

INEQUALITY AND SEGMENTED LABOUR MARKET THEORY

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- What added value for our understanding of confronting inequality is provided by the combination of these two conferences?

Two interwoven topics

- How does segmentation theory overlap with, interact with, and also differ from industrial relations?
 - How does a segmentation theory approach contribute to analysis of growing inequality?
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HOW DOES SEGMENTATION THEORY OVERLAP WITH, INTERACT WITH AND DIFFER FROM INDUSTRIAL RELATIONS?

1) Key American contributions to SLMT

Origins of SLMT rooted in explaining persistence of inequality, poverty and low pay

Two main early 1970s contributions (Doeringer and Piore 1971 (DP) and Edwards, Gordon, Reich 1975 (EGR) both focused on *employer strategy*.

- DP emphasised *firm-specific skills* -critiqued for only focusing on an accepted market failure,even by mainstream,;
- For EGR it was *employer strategies to divide and control*- closer link to IR though simplistic- ignored intra capitalist competition (as did Braverman – similar time period) .

In both cases IR analysis was unsophisticated:

- trade unions willing to support wage premia for primary sector workers- DP
 - not able to organise secondary sector workers- EGR.
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2) TOWARDS A MORE INSTITUTIONAL AND IR-FOCUSED APPROACH

Further development of more institutionalist/ comparative approaches to SLMT -mainly in Europe by IWPLMS

- Involves an understanding of IR institutions and social and class tensions
- Both IR and SLMT subject to insider-outsider critique- internal labour markets (ILMs) and collective agreements (CBAs) regarded by neoliberals as distorting an otherwise equalising market for wages and profits

IR and European SLMT regard employment as a social relationship within employing organisations - labour market factors only intermittently impinge directly on employment (no constant adjustment to the market)

- Contrary to insider–outsider approach, both regard work without continuity and constant exposure to market competition to be an impoverished experience that commodifies labour
- Employer-employee relations (not markets) at heart of both approaches - SLMT focus on all types of workplaces- IR more focused on divide between organised and non-organised work places

Both focus on incremental rather than radical change to value system more common- building on legacy of past practices

- Role of custom and practice in bargaining- incremental responses to market – radical change mainly through new entrants

SLMT more holistic approach to institutions *state policies and welfare systems-*, though less on politics than IR

CENTRAL CONTRIBUTION OF SLMT TO UNDERSTANDING OF INEQUALITY

Segmentation implies borders/barriers

- no one unified market -provides critique of standard wage theory and human capital theory - pay and value emerge from interactions of social and firm/sector issues- market for labour only one influence on pay and reward

No one value system, no one continuous measure of human capital ;

Value of a worker's labour varies between firms

- differences in *ability to pay* between firms
 - *pay hierarchies don't automatically adjust to the market* - used for internal management/training/retention strategies
 - *interplay between external and internal factors* (Osterman, Grimshaw and Rubery, Beynon et al.) - fragmentation/outsourcing as well as changes in internal hierarchies but no automatic response
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ROLE OF INSTITUTIONS WITHIN SLMT

Myth that institutions distort a unified market.

In practice Institutions instead may help to *create coherence out of inherent capitalist tendency towards fragmentation*

- highly institutionalised systems include a large share of workforce within the core and *promote a more unified value system*- but, as never achieve universal coverage, there may be a steep cliff between insiders and outsiders
- where institutions are weaker *wider variation within the core as well as between core and periphery*

Role played by state and legal regulation versus voluntary collective regulation in promoting coordination/coherence varies

So too does the *form through which coherence is developed* -and thus the basis for the value of labour

e.g. *concepts leading to coordinated but at the same time differentiated values for labour* include :

- vocational training in Germany
 - sector or firm differences (CB arrangements/ public versus private)
 - job hierarches/classification system in France
 - large versus small firms, full versus part-time in Japan
 - gender- but to varying degrees/divergent forms by country
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HOW DOES SMLT CONTRIBUTE TO UNDERSTANDING OF GROWING INEQUALITY?

SLMT

- Makes *no assumption of a unified functioning labour market*
- Provides a framework for understanding role of employer and state strategies in *seeking or allowing access to different segments, based on divergent value systems*.
- Far from fragmentation of employment arrangements/decline of ILMs undermining SLMT, this approach provides a way of *exploring and analysing strategies for and impacts of fragmentation*
- Through fragmentation of production systems and internal segmentation within firms, final products can be considered the *outcome of divergent institutions, organisational practices and labour value systems connected through supply chains*

What are the key developments that have encouraged and enabled employers to adopt strategies that have contributed to rising inequalities?

