled labour is most in need in terms of the assertion of, and respect for, human dignity.

Whatever the case, tensions exist between the fulfilment of these various ethical principles, as well as between them and other human objectives, because such principles and objectives may de facto conflict with each other. Since sciences are expected to be the best reference for judging what is feasible and what is not, the main role of the Academy should be to indicate the extent of feasibilities and to identify the trade-offs between competing objectives.

Work and Employment Patterns Today

Descriptions of present patterns of work and employment throughout the world are now documented in many sources, where rich statistics, many relevant research findings, and a large number of in-depth studies can be found. This synthesis cannot claim to give a comprehensive summary of this extensive and already much analysed material. It will rather make three kinds of comments rooted in the particular concerns of the Acad-

emy. It will firstly point to the diversity of present-day situations, which prevail even amongst neighbouring societies, and to the multiplicity of the causes that seem to explain this diversity. It will secondly consider some aspects to which the Academy thought it had to pay particular attention during the initial phase of its activities. It will finally mention two forms of activity complementary to the preceding material. This should suffice in order to hint at a synopsis of the main deviations between concrete realities and the fulfilment of the ethical norms promoted by the Catholic Church.

This synopsis will be broad enough to be fairly immune from a difficulty well-known to social scientists, namely that the observation and description of facts depend on concepts and analytical categories which cannot be perfect. Because social realities are very complex, any observation or description has to simplify. In our disciplines the risk of misleading simplifications is kept in check not only by scientific ethics but also by a carefully worked-out standardisation of concepts and categories—a standardisation which evolves as facts are better-known and new questions are raised about them. Our Academy has to pay great attention in its work to the problems of conceptualisation, but this is not the place to dwell upon them.

- 1. When we look at the basic features of human work across the various countries of the world, and at the main developments experienced in the past by some of these countries, we are immediately struck by important disparities. Some are obviously related to the level of economic development, which differentiates many rural communities of the third world from Western affluent societies. It is even sometimes argued that problems of work and employment only concern the latter societies, whilst, at the other extreme, economic growth is held to be the sole central challenge faced by poor countries. However, important disparities also exist between societies which enjoy similar levels of per capita income: disparities between rates of participation in gainful activity, between types of employment, and between the respective importance of unemployment. Many of these disparities are not economically determined, but are, rather, the result of the quality of government and very often, to an even greater extent, of cultural differences.⁵
 - Whether in developing or in developed countries, the division of work within the family interacts with the patterns of paid work in the private and public sectors of employment. The disparities which exist in this area, even within Western Europe, and the part to be played by public policies, are not so well understood. This is why the Academy welcomes research projects which are now underway in order to clarify the facts and the issues.⁶
- 2. A very significant and disturbing trend, in many regions and parts of societies, is decreasing social integration caused by the nature of employment. It is linked with other aspects of cultural, social, and technological change: the glue of social cohesion weakens, mutuality and trust are less widespread, and family links decline. In many cases relations at the workplace become more impersonal and new flexibilities in the management of firms are deemed to be required. These trends interfere with the fulfilment of individual liberty, interpreted as the capacity to choose between contingent alternatives, and more generally with the political life of democracies.⁷
 - In the twentieth century new forms of organised solidarity and welfare provisions appeared and developed to their present state. These differ greatly from one country to another but are nowhere yet considered to be satisfactory and sustainable. A central premise on which each system was built was a certain concept of social normality, particularly with respect to work and employment. The meaning of the concept was often interpreted differently, for instance with respect to the place of lifelong employment. The adequacy of the concept has been challenged by the difficulties of its implementation, particularly in relation to those working in the large informal sectors of poor countries and, at a worldwide level, in relation to the unemployed, who often feel they are denied the right to work.⁸

3. In addition to these aspects, which have been the objects of special attention by the Academy, many others reveal deviations of realities from the ethical norms we would like to see respected. A full list would be too long but in order to put a few other signposts on the road of progress we will quote here two groups of equally disturbing facts which have been fully documented by research in the social sciences.

Different jobs are not perceived as equally compatible with human dignity. In the same jobs the dignity of different people is not equally respected. The hierarchical allocation of labour sometimes conflicts with dignity. More generally, dignity goes with trust in labour relations, a trust that is all too often absent. Recently such deficiencies have been worsened by the diffusion of new managerial norms or practices which pay decreasing attention to respect for employees.

Within any society the allocation of labour is inefficient whenever and wherever unemployment is high. Indeed, we can witness at the same time in many developed countries both a large number of unemployed persons and an acute lack in the supply of adequate services to many, such as mothers, children, and elderly people, who are in urgent need of care.

Moreover, the inefficiency resulting from unemployment can easily lead to unfairness because in markets in which one side is subject to a rationing constraint discrimination may become acute. Such discrimination mainly hurts those living at the periphery of society, such as immigrants. New entrants in the labour market also suffer more than others when there is high unemployment. This has dramatic effects for some young adults, who, and this is particularly the case among the unskilled, are not integrated into permanent work broadly desired for many years.

Unemployment is endemic in most less developed countries. The problems just referred to have been magnified considerably in such societies, particularly where rapid urbanisation has destroyed the social fabric which used to maintain the forms of solidarity supported by traditional culture. The Academy knows that it has not as yet adequately studied the realities of the third world. It is conscious of the high priority that these realities should now receive in its studies, especially with respect to work and employment.

The Background to the Search for Just and Efficient Solutions9

Moving now towards the search for more positive contributions intended to develop the social teaching of the Church, it is evident that we have to be clear about our approach. In the first place, given the nature and function of our Academy, our methodology has to be multidisciplinary, hence we must not only combine the relevant findings of the various social sciences but we must also find proper compromises wherever these sciences do not agree with one another about their foundations. We must then stand back from the overly narrow visions which are accepted by some scientists in our disciplines. For instance, in relation to issues and questions concerning employment, we must draw upon the many contributions made by economists to this area but at the same time we must be careful to select those contributions which are valid for scientists who, contrary to some economists, identify human motivations other than mere self-interest in socioeconomic relations.

This being understood, our proposals about how to remedy, in as effective a way as possible, the present deviations from sound ethical principles are based on our diagnosis about the causes of these lapses. The diagnosis inspiring this synthesis is fairly analytical and varies from one aspect of present conditions to another. It arises from the deliberate choice of an approach which must be stressed and justified. The alternative, which is to pose questions to our disciplines so as to find in them a single holistic explanation for all these aspects simultaneously, is favoured by some scholars, but hardly ever leads to explanations which would be sufficiently substantiated to appear convincing to scientists.

1. Some believe that the troubles come mainly from the globalisation of the world economy and from the constraints it imposes on national policies. Globalisation, indeed, is a major phenomenon in the modern world. In particular, it brings us closer to the unity of mankind, a basic tenet of the social teaching of the Church. It also increases international dependence, which reduces the roles of national cultures and of national governments. Indeed, it increases the role of the transnational media, transnational companies, and transnational associations, and particularly of those which have abundant economic resources and may be motivated or constrained by economic considerations. We in the Academy realise that studying globalisation in all its dimensions is also a priority on our agenda, all the more so because there is a great demand for such a study within the Church. Indeed, in a few years time we hope to be able to publish another book similar to this one but specifically devoted to globalisation.

However, even though attention must be limited here to the implications for work and employment, the consequences of globalisation per se, in developed economies and in developing economies alike, are far from being one-sided. The analytical approach should allow us to identify these many consequences. It should also provide the knowledge required if and when the search for just and efficient solutions in the global economy is reassessed.¹⁰

Some believe that the blame should be placed on the 'paradigm shift' from the mixed economy, favoured fifty years ago in many political programmes, to the 'laissez-faire' model as an ideal for the global economy. On another occasion, the Academy will indeed have to analyse the shift of prevailing views about the respective virtues and deficiencies of alternative economic systems; it would be premature to prejudge here the conclusions that will follow from this analysis.

At this stage let us first note that present institutions vary a good deal from one country to another and are nowhere simple applications of the laissez-faire model. Second, let us draw attention to the fact that a substantial later part of this chapter is devoted to the examination of the role of present institutions, in relation to labour of course, but also in relation to capital, particularly through the mediation of financial markets in the global economy. Once again we believe that the analytical approach, which ought to remain close to facts and to avoid ideological bias, is the most appropriate to the transmission of the knowledge derived from our scientific investigations.

- 2. The choice of an analytical approach is related to an issue which bears more directly on the choice of a strategy for reforming institutions and policies. Reading some protests against the present state of the world, people are naturally led to wonder whether the institutional, legal, and regulatory framework of human social life ought not to be wholly reorganised. None of the social sciences has any blue print to offer for the reorganisation that should be implemented in accordance with this view. The history of the twentieth century, particularly in poor countries, even leads us to adopt a severe judgement on political changes inspired by the wish to radically remodel social organisation.
 - Equally, none of the social sciences supports angelic satisfaction with respect to present conditions of work and employment. As is shown above, the century which has now come to a close leaves much to be desired in this respect, when it is seen in the light of widely accepted ethical norms. If, therefore, attention turns to the social sciences this is in order to find analyses and results that may suggest ways by which to achieve just and efficient solutions to present deficiencies: the building of specific new institutions may appear advisable for well-identified needs; reforming other institutions may be found similarly justified and some policies may have to be reoriented. Our sciences, indeed, have contributions to make, which should be valuable to those ends, either directly or, more often, indirectly. Such is the general framework within which the Academy is attempting to offer useful testimony on a number of issues.
- 3. In order to improve upon the present state of affairs, changes in social attitudes and norms, the reform of institutions and the reconsideration of policies, ought to take account of a complex set of conditions. Yet

the complexity is such that scientists themselves do not have a clear idea of the set of required conditions and disagree somewhat in the advice they offer. They are, however, in sufficient agreement on some approximate signposts pointing towards improvement. They are also lucid enough to recognise and explain where their disagreements lie.

In this spirit the Academy examined more particularly how human societies might remedy or reduce discrimination in access to paid work and unemployment with all its detrimental consequences. As will appear below, such an examination revealed potential conflicts of objectives involving the priority assigned to work and employment as against other social priorities. The trade-offs ought, therefore, to be well-identified and well-evaluated, a subject in relation to which some indications will be given.¹¹

Institutions for Access to Work for All, With Equal Respect for Individual and Family Choices

Postponing the attention to be given later to high levels of employment, we begin here with other conditions for the fulfilment of the right to work, defined by the content we are giving to it, that is, essentially, as 'a faith to be maintained' in relation to what legislators and governments have to achieve in the field of employment in order to give due regard to the dignity of all people under their authority. There are indeed impediments in various societies to this right, and forms of discrimination, which usually reflect collective mindsets and prejudices; they may also reflect ignorance of the conditions of life of those against whom forms of discrimination de facto occur.

1. The reform of laws and regulations which imply explicit discrimination are clearly required, but often this does not seem to suffice. In order to find out what more ought to be done, a closer examination of the actual situations of a number of social categories is also necessary, together with a pragmatic discussion of alternative solutions. Discrimination especially with respect to sex, race, and nationality were discussed within the Academy. The new level and forms of the participation of women in the labour force reveal more generally new attitudes in many countries with respect to involvement in the workplace and in the family. New demands are formed in relation to conditions of work, the services available to families on the market, and publicly provided services. Simultaneously, techniques of production allow more flexibility in the organisation of activities, while, in addition, consumers request that this extra flexibility be often used to their advantage. This new context requires a reconsideration of the norms governing patterns of work and employment, which may, however, just be remnants of older patterns. Situations vary greatly from one part of the world to another, but to a larger or smaller extent forms of discrimination can be identified in all countries.

As for women more specifically, the guiding principle should he to leave individuals free to choose between a large range of admissible options: work in the home or work outside the home, paid or unpaid work, in one occupation or another. The organisation of work patterns and work regulations are frequent impediments to such a choice; the status of part-time work is just one case in point, one which we will say more about below. The difference with men represented by the fact that women are also mothers is often ignored, whereas their work as mothers has great value, even from a purely societal viewpoint. The social teaching of the Church has rightly already drawn attention to these principles and facts, although it has continued to be centred on the male bread winner and his earning of the family income. People have paid too little attention to this subject. Indeed, in large parts of the world the reason why women now suffer de facto discrimination lies much less in political and economic incentives than in attitudes, which evolve slowly or which become distorted in a way which is hostile to the obligations of family life.¹³

With regard to race discrimination in employment, ¹⁴ which is widespread, lessons can be learned from the long experience of the U.S. in relation to positive discrimination in favour of nonwhite workers. Some of the intended results have been achieved. A difficulty comes however from some perverse consequences for the processes of social integration, either because of the weakening of incentives to which beneficiaries would otherwise have responded, or because of induced hostility in the attitudes of others who perceive the advantages granted by positive discrimination as being unjust. Great attention should again be given to attitudes or cultures, in particular as they bear upon direct social interaction, and to whatever can influence them, either positively or negatively.¹⁵

What can be said about the right to work and race-minorities extends in many countries to the rights of migrant workers, where, however, there are extra difficulties due to the restrictive nature of migration laws and regulations and to the presence of long-term illegal immigrants who often have no other opportunity than that of staying in the host country. This is a very difficult issue which we could not tackle fully. We want, however, to draw attention to two relevant considerations. First, although it may be a side issue, we stress that migration can only play a subsidiary role in the required comprehensive strategy that could contain international development disparities: large-scale manpower transfers are unlikely to be accepted in many developed countries and many people who suffer deep poverty in developing countries will not migrate. Second, we are impressed by the apparent success of the Australian ideology and policy of multiculturalism, which is based on four basic principles, all of which are essential for a sound multicultural society: social cohesion; respect for cultural identity and awareness of cultural diversity; equal opportunity and access for all; and equal responsibility for commitment to, and participation in, society as a whole. 16

2. How to allocate time between gainful work and other activities in such a way as to most satisfy the right to work, in addition to the fulfilment of other human needs and values, is an important and complex issue. Many proposals exist in this field, of various levels of aspiration, reasonably applied to either a near or a more distant future. Quite a few of these proposals deserve serious attention and indeed may open up the way to the positive development of work patterns.¹⁷ Below we limit our comments to the most commonly discussed proposals. Before doing so we plead for a broadening of the scope within which discussions ought to be placed at a time when aspirations are changing and when new possibilities are being opened up by the advance of modern technologies of information and communication.¹⁸

In the long run reductions in working time, which absorb about one-third of per capita productivity gains, seem to respond to a natural collective choice. Problems exist, especially for women, in the organisation of work schedules, which often have to be shared by a more or less large number of workers. Among the changes to be promoted we particularly highlight a significant upgrading of the quality of part-time jobs, in terms of schedules, wages, rights, career opportunities and so forth. In order to achieve such changes without detrimental effects on overall employment, labour costs have, of course, to be maintained within appropriate limits, a problem which will be more generally discussed in 'Trade-offs and Conflicts between Objectives'.

According to some authorities on the subject, work-sharing and work-time reductions are the only thinkable answer to mass unemployment. The long-term record does not validate such an approach. In the short term, however, some temporary measures or the acceleration of some long-term trends will be helpful, but only if they can be implemented in such a way as to avoid endangering the viability of some, albeit a very small number of, enterprises.¹⁹

3. Clearly, complete labour market deregulation would conflict with the dignity of workers. Some reform of labour laws, labour market regulations, or social norms concerning labour are advisable in order to draw lessons from past experience and to take new circumstances into account, in particular the emergence and diffusion of the new technologies of information and communication.²⁰

Modern patterns of production and of living lead to an increased rotation of jobs and to an increased mobility of labour. In order to sell on increasingly competitive markets, firms look for low labour costs and high labour flexibility. These trends and the resistance opposed to them by workers may give rise to different final outcomes: They may lead to a proper adaptation to new conditions, but they might also result either in poor economic performance, or alternatively in the exploitation of workers, if revisions of laws, regulations, and social norms are not geared in order to permit adaptations and guarantee a sound core of labour protection.

