



NEW **Capitalism?**

THE TRANSFORMATION OF WORK

KEVIN DOOGAN

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polity

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*This work is dedicated to
Frank Doogan*

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Preface

It is more common to find a preface in the subsequent editions of a book which helps to update the discussion presented in earlier work. In this case the need to write a preface has arisen in the gap between submission of the manuscript and the printing of the edited copy. Truly the crash of 2008, that some have described a 'financial tsunami', marks an event of historical proportions and, in the short space before the printer puts the book to bed, a brief commentary on recent developments might be helpful. In the first instance it is necessary to answer the obvious question: to what extent does the present financial crash alter this analysis of new capitalism? There are several risks in this regard. At a time of market panic it is impossible to predict the extent of forthcoming global recession, or depression as the IMF suggests. One year after publication the world might look a very different place. The combined efforts of central governments and central banks, the 'global fire fighters' of the financial collapse, may have brought about some stability. Alternatively Margaret Thatcher's adage that 'you cannot buck the market' may, in the wake of billions of wasted dollars, yen, Euro and pounds, be proved on this occasion to be grimly prophetic.

While the form and consequence of financial collapse was not forecast by the analysis presented here I would suggest that the crisis is not some ghastly aberration in the normal running of the new economy. The financial crisis is a far deeper and more malevolent episode, but it can be situated in the recent history of financial speculation and over-production that is exemplified in the bursting of the dot.com bubble and most importantly the telecoms crash in the early years of this decade. Economists often refer to 'exogenous shocks' that upset the natural workings of the market, but to see the current crisis

as some 'deus ex machina', a device to solve the narrative plot of the new economy, lacks credibility. A special report for *The Financial Times* on the 'World Economy 2008' has suggested that 'if the crisis can be contained, the outlook remains relatively bright. Benefiting from the forces of globalization, the world has enjoyed its most successful period for nearly forty years and abject poverty has been eliminated from swathes of the poorest regions, especially in Asia'.¹ The impression is given that if it were not for the excesses of the housing market, where commission-driven lenders created the sub-prime collapse which caused the international credit crunch, then the 'real economy' would have enjoyed continuous expansion and unprecedented wealth creation. Not only does this falsely portray the historical record of capitalism over the last four decades, airbrushing the return of mass unemployment, multiple economic recessions and growing global income inequality, it fails to get to grips with the structural weaknesses and imbalances at the heart of contemporary capitalism.

The present account of new capitalism stresses the growth, and until now, the triumph of neoliberal policy. Three factors are offered in the opening chapter to explain the rise of a more irrational and intensely ideological form of capitalism that emerged in the last quarter of the twentieth century, namely: deregulation, financialization and the reconfiguration of the ownership and control of corporations. With the events of 2008 these factors emerge with even greater explanatory significance. The collapse of Lehman Brothers is a particular case in which the greed of corporate executives provides eloquent testimony to the analysis offered here. In early October 2008 a US Congressional Committee called CEO Richard Fuld to account for the bankruptcy of the 158-year-old investment bank and also asked why he had earned \$484 million in salary, bonuses and stock sales since 2000. A fairly unrepentant Fuld explained to the committee that it was company policy 'to align the interests of corporate executives and employees with company shareholders'. This speaks volumes about corporate leadership that has prioritized increasing share values over company profitability. In the midst of financial market collapse there is considerable interest in city bonuses, but there is little recognition that this practice cuts across Wall Street and Main Street. The corporate appropriation of wealth lies at the heart of what Robert Brenner has called 'the bubble economy' and suggests that the divisions between the so-called 'real economy' and finance are in this regard exaggerated.

Finally the analysis of new capitalism has emphasized the importance of ideology, and the way in which new capitalism is represented

and understood. The debates considered in this book, whether in relation to pension reform, welfare restructuring, corporate mobility or labour market change, will only intensify. What is clear is that the current period portends a sea change in economic policy debate. Gideon Rachman of the *Financial Times* has suggested that the conservatism of economic ideas, evident since the early days of Reagan and Thatcher, has gone bust. He suggests a pendulum swing in economic thinking, ready to embrace state control, regulation and planning. If the utterances of world leaders are anything to go by, then he seems to understate the shift in the ideological landscape that has gripped policy makers. In this regard the prize for the greatest volte-face might well go to the French President Nicolas Sarkozy.

