

## WORK IN THE NEW PRODUCTIVE MODEL

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### Abstract

The objective of this presentation is to show some of the causes that explain from macro-economy and work economy perspectives, the process which gets rise to the employment crisis. This crisis is characterized by a high and sustained rate of unemployment, fall of real wages as also of the part of salaries in the income distribution, flexibility of labor force regulation, including the influence of the market logics on the social security systems. Unstable labor and precarious employment is the definite synthesis of the mentioned processes and the starting point of a new crisis of wage relation.

Transformations of the capitalist mode of production arise at first place in the developed nations and afterwards, they are reproduced in a different, incomplete and partial way, in semi-industrialized and less developed countries.

**Keywords:** Work; employment crisis; capitalism; flexibility; precariousness.

### I.- The old mode of development

The characteristics of the mode of development which prevailed during three decades in the capitalist industrialized countries since the second post-world war, strongly contrast with the later period, worsen by financing.

After the Second World War, in the capitalist and industrialized nations – inspired by Keynes, by social democracy and/or social christianity- implemented mixed economies combining public policies with private initiatives, prioritizing the production of capital goods as well as the economic infrastructures which since the 50s were adapting the massive

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production of consumer goods to the population that improved significantly their incomes.

The high productivity achieved with the Taylor's and Ford's production modes allowed the increase of real wages and the institutionalization of social security and also a stable growth of GDP; as well as a socialization of the financing of systems of health, education, housing policies of social interest and retirement payments that were adjusted, improving annually.

So, the basis to a "social commitment" between employers and employees with state protection was created, in spite of the conflicts over the income distribution and the agreements among the industrialized countries and those nations provider of low-prices raw material, to the benefit of the first ones. In this way, the characteristics of the development mode which prevailed during three decades in the capitalist industrialized countries since the second post-world war, strongly contrast with the later period, worsen by financing.

## **II.- Fordist wage relation and the "real jobs"**

Most workers and employees were male, working full-time (according to the maximum length of legal working day, paying overtime when appropriate). Work in the manufacturing industry was the largest one, and was usually carried out in a large urban establishment. Besides it was ruled by labor contracts indefinitely, which provided security and stability guarantees. The contributions to the the public social security system gave social protection which was also for the benefit of the workers' families.

The increasing need of labor force in industry, agriculture and construction was satisfied with the immigration process, with lower educational level and little experience in industrial work.

The fact of having a stable and legal job gave guarantees and allowed getting cheap loans, consumption subsidies, investments and own housing; wages could be periodically increased by establishing a variable relation with: 1) the evolution of the cost of living; 2) the expected global productivity of the sector; 3) the seniority in the firm and 4) in some cases, the economic results of the company.

In this context, real wages grew annually slowly but gradually, wage earners as a whole perceived a high and growing percent of added value,

prevailing union freedom; unions had a large number of members, enjoyed prestige, thereby increasing its collective negotiation capacity.

### **III. Crisis and changes**

This system began to decline because once production was modernized; productivity was reduced due to the limits found by industrial technologies, as well as to the workers fight to stop the organization demands. The brake of the real wages growth – and the consequent fall of domestic demand – took it to balance through exportations. The development of international trading allowed the financing system to release from national regulations on loans and foreign exchange market, starting the internationalization process of the financing system consolidated since late XX th century.

The crisis of the 70s caused recession and increasing inflation, demonstrating the limits of the Keynes' macro-economy and opening towards economic policies that prioritized the market to deal with the incompetence of public policies. The new inclusion of economies in the international division of labor aggravated the competitiveness and promoted policies to attract foreign investments by making concessions in terms of infrastructure, credit, taxes and labor legislation. The national policies budgetary, taxation and monetary were useless and the private actors progressively began to decide on economic activity.

Since then, the international capital flows were more important than the direct foreign investment and the international trade, creating a larger interdependence of the national economies and the international organizations – and particularly the financial ones – which influenced on the governments to show the benefits of free trade, not only of goods but also of services and finance. This led to deindustrialization processes in all countries, with the exception of Germany, Japan and China, and to the detriment of the United States and Western Europe.

