

# LABOUR MARKET CHANGES AND JOB INSECURITY



## A CHALLENGE FOR SOCIAL WELFARE AND HEALTH PROMOTION

WHO Regional Publications, European Series, No. 81



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Labour market changes  
and job insecurity:  
a challenge for social welfare  
and health promotion

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# Labour market changes and job insecurity: a challenge for social welfare and health promotion

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The editors would like to thank Stephen Platt for his advice on the concluding chapter.

# Foreword

*Signs of rapid political, social and economic change abound in the Europe of the 1990s. Indeed, Europe is in the midst of transitions that are often bewildering and difficult to track, and even more difficult to analyse for their impact on people's lives and particularly their health. Nevertheless, health scholars must begin to develop an organized field of inquiry into the relationship of these transitions to health status. Such research is needed to provide a framework for public debate and government and private-sector action to mitigate potential negative health consequences, as well as to maximize potential benefits. Earlier research warns of the health hazards associated with major social displacements and the consequences of ignoring them. Thus, now is a good time to take stock of what is known about the health impact of rapid social transitions, identify the gaps in knowledge and provide guidance for further study and social action.*

*For nearly a half century, the WHO European Region enjoyed the steady growth of employment in an environment where workers were secure in their jobs and where the employee–employer relationship was assumed to be a lasting one, often spanning the employee's working life. When unemployment occurred, there was usually an ample government safety net that provided essential support to workers and their families. Recently, however, development in Europe has clearly emphasized more efficient competition in the global market-place. This has inevitably led to massive downsizing of the workforce in many traditionally labour-intensive industries and service enterprises, which has affected employees at all levels, including middle and upper management.*

*Reductions in force are being facilitated by advances in information technology, new work options (such as home and part-time work) and access to low-cost global labour resources. The result is an apparently sharp*

*rise in chronic anxiety among people who never before experienced unemployment and a consequent threat to their sense of security, wellbeing and social status. Chronic anxiety can be devastating to the health of the worker, as well as the wellbeing of the worker's family.*

*It was natural for the Finnish National Research and Development Centre for Welfare and Health (STAKES) and the WHO Regional Office for Europe to join forces to tackle this issue. In 1993, the two partners launched a series of symposia on the social determinants of health. The first led to the publication Economic change, social welfare and health in Europe (WHO Regional Publications, European Series, No. 54).*

*In June 1996, STAKES and the Regional Office invited about 30 international scholars to a symposium in Kellokoski, Finland, to focus in depth on one aspect of change in Europe: the anxieties that arise from changes in the world of work. At the symposium, experts in economics, epidemiology, health promotion, social policy, medicine, and the behavioural and social sciences, labour market analysts and public health specialists shared information and perspectives on the health impact of employment insecurity. The list of participants comprises Annex 1. These issues have now been taken up by the recently launched WHO Verona Initiative: investing for health in the context of the economic, social and human environment.*

*The presentations and subsequent discussions in the symposium brought into sharp focus the need for a strong link between research and government policies. They clearly showed the need for an integrated, policy-relevant, theory-driven and methodologically sound research framework to deliver balanced, feasible and sensitive policy advice to governments. Indeed, the framework could exemplify a research strategy for analysing a wide range of structural determinants of health. The symposium participants provided a rich menu of hypotheses and methodological options. They also offered sound advice on seeking ways of involving the public in research to strengthen both the validity of findings and their potential for positive legislative action.*

*This book is the result of the symposium. Additional technical input was provided in the six months following the symposium. The overall work was facilitated by the International Centre of Health and Society, Department of Epidemiology and Public Health at University College London, a WHO collaborating centre.*

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*We hope that this book will draw attention to and spark international debate on the changing nature of work, trends in labour market policies and the increase of job insecurity, which add up to chronic unemployment in so many developed countries. The implications of these trends for social welfare and health promotion need further research. We are confident that this book is a first important step towards filling the gaps in both research and action to develop policies that address the issues of labour market policies and job insecurity from a social welfare and health promotion perspective.*

*Many of the research findings and lessons learned during the symposium are being taken up in the renewal of the WHO strategy for health for all. On the threshold of a new millennium, there is clear awareness that improving the health of all Europeans will be a challenge to virtually all public policy sectors, including employment, labour policy and economic and social development. People working in public health must learn the conceptual languages, the perspectives and the priorities of those sectors. In the case of the employment sector, the symposium participants laid out the causes, conditions, contextual realities and expectations of employers that result in today's volatile employment situation. The task is to discern the options and potential for adapting to these conditions through, for example, retraining workers, experimenting with new work forms, enhancing lifelong learning resources and strengthening early retirement policies. The objective is both to mitigate the negative health impact of the changing work environment and to implement proactive practices and policies that would enhance the compatibility of work and social life.*

*The European way of life is unlikely to return to past traditions of work and leisure. It is everyone's responsibility to invest in practices and policies that are consistent with the equitable and sustainable promotion of health. We hope that this book contributes practical guidance towards achieving that goal.*

J.E. Asvall  
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# Job insecurity in a broader social and health context

*Michael G. Marmot*

In a newspaper article on downsizing in the United States (1) the historian David Herbert Donald says:

It's important to recall that, throughout American history, discontent has always had less to do with material well-being than with expectations and anxiety. ... You read that 40,000 people are laid off at AT&T and a shiver goes down your back that says, "That could be me." ... What we are reacting against is the end of a predictable kind of life, just as the people who left the predictable rhythms of the farm in the 1880s felt such a loss of control once they were in the cities.

Something new is affecting contemporary western society; like all profound social transformations, it has great potential to affect the health of populations. This something is insecurity and a sense of loss of control. In western Europe and the United States, the period after the Second World War was characterized by economic growth and concomitant improvement in life expectancy. In western Europe and, to a lesser extent, the United States, there was also the growth of the welfare state. As always in economics, growth was not linear but followed the usual cycles of boom and slow-down, even frank recession. The question now is whether current conditions make up a relatively new trend: are they simply part of the economic cycle or is a qualitative shift occurring? When *Newsweek* (2) has a cover that screams "Corporate killers", and documents show that one leading corporation after another has richly rewarded

shareholders through the growth of stock market prices and chief executives through various forms of remuneration, on the one hand, while engaging in substantial downsizing (dismissals, layoffs and redundancies) on the other hand, the picture shows something new. This is not the familiar case of manual workers being laid off when a company's order books are empty but the new situation of middle-class managers and professionals losing their jobs when they had thought they were in life-long careers.

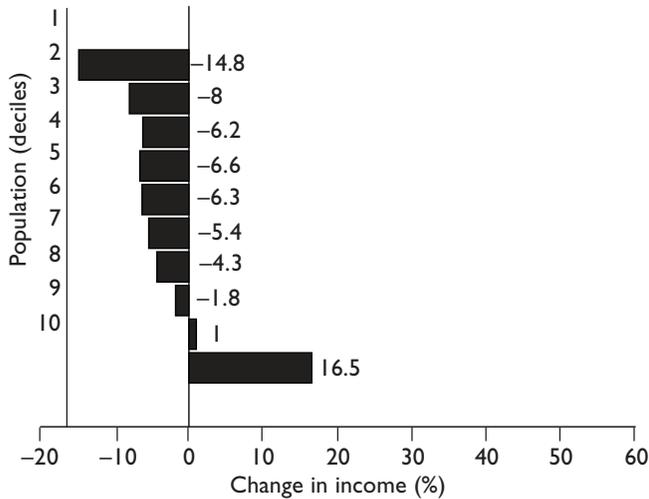
Unemployment affecting both blue- and white-collar employees may be the tip of the iceberg and leads to widespread feelings of job insecurity. A body of literature has shown that unemployment is associated with increased mortality and morbidity (3). The question addressed here is the implications of job insecurity for health and health promotion. Some scene setting is needed to start discussion.

### **Job insecurity, economic inequalities and general inequalities**

Will Hutton describes Great Britain as the 40–30–30 society: 40% of the population of working age have secure jobs, 30% are not working and 30% are in insecure jobs (4). The figure of 30% not working may cause some surprise, given that the official unemployment rate is around 8%. Of the working-age population, 21% are described as inactive: not making themselves available for work. This includes men who have taken premature retirement owing to incapacity or other reasons, single mothers and wives caught in the poverty trap. The 30% who are newly insecure include temporary and part-time workers and those who have been self-employed for less than two years. If 30% of the people of working age are in insecure jobs, this must have effects on the rest, who wonder whether they will be assigned to this group. This is a change. Until relatively recently, European countries were committed to security of employment. Now, the rhetoric emphasizes labour market flexibility (5). The other side of flexibility is job insecurity.

In many countries, job insecurity has been accompanied by rising income inequalities. In the United States from 1977 to 1988, for example, family income declined for the bottom 80% of the population, but increased by 16.5% for those in the top 10% of income distribution (Fig 1.1), and by 23.4% and 49.8% for those in the top 5% and 1%, respectively (6). Has this affected the population's perceptions and

Fig. 1.1. Changes in family income (1987 dollars)  
in the United States, 1977–1988



Source: Phillips (6).

expectations? In a poll conducted by the *New York times*, half the respondents thought it unlikely that today's youth would attain a higher standard of living than they had, and only about half said they were as well off as they expected to be at this stage of their lives (1). According to this poll, in a third of all households, a family member had lost a job since 1980 and nearly 40% more knew a relative, friend or neighbour who had lost a job. Not surprisingly, those who had lost jobs were more likely to report that their financial circumstances were below expectation. They were also more likely to be divorced or separated. The effects of job insecurity reach beyond the individual to the family.

Phillips (6) describes this effect graphically. He says that, in the past, blue-collar workers in the so-called rust belt industries, such as auto workers in Michigan, could expect to have a secure job for life, with gradually rising income, a country cottage and the ability to send their children to college: in short, to participate in the American dream. With the decline in real income for these people and the widespread job insecurity, this is no longer a realistic possibility. It is striking that in the United Kingdom, as in the United States, this job insecurity has now

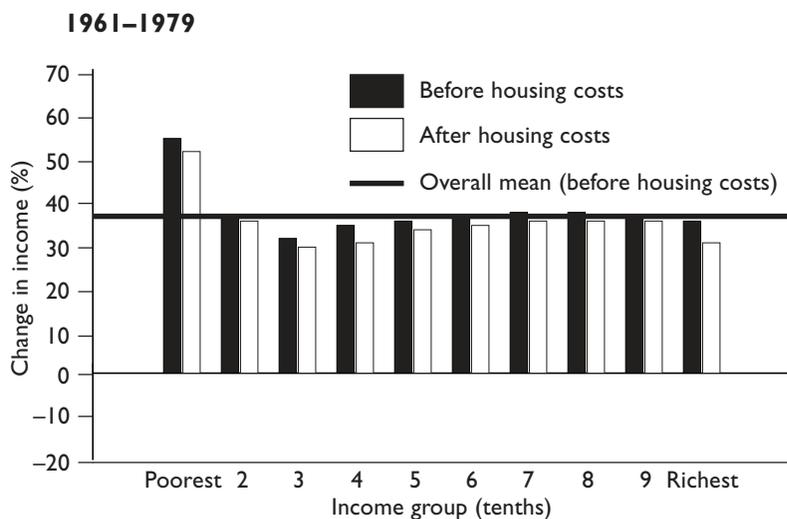
spread to managerial and professional workers with, presumably, similar social and psychological effects.

In addition, income inequalities have increased in the United Kingdom. Real incomes declined for the bottom 20% of households through the 1980s. The degree of increase for the better-off 80% depended on their starting position. As shown in Fig. 1.2 (7,8), the greater their income at the beginning of the 1980s, the greater the relative increase (9). Growing income inequalities have not been confined to the United Kingdom and the United States, but have affected many countries (8).

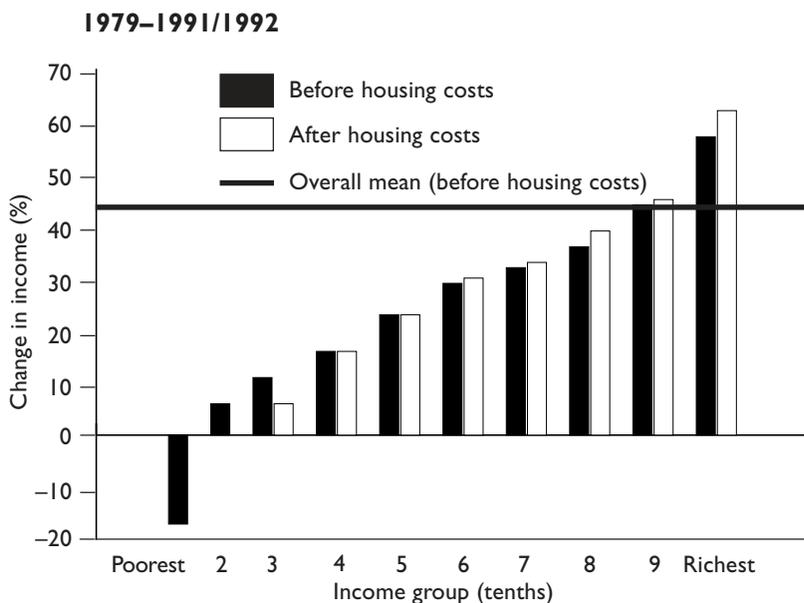
In the established market economies, therefore, high unemployment rates, high job insecurity and, in many, growing income inequalities are cause for concern. The situation in the countries of central and eastern Europe (CCEE) and the newly independent states (NIS) of the former USSR has given greater cause for concern. It can be argued that the collapse of the former regimes in the CCEE and NIS was related to the inability to sustain their rule in the face of the widespread dissatisfaction of the population. For example, an account of the situation in Czechoslovakia runs as follows. After the Second World War, idealistic sections of the population in Czechoslovakia welcomed communism, which succeeded in delivering education, housing, food, jobs and care for old people. In the 1960s, growth began to slow and, with growing exposure to western television, dissatisfaction began to grow. This led to the so-called Prague Spring of 1968. Its suppression led to a heavy-handed repressive regime, which resulted in a widespread feeling of effort without reward (10). Rose (personal communication, 1996) has described such societies as “hour-glass”: having a large bureaucracy at the top and informal networks at the bottom and an absence of the middle layers that are the usual matrix of civil society.

An immediate economic downturn, the collapse of the regimes in these countries and negative growth in gross domestic product accompanied widening income inequalities (11). It is hard to gauge the effects on employment precisely. Official unemployment figures rose dramatically, but in 1994 in Poland, for example, up to a third of workers were estimated to work full- or part-time in the so-called informal sector. This restructuring seems likely to have brought a widespread increase in job insecurity. Informal accounts suggest that this transitional period has also seen increases in insecurity in other areas: housing, education, medical care and care for elderly people.

Fig. 1.2. Change in real net income in the United Kingdom, 1961–1979 and 1979–1991/1992



Source: Goodman & Webb (7).



Source: H.M. Stationery Office (8).

Thus, the CCEE and NIS, in addition to carrying into the 1990s the burden of their own considerable problems, are also experiencing some of the problems of the established market economies.

## **Health in Europe**

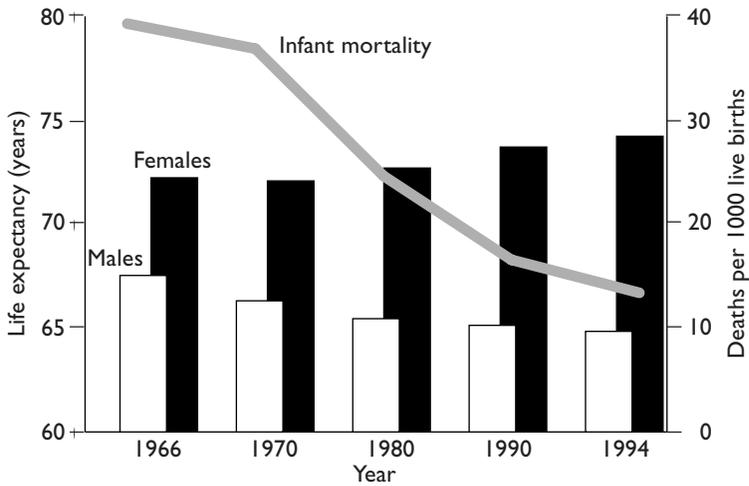
Two general features of the health situation in the WHO European Region give cause for concern: wide and, in some cases, increasing inequalities in health within countries and between the eastern and western halves of the Region.

In the United Kingdom, evidence indicates that social inequalities in mortality have widened (12). There are also substantial social inequalities in morbidity (13). The quotation opening this chapter suggested that discontent has had less to do with material wellbeing than with expectations and anxiety. Wilkinson (14) has shown that life expectancy in countries is related more closely to income distribution than to overall wealth as measured by the gross national product. This has now been shown for the states of the United States (15). If inequality, rather than an absolute level of deprivation, is the driver of health differentials, discontent related to expectations and anxiety may have important consequences for health.

In the European Region, the east–west differentials in life expectancy are striking (16). During the 1950s, mortality rates in Czechoslovakia, for example, were similar to those in neighbouring Austria and the Federal Republic of Germany. Around the late 1960s, this changed (17): improvement continued in western European countries, but life expectancy stagnated or even declined in the CCEE and NIS. The major contributors to east–west differences in mortality are cardiovascular diseases and accidents and violence.

Among the countries hardest hit by this phenomenon is Hungary. Fig. 1.3 shows that life expectancy in Hungary declined against a background of improving infant survival. This implies a marked decline in life expectancy in middle-aged men. According to the probability of survival between ages 35 and 65 years, the situation in Hungary was slightly worse in 1994 than in 1920. A comparison of mortality in Hungary and in England and Wales showed the clearest contrast in unmarried men. Whatever is happening in Hungarian society to cause the declining life expectancy in middle age, it bears hardest on men who are divorced or widowed or never married (19).

Fig. I.3. Life expectancy at birth and infant mortality in Hungary, 1966–1994



Source: Hungarian Central Statistical Office (18).

### **A link between the health situation, job insecurity and larger social trends?**

Perhaps a number of research traditions should be brought together to try to discover how job insecurity may fit into the pattern of explanations of health differentials within and among countries. Research has revealed that:

- mortality is lower in people with supportive social networks;
- mortality is higher in divorced, widowed and unmarried men than in those who are married;
- the risk of cardiovascular and other diseases is higher in people with jobs characterized by low control;
- cardiovascular risks are high in people in jobs with high effort and low reward;
- smoking and unhealthy eating patterns are more common in people with external locus of control (those who believe that there is little they can do to prevent illness); and
- unemployed people show higher mortality and morbidity.

If the notion of social capital is added, one starts to build a picture. Putnam's formulation (20) chimes with the literature on social networks

and support. Communities that invest in supportive networks and institutions are likely to function better. In this context, the hypothesis is that this “better” equates with better health.

Low levels of job insecurity and the resultant economic insecurity may be part of living in a society in which people have both a sense of control over their own lives, of social cohesion and fairness of optimism for the future, and social institutions that serve their interests. Such a society seems likely to be beneficial to health.

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# New patterns of employment in Europe

*Harald Bielski*

One of the most interesting changes in the labour market is the declining role of the traditional standard employment relationship and the emergence of a broad variety of new or non-standard forms of work, including part-time work or fixed-term contracts, new forms of self-employment and telework (often at home). There is a heated debate as to whether such atypical forms of work are needed and, if so, to which interests they might respond. On the one hand, catchwords such as “the flexible firm” (1) underline the economic need and the advantages to employers of non-standard work forms, while terms such as “bunch of working hours” (2) – used by Volvo to describe its very flexible system of working hours – point out the benefits of a wider range of options for employees. On the other hand, the term “precarious work” (3) is used to signal that new work forms might reduce social security and stability for workers.

It is still an open question as to whether atypical work forms increase job insecurity and therefore harm the welfare of individuals and society, or whether they increase social welfare by opening up new job opportunities or by making jobs respond better to the needs and wishes of employees.

This chapter raises a couple of questions related to the increasing importance of non-standard work forms. After giving a general view of the broad variety of new forms of work, it discusses their role in the context of labour market policy. The chapter also raises the question of how well new work forms fit into the existing systems of social welfare, and gives some answers, using part-time work and fixed-term contracts as examples.

## **The variety of new forms of work**

Most of the countries of the WHO European Region show a general trend towards new patterns of employment. These new patterns comprise all the forms of work that differ from the standard employment relationship: that is, from full-time lifelong dependent employment that is carried out on the premises of the employer for about 7–8 hours a day from Monday to Friday.

New work forms may differ from the standard pattern in many ways. The most important ones are working time, location and the form of the contract.

The standard length of working time is defined by that of full-time employment, which ranges from 35 to 40 hours per week, depending on the country and the sector of activity. Part-time work is one of the most important new work forms. It comprises all arrangements setting working hours below the full-time level. Using a certain number of working hours per week to define part-time work makes no sense, since the full-time standard varies largely. Thus, in a sector or country where full-time work is 35 hours per week, part-time work includes all working time arrangements below 35 hours; it could include arrangements of up to 39 hours in a sector where the full-time work week is 40 hours. This chapter does not discuss other deviations from the full-time standard, such as short-term work (temporary layoffs) or overtime.

Both the length of the working week and its position in the day or week affect social welfare. The standard form is work during daytime (from 9 a.m. to 5 p.m., for example) from Monday to Friday. Of the new forms, evening work and Saturday work raise special interest, since in general there are no restrictions on extending working hours into the evening or Saturday. Some industries favour such an extension to increase plant operating hours and thus improve productivity. Apart from these two work forms, others are atypical in the position of working time. These include shift work, which has a long-standing tradition in certain sectors of activity or professions, and work at night or on Sundays, which is more or less strictly regulated.

The standard in gainful employment is dependent employment. Many governments promote self-employment as a means of reducing unemployment. Here, new forms, such as quasi-self-employment, are of special

interest. Quasi-self-employment means that a worker has all the characteristics of a dependent employee, but a formal status as self-employed (and very often freelance). Such workers are therefore excluded from the social protection provided by the status of a dependent employee. Experts estimate that the number of quasi-self-employed people is small at present (estimates for Germany vary between 100 000 and 1 million people working under such conditions out of a total workforce of 36 million) but may grow (4).

The standard for dependent employees is a permanent contract for an indefinite period, whose termination is restricted by legislation on unfair dismissal. A new form is the fixed-term contract, which is discussed in detail below.

A dependent employee normally works on the premises of the employer, but new information technology has renewed interest in telework. It is not very widespread at the moment, and reliable data are not available. It is estimated, however, that there are only some 30 000 teleworkers in Germany, although experts believe that this figure could rise to 800 000 by the year 2000 (5).

Describing all work forms that differ from the standard as new is somewhat misleading. Many – such as part-time work, fixed-term contracts and work on weekends – have existed for a long time. What is new is their increasing incidence and the high political interest in these work forms in the current debate on labour market policy.

### **New work forms in labour market policy**

Unemployment is a major political issue in almost all European countries. The average unemployment rate in the member states of the European Union (EU) was as high as 11% in 1995. Only Austria and Luxembourg had rates below 5%, and rates in Finland (18%), Ireland (15%) and Spain (23%) were clearly above average (6). In countries such as Spain, high unemployment has been a problem since the beginning of the 1980s; in other countries, the problem emerged only recently, as in Finland, where the unemployment rate rose rapidly at the beginning of the 1990s.

The promotion of non-standard or new work forms is a major element of all national labour market policies. Three concepts support the idea that

these work forms might help to solve or at least alleviate unemployment.

The concept of sharing work suggests promoting part-time work to distribute the existing amount of work and pay among more people.

The concept of deregulation assumes that employers will be encouraged to hire new staff if certain legal restrictions are removed, particularly those introduced to protect employees. In the Federal Republic of Germany and Spain, restrictions on fixed-term contracts were removed in the 1980s.

The concept of flexibility suggests that companies become more competitive if working hours follow the needs of the production process or customers' demands more closely. This includes a wider range of options for working time, including part-time work, work at so-called un-social hours and flexible arrangements. In this view, increased competitiveness leads to more employment or at least increases the security of existing jobs.

These three concepts are not mutually exclusive, but are considered complementary in many cases. Nevertheless, each contains some contradictory elements.

Shared work arrangements work well if an increased supply of part-time jobs encourages full-time employees to reduce their working hours, and if employers hire unemployed people to fill the gaps. An increased supply of part-time jobs, however, might attract people to the labour market who would not want or be able to hold full-time jobs. More part-time jobs might therefore increase unemployment, not reduce it.

Deregulation promises additional jobs, while bringing more insecurity for employees by removing protective legislation.

Flexibility promises more or more secure jobs through increased competitiveness, but can also be seen as a highly effective cost-saving strategy. A closer adaptation of working hours to the workload means that fewer personnel can provide the same amount of goods or services.

These few considerations show that the question about new forms of work remains open. Do they produce more or less security for the

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workforce and contribute to a higher or lower level of social welfare? This question can be rephrased. Do new patterns of work serve the interest of employees, employers or both?

### **The function of the standard work form in social welfare**

The standard work form is mostly seen as a norm or target that is considered socially desirable. Legal regulations and collective agreements serve to define or defend this norm, either directly by positive definition or indirectly by defining exceptions from the general rule. A positive definition might set the regular working week at 38 hours, for example. Similarly, an indirect definition might permit night work or fixed-term contracts only under certain circumstances, which implies that normal working hours are during the day and that the normal employment contract is a permanent one.

The normal work form can be defined as the one that is socially desirable or that occurs most frequently. These definitions are not necessarily congruent. Empirical evidence shows an increasing gap between them. Based on recent data for Germany, Bauer et al. (7) claim that only a minority of dependent workers have normal working hours. In 1987, 73% had more or less flexible or atypical working arrangements; the corresponding figure for 1995 was 83%, with part-time work (20%), flexitime (28%), overtime hours (50%), weekend work (31% on Saturdays and 15% on Sundays) or shift and night work (13%).

One must not go as far as Bauer et al. (7) in defining atypical work forms. Nevertheless, work forms different from the standard are becoming numerically more and more important, although the norm-setting function of the standard work form is still of great importance. This is due only partially to the intrinsic value of the different aspects of the standard work form; for example, work during daytime is more in line with human biological rhythms than night work. More important, the normal work form provides employees with a certain level of social welfare and security, while atypical work forms might not. For example, a worker with a permanent contract enjoys a certain protection against unfair dismissal that an employee with a fixed-term contract does not have, or part-time workers may be ineligible for certain fringe benefits or excluded from the social security system.

Thus, new or atypical work forms are often considered precarious. Some authors use the two terms as synonyms, but this is not accurate. Atypical work forms do not necessarily provide an inferior status as far as social welfare is concerned. Empirical evidence from research on fixed-term contracts is discussed below. Keller & Seifert (8) rightly argue that atypical work forms are located on a continuum, with the standard of social security provided by a normal employment contract at one end and a high degree of precariousness at the other.

A work form's position on the continuum depends in part on its nature, but much more on the practical regulations in labour law and the social security system. A worker in the United Kingdom, for example, has relatively little legal protection against unfair dismissal during the first two years of job tenure, so there is practically no difference during that time between a normal permanent contract and an atypical fixed-term contract, as far as legal job security is concerned. In contrast, fixed-term contracts confer inferior status in countries such as Germany, the Netherlands or Spain, where a permanent job is largely protected against unfair dismissal and a fixed-term contract automatically ends at the date specified.

In the United Kingdom, legal protection against unfair dismissal is withheld from people working less than 16 hours per week, while all part-time workers in Germany enjoy the same protection as full-time workers. In most countries, people working less than a certain number of hours per week or earning less than a certain amount of money are excluded from the social security system, and are therefore ineligible for any benefits when they are old, ill or unemployed. The thresholds set are rather arbitrary and vary widely between countries and sometimes between different branches of the social security system in one country. Thus, these thresholds assign an inferior status to groups of part-time workers.

This means that an inferior status in social welfare is not necessarily related to new work forms. Changes in legal regulations could reduce or remove the precariousness of some atypical work forms. A good example of this policy can be found in Ireland (9), where two laws, passed in 1990 and coming into force in March 1991, improved the status of part-time workers.

Until March 1991, employees with less than 18 hours' regular weekly employment were excluded from protection against unfair dismissal and

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from the right to redundancy payments, maternity leave, minimum notice and paid holidays. The law for the protection of part-time employees extends the scope of protective labour legislation to all employees who normally work not less than 8 hours per week. The law gives to these workers the right to paid holidays on a *pro rata* basis and to maternity leave. Parallel changes took place in social welfare law. The Irish social welfare system provides contributory and pay-related benefits in case of illness, unemployment, maternity and retirement. Until the 1990 law on social welfare came into force in 1991, employees working less than 18 hours per week were in a separate social insurance category, with lower contributions that entitled them only to benefit for occupational injuries. Under the new law, contributions and subsequent entitlements depend purely on gross pay, and the pay thresholds are set at a level that is assumed to bring nearly all part-time workers within the pay-related social insurance system.

The Irish example shows that reducing the precariousness of atypical work forms can be relatively simple. Sometimes, however, things are more complicated, owing to the general assumptions on which the systems of social welfare and labour law are based.

In a recent article, Hinrichs (10) argues that social policy is mainly based on two closely related concepts of the standard work form and the male breadwinner family. The assumption is that a male breadwinner, holding a full-time, lifelong, permanent, dependent job, normally earns the living of a whole family. In case of the unemployment, illness, old age or death of the male breadwinner, benefits from the social security system replace his job-related earnings. Today, however, this model is becoming less and less realistic. On the one hand, there is an increasing number of single people and couples in gainful (full-time) employment and without children; such couples are called DINKs (double income, no kids). On the other hand, there is an increasing number of single parents who have to care for children and thus can only work part-time, with accordingly lower income and income-related benefits in case of unemployment, illness or old age. Of course, tax systems and the system of transfer payments take some account of these deviations from the model of the male breadwinner family and the normal work form, but they remain exceptions from the general rule. Further, one must question how well a social welfare system reflects reality if more and more people live in circumstances that differ from the pattern regarded as normal.

The increasing incidence of new work forms must be seen within this context. This chapter can raise only some of the resulting questions, not propose consistent solutions to the problems. Research in this field is only beginning, and it will be a challenging task for interdisciplinary research to put together all the information needed to make a full description of the problems and work out proposals for their solution.

### **Empirical evidence**

The political debate about new forms of work is often based on fears and hopes rather than experience. This is not surprising; because relatively few people practise some of these work forms, there is not much experience on which assessments can be based.

Some new forms of work, however, are more widespread and have been the subject of comprehensive research. This section uses two work forms – part-time work and fixed-term contracts – as examples to set out more thoroughly the particular interests of employers and employees. Data from representative survey research are used to assess the benefits and shortcomings of these work forms and to show how new work forms can be used to improve social welfare.

The evidence is drawn mostly from a survey on new forms of work (9), which was carried out in eight European countries (Belgium, Denmark, the western *Länder* of Germany, Ireland, Italy, the Netherlands, Spain and the United Kingdom) on behalf of the European Foundation for the Improvement of Living and Working Conditions (9). Data were collected in 1989/1990. Unless otherwise stated, all figures below are drawn from the report of the survey (9)

#### **Part-time work**

The incidence of part-time work has steadily increased in the majority of EU member states. This is particularly true for the Netherlands, where the proportion of part-time work rose from 5% in the beginning of the 1970s to more than 30% in the 1990s. A steady growth is also reported from the Federal Republic of Germany, where the part-time rate went from 4% in 1960 to 13% in 1987 and still continues to grow. The number of part-time workers in the United Kingdom rose from 3.4 million in the beginning of the 1970s to 5.6 million in the beginning of the 1990s, while the number of full-time jobs decreased. In some countries (such as Italy or Spain), however, part-time rates stagnated for a long time.

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Empirical evidence shows that there still is much room for growth. In 1994, 17% of the workforce in the 12 EU member states at that time were working part-time (compared with 15% five years before), while 13% of full-time workers (or 11% of the total workforce) would have preferred a part-time job, and 30% of the part-time workers (or 5% of the total workforce) would have preferred to work full time (11).

The extent of part-time work in the EU varies widely. In Greece, Portugal and Spain, less than 8% of the workforce do part-time work, while the figures for Denmark, the Netherlands, Sweden and the United Kingdom are over 20% (6). These differences are due to such factors as:

- the levels of female participation in the labour market;
- structures of economic activity (particularly the importance of the service sector);
- legal or contractual regulations applicable to part-time work (in labour law, in the system of social security and in collective agreements); and
- the general attitude of governments, trade unions and employers' organizations towards part-time work within the general framework of employment policy.

In general, rates of female labour force participation and of part-time work are closely related. Countries with many women in the labour force tend to have a relatively high share of part-timers among their total workforce, as in Denmark, Sweden and the United Kingdom, and part-time rates usually are relatively low where female participation rates are low, as in Greece, Italy or Spain. Some countries, however, do not fit into this pattern. Finland and Portugal have relatively high female labour force participation rates but low part-time rates. In these two countries, only 11% of the female workforce work part time. In contrast, the Netherlands has only an average female participation rate but an extremely high part-time rate (36%), as most employed women (63%) have part-time jobs (12, 13).

Attempts at assessing the benefits and shortcomings of part-time work for employees and employers must take account of a great variety of ways to organize this type of work. Although half-day work carried out in the morning remains the standard form, some part-time contracts require very few weekly working hours, while others are only slightly below

the normal full-time level. In addition to the typical form of reduced working hours every day, some part-time schemes combine full-time work with days or weeks off. The extent of such atypical part-time arrangements varies between countries. In the survey in eight European countries, relatively broad experience of atypical types of part-time work (at establishment level) was reported from Denmark, Germany and the Netherlands, while these types of work were rare in Italy and Spain (9). Of course, part-time arrangements vary more in countries with a high part-time rate, but other factors promote or restrict the use of atypical part-time arrangements. These include the structure of institutional child care (school hours, opening hours of kindergartens, etc.) or the general attitude of employers and unions towards non-standard work forms (with Italy as an example of a rather restrictive attitude and Belgium as an example of a rather liberal one).

Whose interests are served by part-time work remains one of the crucial questions in the political debate. Empirical evidence shows that, while part-time work entails both advantages and disadvantages for employers, the former clearly outnumber the latter in the eyes of managers (9).

All in all, managers from companies (with or without part-time work) that employ as much as 37% of the workforce consider part-time work helpful in making their establishments more competitive. Only a minority of managers (from companies with 14% of the workforce) consider part-time work harmful. The others say that they cannot see any influence of part-time work on the competitiveness of their firms.

Managers in companies with part-time workers report more advantageous aspects of part-time work (on average, 3.1 out of 15 possible positive items) than disadvantageous aspects (on average, 1.5 out of 9 possible negative items). Further, managers from companies with 25% of the workforce report only advantages; very few report only disadvantages.

As for employees, part-time work in general meets their personal wishes for reduced working hours, enables them to combine paid work with other activities or obligations, such as family duties or education, and provides job opportunities for people in poor health. Nevertheless, the survey results gave indications of involuntary part-time work: cases in which employees accepted part-time jobs only because no full-time jobs were available. Data from a labour market survey of the EU (12) show

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that, on average, 30% of part-time workers would prefer full-time jobs. The incidence of involuntary part-time work differs between countries, ranging from 62% in Portugal, 43% in Italy and 41% in France, to 15% in Germany, 14% in Denmark and 8% in the Netherlands (12).

According to the employee representatives interviewed in the survey sponsored by the European Foundation (9), in general part-time workers do not have to suffer from specific disadvantages related to working fewer than the standard number of hours. Nevertheless, part-timers are worse off than full-time staff in some ways, suffering especially from a lack of adequate career prospects and unequal treatment with regard to monetary aspects (such as lower hourly wages or exclusion from fringe benefits).

Although part-time work seems to offer more advantages than disadvantages to both employers and employees, all in all this work form – as it is practised now – seems slightly to favour the interests of employers. A majority of the interviewed managers (in establishments with 44% of the workforce) said that part-time work had been introduced mainly for economic or organizational reasons; that is, in the interest of the company. In companies with 31% of the workforce, part-time work had been introduced to meet employees' wishes for fewer working hours. Managers in companies with 22% of the workforce thought that both reasons were equally important.

According to managers, the most important advantages of part-time work to the company are those that are related to work organization: in their words, part-time work “helps to meet regular variations of workload”, “provides more flexibility” or “provides manpower reserve”, or there is “not enough work for a full-time employee” (9). Direct cost advantages, such as lower hourly wages, lower social security contributions or fewer fringe benefits, were mentioned relatively seldom. This result is encouraging because it shows that some of the disadvantages of part-time work to employees (particularly unequal treatment with regard to pay and fringe benefits) should be able to be reduced without removing the most important advantages to employers.

Although both parties profit from part-time work, the type that employers prefer to offer might differ from the type that employees would like to have. This assumption is backed by survey data that show some

structural differences between part-time work that responds to employers' needs and part-time work that responds to employees' wishes (9). Companies where part-time work was introduced mainly to meet employees' wishes showed an above-average incidence of long weekly working hours (20 hours or more), of the standard working time arrangement (some fixed hours every morning), of clerical or administrative staff among the part-timers and of part-timers with relatively high skills. In contrast, companies that introduced part-time work mainly to meet their own economic or organizational needs showed an above-average incidence of short weekly working hours (below 20 hours), of atypical working time arrangements (such as "flexible working hours which are fixed a few days in advance according to the establishment's needs"), of manual workers among part-time staff and of part-time workers with low skills (9).

Similarly, the reason for introducing part-time jobs seems to influence managers' views of the work form. Managers of companies that initiated part-time employment in the company interest tend to identify many advantages to the company and few disadvantages. Managers in enterprises that introduced part-time employment in response to employees' wishes hold the opposite view.

The survey evidence gives some further indications that part-time work, introduced mainly in the interest of the company, does not fully meet the interests of the employees. Employee representatives from such companies report an above-average rate of involuntary part-time work, and managers report an above-average incidence of problems that are usually taken as a sign of employees' discontent with their working conditions: higher turnover rate, lower productivity, higher absenteeism or lower motivation in part-time staff than in full-time staff.

These structural differences signal that there are limits to dovetailing companies' and employees' interests in part-time work. The survey results, however, clearly show that in many cases the two parties managed to develop practices that allowed both to profit. Nevertheless, improvement is both needed and feasible.

### **Fixed-term contracts**

The example of fixed-term contracts raises the question as to whether reduced individual job security can contribute to social welfare. Some European countries have promoted fixed-term contracts to encourage

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employers to take on additional staff without being bound by the legal regulations set up to ensure job security.

Considering fixed-term contracts as atypical means that the typical or normal work form is supposed to be permanent, lifelong employment. EU member states, however, show some differences here. The idea that an employment contract normally should be permanent and lifelong prevails in some countries; in others, an employment contract is accepted to establish relations between employer and employee only for a certain period. While the differences between countries are not great, these two views are reflected by different national legal or contractual regulations on protection against unfair dismissal, layoff procedures (such as consultation of employee representatives or the labour office), terms of notice and conditions for concluding fixed-term contracts.

A fixed-term contract may offer advantages to the employer in terminating employment. The contract runs out at a specified time; no notice of termination is needed. In contrast to a permanent contract, the expiry of a fixed-term contract is not subject to the provisions of the law against unfair dismissal; in practically every European country, such laws lay down more or less strict rules on dismissal procedure and the protection of employees against wrongful dismissal. In a sense, fixed-term contracts therefore constitute a completely legal means of bypassing the legislation on dismissal. To prevent abuse, the legislators or courts in some countries have ordained that fixed-term employment contracts may be concluded only on quite specific grounds. Such contracts are generally deemed to be admissible if the task to be performed has limited duration from the outset. In Germany and Spain, such restrictive legislation was revised in the 1980s. Since then, few remaining restrictions have affected the conclusion of fixed-term contracts. Governments hoped that this deregulation would encourage employers to take on additional staff, even though permanent employment could not be guaranteed in the medium term. It was intended to help to reduce high unemployment.

In all countries, the vast majority of contracts are permanent, and only a minority of workers hold fixed-term contracts. If one looks at the stock of employees, an average of about 10% of the present workforce hold a fixed-term contract. If one looks at the flux of employment, however, fixed-term contracts are much more important; on average, one out of three newly hired employees has one (6,11).

A more detailed assessment requires a distinction between fixed-term contracts for temporary jobs and those for permanent jobs.

Temporary jobs involve activity whose duration is limited by the employer (such as seasonal work or the replacement of employees absent on maternity leave or military service, for example) or the employees (such as work during school holidays). The legislation in all European countries permits fixed-term contracts for temporary jobs: so-called traditional fixed-term contracts. In these cases, a fixed-term contract not only makes it easier for the employer to terminate the employment at a given moment, but also clarifies the limited perspective of the contractual relationship to both parties. This explains why fixed-term contracts are often made for temporary jobs, even if the periods covered are so short that the protective legislation against wrongful dismissal would not be applicable. This type of fixed-term contract is not politically controversial. It is not only permitted by legislation but also accepted by employers and employees.

Fixed-term contracts for permanent jobs do not share these characteristics. This new form of fixed-term employment has evolved only recently in some countries. Such contracts are made mainly for the following reasons.

First, a company may not be certain that future orders will suffice to ensure permanent employment for newly hired staff. Thus, staff are initially recruited on a fixed-term basis.

Second, the company may wish the trial period for new staff to be longer than that permitted by the relevant statutory provisions. New employees are therefore initially engaged for a fixed term and convert to permanent employment only after they have proved satisfactory.

Third, the managers interviewed in the survey of new forms of work (9) said that some enterprises offer fixed-term contracts expressly to evade labour regulations that make it too difficult or too expensive to lay off redundant staff.

These new reasons represent a transfer to the employee of risks that usually rest with the employer. Thus, laws in some countries, such as Italy, forbid fixed-term contracts made for these reasons. As mentioned,

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however, countries such as Germany and Spain have expressly allowed such new reasons for the conclusion of fixed-term contracts in the hope of inducing employers to take on additional staff.

The survey of new forms of work clearly shows a close relationship between the legislative framework (especially the legal provisions for dismissals and fixed-term contracts) and the situation on the labour market on the one hand and the extent of use of fixed-term contracts (especially those made for the new reasons) on the other hand (9). The stronger the legal protection against dismissals, the more attractive fixed-term contracts are to employers, provided that such contracts are legal and enough employees are willing to accept them. Consequently, the incidence of fixed-term contracts was highest in countries such as the Netherlands and Spain, with a high standard of protection against dismissal, few or no restrictions on concluding fixed-term contracts and a high unemployment rate, which urges employees to accept fixed-term contracts even if they would prefer permanent jobs. The incidence of fixed-term employment was much lower in countries with lower unemployment rates (such as Germany at the time of data collection) or laws that restrict or forbid fixed-term contracts made for new reasons (such as Belgium or Italy). Incidence was lowest in Denmark, Ireland and the United Kingdom, where the low degree of protection against dismissal seemed to create no need for fixed-term contracts.

Even if individual managers and employee representatives claimed that some employees in their enterprises prefer fixed-term employment, the survey clearly shows that, in the overwhelming majority of cases, employees accept fixed-term contracts only because they are obliged to do so (9). A large majority of the employee representatives stated that, in their companies, staff accept fixed-term contracts because no permanent positions are available or – in more positive terms – because they hope that a fixed-term contract is the first step towards permanent employment. The large degree of compulsion indicates that the incidence of fixed-term contracts – unlike that of part-time work – is liable to shrink considerably when the labour market situation eases. A small number of managers already report that people whom they wished to engage had refused fixed-term contracts.

In the existing conditions, the hope that a fixed-term contract may pave the way to a permanent post is not unjustified. Managers from companies

representing 45% of the workforce stated that fixed-term employees are always or mostly transferred to permanent employment. Managers from companies representing about one third of the workforce, however, indicated that fixed-term employees never or hardly ever receive permanent contracts.

Recent research in Germany (14) gives more detailed information about the effects of fixed-term contracts on the labour market. This research supplied all the figures set out below.

Experience from Germany shows that more possibilities to conclude fixed-term contracts do encourage employers to take on additional staff, but the quantitative effect is relatively small. Before 1985, fixed-term contracts were allowed for the traditional reasons mentioned above. Since 1985, the *Beschäftigungsförderungsgesetz* (employment promotion act) has permitted the making of fixed-term contracts without any legal restrictions, provided that the period covered does not exceed 18 months. As a matter of fact, employers in Germany – in contrast to those in Spain – have made only very moderate use of the new option. In 1992, 31% of all newly hired employees were engaged on the basis of a fixed-term contract. Most such contracts were made for traditional reasons; new reasons accounted for only 7–13%. This means that fixed-term contracts permitted under the new legislation were held by only 2–4% of all newly hired staff in 1992: 60 000–110 000 people.

About three quarters of these people, according to personnel managers, would not have been hired if fixed-term contracts could not have been made for the new reasons. This means that the deregulation of fixed-term contracts created 45 000–85 000 additional jobs in 1992, and that some 15 000–25 000 people were hired on the basis of fixed-term contracts although, under the old legislation, they would have received permanent contracts. In other words, the ratio of the use to the so-called abuse of the new possibilities to conclude fixed-term contracts is 3:1. The positive labour market effect of 45 000–85 000 additional jobs in one year is small in relation to the number of unemployed people at that time: about 3 million. The political question is whether the intended positive effect (additional jobs) outweighs the negative side effects (reduced security).

Looking at the side effects, one must distinguish the formal security provided by the legal regulations against unfair dismissal from the actual

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security of employment. One must also take account of how employees perceive the security of their jobs.

As mentioned, in legal terms a fixed-term contract provides less security of employment than a permanent contract. In reality, however, neither security nor insecurity is absolute. Even a permanent contract does not necessarily mean long-term employment. Evidence from Germany shows that only 71% of the people hired on the basis of a permanent contract in 1992 were still employed in the same company one year later; 29% had left the company for some reason. The corresponding figure for people hired on the basis of a fixed-term contract was lower; 45% were still in the same company one year later, on either fixed-term or permanent contracts (14).

This means that the actual security of a permanent contract is relative, as is the insecurity of a fixed-term contract. People hired on permanent contracts bear a certain risk of losing their jobs, while those hired on fixed-term contracts have a chance to move to permanent employment. The evidence from Germany shows that the probability of getting a permanent contract directly after the termination of a fixed-term contract in the same company is relatively high (about 50%) if the contract was made for new reasons, but much lower (about 20%) if it was made for traditional reasons.

