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**From Full Employment to Flexibility: Britain and France 1960-1990**

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# From Full Employment to Flexibility: Britain and France 1960-1990

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## Introduction

The emergence of flexible labour markets in Europe has been associated with the collapse of full employment, the breakdown of post-war settlements and the development of unsustainable levels of social security expenditure. Economic recession, job insecurity, growing social disparities and political extremism in the late twentieth century reflect a crisis of previous faith in the benefits of state action. Now, apparently new forms of employment stimulate fears about social exclusion and fracture, increased poverty, injustice and political disaffection as the proper remit of public policy is called into question.

Within this new context, discussion on the post-war years often assumes uniformity of experience: an era of full employment, universal social security, common social values. Appearances are deceptive. Realisations of full employment and social protection varied, hidden behind apparently common languages of reference which disguised diverse agendas and objectives; different means were used to secure similar ends<sup>1</sup>. An analysis of disguised diversities in the political economies of full employment - the forms of their realisation, the expectations they sustained - is central to understanding the differing responses to recent crises. The fracturing of purpose and rupturing of political confidence experienced at the birth of labour market flexibilities should be understood within the specific contexts that preceded these changes - the previous comparative experiences of full employment within managed economies and the role of government in sustaining employment and social protection. On closer inspection, the appearance of post-war political and economic convergence dissolves; different realisations disguised by similar labels emerged as possible pathways for policy development in different national contexts<sup>2</sup>.

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<sup>1</sup> N. Whiteside and R. Salais, *Governance, Industry and Labour Markets: the modernising state in the mid-twentieth century*, Routledge, 1998

<sup>2</sup> For a similar approach in a slightly different context, see C. Crouch, *Industrial Relations and European State Traditions*, Clarendon, 1993

This paper outlines the differences in the political economies of Britain and France in the years of full employment; which provided the starting point for a reconfiguration of the political agenda as the issue of labour market flexibility emerged. In both countries, the economic experiences of the 1980s stimulated crises in state welfare<sup>3</sup>; in each, established political trajectories generated specific frameworks for future political action. Within these changing national political contexts, the meaning and significance of flexibilisation differed considerably and the reception of new employment agendas differed as well. Arguably, neither country had been particularly successful in adapting to recent change because neither has been capable of developing the opportunities it offered. Action frameworks based on national responses are now defunct; we need new strategies based on regional frameworks to align labour market activity and welfare regimes to secure Europe's future.

### **Industrial politics in the era of full employment**

Both French and British post-war governments were formally committed to full employment, but there similarity ends. In post-war France, unemployment never attained the political significance it had acquired in Britain; policy focused on industrial reconstruction - raising the attractions of formal employment, aligning working practices with new manufacturing requirements, while sustaining industrial peace. Post-war social security aimed to attract independent sub-contractors or workers from rural areas into formal employment structures with promises of statutory social protection and a pension at the end of a working life<sup>4</sup>. Full employment translated as formal subordination to one employer; a single employment (and single profession) emerged as a common norm. Guaranteed social protection under schemes of social insurance compensated workers for the status of employee, thus acknowledging the traditional respect for independent artisanal workers, the backbone of French trade unionism. In Britain, by contrast, the realisation of full employment became confined to macro-economic budgetary politics; the regulation of demand was to guarantee jobs for all. Direct state intervention - to shape working practices, to enforce wage bargaining outcomes, to ratify levels of skill, to determine demarcations between skilled and unskilled work - was unacceptable. Full employment meant that the state underwrote job security, but exercised minimal influence over job content or workplace rationalisation. This

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<sup>3</sup> M. Levy-Leboyer et J-C Casanova (dir), *Entre l'Etat et le marche*, Editions Gallimard, 1991: ch 17;

<sup>4</sup> R. Castels, *Les metamorphoses de la question sociale*, Fayard, 1995, ch VII; also B. Friot, *Puissances du salariat*, La Dispute, 1998.

outcome was not uncontested; the genesis of full employment fractured consensus about labour market regulation and the role of the state. The drive for growth generated new languages of productivity, critically focused on strategies of labour deployment, but government's right to intervene to enforce new systems was resisted by both sides of industry. This demarcation between 'industrial' and 'political' spheres of influence, setting limits on the possibility of state regulation, re-emerged in post-war Britain to externalise the influence of social welfare programmes on labour market behaviour<sup>5</sup>: a significant difference between the two countries.

### *France*

In France official interventions provided the foundations of economic modernisation; indicative planning proved a reasonably successful mechanism for co-ordinating production, training, growth, employment in the post-war years. The Commissariat General du Plan (CGP), an agency whose work came to fascinate British observers, established frameworks for industrial co-ordination. The co-operation and coherence promoted during the creation of each five year plan served both nationalised and private industry well, while establishing the technical and administrative substructures required for its successful implementation. Thanks to the downstream effects stimulated by investment in nationalised public sectors, a climate of expectations enabled the plan to be realised through the fact of its negotiation, aided by official use of a broader range of financial instruments than was available in the UK. The small size of the CGP, its lack of support staff or independent funding and the absence of sanctions made it hard for British observers to see how it achieved its objectives. '... there are powerful psychological factors which assure that the Plan, having once been drawn up, it carries itself out' the chairman of the CGP explained to British economic experts. 'The agreement achieved while the Plan was being drawn up tends spontaneously to extend itself when it comes to implementing the Plan. If the real forces of the country have been associated with making the Plan, they are more likely to stand together in action.'<sup>6</sup>

This climate of apparently harmonious co-operation had its problems in British eyes: French planning was criticised for limiting competition. However, the approach fostered and co-

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<sup>5</sup> N. Whiteside 'Industrial relations and social welfare, 1945-79' in C.J.Wrigley, (ed) *A History of British Industrial Relations vol III, 1939-1979*, Edward Elgar, 1996.

