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**Employment and welfare in the process of
European Integration:
Governance of the market or the market
as governance?**

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Embeddedness of markets I

Karl Polanyi viewed markets are socially instituted processes. For KP the economic domain is inseparable from the socio-political domain; the latter regulating the rules of conduct between actors in the former.

In his *magnum opus*, *The Great Transformation*, he argues that traditionally, markets were embedded in a rich web of social relations that did not allow the ‘market rationale’ to dominate society. Other ‘rationales’ of economic organisation did and do exist(*)

For KP it is in early capitalism, where the fiction of a *self-adjusting market* becomes politically hegemonic. It was strong state action that established the institutions of modern *market* societies. These, in KP’s terminology, are societies where market exchange gradually becomes the dominant rationale of social institutions.

(*) Karl Polanyi argued that there are at least three principles/‘rationales’ of socio-economic organization: reciprocity, redistribution and market exchange. Institutions in market societies tend to privilege the latter, thus, it gradually becomes the dominant instituting ‘rationale’

Embeddedness of markets II

State action (in 18th and 19th centuries) was at the heart of the effort of establishing market societies and especially in constructing the markets for the fictitious commodities of land, labor, and money. This KP would describe as the process of dis-embedding the market from society.

For Polanyi, the emergence of social counter-movements was inevitable as society tried to protect itself from the effects of relentless marketisation.

Later, in 20th century, the state became part of the effort to protect societies from the effects of marketisation, an attempt to re-embed the market to society.

The emergence of welfare states especially after World War II, can be seen as historical examples of this process of re-embedding.

Embeddedness of markets III

‘Ultimately [...] the control of the economic system by the market is of overwhelming consequence to the whole organisation of society: it means no less than running of society as an adjunct to the market. Instead of the economy being embedded in social relations, social relations are embedded in the economy.’

‘Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.’

Polanyi, The Great Transformation

Disembeddeness vs Embeddedness of markets I

Some neo-Polanyians argue that markets are never completely dis-embedded from social relations or state regulation.

They argue that markets and market societies can not function without states (or political authorities in general) regulating them.

Markets cannot be completely *de*-regulated (i.e. operating with no regulations will lead to their self-destruction as markets can not generate the rules that govern them). Rather, markets are regulated, and *re*-regulated and re-regulated in an ongoing process of social transformation.

It is the form (and ‘rationale’) of (re)regulation that is important.

Disembeddeness vs Embeddedness of markets II

Fred Block, a neo-Polanyian called this *the always embedded [market]* concept:

‘The always embedded [market] concept makes it very hard to gloss over or hide the state’s fundamental role in shaping actually existing economies.

Since the state establishes the non-contractual bases of contract and is centrally involved in constructing the markets for the fictitious commodities of land, labor, and money, it becomes impossible to imagine how the economy would run if only the state would cease its unnecessary meddling.

Moreover, Polanyi also lays the basis for understanding that tax policies, technology policies, competition policies, and trade policies are not incidentals, but fundamental to structuring how different market societies operate.

Block (2001, p.21)

The 'always embedded' vs disembodied markets debate: moving beyond...

- **The embeddedness of markets is a powerful but difficult concept. It gives emphasis to**
 - the importance of socio-political institutions in regulating markets(*),
 - the rationale of these institutions and
 - what this rationale does to the state-market-society relation
- **KP's *dis-embedded market* concept refers to institutional configurations where market exchange becomes the dominant rationale of regulating social and economic relations**
- **Still, Fred Block is right to point out that even dis-embedded markets are socially instituted (and state regulated) processes. However, in our view, his use of the 'always embedded' market concept adds to the semantic confusion.**
- **The view adopted in this paper attempts to take us beyond this debate and link this work to other important breakthroughs in the sociology of markets and economic sociology more generally**

(*) Institutional economists, like Nobel Laureate Douglass C. North, also study the importance of institutions but mainly concentrate on how they influence behaviour *in* the market and less about what they indicate about the state-market-society relation

The 'always embedded' vs disembodied markets debate: moving beyond...