Changes in labor processes which were at the origin of the growth of productivity were followed by others, which caused their fall for economic, technical and social reasons since the 70s. This led to a new productive paradigm showing the capitalism ability to deal with crises, at the expense of developing countries and workers, whether they were wage earners or informal.

But the accumulation and regulation modes of capitalism have not secured their permanence. Often its interruption, crisis or change has internal causes, that is, they are not systematically caused by shocks or exterior reasons, but by their own dynamism and sometimes by their success.

However, and progressively, the gigantism of the companies, the need to increase investments and the vertical integration of production that spread to get economies of scale, as well as the intensity of repetitive and uninteresting work became a factor of productive rigidity and high costs. The resistance of wage earners and the obstacles to development arose from the application of the taylorist and fordist labor processes already known, and have been analyzed in other works (Coriat, 1975, Boyer, 2007, Aglietta, 1976, Neffa, 1989), to which we do not refer for reasons of time and space.

To deal with the crisis, an agreement was reached between the major international financial organizations and the North American authorities; from its thoughts arose what was usually called "the Washington consensus" whose main slogans were:

- Privatization of state-owned companies that were charged with inefficiency, unproductive over-employment, insufficient service, source of budget deficit, corruption, high costs, etc.
- Indiscriminate opening of foreign trade, to stop inflation and balance the fall of the domestic market
- Deregulation of all markets, except the labor one.
- Promote foreign capital to balance the fall of domestic investment and to improve competitiveness
- Reduction of state activity, for the benefit of the market development, and a drastic decrease of public spending, considered as the main inflation source.
- Elimination of wage indexation, to moderate its growth in real terms, and reform the social security systems, to diminish the indirect wage and stop the costs increase.
- Encourage transnational companies to sub-contract small and medium enterprises with national capital to reduce costs and establish relations with them, to be protected against the state policies and to get tax and

credit benefits.

The governments, in different degrees, according to the social forces, adopted structural adjustment policies, following these slogans.

Since mid 70s and mainly during the 80s and 90s, the importance of this adjustment was noticed that caused the productive reconversion with severe impacts on industry companies of national capital, specially SMEs, employment and wages, establishing different ways of flexibility, among which precariousness of the labor force and outsourcing played a central role.

#### **IV.- The new productive paradigm**

The capitalist production mode is a system characterized by its permanent innovation capacity, that to maintain its dynamism, is re-configured any time that a crisis takes place, introducing technology and financial innovations in the work processes that, even they are innovative, try to deal with the crisis, but they cause strong imbalance.

The labor process, its content and organization, had evolved until it found its own limits. After the boom of handcraft work of qualified workers, the work processes evolved and encouraged the system of capital accumulation since the beginning of the industrial revolution, promoting transitions between: technical division of labor (assigned tasks to different workers); social division of work (the companies were in charge and the wage earners were responsible of the execution); the mechanization to continuous production (establishing the assembly lines that when increasing productivity and reducing unitary cost of the products, made high salaries possible and at the same time, promoted the consumption of durable goods); and, at present, the introduction of technologic and organizational innovations. The saving of time that is achieved when advancing in social and technical division of work, allows an increase of value and added value, contributing to get greater surpluses, which is the purpose of the logic of production and the accumulation of capital.

The previous organization of companies, production and labor deeply changed since the 70s crisis and the contradictions were intensified after the financial crisis caused by the failure of *Lehman Brothers*. Since the diffusion of fordism with the vertical integration of production was questioned (which implied

large establishments, large staff and high indirect costs), it was tried to reduce the size of establishments and the number of employees and balance the volume of production through the promotion of outsourcing. These sorts of contracting allow to decrease the establishment without involving the volume of finished products and at the same time reducing the cost of supplies, which have little added value, diminish the volume of wage work that is protected by social security and by collective labor agreement and represented by large unions, in order to weaken the union organization.