<sup>6</sup> NIESR conference, 21-3 April 1961, (published as *PEP French Economic Planning*, 1961) p. 218: on file T 230/657, PRO

ordinated higher productivity (helped by official policies on technical training and a system of industrial taxation which focused on payrolls, not profits). Wage levels and structures were integrated within an overall strategy - thereby obviating two key problems plaguing British economic performance at this time. Direct British imitation of French methods - although considered desirable<sup>7</sup> - remained improbable. Devoid of any foundation in technical expertise, official interventions in business affairs, for many employers, heralded the unwelcome intrusion of public authority into a private world to secure policy objectives of questionable value. The likelihood of British firms co-operating over a prolonged period with an official planning strategy was conceded to be remote.<sup>8</sup>

Through a range of official interventions and regulations - the influence of a technically trained elite corps of *ingenieurs de l'état*, the provision of investment finance through state-owned banks, the legal regulation of certificated levels of skill and the extension of technical training - the French state created and co-ordinated its internal market, establishing targets and mediating conflict. Industrial modernisation based on technical excellence and the commitment to planned rates of growth placed training at the centre of French manpower strategy. Wage hierarchies established through *conventions collectives* reflected levels of state-certificated skill<sup>9</sup>. This wage structure was underpinned by the SMIG, the national minimum guaranteed wage, zoned by region on a sliding scale fixed to the cost of living. Trade unions were consulted in planning; elected union representatives policed industrial agreements, administered social security funds. The 'social wage' was far higher in France than in Britain: social security contributions formed one third of labour costs; levels of benefit and dual contributions were set by the state as a percentage of wages up to a fixed ceiling. The funds (*caisses*) could negotiate medical fee scales, provide child care or home helps, subsidise special clinics and preventative medical provisions<sup>10</sup>. Hence the scope of trade union activity was far broader than in Britain, involving social as well as industrial politics; trade unions were consequently far more 'statist' in orientation. French social security merged what the British distinguished as economic policy, industrial relations and social welfare into a single framework, integrating salary structures and manpower requirements as envisaged in the Plan. In conclusion, unlike Britain, wage rates and

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<sup>7</sup> eg A. Schonfield, *Modern Capitalism*, 1965.

<sup>8</sup> Memo: 'French methods of long-term forecasting' para 32 (n.d. 1960), T 230/657

<sup>9</sup> C. Didry, 'Arbitration in context' in N. Whiteside and R. Salais, op. cit., 1998

<sup>10</sup> Paris Labour Attache report to Min Lab Overseas Division: Dec 1962, LAB 13/1494

welfare benefits in France were woven into a fabric of state guarantees in the context of planned economic development, involving a larger and more influential public sector than that found on the other side of the Channel. Hence the state formed the target for collective discontents. Strikes (unlike Britain, where they were targeted at the employer and continued until one party effectively gave in) were commonly of short duration and directed towards a variety of social, industrial and political goals. They were primarily a public appeal for state action. Union influence depended less on industrial muscle (membership of the CGT fell from 7 million to 1.5 million between 1947 and 1962), than on the work of representatives on regulatory bodies charged with realising social and economic policies, with enforcing the detailed legal protection given to workers under the Code du Travail and the jointly negotiated conventions collectives at all levels<sup>11</sup>. This integration of trade unions into the process of policy implementation formed the foundations of union influence and power, integrating industrial and political worlds in a manner quite different to that found in Britain.

French efforts to combine popular participation with social and economic planning were not entirely successful. In the early 1960s (following the Algerian crisis), in the public sector striking workers could still be requisitioned by government order. Here, collective agreements were difficult to enforce (sponsoring state departments intervened persistently in the management of nationalised industries). Tensions ran high. The politics of centralised planning, however participatory, remained vulnerable to technocratic authoritarianism. As the Fifth Plan was being prepared (1964-5), the established technical expertise of the haut fonctionnaires within state departments and the CGP, and their close association with major industrialists, rendered broader negotiation increasingly marginal. Planning became less about creating consensus than publicising those projects the Fifth Republic wished to promote; private compromise and exemption for some major enterprises was negotiated behind closed doors<sup>12</sup>. Under De Gaulle, governments became less amenable to participation liable to disrupt strategy. ‘Le respect que les Pouvoirs Publics ont le devoir de manifester a l’égard de la liberté d’opinion et des libertés syndicales a cependant des limites’ Prime Minister Pompidou stated at the end of 1961. ‘Le Gouvernement n’a pas le droit de laisser l’expression des libertés mettre en cause la sécurité ou le développement de la Nation.’<sup>13</sup> Only the state had the authority to identify the

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<sup>11</sup> Labour Attache report, Jan. 1963, LAB 13/1762

<sup>12</sup> M. Storper and R. Salais, *Worlds of Production*, Harvard University Press, 1997, ch 6

<sup>13</sup> 4 Dec 1961, French PM press release: FO 371/160450

national interest. Hence, for example, the framework for public sector wage negotiation, established under the Fifth Plan, caused controversy - not because the target figure of 4.5 per cent was ungenerous, but because trade unions had played no part in negotiating its establishment. In the 1960s, as the Fifth Republic extended central control - first over economic objectives, later over social security administration - the roots of 1968 are laid bare.