- **I argue that markets are socially instituted processes, that always need to be regulated extra-economically. For no market can generate or sustain the conditions of conduct inside them (*the non-contractual bases of contracts*).**
- **Markets are always regulated. Even when they are being “de”-regulated, they are actually re-regulated on the basis of different regulatory principle that strengthen the ‘market rationale’. In short, there is never market de-regulation, only re-regulation.**
- **The (re)regulation of markets is immersed , driven by, and constitutive of power dynamics between social subjects/actors who ‘create’ the markets.**
- **The temporal and spatial institutional crystallisation of this power dynamic defines the form and ‘rationale’ of market (re) regulation.**
- **Attempts at ‘dis-embedding’ markets should be seen not only as attempts to ‘economise’ social spaces but, crucially, to make economisation/competition the mode of *social instituting of that space*.**
- **Power as a dynamic between social actors is central in our understanding of the different forms of embeddedness and ‘dis’-embeddedness’ of markets (*)**
- (*) This links our conception of embeddedness to recent theoretical breakthroughs in the sociology of markets, notably Bourdieu (2005) and Fligstein and Merand (2002)

Markets and the 'social' I

"...what is called the market is the totality of relations of exchange between competing agents,

[these are] direct interactions that depend [...] on the socially constructed structure of the relations of force to which the different agents engaged in the field contribute to [in] varying degrees [...]

[these agents influence the socially constructed structure] through the modifications they manage to impose upon it, by drawing, particularly, on the state power they are able to control and guide.

Bourdieu (2005 p.81)

Markets and the 'social' II

- ***The social world can be represented as a space (with several dimensions) constructed on the basis of principles of differentiation or distribution constituted by the set of properties active within the social universe in question, i.e. capable of conferring strength, power within that universe, on their holder.***
- ***Agents and groups of agents are thus defined by their relative positions within that space. [...]***
- ***Inasmuch as the properties selected to construct this space are active properties one can also describe it as field of forces, i.e. as a set of objective power relations that impose themselves on all who enter the field and that are irreducible to the intentions of the individual agents or even to the direct interactions among the agents***

Bourdieu (1985 p.724)

Markets and the 'social' III

Markets are construed as arenas of objective relations between positions, or fields, that contain collective actors who try and produce a system of domination in the field. In each market, as in each social field, a pre-reflexive local culture (or doxa) is generated that defines social relations between actors, e.g. incumbant and challenger firms.

They also provide actors with the cognitive frames with which to interpret the actions of other organizations (conceptions of control)...Once stabilized, interaction becomes a 'game' where groups in the field that have more power use the acceptable cultural rules to reproduce their domination.

This makes action in fields [like markets] continuously conflictual and inherently political

(Fligstein and Merand, 2002, p.9)

Institutions, governance and power - 1

- **Institutions** can be understood as “structurations of power and as residues of conflict” (Korpi, 2001: 8).
- We focus on the **power asymmetries** between labour and capital and how different types of governance and regulation constitute spaces of action for these social agents - the national (EU member state) space is one of the socio-politically constructed spaces (a spatio-temporal fix). The emergent EU social space is another.
- **Governance** describes *a form of political regulation* of social subjects - i.e. individuals, social groups or institutions - initiated, organised and partially controlled by an actor or actors vested with the political authority to act in an area of public policy.
- Governance involves the 'steering' of the subjects' behavioural practices towards particular social and politico-economic goals via a set of institutions and processes that aim to maintain or change the status quo. (Carmel E. & Papadopoulos T. (2003). It is both about **what is governed** and **how it is governed**

Institutions, governance and power - II

- **Meta-regulation** is a mode of governance; it is the (economic/competition-based) 'regulation of regulations'.
 - It is a (politically allowed) type of regulation that 'encases' the relationship between, politically negotiated, rules and institutions of one or more social fields in a particular form of economic rationality – thus, creating an 'economized' social space (adapted from Bronwen Morgan, 2003)
- **Meta-governance** is the (politically negotiated) 'governance of governance' [...] 'the organisation of the conditions for governance [involving] the judicious mixing of market, hierarchy, and networks to achieve the best possible outcomes from the viewpoint of those engaged in meta-governance' (Jessop).

A power-theoretical framework

Power is viewed as a dynamic between social agents in a given social space. It is

- **generated within at least three dimensions - relational, structural, and discursive**
- **characterised by the creation and mobilisation of resources in the three dimensions by the social agents**
- **spatially and temporary crystallised into a form of governance for the respective social space, which means that it ‘translates’ into both a content for institutions and a mode of instituting them**

A power-theoretical framework - 1

- **Relational dimension of power.** Power is a relation between social agents within a given set of instituted rules/parameters that constitute a field of social action for these agents.
- Power asymmetries are observable as differences in the volume and capacity to mobilize power resources within parameters/rules that are accepted as institutionalised modes of conduct by social agents.
- When exploring this dimension, analysis can ‘capture’ the *instituted* capacity of social agents to act.