Interestingly, employees do not seem to perceive the differences in job security. Evidence from the Federal Republic of Germany (14) shows that as many as 40% of the employees on fixed-term contracts will continue with their present companies after the termination of their contracts, while only 38% of the newly hired staff with permanent contracts will still be employed in their present companies two years from now. Apart from the fixed-term workers who are not interested in further employment, only 15% of fixed-term employees think that their present employment will not continue beyond the end of their current contracts, while only 19% of newly hired staff on permanent contracts fear losing their jobs in the next two years. Despite some objective differences, a fixed-term contract – in Germany at least – does not seem to entail the subjective feeling of a higher level of job insecurity (14).

All in all, assessing fixed-term contracts – particularly the new forms of such contracts – is a complicated task. On the one hand, such contracts provide much less legal protection against dismissal than permanent

contracts, and actual job security is lower, although only slightly. On the other hand, fixed-term contracts encourage employers to take on additional staff and thus help to reduce unemployment, although at a low quantitative level. In addition, employees holding fixed-term contracts do not feel less secure about their prospects for continued employment than newly hired staff with permanent contracts.

An evaluation of these findings must recognize German employers' very moderate use of their opportunities to conclude fixed-term contracts under the new law. This factor eludes any regulation and probably accounts for the positive effects on the labour market and the lack of effect on the subjective perception of security. This means that only a sense of responsibility and mutual trust between employers and employees can ensure that the possibilities opened up by deregulation are realized in a socially desirable way.

## **Conclusions**

The changes in the labour market that are induced by new patterns of employment open up new chances for both employees and employers, while carrying the risk of increased insecurity.

The new forms of work – part-time work, fixed-term contracts, telework or self-employment – might help:

- to combine paid work with family duties;
- to create new jobs;
- to facilitate access to jobs or entry or re-entry to the labour market;
- or
- to improve living and working conditions.

Thus, employees show a certain and possibly increasing demand for these new forms of work, particularly for part-time jobs.

In addition, these new work forms are often useful to employers as a means to reduce risks and costs or to improve service for clients. Managers often consider greater flexibility desirable or necessary to maintain or improve competitiveness.

Within the framework of labour market policy, governments promote new forms of work to alleviate unemployment problems and to strengthen national economies for international competition.

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While employees, employers and governments are all interested in new forms of work, their interests and aims are not the same. For example, employees and employers might have different ideas about the same work form. A young parent who wants to work part-time may prefer fixed working hours in the morning, when the child is at school, while the employer may prefer flexible working hours in the afternoon, when there are workload peaks. In addition, employees may wish for part-time jobs for 25–30 hours per week and with full social protection; employers might prefer to offer few weekly working hours and no social protection. Finally, governments might promote part-time work to encourage the sharing of existing work among more employees, while the employers' aim might be to adapt working hours more closely to the actual workload.

In view of the different interests involved, the question remains open as to how socially desirable results can be secured from the promotion of new forms of work. Regulation of substantive or procedural aspects can contribute to achieving this goal. For example, the opportunities to evade social security contributions for certain types of part-time work could be reduced or removed. An example of procedural regulation would be to give more rights to employee representatives (work councils) if the employer wants to make fixed-term contracts with new staff.

Further, many of the new patterns of employment do not fit with the present system of social security, which is largely based on the concept of the standard employment relationship and the male breadwinner family. For example, in Germany, a widow who has never been in gainful employment might receive a considerably higher old-age pension, based on the social insurance contributions of her deceased husband, than a single parent who has worked part-time and paid his or her own social security contributions.

In a second example, legal regulations on health and safety at work are usually based on the assumption that paid work is carried out on the premises of an employer. Consequently, the employer is responsible for health and safety at work. The renewed interest in telework (often at home) raises the question of how these regulations can be enforced if the workplace is the private home of the employee.

New patterns of employment might therefore call for new ways to provide and secure the customary level of social welfare. Lots of problems need to be tackled: challenging tasks for researchers and policy-makers.

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# New dimensions of labour market citizenship

*Asko Suikkanen & Leena Viinamäki*

Nobody in Finland agrees on how or why Finnish society has changed in the 1990s. The debate has brought forward problems associated with the change and shows three main lines of interpretation, stressing economic factors, sociological considerations and social contracts. The interpretations reflect differences in conceptualization and in focus among political, economic and social factors.

The economic interpretation primarily emphasizes the political and social potential deriving from the economy and the terms on which it operates. The sociological interpretation stresses political factors, considering all others as their secondary consequences. Views based on the social contract consider social conditions as directly affecting economic and political circumstances, not as constituting a separate area of societal activity derived from the two. The differences among the interpretations rest on their underlying assumptions about the causes of the recession of the 1990s, the yardstick being whether the causes are attributed more to economic or to structural factors. Depending on the emphasis made, one can see recession as either a temporary economic decline or a more permanent change in societal structures.

The view chosen is important because the interpretation of societal change has repercussions for the system of services in the welfare state and for the nature, number, quality and focus of measures taken to promote education and employment. In the final analysis, these measures translate into the options available to individuals in the

education and labour markets and for participation as citizens of the labour market.

In a society based on wage labour, citizenship of the labour market has largely defined people's opportunities to function in life in general and in education and work in particular. In addition, it has determined their opportunities to make use of the system of services provided by the welfare state. Wage earning has been a general norm in society, and exclusion from the working population an exception among people of working age. For example, welfare services are mainly based on earnings. Nevertheless, the massive unemployment seen in Europe in the 1990s has gradually prompted people to question the dominant position of labour market citizenship.

Interacting structural and individual factors shape labour market citizenship. For the individual, these factors comprise a combination of the following circumstances: work history and present status in the labour market; the nature of current employment; vocational, educational and social qualifications; the opportunities and limitations created by family circumstances; and study and job opportunities. The structural contexts for labour market citizenship include institutional practices (in the operating principles of welfare services and the educational labour markets) and legislative opportunities and their limitations.

Changes in the nature of employment and the structure of welfare services give structure to labour market citizenship at the institutional level. The factors operating on the individual level include changes in the nature and functions of the family and the new relationship between the education and labour markets. Labour market citizenship is changing, taking on new dimensions and becoming a more individualized phenomenon with an increase in new study and employment paths and a broadening of the subsistence base.

This chapter associates labour market citizenship with the line of interpretation based on social contracts, distinguishing a third level or sector of social activity beyond the traditional levels of family and society. We consider this level to exist as an institutionally invisible dimension between the individual and societal structures, reinforcing people's adherence to society's goals and creating opportunities for society to guide people's lives.

In the 1990s, people enter, act in and leave the labour market through unique, individual routes and have varied sources of income. The system of welfare services and the institutional practices of the education and labour markets, however, form constraints on these individual career paths and sources of income. Changes in labour market citizenship are reflected in study and employment opportunities, the amount of income available to the family and the type of housing. Crucial to one's subsistence is the range of income sources that comprise it; in the case of housing, the salient factor is form of ownership.

### **Interpretations of social change in the 1990s**

In Finland and the rest of the European Region, both scientific debate and everyday discussion reflect an uncertainty about the nature of society today. For example, in Finland one finds a number of different and partially conflicting interpretations of the societal changes of the 1990s. Both politicians and researchers argue about the nature and content of these changes, the means of managing them and the impact that they will have. Social science is just now turning to address current changes in social order. The debate in Finland has not treated the new situation of the early 1990s seriously enough. Decision-makers dream of returning to the earlier status quo or at least of using old means to achieve equilibrium. The credibility of social science declines as interpretations of external and cyclical considerations increasingly shift towards an emphasis on internal and structural factors (1).

Since the 1950s, an interpretation of societal change based on social contracts has emerged alongside economic and sociological interpretations (2). It has sought to challenge the view that the economy has its own internal dynamic, asserting that social, political and cultural factors constantly shape the working of the economy. In other words, the amount and forms of wage labour done are connected to cultural practices, not to economic necessities. The quantity of labour represents only a certain baseline in economic necessity.

The late 1980s clearly saw the end of a relatively long period of economic growth that began in the late 1950s. During that period, society was structured in terms of the social contracts of an industrial society and a growth economy; the prevailing models encouraged so-called normal (year-round) employment, training for a single profession, ownership of housing and two-wage-earner households. Since the beginning

of the 1990s, this social contract has begun to crumble. Project-based employment, lifelong learning and alternatives to housing ownership have gradually become more common, and the subsistence base has broadened both qualitatively and quantitatively.

In Finland, researchers of working life have sought to demonstrate and understand the reshaping of the terms of wage labour in the new situation. Case studies conducted by the universities of Joensuu, Tampere and Lapland have revealed that, for many people, normal employment has become short-term work or careers combining short, fragmented periods of work with periods of unemployment, education and state-supported employment measures (3–11). Year-round, relatively regular employment is giving way to uncertain employment of varying duration and terms, with periods of work alternating with longer or shorter periods away from salaried employment. Uncertainty and constantly changing life situations now characterize what had been relatively stable salaried employment. Beginning during the economic boom, the terms and structure of salaried employment have changed. We contend that this reshaping is not exclusively a function of economic development, but rather reflects the actors' new structural conditions and options.

Research with long follow-up times, comprehensive data and a design based on triangulation enables a better grasp of the terms on which labour market citizenship is being reshaped. Such research must include both quantitative material (statistics and register data) and qualitative material (from mail and telephone surveys to telephone and theme interviews). For a systematic exploration of the relationship between social change and social order, one must not only examine (and often place in context) quantitative materials but also study on an experiential level the available options in both the education and labour markets.

### **Traditional life course of the labour market citizen**

Labour market citizenship is defined primarily by the traditional dimensions of citizenship, with its attendant rights and obligations: civil rights, which are defined in legislation; political rights, which are generally exercised through universal suffrage; and social rights, which include those accorded to citizens in the welfare system. For a person to achieve and maintain full citizenship, his or her rights, resources and opportunities interact with the different dimensions of citizenship (12–14). A second set of circumstances defining labour market citizenship comprises

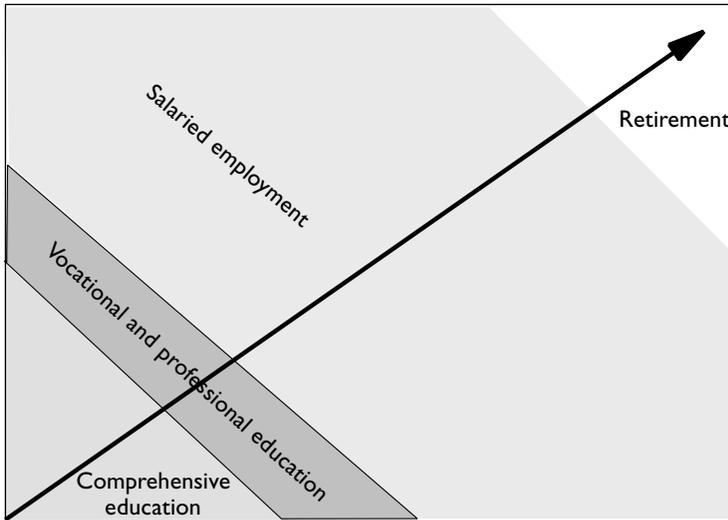
the general state of employment and the institutional practices in the education and labour markets. Third, citizenship is shaped by the cultural, social, economic and other resources in a person's professional and, to a certain extent, family domain. The family circle comprises the people whom an individual considers part of his or her family. Besides relatives, these may include acquaintances, and study and work mates who are considered close or important in one way or another. The family circle is more open, more dynamic and more subjective than the nuclear family (15). Age, gender and family define both citizenship and labour market citizenship in new terms.

Traditional labour market citizenship has been defined in terms of relatively distinct phases in a person's life. Education, work and retirement have been assumed to be separate and relatively independent periods. Since the 1960s, entry to and exit from each of these phases have been institutionalized by the state, while support systems have been developed for the transitional phases and the risks they entail. This has led to the emergence of a relationship between the individual and society that is more clearly defined than before as a system guiding an individual's life course. For example, each functional phase has its own subsistence policy and its own institutional subsistence arrangements.

The traditional model describing the actions of the labour market citizen is based on linear progress through the education and labour markets, in which one first studies, then goes to work and finally retires (Fig. 3.1). To achieve the status of a labour market citizen, one has needed as stable and harmonious an educational and employment history as possible. Indeed, remaining in a single field and holding only a few jobs have been considered meritorious. An unbroken education and work history has reflected loyalty to one's employer. The worthy labour market citizen has progressed from the lower levels of the hierarchy to the higher in the same workplace. According to the predominating norms of the labour market, a fragmented study and work history has been typical of marginal labour. A standard has been set for retirement age. The services provided by the welfare state have most often been based on earnings (16–18).

The linear model of the life course of the labour market citizen is characterized by a fragmented socialization to work (the process through which one becomes a productive member of the labour force), in which

Fig. 3.1. The linear model of the life course of the labour market citizen



study, work and leisure time are separate arenas in life (19). In this model, one's private or family life, with its periods of leisure time, and one's public life on the labour and education markets are opposites. Consequently, they can become competing spheres of life that do not allow much room for compromise or individual solutions.

The first phase of the life course of the traditional labour market citizen comprises childhood, youth, study and entry into working life. In Europe, the structural practices related to this phase pose the most difficulty between the end of compulsory schooling and the age of majority. The life course is assumed to be linear, although it may differ between individuals. Societal changes have meant a steady increase in the age at which people enter the labour market, which differs according to educational level; in recent years, the average figure has been 27 years. In Finland, entry into the labour market has been based on a pattern of thinking in which one prepares for a single profession during one's comprehensive and professional education and pursues it throughout one's working life.

Many widely held assumptions also accompany the second important phase in life: participation in the labour market. For example, when workers' pensions were established in Finland in the early 1960s, it was estimated that people would be in the labour market for 40–45 years; this

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would entitle them to full pensions. The duration of participation in the labour market began to change in the 1980s, as fragmented employment and non-typical forms of employment became more common. This development was first observed in Finland in redundancy studies carried out in the late 1980s.

The third phase is retirement and life as a retired person. One important trend is the increase in average life expectancy and thus in the number of years spent in retirement (towards 20–25 years, depending on generation). A second trend is towards people leaving working life at ages lower than that set for early retirement (20). Retirement is no longer connected very closely to old age. Owing to the decrease in the age at which people leave working life and the increase in the age at which they enter the labour market, the lives of comparatively young people on the labour market can take on features typically associated with retirement (21). The transition from work to retirement is evolving into a longer process that is becoming more diverse and individualized throughout Europe.

The model of the life course of the labour market citizen incorporates the idea of a single source of income (Fig. 3.1). Financial support from one's parents or family circle is assumed to cover the transition from childhood to youth. The state financial aid system and one's summer or term-time earnings provide financial support during one's studies. While in the labour market, one lives on the combined wages of the family. As more and more women work outside the home, the idea of the husband's wage as the family wage has begun to break down. Transfers of income through social policy measures have provided a temporary solution for handling risks in the labour market. Finally, the principal source of income during retirement is one's pension and/or national social security.

The idea of a single source of income has been based on generational income: the idea that each generation is responsible for supporting itself. The linear model for the life course of the labour market citizen has been part of the social contract during times of economic growth, a contract that has bound the state, employers and wage-earners alike to the implementation of a certain type of welfare policy and personnel policy, and individual life strategies.

For example, 70–74% of Finnish men born in 1925 had year-round and full-time salaried work between 1960 and 1982; the corresponding figure

for women was 65–70%. Part-time, seasonal and generally fragmented employment was rare, even negligible. Year-round jobs have dominated the participation in working life and conditions of retirement of people born in the 1940s. The permanence and duration of work among people born in 1925 were special. From 1962 to 1990, 50% of men and 40% of women worked for the same employer for over 20 years. The average duration of employment per person for the period studied was 15.4 years (22).

### **Reshaping labour market citizenship**

Employment opportunities reflect structural changes in economic life and the labour market. We think that the development in employment clearly illustrates the structural change in Finnish society. Where there were 1.9 million jobs in 1960 and 2.59 million in 1989, some 515 000 jobs were lost during the recession between 1990 and 1992.

In the 1980s, before the recession, fixed-term employment began to take a larger place alongside long-term and permanent work. The conditions of some members of the workforce could be best described as temporary temporariness, in which periods of work and unemployment alternated before permanent employment began (3). Temporary employment was often voluntary during the economic growth of the 1980s, as workers attempted to maximize the benefits of being in the labour market. In contrast, the condition of part of the workforce in the 1990s can be described as permanent temporariness, which is characterized by the increase of fixed-term employment, and alternating periods of unemployment, employment and (more so than in the 1980s) study (23). Workers increasingly view this change as detrimental, because employers have begun to favour fixed-term employment in both the public and private sectors.

### **Need for new skills**

The qualifications required in working life have expanded. Today, professional competence in a single job or specific task is no longer sufficient. The changes taking place in the nature and content of employment are increasing the demands for multiple skills in all professional groups. Workers need not only basic professional competence but also other skills, including general vocational skills; a basic knowledge of fields related to one's own; entrepreneurial skills; skills in dealing with other cultures, using a computer, cooperating with others and using information effectively; and a readiness for continuing study (24).

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The changes in the content of work and the consequent new qualifications required are related to the structural and qualitative reshaping of traditional wage labour. Jobs in the labour market of the 1990s, regardless of their level in the hierarchy of a particular workplace, require workers to have a constant interest in and the ability to acquire new skills and information. Study and multiple skills constitute one of the central factors determining how well workers cope in the labour market. The value of study and degrees will depend on the extent to which they meet increasingly workplace-specific requirements.

Both within and outside Finland, the circle of qualifications is growing, because workers are now expected to have both a good basic education and the requisite professional and social qualifications. A sound basic education provides a foundation for professional studies and the learning of new things, while professional skills enable workers to complete their particular work duties. Social skills, or coping and personal relations skills, are important because people increasingly carry out their tasks in pairs or small groups. Further, social skills equip people to deal with changes in the labour market and to adjust to new demands in working life (6).

People in working life must reappraise their decisions in the labour market, particularly when risky situations emerge: that is, when they lose or may lose their jobs, their qualifications become outdated or insufficient, or changes in their health impair their employment opportunities (25). People of different ages have a number of different roles and life courses that they attempt to reconcile. They must deal with their roles in youth, the transition from youth to adulthood, and adulthood. They can have simultaneous careers in working life as parents and partners in families, and in different forms of housing. They also have careers as students.

The constraints on people's opportunities in the educational and labour markets vary with their phases of life. The decisions made by people entering, acting on and leaving the labour market are guided by their past (their educational and employment history), their present (their present life situation with its opportunities and constraints) and their future (their plans and ambitions for the future). While young people can already accustom themselves to the notion of working in non-typical employment when they join the labour market, people already in the

labour market or gradually leaving it have to reorient themselves to the new conditions in the 1990s and to the professional qualifications required in working life.

People of different ages experience the changes in working life and new demands for qualifications in different ways. Older working people have not had much formal training; they have gone straight to work and will go from work to retirement. Middle-aged people have, for the most part, studied and then gone to work, and will ultimately retire on individual pension schemes. In contrast, the process of entering and functioning in the education and labour markets is not so straightforward for young people.

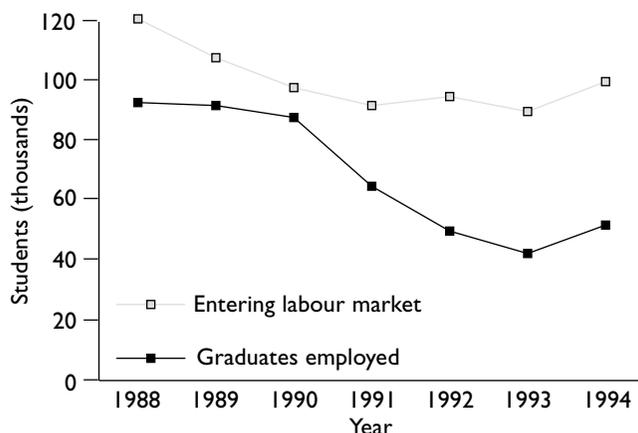
### **Entering the labour market**

All young people ask a key question: “How do I get into the labour market?” What one could call temporary temporariness has traditionally been more common among young people entering the labour market than among the adult population. Unemployment among young people has been largely short-term, resulting from the transition from school to the labour market. This in turn is often the result of a greater tendency among young people to change jobs on their own initiative, even when unemployment is low; in such cases, temporary temporariness has been largely voluntary. Unemployment among young people has been a relatively short-term result of their life situation and attitude towards work. In the recession and increasingly difficult employment situation of the 1990s, however, permanent and involuntary temporariness has increased, and has resulted more and more often from structural rather than personal factors (26).

Finding employment after graduation is increasingly difficult in the 1990s. From 1988 to 1994, young people with less work experience encountered more difficulty in entering the labour market than those with more work experience (27). Fig. 3.2 shows the divergence between the number of graduates and those securing jobs.

The average annual number of months at work for people under the age of 30 years shows that work among men and women increased through 1990, regardless of the level of their degree. With the protracted recession, however, the level of one’s academic degree became a central factor in determining one’s position in the labour market. For both women and men, a higher degree has meant better opportunities in the labour market (Table 3.1).

Fig. 3.2. Changes in the number of students entering the labour market and securing employment (1988–1994)



Source: Statistics Finland (27).

Table 3.1. Average number of months employed for men and women under 30 years of age who were part of the workforce in 1990, 1988–1992

|                               | Average months employed in: |      |      |      |      |
|-------------------------------|-----------------------------|------|------|------|------|
|                               | 1988                        | 1989 | 1990 | 1991 | 1992 |
| Men with:                     |                             |      |      |      |      |
| lower tertiary qualification  | 7.7                         | 8.6  | 9.6  | 9.3  | 8.1  |
| higher tertiary qualification | 7.0                         | 8.2  | 9.8  | 9.9  | 9.3  |
| Women with:                   |                             |      |      |      |      |
| lower tertiary qualification  | 6.8                         | 7.7  | 9.3  | 8.8  | 7.4  |
| higher tertiary qualification | 7.0                         | 8.0  | 9.5  | 9.4  | 8.7  |

Source: Suikkanen et al. (28).

Fixed-term employment has traditionally been common for young people in the early years of their work history. In the 1990s, however, fixed-term and project-oriented employment is also becoming common later on in young people's life courses. Fixed-term work may in fact be more suitable than relatively permanent employment for young people and their situations. Young people have understood better than the rest of the population the changes that have taken place in working life and the opportunities for adjusting to them. The fact that not all young people plan their future in terms of a single professional career reflects young people's positive attitude towards non-typical employment and the new orientation towards work (26,29).

Most young people are employed for longer or shorter periods through various educational and labour support measures, especially at the beginning of their working careers. For example, our study on people born in 1966 (30) shows that fewer than 30% of those in the workforce had obtained permanent employment in the period 1990–1993. Young people seem to plan for several professional careers and try to improve their chances of finding work by engaging in lifelong learning.

### **Managing in the labour market**

The central question for employed adults is: “How am I going to manage in working life?” Work and the professional demands it entails, the family and the system of adult education are important factors that adults consider when appraising their options in the labour market. Local educational and employment opportunities and social support systems (such as pensions, training and forms of support available through social and labour services) are often decisive constraints on adults’ plans for their courses of action in the labour market (31–34).

Age is an increasingly important factor in individuals’ decisions, employers’ recruitment policies and official support measures. Directly or indirectly, age affects decisions to begin studying, the likelihood of becoming employed or remaining unemployed for a long period, and the nature of official support measures. Middle-aged or older people have difficulty in finding relatively permanent employment after losing a job, because employers tend to recruit younger applicants. Owing to stereotypes that associate study with youth, middle-aged people are not as keen as young people to begin studying; they maintain that the older one is, the more difficult it is to learn new things.

In 1988/1989, of those in the Finnish labour market between 15 and 64 years, 59% had normal jobs, 23% were outside the workforce and 3% were alienated from working life. A person was considered successfully employed if he or she was registered as working for 10 months out of the year for each year studied. A person alienated from working life was one who was not employed for most of the period studied, owing to unemployment or other reasons.

As of 1991/1992, the proportion of people in normal employment declined from 59% to 54%, that of people outside the workforce remained the same, and the proportion of people alienated from wage labour rose

to 9%. The number of people with long-term and recurrent unemployment was far greater at the beginning of the 1990s than at the end of the 1980s. Of all of the groups compared, the people who were unemployed in 1990 experienced the most dramatic changes in social standing. Their experience of unemployment began before the recession. Its alienating factors became stronger in the early 1990s, with the general worsening of the employment situation (28).

Examining social coping and social alienation according to age and gender can help to describe activity in the labour market. The structure of the population that left the workforce changed between the end of the 1980s to the beginning of the 1990s. Older people have an increasingly secondary role in the labour market, as their opportunities to return to working life, even on a short-term basis, are poor. The average age of members of the workforce was 40 years in 1990, and the proportion of women was 48% (see Tables 3.2 and 3.3). The members of the workforce who managed best in 1990 were those who were in the prime of their working life, and somewhat older than the average, especially those aged 31–50 years. Most of the people excluded from the workforce in the beginning of the 1990s were male (62%) and younger than the average; the average age was 39 years in 1992.

Table 3.2. Economic success of employed people  
(N = 1 678 500), Finland, 1990

|                  | Percentage<br>of total | Financial situation (%) |           |                              |
|------------------|------------------------|-------------------------|-----------|------------------------------|
|                  |                        | Coping                  | Exclusion | Survival<br>(other<br>means) |
| Workers who are: |                        |                         |           |                              |
| female           | 48                     | 50                      | 36        | 40                           |
| middle-aged      | 41                     | 41                      | 43        | 43                           |
| Workers aged:    |                        |                         |           |                              |
| < 30 years       | 18                     | 19                      | 11        | 9                            |
| 31–50 years      | 63                     | 62                      | 65        | 68                           |
| 51–58 years      | 16                     | 15                      | 18        | 18                           |
| > 59 years       | 4                      | 4                       | 6         | 5                            |
| Total            | 100                    | 83                      | 7         | 10                           |

Source: Suikkanen et al. (28).

Table 3.3. Economic success of people inactive in the labour market  
(N = 432 020), Finland, 1990

|                  | Percentage<br>of total | Financial situation (%) |           |                              |
|------------------|------------------------|-------------------------|-----------|------------------------------|
|                  |                        | Coping                  | Exclusion | Survival<br>(other<br>means) |
| Workers who are: |                        |                         |           |                              |
| female           | 47                     | 54                      | 40        | 46                           |
| middle-aged      | 40                     | 38                      | 41        | 44                           |
| Workers aged:    |                        |                         |           |                              |
| < 30 years       | 29                     | 44                      | 24        | 20                           |
| 31–50 years      | 44                     | 41                      | 59        | 56                           |
| 51–58 years      | 16                     | 10                      | 12        | 15                           |
| > 59 years       | 11                     | 6                       | 5         | 10                           |
| Total            | 100                    | 49                      | 31        | 19                           |

Source: Suikkanen et al. (28).

Officials use input–output assessments to select the recipients of social services. Prevalent labour market norms determine the nature of intervention. In other words, officials tend to select people whom they consider likely to be re-employed or to manage well in the labour market as recipients of the most effective services available (35). Owing to the rapid and varied changes in working life, such as the increased demand for computer and language skills, older workers have a harder time remaining in the labour market until the official retirement age; neither the recruiting practices of employers nor the measures taken by social service officials favour them.

### Leaving the labour market

Both the youngest and the oldest people in the labour market typically experience a transitional phase in which different kinds of labour market status overlap. This is the transition from training to work for the former and from work to retirement for the latter. As retirement age approaches, older workers ask, “How do I leave the labour market?”. They try either to remain in the labour market with the help of vocational rehabilitation or to retire. In recent years, only about 10% of each age cohort have left the labour market on reaching retirement age. Taking early retirement has become a common route for leaving the labour market in Europe (36).

In Finland, permanent unemployment is becoming a third route out of working life, in addition to early retirement or an old-age pension. Unemployment benefits are beginning to join pensions as a means by which individuals plan their lives. Since the end of the 1980s, people in Finland have been able to begin the route to retirement through unemployment (redundancy) at the age of 53 years and one month. In all, the changes in working life can mean that one's actual working career may last only 26 years, from the age of 27 to 53 years, in contrast to the ideal of 40 years. This trend is intolerable for no other reason than the financial problems that welfare states currently face.

The income support system looks for personal problems behind the income problems of permanently unemployed people, even when unemployment results from the lack of demand in the labour market. The system of unemployment pension confers the passive role of retirement on the permanently unemployed, even when there is nothing to indicate that they cannot work productively.

### **Coping in financial and employment terms**

Individuality and flexibility appear in relation not only to businesses and salary but also to welfare and the planning of one's life course. All people can plan and reflect on their goals, and these goals may well deviate from those set at the societal level. During the period of economic growth mentioned earlier, the social contract was based on a supposition that most of the population considered societal goals to be their personal goals as well.

The connection between being successfully employed and economic wellbeing is clear. We define economic coping as retaining at least 90% of one's pre-recession income level in the 1990s. Financial exclusion applies to people who, at the beginning of the 1990s, had an income less than 75% of what they had at the end of the 1980s. In Finland, 83% of employed people coped financially; only 7% suffered financial exclusion. Among the employed, women coped somewhat better than men. Age was not a particularly significant factor (Table 3.2).

Of the 432 020 people in the workforce who were unemployed in the early 1990s, only 31% were financially excluded, although the level set for exclusion is rather high (Table 3.3). In other words, people near the upper limit managed rather well financially, and not all of them can be

considered poor by any means. A full 49% of those defined as unemployed coped adequately in financial terms. Unemployed women clearly managed better than men; the proportion of women among people who coped financially would be even greater if the importance of untaxed income transfers could be taken into account. Unemployed people who have coped financially tend to be younger. The financial position of people who are not permanently employed varies widely and unemployment does not entail the determinist features associated with it in debates on exclusion in the 1970s and 1980s.

These data indicate people's ability both to combine sources of income and to obtain income other than wages and income compensating for a loss of wages (22,28). The different measures of economic exclusion show the same relationship as that found in poverty studies; they are loosely connected and partially based on different criteria. Coping has a more straightforward nature than exclusion. Strong differentiation in the aspects of exclusion indicates that people have opportunities to offset and avoid the financial disadvantage associated with a lack of salaried employment.

Employment and financial coping seem to measure phenomena that ultimately derive from similar causes. In addition, these measures describe the relationship between salaried employment and subsistence. People in favourable employment circumstances in Finnish society in the early 1990s had rather good incomes despite the recession. Finnish society has become structured in terms of labour market citizenship. The connection between salary and income is not straightforward, however. A lack of salaried work does not mean a substantial decline in the standard of living for everyone. This result indicates that the systems of subsistence (the welfare state, redistribution of income, social security and public services) work quite well. Now that unemployment has become a long-term phenomenon, one must ask whether the present extensive system of income redistribution is sufficient or indeed sustainable, and whether work should also be redistributed in the future.

### **Life course of the labour market citizen in the 1990s**

Disruptions, rapid transitions and varying situations in one's life course have all become more common. The linear model of the life course of the labour market citizen is giving way to a model with overlapping

phases. The 1990s have seen challenges to both the opportunities traditionally available in the education and labour markets and the current systems of educational, social and employment-related support. During the economic recession in Finland, with the increase in unemployment, the need for remedial support measures from society has grown, while public-sector resources have declined. No longer does one proceed straight from the school system in youth to a stable and steadily improving working career in middle age and, finally, to a pension in old age. One encounters more risks: one may lose one's job, or one's professional qualifications may become outdated or be deemed insufficient.

Labour market citizenship is structured on three dimensions; these are whether the citizen:

1. belongs to the employed or the unemployed workforce;
2. works on the open or supported labour market; and
3. has a fixed-term or permanent job.

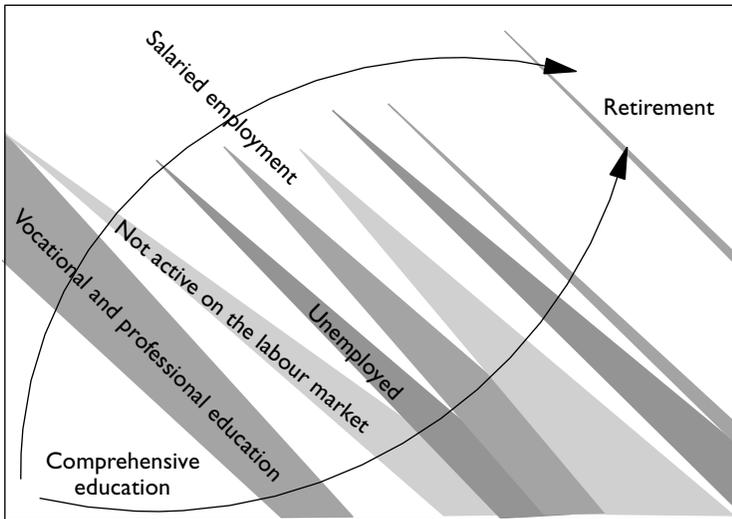
People's socioeconomic potential to act and to cope depends on their status in the labour market. The Finnish system of welfare services is based on earnings, a policy that assumes that periods of unemployment in people's working lives will be brief and rare. With unemployment becoming increasingly common, lasting longer and tending to recur, however, institutions and individuals have questioned the earnings-based system of welfare services. Services are being redirected, and people in the labour market have been forced to seek new routes or combinations of routes to cope.

The principal changes in the life course are the shifts towards lifelong learning and towards work supplying only a part of one's income, as normal wage labour becomes more project-oriented work. People can no longer plan their life courses in the labour market with reference to societal institutions and their purposes. In a situation of permanent underemployment, individuals' decisions seem to start breaking down prevailing institutions. This makes the outcome of societal measures increasingly unpredictable.

### **Integrated socialization into work**

The model life course in Fig. 3.3 captures the integrated model of socialization to work, in which study, work and free time are intertwined (19).

Fig. 3.3. The overlapping model of the life course of the labour market citizen in the 1990s



Thus, the private and public arenas of life complement one another. The decisions made by and the compromises required of the individual determine the level of qualifications needed to cope in the labour market, and the opportunities for and constraints on a smooth, integrated socialization to work.

The principal, overlapping dimensions of labour market citizenship shown in Fig 3.3 are work, income transfers and the so-called third sector, which is a combination of the first two. Where the forms of societal support are concerned, the third sector will form a new alternative to the traditional status of being outside of the workforce, which has encouraged passivity. For example, since 1994 Denmark has had a new social policy, whose aim is to make people outside the workforce or those receiving income transfers more active. If current levels of unemployment continue in the long term, we expect to see a Finnish adaptation of the so-called Danish model. People outside the workforce must take part in productive societal activities and/or obtain qualifications useful in life in general or working life, particularly to get income transfers without their income being jeopardized in situations in the labour market.

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Socialization in adulthood and the organizing of income between generations complement the main dimensions of labour market socialization. Socialization in adulthood comprises the constant acquisition of general educational, professional and social qualifications that enable people to cope in both the labour market and private life. In the 1990s, labour market citizens of different ages can or must do similar things in the different spheres of life. In personal life, they enter, dissolve and establish new relationships and families. In education, continuing study becomes more common, as does non-typical employment in the labour market. As study and work opportunities are restructured, the education- and employment-related decisions made by labour market citizens become increasingly heterogeneous; people make individual labour market plans. In such a situation, the income of a labour market citizen is based on both private sources (the family) and public sources (the welfare state).

Changes in the terms of participation in the labour market mean a permanent change in the basis of income for labour market citizens; wages are no longer the most important source of income in all situations. In many countries, many labour market citizens now have a constant subsidized income. For some, employment schemes funded by the welfare state are becoming the normal model of work. For some this change is voluntary; for others it is compulsory.

In the linear model, each generation secured its own income; in the 1990s, different generations in the family support each other. In other words, parents support their children financially and children support their parents, according to their life situation. The additional or supplemental income, depending on one's perspective, provided by the welfare state plays some role, depending on one's life situation, in all phases of the life course.

One merit of the 1990s labour market citizen is his or her broad study and work history. Advancement in one's career is coming to be seen as a readiness to move from one responsibility to another and not necessarily from a lower to a higher level of the hierarchy at the workplace. Study, work and – for some members of the workforce – periods of unemployment form a continuum. The boundaries between work, study and leisure time have begun to break down. Where integrated socialization to work traditionally described young people's movement from the education market to the labour market, it now refers to the activities of labour

market citizens of all ages in the education and labour markets. The development of the general economic situation, the local and/or regional opportunities for study and work, and individuals' preferences are all factors that affect opportunities for socialization to work.

One can catch glimpses of the integrated model of socialization to work in Finnish and other studies of the mid-1980s that critically examined situations in which staff were made redundant (4, 37–39) and in studies on the formation of the life courses of young people (40, 41). Integrated socialization in working life varies in the elements emphasized, depending on the life situation and life phase concerned. For young people entering the labour market, using their professional qualifications, through either work or free-time activities, figures prominently. People in the labour market stress coping in it, which is either complemented by study or interrupted by periods of unemployment or similar risk situations. Those leaving the labour market are increasingly concerned with how work and retirement can be combined.

In the 1990s, integrated socialization to working life paradoxically becomes more varied in nature, as it becomes more common. For people having trouble in entering, coping in or leaving the labour market, socialization becomes a cycle of various educational and employment support measures. The recession in Finland has increased unemployment and the role of these measures in the life courses of labour market citizens at a disadvantage in education and/or employment (42). Finland's joining the EU has expanded and facilitated people's mobility in the international education and labour markets, although those with advantages with respect to education or employment have the best access to these opportunities.

## **Conclusions**

Traditional concepts are increasingly inadequate to describe the education and labour markets in the 1990s. Private and public life are changing and taking new shapes. The nuclear family is becoming a rarity. The linear model for educational and working life is breaking down and giving way to the integrated model of socialization to work.

The transitions from comprehensive school to vocational education and on to working life have lengthened and changed. Adults' careers included interruptions (for periods of study and unemployment, etc.) more often in the 1980s than in the 1960s (43). The age of entry to the labour market

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has risen because young people now have a greater variety of study routes and opportunities to combine study and work than before, and because their employment opportunities significantly deteriorated during the recession of the 1990s.

The concept of labour market citizenship is connected to the interpretation of the social contract. The model used in recent decades in western societies, including Finland, comprised the concepts of normal employment, the two-wage-earner family, the single profession and private ownership of housing. Through the end of the 1980s, labour market citizenship was based on this contract, which in turn was based on economic growth. Research in the social sciences has neglected the social contract as a manifestation of the community's conditions and labour market citizenship as a determinant of an individual's community involvement. These are important parts of the relationship between the community and the individual.

We assume here that changes in the social contract and labour market citizenship in the 1990s reflect a change in the everyday lives of individuals, families and other groups. This relationship is not simple. In Finland through the end of the 1980s, the goals and principles of the social contract and labour market citizenship were mutually consistent and relatively harmonious. As the research findings we have presented indicate, however, the nature of the social standing and the labour market citizenship of many people has begun to change. This change has created problems and conflicts with the current social contract. The result is the beginning of the breakdown of the social contract.

An integrated socialization to work, in which study is a continuing process, characterizes the 1990s. As non-typical forms of employment become more common and varied, the border between work and other parts of life is becoming blurred. A highly developed division of activity has begun to erode, with work and study drawing closer together again. A new grey area is forming between the family and wage labour. In this area, the relationship between private family life and public study and work life depends more and more on the individual's situation (19).

In the fragmented model of socialization to work, professional qualifications were the most important, being supported by general educational and, to a lesser degree, social qualifications. The integrated model of

socialization to work, however, reverses this order; social qualifications are becoming basic qualifications, supported mainly by general educational qualifications and, owing to the increase in workplace-specific demands, only to a minor extent by professional qualifications.

Labour market citizenship and the age-neutral, integrated model of socialization to work require new kinds of qualifications and resources. People will increasingly need new qualifications to manage their personal lives, education and employment; they will need to exercise more initiative and responsibility in both the private and public arenas, as employment opportunities and the support measures provided by the welfare state are restructured.

Unemployment has begun to challenge the role of labour market citizenship in a number of ways. It calls into question:

- the system of earnings-based welfare services;
- the use of individuals' labour market status as a descriptor of life situations and welfare; and
- the passivity that the welfare system engenders in the unemployed and people outside the workforce.

Unemployment and cutbacks in the welfare state bring to the fore the third sector of society as a possible solution to the current situation. In the third sector, income comprises a number of different individual and societal sources, instead of a single salary. In addition, the border between salaried work and so-called generally beneficial citizen activities is blurring, the two being ever more closely integrated.

In the 1990s, the recruiting of labour and the nature of new employment seem to have a new structure. Subsidized income has become a component of the income of many young people. Societal policy must understand the interruptions in the life courses of young people as normal transitions, recognize the risks these entail and distribute income for activity during these periods (such as training, study, volunteer work and part-time work). It must also give people new opportunities during their working careers. Young people will accept the flexibility required if societal policy is changed on the basis of these principles. This example shows that flexibility in the labour market involves broad social issues and not merely individuals' characteristics or ability to adjust.

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Pensions have joined unemployment benefits in beginning to take on a role as tools that individuals use to make strategic plans for their lives. These plans require the same individuality and flexibility appearing in relation to businesses and salaries.

As the integrated life course becomes more common, it will bring uncertainty and numerous transitions in the everyday lives of labour market citizens. Owing to the present social contract, the relation of the labour market and the welfare state may not prove useful in guiding labour market citizens whose lives follow a model different from the present one. The welfare state is based on more than mass unemployment, fragmented employment and functional transitions. The goal of social policy has been to compensate people in the risk situations that arise from heretofore normal employment. A society in which more transitions occur requires a different social policy, however. Increased costs mean that social policy can no longer aim at compensating people for losses; rather, it should facilitate people's transitions from one job, duty and function to another. In this situation, the state loses its former opportunities to guide the linear life course. In our view, the alternative in such a situation is welfare contracts between individuals and society, in addition to an increase in individuals' responsibility in societal practices.

Further, the significance of both employers and the decisions of the welfare state is changing. Until now, national social contracts and universal principles have sufficed to guide society and ensure individual welfare. The society of the future, however, will need employers and the state to make local and individual-level agreements for individuals' welfare.

All in all, the discussion of flexibility in the labour market has overemphasized the importance of economic factors. Today, one must stress the development of individuality and differentiation as the basis for social policy. Differentiation in society will clearly increase with the extensive lack of demand in the labour market. These circumstances cast a completely different light on older notions of the individual's life course.

With the recession of the 1990s and the concomitant restructuring of employment opportunities, the crucial factors for both labour market citizens and institutional practices comprise the behaviour of individuals on the labour market, their strategic choices and the options available

to them when they are making decisions concerning education or employment. It is essential to consider how the individual preferences of the labour market citizen meet institutional practices. For example, can the service organizations of the welfare state address the new needs of people in the labour market? Will the support measures of the welfare state shape the behaviour of citizens in the labour and education markets? Will education and employment-related support measures guide employers' recruitment strategies? Will employers' recruitment strategies change the behaviour of labour market citizens on the education and labour markets? What consequences will increasingly long-term and involuntary temporariness have for people trying to plan their future?

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# Health consequences of job insecurity<sup>a</sup>

*Jane E. Ferrie*

Recessions during the 1980s and early years of the 1990s, public spending cuts, technological innovation, international competition and increasing dividends to shareholders are forcing many organizations, both public and private, to restructure. In the United Kingdom, 278 000 women and 484 000 men were made redundant from January to autumn 1995 (1). While a few people find that redundancy opens up positive opportunities (2), the majority who go on to find other jobs end up with less security, lower income and poorer fringe benefits (3).

Between 1975 and 1993, the proportion of the population of working age classed as full-time, tenured employees fell from 55.5% to 35.9% in the United Kingdom (4). Many leaving the labour force joined the ranks of the economically inactive, so that by 1992, in addition to the 1.7 million unemployed, another 2 million men of working age were no longer actively seeking employment (5). In the 1980s, this exodus from the labour force comprised mainly blue-collar workers, but an increasing number of those facing insecurity, redundancy and job change in the 1990s work in white-collar sectors traditionally accustomed to long-term, secure employment.

Although similar trends exist in all industrialized countries, the fiscal policies of the former Government of the United Kingdom exacerbated these industrial and employment problems (6). The Government believed

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in a non-interventionist stance on industrial affairs and enacted several pieces of legislation that weakened trade unions, made redundancy and dismissal easier, and created a climate that facilitated the erosion of employment rights and the casualization of labour (7,8). Further, a commitment to reducing public spending had two effects on the labour market. First, cuts in public expenditure meant that jobs in the state sector were under threat. Second, cuts in welfare and unemployment benefits made non-employment even less attractive (9), exacerbating feelings of insecurity among both the employed and the unemployed.

While job insecurity is likely to become an increasingly important issue over the next few years, it has been sparsely researched. Determining the effects of labour market changes and job insecurity on social, psychological and physical wellbeing is fundamental for the development of responses by health and social welfare policy to economic instability and the downsizing of labour markets. This chapter examines the term job insecurity, and briefly reviews the literature on the health effects of job insecurity and its usual sequelae: job change, early retirement and retirement on health grounds, and unemployment. Then follow findings from a study of the health effects of job insecurity in a cohort of male and female civil servants in the United Kingdom. Finally, the implications of the health effects of job insecurity for work-related health promotion are discussed.

### **Job insecurity**

In general, job insecurity is the discrepancy between the level of security a person experiences and the level he or she might prefer. This definition and the following typology draw extensively on the work of Hartley et al. (3).

At this broad level, job insecurity encompasses several large categories of workers. The most vulnerable of these belong to the secondary labour market: foreign workers, immigrants, members of ethnic minorities, older workers and to some extent women, especially those with young children. Employment in the secondary labour market is often seasonal, part-time or temporary, and is often used to buffer short-term changes in labour requirements. Another category of employees for whom job insecurity is an integral part of the work experience consists of freelance workers and professional or technical staff who take short-term contracts because no permanent jobs are available (3).

Members of both these groups understand that job insecurity is a continuing, integral part of their work experience, and consequently they have a relatively stable set of beliefs about the labour market and their prospects in it. For another category, however, job insecurity involves a fundamental and involuntary change in the employee's set of beliefs about the work environment or his or her place in it. Specifically, the change is from the perception that one's position in the organization is safe to one that it is not (3). This latter category is the concern of this chapter, although experience of this type of job insecurity is often the precursor to employment in one of the other categories of insecure jobs.