4. In many countries today labour unions seem to be too weak to represent workers effectively both in this movement of reform and in the day-to-day management of activity. This change challenges the social teaching of the Church, which has always appreciated the role played by unions in advocating workers' rights. For this reason, a correct diagnosis about the present situation and about the nature of future prospects is crucial.

It can be argued that the social teaching of the Church is based on the traditional view of a sharp distinction between capital, which is in command of the working process, and labour, which has to carry out that process. This view increasingly fails to describe the modern production process in the wake of technical progress and organisational changes which lead towards more team work, less hierarchical structures, and more self-responsible units. These changes have two important implications. First, they blur the former neat dividing line between capital and labour, at least with regard to a wide range of activities. Second, the conditions applying to labour and the position of labour increasingly vary as regards qualifications and experience, and depend, in addition, on the individual company or management. Faced with these implications, unions may accept in one way or another new forms of involvement in the decision process.

ļ

Some observers note that at this time of change in the methods of management new forms of worker representation can be envisaged which offer opportunities for a revival of labour unions.²¹ Some even say, adopting the same approach, that there is a need not only for a greater participation of workers in decisionmaking but also for the disciplined self-regulation of unions in collective bargaining, for a reconciliation of flexibility with worker security, and for making the best out of bad jobs.²²

Others argue that trade unions no longer have the capacity to represent labour as a whole with a one-size-fits-all policy, but that this weakening of the unions' role does not necessarily imply a deterioration in the relative position of labour, which on the contrary, benefits from its upgrading in the production and information process, and from opportunities opened up by the increasing variety of jobs and working conditions. Following this line of argument, it can be further argued that, if widely applied in labour relations, the subsidiarity principle could set the conditions for the creative discovery of new arrangements and adaptations in ways which are superior to what can be achieved by planning from the top.²³

Institutions and Policies Favourable to Employment

Understandably, social scientists have widely debated and investigated the question of how we can know which institutions and which policies are most favourable to employment. Since the question is very relevant but also very complex when analysed closely, we should not be surprised to realise that disagreements continue among scientists on some important points. Research results, but also scientific disputes, have influenced policymakers and their advisers, as is evident, for instance, in the publications of the main nongovernmental international organisations.

This state of affairs should not be concealed from view in the dialogue between social sciences and the social doctrine of the Church. Indeed, it is precisely in this area that disagreements among our Academicians

should be recorded. Hitherto the Academy has been in a position to survey only parts of the whole domain to be covered. Hence this synthesis cannot seek to present more than a preliminary and incomplete exploration of the question of how we can know which institutions and policies would perform best in certain human and physical environments.

- 1. The performance of countries which provide good levels of employment to their populations is correlated with their more general success on the economic and social front, a success whose conditions are much better understood now than was the case three or four decades ago. This particularly applies to developing countries, the most successful of which have taken advantage of the development opportunities offered by markets and private initiatives, while simultaneously improving the role of government. This latter element is now viewed as being far more circumscribed than was the case in the command and control approaches of early planning literature—far more circumscribed but also much more diversified because of the myriad of indirect ways in which government action can affect economic activity and social welfare. Two dimensions of the correlation between employment performance and overall performance are particularly worth mentioning. First, good levels of employment require that government assumes its macroeconomic responsibilities and achieves a high degree of stability, however difficult circumstances may be; macroeconomic stability more generally contributes to a greater satisfaction of most human needs. Second, many social programmes which expand human capabilities, in the broad sense given to this phrase by Sen,²⁴ also enhance the prospects for employment growth. This applies particularly to the development of education. The skill of the labour supplied by the population has rapidly increased and keeps on increasing in many parts of the world, thus permitting living conditions to improve with the new possibilities
- 2. One issue which is debated is how we should judge the development, increasing role, and globalisation of the financial markets. On the one hand, finance has never been popular because it may offer opportunities for high profits which few people are ready to consider as being fair ex post, and also because at times it imposes hard constraints on debtors or on those in need of money. Today such constraints extend to corporate governance and are often perceived as forcing the management of firms to engage in antisocial behaviour towards their personnel.²⁵ On the other hand, financial markets provide valuable services for productive investments and more generally for all activities which have an intertemporal character or a risk-taking component.²⁶

efficiently. This is something which will have long-lasting detrimental effects.

opened up by technical progress. However, in some developing countries education is neglected: either the schooling system is not properly maintained or educational policies are misdirected and funds are not used

As sketched here, the dilemma bears on the basic structures of the economy and society, and concerns in particular the roles and destinies of labour and capital. No doubt this subject deserves major attention in the dialogue between social scientists and the Church. Indeed, it raises ethical questions,²⁷ as well as questions about facts and phenomena. The intentions presented in "The Background to the Search for Just and Efficient Solutions" make clear that the Academy sees its main role as being the investigation of facts and phenomena. It has to pursue this investigation more than it has hitherto done,²⁸ and before engaging in a serious examination of possible implications for institutions and policies.

In order to take all the relevant dimensions of the dilemma into account, we have to be conscious of the inherent, and at times destructive, instability of financial markets. The globalisation of these markets may make them more efficient in their handling of credits and risk-sharing, but it also tends to make these markets more unstable. Devices have been proposed in order to reduce such instability, such as the tax advocated by Professor Tobin, and these are ideas in which the Academy is certainly interested. Its implementation requires, however, a higher degree of international cooperation than seems to have been feasible so far.

More generally, an important aspect of the dilemma lies in the enormous practical difficulty of setting the conditions for ensuring an appropriate functioning of financial markets in a world marked by the advanced globalisation of markets but only weak political globalisation. Were it not for this difficulty, we would be in a better position to examine the economic and social side of the perspectives opened up by the encyclical *Centesimus Annus* which calls, specifically with regard to economic globalisation, for 'increased co-ordination among the more powerful countries' and for an equal representation of 'the interests of the whole human family' in international agencies.²⁹

Again our concern about the dilemma assumes particular intensity when applied to the situation of developing countries, where foreign private investments have often been very volatile, and where markets have at times imposed very unstable exchange rates and very high interest rates. Even recently some countries have found themselves suddenly faced with massive flights of capital, heavy increases in the real burden of their foreign debt, and a struggling domestic banking sector. Although the reasons for this were partly beyond their control, these problems nonetheless severely damaged employment. At such times, the international public financial community has often provided financial assistance but in a manner which is believed by some to have benefited international investors more than the people living in the countries undergoing the crisis.

- 3. Unemployment is often asserted to be due to excessive rigidities in labour markets and to the excessive government regulation of these markets. Rigidities and regulations are natural in markets faced with the enduring attachment of people to their work and where there are opportunities for exploitation of the employee by the employer. No responsible government will ever forsake all labour laws and fully deregulate its labour markets. Regulations may be excessive, for instance if they prematurely impose a set of rules exceeding that which the state of development of the economy could accommodate.
 - In order to make more enlightened choices within the admissible range of labour market regulations, a number of social scientists, particularly economists, have conducted detailed research into the various effects of many kinds of rigidities and regulations. Such research has produced interesting results. Unfortunately, in addition, the conclusions to be drawn from them are not clearcut, both because assessments of effects is seldom precise and because it is often the case that several significant effects are found to occur simultaneously, some being favourable and some being unfavourable. The next part of this synthesis will be scarcely more precise in relation to what is known today about some of the trade-offs between objectives, especially about those trade-offs concerning labour market regulations.

j

4. More definite conclusions are reached regarding the question of which macroeconomic policies are favourable to employment under various circumstances. However, academic teaching in macroeconomics went through a period of turmoil after a time of the naive enthusiasm for Keynesian theories. Moreover, the deduction of good macroeconomic strategies from theories is not a simple operation because the effects take long to mature and decisions are made within a political process that obeys its own rules. Thus public credibility in even a favourable policy cannot be taken for granted. The problem is particularly difficult when these macroeconomic strategies have to be part of wider political strategies, for instance those involving international unification.

Nevertheless, there is a broad consensus among economists on certain indispensable guidelines. The medium and long-term stance of fiscal policy must comply with the ethical principle of the need to preserve sustainable economic foundations for the coming generations. That requires, in particular, keeping the market economy viable and avoiding excessive public indebtedness. While fiscal policy should often accept a growing deficit in the short run when economic expansion decelerates, the lasting promotion of employment can only be successful if it contains credible measures which tackle existing structural problems. Monetary policy has a special responsibility for internal price stability, which is indispensable for fair

economic relations. Experience shows that conflict with the goal of high employment only arises in situations in which persistent inflationary expectations already exist because of an earlier unsatisfactory record concerning price stability.

Trade-offs and Conflicts between Objectives

What can be said today about trade-offs which may exist between, on the one hand, objectives directly concerning employment, and on the other hand, between some similarly valuable social objectives? A few relevant alternative objectives were considered by the Academy: the fight against inflation, the purchasing power of wages, the public redistribution of incomes, and the protection of workers. It turns out that in most cases a static analysis does not suffice because some of the effects involved in the conflicts examined have an important time dimension: trade-offs often exist between present and future achievements.

- 1. Macroeconomic employment policies are often faced with the risk that they will fuel inflation. The dilemma has been much studied in economics and is now better understood than in former days. It mainly concerns medium-term effects, in five to ten years, because in the short run the acceleration of inflation due to pressure of the demand for labour is small, except in countries which have recently proved to be inflation-prone, and in the long run inflation rates do not correlate with rates of unemployment. The phenomenon also involves other characteristics of the economic situation, which means that the dilemma has to be evaluated in its context.
 - A major issue raised by this dilemma is to know why governments should fight against inflation. There are economic costs to inflation, but they look small as long as inflation remains moderate. However, even at low rates, the depreciation of the monetary unit appears as a breach of the justice that governments must guarantee citizens in the implementation of their private contracts. Overall, most economists would say that countries faced with a risk of inflation have to be careful in their macroeconomic employment policies, but that a low rate of inflation is compatible with the sound functioning of markets.
- 2. The social doctrine of the Church has been concerned with ensuring that employees have a just wage, which is of course legitimate in individual contracts. The concept has also been understood as bearing on the average real wage rate in a country. As such, it is not very useful because, on the one hand, the wage rate in question is determined within a rather narrow band, by what average productivity happens to be in a country and, on the other hand, when the current wage rate is at the higher limit of the band, productive investment projects have to be postponed, cancelled, or distorted. Indeed, a higher wage rate fuels the process of substituting labour with capital and leads to the dropping of less productive activities. This reduces employment opportunities even if the average productivity of the employed person rises.³⁰
 - More relevant is the question of justice as applied to the wage scale, particularly between skilled and unskilled labour, and particularly where and when technical progress and international competition leave no other choice than that of widening the wage scale or allowing an increase in unskilled unemployment, the situation experienced in the 1980s and 1990s in OECD countries. The best way out of the dilemma for the living conditions of poor families is to be found through a revision of the schedules of taxes and public transfers. The Academy studied with interest a number of proposals made in this area, and even of reforms which have been recently introduced. They do, indeed, seem to open up better prospects.³¹ Among existing proposals, some involving the introduction of a 'universal basic income' appeared particularly promising to some Academicians, and their modalities of formulation and implementation ought to be studied in greater detail.³²

3. This group of proposals brings to light one of the links between employment and the public redistribution of incomes. There are also other links with what is broadly meant by 'the welfare state'. Overall, they generate major dilemmas as regards the future of this system. We do not have much to say about them here because the Academy has not yet undertaken their systematic examination. Let us simply observe that present research about the welfare state seeks to evaluate not only its redistributive effects but also its many incentive effects. Some of the latter are held to be favourable, but many others appear to be unfavourable. Quite a few of the unfavourable effects could be avoided, or at least mitigated, by a more effective monitoring of beneficiaries or by a greater supervision of their rights. Such a line of action conflicts with prevailing notions of individual liberty and confidentiality. It is therefore hard to decide how the welfare state, which is challenged by these notions, by the decrease in the stringency of public morality and by increasing needs, should evolve, while maintaining the hard core of its obvious civilising properties. This is why the Academy wants to devote more attention to this question on another occasion.³³

Similarly, labour market regulations seek to protect workers. The reform of these regulations, in order to adapt them to new circumstances, also has to face difficult conflicts with regard to objectives. Knowledge about the terms of the trade-offs between the respective advantages of increased flexibility and workers' protection is still fuzzy. Again incentive effects matter and are difficult to evaluate. For this reason, the much debated issues raised by the revision of labour laws and regulations should also be examined later by the Academy.

However, simple summaries of whatever has been learned over the years about these trade-offs suggest that the founders and developers of the welfare state and of labour regulations often ignored negative impacts on efficiency, which we now find to be probably quite substantial. A lower efficiency in a country eventually means a lower level of consumption of its inhabitants. Should that be the determining consideration? Certainly not, if the utmost priority is given to the right to work and to the dignity of the working person. This is why we tend to recommend prudence in whatever revisions may be introduced into labour laws and the main institutions of the welfare state, where these are much advanced. But we must also stress that at least some adjustments to changing conditions, due in particular to demographic trends, are unavoidable in this area.

The Culture of Work: From Social Initiatives to Intellectual Perceptions and Spirituality

After their systematic survey of the many issues which motivate research on work and employment, our Academicians wanted to enlarge the scope of their investigation. Indeed, neither people nor their communities consider work as just a means by which to satisfy individual and family needs. There is much more to work, viewed as participation in Creation and in the life of society. Since ancient times, humanistic cultures have given recognition and meaning to work activities which take up a great deal of our time. Such cultures shape rights, duties, responsibilities, and solidarity between close or distant partners. Usually supported by religious faiths, work cultures have fostered incentives for women and men to ensure that they are devoted not only to their gainful regular tasks but also, and voluntarily, to the service of others. Similarly, work cultures have inspired individual initiatives geared to the fulfilment of social needs, at times creating new methods of overcoming poverty, exclusion, or lack of employment.

The Academy recognises the importance attached by the social teaching of the Church to this cultural dimension and to the spirituality that ought to underlie it. The first chapter of our book shows this importance perfectly, particularly in Parts II and IV. From our experience as social scientists we also know that cultural elements are present in the vocations held by many of our colleagues. The cultural dimension should thus point to an effective path to fertile dialogue.

However, at least at this stage of its life, the Academy can only issue a relatively few well-articulated testimonies concerning the culture of work. This may be because of its wish to be immediately useful in relation to what often seem to be more concrete problems of work and employment. It may also be because the social sciences are not themselves ready for dialogue on this front:³⁴ they do not cover the whole philosophical field involved in reflection on cultures, and most of their research is deliberately phrased in positive terms, that is to say, in terms that are as meaningful in a purely secularised culture as they are in a more humanistic one.

Rather than trying to be complete, this synthesis will put together a number of ideas which often surfaced in the Academy's discussions and went beyond the specific points then considered. In this spirit it will be suggested that many ongoing changes affecting jobs and employment have, or are likely to have, cultural implications. These, however, are not at all easy to detect. Attention will be drawn to some welcome features in the present trends of work cultures; and signs which might show a growing potential for social initiatives will be identified. Tensions, however, have to be recognised between three types of visions of work: the secularised, the humanistic, and the religious.

1. Without doubt, we are living through a period of rapid change as regards the place of work in people's time, in the nature of the work which is performed, in the organisation of jobs and in the contractual arrangements between employees and employers, and so forth. From traditional agriculture to modern farms, from the predominantly industrial structures still prevailing at the middle of this century to the present service economies in which information and communication technologies are used everywhere; from the rigid time schedule of the assembly line to the continually reshaped patterns of adaptation to new circumstances, many changes are taking place. As a result, the whole life of workers and their families is affected and perceptions about the professional environment are frequently disturbed.

