

A Flexible Future

BRITAIN'S DUAL LABOUR FORCE

The labour force is undergoing a profound change. Increasingly, it is being divided into a core and a periphery. The unions must find a creative response to the employers' drive for flexibility.

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FOR SOME TIME 'flexibility' in the labour market has been a central theme in business and government approaches to employment policy all over Western Europe. The term itself has become so widely used, encompassing such a wide range of ideological, structural, and institutional shifts, that it conjures up almost everything that conservative forces regard as necessary for economic and social regeneration; from privatisation to labour mobility and from paycutting to dismantling protective legislation. Unfortunately, an equal and opposite reaction dominates the thinking of the labour movement, where the response has been too much marked by denunciation and too little by analysis and the construction of an alternative approach.

This failure gives rise to two problems; first, because everybody favours flexibility in the abstract, it means that the labour movement presents itself as inflexible and obstructive, and that the proponents of flexibility enjoy a psychological head start. Second, because the UK labour market has some of Europe's weakest legal protec-

tions for workers, it means that flexibility initiatives in the UK tend to focus on union power and are in part intended to reduce and undermine effective workplace organisation. So the labour movement finds itself outmanoeuvred and in the firing line.

The flexibility offensive: what do the employers want?

It would be a mistake to think that employers in general have either a single objective in mind, or a consistent strategy for achieving greater flexibility¹. Their objectives in securing it have differed widely from firm to firm. With some exceptions their approach has been opportunist and pragmatic, taking advantage of the current weakness of the unions and the high level of unemployment. But this evident lack of strategic purpose should not hide the extent of the transformation being introduced, albeit in a piecemeal and ad hoc manner. The flexibility offensive contains three interwoven objectives:

- 1) To increase their ability to adjust quickly and cheaply to a more uncertain, volatile and competitive market, and to an increased pace of technological change;
- 2) To continue the high rate of growth of productivity which marked the earlier years of the current recession, at a time when output and profitability are now rising;
- 3) To reduce employment costs either through using cheaper sources of labour or by using forms of labour, like temporary employment, which allow quick and cheap changes in the level of employment.

One of the main difficulties faced by trade unions is that these objectives are such a mixed bag. Few would seek to deny that the pace of technological change and the volatility and over-capacity of world markets requires a more ready and positive response from workers and employers alike. Yet when such a requirement is accompanied, as it often is, by pernicious employment practices, such as the casualisation of part of the workforce, then distinguishing the acceptable and necessary from the unacceptable and damaging is made more difficult. The fact that employers and government tend to lump all these together as positive goods is no excuse for the labour movement to do the same, simply attaching a different label.

Implementing flexibility

How are the employers setting about achieving these objectives and implementing their version of flexibility? the most important changes have involved the reorganisation of firms' internal labour

markets, and their division into separate components, in which the worker's experience, and the employer's expectations of him/her, are increasingly differentiated. These groups are often referred to as core and peripheral groups; in the first, the core group, employers hope to achieve flexibility by stressing mutual long-term commitment, but in the second, the peripheral groups, by exposing workers more and more to raw market forces.

This division of the workforce is at the heart of the employers' version of flexibility. While its implementation is being encouraged by high levels of unemployment, by legal deregulation and by the weakness of the unions, we believe that this new division of labour will be a permanent feature of the labour market in years to come, because the market and technological pressures which have given rise to it are also likely to be permanent. Certainly, there is evidence of this division occurring on a major scale right across Western Europe. In the United States, and most obviously in Japan, it has existed for many years. The flexibility offensive may have been born of recession, but its consequences for workers will persist for much longer.

Core workers, peripheral workers and the flexible firm

There are lots of examples in the UK of firms which have begun to divide up their workers into obvious core and peripheral groups. Well-publicised developments in individual firms include Findus Foods' creation of new categories of temporary and casual workers², British Alcan's use of

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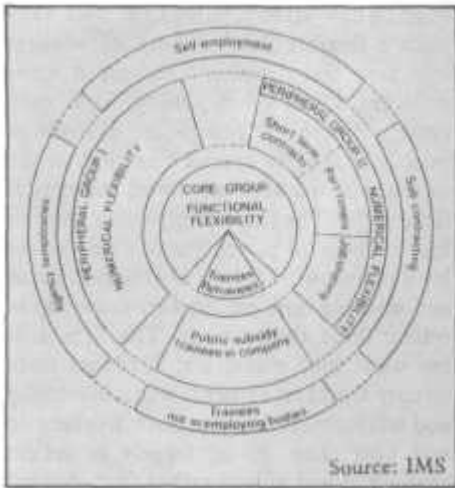
temporary employees to bring in extra smelting capacity as the market warrants³, and the use of a supplementary workforce at Control Data at Brynmawr, which involved both part-time and temporary employment⁴. However, the division into core and peripheral groups can take many forms, and employers have a whole range of options open to them to fragment their workforces in ways which suit their particular circumstances.