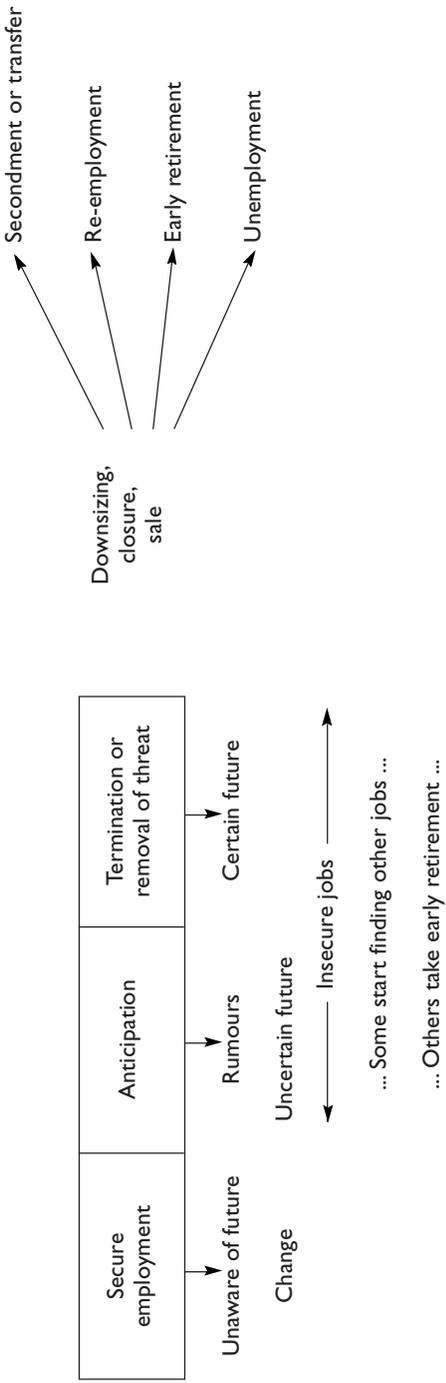
The job insecurity experience depends on the perceived probability of losing one's job and the perceived severity of effects (3). Thus, it has a large subjective appraisal element that is highly dependent on context, and the experience may affect employees who ultimately are retained as much as those who are made redundant. The term job insecurity is usually taken to indicate an undesirable state, whose negative connotations derive from the lack of control that attends the situation. A similar lack of control, however, may characterize secure employment in an unsatisfactory job when no alternatives are available; conversely, non-employment situations may offer a degree of control not available in paid employment. Further, insecurity arising from the threat to a particular job may be translated into employment insecurity if subsequent jobs prove hard to find, or chronic job insecurity if the threat of job loss continues for a long time.

### **The employment transition process**

The processes of workplace closure, rationalization in the private sector and privatization in the public sector bear many similarities to the unemployment process, as described by Joelson & Wahlquist (10) and shown in Fig. 4.1. At baseline, the workforce is in secure employment, unaware of planned major changes. Next comes a period of uncertainty, called the anticipation phase. In this phase, which can be protracted, the workers realize that change is approaching but are not sure how or whether it may affect them. The anticipation phase is followed either by the removal of the threat and continued employment or by the termination phase.

The termination phase is the period immediately before the workplace closure or enterprise sale. By this time, some of the workforce will have

Fig. 4.1. The employment transition process



Source: Joelson & Wahlquist (10).

already left and many people will be aware of their likely fate (10). In cases when the whole process is very rapid, both the anticipation and termination phases may be very brief. After the closure or sale, employees undergo transfer, change jobs or experience non-employment in the form of early retirement, retirement on health grounds or unemployment. Subsequently, non-employment may continue or re-employment may occur (11). While a useful model, this is obviously too simple a view of any workplace closure, since phases of the process inevitably overlap and individuals perceive them as occurring on different time scales.

### **Workplace closure studies**

Most studies that have followed this process could be described as workplace closure studies. Population-based longitudinal studies (12,13) have also provided useful evidence, but in general these have not collected sufficiently detailed employment data to distinguish securely employed people from those in insecure jobs or anticipating job change.

Fifteen workplace closure studies with longitudinal data have been reported in the literature since the early 1970s (14–42). Nearly all of them show adverse effects on one or more of the following: physical health, psychological health and physiological indicators during the anticipation and termination phases (where data for these periods were obtained) and the first year of unemployment. The variables that do not conform to this pattern are those for health behaviour; apart from a decrease in alcohol consumption among the unemployed (34), these show little change. Studies that have also examined re-employment, in common with population studies comparing the unemployed with the re-employed, show that re-employment may partially or completely reverse adverse effects, depending on the quality of any new post (14,18,24,34,42). Of the fifteen workplace closure studies cited, five have adequately matched controls (16,19,21,23,24), five include both sexes (16,18–20,26) and two cover white-collar workers (18,26). The latter both have response rates of under 40% and no control group. Of the eight studies that collected data during the phase of secure employment (15–17,20,21,23,25,26), four use retrospectively collected family doctor or hospital data (15,16,20,21). The remainder were already investigating other work-related factors when closure was announced, and took advantage of the opportunity provided (17,23,25,26). Data from a period of secure employment are critical to determine the level of selection into unemployment on health grounds.

### **The anticipation and termination phases**

Research on job insecurity for those in long-term employment has primarily investigated the field of management (43), often with the focus on effective organizational change. Otherwise, job insecurity has won only scant attention as a subdomain of the vast research literature dealing with the physical, psychological and social effects of redundancy and unemployment. Although this literature has provided considerable knowledge of the effects of job loss after its occurrence, it has largely ignored the effects of the threat of job loss. An example is Warr's analysis of the transition from the employed to the unemployed role (44). In describing the removal of features of the employed role as a result of job loss and their replacement with features of the unemployed role, Warr implies a move from one to the other with no intermediate state in between (44). The assumption has tended to be that anticipation of redundancy or perceived job insecurity has an effect on health similar to that of unemployment, with very few studies following their subjects longitudinally through a period of job insecurity into unemployment or job change.

The landmark workplace closure study is that of male blue-collar workers in two threatened plants in Michigan, United States, studied before and after closure, and a comparison group of workers from four plants remaining open (14,28). It demonstrated a significant increase in blood pressure (29), an increase in self-reported ill health (with the largest increases found among better educated men), an increase in the number of days when respondents "used drugs", and extremely low values for the number of days or fortnights when the respondent "didn't carry on usual activities due to illness or injury" (28).

Varying results have been reported for absence due to sickness. Beale & Nethercott found that certificated sickness absence decreased only for men aged under 40 years (27), while Westin et al. found a twofold increase in sickness absence during the termination phase among blue-collar men in a sardine factory (32). Comparisons of results from studies carried out at different times and in different locations should be made with caution, however, as the meanings of job insecurity may differ according to the economic and other factors that prevail in a particular location and/or at a particular time.

Beale & Nethercott undertook the most significant study of workplace closure in the United Kingdom, in which the study population was

recruited from a single general practice and records were available for the period before and after closure. This study largely confirmed the findings of the Michigan study, showing an increase in number of illnesses (36,41) and in health service use (20,36,41) during the phase of job insecurity. Beale & Nethercott's study has been criticized for its failure to make formal comparisons of changes in consultation rates observed in the study population with those observed in the control group, and for its inadequate control of selection bias (45). Other studies in the field (15,19,25,26), however, support the Beale & Nethercott study's findings of increased morbidity and use of health services.

In common with Iversen & Klausen (46), Schnall et al. (26) did not find blood pressure to be raised during the anticipation phase. Only 38% of the subjects screened at baseline were rescreened during this phase (26), however, and the blood pressure results were adjusted for body mass index (BMI), which could be seen as overadjustment. Several other studies reporting blood pressure changes prior to workplace closure can be found in the literature. A study among blue-collar workers, mostly female, found blood pressure to be slightly lower before workplace closure (19), while another among blue-collar men found a rise in both systolic and diastolic blood pressure (29). While neither of these studies had data on people with secure employment, Mattiasson et al. (25) did have secure employment data, and found a drop of 2 mmHg in systolic and 0.1 mmHg in diastolic blood pressure. In the only study published to date on the relationship between psychosocial job stressors and hypertension risk in black people, James et al. (47) reported that, among 81 employed black men, those who expressed some or a great deal of worry about losing their jobs had systolic blood pressure levels 8 mmHg higher, on average, than men who expressed no concern about job security. Taken together, these results show that stress-mediated increases in blood pressure are likely to be highly dependent on context.

Neurohormonal and physiological variables have been shown to be affected immediately preceding redundancy, with levels of cortisol, prolactin, blood glucose (19), serum uric acid (30) and total cholesterol (19) being elevated and those of high-density lipoprotein cholesterol depressed (19). Increased sleep disturbance has been noted among blue-collar men anticipating unemployment (25), and in a group of mostly female blue-collar workers during the termination phase (19).

One well designed study of workplace closure appears to show that job insecurity and subsequent unemployment result in decreased morbidity and health service use. The accident and other morbidity statistics for the control group in this study, however, mask an increase in circulatory disease in the study group during the anticipation phase and unemployment (21). What this study more conclusively demonstrates is that working in a high-risk industry at times of high unemployment is less healthy, in terms of hospital admissions and morbidity, than being unemployed (48). It is also a reminder that, although in general any adverse effects on employee health take place against the background of the “healthy worker effect” (49), increasingly flexible labour markets resulting in the casualization of labour are likely to narrow the distinction between employment and unemployment (50).

While the anticipation of job loss has been reported to generate personal distress and sometimes even a grief reaction akin to that of anticipated bereavement (3), Cobb & Kasl (14) failed to show significant effects in the psychological sphere. Although they felt “the personal anguish experienced by the men and their families does not seem adequately documented by the statistics” (14), a qualitative study of the closure of the same workplace eloquently documents these effects (51). Results from more recent studies, however, have been able to demonstrate statistically significant effects in the psychological sphere during the anticipation phase (26,40,52) and the termination phase (18,19,53). Studies of white-collar men and women (26) and blue-collar men (40,52) have found significantly more psychological distress among employees anticipating unemployment than in those anticipating no change.

None of these results is controlled for levels of psychological distress during secure employment. A study by Schnall et al. (26) of white-collar workers, however, one of the few in the field to employ a prospective design, also reports significantly elevated levels of psychological distress during anticipation of job change or loss.

In a study of car workers that commenced three months before workplace closure, Hamilton et al. (53) showed redundancy to be associated with an increase in somatic complaints, depression and anxiety, but that anticipation of redundancy had more subtle effects, which depended on the employee’s demographic characteristics, particularly low income, little education and being black; 88% of these respondents were male. Among

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a group of mainly female blue-collar workers, the termination phase was characterized by a more pessimistic view of the future and a greater level of minor psychiatric morbidity than was experienced during the subsequent phase of unemployment (19).

Jenkins et al. (18) examined minor psychiatric morbidity in a population of 321 male and female journalists one month after all had received notice of redundancy. Compared with data collected three months after the threat of redundancy had been removed, minor psychiatric morbidity was significantly higher (18). In a study among car workers, Heaney et al. (54) showed that job insecurity acts as a chronic stressor, whose effects on physical symptoms increase with the length of exposure. In addition, job insecurity has been shown to increase psychological withdrawal from the job in terms of decreased organizational commitment (3) and job satisfaction (3,54).

Data on potentially health-damaging behaviour associated with job insecurity are scarce and mostly relate to men. Changes in alcohol consumption and smoking in a workplace closure study among blue-collar men showed no difference between subjects and controls (25), and journalists facing redundancy reported no significant changes in alcohol consumption (18). In a different approach, using panel data from the Epidemiologic Catchment Area project, Catalano et al. (55) found that, where unemployment in a community was high, employed people were at reduced risk of alcohol abuse. In relation to diet, Mattiasson et al. (25) found that controls had somewhat better dietary habits than men anticipating unemployment. Although much has been written about the effects of unemployment on personal relationships, only one study has specifically examined the effect of job insecurity on the relationship with spouse or partner. In the study among journalists, 21% of respondents stated that the termination phase had adversely affected their marriages (18).

### **Job change**

Relatively little work has been reported to date on the health effects of job change. Hinkle et al. (56) found that, for managers and executives, job change between branches of the same company was associated with negligible change in the number of coronary events, while transfer between departments was associated with a small decrease in events. Frequent job change among early school-leavers has been found to be an indicator of later social and psychological problems, but not

occupational disadvantage (57), while mid-career job changes among managers have been shown to produce psychological benefits (58).

Theorell (59) looked at the relationship between the occurrence of life events and myocardial infarction. He considered eight work-related items: change to a different line of work, retirement from work, major change in work schedule, increased responsibility, decreased responsibility, trouble with the boss, trouble with colleagues and unemployment for more than one month. Of the study group with myocardial infarction, 41% reported such changes during the year preceding onset, while only 17% of the matched controls reported them (59).

### **Early retirement and retirement on health grounds**

Older workers have borne the brunt of workforce reductions in both the 1990s recession and the recession in the 1980s (60–63). The literature shows general agreement that early retirement has been used to reduce the workforce without antagonizing either employees or trade unions (60,62–64). Given the degree of uncertainty experienced by many employees in a changing organization, however, it is difficult to know whether those who opt for redundancy or early retirement really do so voluntarily (63). The degree of voluntariness in early retirement does not seem to have been explored, and most studies are unable to draw a clear distinction between people who retire early, those who leave employment for health reasons and those who are made redundant. The social meanings of these categories are not fixed, but depend on the prevailing level of unemployment and the financial implications of the different ways of leaving employment (65).

Official retirement on health grounds, or medical retirement, tends to be expensive for the employer, as it is available to all age groups. Provision or refusal often depends on the advice of the company's medical adviser, and there may be an expectation that the medical adviser will confirm the action that management proposes to take (66). Consequently, many older workers, despite ill health, end up as early rather than medical retirees.

The literature suggests that, until the 1980s, early retirement was almost always connected to a breakdown in health (67,68). More recent research has added the consideration of financial security as a prime factor in decisions for early retirement. In the United States, an exchange took

place between Kingson (69,70), who argued that poor health was the overriding consideration, and Myers (71,72), who maintained that economic factors were the most salient, as individuals reacted to national and corporate incentives. The use of more sensitive health indicators that take account of morbidity and health-limiting conditions leads to conclusions agreeing with Myers: that economic variables play a more important role than health in early retirement decisions (73), although health breakdown is still significant (74–76).

Although there has been considerable interest in the influence of health on the decision to retire early, little research has explored the effects of early retirement on either physical or psychological health, despite its growing importance as a policy issue in many European countries (77). One reason is the problem of definition; another is the difficulty of separating these effects from the processes of normal aging, changes in economic circumstances and other factors (64). Haynes et al. (74) found significantly elevated mortality during the first, fourth and fifth years after early retirement, with health status before retirement the only significant predictor of survival. The control group for this study, however, consisted of actively employed male workers aged under 65 years, a group expected to be subject to the healthy worker effect, which has been shown to be stronger in older age groups (49). In addition, Haynes et al. found that none of the measures of social support – being married or having dependants or some social activity – were predictive of subsequent mortality (74).

In the British Regional Heart Study, smoking or high alcohol consumption was significantly higher at initial screening in men who subsequently retired early than those who remained continuously employed. There was no evidence that men increased their smoking or drinking on taking early retirement, although those whose retirement decision was related to health were significantly more likely to reduce their drinking and smoking. Nevertheless, men who retired early were more likely to gain over 10% in body mass than men who remained continuously employed (78). A nationwide health survey of adult Danes in 1990/1991 (79) also demonstrated high levels of smoking among early retirees; “early retirement pensioners” were not defined, however, so people retiring on health grounds, which could include smoking-related diseases, may have been included in this category. Recent data from the British Regional Heart Study show that, compared with those who remained continuously

employed, mortality is significantly higher in men retiring early, but not on health grounds, after controlling for health status and health behaviour before non-employment (12). The study found the same result for men who were unemployed.

In general, satisfaction with early retirement has been found to be high; 80% of men who retired early reported themselves to be “definitely satisfied”; over 50% reported better health since retirement, and 25.4% saw it as a major benefit (78). Some early retirees return to part-time or short-term contract work, and this is also closely related to satisfaction with retirement (78), as has been shown in normal retirement (80). Many of those taking voluntary redundancy or early retirement join the ranks of the economically inactive (60), however, and their joblessness ends with the receipt of an old-age pension (62). Financial problems appeared to be the main factor associated with dissatisfaction in early retirement (62,74,76,78); others included health problems, loss of friends, loss of an occupation and feeling bored and depressed (74,76).

The few attempts at an empirical examination of the health effects of early retirement have produced conflicting results. The problems of the definition of early retirement and its interaction with retirement on health grounds have meant that most studies have been hampered by serious sampling and methodological problems. The studies have concentrated almost exclusively on men, because few women aged under 60 years define themselves as retired (77). Most have been among blue-collar workers and few have followed their subjects from before their decision to retire early.

### **Unemployment**

In the Depression of the 1930s, social and medical researchers began to work together to understand whether unemployment might affect physical and mental health. M’Gonigle & Kirby (81) showed that families with unemployed members experienced higher mortality rates, and in the early 1940s Morris & Titmuss broke methodological ground by their use of correlations between unemployment rates and mortality from rheumatic heart disease. Jahoda et al. (82) gained great insight into the individual and social psychology of unemployment. They found that work provides not only an income but also a range of other psychologically important experiences – such as contact with others, time structure and self-esteem – and described these as the latent functions of employment. These findings still inform current research (82).

In the recessions of the 1980s, a series of studies examined the effects of unemployment on psychological wellbeing. Young people leaving school without a job were found to experience a decline in psychological health that is reversed on entering work (83,84). Middle-aged men reported a higher level of psychological distress from unemployment than men aged under 30 or over 50 years, and women are as likely to suffer as men (85). Those with more social support were found to be protected to some extent against the detrimental psychological effects of unemployment (86,87). The length of unemployment was shown to be correlated with the degree of psychological disturbance in both men and women (23,88). In teenagers, an initial drop in psychological wellbeing seems to stabilize quite soon (89), while depression scores in men aged 20–59 years increase in the first few months of unemployment but then stabilize or even fall slightly (85,90).

Theories of the relationship between work, unemployment and psychological health developed during the 1980s. Fryer (91) has documented three approaches; expectancy–value theory, agency restriction and latent function deprivation. Expectancy–value theory maintains that a person's actions are related to the expectations and values that he or she associates with alternative actions and their possible outcomes. The agency restriction approach, proposed by Fryer (91), argues that the negative psychological consequences of unemployment usually result from the interruption of a person's plans and strategies rather than anything intrinsic to the work itself. From Jahoda's theory that psychological damage results from the absence of the latent functions of employment, Warr (92) developed a more detailed model for use in the study of unemployment and employment. This model contains nine environmental features: opportunity for control, opportunity for skill use, externally generated goals, variety, environmental clarity, availability of money, physical security, opportunity for interpersonal contact and valued social position (92).

Warr describes the likely harm to mental health from many of the routine experiences of the unemployed, such as the rejection of job applications. The exposure of the unemployed to such experiences has been well documented: the need to borrow money for basic needs such as food and clothes, the drastic restriction of social activities and the risk of debt (93–95). Kessler et al. (96) found that the tendency of unemployment to be accompanied by other stressful events apparently explained

part of the association between unemployment and poor psychological health. Warr et al. (97) conclude that the most common psychological response to long-term unemployment is “resigned adaptation”, a withdrawal from social activities and the search for work, and the avoidance of new situations. A slight improvement in affective wellbeing may accompany resigned adaptation, but the parallel reductions that occur in aspiration, autonomy and personal competence are usually considered unhealthy (97). A recent study by Greatz (13), however, showed that, among young men and women in Australia, minor psychiatric morbidity was highest among dissatisfied workers and lowest among satisfied workers. Students, the unemployed of any duration and workers neither satisfied nor dissatisfied with their jobs fell between these two extremes (13). These findings suggest that it is not true that any job is better than none, and that cumulative experience of disadvantage in the labour market might have more relevance for psychological wellbeing than unemployment (98).

In addition, recent research has refocused attention on the effects of the material deprivation associated with unemployment. Results from a study in Ireland show that psychological distress is positively associated with objectively assessed lifestyle deprivation and the accompanying deprivation of socially defined necessities (99). The cumulative psychological and material effects of unemployment can result in increased domestic violence, family breakups (100) and crime (101). The unemployed are found to be concentrated among people in poorer housing (102), and attention has been drawn to the risk of homelessness following an abrupt decline in income (103). Poor housing in turn may prove detrimental to health (104).

Further, evidence emerged during the 1980s that people who have experienced unemployment may have a higher risk of morbidity (20,36,37) and mortality (12,105–107) in the long term. In addition to the effects in unemployed men, their wives, babies and small children experience increased mortality (20,106). Various mechanisms have been proposed to explain this observation. One is that the stress of unemployment is a causal factor leading to higher risk of ischaemic heart disease (107) and an increase in self-damaging behaviour. Both suicide and parasuicide have been shown to be more common in the unemployed (105,108–110), although a recent examination of suicide trends in Italy did not produce convincing evidence for an association between suicide

and unemployment in women, and could not provide a definitive interpretation of the link (111).

Health-damaging behaviour, such as smoking and alcohol use, has been postulated as mediating the health-damaging effects of stress. Cross-sectional data from the Scottish Heart Health Study showed that a higher percentage of the unemployed were non-drinkers, but that unemployed drinkers drank more alcohol than those in employment (112). Further data showed that, for people aged 40–59 years, the proportion of those who were or had been smokers was found to be considerably higher among the unemployed. Among current smokers, unemployed men reported smoking fewer cigarettes a day, while unemployed women smoked more than their employed counterparts (113). Longitudinal results from the British Regional Heart Study (12), however, showed that loss of employment among men was associated, not with increased smoking or drinking, but with an increased likelihood of weight gain. Those who subsequently became unemployed smoked and drank more before they lost their jobs, a factor that should be taken into account in comparisons of mortality and morbidity in employed and unemployed groups (78). In a recent, detailed study of alcohol and unemployment, the frequency of drinking and of intoxication showed no clear association with employment status in either men or women, although the frequency of health problems due to drinking was significantly associated with unemployment among men, but not women (114).

Beale & Nethercott (20,36–38,41) demonstrated a consequence of the increased morbidity and mortality among the unemployed in a longitudinal study of the closure of a workplace in the United Kingdom. They found significant increases in rates of family doctor consultation and referrals to and attendance at hospital outpatient departments, both during the phase of job insecurity and for six years subsequent to redundancy. Other local studies and the Canada Health Survey have confirmed the association between job loss and uptake of primary care (115–117), while a study of a shipyard closure in Denmark (21) found changes in the pattern of secondary care utilization.

### **Methodological limitations**

Job insecurity is a sensitive topic for both individuals and organizations. Typically, organizations in the midst of financial crises or major change are extremely reluctant to permit the collection of data on possible effects

on the health and wellbeing of their employees. This is entirely understandable, as such investigations may generate additional anxiety and uncertainty.

The major limitation in this field is that the opportunity to perform a methodologically sound study rarely arises, as one cannot plan to obtain the data needed from before the anticipation phase. Thus, very few studies have been able to follow their subjects from secure employment, through the anticipation and termination phases to their exit from the labour force. A major consideration in examinations of the relationship between health and labour market experience has been the extent to which job insecurity and subsequent events are a consequence, rather than a cause, of ill health. During times of economic contraction, the least productive members of any workforce are the most likely to be shed. People who feel that they fall into this category are likely to experience job insecurity as a more stressful life event. The degree to which such selection occurs has become a major argument in the debate on unemployment and health, although some researchers see this as an unnecessary polarization (91).

Many previous studies have lacked control groups: even when a control group has been included, this has seldom been matched adequately (45). The omission of a control group makes the effects of job insecurity and subsequent labour force experiences impossible to distinguish from more general secular trends. For example, the meaning of job insecurity may vary with the economic conditions that prevail at the time (118). In the Michigan study, many men had found their next jobs before being made redundant, while many others found jobs soon afterwards (14,28,51).

Part of the difficulty in understanding the effects of job insecurity on health is the lack of sufficiently detailed longitudinal data on individuals. The study by Beale & Nethercott (20) is an exception, but their data on health consist only of consultation records, with no measure of underlying illness that did not present to the family doctor. To date, few studies have included objective measures of health in the population of the United Kingdom, and no studies include objective measures of health status both before and after the phase of job insecurity. As mentioned, economic contraction has affected white-collar professionals and managerial workers more in the 1990s than in previous times of rapid change

(119), so most research has focused on blue-collar workers. In addition, these workers have been mainly in the private sector, as privatization and large-scale redundancies have only recently been implemented in the public sector.

Owing to the particular importance of work to men, they have long been considered to suffer more from the effects of unemployment than women (120). Some support for this view has come from a follow-up study from Sweden in which unemployed men, but not women, displayed a considerably higher mortality risk (121). Interpreting this finding is problematic, however, as the importance of the work role is likely to vary between different groups of women and change over the life cycle.

### **Conclusion**

While research has considerably advanced the knowledge of job insecurity and its sequelae, much of the work has suffered from methodological limitations. In general, previous studies have failed:

- to collect baseline data during the secure employment phase
- to include suitable control groups
- to focus on white-collar workers and the public sector
- to include both men and women.

The introduction of market forces and privatization into the civil service in the United Kingdom has provided an opportunity, through the Whitehall II study, to resolve some of these methodological limitations.

### **Job insecurity in the British civil service**

The public sector in the United Kingdom was long immune to the pressures of the market-place. In common with other public-sector employment, the attractions of the civil service used to include job security, a career and favourable terms of employment. During the long tenure of the Conservative Government, however, many of these conditions changed. The Government was said to have an antipathy to the public sector, particularly the civil service (122) and the first white paper on public expenditure was followed by a ban on recruitment in the civil service and the requirement to cut staff numbers by up to 20%. These cuts, customarily achieved through early retirement, were largely responsible for reducing the civil service from 732 000 staff in 1979 to 520 000 by 1995 (123).

The privatization of public services began in 1984 with the sale of British Telecom. Shortly after, an inquiry was initiated that resulted in a 1986 report on using private enterprise in government; it recommended the examination of all government work to determine whether it could be improved by transfer to the private sector or should be jettisoned. This recommendation was implemented largely through the "Next Steps" programme, introduced in August 1988. The main plank of the programme was to separate the executive functions of government from policy advice and to transfer the former to clearly designated units, called agencies, within departments. After 1988, 382 000 civil servants were placed in 125 executive agencies, moving quickly towards commercial viability and privatization (124,125).

Very little has been published about the health effects of major restructuring within an organization. Studies usually deal with larger transitions, such as workplace closure or downsizing, which result in the exit from the labour force of a considerable number of study participants; or job change, which usually involves transfer to a new employer and/or location, new colleagues and new ways of working. The transfer of a particular government function to an executive agency involved a period of uncertainty, during which the options of elimination or transfer to the private sector were considered, followed by a marked change in management style and further periods of uncertainty when the agency's function was reconsidered for transfer to the private sector.

The Property Services Agency (PSA) and its predecessors formed the government body that was responsible for the design, construction and maintenance of all government property for over 600 years (126). Speculation about the future of PSA started in the daily press and construction industry journals early in 1988. Throughout the early 1990s, the mass media continued to pay attention to the impending privatization of PSA, which culminated in the sale of PSA Projects, the design and building division, to the private sector on 1 December 1992 (127).

This application of private-sector practice to a government function exposed civil servants to an unprecedented level of job insecurity, whose consequences for health, psychological state and social situation are relevant not only to the civil service but also to the privatization and restructuring of the remaining public utilities, health services and local

government services in the United Kingdom and elsewhere, and to downsizing in the private sector.

### **The Whitehall II study**

Data for the study of job insecurity in the civil service are derived from a continuing, longitudinal cohort study called Whitehall II. The target population for the study was all London-based office staff working in 20 civil service departments between 1985 and 1988. With a response rate of 73%, the final cohort consisted of 10 308: 6895 men and 3413 women (128). The true response rate was higher, however, because around 4% of those invited were not eligible for inclusion. Although most were nonmanual workers, respondents covered a wide range of grades from office support staff to permanent secretary. As of 1 January 1987, annual salaries ranged from £62 100 for a permanent secretary to £3061 for the lowest-paid office support grade. Baseline screening, phase 1, took place between late 1985 and early 1988. This involved a clinical examination that measured physiological variables such as blood pressure, heartbeat and cholesterol, and a questionnaire that covered sociodemographic variables, health status measures, health behaviour and work characteristics. Phase 2 comprised the administration of the same questionnaire by post in 1990, and a further round of data collection by questionnaire and clinical screening was completed between 1992 and 1993 in phase 3.

### **Privatization and major organizational change in the civil service**

For respondents in PSA, phase 1 provides data from a period of secure employment, phase 2, the anticipation phase and phase 3, the termination phase; the latter were both periods of job insecurity (Table 4.1).

Table 4.1. Numbers of staff in PSA and other departments participating in the three phases of Whitehall II

| Phase of Whitehall II | PSA       |     |       | Other departments |      |       |
|-----------------------|-----------|-----|-------|-------------------|------|-------|
|                       | Total     | Men | Women | Total             | Men  | Women |
| Phase 1 (baseline)    | 666       | 513 | 153   | 9642              | 6382 | 3260  |
| Phase 2               | 526 (79%) | 410 | 116   | 7607 (79%)        | 5123 | 2484  |
| Phase 3               | 530 (80%) | 418 | 112   | 7824 (81%)        | 5347 | 2477  |

### Effects on health during the anticipation phase for PSA

From a baseline position of either advantage or no difference, PSA employees experienced an overall increase in self-reported morbidity, compared with the rest of the cohort, during the anticipation phase (Table 4.2) (129).

All measures showed worse health for men in PSA compared to men in other departments, with significant differences in self-rated ill health, number of symptoms in the past fortnight, and number of health problems over the last year. For women, the picture was less consistent, with the only significant difference relating to a relative increase in the number of symptoms reported by women in PSA. Health-related behaviour did

Table 4.2. Age-standardized means of self-reported health status measures for men and women in PSA and other departments during the anticipation phase (Whitehall II, phase 2)

| Measures                                  | PSA  | Other | Difference | Adjusted differences <sup>a</sup><br>(standard error) | P value <sup>b</sup> |
|---|------|-------|------------|---|----------------------|
| Self-rated health                         |      |       |            |   |                      |
| average or worse (%)                      |      |       |            |   |                      |
| Men                                       | 27.0 | 21.8  | 5.2        | 6.0 (2.0)   | 0.004                |
| Women                                     | 33.2 | 36.8  | -3.6       | -3.6 (3.8)  | 0.34                 |
| Long-standing illness (%)                 |      |       |            |   |                      |
| Men                                       | 37.0 | 35.9  | 1.1        | 3.3 (2.3)   | 0.16                 |
| Women                                     | 31.5 | 38.4  | -6.9       | -4.7 (4.7)  | 0.32                 |
| Mean number of symptoms                   |      |       |            |   |                      |
| Men                                       | 2.73 | 2.63  | 0.10       | 0.36(0.11)  | 0.004                |
| Women                                     | 3.65 | 3.35  | 0.30       | 0.55(0.23)  | 0.02                 |
| Number of health problems                 |      |       |            |   |                      |
| Men                                       | 1.48 | 1.37  | 0.11       | 0.12(0.06)  | 0.05                 |
| Women                                     | 1.70 | 1.76  | -0.06      | 0.09(0.13)  | 0.49                 |
| General health questionnaire score        |      |       |            |   |                      |
| Men                                       | 3.75 | 3.72  | 0.03       | 0.21(0.27)  | 0.44                 |
| Women                                     | 5.37 | 4.70  | 0.67       | 0.71(0.51)  | 0.16                 |
| General health questionnaire caseness (%) |      |       |            |   |                      |
| Men                                       | 28.1 | 27.3  | 0.8        | 1.8 (2.3)   | 0.44                 |
| Women                                     | 37.6 | 33.8  | 3.8        | 3.9 (4.2)   | 0.35                 |

<sup>a</sup> Adjusted for age, grade and baseline (phase 1) values.

<sup>b</sup> Whether the observed difference is significantly different from zero.

Source: adapted from Ferrie et al. (129).

not differ between PSA staff and those of other departments between baseline and phase 2 (Table 4.3) (129).

#### *Effects on health during the termination phase for PSA*

For men in PSA, all but one measure of self-reported health status deteriorated. A less consistent picture showed a general deterioration in self-reported health status among PSA women compared to women in other departments, with two exceptions. When the results for men and women are combined, all self-reported morbidity increased in PSA respondents compared with respondents in other departments.

PSA men retained their baseline advantage with regard to blood pressure during the termination phase (Table 4.4), but cholesterol, ischaemia

Table 4.3. Age-standardized means of health behaviour for men and women in PSA and other departments during the anticipation phase (Whitehall II, phase 2)

| Behaviour                     | PSA  | Other | Difference | Adjusted differences <sup>a</sup><br>(standard error) | P value <sup>b</sup> |
|-------------------------------|------|-------|------------|---|----------------------|
| Alcohol use (units per week)  |      |       |            |   |                      |
| Men                           | 10.9 | 12.4  | -1.5       | -0.4 (0.4)  | 0.40                 |
| Women                         | 4.5  | 5.2   | -0.7       | 0.2 (0.8)   | >0.5                 |
| Non-drinkers (%)              |      |       |            |   |                      |
| Men                           | 16.0 | 14.2  | 1.8        | 3.1 (1.7)   | 0.08                 |
| Women                         | 34.5 | 30.5  | 4.0        | 2.5 (3.2)   | 0.43                 |
| Heavy drinkers (%)            |      |       |            |   |                      |
| Men                           | 15.1 | 17.4  | -2.3       | 0.7 (1.5)   | >0.5                 |
| Women                         | 6.8  | 8.7   | -1.9       | 2.4 (2.8)   | 0.38                 |
| Current smokers               |      |       |            |   |                      |
| Men                           | 8.7  | 13.4  | -4.7       | -0.9 (1.0)  | 0.36                 |
| Women                         | 20.2 | 19.5  | 0.7        | 3.5 (1.8)   | 0.06                 |
| Taking no exercise (%)        |      |       |            |   |                      |
| Men                           | 5.4  | 8.8   | -3.4       | -1.6 (1.6)  | 0.32                 |
| Women                         | 20.1 | 19.7  | 0.5        | -0.2 (3.0)  | >0.5                 |
| External locus of control (%) |      |       |            |   |                      |
| Men                           | 21.4 | 25.2  | -3.8       | -3.61 (2.30)  | 0.12                 |
| Women                         | 38.2 | 31.4  | 6.8        | 8.32 (4.65)   | 0.07                 |

<sup>a</sup> Adjusted for age, grade and baseline (phase 1) values.

<sup>b</sup> Whether the observed difference is significantly different from zero.

Source: adapted from Ferrie et al. (129).

Table 4.4. Age-adjusted least squares means for physiological measurements for men and women in PSA and other departments during the termination phase (Whitehall II, phase 3)

| Means                              | PSA   | Other | Adjusted difference <sup>a</sup> |
|------------------------------------|-------|-------|----------------------------------|
| Systolic blood pressure (mmHg)     |       |       |                                  |
| Men                                | 120.6 | 122.3 | -1.0                             |
| Women                              | 120.8 | 117.5 | 3.5 <sup>b</sup>                 |
| Diastolic blood pressure (mmHg)    |       |       |                                  |
| Men                                | 80.3  | 81.2  | -0.1                             |
| Women                              | 78.7  | 76.6  | 2.3 <sup>b</sup>                 |
| Cholesterol concentration (mmol/l) |       |       |                                  |
| Men                                | 6.51  | 6.49  | 0.07                             |
| Women                              | 6.52  | 6.49  | 0.09                             |
| BMI (kg/m <sup>2</sup> )           |       |       |                                  |
| Men                                | 25.3  | 25.1  | 0.3 <sup>c</sup>                 |
| Women                              | 26.8  | 25.7  | 0.6 <sup>b</sup>                 |

<sup>a</sup> Adjusted for age, grade and baseline (phase I) values.

<sup>b</sup>  $P < 0.01$ .

<sup>c</sup>  $P < 0.001$ .

and BMI all showed adverse differences from the controls. All physiological measurements for PSA women deteriorated compared to women in other departments. Where the results for PSA men and women can be combined, there were significant increases in ischaemia, cholesterol concentration and BMI compared with respondents in other departments.

Among both men and women in PSA during the termination phase, divorce or separation was more frequent than in respondents from other departments. For the health-related behaviour measured, however, none of the differences between PSA and the other departments was significant, either separately or combined; the exception was taking exercise, in which the difference favours respondents from PSA (130).

A factor that masked the full effects of the termination phase on the health of PSA respondents was that over 40% of civil servants in other departments were anticipating, or had experienced, transfer to an executive agency by phase 3. This had an adverse effect on self-reported health status measures and physiological measurements that narrowed the difference between PSA and other departments.

### *Effects of major organizational change*

On completing the phase 3 questionnaire, 2641 (53.3%) of the male respondents reported themselves as working in parts of the civil service in which change to agency status was not planned; 1240 (25%) reported change to agency status was possible or probable, and 1077 (21.7%) were already working in executive agencies. Among women, the equivalent figures were 1185 (54.1%), 650 (29.7%) and 356 (16.2%), respectively. Of the 7149 respondents (86%) who answered the question, most would have been conscious that agency status could lead to rationalization and privatization.

Respondents for whom change to agency status was possible or probable were classified as anticipating change, and respondents already working in executive agencies were classified as experiencing change. In the analyses, these two exposure groups were compared to controls: respondents reporting no change.

Men anticipating or experiencing change to agency status showed adverse changes in all measures of self-reported health status compared with controls (Table 4.5). Women anticipating or experiencing change showed a less marked adverse trend for most of these measures.

As with the measures of self-reported health, adverse changes appeared in most physiological measures for men anticipating or experiencing change (Table 4.6). In contrast, cholesterol remained relatively unchanged in both exposure groups, as did ischaemia among men anticipating change. Among men exposed to agency status, the relative deterioration in systolic and diastolic blood pressure was significant. Adverse changes were seen in all physiological measures among women in both exposure groups, except diastolic blood pressure among women anticipating agency status. The relative increases in ischaemia among women anticipating change and in BMI among those experiencing change were significant. Among men in both exposure groups, most health-related behaviour showed only small differences relative to the control group. A less consistent pattern appeared among women when exposure groups were compared with controls. A significant comparative increase in those taking no exercise was seen among women anticipating change, and smoking increased, particularly among women anticipating change. While alcohol intake decreased in general, heavy drinking rose slightly among women experiencing change (131).

Table 4.5. Age-adjusted percentages for self-reported health status measures for men and women in the civil service according to change status (Whitehall II, phase 3)

| Measures                           | Change to agency status (%) |          |      | Odds ratio (%) <sup>a</sup> |                 |
|------------------------------------|-----------------------------|----------|------|-----------------------------|-----------------|
|                                    | Not planned                 | Possible | Made | Change possible             | Change made     |
| Self-rated health average or worse |                             |          |      |                             |                 |
| Men                                | 19.1                        | 24.8     | 22.5 | 28 <sup>b</sup>             | 30 <sup>b</sup> |
| Women                              | 30.7                        | 34.1     | 31.5 | 2                           | 0               |
| Long-standing illness              |                             |          |      |                             |                 |
| Men                                | 31.3                        | 34.9     | 34.4 | 22 <sup>c</sup>             | 20              |
| Women                              | 30.0                        | 34.2     | 34.3 | 20                          | 16              |
| GHQ caseness                       |                             |          |      |                             |                 |
| Men                                | 17.8                        | 24.0     | 24.7 | 48 <sup>d</sup>             | 56 <sup>d</sup> |
| Women                              | 26.1                        | 25.7     | 24.7 | 5                           | 3               |
| Sleep 5 hours or less              |                             |          |      |                             |                 |
| Men                                | 3.4                         | 4.9      | 3.3  | 42 <sup>c</sup>             | 24              |
| Women                              | 6.1                         | 5.9      | 4.2  | -3                          | -37             |
| Sleep 9 hours or more              |                             |          |      |                             |                 |
| Men                                | 2.1                         | 2.3      | 3.4  | 15                          | 65 <sup>c</sup> |
| Women                              | 2.3                         | 4.0      | 3.3  | 65                          | 23              |

<sup>a</sup> Odds ratios compared with no change, adjusted for age, grade and baseline values.

<sup>b</sup>  $P < 0.01$ .

<sup>c</sup>  $P < 0.05$ .

<sup>d</sup>  $P < 0.001$ .

The changes in self-reported health in the phases of job insecurity prior to privatization and associated with transfer to agency status are in general consistent with the results of studies reporting considerable excess morbidity prior to workplace closure (15,28,31). Self-reported health status has been shown to predict mortality over a period of years, even after adjustment for physical ill health at baseline (132). Compared with the control group, a significantly greater percentage of men anticipating change to agency status were found to be sleeping five hours or fewer per night, while a significantly greater percentage of those experiencing change, such as PSA men during the termination phase, were found to be sleeping nine hours or more. These sleep patterns have been shown to be associated with increased morbidity (133) and mortality (134,135).

Table 4.6. Age-adjusted means for physiological measurements for men and women according to change status during Phase III

| Measures                           | Change to agency status (%) |          |       | Odds ratio (%) <sup>a</sup> |                   |
|------------------------------------|-----------------------------|----------|-------|-----------------------------|-------------------|
|                                    | Not planned                 | Possible | Made  | Change possible             | Change made       |
| Systolic blood pressure (mmHg)     |                             |          |       |                             |                   |
| Men                                | 121.6                       | 121.8    | 123.2 | 0.30                        | 1.97 <sup>b</sup> |
| Women                              | 116.9                       | 118.0    | 117.9 | 0.42                        | 0.63              |
| Diastolic blood pressure (mmHg)    |                             |          |       |                             |                   |
| Men                                | 80.7                        | 81.0     | 82.2  | 0.30                        | 1.46 <sup>b</sup> |
| Women                              | 76.4                        | 76.8     | 77.0  | -0.14                       | 0.49              |
| Cholesterol concentration (mmol/l) |                             |          |       |                             |                   |
| Men                                | 6.51                        | 6.47     | 6.49  | -0.01                       | 0.00              |
| Women                              | 6.41                        | 6.55     | 6.48  | 0.04                        | 0.03              |
| BMI (kg/m <sup>2</sup> )           |                             |          |       |                             |                   |
| Men                                | 25.0                        | 25.3     | 25.3  | 0.17 <sup>b</sup>           | 0.23 <sup>b</sup> |
| Women                              | 25.3                        | 26.1     | 26.1  | 0.08                        | 0.31 <sup>c</sup> |

<sup>a</sup> Differences compared with no change, adjusted for age, grade and baseline values.

<sup>b</sup>  $P < 0.001$ .

<sup>c</sup>  $P < 0.05$ .

Job insecurity and the threat of job loss have been related to increased anxiety and depression in workplace closure studies (18,25,40), while the removal of this threat has been associated with a reduction in psychological symptoms (18). In the Whitehall II study, both sources of job insecurity were related to increased psychiatric morbidity, more marked in PSA women during the anticipation phase, but more marked in men during the termination phase and among those transferring to executive agencies. As mentioned, divorce or separation were more frequent among PSA men and women during the termination phase, and 21% of respondents among male and female journalists reported that the termination phase adversely affected their marriages (18). Divorced and separated men have been shown to have greater overall mortality than married men (136). Divorce and separation represent the extreme end of marital difficulty, so the elevated rates in the PSA group may indicate a much wider prevalence of marital discord.

Elevated levels of total cholesterol consequent on the threat of unemployment have been found among blue-collar men (25) and women (19),

although discrepant findings have been reported (30). Varying blood pressure results prior to workplace closure have been reported in the literature with both elevated (29,47) and depressed (25) levels being reported among men, depressed levels among women (19) and no change for both sexes (26,46). In Whitehall II, men experiencing change to agency status showed significant increases in both systolic and diastolic blood pressure, a result similar to that seen among PSA women during the termination phase (130). BMI increased significantly in all the groups with job insecurity, except women anticipating change to agency status, and BMI increased significantly in PSA men and women during the termination phase (130). This finding is similar to that of the British Regional Heart Study mentioned above, which found that men who experienced non-employment unrelated to illness were significantly more likely to gain more than 10% in body mass than men who remained continuously employed (78). Ischaemia increased significantly among women facing change to agency status, a result very similar to that seen in PSA women during the termination phase. The profile of adverse changes in physiological measures would seem to agree with Theorell's finding of a relationship between work changes and myocardial infarction (59).

In general, in keeping with the literature (18,25), patterns of health-related behaviour among men in all the insecure groups improved in relation to controls. The relative decline in health status indicated by both self-report and physiological measures in men facing change does not therefore appear to be due to changes in the health-related behaviour measured. This result reflects recent findings that loss of employment is not associated with increased smoking or drinking (12) or decreased physical activity (137), but is associated with increased mortality and morbidity, even after controlling for selection out of the workforce due to ill health (12).

### **Summary**

Anticipation of privatization in the civil service resulted in adverse changes in most measures of self-reported health status in both men and women, as did the anticipation and experience of major organizational change among men. For civil servants facing the imminent sale of their department to the private sector and female civil servants anticipating or experiencing major organizational change, however, the increase in self-reported morbidity was less marked. Adverse changes were seen in

physiological measures among civil servants going through the termination phase and those experiencing major organizational change. These trends cannot be explained by adverse changes in health behaviour among men, which makes it less likely that this explanation holds for women. More importantly, the Whitehall II study addressed the issue of pre-existing morbidity by controlling for health status during secure employment.

### **Implications for work-related health promotion**

It is now virtually axiomatic that individual lifestyle substantially influences health and illness (138), and this axiom has provided the rationale for traditional practice in health education, which has been concerned “mainly with changing the risk behaviour of individuals” (139). The newer discipline of health promotion has a wider remit: “the process of enabling people to increase control over, and to improve, their health” (139).

Three models of health promotion have been put forward: the individual model, the system model and the ecological model (140). The individual model represents the more traditional health education approach. The system model proposes that the social, cultural, economic, political, legislative, industrial and physical environment in which behaviour takes place is a more pervasive and powerful determinant of health than decisions made by individuals operating through supposedly free choice. The ecological model emphasizes the close connection between lifestyle and environmental matters when health is being considered, and so legitimizes both the individual and system approaches to health promotion.