As is explained in this book by Calvez, these changes challenge the social teaching of the Church. They also challenge the social sciences, which have to analyse a great number of trends and understand their implications. This is all the more the case because some of these changes are perceived as backward steps in terms of what was previously achieved and thought to be permanent, whereas some others appear to be positive. But distinguishing which changes belong to which category, and why, is not always self-evident. Detecting the general impact of new changes on mindsets often requires choosing between two or several interpretations, a situation which is embarrassing when we realise that many paths exist by which to adapt, for instance, to new technologies.

In his contribution to the fifth plenary session of the Academy, Lyon (op. cit.) surveyed a number of writings which try to analyse the new cultures of work which are now emerging with the diffusion in the world of the new communication and information technologies. Such writings deserve more attention on our part. They start from the observation that this diffusion leads to the individualisation of work and the fragmentation of societies; they then ask how is the meaning and value of work changing? If its meaning and value are declining as a result of increased job insecurity and uncertainty, will the consumer culture take precedence in the conveyance of meaning and value? The observation is also made that new technologies may be applied in a number of different ways, and that these may variously enhance or degrade the work situation. For instance, new kinds of agreements between workers and management are possible, which may appeal to 'the quality of the working life' or to 'job redesign', or alternatively to 'self-determination in the workplace'. Work culture may then change and remain fully alive.

2. Remembering that to be freed from human dependence has been a permanent motivation in social struggles, we ought to welcome trends which provide new space for workers' autonomy, responsibility, and participation.³⁵ The ability to choose between contingent alternatives is more and more valued. It 'effectively depends upon the development of intellectual and moral qualities, especially those of creativity and solidarity', as

indeed is emphasised in *Centesimus Annus*.³⁶ Such an evolution in work culture is also consonant with the growing recognition, by the social sciences, of the role of reciprocity and trust in human relations generally and in labour relations in particular.

We also welcome the development of the 'civil economy', the main manifestation of which is the increasing role of nonprofit associations. This development effectively implements the principle of subsidiarity in coping with a number of problems raised by the social sustainability of modern institutional arrangements.³⁷ This development may be viewed by some as the sign of the emergence of a new humanising model of social order. It may be perceived by others as giving a new meaning and value to unpaid work, which is less exclusively devoted to the service of family members and close neighbours and more frequently directed towards broad social objectives.

3. The *Motu Proprio*, by which Pope John Paul II instituted on 1 January 1994 the Pontifical Academy of Social Sciences, states that 'the Church has succeeded in building up a rich patrimony of Catholic social doctrine because of the close collaboration, on the one hand, with Catholic social movements, and on the other, with experts in the social sciences'. The Academy indeed recognises that, for the knowledge of some features of social phenomena, social movements may provide much better information than experts in the social sciences. This recognition applies in particular to knowledge of the myriad of spontaneous disinterested initiatives which contribute to the life of our societies. Everywhere, but particularly in developing countries and in their traditional sectors, these initiatives take part in the shaping of lives and cultures. They are not, however, completely ignored by social scientists, some of whom devote their research to field work which deals with precisely such initiatives. The Academy was fortunate to hear in 1999 the messages of two scientists working in South Africa and to discuss the question with them.³⁸

Even more than nonprofit associations, people themselves take initiatives to cope with the problems they face. These initiatives often take place in the informal sector made of many microenterprises: jobs are not available in the formal sector or, when they are, they may be less rewarding, more vulnerable to political or economic crises, and even perhaps less socially useful. Of course, situations vary a great deal from one area to another and nowhere can the development of the informal sector alone suffice to eradicate poverty. However, where such development occurs it alleviates poverty and fosters the meaning and value of work. Some of us perceive signs of hope in the existence of movements which are trying to address the issues raised by poverty and unemployment. At the grassroots level some groups, even among destitute people victimised by social structures, develop a kind of cultural approach to economics and politics, and try to understand the whole beyond the fragments. The popular cultures emerging in this way might be a determinant factor in the self-realisation of peoples.

4. 'Since the outset of the modern era, the idea of work has engaged in a process of secularisation, the consequences of which are unfolding before us. It progressively broke loose from its biblical impregnation to become a founding concept of industrial society. Has the Bible still hope to deliver to the present-day worker and unemployed?' Such is the question asked by Minnerath in the introduction to his article, which sums up the teaching of the Bible about the relationship between the human person and God.³⁹ Reference to such religious foundations are, of course, often present in the minds of our Academicians. Concern about the secularisation of cultures is also evident in the publications of the Academy. This phenomenon was discussed in relation to work cultures, both in Christian communities—whether Protestant or Catholic⁴⁰—and in Japanese Confucianism.⁴¹

Donati goes further, arguing that the crisis of secularised cultures of work is leading to a redefinition of the humanistic approach to work. Perhaps even the solution to the contradictions within Christian culture itself could overcome the dilemmas of the choice between the traditional religious ascesis which seeks salvation 'outside the world', something characteristic of monastic Christianity, and the intraworldly ascesis

which seeks salvation in the transformation of the world, characteristic of some secularised or utopian currents. According to Donați, it is a question of creating a culture which is both religiously inspired and has a secular, but not a secularised, vision of work; 'secular' here is not opposed to religious, it applies to a layperson sanctifying him or herself through work by means of an ultraworldly ascetical theology. More generally, the thesis is that secularisation has progressed with a lack of sufficient recognition of the fact that work is, above everything else, a social relation.

Clearly the Academy is not in a position to endorse or reject this thesis. This would first require a serious dialogue between theologians and social scientists. The thesis is a reminder of the broader cultural context within which our academic contributions may perhaps have to be inserted.



Introduction

- 1 The full text of the apostolic letter can be found in the proceedings of the first plenary session of the Academy, *Pontificiae Academiae Scientiarum Socialium Acta*, 1 (Vatican City, 1996, referred to below as *Acta 1*), 15–17. The present statutes of the Academy appear in the proceedings of the fourth plenary session: *Acta 4* (Vatican City, 1999), 35–38. Besides offering the Church elements that she can use in the development of her social doctrine, the Academy also 'reflects on the application of the doctrine in contemporary society'.
- 2 Pontificia Academiae Scientiarum Socialium Acta, respectively, numbers 2 (1998), 3 (1998), and 5 (1999). They are referred to below as Acta 2, Acta 3, and Acta 5.

Thematic Introduction

- 1 All references to this body of teaching draw upon Johannes Schasching, "Catholic Social Teaching and Labour," in this volume.
- 2 Sollicitudo rei socialis, 36, 37.
- 3 Quadregesimo anno, 74.
- 4 Laborem excercens, 1.
- 5 See L'Osservatore Romano, 22.3.1996.
- 6 References are to the full versions of presentations given at the Plenary sessions and printed in the respective *Proceedings*. Only extracts from these are contained in this volume.
- 7 See Juan José Llach, "Work Across the World: Some Basic Features," *The Future of Labour* and *Labour in the Future*, Acta 2 (Vatican City: Pontifical Academy of Social Sciences, 1998), 91–106.
- 8 Hanna Suchocka, "Introduction to Discussion," The Future of Labour, ibid., 379-91.
- 9 For connections between the concentration of employment amongst the young and unskilled (together with immigrants) and the sectorial shift to the tertiary sector, see Emilio Reyneri, "Ways and Means of Integrating the Young and Unskilled into Work," *Towards Reducing Unemployment*, Acta 5 (Vatican City: Pontifical Academy of Social Sciences, 1999).
- 10 David Lyon, "The Changing Meaning and Value of Work in a Globalized Information Society," *Towards Reducing Unemployment*, ibid., 269–83.

- 11 Jerzy Zubrzycki, "International Migration, Distribution of Work and Development," The Future of Labour, ibid.
- 12 The exception which is generally cited is the United States, whose relatively high rate of employment is a source of optimism for some. However, the price of this has been a widening of income differentials, such that employment is no guarantee of being placed above the poverty line.
- 13 Thomas C. Kohler, "Labor Law and Labor Relations: Comparative and Historical Perspectives," *The Future of Labour* (Vatican City: Pontifical Academy of Social Sciences, 1998), ibid., 305–30.
- 14 Mary Ann Glendon, "The Right to Work and the Limits of Law," *The Right to Work: Towards Full Employment, Acta* 3, (Vatican City: Pontifical Academy of Social Sciences, 1998), 103–18.
- 15 Hans Zacher, "Die Lebensbedingungen der Arbeitlosen und die Wirkungen alternativer Sozialleitstungssyteme in historischer und vergleichender Perspektive," *The Right to Work*, ibid., 123–65.
- 16 Colin Crouch, "Trade Union Re-organization and the Employment Crisis: Unions and Social Policy in a World of Globalization and Deregulation," *The Right to Work*, ibid., 167–86.
- 17 Bedřich Vymětalík, "Employment and the Quality of Human Relationships at Work: The Working Expression of Christian Values," *The Future of Labour*, ibid., 341–51.
- 18 Glenn C. Loury, "Integrating the Historically Disadvantaged into the World of Work," *The Right to Work*, ibid., 189–257.
- 19 René Rémond, "La démocratie: ses relations avec l'emploi et la représentation des intérêts du capital et du travail," *The Future of Labour*, ibid., 253–65.
- 20 Certain German speakers dissociate themselves from what they see as the Anglo-Saxon unduly laissez-faire denotations of 'neo-liberalism'. They prefer to substitute the term 'ordo liberalism' to connote the existence of a regulatory framework (For example, control of monopolies) that does not imply unfettered economic activity or economic institutions detached from the control of others.
- 21 D. Beetham, "Four theorems about the market and democracy," European Journal of Political Research, 23, 1993, 188.
- 22 Hans Tietmeyer, "Financial Markets in Relation to Employment and Unemployment," *The Future of Labour*, ibid., 211–37.
- 23 For the counterargument that moderate minimum wage policies do not fuel unemployment, though some reduction in such scales could further reduce it, see Edmond Malinvaud, "Dilemmes concernent les salaires et l'emploi," *Towards Reducing Unemployment*, ibid., 115–42.
- 24 T. H. Marshall, Citizenship and Social Class (Cambridge: Cambridge University Press, 1950).
- 25 René Rémond, "La démocratie: ses relations avec l'emploi et la représentation des intérêts du capital et du travail," The Future of Labour, ibid.
- 26 Edmond Malinvaud, "Le chômage dans les économies mixtes: évitable ou non?," *The Future of Labour*, ibid., 157–84.
- 27 Gosta Esping-Andersen, "Welfare State or Work? The Interaction of Wages, Social Protection and Family Change," *The Future of Labour*, ibid., 277–92
- 28 See L'Osservatore Romano, 22.3.1996.
- 29 See L'Osservatore Romano, 25.4.1997.
- 30 Bedřich Vymětalík, "Labour Market Deregulation and Christian Ethics," The Right to Work, ibid., 73–96.
- 31 See Jean-Yves Calvez, "Le Changement du Travail, du Travailleur, et de l'Emploi et les Encycliques Sociales," *The Right to Work*, ibid., 49–69.
- 32 For the argument that only a 'conditional family basic income' could be funded from taxation, even presuming that all social welfare payments and tax transfers be suppressed, see Richard Hauser, "'Das allgemeine Grundeinkommen': Sein Beitrag zur Verminderung von Arbeitslosigkeit und sein Verhältnis zu dem von der katholischen Soziallehre geforderten Familienlohn," *Towards Reducing Unemployment*, ibid., 143–66.
- 33 For a development of this crucial point, see Jacques Delcourt, "La nécessité d'une nouvelle architecture légale et globale de régulation du capital et du travail," *Towards Reducing Unemployment*, ibid., 225–68.
- 34 Protagonists of finance markets insist on the superfluity of external controls and place confidence in internal self-regulation mechanisms and the capacity of increased 'transparency' to act as the mode for monitoring abuses.
- 35 Belisario Betancur, "The Present and Future of Work," The Future of Labour, ibid., 113-23.
- 36 UNO (1992), World Report of Human Development.

- 37 Paul H. Dembinski, "Cost of Capital and the Uncertain Pre-eminence of Labour," *Towards Reducing Unemployment*, ibid., 63–87.
- 38 For a fuller discussion of the issues raised in this paragraph, see Thomas I. Palley, "The Economics of Globalization: Problems and Policy Responses," *Towards Reducing Unemployment*, ibid., 185–205.
- 39 Janne Haarland Matlary, "Women and Work: The Radical Papal Teaching," The Right to Work, ibid., 263-85.
- 40 Jacques H. Drèze, "Temps Choisi et Partage du Travail," The Right to Work, ibid., 307-38.
- 41 Else Øyen and Francis Wilson, "Only Connect: Unemployment and Poverty; formal and informal activity in a divided world," *Towards Reducing Unemployment*, ibid., 207–23.
- 42 For a discussion of a European research programme on flexible employment policies to reconcile occupational (paid) and family (unpaid) responsibilities, see Gerard Frinking, "La Division du Travail en Europe: Modèles et Politiques," *The Right to Work*, ibid., 289–303.
- 43 Joseph Pittau, "Ethical Values and the Japanese Economy," Towards Reducing Unemployment, ibid., 325-31.
- 44 Pedro Morande Court, "El desarrollo de una nueva 'cultura del Trabajo' en la perspectiva de la reduccion de la integracion social a traves del empleo," *The Right to Work*, ibid., 343–67.
- 45 Stefano Zamagni, "The Significance of Labour in a Post-Industrial Society: Unemployment and the Role of Civil Economy," *Towards Reducing Unemployment*, ibid., 89–114.
- 46 Roland Minnerath, "La Vision Biblique du Travail et le Contexte Contemporain," *Towards Reducing Unemployment*, ibid., 333–45.
- 47 Pierpaolo Donati, "The Changing Meaning of Work (Secularized vs. Humanistic) in the Light of Reduced Social Integration through Unemployment," *Towards Reducing Unemployment*, ibid., 287–324.
- 48 We in the developed world, however, have much to learn from successful cooperative initiatives and their feasibility within a mixed economy, as in Mondragon, Spain, and from more radical initiatives in the third world, such as the Amul Dairy and the Grameen Bank.

Chapter I

- Enormous economic contrasts appear among the different cohorts. The first two cohorts, Low-Income Africa and Low-Income Asia, comprise 32.2 percent of the world population (WP) but have only 3.1 percent of the world gross product (WGP). The following cohorts, 3 to 6, comprise respectively 37.7 percent of WP and 9.4 percent of the WGP: they include Low-Income Former Socialist countries; Emerging Asia; Low-Income Latin America; and the Middle East, Turkey, and North Africa. Considered together, these six cohorts have 69.9 percent of the WP but only 12.5 percent of the WGP. Cohorts 7 to 11 can be considered as the world middle class because they have 13.6 percent of the WP and 11.2 percent of the WGP: They include Middle-Income Former Socialist countries; Middle-Income Africa; the Pacific Islands; Middle-Income Caribbean countries; and Middle-Income Latin America and Europe. Finally, the world's richest countries (cohorts 12 to 16) have only 16.5 percent of the world population but 76.4 percent of the WGP, and include Small European countries; High-Income Caribbean countries; Oil Exporters; High-Income Asia; and the OECD countries, plus Israel and excluding Japan.
- 2 Details can be found in The Future of Labour and Labour in the Future, Proceedings of the Second Plenary Session of the Pontifical Academy of Social Sciences, Vatican City, 1998.
- 3 It is interesting to point out that in the case of Low-Income Asia and Low-Income Africa, half of the countries within the cohorts are mainly Muslim. So we have there a typical problem of overdetermination, and it is not possible to learn if the high labour force growth rates and the low female labour participation rates are explained by poverty or rather by religion.
- 4 In spite of their recent history as socialist-bloc states, Muslim countries belonging to the Low-Income Former Socialist type also show high lahour force growth rates.
- 5 In other words, we do not know if the lower level of labout activity among females aged ten to nineteen in the central zone of the typology is due to the medium level of income, or to the strong influence of cultural traditions in Muslim and Catholic countries, and to the massive incorporation of females in this age group into the educational

- system in the Former Socialist countries, given the fact that both types or countries are located in the central zone of the typology.
- 6 Because this proportion is the inverse of the participation of agriculture in the workforce.
- 7. In the case of the Pacific Islands and the Caribbean countries, the explanation lies perhaps in their comparative advantage in relation to the tourism industry.
- 8 Statistics on underemployment and rural unemployment do not exist or are not internationally homogeneous.
- 9 An increase in the unemployment rate arising after a sudden increase in the participation rates has not the same social or economic meaning that an increase explained by a drop in labour demand has.
- 10 In the case of Chile, however, the low unemployment rate was obtained after the carrying out of a radical economic reform, whose initial impact was a huge increase in unemployment lasting almost seven years.
- 11 The explanation lies perhaps in the nature of the stabilisation programmes undertaken in these countries. Some other countries of the former USSR show low unemployment rates, but these statistics are less reliable.

