

## Introductory remarks on social responsibility and the future of the labor market

by Anders L Johansson<sup>1</sup>

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As an introduction speaker I think I can allow myself to a bit of speculation. My job is to give this interesting conference some input, and I am sure that the following speakers will give all the answers!

The labor market and the society are in transition. We generally describe this transition in terms such as the microelectronics revolution, the emerging postindustrial society, and the knowledge society. These terms are connected with positive values, a prospering society, a society of new possibilities.

Nevertheless, the transition and movement from the industrial era to a postindustrial one also imply problems and great changes in the organization of the labor market: unemployment, marginalization, poverty, new types of conflicts within and between trade unions and employers' organizations.

The pattern and traditional difference between blue- and white-collar workers is subject to change. Already in the mid-1960s the traditional industrial sector lost its position as the biggest employer of permanently hired workers. Since those days, and from the 1970s, the public and service sector or the information technology sector have been constantly growing. Nevertheless employees that have been forced out of their jobs in traditional areas seem to outnumber the increasing numbers of employees in the job growth sectors. Unfortunately, this does not seem to be a temporary phenomenon.

For a long time these dramatic changes in the labor market and, in consequence, in ordinary people's living standard and quality of life have been obvious. But it seems to me that, even through we have some overwhelming data on this new situation, we are not able to bring analyses of the data to a concrete and meaningful level. We still discuss the labor market as if it were a homogeneous entity that can be repaired and fixed mainly by macroeconomic means. My position is that these

traditional macroeconomic means are no longer sufficient. They only give societies a set of basic instruments to which we must add a range of selective instruments, adjusted to the groups who appear on the labor market today. One of the fundamental changes is the trend towards a permanent differentiation of the labor market. That is to say, something more than increased flexibility and new complexity.

### ***Towards a new perspective of the labor market***

The traditional (economic) perspective of the labor market is, as we all know, very much based on a macroeconomic approach. The classical, neoclassical economic theory, and Keynes still have a strong hold on our thoughts and ideas about labor market behavior. Of course, these economic theories are still very fundamental for the understanding of economic growth, economic behavior, and labor market conditions. But, nevertheless, I am convinced that it is time to break down these macro theories to a much more concrete level. If we do not do so, we will not be able to solve the problems of unemployment, imperfections between demand and supply, and, most important, the growing problem with millions and millions of poor and marginalized people. The labor issue, in its broad sense, can no longer be understood and analyzed from a macroeconomics level with the national states as the political and economic frame. One of the important and underestimated reasons is that the labor market is no longer a homogeneous entity with the two major groups of blue- and white-collar workers.

It is in this sense that *permanent differentiation* becomes a key word to the understanding of a new labor market and a new type of work organization. The basic

<sup>1</sup> National Institute for Working life, Solna, Sweden.

element in this new organizational structure is the rise of several permanently based labor market groups. And there are totally different conditions for each one of these groups. To illustrate this point we can assume a relatively large fictive company and give some examples of this new permanent labor structure:

— *Project employed directors and managers at the top level:* at the top level, the directors and managers are hired for certain projects. The challenge and task for this level can be to (i) restructure the company, develop a new product, or develop new processes within the company. Due to the global competition, these jobs and tasks, of course, involve a major portion of management risk. At the international level, it is easier to find examples of miscalculations and poor results than it is to show grand success strategies like that used in the Swedish pharmacy and telephone industries. Therefore, if the normal situation used to be that these directors were employed on a more-or-less lifetime basis, we nowadays are moving towards a situation in which they hold a specific company contract for 3—5 years. The result is, of course, that there is a growing market for “parachute agreements”.

— *Long-term middle-managers like economists, lawyers and engineers on the one hand and top-level operation managers and workers at the floor level on the other:* these groups work for the company under relatively long contracts. Their main responsibility is to carry out top-level strategies, to materialize development plans, and to develop them further to streamline production and aid the distribution of wanted products on the market. These key groups represent the doers, and they have the responsibility to adjust the strategies for the future to the history of the company. It is a question of bringing together vision and goal with the tradition and experience of the firm. These groups are the companies' real insiders and, in consequence, they are contracted on long-term bases. The growing market of social benefits and other “fringes”, such as extremely advanced courses, cleaning and child care support, private and exclusive health and care services, free lunches and dinners, travel, and so forth, belong to these groups.

— *Self-employed consultants, project leaders and advisers:* this is a fast-growing group. In Sweden they can be called the F-taxation group (F-skattesedelgruppen). They are highly educated and make their living on short-term contracts with different companies. They are often brought into the company to solve one specific task. It is common that one self-employed person has up to 10 missions for different companies at the same time.

— *Permanently employed and attractive workers, or members of the staff as they are called these days:* this is, of

course, still the biggest group in big companies. I think it is fair to say that the big change in the last 15 years for these “on-the-floor production groups” is not higher salaries and not benefits and other fringes. It is involvement, participation, and goal-steered decision making at the floor level in the company. One striking trend is that these groups have, partly as a result of this involvement in the production process, been able to raise their productivity enormously. One consequence is that a work group of, let us say, 7 persons today produces results for which the company needed 10 persons some years ago. This huge rationalization process is a major explanation behind today's mass unemployment situation. One of the terms used for this phenomena is outsourcing.