Much of the current literature espouses the ecological model (139,141–143), describing health promotion as involving a “synergistic relationship between health education and other measures designed to influence healthy public policy” (138). Nevertheless, the literature shows that current practice in work-related health promotion comes closer to traditional health education than to the ecological model. In this respect, it has much in common with health promotion practice in general, reflected in the claim that most health promotion policies have focused on the individual (141) and the view that “formal health education has been the operational definition of health promotion” (144).

In the United Kingdom, the report of the Workplace Task Force (145), published in September 1993, indicates that the individual model of health

promotion is likely to dominate in the workplace for the foreseeable future:

Health promotion activity in the workplace is more than about occupational health; it is concerned with using the opportunities that this setting provides to promote healthy lifestyles, behaviour and attitudes in everyday life outside of work.

It is thus envisaged as no more than traditional health education at the worksite, with the emphasis on reaching into “life outside of work”, reinforcing fears of a new form of social control (146–148).

The recognition that lifestyle influences health and illness has placed behaviour modification at the centre of work-related health promotion programmes, largely without research evidence to show that lifestyle factors are indeed mainly responsible for the burden of ill health in the workplace. Findings such as those reviewed in this chapter pose problems for anyone keen to locate the determinants of health outside the workplace and thus to foist responsibility on to the individual. They also raise questions of priority and role for the people involved in work-related health promotion. If the major determinant of employees’ health status is not lifestyle, what is the role of traditional workplace health promotion, apart from identifying through screening those most at risk and pointing them towards palliative care? Health promotion of this sort has to be careful not to end up being identified as a damage limitation exercise enrolled in the service of management.

The centrality of privatization to the ideology of the former Government of the United Kingdom and of downsizing to corporate capital makes job insecurity a difficult topic for work-related health promotion to tackle. In the public sector, the threat to security is external to the workplace, while organizations in the private sector have limited scope to prevent job insecurity, because increasing competition means that firms must pursue innovation and profit to survive. Nevertheless, the harmful consequences of insecurity for the organization and/or the wider community are rarely weighed against the short-term gains. Job insecurity has far-reaching consequences for industrial relations, with a cycle of mistrust, blame and dissatisfaction that weakens the abilities of both management and workforce to engage in constructive change (3). Further, job insecurity is not simply an issue for management, workers and unions.

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If an organization gets into difficulties leading to run-down, redundancy or closure, then other groups suffer repercussions. Job loss may represent a cost saving to a firm, but these costs are often passed on to the community, for example, in terms of health care provision (41). Outside agencies, including those for health promotion, therefore have an interest in tackling job insecurity constructively. The social audit has been suggested as a way of estimating the social as well as the economic costs of restructuring. The results of the present review reinforce the evidence that such audits should include the costs to health of living with job insecurity.

Traditionally, it has been the role of workers' representatives to put new work-related issues on the agenda in the United Kingdom. The Trades Union Congress has already expressed its opposition to privatization and public-sector spending cuts, and the Health and Safety Executive has recently started to move away from its traditional role of implementing policy and legislation on single identifiable health hazards, such as asbestos and unsuitable pit props, to deal with less tangible problems, such as mental health and work stress (149).

In addition, it has been suggested that researchers, if they want to affect policy, need to share results not just with other academics but also with those who influence or implement change: elected officials and the voting public. A study in Canada showed that the planned, systematic dissemination of results could influence change (150). Nevertheless, only the naive suppose that findings are translated into policy through a rational interaction between the collectors and users of knowledge. Policy-making is intimately connected with implicit assumptions, interests and power positions. Information is not in itself sufficient to initiate action; it must also appeal to existing paradigms and perceived interests (151), as evidenced in the debate on unemployment and health (152). Thus, researchers have often seen that their findings are not translated into effective policies.

A recent development that may alter the situation is successful litigation against employers for work stress (153). Research into job-related chronic stress is following a classic pattern. Asbestosis, coal-miner's lung and noise-induced deafness were once assumed to be inevitable hazards of work. Long-term research proved this assumption false. Attitudes gradually changed; new safety measures were adopted, and employers who

fell short of what became accepted as the best practice were held accountable in the courts (154, 155). More recently identified as a worksite health hazard, passive smoking is now part-way along that same path (156), and work stress is predicted to follow (154).

Changing organizations presents major difficulties, as they are more resistant to change than individuals, and some practitioners may be more comfortable with changing individuals than organizations. A review of interventions to increase worker control over the work environment and participation in decision-making indicates that those studied have in general been beneficial, and that the process can be as important as the nature of the intervention (157). While a study identified a lack of information and communication, and a lack of participation in and influence over decision-making as two of the major contributors to work stress, particularly rumours of layoffs, it also found that attempts to rectify the communication problem were more successful than attempts to increase participation and influence (158). In a company undergoing rationalization or restructuring, participation in decision-making might be likened to being both prosecution and defence at one's own trial.

Some practitioners may see self-empowerment as the method that can cross the divide between the individual and the system approach, in that the empowered individual is more capable of effecting appropriate change in his or her circumstances and in the system. Where self-empowerment has challenged authoritarian regimes, however, governments have felt threatened and used force to destroy the initiatives thus generated (159).

To a lesser extent, this also happens with any government that has to balance health and social demands with the vested interests of powerful groups or maintain the political and economic status quo. Hartley et al. (3) have suggested that self-empowerment may assist employees "to maintain their self-esteem and sense of agency during periods of uncertainty", but they acknowledge that it can be psychologically damaging to suggest that a person can exert control over unalterable events. Where job insecurity cannot be influenced, work-related health promotion needs to suggest appropriate interventions at the individual level, and the literature seems to suggest techniques and counselling for stress management as the most successful to date.

## Conclusion

The higher levels of job insecurity consequent on changes in the labour market raise many issues and challenges for health care providers, organizational psychologists, personnel and senior managers, employers and trade union representatives, and workers and their families. Job insecurity and non-employment are also matters of concern to the wider community. The findings reviewed in this chapter contribute to a growing body of evidence that, in the presence of certain work stressors, work-related health promotion should consider a shift in emphasis from individual, lifestyle-oriented interventions to an ecological approach. Such an approach would enable the discipline of health promotion to contribute more to organizations facing the challenge of change and innovation and the legitimate expectations of their workforces.

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# **The downsizing epidemic in the United States: towards a cultural analysis of economic dislocation<sup>a</sup>**

*Katherine S. Newman & Paul Attewell*

In recent years, problems of persistent unemployment have attracted much attention in western Europe, not because the trend is particularly new, but because emergent fiscal constraints are threatening the safety net that has long protected European workers from the most devastating consequences of employment instability. Mounting deficits continue to put pressure on national governments to scale back family support at the same time that stagnant employment markets make the consequences of any losses in such support vivid and tangible to workers and their families.

France, Germany and the United Kingdom – to name only three examples – have all begun to question the thickness of the cushions that they provide for unemployed citizens. Arguments rage over whether existing support is sustainable today and whether there is a causal relationship between benefits and levels of unemployment. Reactions to potential retrenchment have varied from quiescence to mass protests and street violence.

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The experience of the United States is markedly different. Official unemployment is low, but wage growth is largely stagnant. Behind the stagnant average, however, lies manifest trends towards greater inequality (1). Never has the old saying been more true: “the rich become richer and the poor become poorer”. Industrial workers, hammered throughout the 1970s and 1980s by the flight of manufacturing plants to low-wage, non-unionized regions in the country and overseas, continue to bear most job losses. Yet increasingly the same trends – downsizing, mass layoffs, long-term unemployment and downward mobility – plague white-collar workers. These comparatively well educated workers, with high levels of job tenure, now experience degrees of employment instability largely unknown to them in years past. Job creation, much heralded by successive United States governments (including the current one), has been much higher in the United States than in western Europe. By some contested accounts, however, employment growth has been confined to low-wage jobs with short promotion ladders, high turnover and more contingent relations between employer and employee (2–5).

The size of the part-time labour force has shown astounding growth, particularly involuntary part-timers, temporary help and independent contractors. Such forms of employment lack stable, long-term relations that bind management and labour. Further, the growth of part-time work has brought concomitant losses of major family support that has historically been provided through the employment system: health care insurance coverage, pension plans, disability insurance and the like. Because these trends have coincided with a so-called deficit panic in politics in the United States, reductions in employer coverage are coinciding with government efforts to reduce the cost or control the increasing costs of primary state benefits, including Medicare, Social Security and the main poverty assistance programmes (such as Aid to Families with Dependent Children).

To date, the main response to inequality, wage stagnation and unemployment has been to encourage greater investment in training and education, which are said to raise a bulwark against foreign competition by creating a competitive advantage for American labour. Yet the media attention given to some particularly spectacular mass layoffs – most noticeably American Telephone and Telegraph’s dismissal of 40 000 managers in one blow – has cast some doubt on education as the answer. Nobody could deem these managers poorly educated or inexperienced.

If these people can be axed, so the popular imagination would have it, nobody is really safe. Their fate has shaken to the core some powerful beliefs in the possibility of remedying job instability.

Such unwelcome trends in the United States economy are taking place against the backdrop of a relatively weak safety net for workers in their prime earning years. Unemployment insurance is accessible only to full-time workers who have been laid off, and out of reach for part-time workers, seasonal labour and people who have been fired for cause. Further, it is provided for only six months. Legislative provisions aimed at relieving particularly distressed regions have extended these benefits to workers in vulnerable industries or states with especially high unemployment rates. Nevertheless, these benefits pale in comparison to those routinely provided in France, Germany or Sweden, where assistance to the unemployed both lasts longer and gives higher compensation. Thus, when major economic disruptions affect workers in the United States, the cushion is minimal, and the consequences for families and communities become visible in a short time.

Beyond the downsizing epidemic afflicting the labour force lies yet another trend that has been manifest in the United States for some time but has only recently raised concern in western Europe: spatially concentrated poverty. Large cities in the United States, principally those in the so-called industrial rust belt, have become sink-holes of poverty for minority populations that have lost the base of manufacturing jobs that once sustained them. The jobs left behind are largely poorly paid and too few to support communities hemmed into ghettos by the combined impact of racial discrimination, a crumbling infrastructure, weak public institutions and increasingly beleaguered families. William Julius Wilson's landmark volume, *The truly disadvantaged* (6), highlights the consequences of deindustrialization on the most impoverished victims of structural unemployment: African-Americans in ghettos. Massey & Denton's important monograph, *American apartheid* (7), points to the independent impact of segregation in the sorry story of ghetto poverty.

Race issues have been less prominent in Europe, but spatially concentrated poverty shows signs of emerging there. People in eastern Germany have experienced an economic free-fall with marked spatial dimensions (8). Immigrant neighbourhoods in most western European nations are plagued by high rates of unemployment (9). Thus far, the

cushion provided by European social welfare policies has meant that high rates of unemployment do not necessarily translate into persistent poverty that is spatially concentrated and racially bounded, as is the case in the United States. Should a significant retrenchment in social spending emerge, however, Europe may witness the growth of American-style ghettos. Some researchers (10) argue that features of the so-called American underclass have already appeared in some European cities.

This chapter examines three basic issues against this general background. First, what are the dimensions of this earthquake in the American labour market? Who has been caught in the web of downsizing? What are the principal consequences of this instability for American families? Second, beyond the facts – the numbers and the trends – how do Americans read cause and effect in this domain? How do aspects of American culture filter the trends and give them meaning? Powerful but inconsistent undercurrents are bubbling to the surface that purport to explain who is responsible for the downturns, the fear, the insecurity and the drift that seems to have engulfed the country as workers and families come to recognize how little of their destiny they can actually control.

Finally, we argue that this cultural analysis needs expansion and development in both the American and the western European contexts. Societies are debating fundamental questions about the proper scope of government responsibility in critical domains: employment, family support, health care and the support of the elderly. This debate reflects a changing conception of the relationship between the citizen and the state, and some ancillary, but politically charged, questions about who should count as a citizen at all.

A new cultural analysis of these issues and the fundamental obligations of the state needs to be undertaken. At bottom, the health consequences of economic restructuring in western economies will depend, at least in part, on the help provided by governments to cushion the blows of change. The provision of such help in turn depends heavily on concepts of obligation, trust and the social compact, concepts that are unstable and changing, but need more investigation.

### **The size of the problem**

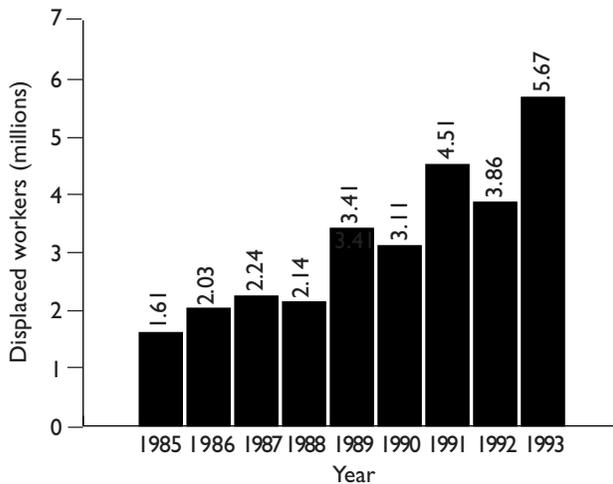
Paul Attewell's recent analysis of data from the US Bureau of Labor Statistics (11) shows a steady increase in the number of people who

have suffered from job displacement. The Bureau defines displaced workers as people who lost their jobs because of plants closing, employers going out of business, layoffs from which they were not recalled or other similar reasons. In the mid-1980s, layoffs were running between 1 million and 2 million workers per year. In 1993, the most recent year for which comprehensive data are available, 5.6 million workers were displaced.

Fig. 5.1 shows that, in 1991–1993, about 14 million Americans lost a job: 11% of the United States workforce aged 20–64 years. Manufacturing workers continue to bear the brunt of this restructuring, with over 12% of the displacements occurring in this domain (Fig. 5.2). Wholesale and retail industries, however, account for over 10% of displaced workers, and services, said to be the fastest growing sector of United States employment, for almost 5%. As Fig. 5.2 suggests, the vast majority of these job losses occurred in the business sector, but restructuring increasingly leads to downsizing in the non-profit and government sectors as well.

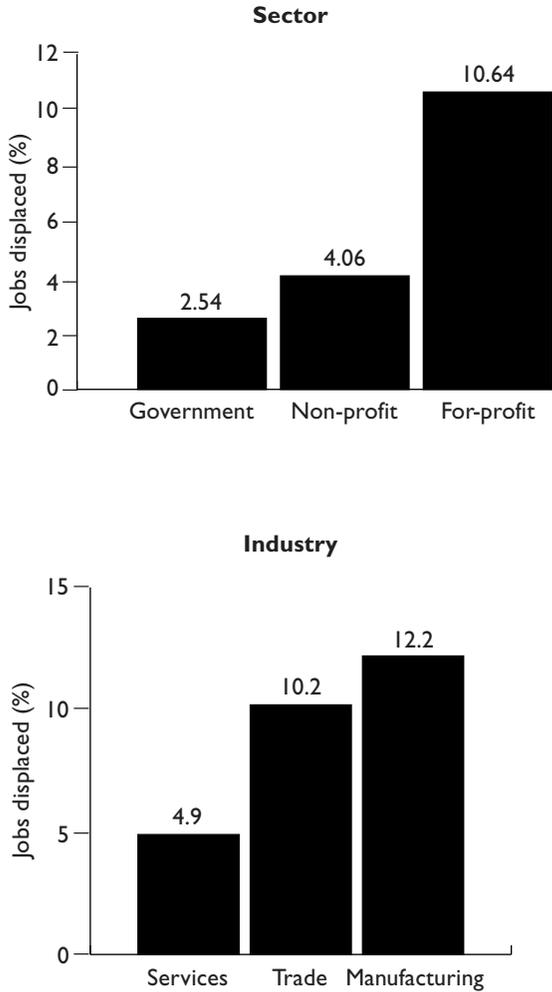
Not surprisingly, blue-collar workers represent a large segment of the displaced (9.5%). Here as well, however, the trends have become more

Fig. 5.1. Numbers of displaced workers in the United States, 1985–1993



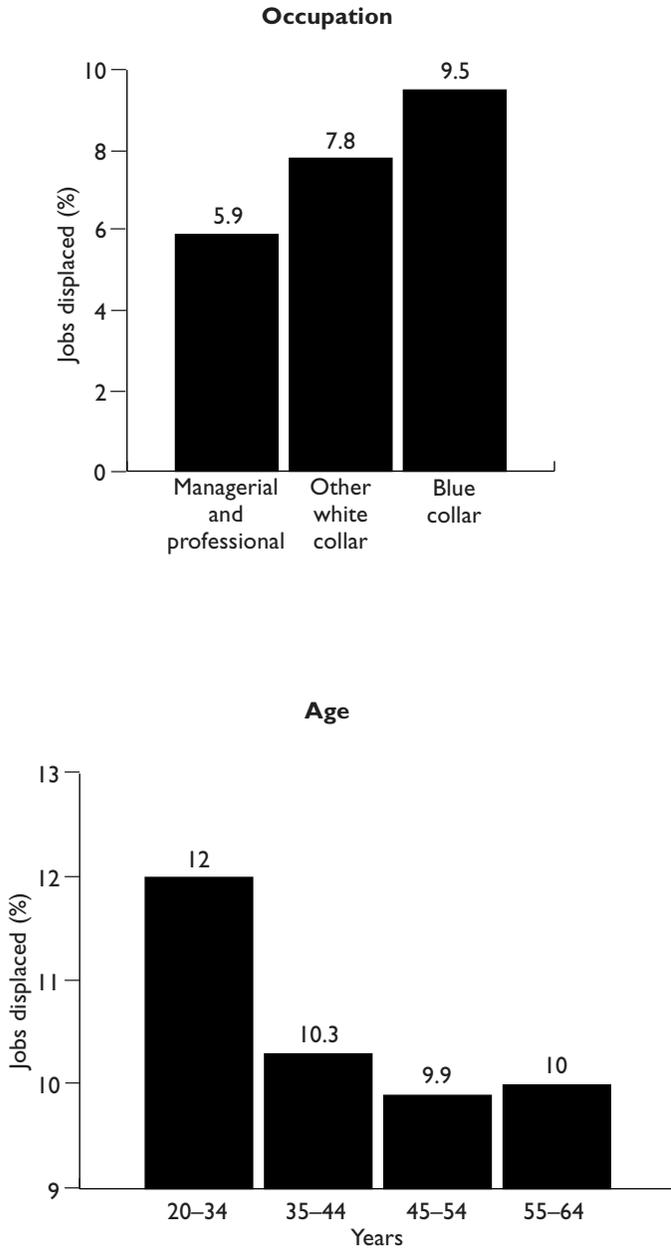
Source: data from the US Bureau of Labor Statistics' displaced worker surveys.

Fig. 5.2. Job displacement by sector, industry, occupation and age, 1991–1993



varied, with managers and professionals losing about 6% and other white-collar workers accounting for nearly 8%. Taking the last two categories together, displacement in the white-collar workforce now exceeds that in its blue-collar counterpart. This represents a change from earlier periods in which blue-collar manufacturing industries shed the largest number of workers during recessions, a trend that Bluestone & Harrison dubbed “deindustrialization” (12). In the 1990s, displacement is distributed across a wider spectrum of occupations and industries.

Fig. 5.2. (contd)



Source: data from the US Bureau of Labor Statistics' displaced worker survey, 1994, covering job losses from 1991 to 1993.

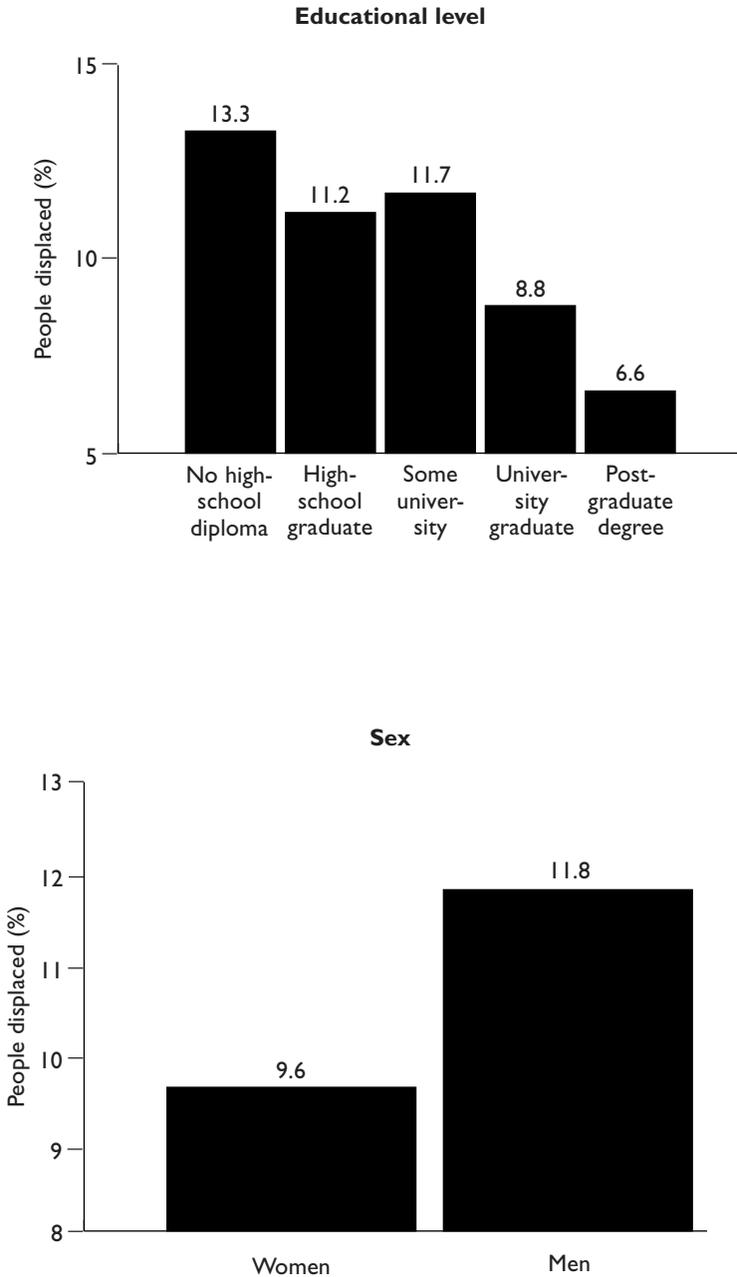
Attewell (11) notes that relatively young workers are at greater risk of job displacement: 12% of the workers aged 20–34 years were displaced in 1991–1993, while less than 10% of those aged 45–54 years suffered such losses (Fig. 5.2). As in much of western Europe, recent entrants to the labour market – particularly teenagers – have been particularly hard hit. Unemployment among young people is higher than it has been in many years, and some evidence suggests that churning in the low-wage labour market is becoming a norm for young workers, if they can find employment at all (13). While unemployment figures – especially those for youth unemployment – are far higher in western Europe than the United States, the situation of young workers is parallel in kind if not in degree. We cannot forecast what this will mean, but studies of the Depression (14) show that young people who stumble on entry into the labour market bear the consequences for the rest of their working careers. This gives reason for concern, since economic recovery and employment growth may still leave whole cohorts stranded as a result of their entry problems.

Education plays odd roles in the displacement story, as Fig. 5.3 indicates. Paralleling well known findings on the wage losses and high unemployment rates among dropouts from secondary school, displacement rates are higher for people who do not have a university degree than for any other group of American workers. Yet people who have gone as far as some university study are next in terms of displacement rates. Swain & Podgursky (15) note the same findings in their study of job displacement. They examined job displacement in the current population survey for 1984–1986 and found that earnings reductions among workers laid off were greatest for those lacking a secondary-school diploma and least for those with university degrees. Losses were almost as great, however, for those who had gone beyond high school but stopped short of getting a university degree as those who had only a high-school diploma.

People who have not graduated from university appear to lack the credentials necessary to boost them into the higher reaches of the skilled labour market, and hence sustain losses more akin to secondary-school graduates. Nevertheless, nearly 9% of university graduates floundered in the downsizing climate.

Attewell's analysis (11) shows that the problem of job displacement is growing more serious and is reaching into populations that were previously less vulnerable: educated, skilled workers, white-collar

Fig. 5.3. Job displacement by educational level and sex, 1991–1993



Source: data from the US Bureau of Labor Statistics' displaced worker survey, 1994, covering people displaced in 1991–1993.

workers, government employees and so on. Meanwhile, groups traditionally hammered by economic instability – that is, who have been subjected to the winds of deindustrialization since the 1970s – continue to sustain major losses. Blue-collar workers, manufacturing employees and secondary-school dropouts continue to be on the losing end of economic upheavals in the United States.

The US Bureau of Labor Statistics has provided data on these issues to the end of 1993. In the autumn of 1995, however, the *New York times* obtained Bureau projections on job displacement in an attempt to understand the patterns that emerged in 1993–1995; the newspaper published a forecast based on data not yet analysed by government agencies (16). It assumes trends continuous with the recent past, and suggests that in 1994/1995 roughly 6.6 million Americans lost their jobs, with white-collar and blue-collar workers suffering in about equal numbers. These numbers have grown dramatically since the early 1980s, when less than 2 million per year suffered job loss.

Accompanying the *New York times* analysis was a special poll designed to measure the extent of downsizing (16). What emerged is a portrait of upheaval that has left few Americans untouched:

- 72% of the respondents had been laid off themselves or had a close friend or relative who had been let go;
- of those who had experienced a layoff in the past 15 years, almost 40% had been laid off twice or more;
- people in 15% of households had been forced to work fewer hours and those in 19% had been forced to take a pay cut;
- 34% had had to take a second job, and nearly 60% of these did so because they were worried that they would be laid off soon from their primary job; and
- 28% believed they were falling behind financially.

These experiences have taken their toll on the nation's sense of security and stability. Anxiety is mounting as Americans register what this sea change in their economic fortunes means for their careers and their families. The *New York times* poll measured the toll this pressure is taking (16):

- 44% were very worried or somewhat worried that someone in their household would be out of work in the next 12 months;

- 77% were very worried or somewhat worried that they would not have sufficient savings for retirement;
- 75% believed that companies were less loyal than they were ten years ago, with nearly as many stating that workers were also less loyal;
- almost 75% said that people competed more with their fellow workers than they used to (as opposed to 20% who said they cooperated more);
- 53% believed that the mood at workplaces was angrier than it used to be;
- 35% of those who classified themselves as middle class believed they were at risk of “falling out of the middle class”.

Most telling of all, the *New York times* noted that 72% of the respondents believed that the layoffs and job losses were permanent problems rather than temporary conditions (16). This shows a deep recognition that no end is in sight for either the restructuring of corporate America or its toll on standards of living.

This scepticism is warranted, not only because the rates of job loss continue to rise, but because the consequences of layoffs are so sustained. One of the best longitudinal studies of layoffs (17) shows that, among people displaced in 1968/1987, earnings fell by 25% and wages fell by 12% in the year following job loss. More importantly, six years after the initial job loss, both earnings and wages remained reduced by about 9%. More than 40% of those who lost a job experienced two or more further job losses, most of which occurred within the first five years of the initial layoff. It is this pattern of multiple losses that results in a skidding decline in earnings.

Losses occur in domains other than earnings and wages; one of the key problem areas is access to health care. While European workers typically receive their health benefits directly from the state in the form of national health insurance schemes, the United States relies almost entirely on employer-provided coverage. As of 1979, 73% of full-time workers in the private sector and 83% of those in the public sector were covered by group health insurance plans on the job. Employers typically pay benefit premiums, with modest contributions from employees (18).

Unemployment has little or no impact on health care access in Europe, but in the United States the consequences of job loss are almost immediate

and potentially catastrophic. The typical employer-paid health insurance scheme terminates within 30–60 days after layoff. Workers are usually permitted to continue their insurance as private individuals at high premium levels, but this is often financially prohibitive and not available to all. (The United States Congress passed legislation that established the portability of health insurance and required insurance companies to continue a worker's policy in the event of layoff.) The high cost of health care can be ruinous to the financial wellbeing of a family, particularly one already reeling from job losses.

Job insecurity is intensifying in the United States – particularly in the middle class – amid signs that the overall health of the economy is good. Official unemployment is low: the stock market is in one of its strongest periods, and corporate earnings are high. Indeed, over a four-year period, corporate profits rose over 115%. Yet family incomes have barely kept pace with inflation and announced layoffs are at record levels. It is one thing for hard-pressed firms verging on bankruptcy to deliver bad news to their employees. It is quite another for profitable companies to bleed workers in record numbers.

Most frustrating of all to the workforce in the United States is the recognition that shedding workers has become a calculated strategy for boosting share values: a move that has translated into extraordinary personal rewards for many high-profile chief executive officers. Predictably, a chorus of criticism has followed and more than one nascent political career has emerged on the strength of this issue. Patrick Buchanan, one-time candidate for the Republican Party's nomination for President, built his entire campaign around these issues. He catalysed an outpouring of populism based on the notion that so-called corporate fat cats were reaping the benefits while the average worker was suffering. Though Buchanan did not win the nomination, he clearly touched a nerve. Nevertheless, people now understand downsizing to be a trend of long duration, because it is unfolding less as a response to hard times and more as an unwelcome feature of an economy that seems no longer to need workers, even when it is doing well.

### **Reading restructuring**

Numbers and trends say a great deal about the facts of economic change. To understand how these radical changes in the fate of millions of people in the United States and Europe are affecting health, however, one

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must consider how economic experiences are translated into cultural realities. How do the participants, the bystanders and the commentators who shape public understanding render these sharp, structural changes into moral accounts? Who is deemed responsible for the pain that individuals, families and communities face, and how has the cultural landscape of responsibility changed since these trends began to take hold? While anthropologists and cultural sociologists are best able to answer such questions, they should matter a great deal to policy-makers concerned with health and wellbeing.

In countries such as the United States, where forms of meritocratic individualism are woven into the fabric of the national culture, people are likely to internalize damage and blame themselves for their distress. At the other end of the continuum, cultures that emphasize structural causes and public (government) responsibility for economic life are likely to show a different pattern of adaptation (and frustration). Further, since no country has a uniform culture, one can expect to see internal divisions that parallel the lines of class, occupation and perhaps region and gender.

People who think they should be able to control their economic lives, and discover they cannot, may experience stress and its biological manifestations differently than those who think the government should control the economy, but do not see a commanding response. The former group may well feel a greater degree of stress (depression, insomnia, etc.) and/or develop destructive behavioural patterns (excessive alcohol and food intake and the like) than the latter. Researchers more familiar with the findings on stress and wellbeing must tease out these relations. For the moment, we mean merely to point to the variable ways in which economic facts become culturally meaningful and therefore open to divergent characterizations of blame or responsibility.

To explore these issues, we turn to two periods of recent history: the early 1980s, when the problems of downward mobility had barely registered in the American national consciousness, and the present, when extensive media coverage has transformed employment instability into a major political issue. The interpretive frameworks that structure the economic facts have changed and therefore bear exploration.

In the early 1980s, the United States experienced double-digit unemployment: a situation that had not obtained for decades. Blue-collar

workers took the brunt of the downturn, as an unprecedented wave of plant closures swept through the country's rustbelt. Manufacturing cities – particularly the capitals of the steel and automobile industries – lost thousands of jobs to non-unionized areas of the United States and to overseas competitors. Bluestone & Harrison (12) were among the first to recognize the importance of “deindustrialization”, which they characterized as a deliberate policy of disinvestment by industrial firms bent on reducing labour costs. Further, white-collar workers joined their blue-collar counterparts in the ranks of the unemployed. In 1980–1983, about 3.3 million of the 9 million displaced workers wore white collars, many of them managerial employees who had grown accustomed to the idea that their educational credentials would protect them from the fate of so many manufacturing workers.

Still, public recognition of these trends was slight. Unemployment raised red flags, but people understood it as a temporary tragedy for those affected, not a national problem requiring policy remedies. Moreover, the idea that displaced workers might have to settle permanently for a plummeting standard of living was far from public consciousness. This is exactly what had happened to the people Katherine Newman discusses in *Falling from grace* (19). The 150 people interviewed for the book – former occupants of managerial, technical and highly skilled blue-collar jobs – had experienced long periods of unemployment – often a year or more – and had ultimately had to settle for greatly reduced horizons. They were earning a fraction of their former salaries. Many had lost their homes, some had lost their marriages, and all had suffered debilitating blows to their confidence. Here, however, the similarities ended and pre-existing occupational cultures took hold, defining the same levels of economic loss in very different terms.

### **Meritocratic individualism**

Members of managerial elites – the former vice-presidents, general managers, senior account representatives, high-level accountants and refugees from the brokerage world – had invested deeply in a vision of the moral legitimacy of the free market. Although the operation of this institution had harmed them, these high-level white-collar workers remained believers in meritocratic individualism. This is a cultural prescription with two essential parts: one links occupational prestige and personal worth in a tautological fashion. People's jobs define them, and these jobs are stratified according to the power and importance attached

to them. Moreover, the prestige associated with particular occupational positions is thought to mirror the intrinsic qualities of their incumbents: intelligence, drive, foresight and ability to take action. In this view, one occupies a particular position by virtue of these qualities; the measure of their extent lies in the ability to hold the job that requires them.

The second critical element of meritocratic individualism is the notion that people control their destinies. By planning properly and investing in the appropriate forms of human capital, people with the requisite capacities can reach and retain the heights to which their qualities entitle them. In this view, the vagaries of the economy, the power of structural forces and the possible constraints of one's circumstances at birth (especially race, class of origin, gender, educational opportunity and the like) are irrelevant. This view makes people responsible for the occupational rank that they hold.

Managers used both parts of the concept of meritocratic individualism in explaining why they fell into unemployment and then downward mobility; they must lack the moral qualities required for high position and were responsible for their failings. The free market did not damn them; their own character flaws, bad judgement or poor timing must be responsible.

This view did not occur to the downsized manager right away. In the immediate aftermath of losing a job, he or she often recognized that forces larger than any individual – industrial downturns, profit pressures or a lost contract – had played a role. Instead, this corrosive view emerged as formerly affluent people discovered that new opportunities for similar occupations did not appear and probably would not emerge in the future. Hundreds of telephone calls and job applications later, unemployed managers had to explain to themselves why they could not find new jobs. The structural explanations evaporated in the weeks that followed job loss.

Then followed a period of relentless, debilitating soul searching that led almost inevitably back to issues of character. Unable to explain the lack of new opportunities, managers turned to the tenets of meritocratic individualism, with its assumption that worthy people can always rescue themselves, to explain their condition. This produced a powerful sense of personal failure.

The families of these (mainly male) workers had a role in the social construction of personal failure. Some asked why the workers had lost their jobs when others at the workplace had not. Some asked what the unemployed had done wrong. In fact, family members often kept silent; the culturally grounded theory of blame was so powerful that unemployed managers imagined that their families were asking these questions in their minds. Managers and executives had no answers that did not ultimately lead to blaming themselves. Further, as the economic losses mounted – savings accounts drained, houses lost to foreclosure and children’s plans for university put aside – the vortex of failure and loss of control became a source of terror.

Meritocratic individualism has its virtues, however. It inspired many displaced professionals with the view that doing whatever they could to right the situation was a moral obligation and an act of self-preservation that might reap rewards in the future. While the concept includes the possibility that downsizing might have slipped the manager into his or her rightful place in the social hierarchy, much lower than the former one, it also has a positive side. This is the idea that people can reverse misfortune and bring about a change for the better, because they retain the qualities that brought them high positions in the first place. This confidence in personal efficacy is not available to other unemployed people who are steeped in different occupational cultures.

Meritocratic individualism generates extraordinary pressures to perform, to prove one’s high moral qualities, by finding a new job in accordance with them. As time wore on, and most of the downsized managers Newman studied could not find such a job, this pressure took a physical toll (19). Weight gain was the first sign. Long periods without access to health care had visible consequences, particularly among men in their fifties. Visits to the dentist became more infrequent and the damage gradually became visible in the form of discoloured teeth and ill-fitting dentures.

Sleepless nights left their traces in dark circles under the eyes, an effect that ages the displaced. Many former managers told stories of heart attacks and suicide attempts brought on by continued bad news or the roller-coaster of hope and despair that the jobless often endure. Many feared that they would suffer these health effects, leaving distressed families to pick up the pieces without the benefit of health insurance.

Newman's aim did not include evaluating health effects; she focused on how the gatekeepers of the business world – those doing the hiring – interpreted the visible signs of health-related problems as signals of underlying inadequacy (19). Personnel managers seemed to be leaping from applicants' physical condition to conclusions about their job-related capacities. When the choice lay between applicants who looked a bit unkempt and those who presented a more attractive appearance, the latter often won the day. Our point here is simply that, when health effects surface in a visible form, they often become a problem in their own right: a barrier to re-employment.

Meritocratic individualism is an underlying cultural framework in the United States that is particularly attractive to members of white-collar elites, an ideology that fits neatly with occupations that involve individually garnered credentials, individual mobility and a degree of affluence that has expressed itself in moving to the suburbs. It is a celebrated perspective in American life that is often seen as predominant; Bellah et al. (20) describe the origins and current expression of individualism. Nevertheless, meritocratic individualism exists within a long-standing cultural debate in American life that includes quite different perspectives on agency and responsibility. The contrast became clear as Newman moved from an investigation of white-collar managers to another group of employees who had held well paid jobs.

### **Principled sacrifice**

In 1981, over 11 000 air traffic controllers in the United States went on strike in search of higher wages and better working conditions. As the controllers were employees of the Federal Aviation Administration, a government agency, the law forbade a strike. President Ronald Reagan announced his intention to fire all the strikers. Some were frightened by his stance and came back to work. Most, convinced of their indispensability, continued to walk the picket lines and were summarily fired three days after the strike began.

This event is viewed as a watershed in the history of American labour, and it catalysed a long downward slide for many of the controllers. In general, they were a population of working-class origin, without a great deal of formal education to take with them as they headed back into the labour market. Many had found their jobs in air traffic control on the strength of experience in the military. Although they had become well

paid, highly valued technical workers, they therefore had few credentials and less work experience to help them to move into another career path. Finally, President Reagan banned them from employment by the federal government and discouraged defence contractors from employing them. The unemployed air traffic controllers were boxed into downward mobility.

The controllers' economic losses were equivalent to those sustained by the managers and executives discussed earlier, but they interpreted their precipitous descent into unemployment and downward mobility in a dramatically different way. The controllers retained a strong belief in the rightness of their action, and their fundamental conviction that there was nothing wrong with them, and everything wrong with the political structure of their country. They defined themselves as victims of a vindictive government and an ignorant public, conspiratorial mass media and a weak-kneed pilots' union, unwilling to respect their picket lines. They identified an enemy, Ronald Reagan, whom they could blame for the fate each had to suffer over the succeeding decade.

Indeed, with this interpretive framework, forged in an unusually strong collective culture on the job and the subsequent heat of the strike itself, the controllers built a vision of their losses that is virtually the opposite of the debilitating self-blame that afflicted the managerial employees (19). Solidarity, however, did more for the controllers than protect them from the ravages of self-blame. It also provided a means of understanding their losses as a form of principled sacrifice. They lost their livelihood – never to be fully replaced – for a cause. They defined this cause in a variety of ways, but nearly always gravitated towards a view of themselves as defenders of public safety in the skies. The former controllers utterly rejected then-popular views of their strike as the indulging of greed at the public's expense or, worse, the irresponsible flouting of the law. The controllers saw themselves as the only people standing between the average airline passenger and disaster in the skies, people who had sacrificed the occupation they treasured to draw attention to the ways in which government regulations were creating unacceptable risks for travellers.

As time wore on and the prospect of returning to their chosen profession dwindled, the controllers maintained their vision undiminished. As these men and women took jobs as caretakers moving furniture around school

classrooms or as dispatchers directing ambulances, and saw other members of their families go out to work to make ends meet, they remained convinced that they were in the right. Newsletters and meetings reinforce this perspective and continue to link the former strikers today, almost 20 years after the events that catalysed their fall.

The idea of principled sacrifice is a tradition in the culture of the United States. Similarly, icons of solidarity, victimization and protest against official injustice are enshrined in the country's mythology, the stories that explain to schoolchildren and the audiences in political campaigns what the country stands for. Such stories use events in United States history to challenge the view that the morally correct position reigns at all times. In this more radical view, wrong, not right, has prevailed in the country at many periods, times when the courageous had to take risks and take action to transform the social order.

### **Interpretation of loss**

Meritocratic individualism rests on the acceptance of the observable order of hierarchies as an accurate picture of underlying moral worth and intellectual capacity. It is a form of tautology that expresses the view that right always dominates in society. The reading of culture in the United States that stresses principled sacrifice by and solidarity with people who have stepped forward to defend right rests on a nearly opposite set of assumptions. Both, however, are legitimate alternative readings of United States history, available to participants in and survivors of social disasters such as unemployment and social cataclysms such as strikes. Such contradictory readings of the very same events are not unknown. Thus, most conservative commentators might think that the air traffic controllers got what they deserved, and sank to a lower occupational station because this is where their talents left them. Culture does not give primacy to internal consistency.

The more general theoretical point here is that, whatever its contradictions, both occupational culture and culture in general play an important role in the interpretation of loss. The next step is to ask whether such interpretations influence the psychological experience and in turn the health of individuals who sustain losses of this kind. This chapter does not take that step. Nevertheless, the account presented here at least suggests the following hypothesis: occupational, regional and class- or gender-based cultures that emphasize individual control will produce

greater stress in people undergoing economic displacement than those that emphasize the control of external forces, such as the agency of enemies (including nationalist readings), the power of fate or the abandonment of tradition.

Nevertheless, many psychologists in the United States tend to argue that efforts to control one's fate are healthy, place the individual at the centre of agency and diminish the power of outside forces to thwart the dedicated problem solver. Those with an external locus of control are said to have less ability to attack problems and to be more inclined to wait for rescue and therefore to wallow in their difficulties, since the rescue seldom comes.

### **The citizen and the state**

The United States and Europe have entered an era in which cultural frameworks may be changing almost as dramatically as the political structures they express (or derive from, depending on one's view of causality). Questions abound as to what the state owes to the citizen and whether the market, with its hidden hands, can be blamed for the upheavals faced by ordinary citizens or altered in any respect. Political debates over whether intervention in processes of downsizing are possible, required or advisable have become particularly heated, and have yielded a whole series of collateral arguments over whether the elderly, children, women, minority groups or any other so-called special interest group deserves the protection of government. In the United States, and increasingly in France and Germany, questions are being raised about interventionist policies of more than 50 years' duration. At their heart is the question of what the citizen should expect from the government in the way of shelter from the ravages of the market.

The mid-1990s saw a large number of proposals that the United States Congress roll back social policies as diverse as affirmative action, welfare benefits for the poor and the Voting Rights Act of 1964. Supporters of these proposals argued that the interventionist agenda that spawned everything from the New Deal in the 1930s to the war on poverty in the 1960s was a grand failure, because it was based on a misguided view of government as a stabilizing force or a protective shield for the citizen caught in the midst of market turmoil. Recipes for change involve returning as close as possible to the pure operation of the market. In this view, some will suffer, but most will prosper, and greater good will result from accepting this dose of medicine.

European researchers will recognize some of this language. Nevertheless, questions are being raised in Europe about the advisability of universal health insurance, family allowances, lifetime protection from catastrophic wage losses, long-term maternity and paternity leave, and holiday benefits that vastly exceed their United States counterparts.

Europe has experienced downsizing; British Telecom cut its workforce from 240 000 to below 150 000; Germany's Deutsche Telekom, the biggest operator in Europe, has been partially privatized, with the result that 70 000 workers will lose their jobs by the year 2000. In both cases, government support has cushioned the displaced from precipitous income losses. Budget deficits in most of western Europe, double-digit unemployment and sluggish rates of job creation, however, are pushing politicians to reconsider the packages routinely offered to ordinary families and the displaced. European governments, suggesting a reduction in support, are meeting resistance from trade unions and voters. Such a suggestion led to a countrywide strike in France, including street violence, traffic-blocking protests and a shutdown of government operations.

Our purpose here is not to predict the future or to settle the question of what citizens in the United States or Europe now expect of their governments. Instead, we suggest that a new round of cultural analysis is needed to make a critical examination of the ways in which ordinary people define and imagine the role of government, the market, communities and families in regulating, mitigating or merely facing the pressures of the market. A new kind of cultural anthropology is needed to extend some of the recent thinking and studies on nationalism and identity politics to culturally grounded conceptions of agency, responsibility, civil society, institutions and the state in times of economic upheaval.

The cultural anthropology of Europe shows little evidence of such an approach. Topics such as magic, religion, food, migration and the politics of borders are very much in evidence (21,22). A recent issue of the *Journal of ethnic and racial studies*, for example, focused on research into issues of self-determination and social exclusion in eastern Europe. These issues are critical for any understanding of European politics and culture and rest at the cutting edge of studies of nationalism, identity politics and the like. Nevertheless, they do not take as their primary object an understanding of emerging concepts of the state and its obligations.

The need for such a research agenda is equally profound in the United States. The efforts to roll back a comparatively weak welfare state have not been entirely successful. Indeed, the result of the 1996 presidential elections rested largely on public perceptions of the proper role of the state and the power of the market. Indications at the moment are that the efforts to reduce the welfare state have pushed too hard and too fast, and have frightened the population, particularly the increasingly vulnerable middle class, into believing that time-honoured protections such as Social Security and Medicare are about to be jettisoned. Champions of these efforts now face a loss of their previous popularity. The combination of relentless worker displacement with a programme to eliminate basic protections from the winds of market downturns seems to have aroused the disapproval of voters. Time will tell.

Clearly, the kind of meritocratic individualism described in the middle section of this chapter is once again being contested. Even members of managerial elites seem no longer to believe that they can completely control their fate. A subtext of new enemies, with roles not entirely unlike the role that Ronald Reagan played for the air traffic controllers, has emerged. Chief executive officers of some of the country's largest private firms have been pilloried, even in the business press, for firing people to drive up stock prices. The enemy, in this account, is a group of greedy fat cats, bent on gaining riches from the agony of the average working man and woman.

Business leaders have responded in the media with an argument familiar to any devotee of the pure market: that their job is to maximize shareholder wealth. Underlying this view is the utilitarian notion that maximizing profits leads to the greatest good for the greatest number – a Benthamite maxim. A secondary refrain stresses the dangers of tampering with the natural, almost biological realm of the market. In this view, deliberate intervention by government is akin to altering the DNA of a species; one never knows what harm it might do. The market is said to know best, to foster the survival of the fittest.