The explosion in 1968 demonstrated the consequences of excluding workers' representatives from industrial politics. In a burst of modernisation during the 1970s, governments reconstructed labour market regulation, seeking to redefine decision-making processes to involve unions in major firms and the public sector in joint bargaining. Joint agreements were to form the basis for regulating wages, working conditions and social benefits; these agreements extended to smaller firms through the process of legal regulation. The early 1970s witnessed a proliferation of national accords concerning issues of social protection: governing job security, industrial training, maternity leave, early retirement, working conditions, unemployment benefits. The minimum wage became attached to average earnings rather than the cost of living. The powers of works councils (*comites d'entreprise*) were ratified and extended. Throughout, the remit of bargaining remained defined by statute, bargaining outcomes were framed within national accords<sup>14</sup>, labour contracts embodied the links between wages, prices and productivity. Government and law continued to determine the framework for decision-making over social and industrial questions, retaining powers to legislate in the absence of collective agreement and the obligation to 'make good' any gap between worker demands and management concessions - largely by extending social benefits subsidised by public funds. Negotiation between senior civil servants and major firms continued to dictate both the content of planning and its implementation - defining 'exceptionalism' and creating ambivalences - in an increasingly politicised fashion<sup>15</sup>. By the end of that decade, the fragile consensus sustaining such systems was under strain and employers were seeking the means to reduce the costs and constraints imposed by one of Europe's most regulated economies. Even so, responses to the challenges posed by the advent of flexibility initially developed as a variation within well-established frameworks of political action, as later sections will show.

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<sup>14</sup> C. Howell, *Regulating Labour*, Princeton, 1996, ch 3

<sup>15</sup> Storper and Salais, *op. cit.*

## *Britain*

Post-war Britain never developed a co-ordinating policy framework for economic and social objectives; conflict over the proper border between public and private interest - between 'political' and 'industrial' spheres - was subject to continuing debate. Recurring sterling crises from 1956 forced Conservative governments to consider the option of a wages policy. The major sterling crisis of 1961 produced a wage freeze in public sector employment, stimulated interest in French planning and promoted - indirectly - the first (unsuccessful) British bid for membership of the then EEC. Interest in state regulation was, however, located within a particular political mind set, which recognised the limits on planning as a route to economic growth. Manufacturing interests still tended to understand state intervention in industrial affairs as the product of a flawed left-wing ideology, as an initial step on the road to nationalisation, as inimical to trading interest and as a contravention to the rights of private property. Competition, not co-ordination, promoted excellence and opened the road to prosperity. In Britain, sections of both the political left and right saw state and market as opposing forces: whether government regulation could improve economic performance was a debatable point. Trade union faith in the effectiveness of voluntarism embodied in free collective bargaining was re-affirmed by its success during the 1950s, realigning union and employer interests in keeping the state at arm's length. In looking back over the previous fifteen years since the end of the war, a senior Treasury official captured the difference between France and Britain:

The term 'planning' [in post-war Britain] became inextricably associated with the use of direct controls and with a tone of voice that implied that the Government had a right to dictate and industry had a duty to obey. French economic planning has been done in a different spirit ... Ideally at least, it is a matter not of directives but of a voluntary co-ordination of plans in which all those party to it concur<sup>16</sup>

Even so, the 1960s witnessed a major reappraisal of British economic policy. A growing revulsion with the Treasury's record of indirect economic management in the 1950s - the phrase 'stop - go' encapsulating a policy-enhanced pattern of short-run, cyclical economic activity which had damaged industrial efficiency and discouraged investment - provoked a serious reevaluation of the state's role in promoting economic growth. In 1962-4, the Conservative government negotiated the establishment of a National Economic Development Council with the TUC and employers' organisations (in imitation of French mechanisms). The NEDC, together

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<sup>16</sup> Dow to NIESR conference, April 1961, p.208: T 230/657

with its concomitant ‘little Neddies’ for specific industries, represented an initial step along the road to government-industry collaboration in devising long-term strategies to secure growth<sup>17</sup>. The Labour government elected in 1964 was specifically committed to securing a planned economic modernisation through official promotions of science and technology. One of its first acts was to create a Department of Economic Affairs to implement a ‘national plan’ involving specific growth targets. A programme of technological modernisation, grounded in state-sponsored expansions in civil R & D and co-ordinated by a strengthened NEDC, was to be promoted by a new Ministry of Technology. American corporate capitalism offered a template of modernity. Technical modernisation was entirely dependent on industrial restructuring in favour of large-scale firms to engender necessary economies of scale. The Industrial Reorganisation Commission was created in 1966 for this purpose. The upsurge of merger activity in the late 1960s was accompanied by a growing use of American management consultancies to specify post-merger structures<sup>18</sup>.