The flexible labor reforms changed the wage relation because they allowed fixed-term employment contracts, temporary work, internships, contracts signed through temporary service agencies, and in terms of labor relations, collective agreements with the company (reducing the influence of unions). On the other hand, the indexation systems of salary according to productivity and price index, which haven't stopped falling since mid 70s, are weakened. What is more impressive is the de-laboralization of labor contracts, because legal entities like interns and freelancers who are not protected by labor laws are promoted. The responsibilities of the Labor Ministry are changed, because instead of balancing the difference of power, proposes the legal equality between entrepreneurs and wage earners.

Legislation on labor contracts has many reforms which decrease its protector character, to ease and reduce costs of suspensions and dismissals, without the previous authorization from the Labor Ministry. Besides, the control over attendance and working hours increases, lowering the cost of overtime, promoting an obligatory versatility whenever necessary, and the acceptance of the introduction of technological and organizational innovations that intensify work, thus exposing workers to new risk factors.

Collective agreements were valid throughout the branch of activity, even with respect to who were not members of those organizations, but there is a trend towards des-centralization at the company level – where the union influence is lower or inexistent – causing greater inequality, even in the same activity branch.

Regarding labor processes, consolidated changes question the essential characteristics of taylorism and fordism because they stop the growth of productivity and worsen quality. Indeed, to avoid disinterest in workers that

leads to lower productivity, to mistakes and failures in the products quality, permanent work in the same position changes to rotation among different positions, which at the same time eases to deal with leave replacements, without having to hire more staff. Instead of a divided work with a restrictive content, an enlargement of each worker task is promoted to make the job less boring and to add meaning to work. To reduce costs and to make the task more efficient without requirements of supervision, workers are encouraged not only to perform their jobs, but to manage their work planning, quality control, organize the supplies avoiding delays and wastes. Instead of an individual work, difficult to control, lacking in interest and social and technical support, team work is promoted, with some kind of autonomy, with some self control of the workers themselves, establishing a demand from the internal customer.

#### **V.- Flexibility and the arising of precariousness**

The new paradigm tries to ensure stable earning rates on invested capital and that implies the flexibility of employment and salaries, dealing with the risks of recessions and uncertainties that previously were only imposed on entrepreneurs. In exchange, systems of profit sharing and investment funds were established to control the financial systems. But the CEO's earnings grow much more than wages, increasing the inequity.

So, in the largest companies appears a new productive and flexible paradigm, defined by its trend to satisfy demands, variety, quality, productivity, cost reduction, establishing organization structures more horizontal to decrease indirect work, to favor internal communication and looking for integration of workers into the company.

Let's see some of the most relevant characteristics, according to the Regulation Theory (Boyer, 1986):

1. The flexibility of production since the mid 70s became an urgent need due to world economy is going through periods of instability and the volume and composition of national, and above all international demand, is unpredictable given the globalization process. Outsourcing was the business strategy to reduce fixed and variable costs and increase the room for maneuver transferring the risks, seeking to get new ways to organize firms,

- production and work, innovate processes and products, introduce variety of goods and services which please the current and expected customers needs, improve quality and ensure an appropriate after-sales service.
2. Flexibility of direct salary, to stop the real salary increase that characterized the 30 glorious years was a purpose which was achieved in most of the countries by different ways. At first place, avoiding the legislation on systematic indexation according to inflation rates - the minimum living and mobile wage -, that is, the real wage decreased or disappeared since then in every country, almost without exceptions, and therefore the part of salaries in the income distribution, reduction that was emphasized due to the decrease of employed of the economically active population. Secondly, the increase of nominal wages was limited by authorities from the ministries of labor and economy, arguing that in that way employment will be preserved, because if real wages increase employers will behave as neoclassic economists have proposed and will not hire new staff. Finally, that was achieved by suspending collective negotiation processes and fixing wages through law – adducing high inflation – whose amounts were always below it and in many cases non remunerative amounts were included to avoid employer's contributions to the social security system.
  3. The flexibility of indirect salary, that is, the extra-wages benefits, the contributions to the social security system and health insurance in charge of the companies. These measures were explained adducing that they promote jobs creation and in order to avoid dismissals, tax benefits were granted as well as the total or partial reduction of employers' contributions during a certain period. The more brutal mode implemented by employers is the unregistered jobs, workers compelled to work in the “black economy”, which is clearly discriminatory. To save a third of the resources for salaries, unregistered workers have no contributions to the social security system, left unprotected and excluded.
  4. The flexibility of required qualifications and skills is a direct consequence of the productive flexibility before mentioned. To face the strong competition that has internationally taken place, companies must introduce technological and organizational innovations which cause the declining of old qualifications which can imply dismissals or the professional conversion of