We can begin to understand this new division of labour better by asking how firms trying to achieve greater flexibility would reorganise their workforce; what

might a new-style 'flexible firm' look like? Such a flexible firm⁵ divides its workers into core and periphery because it seeks different kinds of flexibility from each group. Peripheral groups are brought in mainly to achieve greater flexibility in the number of workers employed (numerical flexibility). The firm simply needs more or less of them to match fluctuations in the level of output. So their contractual status and working time patterns are drawn up to reflect these fluctuations. The firm does not want such numerical flexibility from its core workers; rather it wants versatility and adaptability in what such workers do and how they do it, largely to reflect changes in technology rather than changes in output levels. We can call this functional flexibility. In effect, as the scale of the firm's operation changes so peripheral employment expands or contracts; as the nature of the operation changes, so core workers acquire and deploy new skills in different jobs but enjoy greater continuity of employment than peripheral workers.

The diagram below shows the main components from which UK firms select various combinations of these different groups of worker. Around its outer edge the flexible firm may deploy a number of external sub-contracting groups; agencies supplying temporary staff; commercial sub-contractors; specialist self-employed workers on particular projects or short-term, fee-based contracts; or simply, other firms which it uses to take on some or all of the activities of the organisation on an outsourcing basis, for example, component and sub-assembly suppliers. These form the first band of numerical flexibility for the flexible firm. Their use can be expanded and contracted relatively quickly, cheaply and without disruption, because they are not even employees of the firm.

There is also a second band providing numerical flexibility made up of workers who are directly employed by the firm. These workers may simply be excluded from career status and experience a 'hire and fire' regime which reduces expectations of continuity of employment (Group 1). Alternatively, as in Group 2, they may be brought in on contracts of employment which are explicitly temporary; or recruited from groups with such relatively high levels of turnover that a policy of non-replacement can easily reduce their numbers; or employed under arrangements designed to bring them to work only when required, for example, part-timers and casuals. Another group might be public subsidy trainees working in the com-



pany, for example under the Youth Training Scheme.

At the centre is the core group - employees who are expected to deliver the functional flexibility which the flexible firm requires. They are likely to demonstrate some important common features:

* *Firm-specific skills*: Peripheral groups only supply skills which can readily be found on the external labour market. At the core, the firm seeks both to develop and retain the skills and competencies which are specific to itself and cannot be easily bought-in. It is therefore willing to invest in training to produce these skills.

* *Blue/white collar mix*: It is a mistake to assume that core group workers are necessarily the most highly skilled workers; they are the most relevantly skilled workers to the firm's main activities. For example, the core group of an engineering firm would probably contain its maintenance workers as well as the managing director.

* *Training and redeployment*: Given the emphasis on versatility at the core, there is likely to be a higher proportion of core workers undergoing retraining at any one time than is usual. Further, their training needs to equip them with general problem-solving and diagnostic skills as well as straightforward task-oriented ones.

* *Continuity of employment*: By definition peripheral workers are likely to experience a rather precarious form of employment, but to the extent that they soak up fluctuations in demand for labour, so the core worker enjoys continuity of employment.

The extent of segmentation

Of course, the flexible firm is only an analytical tool to help us understand what is going on. In practice, the number of UK firms which exactly demonstrate the precise segmentation outlined here are few in

number, tend to be foreign owned, and are concentrated into particular sectors. But the flexible firm is more than just a figment of our imagination; the tendencies towards the segmentation of the internal labour market which it embodies are widespread and growing, and national labour market data confirm this.

In the service sector, the dominant form of peripheral working is part-time labour; for example, in some areas of retailing, part-time jobs now account for some 80% of the workforce. As is well-known, part-time employment has been the only area of employment to demonstrate significant growth since 1979, and while part of this is simply due to growth of the service sector, part of it is also the result of employers consciously seeking to use numerically flexible part-time labour to displace full-time employment.

In manufacturing, temporary employment and sub-contracting are the dominant forms of peripheral employment. There are no data on the use of sub-contractors, but jobcentre placement records show that temporary contracts of employment have grown from about 20% of all placements in 1979 to about 35% currently.