While continuing debilitating balance of payment and exchange rate crises had fatal consequences for national planning and the DEA (which was wound up in 1967), these initiatives spelt a changed relationship between state and industry. However, this was hardly an unmitigated success. First, economies of scale and mass production strategies might have carried an inexorable logic for senior civil servants in MinTech, but this was not shared by either British industrialists or industrial economists who subsequently criticised Labour’s strategy as destructive of market flexibility<sup>19</sup>. Second, Labour’s attempts to ‘cure’ recurring balance of payments problems through voluntary wage policy were repudiated by the rank and file trade unionists determined to protect voluntary collective bargaining as central to the conduct of industrial relations. Finally, the Labour government had no powers to compel the private sector to comply with policy objectives. At grass root level, the state remained external; official policy was imposed from above, from outside. The Labour governments’ policies came to be viewed by both sides of industry as destructively interventionist, sowing the seeds of a later politics which rejected planning and reasserted market orthodoxies in the 1980s.

The politics of full employment in Britain was thus a politics of conflict - focused not (as in France) on *how* policy should be determined, but on its *scope*. Effectively excluded from

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<sup>17</sup> K. Middlemas, *Industry, Unions and Government: 21 years of the NEDC*, Macmillan.

<sup>18</sup> L. Hannah, *The Rise of the Corporate Economy*, Methuen, 1983.

<sup>19</sup> eg G. Meeks, *Disappointing Marriage: a study of gains from merger*, CUP, 1977

influencing industrial practice or shaping employment, government was confined to voluntary exhortations to achieve its ends - to raise productivity, to rationalise labour management, to restrain wage demands. Unlike France, Britain's centralised, bureaucratised welfare state exerted little influence over labour market behaviour. State benefits were outstripped in value by private schemes, negotiated within firms as part of the private employment contract. Like France in the 1960s, state policy became increasingly articulated within languages of economic rationality; technological advance would secure the goal of growth. However, unlike France, the performance of British state enterprises and publicly funded projects inspired no confidence. Arguments favouring greater state power were easily countered by languages of particular interests: referrals to the comparative merits of free market performance and private expert competencies on the one hand, appeals to established custom and practice and the mysteries of the trade on the other. The identification of 'restrictive practices' (working arrangements which, to an outside eye, appeared to restrict output) formed a point of confrontation.

The problems of the late 1960s caused British governments of all political complexions to intervene in labour markets to an unprecedented degree in a series of abortive attempts to control inflation, raise productivity, and sustain full employment through incomes policies. The proper division between public obligation and private interest was called repeatedly into question during the following decade as unemployment and inflation rose inexorably. Unlike France, no mechanisms existed to promote productivity or modernisation in the private sector. Free collective bargaining was defended on the shop floor against attempts by both the Labour and Conservative administrations to reform industrial relations or control wages. The attempt by a 1970s Labour government to harness TUC support for wage restraint through extensions in state funded welfare (the Social Contract) foundered as union members repudiated agreements negotiated by their leaders<sup>20</sup>. Rising levels of social dependency clashed with public expenditure cuts in the late 1970s. By the end of the decade, it was easy to depict (perversely) Britain's economic ills as the product of too much state regulation, not too little; Mrs Thatcher was elected in 1979 to restore market forces and secure recovery.

### **Towards a flexible labour market**

In this way, different conventions of governance shaped frameworks of policy intervention;

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<sup>20</sup> N. Whiteside in C.J. Wrigley, *op. cit.*, 1996

contrasting strategies were adopted in the pursuit of common goals. In some respects, the climate of expansion in the post-war years served French planning well; the acceptability of the state as the main mechanism of economic co-ordination allowed some reconciliation of collective interests. The fracturing of labour market politics in Britain between public and private, the lack of technical expertise in policy-making circles, the poor performance of the public sector - all combined to marginalise the legitimacy of official interventions in employment. As the issue of competitiveness gained greater prominence during the 1960s and 1970s in both countries - for the French within the EEC, for the British following the loss of colonial captive markets - so each developed esoteric strategies to meet new challenges: the former by raising investments in technologies and human capital (competing on product quality), the latter by promoting mass production strategies, in imitation of American paradigms (competing on price).

Strains imposed on the world economy during the 1970s destabilised international markets and raised levels of competition; this eventually forced reappraisal of established political approaches. The acceptance of new labour market flexibilities demanded changes in working agreements, social protection and national politics. The main arguments justifying these developments have been described many times: there is no intention of repeating them here. The advent of flexibility, however, provoked significantly different political repercussions. By and large, employers have succeeded in convincing governments that clinging to established working agreements and systems of social protection spelt the future ruin of national enterprise. Within a market-based rhetoric addressing economic efficiencies and international competitiveness, politicians have increasingly made common cause with the interests of capital in seeking to extend more variable forms of employment, to raise productivity, to reduce company overheads, to shore up defences against a rising tide of unemployment and social dependency. The decline and final collapse of the Soviet and East European command economies in the course of the 1980s and the emergence of the USA as sole world superpower, apparently vindicated the superiority of free markets and private entrepreneurship over planned economies and state ownership. Within this context, earlier British limitations now appeared as positive assets. Strategies ostensibly limiting state regulation of economic activity and fostering entrepreneurship, assiduously promoted by the Conservative governments of Mrs Thatcher and John Major and adapted by New Labour under Tony Blair, are now viewed as the policy pathway of the future, in contrast to the old etatiste politics that long remained dominant in

France.