the directly involved labor force. To deal with these problems increasingly frequent, it is recommended to intensify the workers training to update their knowledge and, as far as possible, try to make them versatile, so they could alternatively perform different jobs. Versatility allows responding faster and with lower costs to staff absences, but its consequence is the increase of workload. But these actions are a benefit for younger and formally educated workers, who in spite of their effort and higher qualification are not socially recognized, nor in terms of wages or promotions.

5. Flexibility of working time is controversial. The implementation of new technologies or the outsourcing processes can provoke changes into time bands to satisfy customers and users, increase night work or implement rotating shifts to recover machines and equipments faster, causing finally impacts on workers' health. Frequently it is required to work on Saturdays, Sundays and/or holidays to expand the customer service, which complicate the family life, difficult following regular education or updating courses and the involvement into social and cultural life.
6. Flexibility of working relations systems, to move from collective to personal or individual. About collective working relations, the entrepreneurs, covered by legislative changes, sought to des-centralize the system of working relations and of collective negotiations from the branch of activity towards the company, to take into account the specifications of the company and at the same time, to weaken union organizations or to put them aside and promote interpersonal relationships of the human resources department with each wage earner, strategy that allows to carry out re-structuring processes.
7. Finally, flexibility of wage relation is what more often has caused labor precariousness, displacing the "real jobs", the "fordist" wage relation or the "typical employs". Those ones, as we have said below, provided of stable jobs, indefinite contracts, full validity of labor and social security as well as the freedom to join unions and negotiate collectively. They were registered jobs and employers had to pay social security and health insurance contributions. Their rights and duties, as well as wages and promotion opportunities, were ruled by a collective agreement or a professional statute.

In the public sector, this situation that caused precarious jobs, derived from the costs reduction policies, has counted with the support of international

financial organizations that made construction or service contracts with the new public employees.

The relation workers-employers in terms of wages defines labor rights with direct social consequences and is the basis of their social identity. Then precariousness should not be only considered from the points of view of economic and social instability and insecurity, but also taking into account the kind of work process performed by workers, the material and symbolic payment they get, the social recognition achieved through their efforts and the social relationships established in the company.

## **VI.- Outsourcing**

Outsourcing has allowed the implementation, mainly in outsourcing firms, most of the flexibility modes of the labor force before mentioned. Subcontracted companies (which can be medium, small or even individual – as freelance workers are) have widen and diversified in all sectors, even the public one, since mid 70s, after the crisis.

Regarding the old productive paradigm, outsourcing means the vertical disintegration of productive process, leaving in charge of another company, discretionary designated – which can even be a subsidiary of the contractor firm, but legally independent – the manufacturing of parts or the services provision which have previously taken place within the large firm, with a productive organization vertically integrated.

To a large company vertically integrated, fixed expenses are very important and often its size causes high costs. To be able to compete in a globalized world, to respond fast to quantitative and qualitative changes of increasingly demands that strongly change in short term, entrepreneurs have to try to reduce their costs. In this case, they prefer to act directly on variable costs, that is essentially on direct and indirect wages. Outsourcing allows large and medium companies to reduce costs because manufacturing or services which are outsourced are not those that generate more profit, but on the contrary, those which generate few benefits because they use intensive technology; this allows the firm to keep the most profitable ones.