A certain idea of globalization is drawing to a close with the end of a financial capitalism that imposed its logic on the whole economy and contributed to perverting it,' Sarkozy said. 'The idea that the markets are always right was a crazy idea.'²

Hardly surprising in these days that several observers of the current scene have reminded us that 'those whom the gods wish to destroy they first make mad'. If we do not want to share the same fate it behoves those critical voices, who have long argued from the sidelines about a different set of economic priorities and the restoration of rationality in social affairs, to step up to the plate and come forward with alternatives.

Kevin Doogan
13 October 2008

¹ Chris Giles in *The Financial Times* Special Report, 10 October 2008 (www.ft.com/world-economy-2008)

² 'Sarkozy attempts to soothe the French on economy,' *International Herald Tribune*, 25 September 2008

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It is usual to thank a large number of people who helped, encouraged or supported the author in the writing of the book. In this particular case I am struck by the fact that a number of people will probably be surprised to be included in the list of acknowledgements. But there are people who, out of sense of public service, collegiality or friendship, offered help, advice or data without fuss or favour, in ways that were more helpful than they would have expected. There are statisticians in Europe and North America who have greatly assisted in generating labour force survey data for the analysis of long-term employment. I was given access to data from the Bureau of Labor Statistics in the United States and I am especially grateful to Ryan Helwig, who supplied the Job Tenure Supplements to the Current Population Census, and Ray Mataloni, who supplied data from the Bureau of Economic Analysis on the operations of American multinational corporations. Jonny Johansen and staff at the European Labour Force Survey also supplied detailed statistics on long-term employment in the European Union.

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outsider offered a different take on job stability and casualization in Australia. I am grateful to Emma Longstaff, the commissioning editor at Polity, for her patience, and to friends and colleagues in the School for Policy Studies at the University of Bristol, and research students on the Doctor of Social Science programme.

It is also commonplace to mention, finally, the nearest and dearest, and there is pressure to think of something appropriately grateful for the support that they have offered during the writing process. There is a risk that it turns out like a message to the backroom staff, who were heroic in their own way, and without whose help etc. etc. But it is probably best in this instance, simply to apologize. To say sorry for hogging the study, or for working late at night or early morning, but the biggest mea culpa is for the distraction. Sorry for the number of times that I have been asked a question and offered nothing other than a glazed expression as I chewed over the rise of the student labour market in Canada or casualization in Australia, while vaguely hearing background noise that requested me to pass the ketchup, clear the table or help with homework. With love and thanks to Alison, Michael and Liam.

Introduction

In the 1960s it was the young radicals who sang that ‘the times they are a-changin’. Dylan’s lyrics spoke to a range of protest movements concerned with the questions of the day, from civil rights to the Vietnam War, and to a radicalization that imbued the universities and workplaces with a sense of resistance and raised expectations of social and political possibilities. In subsequent decades ‘the changing times’ is a refrain that is taken up by preachers of a very different outlook. The proselytizers of change today are increasingly found amongst the sharp-suited government spokespeople, spin doctors, management consultants, business gurus, financial analysts and think tank experts, all flanked by an array of journalists and academic commentators.

In the 1960s Dylan sang of the aspiration for changes to be made by groups and movements while the current anthems present firms and workers as victims not as the agents of economic transformation. Today, the mantras of modern life depict change as the outcome of technological development and institutional restructuring that affects firms and employees, economies and governments. Competitive pressures are perceived to operate outside the realm of negotiation and regulation and they countenance only adaptability and flexibility of response. These are exogenous forces for change that are survived rather than harnessed. Survival is offered to those companies who can keep apace with the breakneck speed of technological innovation, who stay ahead of the competition and ‘reengineer’ to meet new market conditions. This is dehumanized progress, not the product of the great inventions of a second industrial revolution, but a seemingly alien transformation of society. Global forces, apparently outside the control of nation states, determine the pattern of industrial development and transform the fabric of society both nationally and internationally.