The use of self-employed workers has also grown in both manufacturing and services in recent years and the national statistics reflect this, but it is unclear how much this growth reflects firms pushing workers into self-employment (as happens in the insurance industry with sales staff, for example), or the unemployed starting up on their own. The widespread shift to these peripheral forms of employment can be seen in evidence contained in papers to the December meeting of the NEDO Council. This showed that of the 72 firms covered, nine out of 10 had increased the numerical flexibility of their workforces since 1980, largely through the growth of peripheral forms of employment.

There is no doubt that such peripheral forms of employment have grown considerably in the UK since the onset of recession, but there is much less evidence on the development of protected, secure core groups. The NEDC paper referred to above showed that it was largely manufacturing employers who had taken significant steps since 1980 to secure greater functional flexibility from their workers. Apart from this there is simply no evidence on which we can assess how far such core groups are developing in the UK.

It should be clear that the development of an employers' offensive over flexibility is likely to restructure the labour market in

ways which have the most profound consequences for workers and their trade unions. We have demonstrated the sort of changes which the flexibility initiative appears to be introducing; at their simplest they boil down to security and incorporation for the few, bought at the expense of deterioration of conditions of employment for the many.

The union response

As with employers, the response of unions to the notion of flexibility at the workplace appears to be neither consistent nor unified. Two important distinctions should be made; firstly we should note the difference between official/national statements and local collectively bargained outcomes. It is clear that despite the more-or-less uniform rejection of flexibility initiatives by many unions nationally, local negotiations have frequently accepted such management initiatives, and these cannot always be characterised as reluctant acquiescence. Although there are many cases of rampant management unilateralism, not least that now seen at Wapping, most of the changed working practices have been introduced through collective bargaining, albeit bargaining involving a somewhat weakened union position. There is a clear gap emerging between the rhetoric of resistance and the reality at the place of work.

The second distinction exists both within some unions, but more importantly, between them. It concerns the different national responses which have emerged. A crude typology might list four basic positions:

a) The 'it's-not-really-happening' approach. This holds that new management initiatives to secure flexibility through workforce restructuring are confined to one or two isolated instances. As such they

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require no change in the traditional trade union approach to organisation and recruitment.

b) The 'we've-seen-it-all-before' approach. This argues that the proponents of workplace flexibility are simply re-visiting the familiar territory of productivity bargaining. Unions survived productivity deals; so, it is argued, they will survive flexibility agreements.

c) The 'just-wait-till-we're-back-on-our-feet' approach. A contention that accepts that changes detrimental to union strength are taking place but only as a result of management taking advantage of recession-linked conditions and of anti-union legislation. In other words, it is simply a case of unions holding on until either economic growth, or a Labour government restores the conditions for union power at the workplace.

d) The 'we're-alright-Jack' approach which recognises that there are substantial advantages to be secured for individual workers in acquiring core status, and for a union which can represent them. This approach often trades the acceptance of flexibility for an employment security pledge and possibly a single-union agreement.

None of the approaches listed offer any unifying analysis; they are no more than a series of defensive postures. Indeed, they do not even add up to an effective defence, far less counterpose a union demand for the flexibility that workers need to the dominant managerial view of flexibility. Nonetheless, current union responses can largely be located within these parameters. The TUC have recently tried to outline a more positive approach. In a paper considered by the Employment Policy Committee (EPOC) in January it is argued that: '... even during a period in which the bargaining climate has been severe sufficient cases can be found which between them point the way towards a creative trade union response to the flexibility fashion'.

So, are the TUC alive to the potential threats of the 'flexibility fashion'? Certainly, in last year's Economic Review they spelled out some of the worst effects of the government's legislative programme (actual and proposed) specifically designed to make flexibility an easier option for employers. But by attacking the legislated basis for flexibility they imply a legislated solution; thus, perhaps unwittingly, lending tacit support to the 'hold-on-for-a-Labour-government' approach. Moreover, the reference to flexibility as a 'fashion' plainly connotes it as a temporary phase. Add to this the TUC's view that most management strategies aimed at casualisation are so much 'old wine in new bottles' and it starts to become clear that the TUC see no new or permanent threat in the flexibility offensive.

To what extent is this an adequate analysis and how effective might the past

experience of unions prove to be? In one sense the TUC are correct: employers have always tried to undermine the collective strength of a workforce by promoting divisions within it and there is nothing particularly new in the ways in which such divisions are currently being forced (although it could be argued that the emergence of YTS is a new feature at the workplace). What has changed, however,

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is the balance of power in the labour market which has amplified the scale and effect of these divisions far beyond the levels which prevailed before 1979.