A power-theoretical framework - 2

- **Structural dimension of power.** It refers to the reproduction/alteration of the very institutions within which the social agents conduct their action.
- When exploring this dimension, analysis can 'capture' the *instituting* capacity of social agents.
- Power asymmetries are observable as differences in their capacity to maintain or alter the rules/parameters of the field; to use a metaphor, the capacity of social agents to change and/or maintain 'the rules of the game'.

A power-theoretical framework - 3

- **Discursive dimension of power**; the reproduction/alteration of the social categories by which the status as a social agent in a social space (and, subsequently, their instituted and instituting capacity) is understood and given meaning.
- When exploring this dimension, analysis can 'capture' the discursive capacity of social agents to define the 'conditions of possibility' for themselves and other actors to act out their intentions; simply, whose concepts, assumptions and perceptions of reality are hegemonic in one or more social spaces.
- Power asymmetries are observable as differences in the capacity of social agents to discursively establish and defend their symbolic status as social agents, i.e. how far their definitions of the social space and their claim to act in an instituting capacity are 'recognised' by the other social agents.

Labour commodification

Labour commodification - a politically regulated process in market societies where a) the livelihood of individuals and families is directly linked to their market performance and b) labour as a social agent is 'locked' in a power relation with capital (a relation that is governed by the state).

At the core of this process is the effort to **reify** (2) labour as a social agent by removing its capacity, i.e. its power resources, to act as an agent both *in* and *out* of the social *field* (1) of the labour market.

Depending on the outcome of socio-political struggles between and within these social agents (labour and capital), the intensity of commodification of labour varies. These struggles inscribe themselves in institutions and policies; "institutions [are] structurations of power and [...] residues of conflict" (Korpi, 2001, p.8).

- (1) See slides above on the 'Market and the 'social'' and especially the work of Fligstein (2001) and Bourdieu (2005) about markets as fields of social action and power.
- (2) See in the Appendix a lengthy quote by Honneth (2006) on the concept of *reification* as used by Lucacs, from where I took my inspiration.

Labour de-commodification

Labour de-commodification:

the extent to which individuals and families can maintain a normal and socially acceptable standard of living regardless of their market performance'

(Esping-Andersen 1987b: 86)

an acceptable exit from the cash nexus... the extent to which citizen rights supplant market distribution'

(Esping-Andersen 1985: 228).

Esping-Andersen (1985) had clarified that in order for capitalism to be 'social democratised', social policy should have four targets: decommodification, solidarity (re-stratification), redistribution and full employment.

EA combined the so-called power resources perspective with the concept of decommodification. If the market function is the commodification of productive assets, the 'working class power mobilisation is a function of de-commodification' (Esping-Andersen 1987b: 86). Thus, the process of decommodification is 'equivalent to distributing welfare according to need' (p. 86). Subsequently, institutionalising decommodification means adopting a different 'rationale' of economic organisation (in this case re-distribution according to need)

But (criticism): EA did not take into account protection while employed – both should be taken into account when exploring labour's decommodification

Labour recommodification

Labour Re-commodification - i.e. the intensification of commodification in and out of work by re-regulating labour markets in ways that remove de-commodifying regulations and by introducing regulations that enforce the 'market rationale'

Fundamentally, it entails the gradual subjugation of Labour as a social subject to capital, the other social agent of the power dynamic, It means its gradual transformation into an object to be 'activated', 'flexibilised' and politically 'muted'.