CHANGE IN SEGMENTATION OF WORKFORCE

Changes in *availability of different types of labour, plus changing political contexts*, may encourage employers to take advantage of these opportunities,

- particularly where employers can mobilise exit strategies from their existing value systems (Jaerhling and Mehaut) .

Examples

- Rise in mass migration enables employers to tailor occupational work conditions to weak power of migrants/ethnic minorities
 - Feminisation of professions enables employers to devalue and restructure occupations (Reskin and Roos)
 - Higher female employment allows for rise of sectors/firms specialising in part-time work – (but depends on institutions and gender culture)
 - Mass higher education enables employers to hire better trained workers in mid range jobs- job crafting may turn these into 'graduate-type jobs' -but employers may not reward them as graduate jobs
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CHANGE IN ECONOMIC CONDITIONS AND CONTEXT

Changes in employer motivations

- *Rise of financial capitalism/private equity* - attention on financial returns/ asset stripping away from strategies to compete in real economy- reduced perceived importance of labour in achieving firm's objectives but productivity neglected- still need cooperation with labour in the real economy

Changes in employer power

- Decline in TU power enabled decrease in private sector commitments to labour (pensions, training, careers) without fear of successful unionisation - reinforced by increase in outsourcing options

Emergence of new technologies

- facilitated outsourcing and globalisation in 90s/2000s to different value systems within and between nations/platforms extending opportunities to evade dominant home value system
 - Risk of value capture by AI innovators may lead to more employers seeking exit options
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ROLE OF THE STATE IN RISE IN INEQUALITY: INCREASING CONTRADICTIONS

State is *creator/ implementer of neoliberal market conditions* at international and national level

- e.g. role of EU directives on competition, posted workers etc. – enabler of access to divergent value systems
- austerity and end to good employer in public sector

But *contradictions run through the state's approach to employment*

- under Covid required to be supporter of last resort to prevent macro collapse
- actions taken may actively undermine the Standard Employment Relationship (SER) despite reliance on SER for fiscal resources, constraining welfare costs etc.

Examples of contradictions

- migration facilitated to promote flexible markets/ lower labour costs but forced to restrict due to internal politics
- pension crisis requires extended working lives but no strategy to ensure employers keep on or hire older workers

Shifting role of state between countries and over time – left/right shifts alongside common rise of the far right

- employers sometimes working in conjunction with the state, sometimes in opposition to state policies.

CHANGING ROLE OF TRADE UNIONS AND COLLECTIVE ACTION

Continuing decline in TU power but also *changes in field of influence and action*:

- more decentralised bargaining due to EU/state/employer policy but some active resistance
- union control over pay and progression may be reduced by individualisation and sometimes by higher NMW
- membership more concentrated in services and public sector and more feminisation of membership

Contrary to dualisation theory (Palier and Thelen 2010), *more efforts to organise and protect precarious workers* (negotiations or campaigns for legal rights and controls on technology)

- long term commitment to sword of justice/recognition that not sufficient to protect primary workers
 - but increasing political divisions among trade unionists with rise of far right political parties
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CONCLUSIONS

SMLT offers

- an *holistic interdisciplinary approach similar to IR*- less focus on politics, more on employer practices and policies of state and institutions beyond the IR system.
 - focus on the *lack of unifying market forces and a unified value system for labour*— institutions bring *more coherence not 'distortions'* to the labour market (though some institutional arrangements may create more equality than others).
 - increasing interactions between wider external and internal firm-level practices — but *response to market always at the discretion of the employer*- not an automatic response, no invisible forces.
 - focus on non organised as well as organised firms and on the *problems and contradictions arising from fragmentation strategies*- in IR employer strategy more often analysed in relation to evasion of IR and its institutions/rights
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CONCLUSIONS

Changes in segmentation lie behind inequalities

Not easy nor necessarily desirable to seek deterministic answers to causes of rise of far right

Nevertheless, changing segmentation patterns (induced by state neoliberal policies, employers' embrace of neoliberal ideology and employers' exploitation of changing social and labour supply conditions) must provide a backdrop to these seismic shifts in political conditions.
