

## Neoliberalism and the Emerging Precariat

by Stephen C. Sanders

Neoliberalism, although it is the socioculturally accepted economic system, has shown for many years to be the cause of increasing job and income insecurity that has been striking the old proletariat class. This increase has resulted in an emerging social class, what shall be called the “precariat,” that suffers more extreme exploitation at the hands of the capitalists. In this paper, I will discuss that, as a result of neoliberal policies — specifically capitalism and globalisation — a new precarious social class is beginning to form, progressively splitting from the old proletariat social class that has been around for many years. These people have to suffer through continuous job and income insecurity with little to no insurance or other benefits, due in part to their imbedded roles within the neoliberal system. I will be using various scholarly articles and books, including various works by the notable economist Guy Standing, along with a few smaller sources in showing how neoliberalism is to blame for further progressing the development of social hierarchies, which naturally lead to increased socioeconomic insecurity.

Before I get into any of the details, I should first explain what neoliberalism *is*. Neoliberalism can be described as being the collection of ideals associated with *laissez-faire* economic liberalism, which include “extensive economic liberalization policies such as privatization, fiscal austerity, deregulation, free trade, and reductions in government spending in order to increase the role of the private sector in the economy and society.”<sup>1</sup> Essentially, neoliberalism aims to formulate a global market society in which every sector imaginable is subjected to commoditization, including healthcare, the educational system, and social policy.

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<sup>1</sup> Wikipedia contributors, "Neoliberalism," *Wikipedia, The Free Encyclopedia*, <https://en.wikipedia.org/wiki/Neoliberalism> (accessed May 3, 2017).

Basically, neoliberalism sticks with the advocacy of *economic liberalism*, which is the belief that “states ought to abstain from intervening in the economy, and instead leave as much as possible up to individuals participating in institutions which are supposed to be free and self-regulating markets.”<sup>2</sup> Neoliberalism, at its core, allows individuals to experience and participate in the market as freely as they desire, without the threat of governmental intervention. What makes neoliberalism distinct from the classical liberal policies presented by Adam Smith is that:

It places emphasis on competitiveness and individualism. Collective bodies are seen as anti-trust, monopolistic and rent-seeking. But the drive to dismantle them weakened the representation and bargaining capacities of vulnerable groups. The outcome has been a profoundly new social structure.<sup>3</sup>

Whereas the classical liberal ideals of Adam Smith emphasized *laissez-faire*, free market economic policies, the neoliberal policies go a step further in necessitating competition within each market and promoting self-reliance and complete fiscal responsibility amongst individuals. This results in monopolies dominating their respective market on the global scale and small, local businesses having little to no hope in competing with their market presence, inevitably leading to large, domineering corporations employing vast amounts of temporary, part-time laborers and forcing the smaller businesses into bankruptcy.

With the forming of global market economies came the development of economic globalization, which has had the capability to exponentially increase incomes and economic

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<sup>2</sup> Dag Einar Thorsen, “The Neoliberal Challenge: What is Neoliberalism?”, *Department of Political Science, University of Oslo*, 2009, p. 3.

<sup>3</sup> Guy Standing, “The Precariat: why it needs deliberative democracy,” *OpenDemocracy*, January 27, 2012, <https://www.opendemocracy.net/guy-standing/precariat-why-it-needs-deliberative-democracy/> (accessed April 30, 2017), p. 1.

growth while simultaneously decreasing consumer prices in developed countries. Even more importantly, however, it has shifted the power balance between developing and developed countries even further apart while also affecting the culture of each country at the receiving end of this shifting power imbalance. As Standing puts it, “Globalisation was a period of ‘re-regulation’, not de-regulation, and regressive redistribution, with income shifting to capital. Various other inequalities grew, along with economic insecurity. It created a risk society, in which risks and uncertainty were transferred to citizens. And neoliberalism set out to dismantle all forms of collective body, or all forms of social solidarity.”<sup>4</sup> Instead of completely removing regulation of economic activities, neoliberal globalisation involved re-regulating economic endeavors by benefiting the already wealthy by spending more resources on producing goods to move up in the market than on redistributing their financial wealth to their employees in the form of income. As a consequence to neoliberalism, as shown through neoliberal capitalism and globalisation, members of the proletariat worldwide face increasing job and income insecurity while the wealthy elites enjoy increasing levels of material wealth and socioeconomic influence. It can certainly be said that the proletariat has been affected the most out of all social classes, so much so that a new social class is emerging and taking shape.

The concept of “proletariat” can be described as “the class of wage-earners, in a capitalist society, whose only possession of significant material value is their labor-power (their ability to work).”<sup>5</sup> Members of the proletariat class can only depend on their skills and their physical and mental capability to apply said skills to even have a chance at obtaining the necessary resources

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<sup>4</sup> Ibid.