- 1 J. I. Gershuny, After Industrial Society? The Emerging Self-service Economy (London: Macmillan, 1987); M. Paci, Il Mutamento della Struttura Sociale in Italia (Bologna: Il Mulino, 1992).
- 2 G. Esping-Andersen, The Three Worlds of Welfare Capitalism (Princeton: Princeton University Press, 1990).
- 3 A. Glyn, "The Assessment: Unemployment and Inequality," Oxford Review of Economic Policy, vol. 11, no. 1 (1996); S. Nickell and B. Bell, "The Collapse in Demand for the Unskilled and Unemployment across the OECD," Oxford Review of Economic Policy, vol. 11, no. 1 (1996).
- 4 G. Rodgers and J. Rodgers (eds.), Les Emplois Précaires dans la Régulation du Marché du Travail. La Croissance du Travail Atypique en l'Europe de l'Ouest (Geneva: Bureau International du Travail).
- 5 As is the case for South European countries: see P. Barbieri, "Non c'è Rete senza Nodi. Il Ruolo del Capitale Sociale nel Mercato del Lavoro," *Stato e Mercato*, no. 49 (April 1997).

Chapter 3

- 1 Z. Bauman, Globalization: The Human Consequences (New York: Columbia University Press; Cambridge: Polity Press, 1997), 112.
- 2 F. Lapointe, *Technological Change and the Organization of Work* (Laval: Centre for Information Technology Innovation, 1996).
- 3 I. McLoughlin and J. Clark, Technological Change at Work (Buckingham: Open University Press, 1994), 4.
- 4 M. Castells, The Rise of the Network Society (Oxford: Blackwell, 1996), 66.
- 5 Ibid., 145.
- 6 Ibid., 147.
- 7 R. Hodson (ed.), The Globalization of Work (London: JAI Press, 1997), xiii.
- 8 M. Castells, The Rise of the Network Society, ibid., 201.
- 9 Ibid., 265.
- 10 F. de Coninck, Travail Intégré, Société Eclatée (Paris: Presses Universitaires de France, 1995).
- 11 R. Wuthnow, Loose Connections (Cambridge, MA: Harvard University Press, 1998).
- 12 S. Zuboff, In the Age of the Smart Machine (New York: Basic Books, 1986).
- 13 F. de Coninck, Travail Intégré, Société Eclatée, ibid., 285.

- 14 J. Webster, Shaping Women's Work: Gender, Employment and Information Technology (London: Longman, 1996), 109.
- 15 M. Castells, The Rise of the Network Society, ibid., 441-43.

1 T. Syryjczyk, "Granice misji Ekonomicznej i Socjalnej w Konstytucji," in *Konstytuca i Gospodarka* (Warsaw: Societas, 1995), 63.

Chapter 5

- 1 Organisation for Economic Co-operation and Development (OECD), International Conference on Migration, Rome, 1994.
- 2 J. Salt, "The Future of International Labour Migration," International Migration Review 26, no. 4 (1992): 1080.
- 3 United Nations High Commissioner for Refugees (UNHCR), *The State of the World's Refugees. The Challenge of Protection* (New York: Penguin Books, 1993).
- 4 A. Zolberg et al., Escape from Violence, Conflict and Refugee Crisis in the Developing World (New York: Oxford University Press, 1989). Recent examples include Ethiopia, Somalia, Haiti, Yugoslavia, and the former USSR.
- 5 R.T. Appleyard, *International Migration: Challenge for the Nineties* (Geneva: International Organisation for Migration, 1991), 3.
- 6 United Nations Development Program, Human Development Report 1990 (New York: Oxford University Press, 1990).
- 7 Immanuel Wallerstein, The Modern World System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century (New York: Academic Press, 1974).
- 8 M. J. Piorc, Birds of Passage: Migrant Labor in Industrial Societies (Cambridge: Cambridge University Press, 1986).
- 9 A. Portes and J. Walton, Labor, Class and the International System (New York: Academic Press, 1981).
- 10 F. Frobel et al., The New International Division of Labour (Cambridge: Cambridge University Press).
- 11 R. Cohen, The New Helots: Migrants in the International Division of Labour (Gower: Avebury, 1987).
- 12 F. Cardoso and E. Paleto, Dependency and Development in Latin America (Berkeley: University of California, 1979);
 A. G. Frank, Latin American Underdevelopment or Revolution (New York: Monthly Review Press, 1969); S. Adler, International Migration and Dependence (Hampshire: Saxon House, 1977).
- 13 For example, W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," Manchester Sch. Econ. Soc. Studies, vol. 22, no. 2 (1954); C. P. Kindleberger, Europe's Postwar Growth: The Role of Labour Supply (Cambridge, MA: Harvard University Press, 1967).
- 14 Ibid., 76.
- 15 M. Camdessus, "Reform of the Basic Institutional Structure," (Vatican City: The Pontifical Council for Justice and Peace, 1994), 23–24.

Chapter 6

- 1 United Nations, "Methods of Measuring Women's Participation and Production in the Informal Sector," *Studies in Methods*, Series F no. 46 (New York, 1990).
- 2 ILO, Development of the Urban Informal Sector: Policies and Strategies (Paper prepared for the Asian Subregional Seminar on Employment policies for the urban informal sector in East and Southeast Asia, Bangkok, October 1992), cited by C. M. Rogerson, Rethinking the Informal Economy of South Africa (DBSA, Halfway House, 1996), 2.
- 3 J. MacGaffey, The Real Economy of Zaire: The Contribution of Smuggling and other Unofficial Activities to National Wealth (London: 1991), 8.

- 4 N. Nattrass, "Street Trading in Transkei: A Struggle against Poverty, Persecution & Prosecution," *Carnegie Conference Paper No. 237* (Cape Town, 1984), 6.
- 5 Human Development Report, 1997, 67.
- 6 E. Preston-Whyte and C. Rogerson (eds.), South Africa's Informal Economy (Cape Town: 1991).
- 7 Rogerson, ibid., 40.
- 8 Rogerson, ibid., 5. See also Kirsten "A Quantitative Assessment of the Informal Sector," ibid., 148-58.
- 9 Ibid., 12.
- 10 South Africans Rich and Poor, Baseline Household Statistics (Cape Town: Saldru, 1994).
- 11 H. Bhorat and M. Leibbrandt, "Poverty amongst the Self-Employed," J. Study Econ. Econometrics, 22:3 (1998): 27.
- 12 Ibid., 7.
- 13 Rogerson, ibid., 15.
- 14 P. Evans and J. Walsh, The Economist Intelligence Unit Guide to the New Gatt (London: 1994), 118.
- 15 N. Natrass, "Globalization and the South African Labour Market," J. Study Econ. Econometrics, 22:3, (1998): 30.

1 P. Veltz, Mondialization, Villes et Territoires-L'Economie d'Archipels (Paris: Presses Universitaire de France, 1996), 98.

Chapter 8

- 1 See also Bank for International Settlements, Recent Innovations in International Banking (Basle: 1986) and Bank for International Settlements, Macroeconomic and Monetary Policy Issues Raised by the Growth of Derivatives Markets (Basle: November 1994).
- 2 For the effects of the greater exchange rate volatility on the labour market, see also "International Mobility of Capital, Exchange Rates, and Employment'.
- 3 See, for instance, *Public Disclosure of the Trading and Derivatives Activities of Banks and Securities Firms*, Joint Report by the Basle Committee on Banking Supervision and the Technical Committee of the International Organization of Securities Commissions (Basle: November 1995).
- 4 In Germany, for example, the share of persons employed with the banks alone has more than doubled since 1960 (from 1% to 2.5% of the total labour force).
- 5 An analysis of labour market trends in Western Europe is given in the annex.
- 6 See the World Bank, World Development Report 1995: Workers in an Integrating World (Oxford: 1995), "Part II: Is International Integration an Opportunity or a Threat to Workers?"
- 7 See, for example, James Tobin, "A Proposal for International Monetary Reform," *The Eastern Economic Journal*, vol. 4 (1978): 153–59; Rudiger Dornbusch, "Exchange Rate Economics" (1986); *The Economic Journal* 97, (1987): 1–18.
- 8 These participants must meet the criteria of an optimal currency zone.
- 9 See Luder Gerken et al., "Der Entwurf eines Arbeitnehmer-Entsende Desetzes in okonomischer und rechtlicher Sicht" (Bill Preventing Wage-Dumping Especially in the Construction Industry from an Economic and Legal Point of View), Der Betriebs-Berater 50 (1995): 2370–75.
- 10 Nearly all industrial countries are anyway facing a difficult adjustment challenge with respect to their current old-age and health insurance systems, a challenge which results from the change in the age pyramid and increasing life expectancy.
- 11 In the short term, this need not be true so strictly because the adverse macroeconomic effects of public borrowing—especially in the form of rising interest rates—may be smaller if access to open and flexible international capital markets is ensured. The 'penalisation' by the international financial markets mostly starts only when debt has reached a high level.

- 12 See Richard Layard et al., *East-West Migration: The Alternatives* (Cambridge, MA/London: 1992), Klaus F. Zimmermann, "Tackling the European Migration Problem," *Journal of Economic Perspectives* 9:2 (1995): 45–62.
- 13 See Roland Vaubel, "Social Regulation and Market Integration: A Critique and Public Choice Analysis of the Social Chapter," *Aussenwirtschaft* 50 (1995): 111–32.

- 1 This section is based on the chapter entitled "Structural Keynesianism and Globalization' in T. I. Palley, *Plenty of Nothing: The Downsizing of the American Dream and the case for Structural Keynsianism* (Princeton: Princeton University Press, 1998).
- 2 For Europe as a whole, the degree of openness is similar to that of the U.S. Individual European countries engage in significant intra-European trade which raises European country levels of openness. Once these intra-European trade flows are netted out, European openness reduces to U.S. levels.
- 3 The problems of financial leakiness and possible solutions are examined in detail in T. I. Palley, "International Finance and the Problem of Capital Account Governances," *Economic Policy Paper E017*, (Washington, D.C.: AFL–CIO Public Policy Department, 1998).
- 4 J. M. Keynes, The General Theory of Employment, Interest and Money (London: Macmillan, 1936).
- 5 J. B. De Long, J. B. Shleifer, L. H. Summers, and R. J. Waldman, "Noise Trader Risk in Financial Markets," *Journal of Political Economy* 98 (1990): 703–38.
- 6 A. V. Banerjee, "A Simple Model of Herd Behavior," Quarterly Journal of Economics 108 (1992): 797-817.
- 7 T. I. Palley, "Safety in Numbers: A Model of Managerial Herd Behavior," *Journal of Economic Behavior and Organization* 28 (1995): 443–50.
- 8 J. M. Fleming, "Domestic Financial Policies under Fixed and under Flexible Exchanges Rates," *International Monetary Fund Staff Papers*, 9 November 1962, 369–79.
- 9 R. Mundell, "Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates," *Canadian Journal of Economics and Political Science*, 29 November 1963, 475–85.
- 10 S. Morris and H. S. Shin, "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks," *American Economic Review* 88 (June 1998): 587–97.
- 11 Once again, the incentives correspond to the prisoners dilemma. Export-led growth is favorably received by financial markets, and it therefore has a private incentive to shift toward export-led growth, but when all do it becomes mutually destructive.
- 12 D. Rodick, "Trade, Social Insurance, and the Limits to Globalization," NBER Working Paper No. 5905 (1997).
- 13 T. I. Palley, "The Beneficial Effect of Core Labour Standards on Ecomomic Growth," *Technical Working Paper, T010* (Washington, D.C.: AFL-CIO Public Policy Department, 1998).
- 14 J. Tobin, "A Proposal for International Monetary reform," Eastern Economic Journal 4, (1978): 153-59.
- 15 T. I. Palley, "Asset Based Reserve Requirements: An Unappreciated Instrument for Monetary Control," *Technical Working Paper T007* (Washington, D.C.: AFL—CIO Public Policy Department, 1997).
- 16 A comprehensive reform program for addressing the problem of international financial flows is detailed in T. I. Palley, "International Finance and the Problem of Capital Account Governance," *Economic Policy Paper E017* (Washington, D.C.: AFL–CIO Public Policy Department, 1998).

Chapter II

- 1 F. Hengsbach, "Neue Gleise für die Wirtschaft. Die Wirtschaft der Zukunft," Publik Forum (1994).
- 2 Data from R. B. Reich, The Work of Nations (Czech ed., Dilo Narodu, Prostor, 1955), 120, 139.

- 3 L. Bilmes and K. Wetcker, "Wise Tending in the Jobs' Garden," Financial Times (3 June 1996).
- 4 See K. Pennar, "Economic Anxiety," Business Week, (19 March 1996): 32.
- 5 W. Then, cited in Der Mensch im Mittelpunkt (Schatz-Roland, Innovatio Verlag, 1993), 226.
- 6 R. Reich, Work of Nations, ibid., 210 of the Czech translation.
- 7 S. Zamagni, "On the Limitations of the Implicit Morality of the Market: a Perspective from a Modern Economic Analysis," What Markets Cannot Do: The Problem of Economic Transition in Central-Eastern European Countries (Nova Spes, 1992), 34–35.
- 8 W. Kessler, "Die Wirtschaft der Zukunft," Publik Forum (1994), 24.
- 9 M-L. Duboin, "The Civic Contract to Manage Basic Income and Large Working Time Reduction" (Vienna: Presented at the International Conference BIEN, September 1996).
- 10 R. Reich, "Casualties of the Inflation War," The Financial Times, (24 September 1996).
- 11 Ibid.

- 1 UNDHR Article 23 (1).
- 2 A. de Tocqueville, The Old Regime and the French Revolution (New York: Anchor Books: 1955 [1856]), 230.
- 3 The 'second bill of rights' urged in Roosevelt's 1944 State of the Union message included:

The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment; . . .

- C. Sunstein, "Constitutionalism After the New Deal," Harvard Law Review 101 (1987): 423-24.
- 4 For example, the 1948 Universal Declaration, the 1966 Covenant on Economic, Social and Cultural Rights (signed but not ratified by the U.S.), and the 1993 Vienna Human Rights Convention (adopted by consensus).
- 5 Preamble, U.N. Universal Declaration of Human Rights, 1948.
- 6 J. Maritain, *Man and the State* (Chicago: University of Chicago Press, 1951), 105. For the view that such conflicts render the human rights corpus incoherent, see M. Villey, *Le Droit et les Droits de l'Homme*, (Paris: Presses Universitaires de France, 1983).
- 7 Statement to the World Conference on Human Rights (Vienna Conference) by the Committee on Economic, Social and Cultural Rights, U.N. Doc. E/1993/22, Annex III.
- 8 ICESCR Article 2 provides: Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.
- 9 G. Flanz "Sweden," ed. A. Blaustein & G. Flanz, Constitutions of the World (1985), 9-11.
- 10 A. Osuka (1990) "Welfare Rights," Law & Contemporary Problems 53(1990): 13, 16-17.
- 11 Judge Richard Posner in Jackson v. City of Joliet, 715 F. 2d 1200, 1203 (7th Cir. 1983).
- 12 R. McKeon, Freedom and History (Chicago: University of Chicago Press, 1990), 263.
- 13 Statement to the 1993 World Conference on Human Rights.
- 14 Address of John Paul II to the United Nations, October 5th, 1995.