### *Britain*

The performance of the UK economy throughout the 1970s - combining volatile industrial relations and rising rates of unemployment with high inflation and low economic growth - generated widespread political disillusion with state intervention and a public endorsement for a change of direction. New Right orthodoxies, loosely based on the economic principles of the Chicago School, invoked tax cuts to reward entrepreneurship and to promote competition. The withdrawal of state intervention would remove all impediments to market operations while reducing the economic burden imposed by state welfare and curtailing trade union powers.

As commentators have noted, the rhetoric surrounding the policy innovations of the 1980s contradicted itself. Far from 'deregulating' the economy and labour markets, both state and law became increasingly involved in reshaping their operation. Established systems protecting wages and working conditions were attacked. Wages Councils (joint bodies determining minimum wages in unorganised industries) lost responsibility for under 25 year olds in 1986 and were abolished completely in 1993. Under Mrs Thatcher's prompting, union activities were redefined. Statutory constraints were placed on strike action (outlawing political strikes), on the imposition of a closed shop, on union recognition and on the right of some government workers to belong to a union at all<sup>21</sup>. Defiance of the law was punishable by seizure of union assets - as the National Union of Mineworkers discovered in the aftermath of the 1984 coal strike. Nationally negotiated wage settlements were actively discouraged in both public and private sectors; 'performance related pay', based ostensibly on professional assessment of individual worth, was promoted as the proper alternative. Voluntarist regulation of employment by collective bargaining was held responsible for the problems of the 1970s; old systems therefore had to be removed and all ministers were required to toe the Prime Minister's line. 'Who is the Mephistopheles behind this shabby Faust?' a prominent Labour politician enquired in the House of Commons when the Foreign Secretary banished trade unions from GCHQ, Cheltenham. 'The answer is clear enough ... the great she-elephant, she who must be obeyed, Catherine the Great of Finchley, the prime minister herself.'<sup>22</sup>

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<sup>21</sup> At the PM's direction, the Foreign Secretary banned unions from the Government Communications Headquarters (GCHQ, Cheltenham) in 1983. H. Young, *One of Us*, (Macmillan, London, 1989) ch.16

<sup>22</sup> *ibid.* p. 357

Market rhetorics - critical of state monopolies - dictated the privatisation of public enterprise and the restructuring of welfare, reinforcing work incentives by 'targetting' state benefits to those most in need. Raising productivity: an objective realised not through higher investment, but by a process of 'downsizing' the workforce (in telecoms, railways, gas, electricity, water), translated into increased hours at no extra pay for some and redundancy for others. Previous public utilities and services became subject to quasi-market systems of governance; the purchase of these services by the state was separated from their provision by the private sector<sup>23</sup>. The state subcontracted everything - from health care and refuse collection services to departmental computing systems and social security administration - to 'private' providers, who were commonly old public service employees operating under new management (and inferior conditions of employment). Competition for state contracts was to secure efficiency savings; standards of provision were safeguarded by setting targets (performance indicators), by extensions in official inspection, by the public audit of each agency's operations. The growth of official regulation (and regulators) over the last two decades has been prolific, uncontrolled and unforeseeably expensive<sup>24</sup>; government has been transferred into professional hands - not of the technocrats (as in France), but of the accountants. The public good is defined by balance sheet. Quasi-markets have not extended entrepreneurial activity by freeing local managers from the burden of central bureaucracy. Rather, one form of highly centralised official administration has simply been replaced by another<sup>25</sup>.

Hence government in Britain has sponsored labour market flexibility: promoting outsourcing and subcontracting, fostering individualised forms of employment. For competition (the *sine qua non* of market theories) to be sustained, contractual commitment has to be constantly reviewed. For contractors to compete, they must demonstrate flexible responses to market demand - and this flexibility in turn requires an ability to hire and fire in response to immediate conditions and circumstances, with no regard for social consequences. The proliferation of short-term contracts promoted by the state generates labour market flexibilities within the supplying firm. To prevent public monopoly being transformed into private monopoly (by-passing the merits of competition), Conservative administrations 'wrote in' maximum

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<sup>23</sup> J. Le Grand, 'Quasi-markets and social policy', *Economic Journal*, 101, 1256-67; also J. Le Grand and W. Bartlett (eds), *Quasi-markets and social policy*, Macmillan, 1993.

<sup>24</sup> C. Hood, *The Art of the State*, OUP, 1998; *ibid.* et al. *Regulation inside Government* OUP, 1999

<sup>25</sup> N. Whiteside, 'Regulating Markets', *Public Administration* Autumn 1997

contract durations, notably in areas where markets previously did not exist such as the personal social and health services, public broadcasting and all branches of education. Cost cutting, to be secured through 'efficiency gains', generated greater job insecurity, more pressures on work performance as well as lower pay. Current evaluations of the extent of labour market flexibility in the UK reveal that the shift from permanent jobs towards part-time, insecure and less regular forms of employment has been most marked in the newly privatised, ex-public sectors.<sup>26</sup>