The changing terrain: something old, something new

The main elements active in the reshaping of this balance of power in the labour market (whether at enterprise, industry or regional level) appear to be:

* Permanent mass unemployment, which not only provides the 'reserve army of labour' (already swollen by a growing population of working age and the increasing participation of women workers) but also sets up an invidious conditioning process whereby those in employment live in fear of the dole queue whilst those unemployed become increasingly desperate for a job on any terms ('anything is better than the dole').

* Deregulating legislation, aimed at reducing employment security and promoting the increased use of 'insecure employment' in all sectors of the economy. Hence, the growth of part-time working under 16 hours per week and fixed short-term contracts of less than 12 months, both intended to avoid legislative controls.

* Anti-union legislation designed to undermine the ability of unions to resist management actions which threaten job security and terms and conditions of employment.

* A significant reduction in the number of manufacturing workplaces where a large number of workers are grouped together on one site. These have traditionally formed the bedrock of union organisational strength. The number of manufacturing establishments employing more than

1,000 workers on one site dropped from 908 in 1979 to 768 in 1984⁶.

* The trend towards the decentralisation of some management control structures (eg, the new regional management structure at BT) which are providing management at workplace level with more discretion and authority over the organisation and deployment of the specific workforce.

The list is not exhaustive. We can add to it a number of factors which predate the onset of recession in 1979, such as the shifts in employment from manufacturing to services and from men to women, or the application of new technologies across the economy. It is the combination of these long-term changes with the more recent recession-based changes that lends both a sharper cutting-edge and a degree of permanence to the flexibility offensive.

Looking just at these 'newer' elements, it is plainly unreasonable to expect an incoming Labour government to rid the labour market of their influence at a stroke of the legislative pen. Far less will it remove the long-term trends.

Protective legislation can and should be replaced; if, for example, German workers can be competitive while enjoying legal protection and minimum standards far ahead of those in the UK, then such legislation cannot be seriously presented as a constraint on flexibility. Similarly, anti-union legislation can be repealed and replaced with an Employees' Bill of Rights which will enforce the right to effective trade unionism.

However, important though these parliamentary interventions will be, they will not, of themselves, reduce the supply of 'insecure labour'. No realistic party supporter expects a Labour government to be able to reduce unemployment much below the 2m mark in the first few years of office. Hence, the divisive pressures exerted by high unemployment on the labour market are likely to persist in the medium term.

In addition, the trend away from very large workplaces (in employment terms) seems likely to continue. Although such a trend originates in the changing nature of capital equipment and its associated control and information networks, management has learned that workforces broken into, smaller units are more 'manageable', ie, are less likely to feel alienated and therefore more difficult for unions to organise and motivate. This, coupled with the more effective and subtle communication techniques like briefing groups and quality circles, which are increasingly part of the responsibility being devolved to local man-

agements, will, in all probability, further undermine the ability to organise effectively at site level.

A positive union response

If we accept then, that workers are unlikely to find shelter from managerial flexibility initiatives, still less promote their own needs, without effective union organisation, we need to consider how such organisation might fare under the segmented and divisive internal labour market outlined earlier. The difficulties of recruiting and effectively organising a peripheral workforce should be obvious; with a host of attendance patterns, contractual arrangements and, above all, competing groups of workers, finding and exploiting common interests and welding them into collective solidarity is unlikely to be readily achieved. It is less obvious that equally serious difficulties surround the organisation of core workers into trade unions; to the extent that they enjoy employment security, that they are paid on a merit-based pay system, that they enjoy single status conditions of employment and that they are not subject to a hierarchical and authoritarian form of control at work, it is not certain how far the traditional appeal of unionism will extend to such employees. Moreover, what is certain is that without site level organisation to police compliance with legislation, much of the protective thrust of any such legislation is likely to be dissipated.

So, in view of the likelihood of continuing high levels of unemployment and of the problems for effective union organisation implicit in the segmented labour market itself, it seems fair to conclude that unions adopting dismissive or 'heads down and hold on' strategies will probably find management initiatives in pursuit of greater flexibility increasingly difficult to counter. Moreover, even singular victories like that of the manual unions in resisting Ford's demands for individual productivity and flexibility pledges as part of the recent pay negotiations are unlikely to see employers backing off. At present and foreseeably, they have both the time and market pressures (in order to compete we must be efficient, to be efficient we must be flexible) with which to subvert the traditional identity between the worker and the union.

The TUC are surely right to stress the need for positive and creative union responses to management's pursuit of flexibility. As a precondition it is important to introduce some clearly defined prospective gains for the workforce into the frame. All

the available evidence suggests that by far the main beneficiaries have been management. There are, however, opportunities to inject elements into the bargaining agenda which will at least force the consideration of flexibility on the unions' as well as managements' terms.