- 1 The title refers to 'mixed economies' with the sole intention of showing that the paper does not address an ideal form of the market economy but the specific economies which exist today, in which the markets play a major role but where other institutions also intervene to organise economic operations. The concept of the mixed economy does not need to be more precisely defined.
- 2 In this sense the concept of the right to work sometimes gives place to serious difficulties of application, as H. Suchocka demonstrates in her "Introduction," *The Future of Labour* (1996), ihid., 379–91.
- 3 In this region the difficulties concerning employment during the transition to a market economy have caused a number of people to call for a slowing down of the transition (H. Suchocka, 1996). However, even in the countries in question few people advocate a return to the previous economic system.
- 4 For a serious analysis of the policies termed 'job-sharing' see J. Drèze (1986).
- 5 I shall not now cover the case of the countries of Central and Eastern Europe. Their expetience of unemployment is too recent for economists to draw conclusions.
- 6 It is in particular never a matter of giving up the central concept of the labour contract, which distinguishes the labour contract from contracts of sale and other contracts for the provision of services, precisely because the fate of the human person who is engaged in work is at stake.
- 7 The political, economic, and social unification of Western Europe certainly imposes supplementary constraints and advantages on those who take part in it.

Chapter 14 References

- J. Boissonat, ed., Le Travail dans Vingt Ans (Paris: O. Jacob, 1995).
- M. Bruno, Inflation, Growth and Monetary Control: Non-linear Lessons from Crisis and Recovery (Paoli Baffi Lectures, Banca d'Italia, 1995).
- J. Drèze, "Work-Sharing: Some Theory and recent European Experience," *Economic Policy* (1986), reprinted in J. Drèze, *Underemployment Equilibria* (Cambridge: Cambridge University Press, 1991).
- J. Emmerij, "The Social Economy of Today's Unemployment Problem in the Industrialised Countries," in E. Malinvaud and J. P. Fitoussi, eds., *Unemployment in Western Countries* (London: Macmillan, 1980).
- ILO, World Labour Report 5 (Geneva: ILO, 1992).
- E. Malinvaud, Mass Unemployment (Oxford: Basil Blackwell, 1984).
- R. Minnerath, "L'Inéqualité devant le Travail et la Doctrine Sociale de l'Eglise," The Study of the Tension between Human Equality and Social Inequalities from the Perspective of Various Social Sciences (Vatican City: Pontificiae Academiae Scientiarum Socialum Acta, 1996), 191–99.
- OCDE, L'Etude de l'OCDE sur l'Emploi: Faits, Analyses, Stratégies (Paris: OCDE, 1994).
- R. Salais, N. Baverez and B. Reynaud, L'Invention du Chômage (Paris: Presses Universitaires de France, 1986).
- J. Schasching, "Catholic Social Teaching and Work," *The Future of Labour and Labour in the Future* (Vatican City: Pontificiae Academiae Scientiarum Socialum Acta, 1998), 53–80.
- H. Suchoka, "The Right to Work and the Feasibility of Full Employment: Dialogical Points," *The Future of Labour and Labour in the Future*, 379–91.
- M. Todaro, Economic Development in the Third World, 3d. ed. (New York: Longman, 1985).
- A. Wood, "How Trade Hurts Unskilled Workers," Journal of Economic Perspectives, (Summer 1995).

- 1 OECD, Economic Outlook 60, (December 1996): A 24 es. seq.
- 2 For the German example see Kommission für Zukunftsfragen der Freistaaten Bayern und Sachsen, Erwerbstätigkeit und Arbeitslosigkeit in Deutschland. Entwicklung, Ursachen und Maßnahmen, Teil 1 Entwicklung von Erwerbsädtigkeit und Arbeitslosigkeit in Deutschland und anderen frühindustrialisierten Ländern (1996): 64, 70.
- 3 OECD, Employment Outlook (July 1992): 222 es. seq. For the German example, see Kommission für Zukunftsfragen der Freistaaten Bayern und Sachsen (Anm. 25).
- 4 K. J. Bieback, "Der Schutz der atypischen Arbeit in den australischen, britischen und deutschen Systemen der sozialen Sicherheit," *Internationale Revue für Soziale Sicherheit* 46 (1993), 25ff.
- 5 H. D. Steinmeyer, "Die Problematik der Scheinselbständigkeit," Zeitschrift für Sozialreform 42 (1996), 348ff.
- 6 A. Döse et.al., "Neue Formen und Bedingungen der Erwerbsarbeit in Europa," Schriftenreihe des Zentrums für Europäische Rechtspolitik 19 (1994); F. Pfeiffer, Selbständige und abädngige Erwerbstätigkeit. Arbeitsmarkt und industrieökonomische Perspektiven (1994).
- 7 See E-M. Hohnerlein and U. Kötter, "Ausbau und Umbau des Sozialstaates—Bericht über die Korrespondententagung des Max-Planck-Instituts für ausländisches und internationales Sozialrecht," Zeitschrift für ausländisches und internationales Arbeits—und Sozialrecht, Year 10 (1996), 372ff; B. von Maydell et. al., "Die 'Krise des Sozialstaats' in internationaler Perspektive—Denkanstöße für die Bundesrepublik Deutschland," Sozialer Fortschritt, Year 46 (1997), 1ff.
- 8 For a variety of forms see also Eardly et al., *Social Assistance in OECD-Countries* (Anm. 10), 149 es. seq., 169 es. seq., 171 es. seq., 174 es. seq., For the technique of inducement, see N. Gilbert, "Von Ansprüchen zu Anreizen: Wandel in der Auffassung des Sozialschutzes," *Internationale Revue für soziale Sicherheit* 46 (1992), 5ff.
- 9 World Bank (1996), "From Plan to Market," World Development Report 1996; H. Wollmann et al. (Hrsg.), "Transformation sozialistischer Gesellschaften: Am Ende des Anfangs Leviathan," Sonderheft 15 (1995).
- 10 G. Brunner, (Hrsg.), Politische und ökonomische Transformation in Osteuropa (1996).
- 11 International Labour Office, World Employment (1995), 108 es. seq. 47. N.V. Tschernina, "Unemployment and the Emergence of Poverty During Economic Reform in Russia," International Labour Review, vol. 133 (1994), 597 es. seq.
- 12 See World Employment 1995, 105 es. seq., and OECD, Unemployment in Transition Countries: Transient or Persistent (1994); OECD, The Regional Dimension of Unemployment in Transition Countries (1995).
- 13 International Social Security Association, Restructuring Social Security in Central and Eastern Europe. A Guide to Recent Developments, Policy Issues and Objects (1994); B. von Maydell and E-M. Hohnerlein, "Die Umgestaltung der Systeme sozialer Sicherheit in den Staaten Mittel- und Osteuropas. Fragen und Lösungsansätze," Schriftenreihe für Internationales und Vergleichendes Sozialrecht Bd. 13 (1993); R. P. Heinrich and M. J. Koop et al., Sozialpolitik im Transformationsprozeß Mittel- und Osteuropas (1996).
- 14 International Lahour Office, World Labour Report, no. 5 (1992): 45 es. seq.
- 15 For the aspect of social security see also the following: International Labour Office, World Labour Report, no. 6 (1993): 57 es. seq.; L. Klemp, "Soziale Sicherheit in Entwicklungsländern," Aus Politik und Zeitgeschichte vol. 50/52 (1992): B 50 ff.
- 16 Social Security Programs throughout the World-1993 (Anm. 21), XXXIII es. seq., 72 es. seq.

Chapter 16 References

- M. A. Barrère-Maurisson, La division familiale du travail—La vie en double (Paris: Presses Universitaires de France, 1992).
- M. A. Barrère-Maurisson and O. Marchand, "Structures familiales et marchés du travail dans les pays développés," *Economie et Statistique*, 235(1990): 19–30.
- M. A. Barrère-Maurisson, Paid and Unpaid Work: the modes of social regulation, WORC paper, 95.05.018/6 (Tilhurg, 1995).

- M. Kempeneers and E. Lelièvre, "Employment and the Family within the Twelve," Eurobarometer, 34, 1991.
- T. M. Wiliamsen and G. A. B. Frinking, eds., Work and the Family in Europe: The Pole of Policies (Tilburg: Tilburg University Press, 1995).

- 1 "Situation Financière des Entreprises Européennes," Economie Européenne, Supplément A, no. 7 (July 1997).
- 2 The European Commission, The Competitiveness of the European Industry: Report 1998 (1998): 12-13.
- 3 This part of the argument is developed at some length by P. Dembinski, "The Safe Landing of the Financial Baloon is not Impossible," *Finance & Bien Commun*/Common (Autumn 1998).

Chapter 18

- 1 BVerfGE, 4, 107, 18, 27.
- 2 Steelworkers v. Warrior and Gulf Navigation Co., 363 U.S. 574, 580 (1964).
- 3 Lawrence Mischel and Jared Bernstein, The State of Working America, 1994-95, M. E. Sharpe (1994).

Chapter 19

- 1 J. Due et al., The Survival of the Danish Model (Copenhagen: DJ-F, 1994).
- 2 R. P. Dore, Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy, 1970–1980 (London: The Athlone Press, 1986).
- 3 J. Visser and A. Hemerijck, A Dutch 'Miracle' (Amsterdam: Amsterdam University Press, 1997).

Chapter 20

- 1 W. Reitzle, "Die neue Rolle der Arbeitgeber," Arbeit der Zukunf (Stuttgart: Schfiffer-Poeschel Verlag, 1994), 212-13.
- 2 W. Then, Der Mensch im Mittelpunkt (Inno Vatio Verlag, 1993), 226.
- 3 J. Storey, ed., Human Resource Management: A Critical Text (London: Routledge, 1995), 5.
- 4 Cited in L. Rychetnik, "The Management of Labour: The Way to an Economic Miracle?" (Krakow: Report for EA EPE Annual Conference, 1995), 7.
- 5 K. Starkey and A. McKinley, Strategy and the Human Resource: Ford and the Search for Competitive Advantage (Oxford: Blackwell, 1993).
- 6 D. Mercer, How the World's Most Successful Corporation is Managed (London: Kogan Page, 1987).
- 7 J. Storey, ed., Human Resource Management, ibid.
- 8 P. Halbe, Die neuen Unternehmen: wie aus Mitarbeitern Mituntemehmer werden (Freiburg: Rudolf Haufe Verlag, 1991).
- 9 Ibid., 58.

Chapter 21

1 The choice of this definition of the concept would lead to an important bias if the main subject of the paper was poverty. Indeed, we could not deal well with poverty, particularly in poor countries, if we did not consider the informal sector. But the subject of poverty in poor countries would require a wholly different approach from the one followed in

- this paper, and would really need several papers. To understand why, read P. Dasgupta, An Inquiry into Well-Being and Destitution (Oxford: Clarendon Press, 1993).
- 2 See O. Blanchard, "Macroeconomic and Policy Implications of Shifts in the Relative Demand for Skills," *Unemployment Policy*, D. Snower and G. de la Dehesa, eds. (Cambridge: Cambridge University Press, 1997).
- 3 See N. Fortin and T. Lemieux, "Institutional Changes and Rising Wage Inequality: is there a Linkage," Symposium on Wage Inequality, *Journal of Economic Perspectives* (Spring 1997).
- 4 I here use A. B. Atkinson, "Poverty and Social Exclusion in Europe," a French translation of which was published in Conseil d'Analyse Economique, *Pauvreté et Exclusion* (Paris: Documentation Française, 1998).
- 5 S. Paugam, "Poverty and Social Disqualification: a Comparative Analysis of Cumulative Social Disadvantage in Europe," *Journal of European Social Policy* 6, no. 4 (1996): 287–303.
- 6 See also J. Drèze, E. Malinvaud et al., "Growth and Employment: the Scope of a European Initiative," *European Economy, Reports and Studies*, no. 1 (1994).
- 7 The issue is more thoroughly discussed in a number of publications. See in particular: J. Drèze and H. Sneessens, "Technological Development, Competition from Low-wage Economies and Low-skilled Unemployment," and S. Nickell and B. Bell, "Would Cutting Payroll Taxes on the Unskilled have a Significant Impact on Unemployment?," Unemployment Policy: Government Options for the Labour Market both in D. Snower and G. de la Dehesa, eds. (Cambridge: Cambridge University Press, 1997). See also, for the French context, 50–64 of E. Malinvaud, Les Cotisations Sociales à la Charge des Employeurs: Analyse Economique (Paris: La Documentation Française, 1998).
- 8 Some readers might point out that the calculation neglects the fact that alternative public resources have to be found in order to compensate for the payroll tax cut and that the collection of these resources might have detrimental effects on employment. This is a sound observation. But close study shows that possibilities exist for alternative resources which have much lower effects on employment. In any case, the estimation given here cannot claim accuracy. Two other causes of overestimation could exist: (1) employers might not consider as permanent the change in the payroll tax schedule, (2) overall unemployment might otherwise decrease during the years and act to tighten some sections of the labour market in such a way that employment could not increase further.

- 1 Jean-Paul Maréchal, "Révolution informationnelle et mutation du travail," Esprit (August/September 1995), 52.
- 2 Jean-Paul Maréchal, (1995), ibid., 54.
- 3 Ibid., 55.
- 4 Roger Sue, Temps et Ordre Social, Presses Universitaires de France (1994), 29.
- 5 Jean-Paul Maréchal, art. cit., 71.
- 6 Ibid.
- 7 B. Perret, L'Avenir du Travail (Paris: du Seuil, 1995), 204.
- 8 John Stuart Mill, Principles d'Economie Politique, trans. Guillaumin (1873), 24.
- 9 Jean-Paul Maréchal, "Révolution informationnelle," ibid., 73.
- 10 Jean-Marc Ferry (Paris: Cerf, 1995), 7.
- 11 Ibid., 86.
- 12 Ibid., 46.
- 13 Ibid., 96-97.

- 1 This section is based above all on Schasching, "Catholic Social Teaching and Labour," The Future of Labour, ibid.
- 2 O. von Nell-Breuning, "Man as a social being is entitled to the so-called existence minimum sufficient to enable to participate in social life in a manner worthy of a human being," *Gerechtigkeit und Freiheit* (Munich: Olzog, 1985), 241. O. von Nell-Breuning, *Kapitalismus und gerecher Lohn* (Munich: Olzog, 1985).
- 3 O. von Nell-Breuning (1985), ibid., 235.
- 4 Schasching, ibid., 61, quotes the following from the Encyclical *Laborem Exercens:* ". . .because through work man not only transforms nature, adapting it to his own needs, but he also achieves fulfilment as a human being and, indeed in a sense, becomes more a human being."
- 5 Quoted by Schasching, ibid., 64.
- 6 Laborem Exercens (19).
- 7 See H. Parker, *Instead of the Dole* (London: Routledge, 1989) and P. van Parijis, *Arguing for Basic Income. Ethical Foundations for a Radical Reform* (London: Verso, 1992), 225f.
- 8 The sociocultural existence minimum must also include the necessary contributions to statutory or private sickness and care insurance where there is no free state health service.
- 9 See A. B. Atkinson, "Public Economics," *Action, The Basic IncomelFlat Tax Proposal* (Oxford: Clarendon Press, 1995), chap. 6. A more radical variant of a comprehensive partial basic income was developed by Sir Brandon Rhys-Williams and Hermione Parker for the restructuring of the English system of social security (see Parker, ibid.). This kind of variation of a partial basic income which is constructed upon an existing social security does not because of its complex nature lend itself to a simple analysis. Extensive microsimulation models would be necessary in order to establish the gainers and losers and the necessary financial outlay and effects of adjusting reactions. Only with the aid of such models can the effects of the various institutional changes be simulated. With Atkinson there is a model of this kind which is quite simple. Complex models have been developed by the Special Research Area 3 of the Universities of Frankfurt and Mannheim used, inter alia, for the analysis of rent reform proposals. R. Hauser, "Die Arbeiten des Sonderforschungsbereichs 3—Ein Überlick," *Mikroanalytische Grundlagen der Gesellschaftspolitik*, R. Hauser et al., eds., (Berlin: Akademie Verlag, 1994), 1.
- 10 Here the usual international terminology is used. In Germany a distinction is made between a welfare state and particularly strong state activity and extensive welfare payments and those states which are more oriented towards provision by the individual. The introduction of a universal basic income or of a broad conditional basic income would be interpreted in German sociopolitical discussion as a transition from a social state to a welfare state.
- 11 Simulation calculations which show these differing effects upon hypothetical introduction of a partial basic income in Great Britain are to be found in Atkinson, ibid., chap. 6. Improvements and deteriorations in comparison with the initial situation are extended over the total range of incomes, even where the lower levels of income are favoured or the higher levels burdened. Effects thus differentiated are thus typical for every imaginable form of partial basic income; they are therefore difficult to equate with general distribution policy objectives, particularly with a system of family allowances.