This promotion of entrepreneurship and private enterprise also transformed manpower and job creation policies. State training schemes, dominated by the provision of work for unemployed youth since 1977, were extended; the rights of 16-18 year olds to any state benefits transformed into a 'wage' conditional on their participation. In 1988, all state training was privatised in the hands of Training and Education Councils (TECs); this restored control over employment and training back to British employers, long dominant in this area<sup>27</sup>. In line with performance-related pay, state subsidies to the TECs are based on training completed and training placements achieved. Devoid of worker representation, TECs allow local employers to 'test drive' would-be job applicants at public expense, retaining those potentially useful for business at the end of their two-year training if they so choose. At the other end of the scale, management training has flourished in higher education. Industrial Relations has given way to Human Resource Management in new business schools; work psychology has replaced industrial sociology as the legitimate discipline for analysing workplace conflict. Collective discontents are transformed into individual problems whose solutions are to be found in personalised treatments, contributing to the expansion of legitimised pathologies of maladjustment adapted to a range of newly recognised social deviants - from the 'excluded' (expelled) schoolchild to the non-working single parent. In the political sciences, public choice theory and new institutionalism have flourished; both are premised on assumptions of collective activity as fundamentally determined by individual self interest in a contractual world of free economic association. In all branches of labour market analysis, the collective is being systematically denied; questions of employability, rates of pay, recruitment, welfare have become personalised - signals of individual value in market terms. As such, work activity has ceased to be a political issue.

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<sup>26</sup> B. Casey, H. Metcalfe, N. Millward, *Employers' use of Flexible Labour* (London, PSI, 1998)

<sup>27</sup> D. King, 'The Conservatives and Training Policy, 1979-92', *Political Studies* 51,2, 1993; also *ibid. Actively Seeking Work? The Politics of Unemployment in the United States and Great Britain*, University of Chicago Press, 1995.

Response to market demand is an individual responsibility; economic activity cannot be shaped in accordance with collective goals. This ideological slant is also visible in the Blair government's 1997 Welfare to Work initiative. Generously funded by a tax on the profits incurred by privatisation, this programme aims to return the 18-24 year old unemployed to waged work through a mechanism of personalised interviews and job offers. This strategy is also extended to other welfare claimants, such as single parents and the incapacitated, whose compliance is fostered by reductions in their access to state support.

Labour market analysts, employment specialists and policy makers have come to view labour flexibility as a positive achievement. Within a discursive framework of market competition, the term has become associated with improved economic growth, national prosperity, the promotion of British interests in global markets<sup>28</sup>. Conceptually, flexibility is positioned as a diametric opposite to 'old Labour': the collective expression of working class resistance to capitalist exploitation. Unlike France - or other European countries - worker councils in British factories are not obligatory: compliance with EU directives is achieved by the employer 'consulting' a chosen employee (not necessarily an elected representative). Legal obligations on employers - to provide social protection, to compensate for redundancy - have been reduced and only apply to permanent full-time workers. Such 'overheads' provide further incentive to 'flexibilise' employment. Yet, after the initial disruptions of the early 1980s, official promotion of labour market flexibilities has encountered little opposition, except from academics addressing the darker side of the picture in terms of growing job insecurity, poverty and its social consequences<sup>29</sup>. Why has the new political discourse become so dominant? Why was labour flexibility so easily accepted?

Part of any explanation must address the reality of the transformation; prevailing labour market conventions still underpin apparent expansions in flexible work. Analysis of employers' strategies in the private sector during the late 1980s and early 1990s<sup>30</sup> reveal strong continuities with previous practice; 'flexible' hours for existing employees are preferred to the employment of temporary or contract workers during peak periods. As 'downsizing' has been prominent in the drive for higher productivity (and as trade unions can no longer negotiate premium payment

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<sup>28</sup> Casey, Metcalfe and Millward, p.1

<sup>29</sup> eg B. Jessop et al (eds), *The Politics of Flexibility*, (Aldershot, Elgars, 1991); A. Pollert, *Farewell to Flexibility*, (OUP, 1991); W. Hutton, *The State We're In* (1996)

<sup>30</sup> Casey, Metcalfe and Millward; also J. Rubery and F. Wilkinson (eds) *Employer Strategy and Labour Markets*

for overtime), so the 'standard work-time', permanent employee becomes transformed into a 'flexible' worker, whose hours of work are dictated by management. This use of overtime (and short-time) working to cope with fluctuations in demand is an age-old strategy in British manufacturing industry, very visible during the 1950s and 1960s, when labour shortages and strong unions encouraged managers to hold on to their workforce at all costs. Tradition still dominates employer choice in shaping labour management; new analytical frameworks and their associated vocabularies are adapted to disguise established trends. When asked to explain their employment strategies, employers voice familiar concerns: the use of temporaries requires extra investment in training and risks a loss of work quality; task-based subcontracting invites opportunistic behaviour in the form of prolonging the time (and raising the price) of the job.

Further, the gendering of flexibility has confined the extension of part-time work largely to women. The rise of 'flexible' employment was paralleled by rising rates of female labour market participation. The change appeared as a positive development for women's work opportunities; it enables a mother to combine employment with domestic commitments and has facilitated the move by the New Labour government in 1998 to get lone parent family heads (usually women) off state benefits and into waged work. Ostensibly, therefore, flexibility can be justified as promoting greater sexual equality. Again, new languages disguise more traditional behaviours. A woman's identity is not solely dependent on her labour market status; supply-side factors are frequently identified as a reason for using flexible labour. The association between expansion in part-time work and rising women's opportunities is probably fallacious: one study has demonstrated that the proportion of waged work hours undertaken by women has not changed very much since the 1950s<sup>31</sup>. Most part-time work for women, commonly subject to flexible hours, involves low-grade routine or fringe activities in the firm which offer little chance of promotion. Flexibility per se has done little to challenge established inequalities in the workplace. Finally, current regulations governing British social security payments discourage the wives of the unemployed from taking a job; this has fostered the division of the country into households with multiple wage earners and households completely reliant on state benefits. This may change as the New Labour government seeks to widen its Welfare to Work initiative to include the partners of childless unemployed claimants.