The objective, from a union point of view, must be to produce a bargaining response which furnishes some real benefits from flexible working arrangements without sacrificing union strength. Hence, the strategies adopted by unions must be perceived to be relevant and appropriate to all the workforce within their operational influence. This would begin to limit the ability of management to drive wedges into the union position and thereby force false choices between servicing supposedly 'secure' core workers at the expense of the less secure periphery.

Flexibility on workers' terms

There seem to be several avenues which might usefully be followed here:

1 *Organise core workers:* there is only one place in the fragmented labour market which we described earlier from which unions can bargain from strength. It is to

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be found among those workers whose skills, commitment and co-operation firms value most highly - their core workforces. Achieving or indeed maintaining union influence here is likely to require new approaches, particularly since unions will find themselves in competition with employers for influence over this group. So what are the bargaining issues to attract such workers? One might be the issue of explicit employment security; unions might usefully press British employers much closer to Japanese lifetime employment policies for these workers. Another issue might be greater access to training opportunities; if the sphere of collective bargaining could be opened up to include enhanced training, both employer and employee would gain. A third might be to secure greater autonomy at work for these workers, both in terms of control over their work assignments and their working time patterns. By exploring the new priorities of such a bargaining group, unions

could push out this strength to begin to defend the interests of peripheral workers. After all core workers have a very real interest in not being undercut by cheap peripheral labour.

2 *Extending union influence to the periphery:* so, in parallel with directly organising peripheral workers, unions could exploit the strength of core workers to establish the conditions under which peripheral working could be accepted. Such arrangements would surely seek to (a) limit the scale of peripheral employment to an absolute minimum, (b) ensure pro rata terms and conditions of employment for peripheral workers, (c) open up access to bridges between periphery and core, and thereby (d) limit the enforced duration of workers in peripheral status to a minimum. Similarly, where peripheral workers were not employees of the flexible firm, minimum standards could be established, outside of which, for example, a subcontractor or agency employee would not be accepted on site.

3 *Promote alternatives to peripheral status:* in pressing to limit peripheral working, unions would need to push employers to find other ways of adjusting output to unanticipated variations in demand rather than employing a temporary peripheral workforce. One alternative could be the rescheduling of working time through some sort of annual hours contract or similarly the rescheduling of holidays. Another could be the temporary leasing of workers between local firms. Another could be the redeployment of surplus workers to training. If employers prefer to use cheap peripheral workers, then it is up to the unions to promote more efficient and less divisive alternatives.

4 *Recruiting peripheral workers:* many unions have seen the need to recruit part-time workers and fight for pro-rata terms and conditions for these workers. Plainly, this basic approach could be extended to cover all the categories of peripheral workers. Successful organisation among such workers might provide the springboard to fuse their terms and conditions with those of the core group.

None of this is to deny a role for legislative intervention, nor the need for adequate state benefit arrangements for peripheral workers if they are laid off. It is simply to suggest that there are avenues within the scope of collective bargaining which can begin to provide a counter-offensive against the most pernicious aspects of the employers' flexibility drive, without fall-

ing into the trap of denying the necessity for some forms of flexibility. It may also lay the foundations for the development of a workers' initiative to promote and secure their own, and distinctive, flexibilities; these might include access to training and retraining, study leave and sabbaticals, the ability to shift from full time to part time and back without detriment, the enhancement of choice over working time, and the enlargement of control over the pace and organisation of work. In this version of flexibility the construction of a skilled, trained, secure and highly motivated workforce would be seen as of equal or

greater importance to economic advance than any amount of entrepreneurial or managerial energy.

A broad union strategy which confronted employers' flexibility demands with countervailing demands for employment security, investment in training and equality of treatment for all workers might prove an effective means of redistributing some of the benefits of efficiency through flexibility to the totality of the labour force. As a unifying response to a management strategy which threatens to fragment the union movement at enterprise level, it has much to commend it.

1 We do not discuss governmental flexibility initiatives, which are primarily about wage fixing. For a critique, see *Flexibility and Jobs: Myths and Realities* ETUI 1985.

2 Incomes Data Services Ltd. 'Two-stage 6 plus 3% pay increase at Findus', *IDS Report 449* May 1985.

3 M Brown 'Alcan goes casual' *The Guardian* 16 January 1985.

4 R Leek 'Flexible Manning in Practice: Control Data' *Manpower Policy and Practice* vol 1 summer 1985.

5 J Atkinson 'Flexibility, Uncertainty and Manpower Management' *IMS Report No 89* September 1984.

6 *Business Monitor* PA 1003 'Analysis of UK manufacturing (local) units by employment size' 1979, 1984.

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