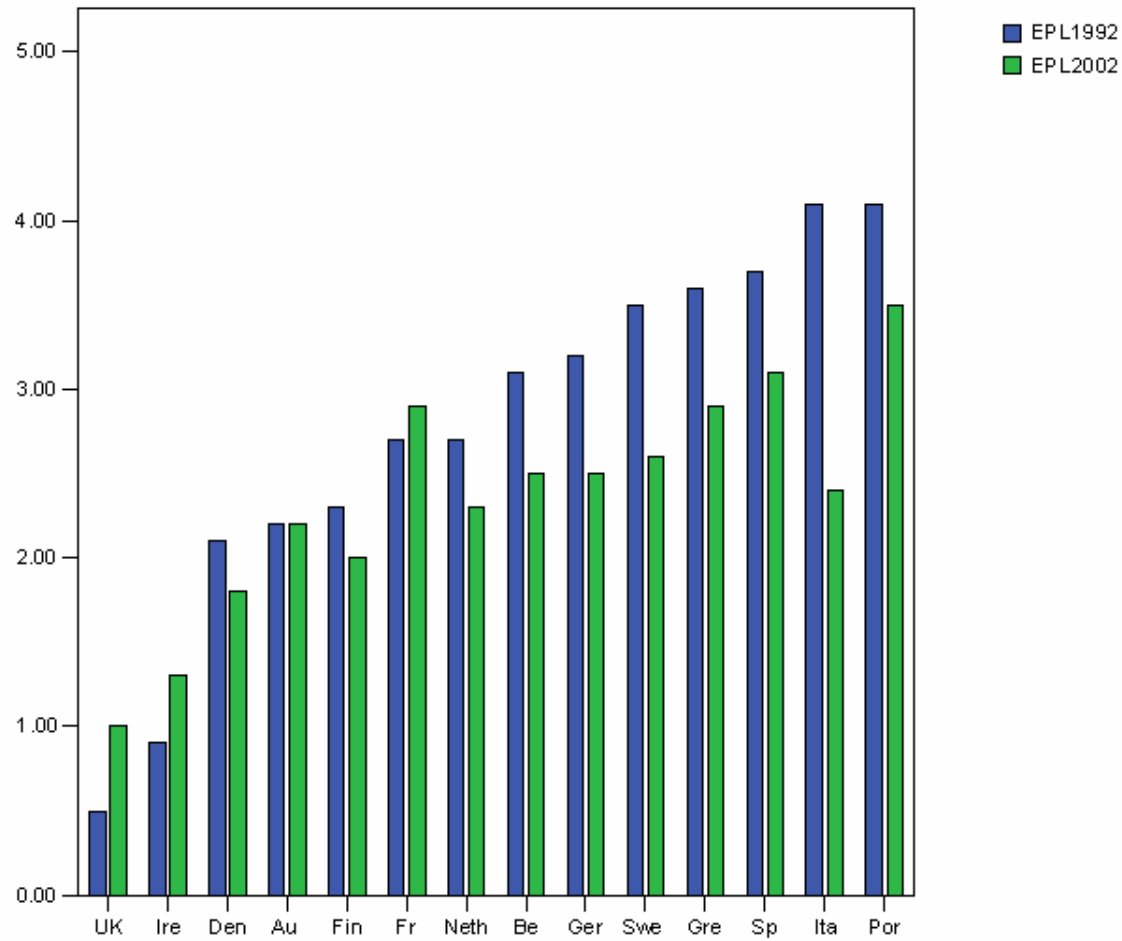
The process of recommodification, as promoted and governed by the state, restructures power differentials in favour of capital

Recommodification – as – intensification – *of* – and – *for* - commodification inevitably results in increasing asymmetries of power for all labour, both men and women; though these are unevenly distributed among, as well as between, them.

Challenge 1: Shifts in labour's power in the national space of action

Power Dimensions	State-induced de-commodification: post WW2 until mid to late 1980s	State -induced re-commodification: early 1990s until today
<i>Discursive:</i>	Labour, State and Capital are mutually 'recognised' as social, political and economic agents in western European market societies. Welfare states are established as national projects of the post-WW2 compromise between Labour and Capital, products of the democratisation of capitalism(s), the 'politicisation' of economic relations, and the need for regime legitimisation vis-à-vis the State-socialist block. Labour's discursive capacity to challenge labour reification is significantly strengthened.	State and Capital are mutually 'recognised' as economic agents with Capital as hegemonic in the vast majority of European market societies. Labour is gradually 'reified'; its status as a social agent is severely undermined. Labour is discursively 'constructed' as an object that needs 'activating', social rights related to its protection from the market are discursively constructed as obstacles to the efficient functioning of the market. Labour's discursive capacity to challenge labour reification is significantly reduced.
<i>Structural/instituting</i>	Institutions and policies crystallise a consensus that views social protection as protection <i>from</i> the market – key policy aim is to enhance social security, reduce insecurity. Although commodification (mostly for males) drives employment policy, its intensity is reduced and regulated by simultaneously offering protection <u>in</u> and <u>out</u> of work. The structural/instituting capacity of labour vis-à-vis capital is strengthened. <i>Keynesian Welfare National State (KWNS)</i>	Institutions and policies crystallise a new 'consensus' that promotes a "hollowed out" social "protection" – protection as <i>conditional support</i> prior to, or after participation in the labour market. Protection in the labour market is drastically reduced, and the aim is to manage social insecurity through social benefits; thus, regulating and govern Labour as an object/commodity. The structural/instituting capacity of labour vis-à-vis state and capital is weakened. <i>Schumpeterian Workfare Post-national Regime (SWPR)</i>
<i>Relational</i>	Rights-based welfare entitlements allow adequate standard of living for households outside the labour market (protection when out of employment), health and safety regulations and protection from dismissals (protection in employment). The relational (bargaining) capacity of Labour vis-à-vis the State and pro-market elites (Capital) is strengthened.	Conditions/obligations-linked welfare entitlements 'steer' the behaviour of unemployed claimants. Adequate standard of living is not a right for households but a potential reward <u>in</u> the market; the relational (bargaining) capacity of labour vis-à-vis the State and pro-market elites (Capital) is weakened.