Chapter 24

- 1 In the United Kingdom the average time worked has gone from thirty-six years to forty years between these two dates.
- 2 For the problems of time allocation, economists use the same techniques as for the allocation of income between consumption and saving or the allocation of the budget of consumption between accommodation, clothing, food, etc.
- 3 If individual preferences are distributed symmetrically in relation to the median this solution is economically efficient.
- 4 In the Europe of fifteen states some five million workers, or 3.5 percent of employed persons, declare that they have a second job to which they dedicate on average 12 hours a week.

- 5 According to the survey Equipes Populaires (1990) a male or female Belgian holding a full-time job spends on average one hour a day on travelling and eight hours at work, which leaves six to seven hours free, including domestic work, to which men dedicate two hours and women three hours. The difference is strongest in the absence of professional work. Time expended on domestic work diminishes rapidly as income increases.
- 6 In 1987 Japan undertook to reduce weekly time worked from forty-eight to forty-four and then to forty hours, apparently with the aim of maintaining levels of employment. Average annual time worked appears to have fallen by 10 percent over a period of ten years, see OECD (1997).
- 7 Demographic developments will certainly help to absorb unemployment at the beginning of the twenty-first century, but they will also put pressure on us to extend the actual working life in order to balance pension costs. In so doing we will increase the labour supply, which will make the absorption of unemployment more difficult. This is essentially a matter of anticipating improvements in productivity and of making use of savings on unemployment benefits.

- 1 W. Baumol, "The Macro-Economics of Unbalanced Growth," The American Economic Review 57 (1967): 415-26.
- 2 Too much equality, it is said, may also adversely affect human capital development if there are no adequate returns to more education. See A. Lindbeck, "The Welfare State and the Employment Problem," *The American Economic Review* (May 1994): 75.
- 3 OECD, The OECD Jobs Study (Paris: OECD, 1994).
- 4 See G. Esping-Andersen, Welfare States in Transition (London: Sage, 1996).
- 5 See J. Gershuny, After Industrial Society: The Emerging Self-service Economy (London: Macmillan, 1978).
- 6 The incidence of poverty is everywhere substantially lower among dual-earner families. In Italy, the poverty rate among one-earner units is 18.3 percent, compared to 9.6 for double-earner units; in Germany, 7.8 and 1 percent, respectively; in the U.K., 10.1 and 2.5 percent, respectively; and in the U.S., 9.5 and 2.1 percent, respectively (my own calculations from LIS data using the OECD equivalence scale and the 50 percent of median income poverty line). Non-aged single person households tend to have higher poverty rates, but single-parent families are everywhere except in Scandinavia most at risk.
- 7 In fact, the lowest quintile in America spends 18 percent of income on health; the second lowest, 10 percent. The average American family spends almost 14 percent of total consumption on private health and other social welfare needs (calculated from Bureau of Labor Statistics, *Consumer Expenditure Survey*). It is important to note that the data in Table 2 are not adjusted for household size. They can therefore not be compared directly with the results of Table 1.
- 8 The analyses are not shown. There is no problem here of multicolinearity. However, a very high correlation between welfare state and wage differentials (.77) suggests that the welfare state variable may 'pick up' wage equality. The correlation between private welfare and welfare state is -.50.

Chapter 26

- 1 A. V. Dorne-Huiskes, "The Unpaid Work of Mothers and House-Wives in the Different Types of Welfare States," A. Føllesdal and P. Koslowski, eds., Restructuring the Welfare State: Ethical Issues of Social Policy in an International Perspective (Berlin: Springer Verlag, 1997).
- 2 U.N., Human Development Report (1995).

Chapter 27

1 See my paper, "A Dynamic Theory of Racial Income Differences," in Women, Minorities and Employment Discrimination, P. A. Wallace, ed. (Lexington Books, DC Heath, 1977).

- 1 P. L. Porta and R. Scazzieri, "Towards an Economic Theory of International Civil Society," *Structural Change and Economic Dynamics* 8 (1997): 5–28.
- 2 A. Margalit, The Decent Society (Cambridge, MA: Harvard University Press, 1996).
- 3 See R. Papini, A. Pavan, and S. Zamagni, eds., Living in Global Society (Naples: ESI, 1997).
- 4 F. Hirsch, The Social Limits to Growth (Oxford: Oxford University Press, 1976).
- 5 S. Kolm, "The Theory of Reciprocity and the Choice of Economic Systems," *Investigaciones Economicas*, 18 (1994): 67–95.
- 6 See S. Zamagni, "Social Paradoxes of Growth and Civil Economy," *Economic Theory and Social Justice*, G. Gandolfo and F. Marzano, eds., (London: Macmillan, 1997).
- 7 See B. Gui, "Interpersonal Relations: a Disregarded Theme in the Debate on Ethics and Economics," *Ethics and Economic Affairs*, L. Warneryd, ed., (London: Routledge, 1994).

Chapter 32

- 1 See R. Pahl, ed., On Work: Historical, Comparative and Theoretical Approaches (Oxford: Oxford University Press, 1988).
- 2 The term was coined in the eighties by various authors. See C. Offe, "Arbeit als Soziologishe Schlüssel Kategori?," Krise der Arbeitgesellschaft?, J. Matthes, ed., (Frankfurt am M: Campus, 1983), 38–65; R. Dahrendorf, "Dalla Società del Lavoro alla Società dell Attività," Impresa e Lavoro in Transformazione, P. Ceri, ed., (Bologna: il Mulino, 1998), 113–23; A. Gorz, Métamorphoses du Travail, Quête du Sens (Paris: Galilée, 1988).
- 3 J. Rifkin, The End of Work: The Decline of the Global Labour Force and the Dawn of the Post-Market Era (New York: Putnam, 1995).
- 4 A. Utz, Etica Económica (Madrid: Union Editorial, 1998).
- 5 International Social Survey Programme, Work. Orientations—1997 (Chicago: Norc, 1997).
- 6 See P. Kelvin and J. E. Jarrett, *Unemployment: Its Social Psychological Effects* (Cambridge: Cambridge University Press, 1985).
- 7 See P. Donati, La Cittadinanza Soĉietaria (Rome-Bari: Laterza, 1993), and A. Chiesi, Lavori e Professioni (Rome: Nis, 1997).
- 8 Boissonat Report, Le Travail dans Vingt Ans (Commissariat général du plan) (Paris: O. Jacob, 1995).
- 9 E.U. Report, *The Changing Nature of Work and the Future of Labour Law in Europe* (Brussels: Report of the Expert Group, EC-DGV, 1998), par. 205–9.
- 10 P. Donati, La Cittadinanza Societaria, chap. 2.
- 11 See N. Luhmann, Soziale Systeme. Grundriss einer Allgemeinen Theorie (Frankfurt am M: Suhrkamp, 1984).

Conclusion

- 1 J. Schasching, "Catholic Social Teaching on Labour, Work, and Employment," in this volume.
- 2 See J.-Y. Calvez, "Le Changement du Travail, du Travailleur, de l'Emploi et les Encycliques Sociales," in Acta 3.
- 3 This cannot be a complete list of the ethical principles which are found in the social teaching of the Church and/or should inspire social science research. Attention is here limited to the few that are most directly relevant to problems of work and employment. The last section of this synthesis will incidentally give some complementary perspectives on ethical principles which matter for the solution of these problems. Neither shall we discuss here how the principles are de facto applied in the context of various cultures. As an example see J. Pittau, "Ethical Values and the Japanese Economy," in *Acta 5*.

- 4 It may be argued that in Eastern Europe this concept of the right to work was ideologically misused, in a way that contradicted the aim of personal fulfilment. See H. Suchocka, "The Right to Work and the Feasibility of Full Employment: Dialogical Points," Acta 2.
- 5. See J. Llach, "Work across the World: some Basic Features," in Acta 2.
- 6 See G. Frinking, "La Division du Travail en Europe: Modèles et Politiques," in Acta 3.
- 7 See P. Morandé, "El Desarrollo de una Nueva "Cultura del Trabajo" en la Perspectiva de la Reducción de la Integración Social a Través del Empleo," in *Acta 3*. See also R. Rémond, "La Démoctatie: ses Relations avec l'Emploi et la Représentation du Capital et du Travail, in *Acta 2*.
- 8 See H. Zacher, "Die Lebensbedingungen der Arbeitslosen und die Wirkungen alternativer Sozialleitstungssysteme in historischet und vergleichender Perspektive," in *Acta 3*.
- 9 'I refuse to believe that contemporary humanity . . . is incapable . . . of finding just and effective solutions to the essentially human problem of employment' (message of John Paul II to the ILO, 1982). On the economic diagnosis about the possibilities open to us in this area, see E. Malinvaud, "Le Chômage dans les Economies Mixtes: Evitable ou non?," in Acta 2.
- 10 However, this volume bears witness to the interest already expressed by the Academy in globalisation. The reader of the preceding extracts will realise that some speakers at our sessions strongly argued that in its present form at least the global economy is working against true human needs. See in particular B. Betancur, "The Present and Future of Work," in Acta 2; J. Delcourt, "La Nécessité d'une Nouvelle Architecture Légale et Globale de Régulation du Capital et du Travail' and T. Palley, "The Economics of Globalisation: Problems and Policy Responses," both in Acta 5. These arguments will be duly taken into consideration in our forthcoming study mentioned above.
- 11 The reader may wonder whether the analytical approach described above is compatible with the ideas presented by M. Archer in "Unemployment: Social Needs and Economic Tendencies. Scenarios for their Etbical Reconciliation," in Acta 5. Ptofessor Archer argues that "there are four ineluctable contradictions between economic tendencies advanced as strategies to overcome unemployment, on the one hand, and conventional institutions defending social interests, on the other hand." She argues further "that any attempted institutional reconciliation at the actual level cannot satisfy the ethical requirement of introducing the universal right to work" and that "each dimension of irresolvable conflict points the way to a discussion of more radical methods of transcendence by means of institutional transformations" (p. 47). We may suggest that the opposition is more rhetorical than substantial. Indeed, none of the suggested institutional transformations is ruled out of consideration by the analytical approach otherwise espoused here. We shall be able to report below how each one stands in relation to the reflections so far led by the Academy.
- 12 See M. A. Glendon, "The Right to Work and the Limits of Law," in Acta 3.
- 13 See J. H. Matláry, "Women and Work: the Radical Papal Teaching," in Acta 3.
- 14 See The Pontifical Council for Justice and Peace, L'Eglise face au Racisme: pour une Société plus Fraternelle (Vatican City, 1988).
- 15 See G. Loury, "Integrating the Historically Disadvantaged into the World of Work," in Acta 3.
- 16 See J. Zubrzycki, "International Migration, Distribution of Work and Development," in Acta 2, esp. 149.
- 17 See in particular: "A New Concept of the Division of Labour [should be acknowledged], which is already coming into being, yet needs recognizing not just as a sporadic phenomenon confined to certain categories but as a generic life-cycle approach to conceptualising the labour market. In other words the majority of people could be seen as shifting between 'work' and 'employment' (to use the traditional terms) at different points in the family life-cycle and in response to shifting preferences and economic circumstances." in M. Archer, "Unemployment: Social Needs and Economic Tendencies . . .," ibid., 59.
- 18 See D. Lyon, "The Changing Meaning and Value of Work in a Globalized Information Society," in Acta 5.
- 19 See J. Drèze, "Temps Choisi et Partage du Travail," in Acta 3.
- 20 See D. Lyon "The Changing Meaning and Value of Work in a Glohalized Information Society," ibid.

- 21 See Bedřich Vymětalík, "Employment and the Quality of Human Relationships at Work: the Working Expression of Christian Values," in *Acta 2*.
- 22 See C. Crouch, "Trade-union Re-organization and the Employment Crisis," in Acta 3.
- 23 See T. Kohler, "Labour Law and Labour Relations: Comparative and Historical Perspectives," in Acta 2.
- 24 See A. Sen, Commodities and Capabilities (Amsterdam: North Holland, 1985).
- 25 See the references given in Section 3 to the articles by B. Betancur, J. Delcourt and T. Palley.
- 26 See H. Tietmeyer, "Financial Markets: in Relation to Employment and Unemployment," in Acta 2.
- 27 Indeed, 'the power of finance in the economy requires a revision of the approach to certain issues of social ethics'. Such is the main message of A. de Salins and F. Villeroy de Galhau in *The Modern Development of Financial Activities in the Light of the Ethical Demands of Christianity* (Vatican City: Pontifical Council for Justice and Peace, 1994).
- 28 To the references given earlier to our proceedings we add here: P. Dembinski, "Cost of Capital and the Uncertain Pre-eminence of Labour," in *Acta 5*.
- 29 On the Tobin tax and the possible role of legal institutions which transcend national borders, see M. Archer, "Unemployment: Social Needs and Economic Tendencies," ibid.
- 30 See E. Malinvaud, "Dilemmes Concernant les Salaires et l'Emploi," in Acta 5.
- 31 See E. Reyneri, "Ways and Means of Integrating the Young and Unskilled into Work," in Acta 5.
- 32 See M. Archer, "Unemployment: Social Needs and Economic Tendencies," and R.Hauser, "Das 'Allgemeine Grundeinkommen': sein Beitrag zur Verminderung von Arbeitlosigkeit und sein Verholtnis zu dem von der Katholischen Soziallehre geforderten Familienlohn", both in *Acta 5*.
- 33 The Academy has already touched on the problem on various occasions. See in particular G. Esping-Andersen, "Equality or Employment? The Interaction of Wages, Welfare States and Family Change," in *Acta 2*.
- 34 'One can well understand that the modern social sciences are rather hesitant in speaking about the meaning and value of labour. This aspect of work is part of one's personal experience and is open only to a very limited extent to empirical research.' J. Schasching, chapter I of this book.
- 35 See Bedřich Vymětalík, "Employment and the Quality of Human Relationships at Work: the Working Expression of Christian Values," in *Acta 2*.
- 36 P. Morandé, "El Desarrollo de una Nueva 'Cultura del Trabajo' en la Perspectiva de la Reducción de la Integración Social a Través del Empleo," in Acta 3.
- 37 See S. Zamagni, "The Significance of Labour in a Post-Industrial Society: Unemployment and the Role of the Civil Economy," in Acta 5.
- 38 Ε. Φyen and F. Wilson, "Only Connect: Unemployment and Poverty; Formal and Informal Economic Activity in a Divided World," in *Acta 5*.
- 39 R. Minnerath, "La Vision Biblique du Travail et le Contexte Contemporain," in Acta 5.
- 40 See P. Donati, "The Changing Meaning of Work (Secularized vs Humanistic) and its Implications for the New Society," in *Acta 5*.
- 41 See J. Pittau, "Ethical Values and the Japanese Economy," in Acta 5.