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(OUP, 1994)

<sup>31</sup> C. Hakim in *Sociological Review*, 1987.

A major reason why these changes have not been politically challenged - in contrast to the French position outlined below - lies in the nature of British state welfare. Rights to state support have long since ceased to relate to employment status. From its inception, the post-war Beveridge welfare state never operated as an insurance scheme. There was no actuarially sound social insurance fund. Further, poorer claimants always had to 'top up' benefit with means-tested supplements (originally National Assistance, renamed Supplementary Benefit in the 1960s, then Income Support) as the value of insurance benefits dwindled with rising inflation. As noted above, the 1950s and 1960s witnessed the spread of private welfare; state benefits ceased to mean very much to anyone but the very poor. By the late 1970s, most social security expenditure was on means-tested public subsidies to low-income households. The dwindling value of Family Allowances and Child Benefit (available originally to all) encouraged the spread of means-tested supplements to poor families whose head of household might otherwise be discouraged from taking low-paid work (originally Family Income Supplement, subsequently called Family Credit - FC). On the eve of the millennium, the New Labour government is finishing what earlier Conservative administrations began. Incentives to take a job - any job - have been reinforced by the unification of benefit administration with the Inland Revenue. Welfare payments to working households are transformed into tax credits, reinforcing the Welfare to Work initiative and guaranteeing that adults active on the labour market are better off than anyone totally dependent on public support.

Social insurance benefits available 'as of right' have virtually disappeared. The Job Seekers' Allowance replaced unemployment benefit in 1995; this is only available to applicants who prove an active search for work and access has no relationship to insurance contributions. New Labour have introduced means tests for Incapacity Benefit. As most 'flexibility' is at the lower end of the labour market, stimulated by cost-cutting pressures, "targeting" state benefits has complicated administrative processes. State benefits or tax credits are reduced as earnings rise: hence the system places a high premium on fraud and offers no incentive to accept occasional work - still less to declare it<sup>32</sup>. Evidence of earnings leads to suspension from benefit pending case reassessment - a process that takes weeks; casualised workers operating on the fringes of the labour market tend not to declare employment. Equally, marginal employers will prefer flexible workers in a position to use tax credits to supplement earnings. Although the

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<sup>32</sup> F. Field, *Making Welfare Work*: (London, Institute of Community Studies, 1995)

minimum wage was introduced in the spring of 1999 to curtail such practices, the new system fosters collusion on both sides of the employment divide to permit such subsidies to continue. Not surprisingly, the social security budget has exploded in recent years and there is little sign that New Labour's Welfare to Work programme has managed to cut it back.

Hence government in Britain has subsidised flexibility, which has flourished in Britain over the past two decades. As a result, old categories of both labour market status and social dependency have collapsed: the languages of unemployment and retirement have played a dwindling role in political debate. Casualised employment has widened the gap between rich and poor. Post-Thatcher labour markets resemble strongly those of late Victorian Britain, with social security operating as a latter-day poor law in all but name. Now as then, the politics of employment emphasise the centrality of individual self maintenance. British economic liberalism has very deep roots.

### *France*

If Britain appears to move back to the future (so to speak), debate in France reached a state of apparent impasse by the mid-1990s. The situation here is totally different - not least because it is unprecedented. Unemployment in the 1980s and 1990s was more severe and long lasting than ever before; this ruptured the political fabric which had interwoven productivity, training, wages, social protection. Yet in France, much political effort in these years was dedicated to a process of repair, retaining state and law as central guarantors of employment and its associated obligations. As in earlier periods (and in contrast to the situation in Britain) political debate focused not on defining spheres of state intervention, but on how policy should be determined - on worker participation in the creation of collective solutions. As already indicated, the early 1970s witnessed a flowering of national accords governing employment rights and social protection; these were mostly reached under the threat of legislation and all were reinforced by subsidies from the state<sup>33</sup>. They formed part of a continuing strategy of modernisation, reliant still on established personal networks between major industrialists and the grands ingenieurs de l'etat; national plans were established through bi-partite negotiation, riddled with 'exceptionalism' for special cases (pantouflages)<sup>34</sup>. By the late 1970s, rigidities imposed by employment law were

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<sup>33</sup> C. Howell, *Regulating Labour*, (Princeton University Press, 1992) ch. 4

<sup>34</sup> R. Salais and M. Storper, *Worlds of Production*, (Harvard 1996) ch 6

already subject to extensive debate as employers fought to increase worker flexibility and to extend their authority to manage labour as they saw fit - a strategy generally opposed by unions and left wing politicians. The problems of achieving negotiated settlements on these and associated questions repeatedly forced state legislative intervention in both this and ensuing decades.

The issue of legal regulation came to a head in the early 1980s. Oil price hikes coupled with other external shocks destabilised world markets and this coincided with the election of a socialist government under Francois Mitterrand, which was committed to protect workers' rights in the face of rising unemployment. Policy aimed initially at shoring up established defences in the face of new threats. The new socialist government introduced a shorter working week, a fifth week of paid holiday, retirement at 60, a new health care programme while extending nationalisations and guaranteeing union rights. State funded work and schemes of social protection (pensions, family allowances, unemployment benefits) were extended. In 1982, further legislation consolidated worker consultation over the organisation and conditions of work in all firms, regardless of size (Auroux laws). The point of reinforcing and extending plant level bargaining was to permit both sides to negotiate mutually acceptable systems of grading, pay and social protection, to allow the promotion of greater work flexibility with the active co-operation of the workers involved.