Over more than four decades it is possible to discern a narrative of social development that has evolved both politically and substantively and now embraces the idea of societal transformation. Earlier accounts of social change highlighted industrial restructuring within national economies. Daniel Bell's depiction of the rise of 'post-industrial society' in 1960s America was relatively modest in its ambition, pointing to a structural shift in the economy due to the growth of the service sector. Bell was reluctant to draw any wider sociological inferences and repeatedly warned against exaggerating the significance of technological change and the emergent notion of the 'knowledge economy'. Contemporary transformation is played out on a far broader canvas embracing global processes that transcend national boundaries, extending discussion from structural change to disruption of the life course, from institutional fragmentation to cultural practices and values and expectations. Many of today's commentators appear much less inclined to temper their accounts or to limit the significance of their observations. A world of change is presented increasingly devoid of any continuity with the past, in which the new is unprecedented rather than merely contemporary.

In recent times discussion of technological advancement and institutional adaptation has reached the point at which leading social scientists and high profile commentators have begun to entertain the idea of a 'new capitalism'. Richard Sennett's work on *The Culture of the New Capitalism* and *The Corrosion of Character: The Personal Consequences of Work in The New Capitalism* (Sennett 2006 and 1998) has been extensively cited in North America and Europe. In France Luc Boltanski and Eve Chiapello's account of the *New Spirit of Capitalism* has been hailed as a classic. The writings of Diana Coyle, on the *Paradoxes of Prosperity*, subtitled 'Why The New Capitalism Benefits All', has received the heavyweight endorsement of Paul Krugman. The term 'new capitalism' may have come into use because 'the new economy' is a neologism whose currency rose and fell with the dot.com boom-and-bust cycle of the 1990s. The 'knowledge economy' is widely used but is confined to particular sectors of the economy most associated with technological innovation, whereas new capitalism captures a broader sense of evolution within, and of, society. More importantly for present purposes, accounts of new capitalism stress particular transformative forces, mechanisms of adaptation and relational change.

It is suggested here that the mutation from the post-industrial narrative to new capitalism has been facilitated by a specific representation of the transformation of work. Adaptation in the world of work is the

transmission belt linking institutional change and technological innovation, on the one hand, and the contemporary experience of modernity on the other. Given such explanatory significance, interest in new forms of employment and labour market restructuring is no longer confined to labour economists and industrial relations experts. Labour market transformation has moved to centre stage in all those accounts that suggest that developments in contemporary society are *qualitatively* different in character and significance from their antecedents. Thus David Harvey considered labour market flexibility as one of the key conditions of postmodernity. Richard Sennett's account of work on the new capitalism considered 'change in the modern institutional structure which has accompanied short-term, contract or episodic labor'. Manuel Castells' *Network Society* described a new mode of development in contemporary society based on the new informational technologies which lead him to conclude 'that we are witnessing the end of the salarisation of employment'. Ulrich Beck's account of *The Brave New World of Work* anticipated the 'Brazilianization of the West' which envisaged regression to some semi-feudal form of artisanal labour. Zygmunt Bauman described contemporary capitalism as profoundly individualized due to changes in the connections between capital and labour which globalization has frayed and rendered tenuous. In this way the post-industrial narrative has evolved to the point at which new relations between capital and labour are imagined. *The term 'new capitalism' thus covers a literature which considers societal shifts based on a more tenuous connection between employers and workers.* To bear witness to the end of salaried employment as Castells seeks to do, is to offer a prediction of truly Cassandran proportion, envisaging the meltdown of the contractual structures that underpin the wage system. Castells does not follow the logic of his position which could point to some post-capitalist labour process, as he remains committed to the idea of a new mode of development *within* capitalism. His idea of network society therefore sits easily in this new capitalist framework, even though he, and many others, do not specifically adopt the term.