* Terms which reflect a spelling conflict with the English are indexed under the American spelling.

Α В pre-eminence of, 174–75 Absolution, color blind, 243 Backyard economy, 85 regulation of, 100-1 Actualism, 32–33 Basic income, 211. See also Income spread of flows of, 98 Affirmative action conditional, 215-16, 217-18 Capitalism, 42 African-Americans and, 31, family wages and, 216-18 error of early, 11 243-45 partial, 215, 217, 219 Catholic countries, labour force in, 48 developmental, 245 universal, 213-19 Catholic social teaching. See Social need for new model of, 244-45 universal individual, 217 teaching of Church preferential, 245 varieties of, 214-16 Centesimus annus, 3. wisdom of, 243-44 See also John Paul II Basle cooperation, 106 AFL-CIO, 121 on being underway with mankind, Beijing conference on women, 238 Africa. See also South Africa Belgium, extended leaves in, 226 unemployment in, 153, 165 on ethically justifiable economic Bourgeois culture, temporality in, African-Americans 262 systems, 13 affirmative action and, 31, 243-45 on culture of work, 266 Bracero programme, 77 education and potential of, 31 Bresson, Yoland, 211 on economic globalization, 294 unemployment and, 31 Bretton Woods, 103 on evolution in work culture, 298 on labor Age Discrimination in Employment Buchele, Erwin, 211 Act (1967) (ADEA), 183 Buddhism, 255, 256, 258 future of, 7, 11-12 Agriculture, technical progress in, rights of, 17, 19 Business services, 231 134 on need for countervailing jobs from, 58-59 Akio, Morita, 259 institutions, 39 Allocation universelle, 36 C on right to work, 27, 150 Americans With Disabilities Act on unemployment, 14 Calvin, John, 249 (ADA) (1992), 183 Central Commission of Co-operation Capital Arendt, Hannah, 280-81 (Zentralarbeitsgemeinschaft), 180 cost of and uncertain pre-Child labor, 85 Argentina, unemployment in, 209 eminence of labour, 173-78 Christian ethics, labour market Asset price bubbles, 117 human, 286 Austrian works councils, 190 deregulation and, 133-37 knowledge, 286 Christian work ethic, 252-54 Autonomous groups, 22, 31 labor and, 8, 9, 96, 173-78, 286 membership in, 184 Cities, concentration of development power balance between, in, 98-99 Auxiliary services, quality of, 41 187 - 88Citizenship income, 211 mobility of, 37, 96-98, 108 international, 103, 109-10

significance of, 110-11

Civil economy, 42-43, 271-73, 298	D	E
constitutional prerequisites of,	Dana, 194	Early retirement programmes, in
273-74	Decentralized decision-making, 31	Europe, 225–26
unemployment and, 267–71	Decentralized market economies,	East Asia, financial crisis in, 120
Civil Rights Act (1964), Title VII of,	structural instability in, 223–24	Eastern Europe. See also Europe
183	De-industrialisation, mass	employment in, 28
Class society, work and, 7–10	unemployment and, 229	extension of capitalism to, 187
Class struggle, ideology of, 15	Democracy, employment and interests	Economic decisionmaking, union
Classless society, creation of, 10	of capital and labor in, 139–43	involvement in, 187
Co-creation, 42	Denmark	Economic development
Collective agreements, 179	extended leaves in, 226	coordinating mechanisms of, 136
Collective bargaining, 34, 179	unions and employer associations	workforce growth and, 48
agreement, 182, 183	in, 188	Economic dimension of work, 13–15
renewing, 190–91	Dependent independence, 162	Economic efficiency, individual
trade unions and, 33	Deregulation, 210	choice and, 222
Collective labor law, 180-81	of labour market, 60–61, 234,	Economic inequality
American model of, 182–83	291–92	race relations and, 241–46
Collectivism, 9	Derivatives, 104, 105, 106	social capital and, 242
Color-blind	Developed countries	Economic leakiness
absolution, 243	environmentally friendly	globalization and, 115–18
policies, 31	technologies and, 137	policy responses to, 118–20
Command management, 31	intellectual work in, 124–25	Economic progress, 11
Common good, principle of, 10	migrant immigrants in, 140	Economics of globalization, 113–21
Communication and information	service in, 125	Economic Union, 39
technologies (CITs), 65–66	unemployment in, 135	Economy
Communism, 9	Developing countries	backyard, 85
Competitive self-organization, 274	comparative advantages of, 125	civil, 72–73, 267–74
Complementarity, 32	intellectual work in, 124–25	financial market trends and,
Computer boosters, 128	labour in, 19	105–7
Confucianism, 42, 255–58, 298	services in, 125	formal, 85
Consumer society, emergence of, 263	unemployment in, 81, 164–65,	informal, 90, 126
Contingency, new valuation of,	288	innovative, 99–100
262–63	work of women in, 237	market, 128
Contingent employment, 29, 185	Dialogistic labour markets, 188	materialistic, 11
Contractual unity, principle of, 181	Dignity of the worker, principle of,	world, 123–24
Contract work, 162	10	Education
Copenhagen World Summit on	Direct labour, 207	life chances and, 31
Social Development, 80	Discrimination, sex, 290–91	training and, 196
Core labor standards, 119	Division of work	Employees. <i>See also</i> Labor/Labour;
Cottage-industry, 90	in Europe, 167–70	Workers
Covenant on Political and Civil	in family, 287	Employment. See also Underemploy-
Rights, 148	role of policies in, 169–70	ment; Unemployment; and
Culture	societal forms of, 167–69	individual countries and regions
as shared time, 265–66	Domestic work, 222	changes in, 28–30
bourgeois, temporality in, 262	need for social recognition of, 238	contingent, 29, 185
work, 10-17, 23, 24, 296-99	time spent by women versus men	democracy and, 139–43
elements of, 12–15, 194	in, 237, 238, 239	deregulation of, 33–36
emergence of new, 41–43	Downsizing, 29, 60, 65, 67, 136–37	financial markets and, 103–12
intellectual and spiritual	Dual-earner family, as hedge against	fuel, 229
dimension of, 17–18	poverty, 231	gender equality in, 214
transformation of, 261	Dual-labour market hypothesis, 82	human relationships and, 193–97
	Duty to work, 213, 214, 217	income redistribution and, 296
		institutions and policies favourable
		to, 292–95

international mobility of, 109–10	capital in labour substitution, 174	Forced labour, 74
international trade and, 108–9	productivity in, 137	Ford Company, Human Resources
macroeconomic policies, 295	Exchange of equivalents, principle of,	Management (HRM) methods at,
new golden rule, political	268	194–95
infeasibility of, 269–71	Exchange rates	Fordism, 189
overall performance, 293	depreciation in, 118	Foreign exchange (FX) trading, ratio
partial, 29, 40, 42	fixed, 117-18	of, to world trade, 116
patterns, current, 286–88	flexible, 103, 118	Four-day working week, 227
permanent, 57	international mobility of, 109–10	France
race discrimination in, 291	Exclusivity principle, 183	minimum wage in, 212
self-, 29. 60, 65, 88, 185, 191		take home pay in, 204
social integration through relations	F	Franchising, flexibility and, 191
to, 261–66	False independence, 162	Free market development, deregulation
trade union reorganisation and,	Family	of employment and, 33–36
187–91	personal services consumption	Full employment and OECD
transformation of, 207–12	and, 232–33	countries to, 229
unregistered, 59	division of work within, 287	Functional equivalence, principle of,
Employment law, American, 183–84	service employment dividend and	263
Employment leasing arrangements,	consumption, 233-34	Functional systems, theory of,
185	wage	262–63
Employment structure	basic income and, 216–18	
contrasts in, 51	Catholic social teaching on,	G
labour demand and, 48, 51	213–19	Gaudium et Spes, 4, 11, 13
Environmental Protection Agency	principles of, 230	General Electric Company (GE), 194
(EPA), 120	welfare state and, 231–33	Geographical mobility, 29
Environmental standards, 119	Family income	of capital, 108
Ethical principles, 285–86	concept of, 238	of workers, 99–100
Ethical values, Japanese economy	outservicing and, 231	Germany
and, 255–59	Fast track trade negotiating authority,	joint enterprises in, 196–97
Ethnic cleansing, 75	114	labor law in, 180, 185
Ethnic discrimination. See race	Federal Reserve, U.S., 120	works councils in, 190
relations	Ferry, Jean-Marc, 211–12	Global markets
Ethnic groups, educo-occupational	Finance, challenges of, in post-	capital, 29
differences between, 31–32	industrial age, 178	financial asset creation in, 175–76
Europe. See also Eastern Europe;	Finance markets, labour markets and,	Globalization, 1, 289
European Union (EU)	36–38	benefits of, 118
division of labour in, 167–70	Financial assets, creation of, in global	boosters in, 127–28
early retirement programmes,	markets, 175–76	Catholic Social Teaching and,
225–26 employment in, 157–58, 210	Financial instability, risk of, 116	113–14
guaranteed social minimum in, 230	Financial instruments, innovative	consequences of, 124
job protection in, 230	trends in, 104	economic leakiness and, 115–18
job sharing in, 225–26	Financial leakiness, 115, 116–18, 120	economics of, 113–21
labour markets, 62, 230	Financial markets, 156	financial markets and, 293–94
labour solidarity in, 23	employment, unemployment,	internal regulation and, 38–39
part-time work in, 226	103–12	origins of, 114–15
underground economy in, 60	globalisation of, 293–94	possible utopia, 128–29
unemployment in, 134–35, 209	internationalisation of, 108–11	response to, 120–21
200	trends in, 103–4, 105–7	Globalized information society,
welfare systems in, 204	Financial system, emergence of dual,	65–70
11 2 000 000	173 Fixed policy 204	Goods market, internationalisation
F () ' ' 000 (Fiscal policy, 294 Fixed-time contracts, 60	of, 108–11
17	Flexible schedules, 42, 186	Gorz, Andri, 211
See also Europe	A TOMORE SCREENINGS, 42, 100	Gospel of labour, 17, 23–24

INDEX

G-7 policies, 39	Industrial workers, proportion of	John Paul II, 3, 7, 12–13, 14, 15, 16,
Grievance arbitration process, 183	traditional, 134	20, 26, 35–36, 150, 214. See also
Guest workers, 29, 37, 77	Inflation, 295	Centesimus annus; Laborem
	unemployment and, 136–37	Exercens; Motu proprio
H	Informal economy, 162	John XXIII, 3. See also Pacem in Terris
Hegel, 250	growth of, 90	Joint enterprises in Germany, 196–97
Hettlage company, 197	unemployment and, 126	Joint entrepreneurship, 197
Hewlett-Packard, 194, 195	Informalisation, 90, 91	Just-in-time employment, 67, 68,
	Informal sector, 162	185, 269
Hierarchical company organisation,	concept of, 85-86	Just wage, 9, 14
193	as micro-enterprise sector, 86	Church and, 295
HIV/AIDS, poverty and, 87–88	need for expansion of, 90–91	claim to, 214
Homeworking, 29, 90	Information revolution, 28, 207–8,	
Household service, jobs from, 58–59	211	К
Human capital, 286		
quality of, 286	Information technology, 28	Keynesian, 189
Human development, 79–80	development of, 156, 263	Knowledge capital, 286
Human dignity, 288	Integrated work, 67–70	free circulation of, 100
right to life worthy of, 213	Intellectual work, 124–25	Knowledge workers, growth in pro-
work and employment and,	Intergenerational phenomenon, 39	portion of, 193
285–86	International Court of Human	
Human relationships, employment	Rights, 39	L
and, 193–97	International Covenant on Economic,	Labor/Labour. See also Workers
Human Resources Management	Social and Cultural Rights	Catholic social teaching on,
(HRM) methods, 193, 194	(ICESCR), 148	113–14
at Ford Company, 194–95	International Labor Organization, 85,	culture, intellectual dimension of,
implementation of, in other	145–46	17–18
companies, 195	International labour markets, globali-	dignity of, 10
Human rights, 71, 73	sation of, 76	flexibility of, 29, 54, 65
work as, 123	International migration, 75–83	gospel of, 17, 23–24
WOIR 45, 125	International Monetary Fund, 39	hoarding, 225
	International Organisation for Migra-	humanization of, 16
1	tion, 77	
IBM, 194, 195	International trade, employment and,	immobile, 29
IG Metall, 190	108–9	independent, 29, 60, 65, 88, 185,
Illicit work, 162, 163	Internationalisation	191, 209
Illiteracy, among women, 127	of markets, 156	industrial era, 8
Immigration. See also Migration		relations systems, current status of,
illegal, 29, 78	financial markets and, 103–4,	184–86
structural impact of, 82–83	103–12	supply, 51, 218
Inclusion/exclusion, 26	Internships, 60	unskilled, 57, 62, 199–200, 201–3
Income. See also Basic income	Interpersonal services, employment	Labor law
citizenship, 211	in, 210	American model of, 34, 62, 179,
employment and redistribution,		182-83
296	J	collective, 180–81
family, 231, 238	Japan	current status of, 184–86
secondary distribution of, 210	ethical values in, 255–59	German, 180, 185
subsistence, 210, 211	lifelong employment in, 258	individual, 180
Independent contractors, 185	work methods in, 189	labor relations and, 179-86
Independent dependency, 162	Job sharing, 40, 42, 221-27, 291	in U.S., 179
Indifference, principle of, 263	Church on, 227	Laborem exercens. See also John Paul II
application to work, 264–65	European experience in, 225-26	on error of early capitalism, 11
Individualisation, 16	Job stability, 185	on future of labour, 24, 27
	Job-tenure, 34	on injustices in living and working
Industrial era, labour in, 8	J, U	conditions, 18

on living standard of worker, 19 on primacy of labour over capital,	Low wage-deregulation strategy, 234 Luther, Martin, 249	permanent settler, 77 refugee, 77–78, 79
15 on rights of labour, 17	b.4	rights of, 291
on rights of working men, 7	M	Migration
on right to work, 13, 21	Macroeconomic employment policies, 294–95	consequence of freedom of, 110–1 illegal, 78
on shareholding by labour, 16	Macroeconomic leakiness, 115, 118,	international, 75–83
on spirituality of labour, 23	119	pressure and development, 79–81
work as decisive key of social ques-	Management	rural-urban, 75
tion in, 3 Labour force	command, 190	Migratory capital, 38
distribution of, 51	lean, 193	Mill, John Stuart, 210
growth of, 48	participation in, 196	Minimum wages
growth of, 48 growth rate of, 47–55	by wandering about, 195	policies on, 34
participation rates in, 48	Western way of, 134	unskilled unemployment and,
Labour markets	Manifest Destiny, 124-25	201–3
deregulation of, 60–61, 234,	Maréchal, Jean-Paul, 210	Mixed economies, unemployment in,
291–92	Marginal rate of substitution (MRS),	153–59
Christian ethics and, 133–37	221–22, 224	Monasticism, 23
diagnostic, 188	Maritain, Jacques, 146	Monetary policy, 294–95
finance markets and, 36–38	Market arbitrage, 114	Moonlighting, 60
flexibility of, 41	Marker economies	Motivation in remuneration, 196
geographical integration of, 107	decentralized, 223–24	Motu proprio, 298. See also
globalisation of, 76	unemployment in, 153, 161	John Paul II
protection of workers in, 296	Market economy principle, 72	Multiculturalism, 291
secondary, 82	Market forces, according to	Multilateral Agreement on Investment
trends in, 107–8	Schumpeter, 114	(MAI), 114, 121
women and, 28-29, 48, 127	Market regulation, 136 Markets, internationalisation of, 11,	Multinational companies, 39 Muslim countries, labour force in, 48
Labour unions. See Trade Unions	156	widshin codificies, labour force in, 48
Latin America	Marx, Karl/Marxism, 10, 11, 22,	N
labour market and women, 127	250, 280–81	
unemployment in, 165, 209	Mater et magister/Mater et magistra	National economies, breaking down of barriers between, 113
Law, right to work and limits of,	on bold transformations, 19	National Labor Relations Board
145–51	on developing countries, 18	(NLRB), 120
Leakiness, 115	on economic and technological	National policy autonomy, financial
Lean Management, 193	progress, 11	leakiness and loss of, 117
Lean production method, 29, 269	on just wages, 14	National socialism, 9
emergence of, 67	on labor as social partnership, 16	Natural rate of unemployment, 137
Leave, extended periods of, 42, 226	on private property, 15	Negative stereotyping, 31
Leo XIII, 8, 9, 10, 22, 178. See also	Material labour, as intellectual work,	Neo-labourism, 27
Rerum novarum	124	Neo-liberalism, 27, 32, 33-34
Liberal capitalism, 8, 9, 10, 22	Materialistic economism, 11	Netherlands
Liberalism, 10, 35–36, 250	Maternity leave, 239	part-time work in, 226
Life working time, 69	McKinley Act (1890), 91	recent adaptations of labour policy
Limited contracts, 29	Men, equal treatment of, with	in, 191
Limited-term contractual	women in employment, 214	Network job recruitment, 61
arrangements, 185	Microeconomic leakiness, 115, 118,	Nongovernmental organisations
Living conditions, of unemployed,	120	(NGOs), 128
161–65	Micro-enterprise sector, informal sec-	Non-waged employment, 51
Louvre agreements, 110	tor as, 86	North American Free Trade
Low-level services, increasing	Migrants, 29, 140	Agreement (NAFTA), 114
employment in, 59–60	employment prospects and	Novak, Michael, 249
	structural issues in industrialised	
	Nortb, 81–83	