Outsourcing firms often perform risky tasks, where uncertainty prevails, as the contracting company transfers to them the difficulties caused by the

crisis, when profits of the branch of activity decreases.

Contracting companies, because often they must have their own union organizations or internal union commissions are more vulnerable to conflicts due to unions can demand higher rates of wages according to the average firm productivity. The outsourcing firms, due to they are smaller and have a paternalist management mode, often have lower rates of unionization than the branch average. Then it may happen that an outsourcing firm establishes lower wages and lower social benefits in collective agreements for their staff than in case the same tasks were in charge of the contracting company, generating a high rate of profit for the latter.

On the other hand, outsourcing processes underline that within these firms there are different flexibility modes, and that they establish recruitment and selection modes that cause the division of the labor force, intensifying divisions and tensions within the work group.

Finally, a new mode of work division arises, that is, the social division among companies to reduce costs and to gain flexibility.

In some cases, outsourcing companies are created by the contracting one, although they are legally autonomous, to achieve some purposes: to solve complex management problems caused by the size effect, reduce permanent staff which is more sensitive in front of union action, intensify their employee work by means of the pressure caused by the threat of unemployment or simply to reduce the unitary production costs.

## **VII.- Precariousness modes and its impact**

Considering the diffusion of outsourcing, which have been the more relevant modes of employment precariousness and insecurity in Argentinean experience?

To answer this question we can list: long testing periods that could be indefinitely renewed, fixed-term contracts, jobs hired through temporary services firms which are paid against invoice, far from a job ruled by the Contract of Employment Law and the development of unregistered jobs ("black economy"), euphemistically called "informal". Temporary services firms establish some kind of labor force renting, which causes people trading (Caire, 1975), generating a triangulation where the worker is paid by a firm, but

generates value and surplus value to another.

Temporary services firms got the legal authorization to provide staff that *temporarily replaces* an absent employee, *to face occasional peak work* or to *extraordinary and temporal needs* including *unusual tasks*. But over time, they did not limit to this role because often, workers provided by these firms covered permanent jobs, doing usual tasks, but without changing their status, neither being included in the regular staff nor becoming a registered worker.

In the company, due to precariousness and through the entrepreneurs' initiative, a division in the work group appears between the company permanent employees with stability (primary market) and external workers (secondary market) that are provided by temporary services firms. This configuration makes the collective union action difficult because there are co-existing in a contradictory and excluding way a "primary work market" with another "secondary" one, an "intern market" with an "external market" (Piore y Sabel, 1988).

### **VIII.- The more vulnerable sectors to precariousness**

Who are those that firstly take precarious jobs? The young, especially those with low professional qualifications; adult workers at the end of their active life that have been dismissed or prematurely retired; foreign workers, especially undocumented and with low professional qualifications; women who has a family to support and low educational degree; workers that leave long periods of unemployment situations thanks to employment policies, but who are stigmatized.

Classified by activity branches, the percentage of precarious wage work declined with variations in industry and agriculture sectors but grow in services sector. According to gender, it strongly increased in the case of women. The composition of employment has progressively changed because the employment of non-salaried workers (contracted or freelancers) increases. Regarding the wage earners, it increased in private sector and declines on the public sector.

There are more and more jobs whose status is intermediate between waged work and freelance work. Such is, for example, the case of *para-subordinate work* (Supiot, 2004) when *independent* workers are in a situation of

economic dependence similar to wage labor, but without their rights. Those workers can only offer their production to a limited number of customers (decided by the employer), which causes an economic dependence relation and gives the control to the employer.

There are also contracts of temporary and seasonal work, as well as the modern employment modes in outsourced companies or of those which arise from subcontracting of labor force. The main purpose sought by all these modes is the reduction of fixed and variable costs, focusing on the wage costs.