There is a looser meaning of new capitalism and wider literature that transcends the post-industrial debate, which suggests that the contemporary transformation of work has given rise to *new employment relations* characterized by a much greater sense of precariousness and insecurity. This perspective presents the decline of traditional industries which offered stable and secure jobs and their replacement in a new 'contingent economy' that offers temporary, part-time and casual work, much of which is based on flexible contracts. Writing about *The Disposable American* Louis Uchitelle (2006) suggests that

until the 1970s ‘the great majority of the nation’s employees held long-term jobs’. Economic changes in subsequent decades have been characterized by mass layoffs in the US economy and endemic job insecurity. Where companies previously valued loyalty and rewarded long-term commitment, downsizing has swept across corporate America throwing large numbers out of work with radically different employment consequences. Uchitelle suggests that voluntary or involuntary job changing was previously associated with improvements in wages, while today’s job changers experience a fall from grace into the lower reaches of the labour market with much poorer working conditions, wages and benefits. In considering Europe Bonoli argues that there are ‘new social risks’ of poverty and family instability, which express a new set of contingencies associated with the post-industrial labour market, although his account stresses that these are disproportionately experienced by new social groups such as lone parents, young people, the less educated and those with low skills or old skills (Bonoli 2007). Both accounts stress the qualitative shift in the experience of contemporary capitalism expressed through labour market change and the new relations of employment it generates, even if they will have different emphases on who will be the principal casualties of this process.

New Capitalism: A More than Sceptical Critique

The critique of new capitalism presented here challenges the ideological, methodological and empirical basis of the societal transformation thesis. Its case is partly based on the strength of the statistical evidence which points in the opposite direction to new capitalist narratives. Thus the labour force survey data from North America and Europe discussed here shows that job stability has *not declined* and that long-term employment *has increased* in many sectors of the advanced economies. Moreover it argues that certain forms of labour market flexibility which are said to portend the decline of traditional employment, such as part-time employment, have largely facilitated the integration and retention of labour, rather than leading to the labour market ‘disaffiliation’ that many have suggested. It is argued here that the institution at the heart of the vision of new capitalism, the labour market, is far less adaptable and responsive to change than many commentators imagine. The accounts of new capitalism therefore rely on a transformation mechanism which, if studied carefully, appears surprisingly resistant to adaptation and unable to substantiate relational

change in society. Therefore the labour market is not the perfect medium through which technological and institutional processes can generate new employment relations. It serves as conductor of pressures for change, but also acts as an insulator against them. Consequently, if the labour market is not the medium through which all forms of insecurity and precariousness are generated, alternative explanations have to be provided.

In challenging these perceptions of new capitalism the following discussion is not confined to a critique of the positions advocated by the high profile public intellectuals mentioned above, or a questioning of those perspectives which suggest that new industries, which offer precarious employment, have replaced traditional employment and secure jobs. This critique recognizes that perceptions of a sea change in the relations between employers and workers are widely held by economic commentators and have come to receive broad public acceptance. Such views are reinforced in a variety of media from academic literature, to business journalism and the policy statements of governments and think tanks. Many of these views inform public perceptions which are expressed in everyday settings, from the pep talks of schools' careers advisers, the canteen discussions of newspapers, to the neighbourhood conversations of the work experience of families, friends and acquaintances. Therefore the critique offered here seeks to go further than a scepticism towards public perceptions and conventional wisdom. It attempts to explain how the situation has arrived in which a substantial gap has emerged between many public perceptions of changes in the world of work and a more objective assessment of change and continuity in the labour market and wider economy. Thus it will not only challenge the concepts but, by examining the rise of neoliberal managerial discourse, it will also seek to explain how the ideas have developed and spread internationally since the 1980s.