<sup>5</sup> Wikipedia contributors, “Proletariat,” *Wikipedia, The Free Encyclopedia*, <https://en.wikipedia.org/wiki/Proletariat> (accessed May 3, 2017).

to live comfortably. While neoliberalism negatively impacted this social class, it helped spark industrialization in that it forced competition amongst businesses, allowing for new product ideas and making mass production a possibility. This was, of course, at the cost of the decreasing job and income security of the proletarians. In Standing's words, "It was a force for good for many decades, but it was ultimately stalemated by its intrinsic labourism, wanting as many people as possible in 'jobs' and linking social and economic entitlements to the performance of labour."<sup>6</sup> Luckily for the proletarians, the turn of the twentieth century prompted a multitude of strikes and calls for the unionization of labor, all of which collectively resulted in the proletariat class experiencing "increasingly decommodified labour, through having part of their income derived from the gains from capital in non-wage remuneration."<sup>7</sup> Easily the most important example of this are large pension funds that are rewarded to proletarians for long years of "service" in investing in capital markets in an attempt to generate income for themselves upon retirement. These capital gains, along with the implementation of various social programs in order to protect the workers, allowed for proletarians to worry less about their future after retiring. However, "unlike the twentieth century proletariat, which experienced labour insecurity that could be covered by social insurance, the precariat is exposed to chronic uncertainty, facing a life of 'unknown unknowns'."<sup>8</sup> As one would probably anticipate, this is one of the main differences between the proletarians and the precariat; on top of not possessing a sense of either job or income security, those in the precariat class do not have insurance to accommodate for it, making

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<sup>6</sup> Guy Standing, "The Precariat and Class Struggle," *RCCS Annual Review* 7 (2015): p. 3, accessed April 26, 2017, doi: 10.4000/rccsar.585.

<sup>7</sup> Ibid, p. 5.

<sup>8</sup> Ibid, p. 6.

the job and income insecurity even more unbearable. There is, however, a lot more to the precariat than simply being uninsured.

First of all, it is incredibly important to note that a majority of contemporary researchers “acknowledge that the long-term attachment between workers and employers, upon which the structures of the welfare state and much of the labour movement were constructed, has diminished.”<sup>9</sup> Essentially, this prolonged relationship between employer and employee — one that every employee would expect to have — has dwindled to the point of people having low, temporary incomes with little to no benefits. This is precarious employment at its core; laborers with low incomes, unpredictable hours, and little to no social insurance. Precarity, according to Carl Ulrik Schierup and Aleksandra Ålund, is essentially designed “to capture the emergence of contingent employment, social risk and fragmented life situations — without security, protection and predictability — as a new global norm; a condition of working and living of a broadening social range propelled by neoliberal globalisation.”<sup>10</sup> As a result of immense economic globalisation, the social class structure that it had caused in the first place is further expanding, generating a new class of precarious workers below the established proletariat. Not only are they living without security, protection, and predictability, they are members of the first class in history “for which the norm is having a higher level of educational qualifications than the labour the person can expect to obtain and be obliged to do.”<sup>11</sup> This higher expectation of employees

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<sup>9</sup> Peter Frase, “The Precariat: A Class or a Condition?” *New Labor Forum* 22 (2013): pg. 11, accessed April 28, 2017, doi: 10.1177/1095796013482888.

<sup>10</sup> Carl Ulrik Schierup and Aleksandra Ålund. 2013. “A Global Migrant Precariat: Labour, Citizenship and Space for Civil Society.” In *Primer Seminario Internacional de Estudios Críticos del Desarrollo: Crisis, Desarrollo y Trabajo, University of Zacatecas, 14-15 February, 2013*, p. 1. Sweden: Linköping University.

<sup>11</sup> Guy Standing 2015, p. 7.

needing to be seemingly overqualified to perform labour that does not match the value of the particular qualifications leads to even higher insecurity along with much lower social protection and predictability. The worst part about the labour they have to do is that it has become increasingly common for members of the precariat to acquire jobs that are inevitably short-lived, insecure, and never producing a consistent, fixed source of income. In the words of Standing, “Jobs they are likely to obtain are simply instrumental, not life defining, not leading to an old-fashioned career, let alone a life of emancipatory security.”<sup>12</sup> This is another key aspect of the precariat that sets them apart from proletarians; while the proletariat has some sense of job security — given their social benefits, such as insurance — the precariat possesses little to no sagacity of what it means to have secure and enduring employment. It is only appropriate to conclude, due to blatantly differing conditions between the proletariat and precariat, that the precariat are an emerging social class with the only (or at least the main) cause being economically neoliberal policies.