What is essential in precarious work/employment is referred to the insecurity and instability of the wage relation, but these bad conditions can appear in both, formal employments or informal ones, and in registered or unregistered jobs. However, while unregistered wage earning clearly break work and social security laws, precarious employments, as we have explained before, are usually legal because they have been validly established through laws or decrees and so, they are normalized, even when they have negative consequences over the work relations system as they weaken trade unions and at the same time increase the workload with their impact on worker life and health.

### **Reflections and perspectives**

Precarious workers are those who have nor stability neither security at work; they are included in the work relation system of the company in a humiliating way because of their lower level of integration with the work group. They are not always part of unions nor are represented by them.

Generally the payment level and the social security coverage are lower and of lower quality than those of the employees with registered jobs that perform similar tasks. On the other hand, since joining the company, precarious workers have to respond to greater requirements by employers, such as: versatility, forced internal mobility among different work positions according to needs and often widen of tasks which become larger than those usually required in the position they work, meaning a more workload, which implies more tiredness. But frequently the “skills management” is also promoted to change the worker behavior looking for developing greater autonomy, desire of learning, responsibility, solving problems ability, acceptance of organizational

and technical changes, tendency to teamwork, socialization of knowledge and learning.

The complexity and the importance of this subject were recognized by the ILO. It was from the International Conference of Work Statistics, performed in 2002, and the previous studies (Husmanns, 2001) that the precariousness concept – unregistered job – is related to, or more precisely it is included in informality. The new definition of no registered workers (recommended by ILO since 2003) is a substantial innovation because they include in this group of economically active population workers (unregistered) whose jobs are not ruled by work laws, regardless they work formally or informally.

From our analysis it arises that the policy that promotes the generation of precarious jobs, or those which allow unregistered employments, is not an alternative to fight definitely the unemployment or sub-employment. These phenomena coexisted in the same historical period, since big changes took place in the structure of the economic active Argentinean population: increasing female participation, economic concentration, and at the same time restrictions on the creation of new jobs in large companies, but increase of employment in small firms, where productivity and wages are below average, growth of freelance workers, increase of informal wage earners in small companies. Finally, there is also a diminish of unemployment, while underemployment continue growing due to they include beneficiaries of social programs who, by definition, have reduced working hours, if considering economic active population.

### ***Employment stability and instability***

Employment stability means the continuity of the job relationship between the wage earner and the company or organization. It is a microeconomic dimension, not necessarily related to a single sort of work contract, because it can be the result of an internship, which results in an initial contract of determined duration that when ending becomes into an indefinite contract. It may be influenced by the rhythm, cycles and modes of the economic growth.

Employment security does not mean for us to stay in a labor position for ever; it is the possibility of remaining in the same company or another, but without suffering a lasting interruption in the transition period from one job to

another, receiving the unemployment benefit.

On the contrary, instability is the possibility of being dismissal or forced to voluntarily quit, risk that has grown fast since time ago.

Job insecurity then consists in the risk of involuntarily losing an employment and find oneself unemployed during a certain time. This risk implies losing total or partial income, difficulties to find a new job (due to the stigmatization impact) which new wages are generally lower than the earlier ones, as in the new job the seniority payment, gathered in the company, is lost.

### ***Security, stability and subjectivity***

Regardless the different evolution of the objective indicators of job insecurity and instability according to the countries, the wage earners perception is that they have both grown, resulting in tension and suffering due to anguish and anxiety causing health problems, at first mental and psychic and physical after.

The perception of insecurity has macroeconomic consequences, because when expectations change, behaviors impact on demands for services and goods: the use of money is more careful, consume is reduced and saving grows. This perception also influences to limit mobility among companies that because of fear, employees prefer to keep their jobs even if they are not satisfied, rather than taking the risk of resigning, look for another job and do not get it.

The insecurity sensation contributes to reduce the wage recognitions, but at the same time unions have directly compelled to the government through political parties to try to introduce some changes in the work and social security laws. For instance: limiting the employers' authority to carry out collective dismissals, support companies so that they do not dismiss in crisis periods, increase the dismissal compensation amounts as well as the unemployment benefit, keep during lasting periods the right to social protection for unemployed and their families, etc.