The need for such a defence testifies to the limits of this view in a country that now has a fairly long history of social protection, even if it pales in comparison to its European counterparts. Robert Reich, the Secretary of Labor, and Edward Kennedy, the long-time liberal Senator from Massachusetts, have attempted to raise that history to a new principle, arguing that corporate responsibility should be the watchword and that some form

of public policy (ranging from incentives to coercion) should be enacted to give teeth to a philosophy that values workers over profits. They propose rewarding firms that retain employees and make long-term investments, and punishing those that opt for raising short-term stock prices.

Whatever the outcome of this debate, it has revealed a contradictory strain in the political culture of the United States that is worthy of cultural analysis. What, exactly, do citizens expect of government? What is its proper sphere of influence and activity? Which people deserve its protection and who ought to fend for themselves? Researchers know far less about how the average citizen views these issues than about how political parties have traded on presumptions about them.

The relationship between this kind of inquiry and the issue of health and wellbeing is indirect, but important nevertheless. This chapter has shown that people who have suffered job loss must resolve the question of who is to blame and who is responsible for rectifying the situation. White-collar managers who blamed themselves were in very bad psychological and, often, physical shape. Air traffic controllers, who had an outside force to blame and explained their losses as a principled sacrifice, were in much better condition. The former could at least see themselves as agents of potential change, however, while the latter were often left hoping against hope that a change of government would reinstate them or that the public would recognize the legitimacy of their actions. How these moral dimensions affected a general sense of wellbeing is unclear, as is how much this matters for health in the long run.

Any comprehensive understanding of the citizen and the state must take account of a country's culture, history and myriad subdivisions by region, class, occupational niches, race and gender. An understanding of how job instability feels to the people affected, however, requires the consideration of how the relationship between the citizen and the state influences ordinary people's interpretations of their economic fate.

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# Models of job insecurity and coping strategies of organizations

*Jean Hartley*

Job insecurity is an increasingly important aspect of employment to understand. The economic and organizational restructuring that has taken place across the world has spurred research (1). Major shifts in the economic, political and social spheres are having profound implications for employment and employment relations (2). Research, policy and practice may need refocusing to take account of the impact of change, uncertainty and insecurity (3).

Insecurity about the future of one's job may arise in many settings where change and ambiguity exist. While much of the research on job insecurity has taken place in the context of downsizing, restructuring, merger, globalization and other transformational changes, it is uncertainty that engenders insecurity about employment. Uncertainty may exist in conditions of technological or organizational development, as well as in conditions of recession and restructuring. Research on white-collar employees in growing, high-technology organizations found that job insecurity existed and was systematically related to lower satisfaction, commitment to the organization and involvement in the job (4). Nevertheless, the objective conditions of labour market insecurity, which have dramatically increased in the United Kingdom and United States over the last decade, are particularly related to job insecurity (5,6). No matter the cause, according to a recent survey in the United Kingdom, 44% of employees were very or fairly concerned about losing their jobs in the next 12 months (7).

Job insecurity can be seen as a manifestation of a more general uncertainty that people experience throughout their lives in modern society. Gone are the old certainties and stabilities of family life, marriage, community, religion and work. Instead, many people face considerable change and uncertainty in:

- their relationships, as divorce rates show;
- their place of living, with higher rates of social and geographical mobility; and
- their employment, with higher levels of job change and the abandonment, even in previously secure sectors, of lifelong employment.

Examining how people perceive and cope with job insecurity and understanding the effects on health and psychological wellbeing may be valuable in two ways. First, this may help to build an understanding of the processes by which other uncertainties in life are experienced and what institutions can do to help people prevent, ameliorate or cope with events. Second, it may help one to recognize that job insecurity may place further strain on people already coping with other uncertainties.

### **A typology of job insecurity**

From the perspective of organizational psychology and in the most general sense, job insecurity reflects a discrepancy between the level of security a person experiences and the level he or she prefers (8). Job insecurity applies to four relatively large categories of workers, who may have little in common in other important respects.

Perhaps the most vulnerable to job insecurity are the workers who belong to the secondary labour market, such as foreign workers, immigrants, members of ethnic minorities, older workers (including those who have retired from full-time jobs) and, to a lesser extent, some women. Many in this category may have seasonal, temporary or part-time employment. The absence of security and stability among members of this category largely reflects their peripheral position in the opportunity structure of the labour market (9). These workers are also likely to receive less pay, to lack union membership and to have less access to pension plans and other work-related benefits. The serious implications of this group's marginal status in the labour market has long been a cornerstone of research into labour market discrimination in the industrialized world (10).

The second category for which job insecurity is an integral part of the work experience consists of freelance workers, those in fixed-term but relatively well paid appointments (in, for example, academic departments or professional posts in local authorities in the United Kingdom), and professional and technical staff (sometimes former employees of the organization) who are hired through explicit contracts with limited duration but higher pay. Fixed-term or temporary employment has become more common in organizations that, owing to uncertainties about budgets or turnover, employ temporary staff; in more stable circumstances, they might have hired permanent staff. For many workers in this category, the job insecurity built into the work experience reflects the lack of permanent jobs. Some freelance work is gaining respectability in high-status occupations, such as engineering, computer development and accountancy, because it may offer flexibility and autonomy. Nevertheless, whether this represents a genuine desire for contract-based work or a pragmatic acceptance of insecurity is debatable. Workers who are offered only temporary employment may come to terms with this situation by choosing not to desire a permanent job with an organization (11).

Insecure and temporary employment has dramatically increased in both of these categories (1,6,12), owing in part to the casualization of employment and the economic uncertainties faced by employers. In the United Kingdom, the 1994 total of 157 000 temporary employees constituted a 10% increase over the previous year (13), and the trend is continuing. In the United States, over 50% of the workforce may be contingent by the year 2000 (14). Part-time workers still constitute a major part of those in insecure employment (15), and part-time employment is the fastest-growing sector of employment. In the United Kingdom, employees working part time rose from 15.5% of the workforce in 1971 to 26% in 1991. The Institute of Employment Research estimates that the trend will continue, with the proportion rising to 32% by the year 2001 (16). For both the peripheral and the higher status, contract-based workforce, insecurity is an inseparable and continuing part of their working lives. Members of these groups usually have a fairly stable set of beliefs about the labour market and their prospects within it. Their marginal status, their specialized occupational niche or their personal preference places them in a continually insecure position.

One may wish to call this condition employment or labour market insecurity, rather than job insecurity, because it is a feature of the interaction

between the individual and the labour market, not a concern about losing a particular job. Documentation is growing on the consequences for health, including psychological wellbeing, of the stressors created by labour market insecurity (17,18).

A third category of workers with considerable job insecurity consists of newcomers to an organization. The encounter period for the new recruit is likely to be extremely trying, for he or she often enters a foreign territory, full of surprises (19). Personal survival in the new setting is clearly a major concern for newcomers, who are often more vulnerable to both subjective and objective job insecurity than long-standing employees. For newcomers, job insecurity may only be a willingly entered stage in the employment process, and is likely to recede as they learn the ropes. This category is likely to contain fewer workers than the others, and the effects of insecurity may last a shorter time. Nevertheless, the category includes not only workers who change organizations but also those who remain in the same organization but have new jobs as a result of restructuring and redeployment. They may experience job insecurity because their new roles are unfamiliar, because they see colleagues leave the organization and because the cutbacks in training that often accompany restructuring may mean that they feel lacking in the skills and experience needed for their new jobs.

The fourth category comprises workers who undergo a fundamental and involuntary change in their beliefs about the work environment, the employing organization and their place in it. Specifically, the change is from a belief that one's position is safe to a belief that it is not. Threats to job security are of two types. One is a threat of job loss regardless of the job holder and through, for example, retrenchment, merger, restructuring or the introduction of advanced technology. The other may arise through the loss or erosion of employment rights through, for example, changed contracts of employment; this may occur in contracted-out activities in local government or negotiated or imposed change where job conditions deteriorate. In the latter case, the job continues but the job holder is vulnerable.

This chapter focuses on this category: the growing number of employees who are experiencing a transformation of their beliefs in the durability of their present employment. While the other categories of the insecure are equally vulnerable in their physical and psychological health,

researchers have documented their experiences more fully. In addition, given the shift in many employees' beliefs about their security in their present employment, researchers, policy-makers and managers must understand much more if this type of job insecurity is not to have exorbitant costs for the individual, the organization and society.

### **Job insecurity and the psychological contract**

Changes in beliefs about the security of a job – or the certainty of its security – may be understood within the conceptual framework of the psychological contract. This has been proposed as a means of understanding employee motivation and several types of linkages between individuals and organizations (20–23). The psychological contract is (24):

the employee's perception of the reciprocal obligations existing with their employer; as such, the employee has beliefs regarding the organization's obligations to them as well as their own obligations to the organization.

The psychological contract explicitly or, more likely, implicitly covers factors such as the content and rewards attached to each job, the organizational structure that ties the jobs together and the opportunities for careers and promotion. For example, an employee may believe that his or her contribution of hard work, loyalty and commitment gives the organization a responsibility to continue to employ him or her. The expectation of job continuity is a major component of the psychological contract (8). The threatened disruption of that continuity therefore constitutes a major breach of the psychological contract and a serious personal crisis in some cases.

The psychological contract is inherently subjective: it is based on the perceptions of the employee about mutuality. This means that employees' psychological contracts vary, as each builds his or her own contract through perceptions of the actions, communications and attributed intentions of the organization. The organization may not be aware of all the components of an individual's psychological contract, owing to its subjective and usually implicit nature. As shown in the later section on how an organization can cope with job insecurity, some actions are likely to affect employees' psychological contracts and therefore profoundly affect both individual health and wellbeing and organizational outcomes.

Researchers have suggested that the psychological contract serves a number of functions for employees (24). It reduces their uncertainty by

establishing apparently agreed-on conditions of employment that cannot all be specified in the formal employment contract. It also enables the organization to control employees' behaviour without detailed surveillance. Importantly, it may provide employees with a sense of control over their own destiny, since they can decide whether to fulfil their obligations and be party to the implied contracts. Where the organization deliberately or unwittingly breaks psychological contracts, employees may behave in a variety of ways, in part due to the size of the discrepancy between expectation and actuality. Voice, retreat, destruction and exit have been noted as responses to such violations (25,26). In addition, employees can experience anxiety and stress, as documented later in this chapter (27).

### **The employee's transition to job insecurity**

While job insecurity is often thought of as the prelude to job loss, this is not inevitably the case. Job loss and job insecurity differ in four major ways: the nature of the transition into the state, its relative visibility, its temporal onset and the extent to which it is governed by clear role expectations. These lead to further psychological differences in the experience of the crisis and of its psychological stress and strain. Insecure employees comprise a larger population than those who lose their jobs.

Drawing on role theory (19), job loss is a transition between roles (the actual crossing of organizational boundaries to take up a new role as an unemployed person), while job insecurity is a transition within a role (a shift in the individual's relation or internal orientation to the current employment role). Both entail a change in the beliefs, perceptions and assumptions of the employee. Job insecurity, however, occurs within the familiar employment setting and represents a subjective change in orientation to the job and the organization. This reduces the visibility of the event and the social support for the person affected. As a transformation of beliefs, job insecurity is an internal event. For the time being, income, activities, relationships and status do not change. In the formal sense, nothing undermines the person's identity as an employee. Whatever the repercussions of job insecurity, they tend to develop subtly, not necessarily with any observable or formal role changes. This contrasts with the stigma on and deprivation of those who become unemployed; these and other indications mark the individual as having undergone a significant role change.

Nevertheless, the general absence of social visibility should not be taken as evidence of lack of psychological stress and strain. The literature on stress suggests that event uncertainty (ambiguity about whether and/or when an event may occur) may be an even greater source of anxiety, tension and depression than the event itself (28,29). Some studies of the change from job insecurity to unemployment found that the announcement of redundancy may come as something of a relief after months of uncertainty and anxiety (30,31). Similarly, other studies found greater psychological distress for women whose soldier husbands were missing in action than for those whose husbands were killed, and for cancer patients who were unsure for many years whether a cure had been effected (28,32,33).

Job insecurity is not an event with a clear temporal onset or termination. On the contrary, it may grow insidiously and become a relatively fixed and continuing daily experience. Job loss, on the other hand, is typically a relatively eruptive process: a definite and sometimes cataclysmic event during which one learns that one will no longer be an employee. While indications and anticipation often precede it (30,33), job loss has a focused point of experience whose anticipation often takes the form of growing job insecurity. This job insecurity is a chronic rather than an acute experience for most employees. It is much more a socially and psychologically constructed phenomenon.

Finally, job insecurity has less role clarity than job loss. Although the role of an unemployed person is much more limited than the employed role, and usually involves a decrement in activity, other tasks and routines partly replace those that are lost. The unemployed person registers for work periodically, draws a financial benefit and is expected to prepare and apply for jobs. Society expects him or her to follow an established pattern of behaviour. The contrast with job insecurity is striking; no normative view defines it as a social role. It is not institutionalized and carries no special privileges or responsibilities. The role provides few clues about how to behave, to react or to interpret events. Instead, job insecurity is a largely private world of experience. While the insecure employee may interpret, dissect and construct events and rumours – rumours are usually rife during periods of widespread insecurity in an organization – they do not provide a schema for behaviour.

This does not suggest that one should prefer job loss to job insecurity. Both can be highly stressful experiences. Rather, the aim of the

comparison is to show that they are discrete and substantially different transition processes, which give rise to different psychological experiences. Research must be able not only to document the physical and psychological effects of both but also to elucidate the psychological processes that mediate between the event (job insecurity) and the outcome (poorer health, including psychological wellbeing).

### **Job insecurity as a perceptual phenomenon**

The presence of job insecurity depends on the individual's interpretation and evaluation of diverse signals in the organization's external and internal environment. This forms another contrast with job loss, where the reality of the event is unquestionable. Job insecurity exists within a person as a result of his or her perceptions and cognitions. Thus, it is not open to direct observation; rather, it is a construct that is inferred, usually from the employee's verbal report or observed behaviour.

Of course, insecurity may have an objective basis. Insecurity levels reported by employees vary between organizations (8) and can partly be predicted by the degree of change and restructuring an organization is undergoing. Since perceptions vary as a function of both contextual factors and personal attributes, however, one may expect considerable variation in the experience of job insecurity within a given organization. A number of studies confirm this expectation (8,34–36). In an organization in severe danger of collapse into receivership, employees showed a considerable spread of beliefs, from very insecure to very secure. In interviews, researchers could categorize workers according to whether they felt considerable insecurity, confusion and uncertainty, resignation or relative security and optimism (8). This indicates that, in situations where all jobs are equally at risk from an objective point of view, employees experience different amounts of job insecurity.

Job insecurity as a perceptual phenomenon results from a process of cognitive appraisal of the uncertainty existing for the organization and the employee. Milliken (37) specifies three types of environmental uncertainty, and all appear applicable to job insecurity. These types of uncertainty concern the employee's difficulty in predicting:

- how aspects of the organization's external environment may be changing (state uncertainty);

- what the impact of environmental events or changes will be on his or her job insecurity (effect uncertainty);
- what responses or options are available to him or her and their personal costs and benefits (response uncertainty).

The work of Lazarus & Folkman (28) has made a valuable contribution to understanding individual differences in stress reactions and particularly job insecurity. This model begins with primary appraisal, in which the person assesses the extent of threat or danger in a particular situation. In terms of job insecurity, this includes not only actual threat but also anticipated future effects. Secondary appraisal concerns the person's assessment of how much danger he or she will incur as a result of taking the various actions available. Event uncertainty may increase the difficulty of making a primary appraisal. This in turn increases the difficulty of secondary appraisal, because the effectiveness of actions and options may be contingent on events. Primary appraisal, then, evaluates an anticipated threat, and secondary appraisal attempts to cope with it. Both affect the degree of job insecurity experienced. Using an interactive approach to stress, one may infer that job insecurity may occur where there is "a relationship between the person and the environment that is appraised by the person as taxing or exceeding his or her resources and endangering his or her wellbeing" (28).

Job insecurity, while assessed privately, is socially constructed through interactions with others. Gossip and rumours in the workplace (about who is likely to be retained and who stands a greater chance of being discharged or redeployed) may deepen anxiety. The situation is imbued with ambiguity and uncertainty and, in such circumstances, social constructions may be particularly powerful in shaping expectations, attributions and understandings.

Using this approach to stress, one can argue that the extent to which changes in the work environment lead to a stressful perception of job insecurity hinges on three major factors (8):

1. the beliefs about what is happening in the environment or the appraisal of the threat posed by change;
2. the resources available to the person, as perceived by him or her, to counteract the threat; and
3. the perceived seriousness of the consequences if the threat is realized and the employee loses his or her job.

Job insecurity is thus conceptualized as an interaction between the perceived probability and the perceived severity of losing one's job, where severity is a function of the subjective importance of home and work features that could be endangered by job loss, and the subjective probability of it being endangered (8). Greenhalgh & Rosenblatt (38) propose that job insecurity consists of the proposed severity of the threat and perceived powerlessness to affect the outcome, but Hartley et al. (8) argue that powerlessness is more usefully conceptualized as an outcome. The work of Ashford et al. (39), Roskies & Louis-Guerin (34) and Roskies et al. (35) is also relevant here.

### **Organizational consequences of job insecurity**

An understanding of the psychological processes that are believed to create and maintain job insecurity is important. Researchers need this understanding to explain the mechanisms for some of the effects. Policy-makers and managers need to understand how job insecurity affects employers' behaviour and an organization's performance, and then how organizations can avoid deliberately or unwittingly exacerbating existing insecurity in the workplace.

Job insecurity can have consequences in four areas: for the individual, for linkages between the individual and the organization, for the organization as an institution and for communities and society (2,3,40), as suggested in the introduction to this chapter. Organizational psychologists have documented the first three, albeit very sketchily, and with many questions remaining, particularly about mechanisms that mediate the effects. This chapter does not address effects on the individual, since that is covered in Chapter 4 and elsewhere (8,41), other than to note that studies almost invariably find deterioration in physical and psychological health. This chapter focuses on the organizational perspective, examining both the effects of job insecurity on linkages and outcomes and some of the measures that an organization might take to deal with insecurity among its employees.

### **Consequences for individual–organizational linkages**

A number of researchers have examined individual–organizational linkages (8,39,42–45). The popular press has expressed these in part as a decline in corporate loyalty in the context of restructuring, downsizing and the flattening of hierarchies, which have dramatically changed career and reward systems for employees. When this phenomenon is

examined more closely, several strands of linkage become apparent. One of the clearest effects of job insecurity is a decline in employees' commitment to the organization. Organizational commitment usually comprises identification with the organization, loyalty to it and willingness to work hard (beyond the call of duty) on its behalf (46). Organizational commitment is often viewed as a predictor of job performance (46,47). Declining commitment therefore arouses concern, especially now that organizations increasingly expect greater flexibility and innovation from employees.

Several studies associate higher job insecurity with a variety of more negative attitudes and opinions, especially the degree of trust in management, satisfaction with the organization and intention to remain (4,8,34,39,48,49). Trust in management is significant: low trust can be associated with not believing communications from management about the reasons for job insecurity in the organization (4) and can affect employees' interpretation of the external environment, the actions within the organization and the effects of their own actions on their degree of job insecurity. Feelings of job insecurity seem to have a negative relationship with attitudes towards organizations in a variety of contexts. This even extends to opinions about company products and services (4). Employees expressing feelings of insecurity have a poorer opinion of the company even on this apparently objective topic. Managers would do well to note the implications of this finding for the role of employees as informal ambassadors of the organization. Research has not yet conclusively established causative links, however. While the view that insecurity leads to negative evaluations is plausible, the possibility that people feeling more negative about the organization express greater insecurity is also conceivable, as is the possibility that character traits such as negative affectivity (50) may affect both ratings. Longitudinal research is needed to establish firmly the causative relations in individual-organizational linkages.

As to the behavioural consequences of job insecurity, several studies report increases in the intention to leave the organization (8,39), but that turnover itself is not related to insecurity. This is unsurprising, because turnover is a function of labour market opportunities, as well as motivation. Some employees who feel insecure may think their chances for security are higher if they stay in the organization, rather than losing seniority by taking a new job. Similarly, no clear relationship has been

found with absenteeism; here, too, the motivation to take a short-term absence is complex (51). Given that employees often see work output as a buffer against job loss (8,52), a relationship with absence would not, in any case, be expected. Nevertheless, managers sometimes assume that such a relationship exists owing to the decreased motivation and commitment that may occur in times of insecurity. Instead, so-called presenteeism can be found: employees are present at the workplace but not fully psychologically engaged (4).

As mentioned, employees may react to job insecurity in a variety of ways. Jacobson (53) identifies four patterns of behaviour: unconflicted inertia, unconflicted change, defensive avoidance and vigilance. Others modify this framework to distinguish between active and avoidance reactions to job insecurity; within the active approach, they identify individual and collective strategies for action. In part, one may explain behaviour by using the concept of secondary appraisal, which includes the employee's assessment of resources for dealing with the threat of possible job loss, and of the costs and benefits of taking certain kinds of action. As noted earlier, this assessment has a strong perceptual element, so that employees in the same organization may engage in very different actions to try to preserve or enhance their own and possibly their colleagues' job security (8). Some research has drawn on attribution theory to explain differences in behaviour: that employees vary in their interpretation of what has caused the insecurity and therefore what resources may best be mobilized to counter the threat (8). Some employees may decide that the threat is due to circumstances outside their control or influence. In addition, researchers have drawn on the concept of the psychological contract to explain variations in coping behaviour, and a later section in the chapter examines this further.

Research has noted that resistance or opposition to change can accompany job insecurity (8). Employees may be less receptive both to organizational change in general and to specific changes that may affect their own position or rewards in the organization (54,55). The paradox for many organizations responding to competitive or budgetary pressures may be that they are reorganizing work and structures to develop flexibility and innovation at a time when employees feel insecure and less able to engage in change (8). Of course, some individuals thrive on ambiguity, uncertainty and the opportunity to shape change, but in most employees insecurity is more likely to engender commitment to old

patterns of working, rather than the adoption of newer approaches. This may occur for two reasons. First, insecurity is known to increase stress levels, which in turn make people more likely to cling to established ways of working and thinking (56). Second, changes may alter the balance of the exchange between the individual and the organization; in the context of insecurity, the employee may perceive the organization as implicitly demanding more from him or her while offering either the same or reduced rewards.

### **Consequences for the organization**

The consequences of job insecurity for the organization have been harder to study, owing to the smaller amount of research undertaken in this area and to the inherent and complex difficulties of assessing organizational effectiveness. Nevertheless, the effects of employees' psychological withdrawal and stress documented above may combine to reduce the organization's effectiveness and efficiency (57). Increasingly, organizations must rely on their human resources – the commitment, motivation and skills of their employees – if they are to innovate and survive. Since research has shown that, in general, commitment and motivation are likely to decrease in situations of perceived insecurity, the grounds for expecting a decline in organizational effectiveness are apparent. While some organizations, such as some computer firms, thrive on job insecurity and have employees whose commitment remains high in this context, their employees are likely to be in the second category of the insecure: well paid professionals for whom insecurity is a way of life. Job insecurity occurring as a change in employees' beliefs, however, is unlikely to increase organizational effectiveness or efficiency.

Employee stress may not be the only factor contributing to reduced organizational performance. Insecurity in managers may result in decision-making that is safe, has visible short-term gains (58) and focuses on critical rather than crucial elements (59). Again, the organization may suffer from changes in insecure employees' role as organizational ambassadors, with leakage of negative attitudes, beliefs and opinions outside the organization. Work teams and colleagues may become more secretive and less willing to share tasks (8), in part as a result of greater competitiveness in the workplace. Further, gossip, rumours and elaborately constructed social interpretations of events that affect or may affect job security may distract employees from their tasks, and lower productivity.

## **Organizational coping strategies**

In considering how organizations can adopt strategies to cope with job insecurity among their employees and can manage insecurity in ways that reduce its impact on organizational performance, one should first bear in mind that insecurity may affect three types of employee. The first comprises those who eventually lose their jobs in the organization or decide to leave. Second are those who experience job insecurity as they see colleagues leave the organization. Some research calls these employees survivors (60,61). The third group includes those who experience job insecurity without actual job loss, perhaps because of changes in the fortunes of the organization or managerial decisions that lead to different courses of action. This type of insecurity is particularly likely to occur in times of upheaval, reorganization and restructuring, when employees fear or believe that job losses may occur or that jobs will be so altered as to result in a decline in their quality.

Two mechanisms may mediate the impact of job insecurity on survivors; the organization may be able to influence both. The first is the impact of job insecurity on the psychological contract, which implicitly governs the exchange relationship between the individual and the organization. An employee perceiving that the organization has altered the psychological contract may respond by altering his or her input to maintain the balance, as discussed earlier in this chapter. A perceived violation of the contract by the organization may result in a decline in commitment, trust, job involvement and organizational citizenship in the employee (25). Some have argued that the organization may need to change the contract in any case to achieve new standards of quality, service and innovation (62); nevertheless, this change needs managing.

Research has suggested that the negative feelings of survivors may be affected by their perceptions of justice of the organization's behaviour (61). Justice issues are increasingly seen to be significant in explaining organizational behaviour, especially in the context of change (63). Employees come to conclusions about the fairness of the outcome (distributive justice) and of the mechanisms used to achieve the outcome (procedural justice) (64). Survivors of job losses may ponder whether job losses were necessary or legitimate in the first place, whether those leaving the organization were informed in a fair way, whether the principles and procedures followed to choose leavers and survivors were fair, and whether the leavers were helped in their leaving and adequately

compensated (63). In addition, survivors may form views about the fairness of their own treatment, as some rearrangement, redistribution and possibly intensification of work may follow job losses. Research in both laboratory and field settings has suggested that negative attitudes arose where employees identified with or were close colleagues of those who lost their jobs, and where the organization was perceived to have acted unfairly towards those leaving. This suggests that, if an organization shows commitment and care to employees who are leaving, survivors are likely to be more committed. This has implications for the strategies adopted by organizations to manage job insecurity.

Managers may have to adopt strategies to deal with all types of insecure employees in the same workplace, and to manage both those who lose their jobs and those who stay. As noted, job loss produces a different type of psychological reaction from the perception of job insecurity. Managers may have to help job losers to leave and to help insecure employees to cope with uncertainty.

Greenhalgh (54) argues that managers need to take constructive action to influence the security levels in the organization when jobs are at risk. He argues that coping strategies should start with prevention. If job loss cannot be avoided, then ameliorative strategies are needed to cushion the impact on those affected and to affect the reactions of survivors. In the aftermath of a period of uncertainty and/or job losses, restorative strategies should aim at reinstating a sense of realistic security in the organization, to prevent harm to organizational performance and to restore the psychological wellbeing of individual employees as far as possible. This is particularly important because anecdotal evidence and a limited amount of research evidence (42) suggest that organizational upheaval, which engenders job insecurity, can affect surviving employees and the organization for years after the precipitating events.

To influence job insecurity, managers must balance the action needed to adjust the workforce, when shrinkage or restructuring is necessary, with sensitivity to employees' experience of jobs at risk. Employees can better manage their own sense of threat when they are able to predict, understand and to some extent control, or at least influence, the factors that they find stressful (65). Managers may need not only to play a role in realistically influencing the perceptions, interpretations and emotions of the workforce but also to act in ways that genuinely reduce the likelihood of job losses.

**Preventive, ameliorative and restorative strategies**

Preventive strategies try to ensure that job losses are not the automatic response to organizational problems and challenges. Too many organizations react in a crisis-driven or financially-driven way to shed labour at the first sign of trouble (66). A study of 1000 large companies in the United States found that 80% had to rehire workers within one year of job cuts; 50% of the people hired were former employees (67).

Preventive strategies include monitoring and reviewing trends to gain an accurate picture of the changes that are taking place in the workforce. For example, an analysis of attrition rates for different categories of staff may reveal that natural wastage over time – as people leave for other jobs or retire – may deal with the need for shrinkage without any management action, thereby preserving some degree of security among employees. In addition, using temporary employees for short-term demand can contribute to the security of existing staff, although using temporary staff in longer-term placements may have the opposite effect. Retraining staff in preparation for skills shortages clearly depends on high-quality human resource planning, but is another preventive strategy. The use of redeployment can also allay some concerns about job insecurity, although the existence of large redeployment lists or the sense that employees have been on a list for a long time has informally been reported as stressful for both those on the list and those who currently work with them. Overall, preventive strategies are concerned with the internal labour market. Managers need to take care in using these strategies, as they affect the psychological contracts of employees who remain and are relocated and redeployed in the organization.

Ameliorative strategies are aimed at managing the experience of both those who leave the organization and those who survive. Such strategies are crucial to the longer-term adaptation of the organization, because the treatment of leavers will shape perceptions of organizational justice and survivors' psychological contracts may alter as a result of either what they see happening to those who leave or what their own new or modified tasks and responsibilities mean for them. Employees are likely to perceive more procedural justice if managers give advance notice to leavers and engage in genuine consultations with trade unions and other employee representatives about the choice of individuals, the decision criteria, the compensation levels and arrangements for the positions for remaining employees. Communicating the basis of decisions and

checking that they are fair, and seen to be so, may be a task for management. In addition, assistance to those who will be leaving the organization – such as the provision of placement counselling, information about alternative jobs and economic assistance – can help to reduce the threat levels caused by job insecurity. Such actions are likely to have long-term payoffs for the organization that cannot be calculated in the short term (54,55), since survivors may be making judgements about how they might be treated in any future job cuts, which may affect their views about their own psychological contracts.

Finally, the acknowledgement of the contribution that leavers made to the organization, and of the grief reactions that they and surviving colleagues may have about their departure, may help the organization to make longer-term adaptations to change and will help to alleviate the severity of job insecurity. Greenhalgh & Sutton (57) provide salutary examples of two computer companies, both troubled by market changes and the consequent need to shed staff. In one company, top management was reported to have belittled staff who were terminated, indicating that the “scum” had been let go while the “good people” remained (57). This is likely to be counterproductive; the denigration of those who lose their jobs will affect those who remain and who know that, in another round of cuts, they will probably be castigated. The result is likely to be low involvement and reduced motivation among survivors. By contrast, a similar computer company treated job leavers with dignity and encouraged survivors to mourn the loss of their colleagues, and “leaders emphasized that the people who were terminated were competent, valued workers and that they were sorry that [the company] had to lose such fine people” (55). These contrasting value systems and practices had enormous consequences for job insecurity.

Many managers may have difficulty in acknowledging the grief and loss reactions of their own staff, in part because of social norms about restructuring that tend to emphasize the practical rather than the emotional aspects of change. Acknowledging and managing the sometimes strong reactions of staff may be particularly difficult when managers themselves are coping with their own sense of job insecurity. Nevertheless, the benefits to the organization have been documented. Ameliorative strategies may be valuable because of the messages that they send survivors: that survivors need not fear total economic and psychological loss with no assistance from the organization.

Finally, restorative strategies address survivors, and aim at calming their feelings of insecurity following a period of upheaval and change. Employees may still wonder whether their jobs are at risk, and managers will have to communicate realistic reassurance. The emphasis on realism is important: false reassurance will only exacerbate insecurity in the long run, and may undermine trust, which is already in jeopardy in conditions of insecurity. Realistic statements may not promise no future job losses (even large, human-resource-oriented companies usually do not do this), but show clearly the basis of planning and the values being used. Saying that future cuts are not planned will be useless if lack of planning led to terminations in the first place. In addition, employees may not believe statements from those who are not directly involved in the strategic planning and management of the organization, because of their distance from key decision-making. In some cases, this means that statements from the personnel office may not carry clout.

Instead, Greenhalgh (54,55) argues that key strategic decision-makers should pledge to take a course of action that can be sustained. This might take the form of a statement of managerial priorities or pledges to certain sections of the workforce, or relate to affordability or set out the criteria that would apply in any future terminations. Here, collective bargaining with trade unions (if it occurs) may be valuable in establishing the distributive and procedural justice that will apply in any future situation. This helps to reduce stress through contributing to prediction and understanding by employees.

Further, managers need to recognize that job insecurity is developed and maintained through social construction. Rumours, gossip, myths, media accounts and other communications all contribute to the establishment or diminution of feelings of insecurity, and employees will probably evaluate them as more significant than formal communications from management. Clear formal communications to employees are therefore important but insufficient. Rumours spread, regardless of the formal communications in an organization, so managers should not simply dismiss them or expect them to have no effects within the organization. Certainly, managers may need to deny inaccurate rumours, but Greenhalgh & Sutton (57) note that the antidote to an unfavourable myth is not official denial but additional myths giving a different message. Several positive myths seem to be needed to counteract a negative one. This finding should encourage managers not to engage in the construction of fantasy,

but rather to recognize that myths can be created, nurtured or shaped by managers who are attuned to the symbolic impact of their actions. This requires understanding the culture of the organization and how beliefs and values are socially constructed through interactions within and outside the workplace. The organization may need to take account of others that also contribute to the social construction of job insecurity, such as trade unions and the local mass media. Managers may need to consider both working in partnership with and counteracting other communicative acts.

Organizations can use many strategies to manage the job insecurity of the workforce. By understanding and working within the framework in which job insecurity arises, continues and declines, policy-makers and practitioners alike may be able to anticipate, predict and react to new events and interpretations concerning insecurity in the workplace.

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# Major technological change, socioeconomic change and society's response

*J. Fraser Mustard*

Compelling evidence shows that the quality of the environments in which people live and work strongly influences the health and wellbeing of societies and individuals (1). The better understanding of how social and work environments affect health has made it increasingly important to improve the understanding of how changes in the economy affect social and work environments. Enough is known about the determinants of health, human development and economic growth to avoid negative effects on the health and wellbeing of populations during periods of major socioeconomic change. What is the effect of major technological changes on work and society, and how can their potentially negative effects on the health and wellbeing of individuals and populations be minimized?

## **Technological change and society**

Although many terms are used to describe the current technological revolution – such as the information age or the learning society – I prefer a simple description: “chips for neurons” (2). The use of low-level-intelligence devices, which can sense, decide and act, to carry out low-level human functions is a deep and broad technological revolution affecting all aspects of society.

Lipsey & Bekar (3) describe how major technological revolutions penetrate deeply into and spread throughout a society and its activities. The current technological revolution appears to be as powerful an agent of change as the use of fossil fuels to replace muscle power and water power

during the Industrial Revolution. This was a crucial factor in western countries becoming rich and democratic, and was associated with a massive improvement in the health and wellbeing of their populations (4). Thus, in the space of 250 years, western societies moved from having 80% or more of their populations living in relative poverty and serfdom or slavery to having 80% or more living in relative prosperity, and introducing universal suffrage and the civil liberties and democracy that are familiar today.

The current technological revolution may have as powerful an effect as earlier ones on the economic, political and social character of societies. The full effects of major technological change are hard to predict, but these changes affect labour markets, job security and social stability.

The following appear to be some of the characteristics of the chips-for-neurons revolution:

1. the performance of low-level functions by electronic devices – the automatic teller machines in banks, robots, the so-called electronic pilots of commercial aircraft, security devices, automated services, automated and flexible manufacturing, global information systems, etc. – which is changing productivity, the nature of work, labour markets and job security;
2. the capacity to make enormous bodies of knowledge instantly available to individuals linked through electronic networks and the creation of learning networks that cross geographical and political boundaries, which are changing approaches to learning, educational institutions and the retraining of labour;
3. the opportunity to interact virtually instantaneously through global networks for a variety of purposes, including education and training, entertainment and business; and
4. the virtually instantaneous global transmission of objective or biased information through the mass media and other institutions, which could change values, beliefs, cultures, social networks and concepts of work.

Examining how humankind has coped with other technological revolutions may give some insight useful in coping with the chips-for-neurons

revolution. Clearly, the social policies and institutions in western countries that helped to sustain political freedom and civic societies in the developed economies of the twentieth century are not sustainable in the face of the economic forces unleashed by today's technological and economic revolution (2). The labour markets and job security associated with the social order since the Second World War are undergoing major change.

### ***Homo sapiens* and social order**

In thinking about our species and its existence on this planet, we should remember the contrast between the history of the planet and our insignificant time as a species. The earth is about 4.5 billion years old; life has existed on it for at least 3.5 billion years. The total amount of living matter on the planet has been constant for over 3 billion years; only the species have changed. Primates have existed only for a few million years, and our species for about 200 000 years. The behaviour, biology, health and wellbeing of our species are rooted in this relatively recent history. We know that, since primates are social animals, change in their social environments affects their health and wellbeing, and that *Homo sapiens* is no exception. We also know something about our ability to adapt to major changes.

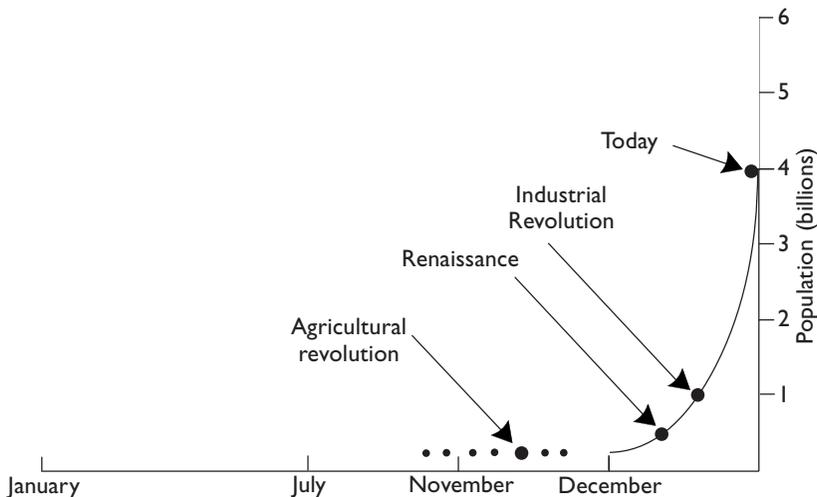
For about 90% of our species' existence, we lived in groups of 50–100 in hunter-and-gatherer societies. These communities or groups, as far as we can tell, had a minimal effect on their physical environment, were communitarian in their social order, with women having a dominant community role. They were also more vulnerable than today's communities to the hazards of the physical environment and changes in the availability of food (5). The social order reflected the need of most primate species for social support, and thus their tendency to form groups that can provide this support, particularly for the rearing of young. Our biological systems are based on primate evolution over millions of years and the fact that we are a social species. All young primates, including human beings, are strongly influenced by the quality of the social environment in which they are nurtured. This has a direct effect on their coping skills, ability to adapt to change, health and wellbeing throughout life (6).

If we think about our species' existence on the planet in terms of a calendar year, rather than in tens of thousands of years, we can more easily

grasp the time perspective of socioeconomic change in our societies (Fig. 7.1). On this time scale, we lived as hunters and gatherers from January until the middle of November. Then, as a result of the agricultural revolution, a deep and broad technological change, it became possible to support populations engaged in activities other than trying to find food. At this point, we begin what are best described as our experiments with civilization.

When *Homo sapiens* began experiments in the middle of November (10 000 years ago), we began to create new kinds of political and social orders with a variety of institutional arrangements to create and sustain the economies, environments and institutions in which people lived and worked. Up to this time, there were no civilizations, as we describe them: no written language, no governments, no large social organizations and no concepts of property rights, work, job security, economics and leisure. The agricultural revolution spawned, among other things, towns, cities, cultures, history, writing, governments, organized religions on a large scale and concepts of work, property rights, law and social order. Members of these new societies needed to plan ahead, which made time telling and calendars important. Property rights, laws and non-violent means of trying to settle disputes emerged during this period. In contrast to our previous existence, there were now things that thieves could steal and armies plunder.

Fig. 7.1. Population and major events in the life of *Homo sapiens*: 200 000 years represented as one calendar year



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Technological revolutions have strongly influenced the kinds of civilization that have emerged over the last 10 000 years (7). Among the technological changes were the emergence of alphabets and written language, new materials on which to write, the printing press, new materials for peaceful and military uses (including gunpowder), new energy systems, new transportation systems and today's electronic systems.

These revolutions produced changes in economies, social structures and orders, concepts of work, health and wellbeing, and the distribution of power and governance. A few generalizations can be made about the effects of technological changes following the agricultural revolution.

First, each major information revolution has tended to be associated with changes in a society's socioeconomic characteristics and its scale, scope and systems of governance. In many societies, serfs or slaves provided labour. While these people may have had a form of job security, they did not have freedom.

Second, some information revolutions have helped to break controlling power blocs and unlocked societies' creative power, leading to enhanced prosperity and improved social and physical environments.

Third, recently in our history, the development of paper and the printing press made it possible to provide information to a larger portion of the population than religious and secular authorities had informed. In western countries, this information revolution contributed to undermining the power of feudal societies and the Church, and led to changes in territorial boundaries, economies and governance.

Fourth, new political freedom in western countries led to the release of human ingenuity and to the industrial revolution. This in turn led to major socioeconomic, institutional and political changes, as summarized earlier. As mentioned, the dramatic effects included the improvement in the health and wellbeing of citizens in western countries and the creation of free participation in labour markets.

Today's issues in employment, labour markets and job security are rooted in the socioeconomic changes caused by the latest technological and economic changes. These differ fundamentally from the changes in labour

markets and job security associated with business cycles. Public policies designed to handle social changes linked to business cycles that are part of a more stable economy are useless or of limited value in periods of major technological and economic change.

The understanding of how social and work environments affect people's health and wellbeing indicates that, unless societies have strategies for maintaining stable social environments in periods of major change, such change will have adverse effects on vulnerable groups, particularly young children and adults with poor social support and coping skills. Further, adverse effects on development in early childhood manifest throughout the life cycle of the affected person. An important issue in managing change is both to prevent the handicapping of the competence and coping skills of the next generation and to recognize that many adults who have suffered such harm have difficulty adapting to change. In a period of major change, poor coping skills in parents are likely to have negative effects on their children.

### **Competence and coping skills and health and wellbeing**

How well individuals cope with challenges in their environments (the fight-or-flight response) is an important factor in their adapting to change and influences their vulnerability to disease. A substantial body of evidence now shows how competence and coping skills are related to the development of the cortex of the brain in early childhood (6,8). There are now clues to how competence and coping skills affect health in adult life. This new framework of understanding provides insights into the factors producing the differences in health between socioeconomic levels (6).

Two lines of research provide insights into the effects of early childhood on competence and coping skills. The first comes from research in neuroscience that is providing a better understanding of how the billions of neurons in the cortex of the brain differentiate and develop their specific functions in early life (9). Since the cortex influences cognitive capacity, behaviour, competence and coping skills, its development in early life profoundly influences how well people function later. The quality and quantity of the stimulation or signals that undifferentiated neurons receive during sensitive periods sets many of their basic characteristics for later stages in life. The neurons undergo most of their basic

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differentiation as the brain develops during the late stages *in utero* and in the first three years of life (9,10). The defects in neuronal function resulting from poor stimulation in early life are difficult to overcome in later stages. According to a recent report (10), the key findings from research in the neurosciences are that:

- brain development before the age of 1 year is more rapid and extensive than previously realized;
- brain development is more vulnerable to environmental influences than previously suspected;
- the effects of early environment are long lasting;
- the environment affects the number of brain cells and the way they are wired, so to speak; and
- evidence is now available on the negative impact of early stress on brain development and functioning.

The quality of the social environments in which children are brought up, in interaction with peers and adults, has major effects on the quality of stimulation or nurturing in early life and thus on competence and coping skills in later life.

The second line of evidence comes from a better understanding of the effects on the body of coping with challenges. Challenges have a major effect on the endocrine system (11,12); the hormones, particularly steroids, that are released in response affect other body systems, in general suppressing their functioning. Among the systems inhibited by steroids is the immune system. Animals that do not cope well with challenges do not quickly restore their hormone levels to the resting state. Thus, a poor response to challenges could lead to more persistently elevated steroid levels, with the depression of the immune and other systems increasing vulnerability to physical disease and mental disorders. Further, steroids affect the hippocampus of the brain, where excess levels can permanently injure neurons (11). New observations have created a better understanding of the relationship between the mind and the body and the influence of competence and coping skills developed in early life on a wide variety of causes of death in adult life, including suicides, accidents, some cancers and cardiovascular diseases. The development of these skills also affects how well individuals can learn new ways of doing things and adjust to changes in, for example, labour markets.

## **Competence and coping skills in a rapidly changing society**

As knowledge about the development of the cortex in early life has improved, so has the understanding of the relationship of development in early childhood to learning in school and in adult life. Like health, cognition and behavioural characteristics are profoundly influenced by conditions in early childhood, and vary by socioeconomic level. These variations are wide in some countries and narrow in others. For example, international tests of children in science and mathematics show a very small variation in the performance of Japanese students and a very great one in the performance of United States students, when assessed against the fathers' job classification (12).

The increasing evidence of the importance of early childhood to competence, coping skills, health and wellbeing in adult life raises the question as to what, if anything, can be done to reduce the risks to children caught in inadequate social and family environments during periods of major socioeconomic change. The intense debates about genetic versus social factors and the importance of day care and early kindergarten attest to the ideological battle over whether to take such action. Some deny that early intervention is effective.

The evidence on the value of early intervention comes from two sets of investigations of the links between conditioning in early life and events in later life. The first comprises animal studies with subjects ranging from rats to non-human primates. These studies can examine complete life cycles, which is not feasible for an investigator studying human subjects. Robust evidence from animal studies demonstrates that conditions in early life profoundly affect the development of the cortex and its functioning in the later stages of life (13,14). In rhesus macaques, poor nurturing of the genetically vulnerable group has a bad outcome for wellbeing and ability to cope. When challenged, poorly nurtured, vulnerable animals secrete large amounts of the hormone mediators of stress, which do not return to resting levels quickly. The members of the genetically vulnerable group that are well nurtured when young, however, do well and often become leaders. When stressed, these animals have the same extensive secretion of stress mediators as the poorly nurtured group, but these return to resting levels quickly. While genetics is important, the quality of nurturing in infancy appears to be more important.

Owing to the difficulties of studying our own species, the evidence from human studies is incomplete and less substantial than that from primate studies. One small but important study illustrates the long-term effects of events in early childhood (15,16). Children aged 3–6 years who lived in poor social environments were randomly allocated into intervention and non-intervention groups. The intervention group received “substitute parenting or teaching” five days a week in groups of five to six (15). The children in the intervention group did not show significant improvement in IQ over the other group. Later in life, however, they showed a much higher retention in the school system, 40% fewer teenage pregnancies, better employment records, and less crime and drug use. Re-examined in their late twenties, those in the intervention group again showed substantially better performance (16). They were better able to hold jobs and adjust to change, and had substantially fewer mental health problems than the other group. Adverse circumstances in early childhood are increasingly recognized to produce many of the mental health problems of later life.