Figure 1: The 'strictness' of Employment Protection Legislation in EU, 1992-2002



Source: OECD (various years), *Employment Outlook*, Paris: OECD

Figure 2: Protection in and out of paid employment in EU, early 90s

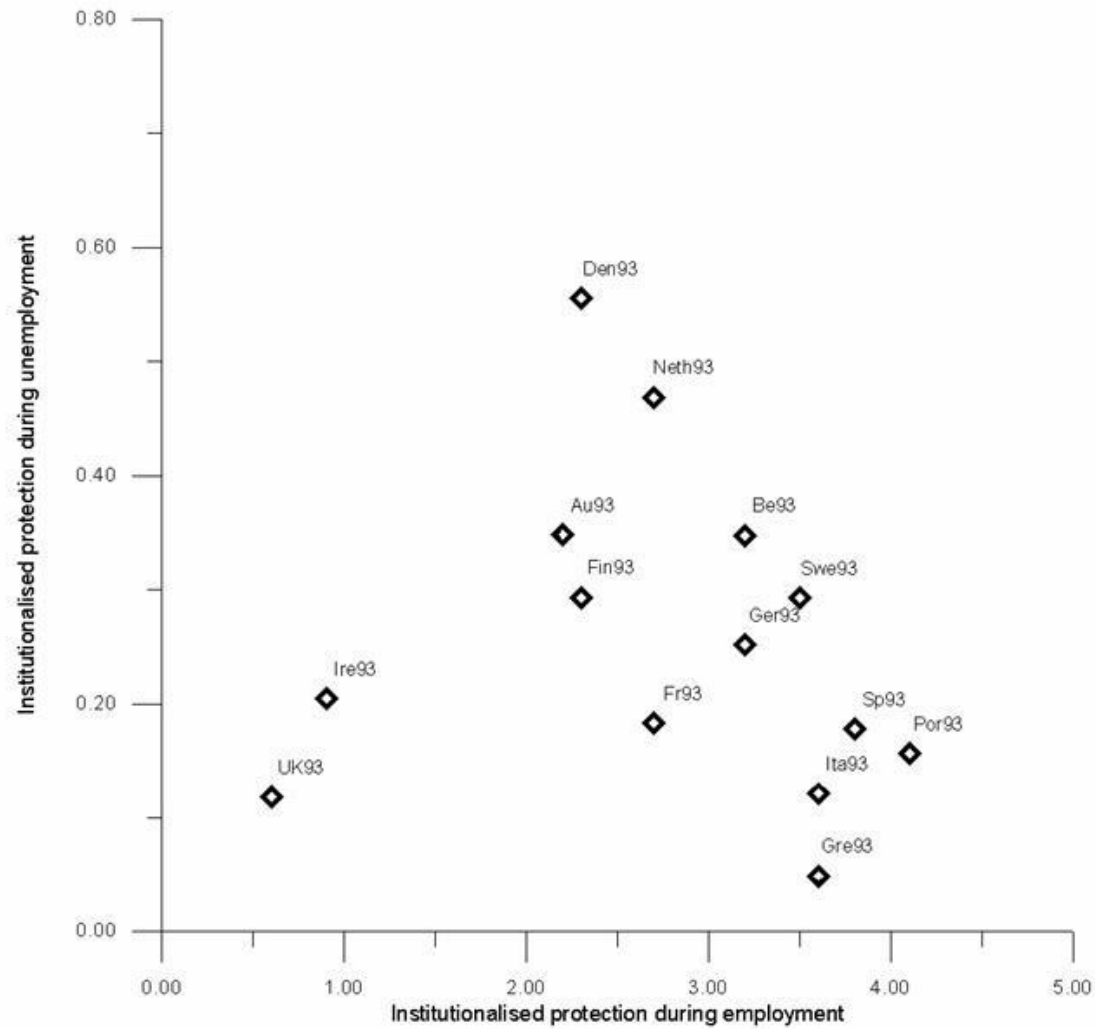