It is necessary to examine ideology and to some extent methodology in the new capitalist narratives because a distinct set of ideas about transformative changes in society are represented in particular ways. This is no small challenge because the evolution from post-industrialism to new capitalism is linked to a greater abstraction in the representation of change. 'Knowledge', 'innovation', 'informationalism' and 'networks' are nebulous concepts, difficult to pin down and resistant to close scrutiny, while globalization is a term whose usage is perhaps inversely proportional to the precision of its meaning. This new world is characterized by its ethereal qualities, its weightlessness and its virtuality. Transformative forces have a ghostly quality – all

motion and no matter. Previous periods of capitalist development were powerfully symbolized by steam engines, aircraft and motor cars, and large factories where people had ‘real jobs’ because ‘they made things’. The new capitalist *Zeitgeist* is captured in global processes, in the instantaneous transfer of capital, planetary flows of information and communication, interconnection and networks. Devoid of the materialist iconography of the past the current conjuncture lacks definition and lends itself to negative description – what it is not, rather than what it is. Thus the new period of development draws its distinction from antecedents in a retrospective characterization of the present, variously described as post-industrial, post-Fordist or post-modern. Therefore it is suggested, that the ideology of new capitalism rests upon an idealized representation of contemporary society. In leaving behind the concrete realities of industrial society the discussion of new capitalism is ‘dematerialized’. Diana Coyle describes a ‘weightless world’, Charles Leadbetter describes the contemporary experience as ‘living on thin air’, while Bauman talks of a ‘liquid modernity’. This is a mode of representation that eschews the ‘static’ world of structures and organizations for the dynamic turbulence of processes and flows which imbue social relations and identities with a sense of fragility and impermanence. It is a mode of representation that inclines discussants to specific ways of thinking about social development. It privileges discontinuity and it ‘over determines’ the role of technological change. In stressing the significance of global flows of finance, and the integration of capital beyond the national economy, it greatly exaggerates the mobility propensity of non-financial capital and neglects the continuing significance of the role of the state in the workings of market economy. These are not weaknesses or imbalances in approach but the inevitable consequences of a world view that is conceptually dematerialized.

Rematerializing Social Development

New capitalism cannot be usefully critiqued within its own terms, by offering an alternative set of abstractions. Idealized accounts of societal transformation are best challenged on more concrete empirical and methodological terrain. The present critique of new capitalism is driven by an attempt to *rematerialize* an understanding of social change, to substantiate the working of the economy and thus to reveal the ‘machine in the ghost’. It will seek to regain the conceptual balance between the ‘out there’ and ‘in here’ dynamics of social devel-

opment. The perception of markets and globalization as exogenous forces beyond government reach emphasizes the sense of powerlessness expressed by nation states and the greater exposure of companies and workforces to 'blind' market forces. The heightened impact of exogenous forces is tied to the sense of state withdrawal from economic life and the demise of public protection. In these neoliberal times, policy rhetoric takes as read the benefits of deregulation, privatization and liberalisation. New capitalism is as much post-Keynesian as it is post-industrial. Therefore the discussion presented here will seek to 'restitute' the market by identifying the critical role of social regulation and government intervention, which have effectively been airbrushed out of new capitalist surmising.

Furthermore, there is a second sense in which globalization and technological innovation are seen as 'out there' in that they are perceived as self-sustaining processes that run on their own momentum according to their own logic. Global economic integration feeds off itself, driven by the self-expansion of capital flows, while informationalism is driven by the higher pursuit of knowledge. *The transformativity of contemporary technological and institutional processes thus relies on the extent to which they are perceived as autonomous and 'disembedded'.* In the new capitalist narrative transnational companies are tenuously connected to localities, independent of government control and subsidy, self-reliant and self-sustaining. The new informational mode of development is driven by intellectual curiosity rather than government policy or even commercial interest. In the face of such abstraction the present work seeks to endogenize the internationalization of trade and production, and to assess critically the determinants of technological innovation and its impact on the world of work.