It has been calculated that every dollar invested in intervening with children aged 3–6 years in this study brought at least a sevenfold return to society as a whole (in the form of, for example, savings on social services and costs). This study (15,16), which is consistent with findings from animal studies, illustrates the long reach of early childhood into adult life and the value of social support networks for children in preventing problems in later life.

According to the emerging knowledge on the development of the cortex, the results of the above-mentioned study would probably have been better if the intervention had begun earlier in the subjects’ lives. Some observations have been made about interventions in the first two years of life and their effects on development in this period. A group of Jamaican children at high risk (low height for age) were randomly allocated at birth into four groups – no intervention, nourishment, stimulation, and stimulation and nourishment – and followed up to the age of 2 years (17). The group given both stimulation and nourishment reached the same level of development as children of normal height by the age of 2 years. The groups given either stimulation or nourishment achieved 50% of the development of the control group by the age of 2 years. An interesting finding from this study is that the quality of the stimulation or nurturing had as big an effect as improved nourishment. In historical

analyses of the improvement in the health of western populations after the Industrial Revolution, Fogel (18) concluded that better nutrition was a key factor and that the conditions of early childhood were strongly correlated with the risk of chronic disease in adult life. From the records available, he could assess nourishment only by changes in mean height; the period that he was examining may have led to better nurturing environments for children, as well as better nutrition. Unfortunately, while studies are assessing the effect of early intervention with children at risk on later stages of development, competence, coping skills and health risks in adult life, none has been completed.

Some observational studies have results congruent with those from the intervention studies. Werner's observation of a group of children born on the island of Kauai in the 1950s (19) has shown that children in poor socioeconomic environments who were able to interact with "substitute parents or grandparents" during their early lives, did much better in later life than those that could not get this adult support. This also shows, as with rhesus macaques, that adult support for the young does not have to come from the biological parents.

### **Human capital and economic growth**

The improved health that McKeown (20) and Fogel (18) observed in western countries following the Industrial Revolution reflected a population and labour force with more competence and coping skills. From his studies, Fogel (18) concluded that 50% of the economic growth in the United Kingdom following the Industrial Revolution was due to the better health and wellbeing of the population. The quality of human capital is important for economic growth; and social policy, through its effects on the social environment, strongly affects human development, particularly in early childhood. Thus, factors influencing human development are a long-term economic issue, as well as a social issue, and should therefore be important in economic and social policy.

Fogel (18) also noted that, in periods of major technological change following the Industrial Revolution, some societies failed to act on new economic opportunities. This resulted in a decline in their prosperity, increased income inequalities, degradation of their social environments and a deterioration in the health and wellbeing of the population (including a reduction in mean height).

In a period of major technological and socioeconomic change, it is difficult to predict how well societies will do. In social terms, the United States is having considerable difficulty. Since 1970, poverty, suicide and crime and delinquency have substantially increased among the young. Although the unemployment rate is low compared with those of other countries, this masks a dramatic change in the character of work and jobs that entails substantial dislocation and loss of income, with all of the attendant social and human stress (21). The substantial increases in income inequality and child poverty in the United States since 1980 (22) are important indicators. In contrast, Canada has shown much less change in income inequality and little increase in child poverty rates in this period (22), while the Russian Federation has shown a dramatic increase in income inequality and deteriorating health status in the population (22–24).

How societies cope with change affects the prosperity, health and well-being of the population. Life expectancy is correlated with income inequality (25,26) and economic growth (27). Thus, societies that maintain reasonable social cohesion and equality may be the ones that will best protect their populations during the current technological and economic changes. What can societies do?

### **The role of public policy in periods of major change**

Knowledge of the determinants of economic growth, human development and health and wellbeing indicates that two primary goals of a society during a period of major technological change should be:

- to adopt policies that promote economic growth, based on the new understanding of the determinants of economic growth, not business cycles; and
- even with diminished resources, to help to maintain communities with stable, cohesive environments and civic societies that sustain people in useful, satisfying employment and minimize negative effects on early childhood development and vulnerable members of the adult population.

On the basis of Paul David's observation about the change from steam to electricity (28), building new economies based on the chips-for-neurons revolution may take another 20–30 years. Societies that appreciate the time frame of the current changes and the importance of maintaining

stable, cohesive social environments as they build new economies will probably be the effective democracies of the next century. This requires long-term vision and commitment.

From the perspective of economic growth, current institutional structures, policies and incentives to invest in the new economy are weak, while the incentives to speculate in global financial markets are strong. Unless countries can set up policies and incentives to give high priority to investing their savings in the new economy, they will have difficulty sustaining prosperity and could suffer the decline experienced by some during this century (29), with corresponding negative effects on social policy and the social environment. Social policies will depend heavily on the health of the new economy.

Job insecurity resulting from economic change affects the health and wellbeing of individuals; these in turn affect people's role in society and in families. Attempts to sustain reasonable job security are important in sustaining cohesive societies that can better adapt to change.

Since the new economy requires a high-quality pool of human ingenuity, priority must be given to investment in and mobilization of resources for ensuring a high-quality social environment for early childhood and taking account of the revolution in family structures and the effects of economic forces on these structures. The understanding and commitment of individuals in communities influence the quality of social environments (30). People in communities can organize themselves to provide financial and other resources that meet their needs at all stages of life. Civic societies tend to have horizontal groups that cut across vertical structures and narrowly focused interest groups (30). These horizontal groups bring together individuals from diverse backgrounds to create better understanding and cooperation in responding to the challenges facing the community. Communities with such groups appear to be better able to compromise, keep their citizens involved in useful activities and support their systems of local governance.

If these strategies are part of the mechanisms to help societies adjust to change, they have implications for the social policies of central governments. Government support for communities should be allocated in a manner that strengthens the horizontal networks that help sustain communities. Despite pressure from groups with narrow, short-term financial

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or other interests, governments should resist changes in programmes that will undermine the civic quality of our societies. Changes in support for communities should be tested against how they will influence civic quality. In the socioeconomic adjustments associated with major technological change, unemployment, low-quality jobs and negative effects on vulnerable groups will all increase. Adjusting the standard of living and providing support for all groups during periods of change are difficult tasks for societies. Success requires policies that sustain meaningful work and reasonable income distribution, and avoid control of the political process by interest groups that have no commitment to the broader society in which they live.

We should remember that a society that allows its social environments to deteriorate, with negative effects on early childhood, will ultimately pay a high price. If the effects of change damage a large part of the next generation and create a large underclass that cannot work in the new economy, successful members of society will have to use an increasing share of their resources to contain the underclass and protect themselves from it (31). People who have no sense of belonging or commitment to a society have little reason to value its laws and to support political freedom and democracy. In a recent essay, Dahrendorf (32) has argued that western societies are caught in a precarious balance between the forces of the new economy and the desire to sustain civic societies and political liberty.

Intelligent communities will understand the issues that have been discussed and come together to address them. Societies that engage in the chaotic individualism of interest groups and do not involve all parties in defining their problems so as to meet the challenges will probably not secure prosperity and political liberty for all citizens. Societies that express the needs of individuals in a social context will probably do a better job. Although the attitudes and values necessary for civic communities will largely be driven by forces at the local or regional level of a country, effective governance will be strongly local during the current period of change. Some see the current technological revolution leading to smaller units of government (7).

The effects of globalization create a need for larger forms of governance to deal with international issues that affect local development. The political characteristics of the future will largely depend on how effectively

existing governing structures cope with change and establish an appropriate balance between local government and other levels, which will obviously include stronger international institutions. Maintaining this balance will be difficult and complex, given the economic forces unleashed by the chips-for-neurons revolution, the pressures on social environments, the diverse cultures in the world, the different values in different regions, macro-political forces and the varying rates of population growth. Anglo-Saxon and western European forms of capitalism and social structures are already in place, and an Asian form is emerging. Regions that evolve forms of capitalism that are sensitive to their social context may be the most stable democratic societies in the future. Some appear to be framing their choices in two ways: economic growth and political freedom without social cohesion, and economic growth and social cohesion without political freedom (32).

The socioeconomic and political outcomes are uncertain. Current knowledge, however, indicates some steps societies can take to achieve economic growth, social cohesion, job security and political freedom during the current period of change.

The first step is to improve the understanding and integration of the knowledge about economic growth, health and human development, with emphasis on the present technological revolution and its effects on the determinants of economic growth and on social institutions. Societies should create incentives and institutions that will help to build the new economy. This will require a fundamental change in many policies, including those on taxation. These policies must be appropriate for a period of major technological and economic change, rather than business cycles. Societies could also:

- maintain high-quality social environments and develop policies and strategies to help communities with diminished resources sustain stable, equitable, cohesive civic societies;
- monitor the effects of socioeconomic change on vulnerable groups to assess how well communities are coping;
- ensure that the development and application of the new technology augment the social structures needed for survival and do not lead to chaotic individualism and poor social environments that will ultimately have a negative effect on economic growth and the health and wellbeing of humankind;

- ensure that everyone appreciates that the change taking place will considerably alter institutional structures and lead to new concepts of work, family, social organization, income distribution and governance; and
- help communities to ensure that people have work that is meaningful to them and their communities (this should be a primary goal of social and economic policy).

## Conclusion

I am optimistic that, if we use intelligently what we know about the relationships among the determinants of economic growth, social order, human development, and health and wellbeing during this period of major technological change, we will be able to continue our experiments in civilization and sustain prosperous, democratic communities. Integrating this knowledge and applying it are difficult challenges. Government departments and programmes and political institutions face substantial barriers to the integration of this knowledge and the development of suitable policies for the long term. If western countries can understand and accept the diagnosis of the current socioeconomic change, they may be able to develop appropriate therapies. This is probably the first time that humankind has had the knowledge base to deal with a major socioeconomic change. It is hard to predict which societies will cope best.

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# Labour participation and work quality policy: outline of an alternative economic vision<sup>a</sup>

Robert Karasek

This chapter outlines a new direction for policy on labour market activity – work quality policy – based on a new model of production organization. The model arose in the wake of rapid changes in work organization in many industries. The first section claims that the major models of policy – free-market-oriented policy (MOP) and social welfare policy (SWP) – do not take sufficient account of such developments. Omitting consideration of work organization issues from policy development has created major social dilemmas, including increasing unemployment; these necessitate a new approach.

The second section of the chapter formulates a new model of conducive production and exchange to fill voids resulting from the rapidly expanding use of the mass production or mass consumption model in the global free-market economy. This commodity model is narrowing the definition of economically valuable activity in society. New principles of social coordination at work, however, are visible in the new model of production. The new patterns of work coordination form the basis for a new form of production output value: conducive value, which is particularly significant in innovative manufacturing and service industries. This value

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<sup>a</sup> This chapter is based on a part of the final report of a project: *Labour quality alternatives, healthy work organization, and the global economy* (The Hague, Ministry of Social Affairs and Employment, 1996).

is developed in both workers and customers as part of a new form of social exchange that emphasizes developing the capabilities of individuals and organizations. This concept helps to broaden the definition of economically valid activity in society, and therefore the definition of valid employment opportunities. Adding the concepts of conducive production to the existing model of commodity production broadens the definition of economic activity. Along with the enhanced innovative capacity of conducive production, this can help to resolve the unemployment dilemma arising with globalization.

The last section of the chapter constructs links to existing models of social policy. Work quality policy rests on familiar foundations: commodity production for basic material wellbeing, guided by MOP, and a social welfare platform for all members of society, guided by SWP. Upon this platform, conducive production and work quality policy, based on horizontal social relations and adaptive institutional forms, could support democracy in society more effectively than free-market commodity production under MOP.

A major political dilemma arises from the current transition in work organization. The humane promise of the new forms of work organization, which embody a new concept of work coordination, is coming into collision with the traditional concept of output value: ever more aggressive MOP that emphasizes traditional, profit-oriented output measures. The flexibility demanded by *laissez-faire* capitalism – freedom from all constraints by social institutions on market exchange and finance capital – is different from the flexibility of creative and adaptive production, which is based on creative new forms of horizontal interaction at work and in exchange, and which builds new social relationships and creates social capital.

This chapter can provide only an outline of this broad thesis. Fuller discussion is available elsewhere (1).

## **Work organization: resolving current dilemmas in social policy**

### **Work quality as a basis for social policy**

A free-market orientation and social welfare form the usual bases for the development of social policy; work quality could form a third. Social

policy based on work quality claims that many of the costs and benefits of work activity are transferred to people's lives as citizens and consumers through processes of social relation that do not fit the current market model. Work quality issues have major effects on:

- the innovation capability of companies and workers
- the stability of communities and families
- many aspects of health and mental wellbeing
- the strength of democratic institutions.

Some similar social policy approaches, such as the prevention approach, focus on eliminating unintended costs of production overlooked by the market-place. Social policy based on work quality, however, also focuses on generating new forms of benefit from the production system. Indeed, a new model of production, called conducive production, lies at the heart of this chapter and is proposed as the cornerstone of a new policy approach. This addresses the challenge of defining social policy as a productive factor, which arose in recent European policy discussions (2).

A simple example shows the contrast of the three types of logic mentioned above: MOP, SWP and the new work quality policy. Perhaps the most often discussed policy challenge in many economies is that low-skilled workers will face continually increasing unemployment in high-technology workplaces. Here, MOP recommends the lowering of wages and social insurance contributions to improve social welfare. The logic is that lower wages will reduce production costs. This will increase market demand, and lead ultimately to more jobs, cheaper goods and higher overall social welfare. Reduced social insurance costs to employers are claimed to be socially beneficial for the same reason. Alternatively, an SWP approach would redistribute material wellbeing and provide subsistence support for low-status citizens out of general tax revenues. Advanced models of the welfare state have defined a job as a basic right; SWP thinking about job design, however, goes little further, with the Keynesian dynamics of job creation seemingly forgotten.

In contrast, the work quality approach highlights the importance of work-related social activation in generating the effects of work and distributing them to members of society. In this perspective, jobs can be developed that increase the skills of workers: active jobs. When appropriately

designed, such jobs can train workers for still better jobs in the future and build self-esteem and motivation to engage in societal institutions in workers at all levels of skill. Such policies increase social productivity. Further, the social structures in the workplace, broadly defined, can strengthen the platform for civil democracy through similar mechanisms of activation, engagement and competence building. A second set of work quality processes emphasizes social cost mechanisms that operate for low-status workers. Social costs of the economic system include illness, disability, job insecurity, marginalization, inadequate skills and poor opportunities for skill use. Social welfare could be increased if the quality of low-status jobs were improved; this would reduce, for example, job strain and stress-related disability and disruptions of family life, thus reducing social costs to the affected workers and to other members of society.

Evidence for such results has come from confirmations of hypotheses about demand, control and association at work. Active work roles – with high freedom to use and develop skills, coupled with high demands (within reasonable limits) – lead to active engagement in the job and in social and political activities outside work, as well as to further growth of skills on the job (3–5). In contrast, passive work roles – with little skill, autonomy or opportunity for skill use, particularly when demands are also low – result in the loss of people’s skills and abilities and social participation on and off the job. According to another hypothesis with a large international research tradition (4,6–8), the combination of restricted opportunities to use skills and exercise autonomy with highly demanding work results in a high-strain work role, and heavy psychosocial costs in terms of mental and physical health risk (including heart disease and musculoskeletal disorders), absenteeism and turnover. An important moderating variable in these hypotheses is the social context of the work role, the third dimension: association or social support. The socially collaborative facilitation of skill use, and social and emotional support from people at the workplace, increase active participation and reduce the risk of strain.

The rewards mentioned – activation, engagement and competence building, along with social and mental wellbeing, work-related health, and family and community stability – are now at the core of current social debate. These are not the material goods that market-places directly deliver or the primary focus of the redistributive policies of the welfare state. Today, the work quality perspective might provide a more direct

pathway than either to the important results of social policy under discussion.

The focus of the work quality perspective on new models of production and exchange distinguish it from both MOP and SWP, but its prioritization of democracy and equality create an important similarity to the latter. Work quality policy focuses on the design of jobs as an integral part of economic policy; this opens new avenues for social policy discussion.

### **Need for new solutions in the labour market**

Social policy discussions today are too limited. In many countries, they hardly extend beyond the simplistic view that progress in social welfare ultimately depends on economic success in a global market economy. Free-market economic development will provide jobs and income, even for the poor, more effectively than government interference. The agents of economic growth are companies and their workers, and government's role should be reduced to limiting interference with markets, including the labour market, and to reducing the costs of production, which could harm competitiveness. This MOP stands in political opposition to SWP, the primary policy alternative in the twentieth century. SWP advocates a humane and democratic society based on government intervention to equalize the inequalities of distribution in capitalist production by ensuring basic necessities in the form of social services and an egalitarian and solidarist civil democracy.

While MOP and SWP are balanced in some countries (such as the Netherlands, Europe's current economic success story), MOP is beginning to dominate discussion in a larger set of more developed and less developed countries. Many political parties of the left now self-limit the redistributive and democratic participation goals of their original vision, in spite of continued or even increased popular support. They increasingly accept the logic that rapid, market-driven economic growth will most benefit all citizens, often adopting budget-balancing regimes to attain this goal. These cut public services and undermine the income of low-status groups. They yield policies so similar to MOP that many current political observers denounce the lack of real political alternatives: a vacuum of ideas about social democracy.

Although the nature of production and work activity has changed dramatically since the historic foundations of these two models emerged in

the nineteenth century from the work of Adam Smith, David Ricardo (MOP) and Karl Marx (SWP), little political discussion transcends the boundaries of this traditional debate. Significantly, SWP has never questioned the production model of capitalism, the nature of the value it produces or that the market initially distributes wellbeing. Further, SWP defines wellbeing – mass-produced and mass-distributed material wellbeing – in the same way as MOP.

The restricted definition of value in social production – overlooking labour quality and the quality of life in many other respects – is hardly surprising. This paralysing, restricted, theoretical construction of society's main evaluation of purposeful action lies at the centre of the modern problem in political economy.

Both Marx and the capitalist economists of the nineteenth century argued that all work is reduced to unskilled repetitive operations and yields only subsistence wages to all workers; thus, the only issue of concern was the quantity of such homogeneous human activity. There was no differentiation in labour quality (its quality is zero), and even variation in work demands (the maximum physiologically sustainable) was little discussed. At the core of this view are Malthusian assumptions about labour and value derived from observations of the working poor in England in the early nineteenth century. Workers were always on the edge of physical subsistence, pushed to the maximum of physical effort. Further, as Smith reasoned and Ricardo and Marx accepted, mass production processes would expand and skill requirements would decline towards those of an unskilled labour pool, yielding mindlessly simple and stupefying – but productive – work. Production output was defined only for material goods (indeed, only for the produce of land in early economic thought), was quantifiable in magnitude and had a value completely assessable by a quantifiable market price. This functioned as a restriction on the output side of the work process.

Of course, life has changed since then, but the analytical theory of modern economics retains many of these presumptions. The rigorous extension of this view (here labelled MOP) sets the terms of the current discussion on market deregulation and still assumes that labour remains only a commodity input of production, and that dynamic businesses must search for its lowest input price to succeed. A second set of assumptions

about the nature of labour quality and value could be the basis for developing a new economic model.

### **Current social policy dilemmas due to omission of work organization issues**

Social policy-makers formulate recommendations for a multifaceted social reality. They must compromise between multiple interests and cannot usually take ideologically limited positions. The increasing dominance of MOP in public discussions, with the strong influence of economically powerful groups in society, however, is narrowing the discussion of social options, and posing dilemmas for policy-makers seeking justification for a broader range of solutions. A brief review of five contemporary social dilemmas shows how many arise because of a simplistic view of the existing neoclassical economic method of understanding a complex social reality. In each case, the use of work quality models can reintroduce some of the overlooked pieces to help to devise more effective policy solutions (1).

First, strategies for economic growth based on low wages are inconsistent with the development of skilled labour that really supports economic growth. As the pathway to economic growth, MOP advocates low wages and reduced social insurance costs to employers. A different group of economists, however, notes that human capital development or investment in the development of workers' skills is the pathway that has led to the greatest success in the current global economy (9–11). Many problems of economic growth, including the short-term inhumanity of growth strategies in MOP and their lack of long-term success, are due to the omission of work organization issues. Understanding the processes of developing human capital requires an understanding of the processes of organizing work inside companies – skill levels and their coordination – which are overlooked in current discussions of economic growth. Human capital remains underutilized in many jobs in the modern economy because of poor work organization. In addition, the goal of innovative production is related to economic growth. Research clearly shows that the internal organization of work in companies determines whether skills generate innovation (12). Thus, a social debate dominated by MOP-based models of efficiency in commodity production, assessed in the short-term market-place, fails to understand and support the long-term increase in the capabilities of the workforce or the organization of innovative production processes.

The second dilemma is the omission of the so-called soft costs of production. Overlooking job insecurity, work intensity and disability risks means that the overall quality of life can deteriorate, at the same time as quantitative measures of output improve. Many measurements of the costs of production in a commodity-oriented global economy overlook soft quality-of-life losses in favour of hard material gains; the result is an unmeasured deterioration of life and working-life quality in the form of overload risks (13) and job insecurity. The effects on work quality of both too little and too much work are also overlooked. Little discussed in Europe is the downside of the so-called job creation machine in the United States. Although the United States unemployment rate, at 6%, is half that of Europe, the rates of job insecurity are far higher than Europe's (40–50% recently) (14–16). Current economic statistics ignore the toll taken by this fear, but it represents a major qualitative drop in social wellbeing. Also omitted is the increasing toll of stress-inducing production intensity: the physical and psychological demands of participating in ever more competitive work processes in the global economy. Actual disability costs are major underestimates of wellbeing losses. Workers experience unmeasured deterioration in mental wellbeing and quality of life in general; as a result of economic policy analyses, nobody looks inside the company to see the variable soft costs and benefits of work organization for workers.

The third dilemma is the omission of the soft benefits of production. The benefits of social relations are inseparable from effective output for the service sector, but they are invisible to the commodity economy, which needs service jobs to maintain employment stability. The goal of distributive equity in society is more and more being met by the provision of a so-called decent job to all members of society, a particularly important goal for women and for members of minority groups. The source of these jobs, however, is often the service sector of the economy, whose output is poorly measured by the commodity market-place. A major reason for this dilemma for public services is that all production – including service production – is increasingly adapted to a model of commodity production and exchange that covers only a portion of the spectrum of true economic activity. The market economy cannot easily make a full evaluation of services such as health care, education, and care for elderly people and children because the market-place does not measure the beneficial social relations involved in producing such outputs. Since much of their benefit is unmeasured, services are underproduced in the pure free market advocated by MOP.

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The historic transformation in recent decades is the placing of all activities – including services such as day care, health care and elderly care – into the market-place and then exposing them to international competition to increase their effectiveness. This effectiveness is defined according to a production model that does not fit the nature of the benefits that the services deliver. The privatization of services has created inappropriate pressures to reduce the production of service-like outputs in society, to reduce the wages of service providers and to limit social roles for women and members of minority groups.

Fourth, democracy is threatened by the success of the very commodity production structures that it engendered. Threats to democracy include the passive withdrawal of citizens from the political processes of society and an increasing power imbalance in economic institutions, which undermine the social security platforms of the past without replacing them. The weakness of civil democratic institutions to deal with this problem ultimately arises from the fact that the model of civil democracy developed to overthrow the absolutist monarchies of the late eighteenth century actually had no theory of a democratic production process truly consistent with its goal of empowering all members of society. It gave a model only for civil institutions.

Work organization affects society's potential for democracy by activating citizens in their political role in society through their experiences at work. Hierarchical theories of job design have dominated work organization in the era of mass production, and enforce a narrow specialization that results in industrial work that is monotonous, boring and dehumanizing. Such stupefying work is associated with reduced engagement in political activity and the leisure economy (17).

Civil society is a platform for economic development. An economy based on poor work organization could destroy its social capital platform in the long term. Robert Putnam's research into the tradition of horizontal networks in northern Italy (18) shows how a cultural heritage of democratic traditions constitutes an indispensable platform for creating a successful economy in a society. Work activity organized through the conventional economic model, to provide low-cost commodity production, may lead to negative results in the long term. Work that makes people passive over time (17) may destroy the capabilities for social relations of most of the population. It leads most workers to withdraw from democratic

participation outside the job, as Adam Smith feared (19). Passivization also diminishes innovative and adaptive capability on the job. At the same time, the dwindling few who retain opportunities for active work in their jobs play an increasingly dominant role in decision-making.

Finally, there is a growing mismatch between the new concepts of work organization and the concept of value – the definition of productivity – that new forms of work imply. The new examples of work coordination in many industries have a potential for humane, skill-developing, quality-focused, horizontal social relationships. They contrast with the current social conception of value from production, which focuses only on private profit and the possession of material objects. At present, the modern workplace is outrunning policy-makers, generating new modes of social coordination that contradict the simple profit motivations that still guide economic institutions. In this transition period, many social structures that used to protect workers are weakening, and new ones are not replacing them. Both the new coordination concept and a new set of societal goals for production activity must work in coordination if society as a whole is to reap the benefits. Social debate on the value concept is lagging far behind changes in work organization, and the failure to develop new solutions to the complex challenges of social development often leads to further retrogressive changes.

This chapter claims that none of these five dilemmas can be resolved by either creating more commodity value (or income) or redistributing it. Income inequalities obviously threaten democracy, but most solutions fall outside the standard policy prescriptions. Many political observers might disagree with this. They would claim, with validity, that the major social problem of the global economy is simply the maldistribution of income within communities and within and between countries. This is a very conventional value problem with an increasing need for resolution. While one could agree that the maldistribution problem seems as large as those listed above, this chapter claims that the failure to address work quality issues has eroded the democratic strength of the social structure, which must be the basis for a democratic society's control over capitalism. Thus, few solutions to either the income distribution problem or the other dilemmas above can ignore weaknesses in work quality.

The next section reviews the evidence showing that a revolution in work organization is under way and that it calls for a change in the value basis

of political economy. A new era of production involves at least two elements: the typical patterns of social coordination at work and a model of value that society places on the output of the production process. Capitalism's combination of mass production and commodity output value, which seems so securely established, is actually beginning to confront major pressures arising from the productive social processes of the new forms of work organization. Ultimately, these pressures will require the transformation of the output value system of capitalism towards conducive value, which facilitates humane social relationships in production, consumption and the community. A broad transformation process has clearly begun and thus today is a time of transition. Many discordant combinations of work coordination and output value, such as lean production, are possible. This chapter claims that these cannot be adequately understood using the terms of political economic discourse that arose in a past era of production. It is hoped that the outline of arguments presented will contribute to expanding the social discussion of new goals from production.

## **A quality revolution in work organization: a skill-based economy**

### **New work organization for industry**

Fundamental changes in the organization of work are occurring around the world. Workers have the potential to win their freedom from the rigid Taylorist principles of mass production. For organizational developers, researchers and social policy experts involved in workplace issues, these shifts make up a revolution. The world's best known business economists have contributed to the perception of a paradigm shift (9,10) with the observation that the most successful developing economies in the mid-twentieth century imply a new economic model. Wealth in human resources – not natural resources – and the configuration of markets and production supply networks now determine economic success and will do so more decisively in the future.

Taken together, these messages have an internal consistency: they emphasize the liberation of workers' skills and intellectual resources in flexible new production processes, where products are more adaptable than in mass production. Negative developments have also appeared, however: at the macro social level, the new work organization is occurring simultaneously with labour market transformations that are sweeping away old protective political institutions.

### *Potential benefits*

The end of hierarchy, worker participation in decision-making and intellectual capital as a major asset comprise a new image of the future that is certainly partly rhetorical. It is supported by such powerful economic institutions, however, that it could hardly be considered a utopian dream.

The new ideas appear in the business books and magazines of every advanced industrial society and in new corporate policies. For example, the *Business week* cover story on "The horizontal corporation" (20) highlights the flattening of rigid vertical hierarchies with many levels of bureaucracy, which reduces power inequalities. These hierarchies were insufficiently flexible to respond to customer needs in the global economy, and restricted workers' abilities to use and develop their skills. A second theme in the work reorganization process, designed to make organizations more flexible, is the need to expand individuals' freedom to make decisions. James Champy (21), one of the co-authors of the best-known programme for re-engineering, which has swept United States corporations and is arriving in parts of Europe, describes how "putting employees in the driver's seat" will increase the effectiveness of businesses. Giving power to the people is the unmistakable content of this message. Even the nature of investment capital in society has dramatically changed, according to *Fortune* magazine's cover story on intellectual capital as a company's most valuable asset (22); it discusses the value of the skills in employees' heads and implies a major modification in the rules governing intellectual property (23).

These transformations in micro-level work organization occur within the broader context of a rapidly expanding capitalism that is undermining occupational stability. This is leading to a second, threatening set of headlines, noting the end of the job, rewriting the social contract and the like. Many of the new directions for work organization are the joint product of many politically progressive and humane aspirations for a creative and democratic future civil society, such as the Scandinavian industrial democracy movement (although the worker participation advocated by re-engineering focuses on micro-level decisions and is usually more restricted than the broad institutional forms for industrial democracy (24)). Nevertheless, developments in industry around the world are moving much faster than political institutions. They pose a severe threat to the political structures of the past that moderated the effects of capitalism on workers and made possible industrial democracy. As old

production structures give way to new ones, the worker-based institutional structures that protected lower-status individuals in these production processes are undermined. Replacements to stand on the new foundations are nowhere in sight. The final section of this chapter discusses these topics.

### *The historical evolution*

To see how far models of work organization have come in the past decade, one can compare Adam Smith's founding vision of global capitalism in 1776 (19) with Michael Porter's *Competitive advantage of nations* from 1990 (9). Smith rigorously delineated eighteenth-century capitalism's emerging concept of production output value. The trade of mass-produced objects on the market was the basis of the wealth of nations. This major book presented a congruent model of work coordination in its very first pages (19). This model for manufacturing productivity was to be based on the specialization of labour, which Smith claimed was far more effective than the labour of the farmer generalists of the age. Such production was feasible because all products were identical, unaffected by customer whim or use. An entrepreneur would coordinate the specialized labour and sell mass-produced commodities in a mass market: the larger the market, the more profitable specialization would be. In Smith's vision, a country's economic prosperity depended on an analogous specialization in industrial development and free trade with other countries. This is the foundation for today's global economy.

Two hundred years later, new forms of work organization are becoming widely prevalent. Michael Porter's analysis of the conditions for economic success in the late twentieth century (9) rejects Smith's view of resource endowments as the basis of the wealth of nations. He focuses on human resources and particular institutional arrangements in the economy. Making one of the most extensive empirical analyses of current national economic development, covering different countries and industries, he validates many of the elements of this claim (9). Porter's four categories of contemporary economic development are:

- human capital development in a skilled labour force
- networks of suppliers
- active, demanding customers
- factors to motivate economic institutions.

Porter's categories are consistent with Piore & Sable's vision of a second industrial paradigm (10). It goes beyond mass production and rests squarely on the innovative capabilities of groups of small firms to combine to dominate their economic terrain, in contrast to the giant mass-production firms that used vertical integration and monopolistic markets to dominate an earlier era.

While Porter summarizes the international economic evidence, he does not present a new synthesis with the social impact that Smith had two centuries before. Porter offers no new model of human relations and no new concept of production value; he does not examine the social consequences of the new economic activity. The changes in modern economic life, however, have made these additional issues inescapable.

The implications for production output value generated by the new work coordination processes have not yet been clearly articulated. So far, an old concept of production value sets the terms and criteria for the public debate, using terms such as productive efficiency and profitability. An alternative interpretation of the essence of the new work organization is possible, however. With this new interpretation, one sees that the new forms of work coordination are inconsistent with conventional concepts of economic value. The result is a major political challenge for the future.

This chapter develops the implications of this new economic vision into a comprehensive model with inevitable logical consequences. Some examples of types of new work organization are used; they may initially seem similar to the examples cited above, but are often substantially different, with underlying principles that imply a social pathway with a markedly different direction. The new reality discussed here emphasizes production in the service sector, innovative and high-technology manufacturing, and research and development, although it also discusses examples of modified conventional manufacturing production.

### **Reintegrating specialization in skill-promoting, horizontal links to users**

For the new model to qualify as a humane economic alternative, the human being as a whole must stand at the centre of the production process, as an active person with capabilities far broader than the specialized labourer of mass production. An important twentieth-century realization,

missed by Adam Smith's 1776 vision of mass production and its present-day adherents, is that workers' skills and capabilities are not limited to ranges of specialized actions in productive work. Overspecialized job designs, such as those for an assembly-line bolt tightener or insurance form data entry specialist, seriously underestimate and then underutilize human capabilities. These job designs rigidly confine the possibilities for personal development of adults in the prime of their lives; this is inconsistent with emerging social values. The re-examination of some of the more dynamically creative and challenging forms of work organization consistently shows three themes:

- horizontal coordination in production, which involves combinations of capabilities;
- power equalization; and
- the dynamic linkage between customers and producers, which highlights the new dynamics of job creation and helps to identify the new form of value that is created.

#### *Broad recombinations of skills*

During the past two centuries, the modern world has created armies of specialized workers. Many jobs are far more specialized, for example, than those of the farmers common in earlier centuries, who had to cope with a broad range of problems to succeed. Specialized jobs in the current economy are the raw material for an alternative to specialized production: the recombination of skills in production. The challenge is to recombine the skills of workers into assemblages that can be useful to individual consumers – through more direct linkages to those who could directly appreciate these new forms of skill-intensive output – and indeed lead to the desire for more such products. New, integrative skills are needed to reassemble diverse specialized skills into new, useful combinations. Integrative skills are broadly available in the population, not just a small group of managers and entrepreneurs. Such numerous, locally developed skill combinations are the core idea of the new economic alternative to Smith's vision of specialization.

#### *Power equalization*

Job design from the perspective of combinatorial analysis, of course, would change the fundamental principles behind Smith's division of labour in production (19). The division of labour into specialized functions, which must then be re-coordinated in hierarchies by managers, is

the origin of vertical power relationships in the commodity production process. Thus, the goal of recombination has the potential to return to workers the power to coordinate their activities. The focus on new combinations by many individuals would generate a more horizontal set of power relationships inside the work process. This could be relevant at many levels of activity. For example, the combination of skills between two workers could assist a third, and departments of a company and companies themselves could combine into networks.

*A new, dynamic linkage between skill combinations and customers*

These skill combinations must, of course, be useful to customers. The possibility of many workers making new combinations, however, means satisfying the needs of many customers, not just a few, by employing diverse combinations in production. Such flexibility requires multifaceted communication and equal relations between customers and producers. Such relations provide the channels for feedback that allow workers to utilize their skills fully and then to increase them, by satisfying the dynamically developing needs of the customer. These feedback channels also give customers the chance to use these highly adaptive goods and services to develop their own capabilities.

Altogether, what could be called a conducive chain of association contributes to a new, horizontal economic dynamic of job creation and development. It could sustain employment in a new economic paradigm and form an alternative to economic growth based on low labour costs.

**Defining conducive production: linking users and producers through tool-like, skill-based output**

These simple concepts can be expanded into a production process and social exchange model that can generate skills and capabilities while meeting the needs of consumers. The name for the process involving networks of consumers and producers in skill-based production is conducive production (3,25,26). The model is called conducive because the output is based on skills, which customers and producers induce in each other as they engage in these new processes of production and market exchange. The primary mechanism is that the producer helps the consumer to develop his or her capabilities by delivering goods or a service that is conducive to the consumer's growth and development. Greater capabilities in the consumer will usually lead to a new set of needs

(stimulation) to use even more sophisticated, tool-like (conductive) goods and services in the future.

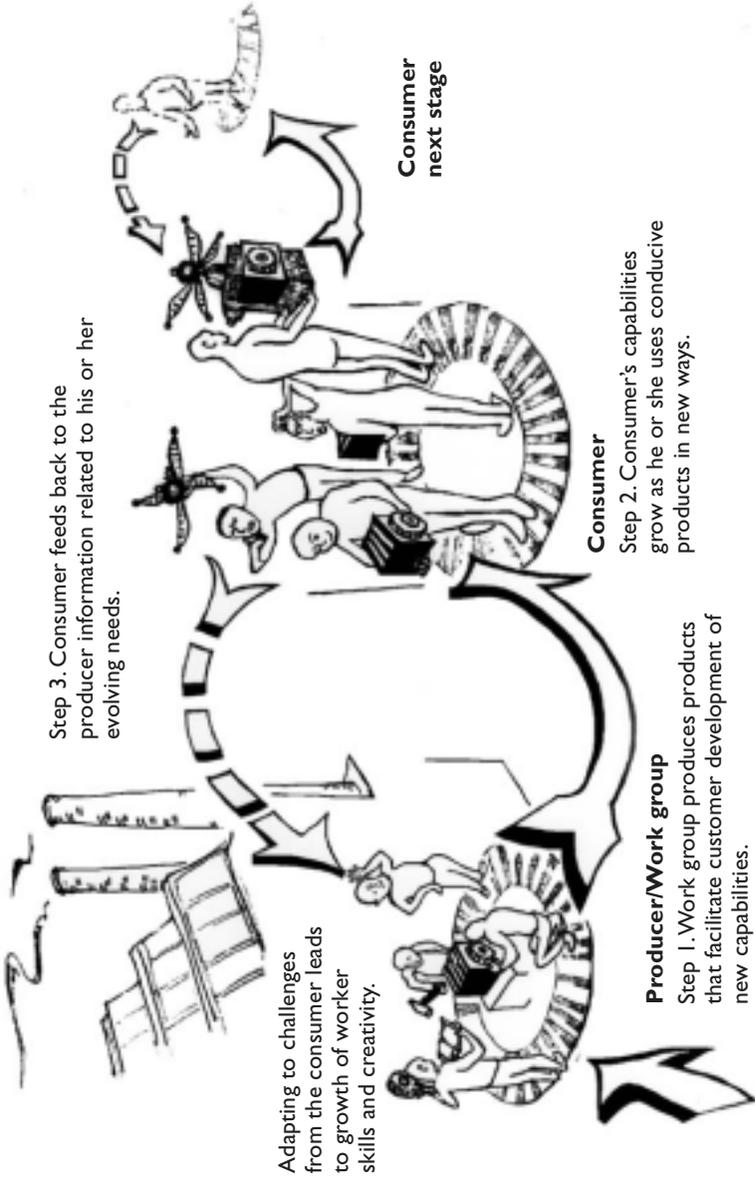
In the conductivity model, products are valuable because they make possible the growth of the customer's own productive capabilities. The producer transfers a tool to the customer. This tool could be a new set of skills or ideas, new software or indeed a material good used as an input in a production process. The conductive economic process, as shown in Fig. 8.1, addresses the potential for growth of human beings and their organizations, rather than providing the largest number of mass-produced objects, which is the goal of the conventional economic model. Securing the maximal development of skills in many individuals requires horizontal, self-managed forms of coordination.

The conductivity model is well suited to service production in health and education, for example, but also works for innovative manufacturing of products adaptable by consumers. A simple example of a conductive product is a word processing program for a computer. Perhaps the customer first purchased the program with the goal of simply writing letters to his or her colleagues. If the producer company's software is conductive, however, it can enable a customer to produce other kinds of document with relative ease. After some practice with the conductive program, the customer may find that he or she can use it to produce a company newsletter. This new production goal represents a growth of capabilities for the customer, and most likely results in a new set of needs. The customer will probably go back to the software supplier with a demand for a more sophisticated program that can publish the company newsletter with special layouts, inserted photographs, etc. This generates a demand for the next level of conductive product.

#### *Step-by-step process of conductive value development*

Fig 8.1 shows the step-by-step development of conductive value. In step 1, the producer produces a special kind of output for the customer, which leads him or her to develop new capabilities. Such conductive production – developing user-friendly and adaptable software, for example – requires that the workers actively use and develop their skills, take part in decision-making processes and develop an overview of customers' needs. The necessity of highly skilled production requires that workers horizontally integrate their own skills to ensure maximum effectiveness; thus, they are shown organized as a self-managed team. Their

Fig. 8.1. Conducive production



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understanding of customers' needs must result from good communication with them.

In step 2, the customer uses the new input (conductive value) to enhance his or her own capabilities, as if using a tool. For example, the customer uses a new program to write business correspondence. These capabilities appear in the ability to produce something for another customer in the next stage of production. During the process of using the new tool to assist expanded production, the customer, now a producer, must test and challenge his or her other production capabilities, becoming a smarter customer and expanding his or her skills. The customer has an idea for a new production capability: now, perhaps, he or she can produce a company newsletter with the software.

In step 3, as the new output takes shape, the customer forms a new understanding of what is really needed for the next stage in this new production process; he or she needs a better word processor to do this new job. The customer must express these needs in a form that a producer can easily understand and rapidly act on. Significant communication must occur between the customer and his or her suppliers.

This process generates a demand for a new product, a demand that has evolved from and been stimulated by the creation and use of the previous product. This demand drives a new form of economic development. It calls for a product that encourages the use and development of workers' creative capacities, leading to skills mutually induced in both consumer and producer. (In contrast, the demand for more products in Smith's commodity model leads to a larger scale of production and more specialized, stupider jobs.) The duality of these productivity-related benefits underscores the importance of symmetrical analysis of the actions of both the producer and the customer; consumption and production are inseparably linked (see also Toffler's *Power shift* (27)).

In addition, conductive production forms the basis of a new type of non-hierarchical social communication in production. It thus stimulates demand for skill-developing production and builds constructive social integration.

Evaluations of computer software – often a conductive product – illustrate the utility of this value framework to address the reality of modern

production. A piece of software is judged good, of course, if it increases the user's capabilities to do the originally specified job. As the user masters the program, this may suggest new applications and thus stimulate the need for both new products and a more sophisticated program. Bad software – low in conducive value – is just the opposite. Poor instructions or faulty operation may make learning a frustrating experience, and the skills learned may be impossible to apply elsewhere. This dampens motivation for related activity, and users will order no updated versions.

### *Examples of conducive production*

#### **Example 1. Combining new production organization and a new market: Sisu truck factory**

The Sisu AB truck factory in Finland is a successful producer of heavy-duty trucks for the local market, in stiff competition with international truck producers, such as Saab, Volvo and Mercedes. Sisu totally reorganized its truck assembly facility in the early 1980s to accommodate production of a new truck design (4) based on modular components to increase the adaptability of its product. The reorganization process – moving from line production to decentralized, group-based assembly – represented a well organized, participatory project for change involving all 250 assembly employees, as well as the engineering staff, management and organizational development consultants. It gave workers a vividly clear overview of the whole truck production process, and led to autonomous production based on work groups. This eventually allowed almost all of the workers to participate in the construction of prototype trucks for local trade fairs, which were crucial to Sisu's home-market success. This represented a significant increase in capabilities and responsibility for most workers.

Both the customer-adaptable product and the skill-enhancing work organization design have made possible new links with customers that increase sales. For example, workers affix the customer's company name to each truck body as it passes through assembly; this gives workers motivating feelings of accomplishment, since they may personally know the customers in south-central Finland. In addition, Sisu invites customers to watch the assembly of trucks when they pick up their own vehicles. This stimulates their understanding of how they might be able to use new modules or components to expand the usefulness of their own trucks in the future. The Sisu truck becomes an adaptable product, which can not only grow with customer capabilities but also enhance them. In

short, this flexible, decentralized production lays the foundation for future additional sales, an important ingredient for Sisu's success in the face of international competition. The Sisu process shows the self-sustaining aspect of conducive production.

***Example 2. Assessing conducive value productivity in the service industries: Enskededalen Elderly Home***

The second case study comes from the Swedish service sector. Medical researchers Arnetz et al. (28) redesigned jobs and activities to reduce mortality in a nursing home for elderly people in Stockholm. This work had broad implications. Many aspects of conventional medicine – in many of its specialties and elderly care – can treat patients as objects passively undergoing a process. In contrast, Arnetz et al. wanted to improve the health of nursing home residents by increasing their social competence and active coping ability. For the experimental group, the researchers hypothesized that care workers could stimulate increased activity levels and engagement in residents by learning about their previous life experience and building a support platform of personally tailored activity, which would contribute to an improvement in health. The new work routines, involving more direct social contact between residents and health care workers, increased both worker participation in the scheduling of health care activities and the activities based on residents' interests. The outcome of the experiment would test changes in the residents' activities and physical health. The experiment, as discussed by Karasek & Theorell (4), can be interpreted as measuring productivity – the effectiveness of health service delivery – by assessing the impact on clients' capabilities to live active lives.

The important innovation in this case study is to measure, as an output, the increases in clients' capabilities – their health, as reflected in their capabilities for activity – a measure of conducive value for the client. Here is a true measure of output value applicable to the service industries. This forms a strong contrast to the many conventional proxy measures, such as revenue per patient or patient visits per week; these are styled after the conventional MOP criteria that work for mass production and are increasingly used in the health services. While such measures are easy to quantify and may reflect production costs (labour input), they may have very little relation to the true output: client health. Indeed, sometimes they have an inverse relation to health! (29). The person who receives a service cannot be priced in the market-place to

determine the value added to him or her in the health care production process. Service clients often view the application of such models as indicators of a disturbing decline in the humanity and quality of care (30). The experiment at Enskededalen Elderly Home dramatically shows the difference between conducive and conventional commodity-based perspectives on the nature of productivity.

What were the productivity results in this new format? The intervention group showed a significant increase in social activities in comparison to the control group (4). In addition, clients often took over the organization of the activities, not just participated in them: a major increase in demand. Significantly, physiological measures confirmed an improvement in health status.

In addition, the health care workers involved experienced significant increases in job satisfaction. Indeed, absenteeism showed a clear decline in the job redesign groups after the first three months, to nearly half of the previous rate (4). Health care workers experienced a dramatic and positive change in their image of themselves as professionals; rather than just dispensing medicines prescribed by others, the health care workers were now performing a true service for clients: interacting with them and stimulating their development of capabilities. For the first time, many of the health care workers felt that their skills were being fully utilized.

### **Conducive value, needs, and properties**

#### *Reharmonization of work coordination and work value*

A new social dialogue must address the value that is obtained from production. The new models of work coordination described above set the stage for new concepts of output value for society. They bring new patterns of social relations – characterized by skills, groups, participation and so-called “co-” words: cooperation, communication, coordination, collaboration, etc. – and they come at a time when social aspirations are advancing.