Figure 3: Protection in and out of paid employment in the EU, early 00s

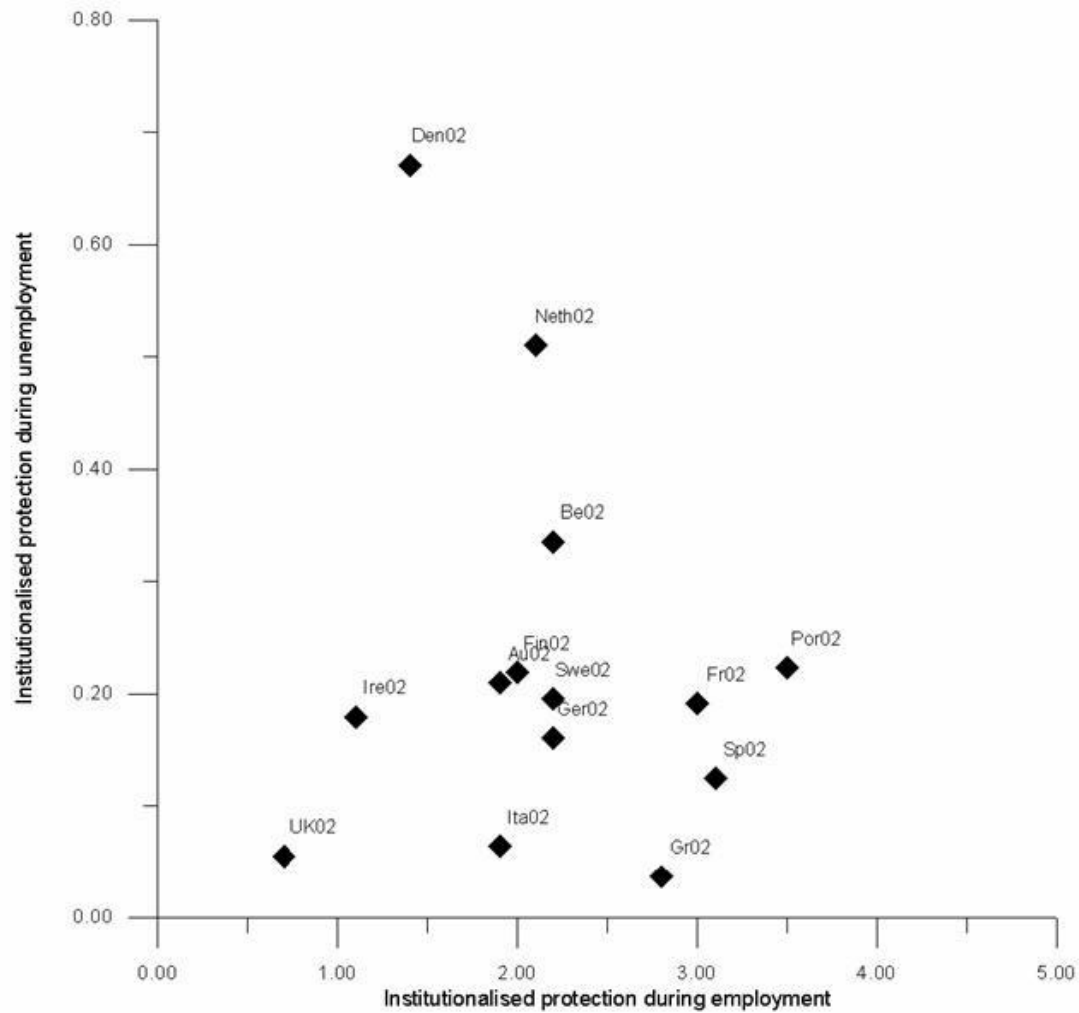
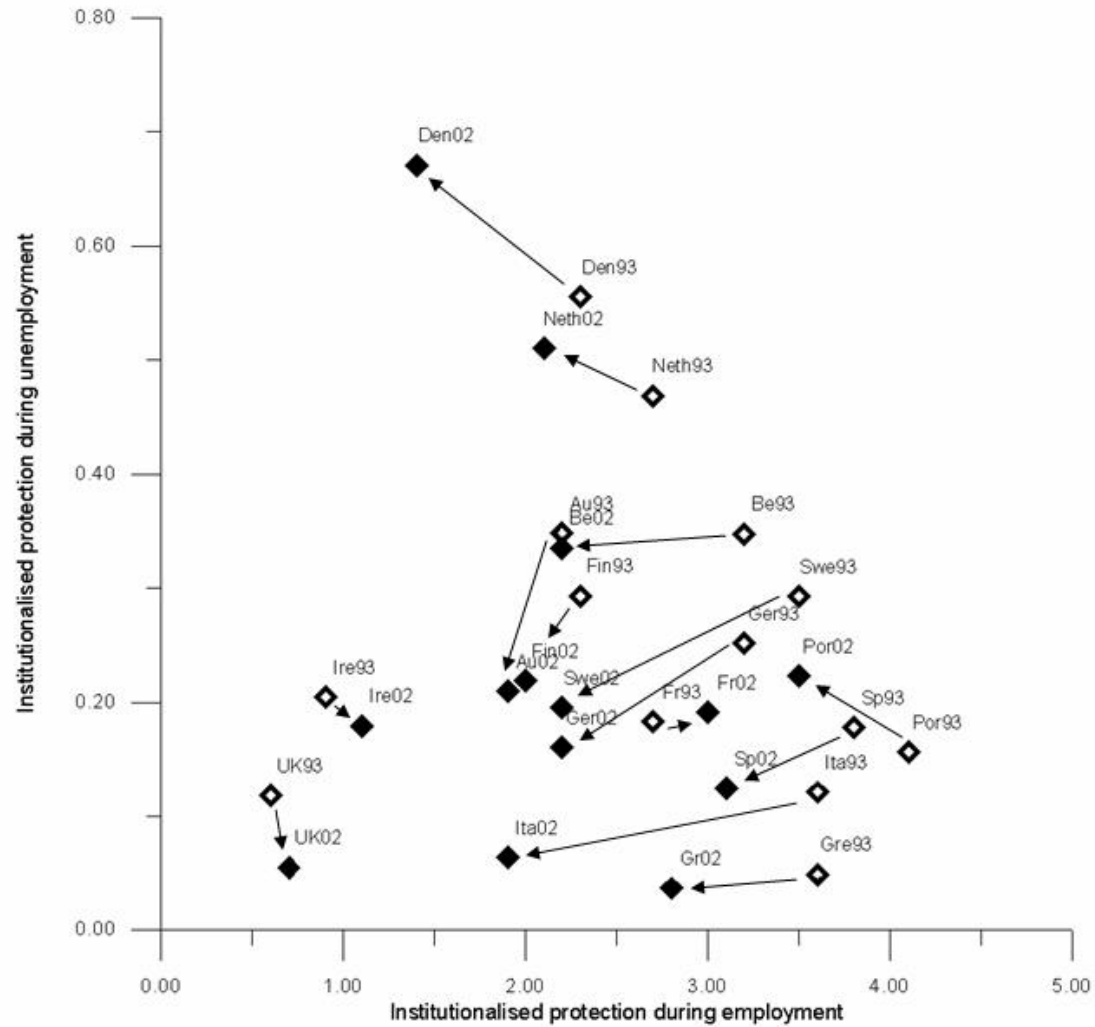