Methodology and ideology are linked in particular ways in accounts of new capitalism. In deriving relational change from the impact of new forces transforming the world of work the labour market is seen as the repository of technological change and corporate restructuring. However, one of the ironies inherent in the new capitalist approach is that a post-industrial view of the world is rooted in an industrial or 'productionist' understanding of labour market change. It would appear logically consistent for the post-industrialists to conceive a labour market largely determined by service provision, yet this is curiously absent in the literature. The discussion remains preoccupied with the corporate restructuring in manufacturing and this helps to explain the profile of concern with downsizing, outsourcing and corporate relocation. *If the salience of each and every sector was proportionate to its contribution to employment trends a very different picture of*

contemporary capitalism would emerge. For this reason alone the transformation of work considered here is not confined to manufacturing and related industries, nor does it assume corporate restructuring in manufacturing provides a template for others to follow. Schools are not run like chemical plants and steel production finds little resonance in the provision of hospital services. If the task is to consider societal transformation based on new employment relations it seems necessary to have a similarly broad understanding of the transformative impact across the spectrum of activities, including public and private employers, covering production and service sectors. Therefore, given this broad institutional framework, the present discussion is not situated *within* the workplace in the sense that it is not concerned with production or labour process or micro level analysis of work organization. Given the analytical significance of the representation and perception of change it will consider managerial discourse rather than management practice as such. In taking a more comprehensive overview of forces driving and constraining labour market change the transformation of work is considered in relation to changes in employment patterns, casualization, contingency and job stability, dualism and polarization in the workforce, occupational and compositional adjustment and changes in welfare benefits, such as health benefits and social security and pension provision. These are the factors that are said to constitute the new patterns of engagement between employers and workers and should therefore define the scope of the transformation of work considered in the following chapter.

It is the contention of the work presented here that the labour market responds to *two imperatives* and is determined by the requirements of both production and reproduction, broadly defined. Only a minority of the labour force is engaged with the immediate needs of production. In the advanced economies there are more people employed in education and health services than in manufacturing. Indeed, health services made the second largest contribution to job creation during the so-called 'new economy boom' in the United States in the 1990s. *Moreover, many of the compositional changes in the workforce and adjustments in employment patterns are not explained by the rise of 'the flexible firm', but by the growth of jobs in education, health, and social service provision.* Since a large component of labour power is allocated to 'its own' welfare and reproduction it seems remarkably blinkered to consider only the immediate requirements of production. Labour power is itself a commodity whose value relates to the social investment in its education and welfare, both in the present and for the next generation of workers. Thus the labour market cannot be

reduced to some derivative status, passively responding to the changing needs of production, it is argued here that the labour market must be moved centre stage and theorized 'in its own right'. In putting labour market change under the spotlight different dynamics emerge which both drive and constrain adjustment in the level and form of employment. The reproductive requirements of the economy are less variable, evolve over a long time frame and engender job stability alongside changes in the form and composition of employment. Independent of both technological change and corporate restructuring, there are other factors at play which generate new employment patterns which require consideration in any account of the transformation of work.

In this attempt to rematerialize contemporary social development the role of the state is emphasized for several reasons. In the first instance it is necessary to reclaim the market as 'an instituted process', to use Polanyi's term, as it is commonly misrepresented as some stateless realm of economic interactions. As suggested above, the transformativity of technological and institutional processes is tied to the sense of the perception as autonomous or disembedded processes. Therefore the reinsertion of the role of the government in the contemporary capitalism is a necessary counterbalance to those perspectives whose statelessness serves to exaggerate the pace and scale of societal transformation. Secondly, independent of the corporate sector, the state is an agent of labour market transformation in its own right and has contributed to occupational and compositional change and to the rise of new patterns of employment. Thirdly, it is necessary to establish the significance of welfare regime change and the decline of public protection systems as a factor in the rise of social insecurity and precariousness. However, the state has a low profile in many contributions to the new capitalist literature. Where it does merit consideration it is perceived as the victim of corporate restructuring, powerless in the face of global market forces. Linda Weiss and others, in contrast, have considered 'the myth of the powerless state' and suggested that the transformative capacity of government is not confined to tax raising and public spending, but is evident in a range of direct and indirect interventions in the economy (Weiss 1998). Such an approach to governance is adopted here as it offers a better understanding of the expansion of welfare alongside changes in the form, provision and finance of welfare services.

The decision to cross the border between production and reproduction, taking in employment and welfare, has tactical and strategic dimensions. Since the mid 1990s intense concern has been raised by