It should be underlined that one of the problematic effects of outsourcing is that it has emerged as a *result* of economic growth, the dynamic labor market, and the enormous productivity gains in worklife, rather than from a *lack* of growth and productivity. Therefore, more productivity, more economic growth, and more of the same old economic medicine will worsen the problems rather than solve them. According to the philosopher Georg Henrik Von Wright, it is very important to understand that the Scandinavians and, most certainly, the Swedish trade unions and social democratic party have been built on the idea of linear progress and a never-ending history of progress and growth, job creation, and social welfare.

Words such as productivity, rationalization, motion and time studies, and ergonomic measurement are very deeply rooted in the Swedish organizational structure. In fact these measurement-time-method studies, ergonomic, scientific rationalization movements, and productivity gains were the ideological bridges between Swedish employers and employees from the 1920s up to the 1970s. The alliance between employers' and employees' organizations was, in this respect obvious — productivity and profits to the capital and productivity and social reforms to labor.

This linear and “progress thinking” can and should be compared, as von Wright has pointed out, with a more cyclical style of thinking. For example, the culture and condition of an agrarian society can be seen as a cyclical example. It consists of 4 repeatable seasons which appear every year. As a result, human beings have to consider the special conditions of each season in order to get the best out of them in the following years. Farmers are forced to think in terms of sustainable and cyclical development, rather than in terms of a linear and endless progress.

— *Temporary workers and temporary members of staff:* this is a growing group which also has some significant effects on unemployment. The term “temporary” is, in this respect, double-sided. It means that the worker is hired and employed for a certain period. But by defini-

tion it also means that he or she is out of work (ie, in a position to be hired). For individual persons the result is often unemployment. One of the effects of the aforementioned outsourcing model is a growing group of temporary workers. Since the permanent "insider" group is still the biggest on the market, there are reasons to believe that the politics of outsourcing have a relatively huge potential in the next 5 to 10 years. This potential will more or less automatically affect the size of the temporary workers' group.

### ***Unions and social responsibility***

The aforementioned 5 categories can probably be divided into other subgroups and also into other categories. We need more empirical research and data to confirm the existence of these groups. The point is not to give an empirically based picture of the new labor market. My ambition is merely to provide some arguments for the position that the labor market has been — and still is — subject to very fundamental changes. The understanding of the social effects, the effects for individual persons' health and their future possibilities to obtain and keep a sustainable and secure job must recognize these fundamental changes — at least.

During this century social responsibility and social security have been built on a homogeneous labor market mainly consisting of the two groups "white-collar" and "blue-collar" workers. The organization of the politics has been based upon the trade unions. The strength of these trade unions (The Swedish Confederation of Professional Employees for the white-collar workers and The Swedish Trade Union Confederation for the blue-collar workers) was built on a relatively homogeneous mass of workers, which roughly gave the same social rights to all members. It is likely that, in the next 10 years, we may very well see an end to this situation.

We will see new trends in organizing the different groups on the labor market. There will be new winners and new losers, and there are reasons to believe that the Swedish traditional organizational structure will be divided into at least 2 main fields.

One possible direction for unions is development towards relatively weak organizations which, in the long run, will — to some extent — become clientele organizations. Their basic role will be to emphasize members

in the area of social benefits politics. In other words, they will provide collective insurance solutions against social problems for relatively insecure and unstable members who are to a great extent temporary workers. Unemployment insurance will be an important type of insurance. Even in the future these organizations will use the number of members and the "mass" to buy relatively cheap solutions. The organizations will need state and legislative power to set up elementary rules and levels for occupational health conditions.

Another possible direction is a parallel development of relatively strong unions with members who are key workers and members of staff and who, to a great extent, belong to the insiders in the companies and organizations. These unions will be strong "internal" negotiators and social dialogue organizations. They will probably continue to focus on productivity and involvement in local and on-the-floor decisions. Even in the future some of these groups will have good opportunities to gain "fringes" and share in profits. In this field we will clearly see the development from legislative order to social dialogue and partnership. These organizations do not need state or legislative power.

To summarize, there is no longer any such thing as a homogeneous labor market. The conditions for different groups must be analyzed from different angles and different perspectives — both in terms of job creation and in terms of health and care issues. We have to come down to earth, and to the pure theoretical and macroeconomic level, and divide the analysis into different labor market areas according to a new permanent organizational structure. What can be said and done about the situation for temporary workers is a totally different story than, for example, that of other groups, such as permanently hired insider staff. This new principle of labor market organization will also, as I see it, have tremendous effects on labor unions and their possibilities in the area of social politics and health and care politics for their members.

The labor economist can no longer be the single talking guru on labor market issues. It is my belief that this conference can bring out some very interesting thoughts in a broad range of areas, such as occupational medicine, labor law, sociology of labor, and labor history. Therefore, the conference should certainly provide us with a genuine platform for further empirical research in the area of labor and its social conditions in a new society.