Figure 4: The Recommodification of European Labour, 1993 – 2003



Shifts in the social spaces of action - local, national and European

Key observations

- Opening of international capital markets
- Creation of Regional economic blocs (EU)
- Empowered role of the markets
- Decreasing membership numbers for trade unions
- Re-articulation of powers and a re-territorialisation (Brenner et al 2003)

Challenge 2: Weak labour's power capacities in the European Institutions and governance structures

- Ø European Trade Union Confederation (ETUC) – a 'Lobby group' ?
- Ø National Action Plans (NAPs) - Advisory, complementary and monitoring role - Trade unions are invited only *after* and not during the decision-making
- Ø Directorate General (DG) – Mainly involved in the Employment and Social Affairs
- Ø European Industry Federations (EIF) - Metalworkers (EMF)
- Ø Links with the European Socialist party - Weak collaboration
- Ø European employment Strategy: strong neo-liberal social-liberal influences

Challenge 3: An emerging meta-regulated space for competing state regulations?

- Two way process: top-down (EU level proposals) and bottom-up (European firms)
- Competition between different institutional legacies (Apeldoorn 2003)
 - q The ‘Bolkestein proposal’ as an effort to ‘harmonise’ the internal labour market in the service sector through the erosion of national labour market regulations
 - q The market rationale is no longer limited to the realm of the economy; it now the organising precept of the juridical sphere’ (Supiot 2006: 116)

Conclusion: from Meta-regulation to meta-governance I

A continuous widening of power asymmetries in favour of pro-market elites (capital) is clearly observable at both the EU and member states' levels.

Nation state is still regulating the power dynamic between labour and capital while is itself being transformed into a new institutional formation as part of wider regional and global politico-economic reconfigurations like the EU.

Power asymmetries between labour and capital are expressed as

- intensification of commodification of labour in and out of paid employment
- institutionalization of policies and modes of governance that facilitate this intensification
- increasing dominance of the pro-market elites' discursive repertoire and social categories in the process of policy framing (concepts used reproduce and enhance labour's reification)

The result: labour's power to act as a social agent is gradually being removed at both the EU and member states' levels.

Conclusion: from Meta-regulation to meta-governance II

- **In the absence of pan-European Union social and labour market policy a ‘third’ level is constructed/emerging: a meta-regulated social space where labour and capital ‘meet’ each other in what appears to be a market of state regulations.**
- **Competition between (national) state regulations is the form of regulation of this new meta-regulated space.**
- **This ‘meta-regulation’**
 - q is an institutional innovation that rescales power and authority in a competition of state regulation.
 - q enhances the market economy rationale and at the same time cancels out any nationally collective agreements between social partners.
 - q pulls the rug under the national space of action for labour together with the historical achievements and rights gained.
 - q diffuses territorial authority in a way that the potential for political struggle and democratic control are substantially reduced in favour of capital (Poulantzas 1978)
 - q renders the nation-state as ‘indispensable’ unit to the effort of (an increasingly internationalised) capital to control labour (Wood 2004)

Conclusion: from Meta-regulation to meta-governance III

Labour unions have begun coordinating their efforts in the different social spaces of action in EU (local, national, European) but the task is very substantial;

it requires continuous resistance to the attempts for market-driven institutional innovation by capital.

It calls for initiating its own counter-innovations in alliance with other social agents.

This is a call for a broad truly democratic Polanyian counter-movement for the 21st century that will provide its own content for meta-governance in Europe.

Conclusion: from Meta-regulation to meta-governance III

- The Market as a *mode of instituting* 'locks' the choice of the framework within which choices about institutional frameworks are taken in the (artificially 'separated' from politics) economic domain.
- During this *economisation of the socio-political domain* the possibility for societies choosing another mode of instituting 'closes': relationally, structurally and discursively. The market, as a mode of social instituting, imprisons society (Lindblom, 1982).
- Exposing the socio-political character of the 'economic' was, is and will be the continuous challenge for labour for as long as it wants to remain a social agent
- The question of the mode of instituting the *social* in Europe should remain open if labour is to retain its capacity to act as a social agent and inverse the process of its reification by capital

Appendix: the concept of reification

From: Axel Honneth (2005) Reification: A Recognition-Theoretical View, The Tanner Lectures on Human Values, Delivered at, University of California, Berkeley, March 14–16, 2005, (p.96-7)

*“The social cause to which Lukács attributes the increasing dissemination and the constancy of **reification** is the expansion of commodity exchange, which, with the establishment of capitalist society, has become the prevailing mode of intersubjective agency.*

As soon as social agents begin to relate to each other primarily via the exchange of equivalent commodities, they will be compelled to place themselves in a reifying relationship with their surroundings, for they can then no longer avoid perceiving the elements of a given situation solely in relation to the utility that these elements might have for their egocentric calculations.

This shift of perspective leads in many different directions, which for Lukács constitute just as many forms of reification. Subjects in commodity exchange are mutually urged

- (a) to perceive given objects solely as “things” that one can potentially make a profit on,*
- (b) to regard each other solely as “objects” of profitable transactions, and finally*
- (c) to regard their own abilities as nothing but supplemental “resources” in the calculation of profit opportunities.*

*Lukács subsumes all these changes in the person’s stance toward the objective world, society, and himself or herself under the concept of “**reification**,” without taking the many nuances and diversities among these attitudes into account. He designates the quantitative appraisal of objects, the instrumental treatment of other persons, and the perception of one’s own bundle of talents and needs from the perspective of profitability as all being “thing-like.” Furthermore, diverse modes of behavior ranging from stubborn egoism and detachment to primarily economic interests all come together in the attitude defined by Lukács as being “reifying.”*

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