#### *New definitions of value from production*

The physical or material output of the mass production economy, globally traded as commodities such as wheat, oil, steel and even computer chips, are at the core of the traditional capitalist model of economics

and production. The new directions in coordinating work organization, however, are consistent only with a different model of economic value: conducive value (value from production). Conducive production adds value to growth-capable entities, not inanimate, object-like entities. Current mass-production processes, often in what are now called smoke-stack industries to highlight their obsolescence, add value to an object by having labourers machine a piece of cast iron, for example; this object then becomes more valuable in the market-place. This product is dead: an inanimate commodity with no capability for development on its own.

This is fundamentally different from the process that adds value to human beings and other growing entities by teaching them new skills. For example, when a teacher helps a pupil to read or a doctor teaches an elderly person how to care for his or her diabetes, a human being gains the value. This is thus a new form of economic production, in which living, growing and developing entities – such as people, organizations and communities – occupy the central logical position.

Conducive production value is created within growing entities, as they expand their capabilities. This model might be said to be a skill-based model of economic value production, in which human capabilities are components. This alternative economic concept precisely fits many major sectors of the modern economy, particularly the service sector, which adds value to people through health care and education. Indeed, conventional economics cannot measure the value of service output, because it cannot evaluate the developing attributes of living entities. This is a major problem when one lives in a service economy.

The skills of both the producer and the consumer determine the nature of the output value. In addition, growing entities can add value to others, or to physical objects, when they take action in their own environment. The conducive value model places the active human being in the centre, both as the creator of value and as the target of value creation processes.

Skills are not bounded and limited like material objects, but inevitably expand and link to other skills. Skill combinations are discussed below; conducive value lies in the association of skills, not the things themselves (23). Value can lie in the association of potentially integrable capabilities when they are brought into a new configuration: a team of

workers, a well integrated set of computer programs or the elements comprising a good real estate investment package. A variant on the idea that the whole is greater than the sum of the parts, this new type of value arises from the special attributes of the combination, not the utility of the original inputs or separate capabilities. The association of capabilities has value because of its future, as well as its present utility: this value model is well suited to growth processes and long-term development.

Thus, part of the value of a conducive product lies in its ability to support association. Computer software demonstrates the aspects of conducive production that facilitate the development of both skills and constructive association. A good operating system increases the associativeness of computer software, because many more computers can run the same program with it than without it. Operating systems can promote the integration of separate programs, serving as integrative facilitators, hooking together capabilities in larger numbers than would otherwise be feasible. Of course, an operating system that is difficult to communicate with provides no such advantages.

Conducive value, while unfortunately invisible to the central discourse of political economy, is important in the current economy. Defending the importance of a concept closely related to conducive value – intellectual capital – Stewart, an editor of *Fortune*, one of the largest United States business magazines, claims that knowledge has become the most important factor in economic life (22,23). It is the chief ingredient of what people buy and sell, and outweighs physical or financial assets in importance to success.

#### *Historical basis of and limitations of commodity value*

The concept of physical objects as the basis of commodity value derives from an earlier era, when society's most valued outputs were indeed physical objects, often created by adding one's labour to natural resources: for example, farming a field to produce crops. In 1690, John Locke (31) defined private property as the output of an individual's activity that society should be most concerned about developing, distributing and protecting. The concrete, clearly observable and measurable object, separable from interaction with its surroundings, is the basis of materialism and the modern economic theory that soon arose. Locke designed his intellectual construction to attack a seventeenth-century monarch's

claim to control the wealth of his subjects. Locke's more democratic social construction was based on the right of each individual to enjoy the fruits of his or her labour. This was a value concept for society that would stimulate the productive use of countries' resources by encouraging many individuals to develop the physical resources around them. It was a theory of value based on labour and physical products, primarily agricultural output. Today's challenge, however, is to develop human resources.

The properties of conducive products are the logical opposite of the typical properties of the material objects of commodity capitalism. Packaged value is often limited in time and usually consumed in a short-term process. Commodities are bounded so that they can be evaluated in the market-place and controlled. Using old forms of commodity value, however, can inhibit productivity in many current applications, including not only health care but also computer products. In the case of computer products, the rigid boundary that must be drawn around commodities inhibits the dynamic connectiveness that is the most productive new feature of such intensely conducive products as the Internet, operating systems and the Java computer language. Institutions and governments basing policy only on an older form of value could soon find themselves at a significant disadvantage.

In such a new value system, commodities need to be evaluated by a new standard: their ability to facilitate the development of capabilities (skills) in living entities, human beings. Tool-like objects can be conducive when they facilitate such development. A developmental approach to production is, of course, known as innovation; the value of innovation (or research and development) has been especially hard to define in conventional economics.

### **New definition of needs: capability-created needs**

#### *Motivation and the evolution of needs*

The ability to generate socially meaningful roles – jobs – for its members is the *sine qua non* for the existence of a modern society. People's work in meeting others' needs, validated by society as jobs, ensures the validity of the social roles of production and exchange that give meaning to modern social life: the job, social participation and citizenship. In earlier societies, the most important challenges related to production

efficiency, because nature already clearly defined the needs for food, shelter, etc., but that is slowly changing. Developing need-creating social mechanisms has become a central requirement for a society to ensure its jobs, or for a company to ensure its customer base, when it has moved beyond biological needs. In advertisement-stimulated, mass-consumption society, Pavlovian conditioning is used to whet appetites for additional goods (32). The conducive process is very different from such conditioning, however, and involves the innate desire to increase the competence of all living organisms (33).

Conductive production creates needs through the development of skills (see below) as a result of a social interaction between actors of relatively equal status, in which needs and capabilities are assessed and capability growth is a goal and motivation of both producer and consumer. In the conducive economy, needs are endogenous to the model: they are created inside the processes of production and consumption. In the traditional economic model, needs are exogenous, outside the production and exchange process, and the result of pre-existing tastes.

A typical conducive product – education – illustrates other major distinctions between conducive and conventional economic value. A little education, rather than sating the desire to learn about a topic, may whet the appetite to learn more and lead to further growth of capabilities. Economists have noted this with concern, since this violates the fundamental neoclassical economic law of diminishing returns. In addition, this example undermines the value of scarcity, the most fundamental postulate in commodity economics: that scarce goods have zero-sum value. What one person takes from the budget, another cannot have. The zero-sum concept is certainly appropriate for allocating the most basic necessities, such as food and shelter, and mass-produced objects of all kinds. The value of education, however, cannot be dealt with in this way. Lessons may be taught over and over to many individuals, never losing utility for anyone just because they have already been taught to someone else. It is interesting to contrast the value of the skill of baking a cake to the value in the cake itself. The cake itself has conventional zero-sum economic value; one literally cannot have one's cake and eat it, too. One can, however, teach baking to many people and not lose one's own skill in the process; indeed, one's skill might increase. In economic terms, the value of the skill is not alienated from its producer during exchange.

*The dual process of motivation and conducive need creation  
in the creative extension of skills*

Most fundamentally, needs in the conductivity model come from human capabilities that people want to use in a socially constructive manner. Carpenters want to build houses; musicians want to play music. The desire to use one's skills is the natural motivation of any living and growing organism, arising from the anticipation of how these capabilities could improve one's life and the lives of others. As skills thus create the needs for their own use, they generate the demand for the potential employment of other individuals in society. Skills beget skills in a sophisticated, well organized society in several ways. While conducive needs do not supplant more basic biological needs, they provide one answer to the question as to where truly socially constructive new needs (as opposed to induced appetites) are to come from in the future. In a conducive economy, people are paid by their opportunity to be active participants in a socially creative activity. Of course, users, facilitative settings and conventional resources may be needed to allow such situations to occur, but the net conventional costs may be zero because the activities are productive.

The example of jazz indicates how needs become socially endogenous. The production process of creating jazz creates not only the output for consumption by the audience but also the demand for more jazz. The producer reaps immediate advantages. The positive responses of the audience build the producer's feelings of self-esteem: he or she can do something for others, and this makes him or her feel good, and further motivated to create more jazz. The spontaneous process in which production capabilities and users' response stimulate each other synergistically is central to the musical form of jazz, an art form characterized by its participants as collective improvisation or a dialogue among equals. Jazz musician Curtis Fuller uses his skills, stimulates the audience and develops further motivation to do even better in the process (34):

If I play [a jazz passage] and I see someone sway or someone says, "Yeah!", I'll stay right on this because they understand where I'm coming from, and I've got this going for me. Then he'll say, "Yeah, baby!". When I get that message, the guy in the audience is saying, "I'm still there. Come on, run it by me again," (Fuller laughs), you know? Sometimes, I'll keep the thing going there. I'll deal with that phrase and expand on that, develop that. Then you'll hear him say, "Yeeeeaaaah!" or "Heeeeyyy!". And when I see those

little interests tapering off, I'll say, "All right now, come on. Let's try something else and take it another way". I'll put something else out there in my solo, and I flirt with it to feel them out to see, what the response would be. It could be something melodic or rhythmic, something like a quotation, but not a gimmick.

Just something that would stir up their interest. When I get that audience around that, they won't let me off the stage.

Skills do not exist in isolation; they need to be socially combined as well. Whenever individuals gather, there naturally arises a question about what they could do together. Three individuals might be an architect, a bricklayer and a carpenter. Using their particular skills, together they can create a beautiful house, a valuable product ensuring not only their own wellbeing but also their sense of worth and social esteem. None could create it alone. Thus emerges a social need for creative production. The chance for the complementary combination of skills by two individuals can provide much more motivation to act than the practice of a skill by a single user alone. Motivation need no longer be understood solely as the monetary gain from individual subcontracts: part of people's motivation is their desire to use their skills productively, to be creative and dynamic together. A grouping of capabilities is thus defined, and in a social manner: this group wants to complete itself. Each member feels the value of the potential that would result from completing the production combination.

*Prerequisites for a conducive economy: basic material wellbeing and social trust*

The postulate that conducive production is relevant in situations going beyond biological needs sets the fundamental prerequisite for a conducive economy. Basic needs must continue to be satisfied; otherwise, more primitive motivations will return to dominance. Basic human needs must be satisfied if the individuals in collaborative work roles are to develop trusting relationships. Social relationships must be of the type described as weak ties (35), as opposed to strong vertical relationships or family relationships. Thus, the conducive society must diminish the responses of survival insecurity by making material necessities broadly available, diminishing biological needs in so doing, and by strengthening appropriate platforms for family and community security. Insecure situations – in which food, shelter, health care and social respect are threatened –

should be minimized. These induce primitive defensive behaviour and emotions, inhibit trust and thus preclude the sophisticated social activity of networking (36).

This means that a conducive economy requires a social welfare platform. Situations of insecurity may have been the norm for our ancestors, and were, of course, the norm for humankind's animal ancestors, from whom we have inherited our survival-based neural circuitry. Thus, insecurity shaped the central value model of early eras and limited the possibilities for progress towards sophisticated production. Value systems stressing the survival of the fittest imprison the societies that hold them.

A second basic requirement operates at the social level: trust. The economic importance of trust (37) is shown in Robert Putnam's contrast between the economically prosperous northern Italy with the autocratic and economically less dynamic southern Italy, both in the 1300s and today (18). This illustrates the reciprocal causal relationship between trusting associations, strong patterns of community association and economic success, and their long-term heritage. Putnam calls this the civic platform (18):

The growing prosperity of the northern Italian city in the 1300s depended on credit, and credit, if it were to be provided efficiently, required mutual trust and confidence that contracts and the laws governing them would be impartially enforced (etymologically, "credit" derives from *credere*, "to believe").

### **Creative coordination of skills in conducive production**

The importance of integrating core competences (integrated bundles of skills) for modern business success is the subject of Hamil & Prahalad's best-selling *Competing for the future* (38). They label it the key to strategic success in the new coalitions in high-technology industries (39). Competence building in turn depends on integrating skills: blending, borrowing, balancing, focusing, converging, learning, recycling and co-opting. These are all activities to be undertaken either by departments in large firms or by companies themselves. Hamil & Prahalad clearly highlight the differences between their recommendations and those of budget cutters, driven only by cost-cutting techniques. They claim that budget cutting is not a creative activity, but is analogous to MOP wage-cutting recommendations at the macro level.

While Hamil & Prahalad document the importance of a new set of principles for activity in industrial life, they speak only to managers, particularly of multinational firms, about how to adopt a new set of tools for conventional business success. The same is true of the majority of business books about new, creative management techniques. Perhaps the fundamental difference between them and this chapter is that the latter finds the new mechanisms for work coordination relevant for every man and woman in society, not just corporate executives, and differs on the goals towards which new principles of work coordination should be applied.

These are hardly whimsical notions: self-motivating groups of workers provide one of the greatest sources of innovations in high-technology industry. Organizational development researchers use the term communities of practice to describe groups of skilled workers who come together in learning-focused groups to extend the knowledge in their areas (23,40). These are of dramatic importance to innovative product development in many high-technology industries, and are broadly relevant to many forms of problem solving. Stewart (23) discusses how, in loosely structured, non-hierarchical, and non-managed groups, workers and professionals interactively extend their common skills: “they ... use each other as sounding boards, teach each other, strike out together to explore new subject matter”.

#### *Self-integration of skills at all levels*

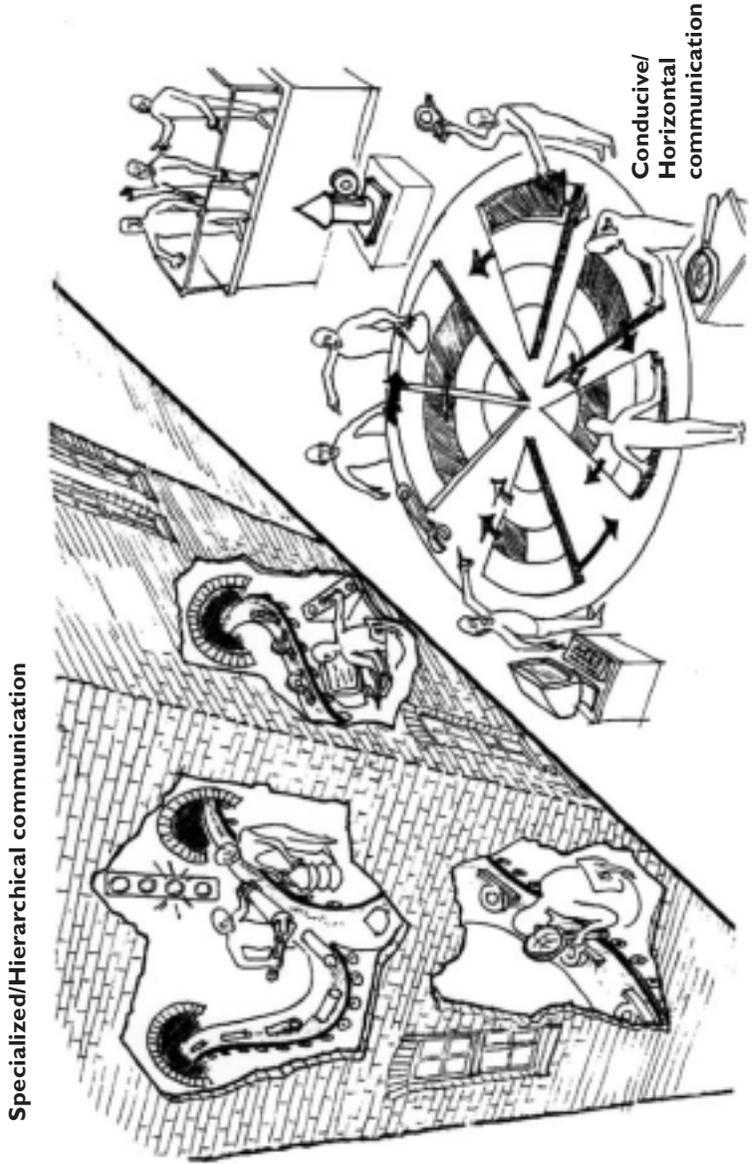
For the new model to qualify as a humane economic alternative, the production process must centre on the human being as a whole. The skill breadth of shop-floor workers shows in photographs taken for job redesign activities. These pictures, surrounded by the multiple skill areas needed in the production unit, are used for discussion in the work group (41). In these meetings, workers inevitably show that they have many skills beyond the one skill sector in which they are actually employed. These skills are often not being utilized; still, workers would like to learn many new ones. In today's specialized workplace, the whole human being, with the full breadth of human capabilities, struggles to break out of the narrow confines of a title on a conventional organizational chart. Such charts depict the chain of command and the tightly defined, specialized roles of the individual (42). They use a linear descriptive form, but miss the multidimensional breadth of real people in modern society. These skill images show the social resource as a very new form of production.

The current situation in the workplace discourages workers from forming their own overview or personally engaging in creative integration with other workers. The left side of Fig. 8.2 shows the encapsulated understanding of workers in specialized situations, who are encouraged to concentrate only on their own problems and not to understand the work of others (41). Certainly, this offers a negligible possibility of their grasping an overview or the whole picture. Of course, workers' invisible knowledge, beyond their formal job descriptions, is valuable. Ehn (43) describes the futility of trying to force such knowledge into hierarchical job descriptions and systems models of plant operation. From the perspective of conducive production, the tacit knowledge of specialized workers is a useful and necessary beginning, but not enough by itself; knowledge from cross-group collaboration is needed to create new combinations of skills. In the workplace today, workers are discouraged from learning the communication strategies that would allow them to create new interfaces between their skills. The goal for change is to develop broad types of understanding for people who have been forced to start their working lives in restrictively specialized situations.

The fundamental requirement for a new division of labour is to enable workers to get an overview, to understand the potential of new patterns of labour combination and to evaluate different alternatives so as to select the most feasible, as shown on the right side of Fig. 8.2. Participatory processes for job redesign have the goal of activating workers on the shop floor, who have been farthest removed from managerial planning overviews. These processes can use integration and overview development tools to facilitate such communicative learning, and thus bring workers into the redesign process. This occurred when I used such tools among shop-floor workers with little formal education in small manufacturing firms in Sweden (44). Workers are sometimes unaware of the power of this type of knowledge, because they are normally discouraged from using it. With supportive management and the help of overview tools, however, shop-floor workers in job redesign projects undertake complex initiatives in work planning.

Such recoordination processes could be organized in limited versions that differ only superficially from current mass production patterns, or into very sophisticated forms in which both producers and consumers are capable of understanding each other.

Fig. 8.2. Communication for work coordination



### *Decentralized production via creative coordination*

Consumers can begin to use specialized production capabilities only when these are integrated to fulfil larger functions in the lives of common people. While such integration can result in products sold in the marketplace with conventional financial rewards to the producers, this kind of reinforcement can also happen without the exchange of commodity-like products, through skill-related communication that creates and exchanges conducive value. The known or even the expected expression of awakening interest from an emerging user is a powerful motivation for individuals to integrate their skills. The motivational energy to organize the production process – conventionally the entrepreneur's job – can easily come from the user's direction; providing a product for a clear and important use could motivate two skilled people to combine their capabilities.

Conductive production uses creative coordination mechanisms, which do not need the hierarchical control of an entrepreneur to link customers to producers and to organize workers according to production tasks. Instead, workers and customers create these links in a decentralized manner and with much greater opportunity for communication. Creative coordination does not need a single, central genius doing all the organizational thinking to ensure that producer capabilities and consumer demands meet. Decentralized production in networks of relatively small-scale producers – each with freedom of operation, equality in power status and links to customers – accomplishes the coordination goal. Creative organization occurs at many points in the system, not just a few.

While demands in conducive production have the self-sustaining quality that is good for economic development, they also have natural limitations, which prevent overheated economic activity. Demands are kept in a middle range, which is healthy for human activity, because of the requirements of direct human contact: norms of fairness and the limitation of conducive needs by the limits on one's own energy. Increased demands in commodity production come from managerial control and the drive for increased profit; these are limited by the relative equality of roles in the conducive production process (45,46). A fair contribution by each party becomes a dominant norm. Second, self-limitation of demands in the conductivity model comes from the fact that consumers must make their own contribution – as co-producers – to develop demands in a conducive manner. Thus, one's own consumption of education

or even theatre visits is limited; while enjoyable, these activities can also be said to be demanding (47).

In contrast, levels of demand in the commodity economy have no such intrinsic limitations, owing to Locke's definition of value from production as the accumulation of property. One demands as much as one can pay for, and a thriving economy places no limits on greedy impulses.

### **Social exchange and the social properties of conducive production**

#### *New bridges between consumer and producer*

The goal of the conductivity model is to supplement the existing market and production model with an alternative, in which productive activities contribute to the creative development of the social fabric. In the conventional economic model, production is a narrowly bounded activity involving stable groups of participants and long-term social organizations, and using special jargon not understood by outsiders. Market trade, on the other hand, often occurs between strangers with no previous interaction or expectations of future social interaction. Indeed, the fact that the market can work without contributing to building up the fabric of society means that energy is often diverted away from socially integrative activity.

In the conducive economy, the exchange process – the market-like activity between separate economic actors – represents the same creative combinatorial activity as does production, albeit with a less permanent group of participants. These network-linking activities in exchange – social exchange – are actually part of the production process in which capabilities are created; they build creativity and value. At the same time, they comprise a more elaborate market-like trading activity than the conventional model of the commodity market enables. The original, commodity-based model of economic man was the result of Jeremy Bentham's late-1700s model of man as a utilitarian social calculator in the market-place, with a limited budget and a set of predetermined preferences for goods. It implied only two activities, separated by the market-place: making things of value for the market-place and selecting (or buying) there. Simple communications about price and quality between buyer and seller link these two activities. The model for conducive production and social exchange doubles these categories to four, which cross the

boundaries of the commodity market, creating direct contact between producer and consumer, even through several levels of exchange. This boundary spanning enables new forms of creatively productive social interaction such as user-friendly design, production processes organized according to strong user needs, partnership in innovation stimulated by users who honour producers' capabilities, and need definitions organized according to strong productive capability (see Fig. 8.1).

Social exchange no longer requires the social anonymity and thus social alienation of the market-place to function in the most effective manner. Indeed, it requires sophisticated, horizontal forms of creative coordination and communication, and information about mutual needs and capabilities; both are common today in mass-production industries. Habermas (48,49) discusses a new communicative rationality to supplement the existing technical rationality. A location where this synthesis is being developed is a dialogue-based action research programme in Sweden (50).

The creative coordination mechanisms of conducive production require broad communication strategies: the transfer of information beyond that on price and quality. More direct horizontal communication between production worker, designer and consumer allows the changes in customized and creative products to be specified, checked, updated and stimulated. When these linkages occur between companies, networks are formed that produce both commodity and conducive value. Analyses of successful joint ventures show that they are like cooperative social relations between individuals: they require the sharing of control (which in turn requires trust) and the long-term investment of resources to build the relationship (51).

*From skill integration to the creation of social trust in the community*

Community, especially in nostalgic recollections of socially integrated past eras, means joint production. The community's integration depends on its members being integrated into productive activity, not just living as contiguous consumers. In the past, a blacksmith, a miller and three farmers with adjacent fields, for example, assisted each other at their work, dividing labour among themselves, with the result that the combined efforts of each were needed to sustain life's most important activities. In today's dormitory communities, neighbours have no relationship in terms of joint productive activity, with the unsurprising result that they lack a sense of community.

Since the participants in conducive exchange are not socially anonymous – as they are in the commodity market-place – the rules for social exchange can reinforce the social fabric of communities. They can cement creative associations of producers and consumers at all levels, building the strength of community networks through the day-to-day experiences of creative collaboration on an equal basis, and can embed families in a social environment that is more supportive.

The first step is the development of conducive skill combinations between individuals – and consumers – to form new capabilities for social relevance, similar to those described in the communities of practice above. I witnessed this process, in which informal combinations of skills created new capabilities, on trips to networks of small businesses in Emilia Romagna, Italy. I saw groups of small-scale proprietors (with fewer than 20 employees), who owned surprisingly large milling and grinding machines, collaborating in their use to gain the business of giant German machine tool manufacturers. The German companies shipped the heavy tool beds for their premier products to northern Italy, hundreds of miles away, for processing, owing to the exceptional quality, flexibility and prices offered. Such an integration of capabilities represents a skill accumulation: a small piece of conducive capital with long-term value. It also builds the social fabric of the community and region concerned.

At the community level, the accumulation of skills can reinforce the social platform. A small community in north-western Denmark, Holstebro, confronted terminal decline and migration of its active population with the closing of its last large-scale manufacturing firm in the late 1950s. Following an innovative new policy to save the town, Holstebro decided to invest in art and culture; it was hoped these two lively skill areas could keep young people in the town. Schools were founded and artists were given low-cost space. This conducive plan worked: music education synergistically reinforced theatre, and theatre reinforced studio art (52). Ultimately, this new energetic activity base gave Holstebro a second-stage boost: it became a regional retail centre with the business brought by the newly energized population. This in turn allowed the town to build the library and performance spaces needed to sustain growth through the 1980s.

Holstebro is an example of Putnam's collaborative civic platform (18), which creates economic vitality. Many urban renewal efforts in older

cities in the United States have followed similar redevelopment trajectories, in which artists' creative collaboration sparks broader social collaboration. Putnam, however, provided no answer as to where a good civic platform comes from to begin with, and begs the question by implying that it may take hundreds of years of good civic tradition. A conducive economy provides an answer: the civic platform that is good for both innovative economic development and democracy comes from the creative integration of the capabilities of citizens, who constructively interact over a significant period. In doing so, they demonstrate the positive social consequences of cooperation: they create social trust and then social capital.

Several preconditions for creating a healthy social context for this development are both outputs and inputs. These can lead to virtuous circles of positive development; vicious circles arise when the preconditions are absent. First, the satisfaction of basic needs, which is essential for conducive production, is often possible in production networks, since the productivity of such horizontally collaborative structures is high. For example, the members of high-technology communities of practice are usually well trained professionals with little career insecurity. Similar phenomena are observed in regional economies, particularly in regions committed to ensuring basic welfare. Increased job creation and lower unemployment reduced economic insecurity in the small manufacturing networks of Gnösjö, Sweden, in the 1990s, when manufacturing employment was deteriorating elsewhere in the country, and in Emilia Romagna, Italy (53,54). Second, relative equality of power in social relationships of production and trade allows conducive production to occur. Equality is also an output, however; over time, it helps to strengthen equality norms in society and democratic civic behaviour such as that discussed by Putnam (18).

Conducive cultures can be identified in regions of high technological sophistication. Saxenian's description of the cultural difference of the successful computer industry in Silicon Valley in California, versus the unsuccessful culture of Route 128 in Boston (55), clearly shows the importance of work organization on the broadest scale. Silicon Valley espoused egalitarian, open collaboration, based on cooperative, knowledge-based relationships, in the development of new high-technology products and markets. Route 128 fell back on vertical hierarchy and status as the basis for production decisions, and failed to generate the

winning product development and marketing dynamics. On the broader civic level, however, there remain questions as to whether the benefits of innovative production in Silicon Valley are spilling over into the surrounding society in forms other than human capital expansion. If not, this limitation would represent a difference from the clearly linked civic and economic development of Emilia Romagna.

The feedback about consumer need and local skill can become self-reinforcing dialogues (positive feedback loops) within communities. To benefit a particular community, the self-stimulating characteristic of conducive production must be demonstrated by the users, who will return their skills and active consumer demand to local workers and businesses. (The local community will not benefit in the long term if its conducive processes educate workers who then move to other communities or educate customers who shop only in the wealthy districts of a distant city.) A corollary to the need for these local feedback mechanisms is that areas of material poverty, joblessness, low skills and resulting local distrust must be assisted by outside resource transfers, delivered with long-term stability, in order to progress. While the goal is activation and skill development for local inhabitants, material security and local trust are prerequisites.

Another corollary is that non-conductive forms of production that do not sustain the social fabric can destroy it. For example, commodity capitalism can, by its very production rules, consume its social platform, the very platform needed to support the more active consumption that could sustain it. Deteriorated social relationships arise as a by-product of intense commodity production, even when it is materially successful. Competition leads to social mistrust among competitors. Specialization leads to lack of common viewpoints among disparate skill holders. Shifting capital to maximize resource profitability undermines security-providing social structures and norms. Material accumulation, not social relationships, become the measure of social activity. Exhaustion in consumers gives them no time to consume in a satisfying manner or to build social relationships in the family or community: the activities that reproduce the social platform. None of these effects is consistent with conducive economic development or even the goal of continued commodity-based economic growth. Commodity capitalism can create commodity value in the short term at high productivity levels, but it fails to regenerate the social platform for long-term growth.

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### **Why lean production, the just-in-time method and re-engineering are not conducive work organization forms**

Clearly, major misunderstandings surround the terminology for new forms of work organization. Cohen (56) says that, in France: “the very word ‘flexibility’ is taboo. It is seen as a code word for replacing Gallic solidarity with marauding American capitalism”. Such flexibility has come to mean the replacement of any form of work organization (any form of social organization with a contract) with the social insecurity of pure market relations; this is certainly different from the creative adaptation discussed above.

Additional confusion comes from the push for organizational change, often on the basis of standard recipes delivered by consultants, such as quality circles, total quality management, re-engineering and the just-in-time method (57). While some aspects of the work coordination process are similar to the conductivity model, most of the currently used methods have arisen in United States business schools giving priority to financial goals. Of course, some of the best-known methods have come from Japanese companies. Toyota’s so-called just-in-time method was originally titled by its Japanese developers the “respect-for-worker and just-in-time method” (58). When the name was translated for broad use in the United States, the first half disappeared.

The consistent goal of these methods of work organization is increased profitability of production (commodity value). People working towards this goal reduce employment levels and centralize the control of financial accounting in companies, in marked contrast to conductivity principles. While possessing the same democratic labels as the conductivity model and job redesign philosophies that have arisen from the industrial democracy movement of northern Europe, these change processes have often had a destabilizing effect on the wellbeing of workers. The language used undermines the validity of the vocabulary of processes for humanist job redesign.

A comparison of conducive production with lean production (59) demonstrates the difference. Both use terms such as flexibility, skills and groups, but the goal of lean production is capital rationalization, primarily to reduce the cost of commodity production. The output of conducive production is skill-based value. Lean production joins some so-called job-enriching elements with more stringent management controls

to eliminate so-called production slack in an effort to increase quantity output and reduce inventories. This is an unfortunate combination for workers: systems are driven to the point of failure, leading to working conditions described as management by stress (60), in which the prevention of any waste eliminates workers' last remaining reason for rest breaks. In lean production, the breadth of worker skills is greater than in assembly-line work, but not exceptionally so. Further, if old, centrally controlled decision structures do not give way to decentralized ones, more elaborate process control reduces workers' overall freedom of decision; this also increases stress.

Lean production's emphasis on the quantity of output overlooks any creative link between worker and consumer. Conducive production's links to the tool-like and quality aspects of a product or service (its capabilities) – instead of conventional economic quantity-per-hour aspects – can imply quite different results. Direct, multidimensional human relations between producer and consumer, with the creative quality noted above, modulate demands and contributions. With products intended to extend customer capabilities, production workers must use their skills to the maximum and develop their communication capabilities in general, for use with other workers, with customers and in society at large.

Clearly, many forms of so-called new work organization are mislabelled, representing only superficial changes in work coordination patterns, and in fact retaining old commodity value as the goal of production. The most significant changes in work activity remain for the future.

## **Economic and social implications of conducive production and work quality policy**

### **Disintegration of the social contract**

Recent developments in the social context of employment relations have created increasing job insecurity for many people. While new models of work coordination are coming into use by businesses large and small in many countries, they are being directed towards an old social goal: increased profitability of capital. This is giving flexible production a bad name with many blue-collar and white-collar workers. The traditional goal of profit maximization, originating from the freedom to control one's own property, was initially emancipatory: liberating the western

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world from control by monarchs at the end of the eighteenth century. Now, however, the increased flexibility of capital in the global economy is seriously undermining national systems of labour relations, a message resounding even in the mass media, which are slow to discuss workplace issues.

A source of the problem is that theoretical underpinnings of MOP take the perspective that labour is a resource to be allocated, like any other production input, for its most effective use in the production process. For optimal efficiency, a true free market in any resource, including labour, means that it must be able to be reallocated to its most productive use or instantly transferred to wherever it is needed. Economists call resistance to these requirements market rigidities or imperfections. Of course, such freedom brings insecurity of social relations at work almost by definition. The flexibility that builds competitiveness from the MOP perspective reduces all work organization to anonymous market relationships, and undermines civil society and democratic government institutions. Thus, the free-market economy now expands without restriction not only because the new flexibility of capital overreaches the national political institutions that used to moderate it but also because civil democracy is failing from within the nation state. In contrast to MOP, the conductivity model emphasizes that a strong civil society is the platform for both economic activity and democracy. It builds democratic social relationships into the core of society's production model, not just into a model for government that sits outside production and tries to regulate it from there.

Another source of trouble is the ever narrowing definition of what should qualify as economic activity. The definition is shrinking to cover only the activities that can compete in a global economic market-place: jobs in commodity production. Thus, many forms of locally valued social production lose their validity. The shrinking definition of valuable work, combined with a glut of production facilities in almost every commodity export market (61), means that workers in many countries face continual pressure for job loss. These add to the job insecurity problems described above and further worsen labour's bargaining position. An alternative, broader definition of economic activity and employment, such as that of the conductivity model, could return value to social relations – within the production process and as outputs of it – and restabilize labour's political claims.

A third part of the problem is the increasing flexibility of capital, which enables employers to move employment opportunities to the cheapest location much more easily than in the past. Without new criteria for the quality of the jobs created as a result, competing national strategies for economic development and labour relations take on an increasing beggary-neighbour quality. In visiting seven European countries in 1990/1991, I found that authorities in neighbouring countries were convinced that reducing social expenditure to entice employers to stay was the only strategy that would enable them to remain competitive. MOP teaches that such competition leads to the best of all possible worlds, but the result was simply cuts in social expenditure. No matter how well the people of the two countries did in material wellbeing, they would suffer a major loss of social benefits and new forms of psychosocial problems, which were not included in the tabulations of the social decision-making process. Ironically, this is happening just as previously invisible social losses are being shown to be clearly measurable and comparable between countries, and thus a suitable basis for new criteria for use in international discussions of broader social effects.

In the United States, currently the model economy for many European proponents of MOP, the new power of employers over employees has brought increased work intensity (62,63) and moves decision-making in production farther and farther from the shop floor and office cubicle. The central institution of the job – the basic social unit and thus the source of stability in a modern society of specialized workers – is under threat. The job has become a “social artefact that has outlived its usefulness” (64). This assault has moved with unprecedented speed in the United States, creating very high levels of job insecurity and undermining the social framework of communities with few compensating local advantages (14).

A change is occurring in the bargain struck between labour and capital in western economies since the Second World War (65). The social contract has evolved as the industrial relations system and relates to labour conditions, job stability, relative wages, trade union organization and collective bargaining. This contract is being rewritten. Multinational capitalism is taking a newly dominant position in the balance of power between capital and national democratic institutions, and between capital and labour. As *Business week* claims, international business is rewriting the social contract, but the population may not willingly accept this

one-sided bargain (66). The major conflict in political economy of the past two centuries is resuming. Much current labour and social unrest in Europe is directed at increased market integration and the social welfare cuts being made for that goal, particularly in Italy and France (67,68). Uncharacteristically critical attacks on the market model are coming from mainstream economic journalists and even from representatives of staunchly capitalist institutions in staunchly capitalist countries, such as the United Kingdom and the United States (68–72).

*Discrepancy between new work coordination and old production value*

The current situation differs from past critiques of capitalism. Realizing the humane potential of the new forms of work organization requires the reduction of current insecurity. The new critiques must tackle the challenge of new forms of production organization, new forms of value and new links between production and the social fabric. Understanding these new developments requires a clear distinction between a new coordination concept for society's work organization, and the goals for its use – the output value concept. For example, inconsistency between the means of new forms of production organization and the ends of output value can lead to disorienting and socially costly political transitions. The goal of many of the changes in policy made by multinational companies, particularly those with commodity-type products, is clearly financial: increased profits. A new set of humane-sounding slogans serves as a broom to sweep away old institutional impediments to change (73). While lean production promises new work methods emphasizing skill, teamwork and flexibility (and undermining trade unions), company profitability remains the prime goal, although its rewards may never touch the shop floor. In the United States, this discrepancy between humane language and inhumane larger consequences has led to a double-talk so pervasive that it has become the topic of the most popular cartoon strip in the country, Scott Adams' *Dilbert* (74). Unfortunately, such cynicism, as shown in the comic strip, can easily undermine the validity of many truly humane new social policy alternatives.

Finally, the new developments in work organization and certainly their implications for the creation of new forms of production value are far in advance of the political bargains between labour and capital, and can be destabilizing in themselves. These bargains comprise the political structures that formerly moderated the effects of capitalism. As new productive forces emerge, they can overwhelm these moderating structures,

along with older production structures; this occurred in the transition from a religion-supported feudalism to capitalism (75). The loss of moderating structures leaves low-status individuals institutionally unprotected, at the mercy of the productive forces of the dominant institutions. Combining new concepts of work coordination with old concepts of production value can yield a disorienting historical transition. New institutions must be developed to protect workers in the context of these broad changes. These require a new social consensus on the goals of production.

#### *Democratic social relationships and economic success*

The changing power relationships described are ironic in the light of current scientific findings about the relationships between equality and economic growth at the societal level. MOP discussions make it appear that society hinders the development of an efficient economy (76). Since the beginnings of both democratic government and the free-market economy, however, political philosophers have observed that the structure and stability of civil society are the platform for the development of the economy, not an annoying appendage to it. John Locke (31), author of the doctrines on both the democratic social contract and private property, makes clear that there is no economy without a stable social consensus on the value of money: it is the first social contract, and step one towards the free-market economy. The institutional direction of modern economics (77,78) raises this theme, using terms such as the concerted economy, the social market economy or the stakeholder economy. This emphasizes the contribution of a very broad range of non-market institutions to the coordination of economic activity in society; such contributions increase, not hinder, the adaptive capacity of society to produce.

Indeed, historical evidence shows that economic institutions in a democratic form – with horizontal social relations and social policies for the widest possible opportunity for education and participation – have actually been the most productive. Robert Putnam's influential research on the social structure of democratic and economically prosperous northern Italy (18) illustrates this point particularly clearly in contemporary Europe. The northern Italian region of Emilia Romagna, with extensive horizontal social and economic networks and strong democratic traditions, had become the wealthiest region in Italy by the 1980s, and was among the wealthiest regions in the European Community, ranked seventeenth out of 80. Within Italy, it moved from seventeenth place among

20 regions in 1970 to second place by the mid-1980s. Piore & Sabel (10) discuss egalitarian, trust-based social relationships as a platform for effective economic development (through craft-like flexible specialization) in northern and central Italy and parts of Bavaria, Germany. Similar industrial districts are Scandinavian: Jutland, Denmark (79) and the Småland region in Sweden (53).

Parts of Asia that have distributed income (and presumably power) in a more egalitarian way, such as the Republic of Korea and Taiwan, China, had faster economic growth than many Latin American countries, such as Brazil and Guatemala, where income inequalities were more extreme (80). Socially egalitarian economic programmes that went into effect in the United States after the Second World War, such as the GI bill, allowed all militarily active citizens to pursue a university degree with government support; this “pulled a whole generation up by their bootstraps, and put them among the most educated and financially well-off generations in United States history” (81). History provides many examples of rapid economic growth following democratic political change.

### **Limits of a partial market economy based on unequal exchange**

#### *Schematic diagram of the market economy*

The common admonition to be realistic and take the market-place viewpoint is often followed by a discussion of a very idealized market-place, deriving from MOP theory. This section examines the kinds of market relationships that do and do not exist in the late twentieth century. The purpose is to understand one major source of the emerging problems discussed: distortions of the market model itself. Fig. 8.3 presents a brief analysis of modern economic activity in a schematic picture of the modern money-based market-place. The transactions shown have replaced direct barter between parties, which allows a much more frequent set of market trades. Even if specific needs do not match, either party in a monetary economy is willing to take money in exchange, which can then be traded for something else in a second market transaction. It is as though barter is split into two halves. In the monetary economy, each economic actor, whether an individual or a company, occupies two major market roles: that of the consumer who buys goods or services and that of the producer who usually provides labour. The necessary link between the individual's income and consumer budget is shown by a dotted line.

Fig. 8.3. Analysis of the market economy

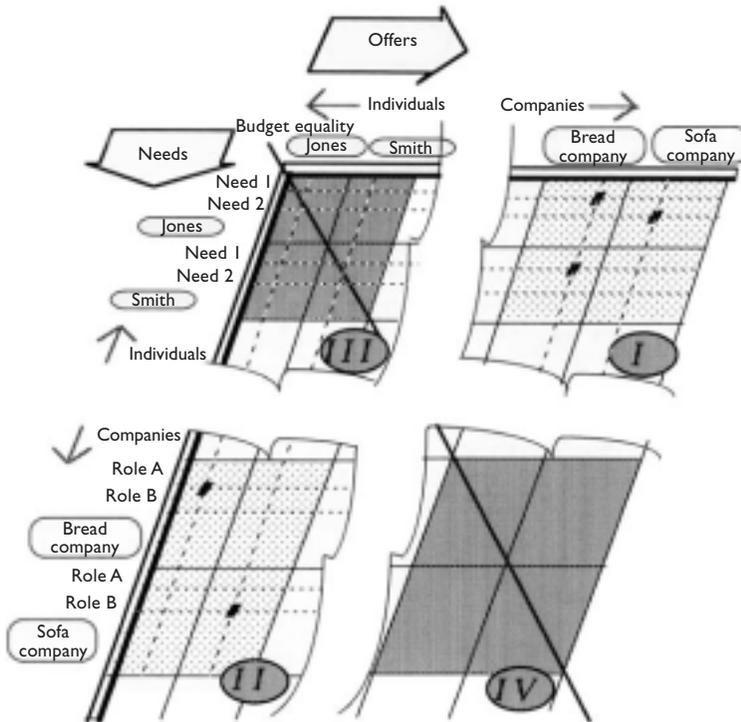


Fig. 8.3 shows the fit between the offerings of the producer on the left side and the needs of the consumer along the top. The additional step of monetary exchange, however, brings the disadvantage that consumer and producer are no longer in direct contact, as they are in the case of barter; this restricts their ability to transfer conducive value. To depict the entire economy, Fig. 8.3 shows both the individual and the company levels simultaneously, including both the needs and offers sides of the economy for each level.

#### *Lopsided trade in the current economy*

An important observation to draw from Fig. 8.3 is that a major change has taken place over the past few centuries in larger economies. In general, people no longer sell products in the market-place; instead, they sell labour in exchange for wages. Individuals sell their labour most often, however, to large companies (sector II) and usually purchase goods and services from such companies (sector I) rather than the producers. Thus, economic activity in modern economies occurs mainly in sectors I and

II, in which buyer and seller have unequal power. In the context of mass production, individuals, both as wage earners and as mass-market consumers, have less power than the large companies that purchase their labour for use in mass production, and then sell them these goods through channels of mass distribution.

Sectors III and IV are characterized by power equality between producer and consumer. Transactions between individuals take place in sector III. Company-to-company transactions are in sector IV. These sectors are underdeveloped in the commodity economy, but could easily be developed for the conducive economy.

Redeveloping the economic sectors involving equal power relationships according to the principles of social exchange will become the broad theme for recommendations on future humane economic policy. This new equality of exchange must be developed at the micro level between consumers in consumer networks and between groups of companies in company networks.

### **Bridges between the conducive economy and the commodity economy**

To broaden the definition of economically valid activity in society, an interface between commodity and conducive production must be described that could enable them to operate in an integrated manner. Although commodity value and conducive value differ in nature, both are relevant to functioning in a successful and humane society, and both exist in the current economy. The conducive economy exists most obviously in innovative technology industries and in some areas of the service sector, and is notable for the non-traditional cultures of the workplaces concerned. The conductivity model can hardly be imagined to exist without the simultaneous presence of conventional commodity production. Certainly, the conventional commodity model now dominates in the areas of basic necessities production and commodity trade. This specialization would be expected to continue in the future, but the links between the economies could work much more effectively. Further, the conducive economy and the free-market commodity economy could be integrated with the social democratic traditions of welfare. This further illuminates the political implications of the broadening of the definition of economic activity that conducive production represents.

The design of synergistic value transfers between these economies would allow bridges to be built between work quality policy, MOP and SWP.

With well designed, integrated policies, the conducive economy and the commodity economy can support one another to work towards that goal. Unfortunately, with poorly designed policy interfaces (such as those in the dilemmas discussed in the first section of this chapter), policies that encourage the development of one economy can inhibit development in the other.