0	HIV/AIDS and, 87–88	on labor
Occupational continuity, 40	link to carrying capacity, 79	future of, 7
Occupational Health and Safety	Pre-industrial society, in labour, 7–8	organization of, 10, 16
Administration, 120	Premodern societies, time in, 261-62	on just wages, 14
Occupational mobility, 29	Primacy	on position of Church in relation
Octogesima adveniens, 20	labour over capital, 12-13, 25, 27	to work, 8
"Ora et labora," 23	Private property, access to, 15	on property ownership, 15
Organisational protection, 30	Privatisation, 16, 128	Retirement programmes
Organisation for Economic Co-oper-	Problem-solving groups, 194	early, 225–26
ation and Development (OECD)	Productivity	progressive, 226
countries	gap in growth, between services	Right to work, 13, 21, 213-14, 264,
full employment and, 229	and manufacturing, 229	286
productivity in, 270–71	growth of, 137	fulfillment of, 290
unemployment in, 28, 155,	profitability criteria, 36	limits of law, 145–51
161–62	Professionalisation of workforce, 60	Roberts, Keitb, 210
Outsourcing/outservicing, 60, 65,	Programmatic rights, 147–48	Roosevelt, Eleanor, 146
67, 231	Progressive retirement, 226	Rural-urban migration, 75
07, 201	Protestant Reformation, 249	
P	Protestant work ethic, 42	S
	Public sector deficits, 104	Saving, institutionalisation of, 104
Pacem in terris, 20. See also John XXIII		Schumpeter, on market forces, 114
on right to work, 13, 143	Q	Secularisation, 23
on social rise of working class, 15 on universal dimension of church,	Quadragesimo anno, 11, 20. See also	of cultures, 298
	Pius XI	Securities and Exchange Commission
143	on access to private property, 15	(SEC), 120
Paradigm shift, 289	on corporative orders, 16, 22	Self-employment, 29, 60, 65, 185
Parenting services, 242	on economic dimension of work,	autonomy of, 191
Pareto-optimal policy, 234–35	13	in South Africa, 88
Part-time work, 29, 60, 162, 163, 185	on just wages, 14	Service employment
in Europe, 226	on relationship between capital	family consumption and, 233–34
for women, 226	and labour, 9–10	growth in proportion of, 193
Passet, Reni, 210	on right to work, 146	growth of, 231
Payroll tax, in financing welfare trans-	Qualifications, growing importance	Services
fers, 203	of, 99–100	in developed and developing
Personal services, 231	Quality circles, 194	countries, 125
jobs from, 58–59	Quarry circles, 191	employment in, 28
Pius XI, 9–10, 10, 22. See also	D	outsourcing of, 209
Quadragesimo anno	R	unions and, 188
Plaza agreements, 110	Race relations and employment, 39,	worker demand and, 229
Pontifical Academy of Social Sciences,	40, 241–46, 291	Sex discrimination in work, 290-91
3–4, 7	Racism, 39	Shareholding, by labour, 8, 16
creation of, 25	Reaganism, 208	Shintaro, Ishibara, 259
Popolorum progressio, 17, 18, 19	Realism, 33	Shintoism, 255, 258–59
Positional competition, 271	Reciprocity principle, 268, 271–72	Social attitudes, changes in, 11,
Positive discrimination, 31	Recuperar cooperative, 126–27	289–90
Post-Communist countries, right to	Reflexive legal schemes, 182	Social capital, economic inequality
work in, 71–74	Refugees, 37, 75	and, 242
Postindustrial society	migration of, 77–78, 79	Social disadvantages of
Catholic social teaching and	Religious change, 11–12	unemployment, 200–1, 275–77
challenges of finance in, 178	Remuneration, motivation in, 196	Social ecology of labour, 15–17,
significance of labour in, 267–71	Rerum novarum, 9, 11, 20, 146, 178.	277–82, 287
Post-Socialist countries,	See also Leo XIII	-,. , -,
unemployment in, 164	on capitalist social formation, 25 on centrally dominated economic	
Poverty as cause of social exclusion, 200–1		
as cause of social exclusion, 200-1	system, 13	

Social integration decreasing, 287	Southern African Development Community (SADC), employment in,	Underemployment, 142, 163 internationalisation of financial
reduction of, through relation to	8689	and goods markets, 108–11
employment, 261–66	Spain, divisions of labour in, 169	of women, 39-40
Social relation, work as, 277–82	Speculation, 117	Unemployment, 14, 25–43, 54.
Social security	fixed exchange rate and, 118	See also Employment; and
deterioration of, 135	Spiritual change, 11–12	individual countries
English systems of, 215	Spiritual dimension of employment,	civil economy and, 267–71
entitlements in, 35	17–18, 23, 41	de-industrialisation as cause of, 229
national systems of, 34, 215	Spiritual reform, importance of, 10	in developed countries, 135
Social segmentation, 241	Stable jobs, defined, 223	in developing countries, 81
Social services, 231	Subcontracting, 60, 67, 191	economic fluctuations and, 224
jobs in, 58–59	Subsidiarity, principle of, 10, 268	economic scarcity and, 276
Social solidarity	Subsistence income, 210, 211	financial markets and, 103–12
strengthening, 30	Survivalist enterprise, 91	frictional, 153–54
unemployment and, 39–41	Sweden, divisions of labour in, 169	growth of, 134–35
Social systems, theory of, 262–63	· · · · · · · · · · · · · · · · · · ·	inflation and, 136–37
Social teaching of Church	Т	high rates of European, 62
challenges of finance in postindus-	Teamwork, 31	informal economy and, 126
trial age, 178	Technical progress, 11	living conditions of and, 161-65
on culture of work, 296–99	in agriculture, 134	in mixed economies, 153-59
documents of, 20	Telecommuting, 185, 186	natural rate of, 137
on job sharing, 227	Temporary migration, 77	problems caused by, 200–1, 268–69
on labour, 7–43, 113–14	Temporary work, 60, 185	rate analysis of, 54-55
primacy over capital, 286	Tertiary sector, expansion of, 28	real, 126
normative principles of, 213	Thatcherism, 208	social institutions and, 30–32
political implications of, on	Third Industrial Revolution, 267	social solidarity and, 39–41
women and work, 237	3M, 194	social welfare payments for, 163
post-industrial challenges, 178	Time ownership, 196	socioeconomic problem, 275–77
tradition of, 25–26	Time worked, reduction in, 221–22,	in South Africa, 30, 89
unemployment in, 154	224–25	systems of security against, 164
on wages	Tobin tax, 38	transformation in, 209–10
family, 213-19	Totalitarian systems, 9	in United Kingdom, 135
just, 295	Totalitarianism, of the market	universal basic income and, 213-19
Social utility, 42	economy, 128	urban rates of, 153
Social welfare payments, for	Total Quality Control, 68	youth and, 234
unemployment, 163	Total Quality Management (TQM),	Unifactorality, 32
Socialism, 8, 9, 10, 250	193	United Kingdom, unemployment in,
Solidarity, 151 as basis for regulation of capital	Trade deficits, 118	135
and labour, 100–1	Trade unions, 22–23, 30–31	United Nations, 1948 Declaration of
building, 19	collective bargaining and, 33	Human Rights, 30, 145, 146, 149–50, 286
maintenance of social, 29	decline in density, 184–85	United States. See also
reduced, problems of, 29	reorganisation of, 187–91	African-Americans
risk of, 149–50	right to form, 119–20	employment in, 210
Sollicitudo rei socialis, 11, 18, 19	types of, 188–89 weaknesses of, 292	labor law in, 179, 181–84
South Africa. See also Africa	Transformation process, 72–73	Universal basic income
self-employment, 88	Transplanted production, 28	duty to work, 217
unemployment in, 30, 89	TRW, 194	unemployment and, 213–19
Southeast Asia	****** 1/1	Universal Declaration of Human
economic advance of, 187	U	Rights. See UN
unemployment in, 165	Undeclared work, 162	Universal welfare, 211-12
	Underdevelopment, economic	UNO report, 38
	problems of, 18, 19, 157	Unregistered employment, 59
	L	

Unsynchronised development, of	changing meaning of, 65–70,	Workers. See also Labor/Labour
world's economies, 123–24	135–36, 275–82	dignity of, 10
Urban rates of unemployment, 153	class society and, 7-10	guest, 29, 37, 77
Uruguay Round of GATT, 88, 90–91	culture of, 296–99	as owners, 8, 16
^	development and, 18–19	participation by, 119, 181–82
V	disadvantaged classes and, 241–46	precarious, 62
Value-added status, 124	division of, 167–70, 287	professionalisation of, 60
Van de Arbeid, Stichting, 191	domestic, 222, 237-38, 239	protection of, 296
Variable pay plans, 185	duty to, 213, 214, 217	qualifications, importance of,
Vatican II, 4, 12, 13, 16, 18	economic dimension of, 13-15	99–100
Virtual workplace, 29	employment structure and	transformation of, 135, 207–12
*	demand for, 48, 51	unskilled workers
W	flexible structure of, 69	declining real wages for,
Wage bargaining, 34	future of, 7, 11–12, 20–21, 24,	199–200
Wage contract, 15	27, 123–29	labour force participation by, 62
decline of, 209	global regulation of, 100–1	minimum wages and, 201–3
Wage differentials, 34	hours, reduction in, 221-22,	trade-off between permanent
	224–25	job and, 57
Wages deregulation strategies, 234	humanistic approach to, 298–99	Workers' council (Betriebsarbeiterräte),
9	integrated, 67–70	181
dilemmas about, 199–204	integrating historically disadvan-	Work-force. See Labor/Labour;
just, 9, 14, 199–200, 213, 214,	taged into world of, 241–46	Labour markets; Workers
295	intellectual, 124–25	Working conditions
minimum, 34, 201–3	international labor force, 65	injustices in, 18
real, 199–200	legal regulation of, 100–1	as public assets, 221
Wagner Act, 120, 182, 183–84	mobility of, 110–11	Working poor, 59, 199–203, 270
Weber, Max, 249	organisation of, 16	Working week
Welfare, 35, 229–35	patterns in, 286–88	reductions in, 40, 221–22,
families and, 231–33	personal dimension of, 12–13, 21	224–25, 227, 291
transfers, 203	present and future of, 123–29	Workplace
universal, 211–12	purpose and function of, in giving	standards, 119
Wohlgenannt, Liselotte, 211	meaning, 23–24	virtual, 29
Women, 237–40	right to, 13–14, 21, 30, 145–51,	Works agreement
child bearing, 40	213–14, 264, 286, 290	(Betriebsvereinbarung), 182
discrimination against, 127	in post-Communist countries,	Works Constitution Act (1952), 181
domestic labour of, 222	71–74	Works council, 181–82
double occupation of, in rural	salaried, 208	Works Councils Act (1920), 180, 181
areas, 127	seasonal, 60	Work-time reductions, 40, 225, 291
equal treatment of, 214	sex discrimination in, 279,	Work/unemployment, as
growth in labour supply, 28–29,	290–91	sociocultural problem, 275–77
48, 59–60, 65	significance of, in postindustrial	World Bank, 128
illiteracy of, 127	society, 267–71	World economy, unsynchronised
malnutrition indexes for, 127	social ecology of, 12–13, 15,	development of, 123–24
maternity leave, 239	16–17, 21, 277–82	World Summit for Social
part-time work for, 226	society-founding function of,	Development, 39
under-employment of, 39–40	21–23	World Trade Organization (WTO),
work and, 237–40		121
Work, 23–24, 123–29, 264–65.	supply of, 47–48	establishment of, 88
See also Women	temporary, 167	
allocation of, 288, 290–92	time and, 261–62	under Marrakesh Agreement, 91
biblical vision of, 249–54	transformation of, 207–12	
capital and, 8, 9, 96–98, 173–75,	Work ethic	X
187–88, 286	Christian, 252–54	X-efficiency, 269
Catholic social teaching and, 7–43	Protestant, 42	

Y

Young people integrating into labor force, 57–63 lack of job growth as cause of unemployment among, 234 participation rates of, 48 unemployment among, 234, 237

\mathbb{Z}

Zen Buddhism, 258

INDEX

CATHOLIC SOCIAL TEACHING HAS BEEN DESCRIBED AS THE BEST KEPT SECRET OF THE CHURCH. This is particularly regrettable, now that the Catholic Church is one of the few global voices to uphold the 'primacy of labor over capital'. Rapid transformations in the world economy mean that growth, productivity, and profitability are no longer closely associated with increases in employment. This raises pressing questions. What is clear is that the 'neo-liberal consensus' does not even endorse full employment as a desirable goal, let alone deliver it.

Nearly everywhere, the 'right to work' is challenged by the growth of unemployment. In turn, the concentration of joblessness among the young, the unskilled, and those in the Third World threatens the linkages that the Church has constantly stressed—between employment and human dignity and between work and human fulfillment.

In Work and Human Fulfillment, members of the Pontifical Academy of Social Sciences and their colleagues explore these recent changes in the world of work. The book includes a summary of the key positions taken by the Church on work and employment and extracts of the papers presented and discussed at the three plenary sessions of the Pontifical Academy in 1996, 1997, and 1999 focusing upon the following areas:

- · Present situation and current trends of work across the world
- · Globalized economy
- · Contemporary institutions and their response to unemployment
- Capital and labor
- · Analysis of policy options
- · Culture of work

They examine what policy options could serve to re-express the fundamental tenets of the Church's Social Doctrine on work and employment in this new economic context. There are no easy solutions, but *Work and Human Fulfillment* underlines the fact that ethical considerations do require policy interventions. Without these, then de-regulated and self-regulated market forces will increasingly uncouple the moral link between 'work and human fulfillment'—on a global basis.

About the Pontifical Academy of Social Sciences

Established in 1994 by Pope John Paul II, the Pontifical Academy of Social Sciences was created to promote the study and progress of the social, economic, political, and juridical sciences to provide the Church with that needed for the study and development of Catholic social doctrine. By 2000, the Academy had thirty-four members from all the continents of the world, each specialized in one or two of the main social sciences. Since its establishment, the Academy has held six plenary sessions and two workshops with contributions from over thirty outside experts.



Sapientia Press | of Ave Maria College 300 West Forest Avenue Ypsilanti, Michigan 48197 888-343-8607