There are various approaches one could take within the social sciences to go about defining “social class”. According to the *Routledge Encyclopedia of International Political Economy*, the principle methods of class analysis are based on the Marxist and Weberian approaches. While these approaches differ in multiple aspects, they manage to share three important characteristics:

First, both approaches hold the control of economic resources as central to class analysis.

Second, the approaches define a particular class location in relation to its links with other

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<sup>12</sup> Ibid, p. 12.

class locations. Third, they both view class as an explanatory factor in determining the means and limitation of an individual's pursuit of material resources, such as income.<sup>13</sup>

These two separate, analytical procedures can agree that the most important factor to consider in examining social class is how members of each class manages its economic resources, with the expectation being that those in more wealthy social classes are more easily capable of maintaining their resources while those in lower social classes have a more difficult experience with controlling their resources. This difference in means of controlling economic resources results in varying socioeconomic locations that can be represented by a hierarchy, with each location indicating a separate social class, where each class's socioeconomic status depends on or is the direct result of other social classes. This involves a relationship between the upper and lower classes where the upper classes control the means of production, ultimately forcing the lower classes to provide their labor to the production of goods and services (which is controlled by the upper classes) in order to support themselves. In the words of Karl Marx, "The slave, together with his labour-power, was sold to his owner once for all.... The [wage] labourer, on the other hand, sells his very self, and that by fractions.... He [belongs] to the capitalist class; and it is for him ... to find a buyer in this capitalist class."<sup>14</sup> In analyzing capitalist trends, Marx concluded that members of the lower classes are essentially slaves to the upper classes in that they are required to sell themselves to the neoliberals and produce goods and services for them under their jurisdiction in return for a remarkably low wage reimbursement. While both the

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<sup>13</sup> J. Andrew Grant (2001). "class, definition of". In Jones, R.J. Barry. *Routledge Encyclopedia of International Political Economy: Entries A-F*. Taylor & Francis. p. 161.

<sup>14</sup> Karl Marx. 1847. *Wage, Labour, and Capital*, ch. 2. *Marx/Engels Internet Archive* (marxists.org) 1999. Accessed May 11, 2017.

proletariat and the emerging precariat can claim to be exposed to such blatant exploitation, the important differences between them passively outlined in previous paragraphs show how the precariat are a separate social class and not simply just a condition of late neoliberalism.

Foremost, there is certainly a relation between the precariat and the capitalists (as Marx would call them), just as there is one between the proletariat and the capitalists. Regarding the proletariat, the job (and, to a certain extent, income) insecurity is the result of the same neoliberal policies that the precariat are forced to endure. But, according to Frase, the politicians in power at the high point of industrial labor after World War II are at fault for not providing the working class with anything besides more of the same. This “made them [the workers] more susceptible to the illusory liberation of a deregulated free market, which ultimately took away the security of union jobs and left nothing but precarious labor in their place.”<sup>15</sup> As one could anticipate, the false promises made to the workers of more worker protections during this peak in industrial labor were successful in masking the job and income insecurity that would soon inevitably develop. It seems that the relation between the precariat and the capitalists differs from that between the proletariat and the capitalists in that the proletariat possessed at least some type of social insurance to assist them with their veiled job and income insecurity. The precariat, on the other hand, have “distinctive relations of distribution, in that it relies almost entirely on money wages, usually experiencing fluctuations and never having income security.”<sup>16</sup> While the proletariat had means to insure social and income security, the precariat rely primarily on periodic wages “awarded” to them for their contributions to the means of production without *any*

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<sup>15</sup> Peter Frase 2013, p. 13.

<sup>16</sup> Guy Standing 2015, p. 6.



sense of job or income security. Thus, the relation between the precariat and the capitalists is clearly different from the relation between the proletariat and the capitalists. This point additionally addresses the third criterion of what makes a social class as proclaimed by Marx and Weber; the proletariat had social insurance in order to make up for low wages and other absent benefits, yet the precariat do not, and are in fact completely vulnerable to yet indefinitely dependent on the neoliberal system due to their blatant job and income insecurity. In other words, an entirely new social class is emerging as a result of late-neoliberal policies, one in which the typical member suffers from an incessant cycle of unemployment and low-wage employment without benefits. The most upsetting part about this is that the precariat have no way out unless appropriate, democratic decisions are made in order to salvage them and aid them in existing.

It is appropriate now to conclude that the precariat, as a consequence of neoliberal policies, have materialized and started taking shape as a new social class in terms of progressively becoming further and further removed from the proletariat. As more and more workers become wage employees with no benefits, there appears to be more job and income insecurity among the working class(es) that further deter them from accessing important social insurance to assist their increasing job and income security. As long as this lack of indemnity continues, there will be an expanding number of precariats attempting to make ends meet within a socioeconomic system that exploits them in order to benefit the higher social classes. Put simply, if nothing is done about this issue, the capitalists will only exploit more, while the working class(es) will suffer more.