*Integration of parallel commodity and conducive economies*

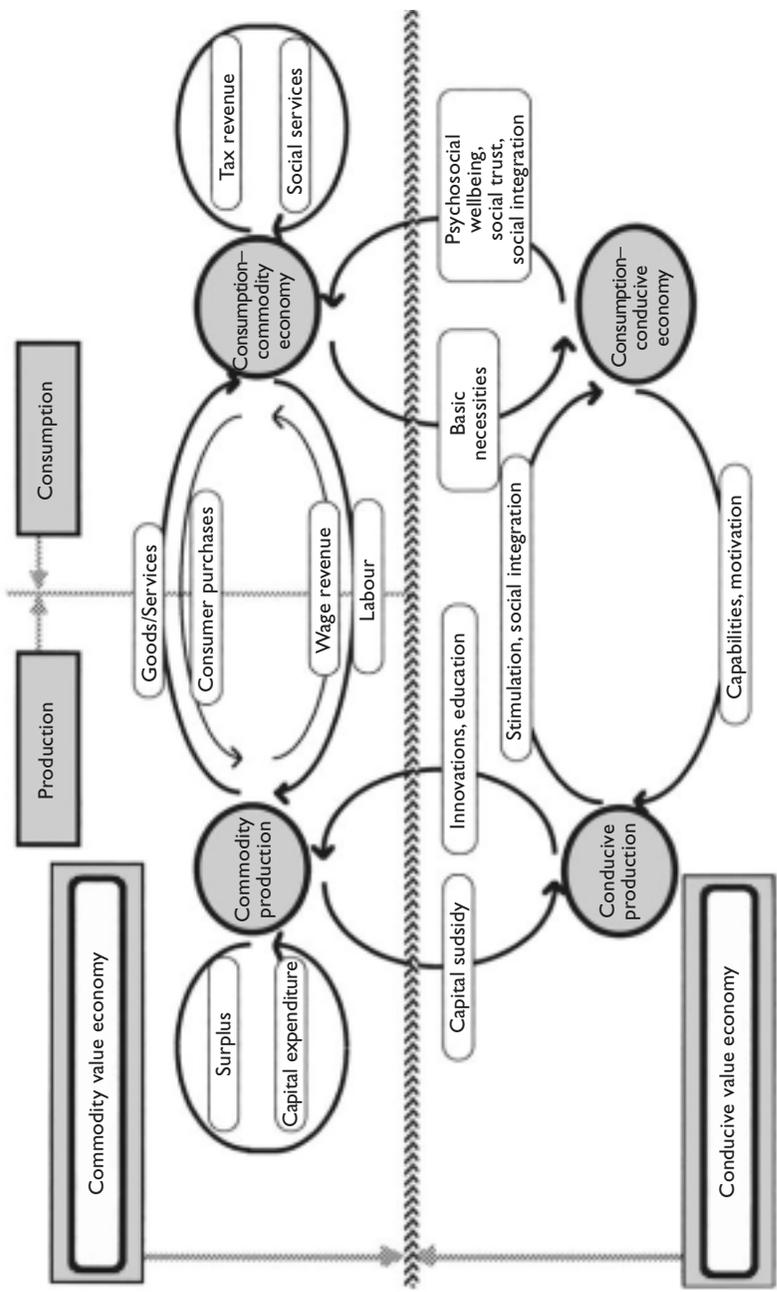
The integration of MOP and SWP based on work quality would take into consideration several specific transfers of value between the two types of economic activity.

Fig. 8.4 shows how these two economic spheres would be integrated, given a full-sized conducive economic sphere. The top half shows the conventional mass-production, commodity-based economy and the bottom half, the conducive economy. Both include consumption and production (work organization), although the boundary is harder to draw for the conducive sphere. The commodity half of Fig. 8.4 shows the links between the two sides: a set of arrows for the consumption process, in which products go to consumers and purchase money goes to producer companies, and a second set for the production process, in which wages go to workers and labour to producer companies. For the conducive economy, only a single set of arrows is used, representing workers' contribution of motivated labour and capabilities, and their receipt of stimulation and social integration.

On the consumption side, the conducive economy contributes the psychic and social benefits that consumers and workers in the commodity economy have lacked, while the commodity economy provides material wellbeing, the satisfaction of biological needs, as today. The arrows at the bottom, linking the two consumption circles, show this integrated contribution.

On the production side of the conducive economy, the network-based, creative coordination discussed above generates the new technological ideas and the innovative products and services that can stimulate and energize the production sector of the conventional economy and prevent stagnation. This flow is represented by an arrow from the conducive to the commodity economy production sectors. In return, the commodity economy contributes conventional monetary resources to sustain the

Fig. 8.4. Bridges between the conducive economy and the commodity economy



production structures of the conducive economy: machines, materials, start-up capital, etc. This support might be indirect; for example, taxation mechanisms could contribute revenues to the state, which could then allocate them back to the conducive economy for industrial development. This reciprocal flow is shown by the complementary arrows between production sectors. An important feature of Fig. 8.4 is that the commodity side of the economy requires redistributive mechanisms of the welfare-state type to ensure the basic material welfare of all citizens. The commodity economy's support of the conducive economy in part represents investment in general social wellbeing, which has been a major goal of SWP since its inception.

In principle, the commodity and conducive economies could be balanced at several levels; achieving this balance for each individual would be one of the major challenges of designing a new economy. For example, many production processes within an existing company could be redesigned to emphasize conducive benefits as well as commodity benefits. Alternatively, the balance could be achieved within the economy as a whole, in which a conducive sphere supplements the commodity sphere. Conducive value must be experienced directly if its dynamic benefits are to be achieved. It cannot be generated efficiently in one location and then distributed as a transfer payment to non-participants, as with conventional economic value. A learning experience cannot be credited to a person who has not gone through the work of learning.

The integration of the conducive and commodity economies would have major new distributional consequences in society: new groups of winners and losers could be defined in terms of their conducive rewards from work activity. Thus, an important principle would be that all citizens have the opportunity to participate in conducive processes: a social equity criterion. Nevertheless, many options for institutional design would be available to achieve equity on the basis of, for example, rotation of individuals through different activities, rotation of roles over the life span, new forms of value exchange between groups, etc.

#### *Rethinking the welfare state as a platform for a conducive economy*

The model of the conducive economy developed in this chapter presumes a platform of social welfare security and democratic government tradition. As noted in the second section, basic human needs must be satisfied for individuals to enter into the required relationships of creative

coordination. Thus, the present welfare-state platform of basic material wellbeing must be protected as the *sine qua non* of further progress. As in the past, social democracies will require a good measure of distribution-equalizing logic in the future to maintain basic economic security for all members of society and to help guide the democratic control of capitalism. If the working or middle classes are forced to give back relative wages to a newly aggressive capitalism, this recreates the preconditions for the class struggle of the nineteenth and early twentieth centuries.

### *Historical implications*

After examining Fig. 8.4, readers may conclude that such conducive elements have always been part of the economy, or at least the ideal economy. They were certainly part of a past economy, with more organic production and trade and a broad range of social and community outputs. The conducive economy is not utopian; it is merely an attempt to create an analytical model for many spheres of social life that are essential in any stage of production development. The logic of MOP, however, urges that this vision must be given up, which shows how much the current single-minded focus on free-market development in every social sphere has narrowed the social agenda.

The danger is that the social capital of an organic economy, in which production is integrated with community life, will be spent to create more efficient commodity production, which contributes little to sustaining the social platform. Thus, the real danger is the further extension of the MOP market revolution – today’s revolution. The first step in countering this revolution could be to re-emphasize a revalidated social platform based on a pluralistic social policy, which is in turn based on a wider definition of economic activity. This would refocus attention on social regeneration, and bring a multifocal institutional growth that would probably be stronger than narrowly focused growth. This has been the formula for the success of the Netherlands in 1990s Europe.

Indeed, the goal of developing a more socially organic alternative to free-market capitalism – which can also transcend narrowly economic versions of socialism – is a common theme underlying many otherwise diverse political challenges of the twentieth century. Many have tried to re-expand political economy to include the social sphere of human action. Their limited success has often been associated with fateful consequences.

For example, the need for an alternative focus for political economy on the political left emerges in Antonio Gramsci's disappointed hopes for workers' control of Italian factories in 1920. He concluded from those experiences that any alternative to capitalism must first build a new platform of social behaviour and non-materialist ideology (82) before it could compete for conventional economic power. Italian fascism followed in the wake of industrial turbulence and the failure to define an effective platform on the left. Psychologist Wilhelm Reich made a similar critique of the German communists in the 1930s. He claimed that the left's inattention to the realm of the social and psychological, and its preoccupation with the economic, created a vacuum that was filled by National Socialist doctrines on social and moral issues, and thus paved Hitler's road to power (83). Two decades later, some central European countries tried to add more participatory social relationships to hierarchically structured political and economic institutions based on mass production. The USSR suppressed "humane socialistic visions" (84), often with goals of workers' self-management at their core, in Hungary in 1956 and Czechoslovakia in 1968. In the 1960s, new social value systems were at the core of the rebellion against commodity-focused materialist culture in the United States, although the movement made little attempt to forge links with or restructure the commodity economy. Still more recently, the division of purposeful contemporary social activity into two spheres reflects Habermas' (48,49) conception of the system world (related to the commodity economy) and the life world (related to the conducive economy). While Habermas believes that the life world could offer new forms of civic engagement and communicative rationality that could transcend commodity production, the life world is not to be a sphere of production at all, in contrast to the view taken in this chapter.

In summary, while most of the attempts to build bridges between the two worlds of commodity and conducive production did not succeed, the tension and social dynamics arising out of the two forms of constructive social activity were often one of their salient themes, and a major source of disappointed hopes. This chapter claims that humane value systems can transform production, and that this transformation, with bridges to society's requirement for commodity production, can allow a more socially integrative but still creative form of social development.

### **Work quality strategies for different industrial sectors**

This chapter can only briefly discuss how conducive production and work quality policy could be used to modify work and economic policy in

various industrial sectors. Economic development would be emphasized in the sectors of the market economy with equal economic power relationships, in both community-based networks and company networks. For example, industrial policy would encourage networks of small-scale enterprises, where possible. Educational institutions in society would have an even more important role than today, but would encourage integrative and not just specialized skills. A wide variety of strategies could be adopted to bridge commodity and conducive value in production. Here are a few brief examples from several industrial sectors.

#### *Innovative, high-technology manufacturing*

The use of software development as an example in the initial presentation of the conductivity model makes clear its utility for many high-technology products, where product innovation, in synchrony with an educated consumer, leads to economic success. The principles of the conductivity model are clearly reflected in the experience of many organizations, which have developed products with marked tool-like features. For example, in the mid-1980s, Apple Computer developed a winning (conductive) internal organization to produce the Macintosh computer, which was then emulated inside and outside Apple for over a decade (85). Negative examples show how non-conductive work organization led to failure, even for tool-like products. Data General Corporation, which Kidder (86) describes as failing to nourish intellectual investment in its computer development teams, created a good initial product, but then lacked the culture to sustain successful development in the long term.

#### *Alternatives in commodity production*

The Sisu example above illustrates the modification of a product that would often be considered a commodity – a truck – into a conducive, tool-like product, with dynamic linkages between producer and consumer. Many commodities have a tool-like quality that could be improved by understanding the conducive side and developing policies to enhance it. Subsidizing the conducive side would be in the interest of the community.

More difficult cases occur when the commodity qualities are more rigid, and meaningful feedback between worker and consumer is difficult to establish. Nevertheless, many new forms of work coordination have been developed in the context of mass-market production, such as the diversified quality production of high-volume automobiles and durable

goods by small, medium-sized and large firms in Germany (57,77). Many of the goals on the production side are similar to the conductivity model: broadened skills from national apprenticeship programmes, flexible organizational structures, decentralized competences, mutual trust and redundant organizational capacities (the duplication of capabilities, which allows workers and the company flexible response options). These are present in such production, although it is usually considered to be commodity production. Admittedly, production in Germany has aimed for the high-quality market.

### *Social services*

Services such as health care, education, and care for elderly people and children have long-term, rather than short-term, pay-offs to individuals and organizations that can grow. They are the most likely location for the application of conductivity principles, as shown in the Enskededalen example). Pestoff (87) clarifies the distinction between long-term versus short-term services (enduring versus temporary) in terms of their implications for both work organization and consumer relationships. As it is based on learning, the conductivity model fits best in the enduring category. One new goal is to use the conductivity model for the local service sector (87). Jobs in this sector are good targets for conducive economic activity, because large multinational enterprises often provide poor services.

### *Developing jobs at the margins*

Many employment problems relate to people at the margins of the economy: those who have part-time jobs, are temporarily disabled or are just entering or leaving full-time employment. Indeed, still larger groups in society – who, ironically, can quite capably perform services for others – risk being classified as marginal if they cannot meet the ever tougher criteria to prove that their jobs pay off in the global economy. Profitability in commodity production in the global economy is too restrictive a criterion to define useful economic roles in a modern society; it overlooks many aspects of both community and family life, and innovative production in the future.

The suggestion that the equal-power quadrants of the market economy (see Fig. 8.3) can be expanded can be interpreted as building the marginal regions of the economy: that is, those that are marginal to commodity production. Of course, these quadrants of economic activity are

central, since they can easily include innovative production and services, and many types of networkers normally operate here.

Economic subsidy has been the main supportive structure provided to the marginally employed, even in advanced social welfare economies such as the Netherlands. Work quality policy would supplement this platform for material wellbeing with enabling social structures to build skills, communication capabilities and participatory social engagement, and try to create social validity for new economic roles. Rutten et al. (88) present an expanded discussion of this topic. The criteria for the creation of a new type of job (a meaningful social role) in society include social validation, the demonstrated use of skills in the service of others and basic material rewards. Clearly, conducive economic principles can fulfil these criteria, and thus help to open new pathways for job creation. Financial support alone, dead-end jobs or social stigmatization are either insufficient or can destroy the effectiveness of programmes for marginal workers.

*Reducing unemployment: an example of work quality policy*

Europe needs to generate more jobs, but how? MOP logic claims that Europe's current inability to generate sufficient jobs is a result of high levels of social protection and social subsidy; these must be removed to stimulate economic development and jobs. In the late 1990s, however, Europe seems likely to enjoy significant economic growth (perhaps faster than that of the United States in 1998); this undermines the argument that its social policies have inhibited economic development. (High interest rates in Germany after unification certainly did inhibit economic growth in Europe.) Europe may thus be able to afford its welfare states, but there remains the problem of the inequality of the social and private benefits between job holders and others when unemployment rates are high.

In contrast, the WSP approach, illustrated by the French Government in 1997, advocates a simple redistributive solution: sharing jobs by significantly reducing the work week. The danger here is that private firms, operating within a weak social contract, may only increase work intensity and not hire additional workers. Such an increase in work intensity occurred in the Netherlands in the early 1980s, yielding huge long-term disability costs to society. Re-engineering the work process to create greater flexibility for the firm, but not greater social equity, is the trend in companies in Italy and the United States (89).

Again, the real source of the trouble is the definition of what should qualify as economic activity. Defining it by the criterion of competition in the global economic market-place is a movement towards forcing all constructive activities into the commodity model. This is too narrow, especially as increasingly powerful international financial institutions continually narrow the criteria for the pure market-place. Criticism of narrowing the definition of valuable labour when commodity markets develop is a common theme in literature on developing countries: for example, when export crops replace general agriculture. As mentioned, when combined with a glut of commodity production facilities in export markets (61), this can lead to job loss pressures in many areas, automobile production being one constant example. As an alternative, this chapter presents a broader definition of economic activity and employment by adding the concepts of conducive production to the existing model of commodity production, bridging the gaps between the two.

There is much relativism in the definition of employment, which illuminates an important avenue for exploration. A thoughtful and much-cited review of Dutch labour participation policy (88) points out that the labour participation rate varies substantially over time, on the basis of societal choices about the necessity and desirability of the role of market-wage work in comparison with other social roles. For example, the gross participation rate in the Netherlands was 59% in 1960, including guest workers, in a time of what was felt to be high employment; in Germany, mass unemployment accompanied a rate of 59% in 1985. The participation rate is much affected by changing concepts of social roles: the so-called leisure society of the 1960s, current discussions of the shorter work week and changes in women's roles.

Part of the answer to the employment problem is thus a broader definition of meaningful work in society. The conducive economy can certainly generate more jobs, through conventional economic dynamics, from creative and adaptive production. The broader definition of value that comes from considering conducive production, however, brings with it a broader definition of employment. This means more jobs by definition. Far from sleight of hand, it is a social necessity if policy-makers are to avoid being caught in the global commodity economy's restricted definition of value.

From the perspective of MOP, one might object that one cannot make value out of nothing; attempts to do so would be inflationary. This

objection is false because the other forms of value are real; they just await the social recognition that is their due. Admittedly, if a broader definition of economic activity were not consistent with gaining real value from the services of new job holders to other members of society, this idea might ultimately be impracticable. The other obvious requirement is that society should be able to provide material welfare for this so-called marginal employment when it does not generate sufficient material value by itself, but the welfare states of western Europe have adequately demonstrated this capability. Finally, the new, broad definition of work would fail without clear and positive social dialogue on its importance; this would be the very opposite of MOP discussions about the need for service privatization, cost-efficiency and government cutbacks. The essence of this last step is a political discussion that has not yet begun but is needed now. With these three requirements fulfilled, the broader definition proposed here could very much increase overall employment and production.

In general, by facilitating socially useful activity, conducive production expands the boundaries of valid economic activity in society. This could be an important contribution to resolving unemployment problems.

#### *Jobs for the disabled: a major developmental challenge*

The social processes of conducive production, which focus on human development, are both part of the formula for innovative production and a formula for developing jobs for people on the margins or with disabilities. While developing jobs that increase the social participation of disabled people is perhaps the most difficult work organization challenge, it can be seen as highlighting some of the principles of human capability development that should be followed in work quality policy and conducive production. Good jobs for disabled people must first carry low risks to health, so as not to aggravate workers' disability problems. This is, of course, a good formula for society in general. Second, health-promoting jobs should be created that prepare the incumbents for other jobs afterwards. The third requirement is that jobs should be part of a broader economic programme that can direct job improvements to disabled workers and generate a self-supporting process of economic development.

The first part of the policy, to reduce high-strain jobs, can be accomplished by taking dead-end or hazardous jobs and redesigning them as active jobs, according to the demand/control model discussed by

Karasek & Theorell (4) and the participatory work design programmes of a research institute in Amsterdam. The general aim of the solution is to increase workers' ability to make significant decisions about planning and carrying out their work, and to build creative collaborations with co-workers, supervisors and customers. The solution should facilitate a supportive social context, and keep job demands moderate. Such jobs could also provide:

- the training ground for learning new forms of work coordination;
- the framework for developing broad skills and socially integrated community functions; and
- services that the larger market economy often provides poorly, such as elderly care, day care, long-term and outpatient health care, and much education.

A conducive economic policy focused on work quality would activate communities with a programme including the following components. Conducive economic links between the new needs and the newly energized producers would be facilitated through trade fairs and community cultural events. The focus would be on developing needs related to those that the local community personnel could meet through local enterprise (and thereby diminish the complaint of outside private producers that their markets are being drained). Such meetings would build a social consensus on the need to act in many areas, public and private. In addition, regional and even local community fairs would be organized to help groups to meet each other at presentations of the skills available close at hand and potentially to network on the beginnings of new employment ideas. Modest levels of government resources should be provided to support some start-up activities with generic and basic tools.

If new motivation is to be built into jobs for the disabled, such alternative goals for jobs must be strengthened by public acceptance. Society can help to give reality to new views of the meaningfulness of these roles. Major social institutions, public and private, can praise workers' activities in many ways, and offer a pay packet. Unfortunately, just the opposite is happening under market-oriented social policies, undermining the potential success of the policies advocated here. In this view, any job that cannot be paid for by a free-market transaction or survive global competition is considered old fashioned: a bureaucratic excess or

make-work from an over-financed welfare state; social efficiency demands its elimination. In addition, privatization undercuts many social institutions through criticisms of social projects, by emphasizing only private goals as valid.

*Job design for a healthy economy*

Having defined social progress as the elimination of bad conditions, such as poverty and infectious disease, the social democratic alternative to capitalism lost momentum when its goal came in sight, as in some Scandinavian countries in recent decades. The very changes in technology and mass production and consumption that had led to this progress, however, simultaneously undermined the social structure. This in turn caused social insecurity, loss of social identity and mental strain from new forms of work that were mentally, not physically, demanding. Now a new set of bad conditions – broadly speaking, stress-related mental and physical disease in both individuals and society – have become perhaps the largest threat to social wellbeing in more developed countries.

Of course, eradicating these new problems, along with implementing the new forms of production described above, could become the joint political goal for a future society, and relaunch the stranded movement towards social democratic alternatives. Moving from stress-related illness towards positive health requires capability development, local control and social relationship development – all elements of conducive production. Conducive production is thus a model for social health, as well as creative, sustainable production and democracy.

The suggested characteristics of jobs for disabled people, particularly the lack of additional health risks, highlight the link between conducive production and health in modern society. This issue gains importance as stress-related illnesses increase. These accompany increasing demands on workers and reduced opportunities for workplace control in the global economy. For workers, the equal-power sectors of the economy, producer networks and service-oriented, community consumption networks are likely to be the healthier parts of the economy in the future. These two enable reduced work organization hazards, moderating the intensity of work demand and increasing worker autonomy and creativity and trust-based social relationships. This would give new advantages to the network-based economic development sectors, both conducive production advantages and health advantages.

In contrast, being either a worker or a consumer in the market sectors with unequal power relationships is unhealthy. Workers have powerless and demanding jobs, and consumers have no power over commodity production. This is unhealthy in terms of both direct psychosocial stress effects and indirect effects due to impoverishment of social networks.

### *Deepening democracy*

During the nineteenth century, institutional protections emerged from democratic government institutions to safeguard individual citizens against the power and wealth inequities of unrestricted capitalism. When capitalism challenges democratic institutions themselves, however, as it now does, then democratic aspirations can be left unprotected from the claims to freedom for large accumulations of capital. For example, modern societies in nation states require employment stability; countries are now subject to a new hegemony of international or multinational firms that control many jobs, and their actions, based on huge financial resources, exercise their freedom in a manner that recognizes few social boundaries. The source of the current weakness of our democratic principles is their basis in a model of social contract theory that led to the overthrow of divine-right monarchy at the end of the 1700s, bolstering both the cause of capitalism and that of civil democracy. As mentioned, the model had no theory of a democratic production process that was truly consistent with its goal of empowering all members of society. Democratic principles applied only to civil institutions, which were outside production.

### *A second path to democracy*

A new economic model, such as the conducive model, could integrate democracy with creative production in a manner that takes a clear alternative approach to combining freedom and democracy. Just as the mass-production or global-trade model formed the basis of two centuries of political models, an alternative view of production, based on a conducive economy, could lead to a new direction for both democracy and political economy.

In the visions of workers' associations of the mid-nineteenth century, early socialism demonstrated that the individual worker can be an active agent of change. Skilled workers and smallholders were the most active participants in revolutions in England in the mid-seventeenth century, and France and the United States at the end of the eighteenth century, through small workplace-based worker collectives or communities allied to promote

working people's interests. The reason is the strength of association, and the behaviour learned in associative activity: creatively focused, equal-status, cooperative, collective activity. Association is the strength of democratic processes of change. Artisans and smallholders could modify the social process and structure because they had the necessary general social skills and collective social resources. They had communication skills, an active approach to life, the habit of problem solving, self-esteem in relations with other workers, a tradition of self-reliance, the need to cooperate with other workers in economic life and an understanding of society's work-related institutions. Today, a democratically focused work quality policy could actively build these skills.

The new combination of democracy with a production model must ensure that economic activity does not threaten civil democracy, but extends it to all spheres of social life. The developmental question for democracy is: what social processes lead to socially active working class or mass of society, a mass that would defend and extend its own interests? This chapter claims that experience in the workplace moulds behaviour and encourages individuals to be active or passive in society as a whole (17). While the community, its structure and value, and the family complement the transformative character of the work process, the key institution is the occupational structure. Through its accompanying social processes, this structure can reproduce the behaviour that supports it or sometimes transform itself by changing such behaviour.

First, democracy is built into their vision of the new society and its basic patterns of producing social behaviour. Thus, they encourage democracy at every level of society, not just in a national representative assembly but at the local level, and not just in civil society but its economic institutions. Conducive production encourages the dynamics of social behaviour, particularly at work, that stimulate active participation in democratic institutions. The workplace stimulates democratic principles in society rather than being an exception to them.

Second, the understanding of workplace organization includes the social and psychological aspects of the work process and forms of social association inside and outside this process. The new valuation of human productive activities includes issues of labour quality and could be important in regenerating workers' active participation in political life, particularly for workers in service industries, where the nature of effective

social production can differ so widely from commodity production that conventional political dialogues are alienating. For example, an analysis using US Labor Department statistics on workforce composition and CBS/*New York times* exit poll data showed that service workers were less than one fifth as likely to have voted in the 1988 national elections as professionals and managers, and about half as likely to have voted as blue-collar workers, who are sometimes regarded as marginal participants in the political process in the United States.

The current (or older) occupational and political system is constructed to find peaceful solutions to conflicts between workers in heavy industry and the managers and owners; the issues are stated in terms of economic rewards, quantitative benefits, hours and physical demands. Modern political discussions take account of these conflicts, but overlook both new, disadvantaged occupational groups that are “routinized, bureaucratized and commercialized” (4) and the skilled professional elite with new forms of advantages. Thus, the psychosocial side of the modern economy has new losers suffering from stress and new winners with learning opportunities; this effectively creates a new class structure that needs political expression. Women often predominate in these occupational groups, particularly among the disenfranchised, so the expansion of political dialogue might be particularly energizing for them.

Finally, a new pathway towards democracy must balance the logic of *laissez-faire* social policy and profit maximization with the need for both social welfare protection (which undergirds the conducive economy) and democratic process (to steer the investment of productive resources in workplaces). The concept of property under capitalism receives social validation because it is seen as broadly stimulating society’s productive resources; for example, patent ownership is thought to stimulate invention. In the past, the narrow concentration of productive resources, with limited forms of social possession, may have yielded maximum effectiveness for commodity production and material wellbeing. Today, however, the world is awash with investable capital; the resulting speculation, mergers and foreign acquisitions, and the excess manufacturing capacity, which outstrips demand in almost every sector, are destabilizing influences. Most important, from the perspective of a new definition of productivity – based on conducive value and relating to the maximum growth of human capabilities – rigid social organization and the narrow concentration of productive resources become inefficient, because they

restrict access to the necessary tool-like resources for the majority of people. Those principles need to be redesigned according to the bridge model if they are not to impede social development in the future.

## Conclusion

This chapter attempts to resolve four major dilemmas in modern social policy by adding work organization to existing discussions on political economy. It introduces a new model of conducive production and a work quality approach to social policy. The value model arises from diverse sources: the new forms of production discussed in the business community, new thinking about communities, alternative social thought on the political left and new concerns about psychosocial health. The chapter reflects themes of skill-based economic development from Piore & Sable (10) and is generally consistent with Porter's evidence (9) about new causes of economic growth. The discussion directly reflects new business literature about flexible production techniques by Hamil & Prahalad (38) and Senge (90). It is consistent with development based on civic association, discussed by Putnam (18), while building on the leftist political tradition that rejected socialism's narrow economic and state bureaucratization in favour of more humane social relations, as described by Gramsci, Lukacs, Reich and others. The discussion also builds on the research of Karasek & Theorell (4) on psychosocial working conditions and work redesign. The chapter attempts to go beyond these, however, in redefining value from production and by outlining the resulting effects on consumption, community and politics. An integration of the new work quality policy with MOP and SWP is claimed to enable a new phase of political and economic development.

As an example of the implications of the conducive production model, the chapter discusses the differences between the approach of work quality policy and the MOP and SWP reasoning on tackling unemployment. The conducive economy can generate more jobs through the quite conventional economic dynamics of creative and adaptive production. When appropriately designed, jobs can train workers for better jobs in the future, build self-esteem and motivate those at every level of skills to participate in societal institutions.

A major source of unemployment is too narrow a definition of economic activity. The broader definition of value that comes from conducive production brings with it a broader definition of employment and thus more

jobs. The potential MOP objection that this would be inflationary is false, because these other forms of value were recognized in earlier social and political discourse; they are losing legitimacy only in the current, limited, pure-market dialogue.

Along with unemployment comes a familiar but complex web of problems that all seem to knot together around a quantitative logic of market costs and benefits. This chapter presents a new set of integrated solutions based on alternative, qualitative aspects of labour and production, focusing on work organization, which is claimed to resolve the four dilemmas described in the introduction.

First, free-market commodity production fails to support the long-term increases to human capital needed for economic growth; this could be resolved through a new production model to supplement the commodity model. The output value of this new model reflects the development of the skills and capabilities of both workers and consumers in new, dynamically creative and associative work processes. These processes also weave networks of creative social relationships that can strengthen the local community, which in turn can support more robust economic development in the future.

Second, a new model of work organization and production can resolve the dilemma of ignoring so-called soft issues of quality of life, such as overload risks, job insecurity and social deterioration. The new model explicitly addresses these issues. This dilemma highlights the need for a social security platform to minimize risks, as a basis for flexible and innovative production in the future.

Third, a new understanding of value from socially collaborative activity can resolve the dilemma of the underproduction of decent jobs, especially jobs in the service sector. This understanding attaches value to the results of the process of constructive and collaborative social relationships, which are the essence of services. It replaces the alienating focus on material values alone.

Fourth, building active participation into the production model can dissipate the threat to democracy from the very free-market development that it made possible. Active participation moves out of the workplace, into political and community engagement, and then strengthens both the economy and civil institutions of democracy.

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In addition, the focus on work organization brings awareness of several new dilemmas, which could undermine future political discourse if not properly understood. They are unfolding as the changes in the nature of production extend slowly and inconsistently through several linked stages: yielding new coordination processes at work, evolving new links to the customer and communities outside work, and erecting new forms of value.

Immediate political debate is needed to tackle a dilemma looming on the horizon: the growing mismatch between the new ideas of work organization and the value model that they imply. At present, the modern workplace is outrunning policy-makers, generating new modes of social coordination at work faster than political institutions can adjust the goals for society and leaving social debate on values lagging far behind. The absence of this debate creates the present danger that workplaces with new forms of work organization will mislabel reality, using jargon reflecting humane future potential to describe their old-fashioned goal: advancing shareholders' profits. If no distinctions are made between the good and bad new models of work organization and their goals are not examined, the negative political impact of the discrepancies between new language and old goals will damage the policy alternatives for the future: a strategic loss to those who want to obtain a more humane and democratic society. This is a clear problem in the United States, where many mainstream socially progressive forces see new work organization as a threat, not a direction for future progress.

A second new economic dilemma arises because many of the so-called examples of new work organization retain an old mass-consumption view of the linkage to the customer. This generates none of the new type of demand that skilled and flexible production can best satisfy, and which is therefore needed to sustain development in this new economic form. For example, lean production does not complete the circuit between supply and demand. Skilled and flexible production must produce conducive products for active customers. Support for the social fabric and social capital of the community is essential to both active consumption and sustained revolution in work organization. To be sustained, a true economic revolution requires these additional steps outside the workplace.

While significant social programmes can be launched today with the assistance of work quality policy, major social progress probably requires a more dramatic, added element: a shift in value system, a set of

goals for the production and exchange structures of modern society that extend beyond those of increased profitability. The broad changes in economic activity occurring in the global economy require an equally broad response from social and political institutions.

In the Dutch public forum, where this model was first presented, an economist wondered whether the conductivity model was 50 years ahead of its time in economic policy. I think not. These changes are needed now. Many of the disruptive changes noted above – driven by companies aiming only for increased profit – have already worked their way at surprising speed through many social institutions. They have left worker protection in the United States, for example, seriously compromised.

Wait for the future? If, for example, MOP advocates were aggressively to pursue some of the items on their current agenda – such as foreign investment liquidity, economic shock treatments for central and eastern Europe and the newly independent states, consolidation of transnational currency and financial institutions, and the privatization of public-sector activities – supportive social structures around the world could unravel faster than anticipated. The lack of countervailing social policy during this decade has given this result. In many countries, waiting even one more decade means risking the development of so much insecurity in the workforce that constructive change in labour relations could be difficult. Without equality of power, there is no trust, and power relations are eroding for many groups of workers. Insecurity can drive retrogressive social changes, which in turn can reinforce the negative effects of a deteriorating social platform. This century has already seen such periods of retrogression.

This chapter brings the optimistic idea that some advanced industrialized countries could move in the conducive direction now. For these countries, conducive production could be a logical progression from currently successful policies. The existing political agreements have built a supportive national welfare base; worker aspirations are moving in these directions, and the necessary organizational skills for companies are rapidly growing. Positive change is possible when one is relatively secure, and challenged. If national welfare systems in Europe and elsewhere are jeopardized and the fundamental social security platform is compromised, however, a move towards a conducive economy might first require a new political basis for social security, possibly global social

contracts; building this would be a formidable and very long-term challenge.

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# Health and work: concluding remarks

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The preceding chapters have provided a clear focus on the issues surrounding the introduction of new working practices, new terms and conditions of employment and the increasing levels of job insecurity being experienced by so many people in the modern world of work. There can be little doubt that these factors have direct and indirect consequences for the health and wellbeing of workers, their families and, ultimately, society as a whole.

Looking from the perspective of health promotion and considering the content of the previous chapters, we must pose two critical questions. First, are the negative outcomes of these changes reversible? Second, if not, what can be done to protect employees from the impact of job insecurity and increase societies' assets for the promotion of the health of the population?

To answer these two questions, it is necessary to examine the factors that have been driving the change process and then to identify and implement responses that will enable people to cope with changing circumstances and therefore protect and improve their health and wellbeing. These responses need to be made at all levels within society and by individuals themselves.

WHO is increasingly sensitive to these issues, as reflected in the updated version of its strategy for health for all in Europe, which recognizes that many people are seeking socially responsible and sustainable approaches to growth and development, that they are prepared to find a

solution to the apparent conflict between seeking wealth and protecting health. Of particular importance, therefore, is the nature of the response that organizations make to this attitudinal shift. Here, too, the new approach to health for all may assist in the development of a solution as it provides an ethical framework for decision-makers at all levels to assess the impact on health of their policies, and to use health to guide development actions. This reflects the thinking behind the statement on promoting social responsibility for health in the Jakarta Declaration on Leading Health Promotion into the 21st Century. The Declaration<sup>a</sup> asserts that:

decision makers must be firmly committed to social responsibility. Both the private and public sectors should promote health by pursuing policies and practices that avoid harming the health of individuals; safeguard both the citizen in the marketplace and the individual in the workplace; and include equity-focused health impact assessments as an integral part of policy development.

Organizations should assess the impact on health (at both the individual and community levels) of their policies and action and, in the context of human resource management, adopt processes that minimize job insecurity.

### **Effects of changes in the world of work**

The link between poverty and poor health is widely recognized. Income-related differences in health are a serious social injustice and are very powerful factors in the determination of an individual's health status. At a national level, the lack, reduction or removal of the social security net is widening the divides in economic and health status between and within countries. For those facing uncertainty over their future employment, this can create an additional level of anxiety and fear, as well as the potential for direct effects on future health and wellbeing.

The harmful consequences for health of job insecurity are worse when the state provides little or no assistance to people entering unemployment. There is clearly a need, as Suikkanen & Viinamäki (Chapter 3) state, for employers and the state to make local- and individual-level agreements to safeguard individuals' welfare.

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<sup>a</sup> Jakarta Declaration on Leading Health Promotion into the 21st Century. *Pan American journal of public health*, 3(1): 58–61 (1998).

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The introduction of new practices, terms and conditions of work and the creation of a new organizational ethos have been rapid. Coupled with these changes, organizations have been assimilating new management theory and organizational strategies such as total quality management and the move towards external accreditation, as developed by the International Organization for Standardization.

The move towards customer orientation and the need to gain external accreditation of corporate processes, however, can have adverse effects on the workforce. Similar effects can be generated through the drive for increased efficiency and the need for higher profit margins, improved links to customers and greater share dividends. While these factors operate primarily in the private sector, the public sector has not been exempt from dramatic change. Often the drive for increased efficiency and the need to demonstrate value for money have resulted in major organizational change, characterized by streamlining and downsizing. The consequences of these rapid changes in both the private and public sectors are only now becoming apparent.

One of these is the gradual erosion of the organization–employee relationship, described by Karasek (Chapter 8) as a loss of respect. Perhaps the undermining of this relationship is at the heart of the problem. The effects of this changed relationship can take many forms, not least a move towards temporariness, a “hire-and-fire” culture where organizational wellbeing alone is the driving force of change.

Many organizations see advantages in the move towards developing an ever more flexible workforce, with a number of staff on temporary or fixed-term contracts, but what is the cost? The evidence presented in the preceding chapters points to a potentially very high price, whose full scale may not become apparent for many years.

We see that, for individuals, job insecurity is a largely private world of experience, with direct implications for their health and wellbeing. These effects include increases in blood pressure, problems with sleeping, possible increased consumption of tobacco and alcohol, and increased psychiatric morbidity in the short term. Many of these are also risk factors for the development of long-term degenerative disease.

The effects on families and other dependants often have more immediate impact. Job insecurity can considerably increase pressure in the family

realm, as mentioned by several of the contributors to this book. Although little research has addressed this subject, the adverse effects on the relationship with the spouse or partner have been described. In Chapter 7, Mustard identifies a further factor influencing family life: when parents are faced with change but lack adequate coping skills, the impact on their children can be negative and long lasting. It is important here to note the point made by Marmot (Chapter 1) that discontent has less to do with material wellbeing than with expectations and anxiety. One of the expectations that many parents have is to give their children the best possible start in life. Job insecurity, however, militates against this, thus further increasing the tensions within families.

Having expectations of one's self and expectations for one's family laid waste by job insecurity can profoundly affect an individual's psychological wellbeing. A key element here, especially in the short term, is the sense of loss of control. This is debilitating for the people experiencing it, their families and their employers. This point should not be lost on employers, as employees experiencing a sense of loss of control do not function efficiently.

A further manifestation of the impact of job insecurity has been the gradual erosion of the relationship between the employing organization and the employee. As Hartley (Chapter 6) describes, the results can be considerable for both parties. For the employee, the effects include reduced job satisfaction, commitment to the organization and involvement in the job, and can extend as far as presenteeism: being physically present but psychologically absent from the job. There may also be an increase in resentment, secrecy and competitiveness, and a reduction in willingness to adapt to change in the workplace.

Such outcomes follow the breaking of the psychological contract between employees and their employers. Employers need to recognize the validity of the psychological contract, and the benefits it can bring. As the findings in this book show, especially when attempting to do something new or facing a period of uncertainty, action by an organization that undermines the psychological contract can have far-reaching consequences for the financial wellbeing of the organization, as well as the psychosocial health and wellbeing of its employees.

One of the most important issues to arise in this book is flexibility. For organizations, the creation of a flexible workforce appears to offer a

valuable ability to respond to the rapidly changing needs of the market-place. There is little doubt that the increase in part-time work and the large-scale entry of women into the paid workforce have brought about real benefits. For example, part-time work has enabled women to re-enter employment following career breaks earlier than might otherwise have been possible. This in turn has led to increases in personal satisfaction and family income, benefiting all concerned. When part-time posts take the place of full-time posts and employees are involuntarily moved from full-time to part-time contracts, however, the situation is vastly different; reduced levels of income and increased levels of job insecurity widen the health divide between the more and less affluent.

In some circumstances, increased flexibility, especially in roles and functions, protects existing levels of employment. Yet flexibility has a downside. For employees, it can present a picture of uncertainty, of being in a more precarious, less secure state. It can also represent a period of de-skilling, in which expertise and skills built up over a period of time lose value and new skills and expertise must be developed relatively quickly to enable employees to function in a new environment.

Stress, particularly that arising as a consequence of job insecurity, is an issue that organizations cannot afford to ignore. The effects of stress on health and wellbeing are well documented. Developing an organizational response to stress that recognizes the importance of communication and the involvement of employees is an important step towards reducing the organizational stressors that accompany job insecurity.

In times of uncertainty, organizations need to undertake impact assessments for each of their potential policy decisions. This means examining not only the consequences for the organization itself but, particularly, those for employees and the surrounding community. To assess the impact on the community, a multidisciplinary approach could be adopted, with the involvement of community representatives, local health care providers and others. Such impact assessments may not be able to prevent the loss of jobs, but they should be able to identify where needs will arise and how they might be met.

Organizations need critically to examine their decision-making processes and to appreciate that employees, under the terms of the psychological contract, demand to be treated fairly. Downsizing when order

books are full, simply to increase short-term efficiency and dividends for shareholders, is clearly unacceptable to employees and is becoming less acceptable to society as a whole. A responsible company combines the search for competitive advantage and financial benefits for its shareholders with dealing sensitively with the needs of its employees. Such an organization is able to minimize the negative consequences of organizational change on its employees and the wider community, with potential benefits for itself.

### **Concepts of workplace health promotion**

The lifestyle-oriented approach to workplace health promotion, with its emphasis on individuals' reducing risks to their health, is now giving way to an approach that operates at the level of the organization as a whole. Here the concepts and principles of health promotion become an integral part of the organization's ethos and culture, with the principles of equity, open communication and employee involvement becoming key components of the organization's management systems and processes. In this type of health-promoting organization, while the need to remain competitive, the pressure of market forces and the threat to security of tenure may not be removed, the organizational culture minimizes job insecurity and its consequent impact on the workforce. This helps to maintain the employees' motivation and adaptability.

The WHO Regional Office for Europe is taking forward the new concept of workplace health promotion. The "Enterprise for Health" approach seeks to link the processes of organizational development and workplace health promotion with action in the wider community. Within this framework, an organization seeks to increase social and human capital by making general social investments, such as supporting the provision of adult literacy or numeracy classes, or extending training in safety management to the wider community. In addition, the organization may become a significant partner in community development. In the context of job insecurity, this approach – with organizations working closely with their communities in times of uncertainty and change – has much to offer. It can also have good results for the organizations's profitability.

### **Actions for governments**

Can government isolate itself from these processes, perhaps using the tried and tested excuse that it does not interfere with the economic realities of the market-place? Do interventionist policies necessarily mean

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loss of freedom of action for both organizations and individuals? Of greater significance, can governments afford to stand aside and attempt simply to pick up the pieces in due time?

The contributors to this book believe that the culture of job insecurity, short-termism and involuntary temporariness undoubtedly has consequences for governments. Not least of these is the increased pressure on the health care sector resulting from the increased use of services by people experiencing job insecurity. Governments should note the adverse effects on the family and the community as a whole. The reduction of the civic quality of communities and the loss of cohesion within families and communities caused by job insecurity should not go unnoticed at the national level.

What can be done? Can and should employment practice return to the concept of a job for life? Current and forecast trends indicate that the answer is probably, if not certainly, “no”. Employment practice has changed radically; globalization of the market-place and new technology demand that employers and employees look forward and develop practices that address the needs of organizations while protecting employee health and wellbeing.

First and foremost, a balance needs to be struck between the potential impact of market forces and organizational development and the longer-term needs of society. At a national level, this could involve governments in establishing a framework to ensure that health impact assessments are made in the process of decision-making on policy. Clearly, these policy decisions must address changes in working practice, reductions in levels of employment and the effects of these on communities. Such an approach will require decision-makers at the national, local and organizational levels to cooperate and possibly to put longer-term issues relating to the health and wellbeing of individuals and communities above short-term financial gain.

The contributors to this book acknowledge that change is now an integral part of working life and that this will result in either a loss of some workers' jobs or the reduction of their working hours. For this group, appropriate social security safety nets must be in place, including structures and mechanisms that will enable the people concerned to maintain a sense of worth and value.

National and local government, in partnership with other relevant agencies, should develop policies that sustain meaningful work and reasonable income distribution, and avoid control of the political process by narrow interest groups. Closely linked to this process is the adoption of policies and practices that create and maintain a high-quality social environment and the introduction of measures that will help communities to maintain stable, cohesive environments. One of the means of achieving this is to take community development seriously, and to invest in the promotion of horizontal groupings at community level; the net effect will be the strengthening of communities.

Of equal importance is the need for all the key players in this arena to recognize the links between work and citizenship and to protect both. Such an approach will buttress both individuals and the communities in which they live against the health consequences of job insecurity, while strengthening community structures.

### **What organizations can do**

Organizations can take a number of measures – in addition to the health impact assessments already mentioned – to reduce the impact of job insecurity on the health and wellbeing of their employees. At the risk of stating the blindingly obvious, we note the terrible consequences of ignoring the problem and doing nothing about it. Even if only for organizations' wellbeing, employers must implement policies and procedures that recognize the validity and importance of both types of contract – the written and the psychological – with their employees. The creation and maintenance of an open culture, with employers establishing good, multidirectional communication channels with employees and their representatives, will do much to facilitate better relations. Such an approach means moving away from the closed style of management culture, in which only the most senior members of the organization have access to the full picture and share information only on a need-to-know basis. Such structures lend themselves to the creation of rumours, uncertainty and anxiety with all the individual and organizational consequences that follow. In addition, Karasek (Chapter 8) notes that open management is more effective in economic terms.

Other measures that organizations can take include limiting short- and fixed-term contracts to the smallest number possible, and ensuring that decisions on changes to the level and nature of employment are made

fairly. Of special significance is the need for the workforce to perceive these decisions as fair. Organizations should proceed with great caution when downsizing to secure increased profitability alone.

When employment levels have to be reduced, organizations must address the needs of the employees retained, as well as those let go, recognizing and seeking to address the psychological consequences for the survivors. Special provision needs to be made for the youngest and oldest workers, for whom changes in employment status are more keenly felt and have longer-lasting effects. In periods of change, organizations should take heed of the fact that some employees perceive increased flexibility to involve de-skilling, uncertainty about their role, job insecurity and a sense of powerlessness. Open communication can do much to reduce these adverse effects, as can preparing and equipping employees for change through the provision of training and skill development.

As change is a stressor, organizations should develop a stress management policy. Such a policy will recognize that the organization can be a stressor through its management processes, will seek to implement management processes that minimize the effects of this and, ultimately, will provide professional support and assistance for employees when necessary.

The implementation and/or continued development of management theories such as total quality management at an organizational level should be undertaken in the knowledge that the process should not diminish but enhance respect for the employees.

As mentioned, organizations should not stand in isolation from the community that surrounds them. Decisions made within an organization can and often do have a significant effect on the community. Given that the organization will probably wish the community to act as a source of both new employees and customers for its services and products, establishing links with the community and involving it in assessing the outcomes of major organizational change become ever more important.

## **Conclusion**

The links between work, poverty and health are well defined and indisputable. This book demonstrates the new link between job insecurity and health. This link has considerable implications for governments,

businesses and individuals, given the number of people who perceive their positions as insecure. WHO recognizes the far-reaching impact of job insecurity on many health-related factors in adulthood, including income, social networks and self-esteem. WHO suggests that, for an accurate picture of economic performance, any assessment should include the unseen costs of ill health to industry and the workers. Stressful situations and job insecurity are major contributory factors to these costs.

Discussions of the implications of job insecurity for the maintenance and promotion of health are only beginning. We hope that this book will increase awareness, foster discussion and lead to an increase in research and programme development.

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**LABOUR MARKET CHANGES AND JOB INSECURITY  
A CHALLENGE FOR SOCIAL WELFARE AND HEALTH PROMOTION**

The European way of life is unlikely to return to past traditions of work and leisure.

It is everyone's responsibility to invest in practices and policies that are consistent with the equitable and sustainable promotion of health.

This book is intended to draw attention to and spark international debate on the changing nature of work, trends in labour market changes and the increase in job insecurity, which add up to chronic unemployment in so many developed countries.

The implications of these trends for social welfare and health promotion need further research.

This book represents a first important step towards filling the gaps in both research and action to develop strategies that address the issues of labour market policies and job insecurity from a social welfare and health promotion perspective.

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