However, expansionist policies raised domestic prices, stimulated import penetration and provoked major balance of payments difficulties and international monetary pressures. This forced retrenchment and a search for new strategies, which helped transform both the nature and original purpose of company-level bargaining. Between 1984 and 1986, employers fought to reduce central labour market regulation: focusing initially on the need for state permission to dismiss employees for economic reasons, then on the question of fixed hours of work stipulated by the Code de Travail. The Auroux laws were adapted by many employers to over-ride legal constraints on work agreements, imposing conditions on workers which were - to all intents and purposes - illegal. Negotiations between employers and unions - to 'modernise' employment law by relaxing restrictions on working hours and permitting the use of fixed-duration contracts - broke down, forcing further legislative intervention in 1986. The election of a right wing administration under Jacques Chirac that year hastened a programme of privatisation and deregulation. New laws gave employers greater powers over dismissals and permitted more

questions concerning work hours and conditions to be decentralised to decisions negotiated within the firm, allowing employers to use the Auroux laws to negotiate (or simply enforce) new systems of flexible working at plant level.

Subsequent years have witnessed an apparent withdrawal of the central state from labour regulation, the legitimisation of firm-specific modes of worker organisation and the consequent emergence of new forms of flexibility - particularly over job grading and pay (in 1986, 40 per cent of firm-level wage agreements included an individualised, performance-related component<sup>35</sup>). Micro-corporatist strategies and decentralised patterns of negotiation permitted large firms (notably Renault) to mobilise collective agreements external to the union movement, medium-size firms with moderate unions to negotiate projects of labour deregulation, service sector firms (where unionism was never strong) to experiment with a variety of employment systems and small firms (where neither legal regulations nor sector agreements had ever been strictly observed) to revert to type and to go their own way<sup>36</sup>. Socialist dreams of worker-employer co-operation in firm level management were turned on their head as decentralisation effectively empowered employers to impose their own terms.

The end product, however, has not been a deregulated labour market of a British type. On the contrary, legal requirements imposed on employers (thanks to the multiplication of different types of employment contract) have grown ever more complex. Increases in short-term employment contracts in the early 1980s were marginal; attempts to restructure public sector employment following the 1986 legislation provoked strikes in Parisian public transport, on the railways and in the electricity industry the following year. These proved to be the first of many demonstrations of popular resistance to official efforts to liberalise labour markets. Although legislation altered the mode and form within which agreements were founded, worker consultation in *comites d'entreprises* and the collective negotiation of social plans for those made redundant by the process of restructuring remained legal requirements. While decentralisation offered employers the whip hand in determining new working conditions, this was arguably inevitable, given persistent high unemployment and greater competition for jobs. Changes in the political balance of power have meant that employment law has been repeatedly amended and redefined to embrace new forms of contract - including those entering the labour market under

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<sup>35</sup> Howell, p. 202

<sup>36</sup> D. Segrestin, 'Recent changes in France' in G. Bagliani and C. Crouch, *European Industrial Relations: the Challenge of Flexibility*, (Sage, 1990), pp. 97-206; also Howell, ch 7.

state-sponsored programmes of training and employment - but this is re-regulation, not deregulation. It tokens a desire to codify the new terms of employment resulting from extensions in labour market flexibilities, to reinforce mutual obligation by mediating the possible consequences by sustaining the marriage between work contract and social protection. This objective also underpins wider social policies which have been introduced to shore up employment: the programmes of social insertion for the disadvantaged, the extension of subsidies to employers creating jobs, the growing public liability for funding the caisses, the continuing commitment of the Jospin government, following the elections of 1997, to use legislative powers to extend job opportunities, to spread work and to secure growth. Here the introduction of the 35 hour week in 1998 has proved salutary. Legislation to reduce work time has long been a favoured solution to the employment crisis on the political left, but the Jospin government's decision to give enterprise a free hand in deciding how this might be implemented has proved less popular. Far from flexibility parading as a solution to labour market problems, as in Britain, in France a deregulated labour market still embodies a threat - to personal security and to republican principle. So it is introduced through the back door.

Thanks to the nature of statutory systems of social insurance, the issue of social exclusion has been much more politically sensitive in France. Until relatively recently, those unable to secure an employment contract of some type lost their rights to social protection. Over the last ten years, the old link between work contract and benefit rights has been corroded. The Revenue Minimum d'Insertion (RMI) has guaranteed unemployed job-seekers rights to basic family support, health care and a minimum income. Public funding to the caisses have been extended to pay for new commitments and to prevent employers being saddled with ever higher labour costs. Even so, as late as 1990, 80 per cent of welfare expenditure in France was still met from contributory income. The extension of tax-funded income transfers (CSG) in 1991 to fund further subsidies, the reform (reduction) of pension rights in 1993 and the Juppe Plan of 1995 - all represent a major reappraisal of French social security. The established association between social protection and professional status - and the traditional decentralised administration of social security by the caisses - was broken as universal state controls (over medical practice, health insurance administration, pension rights, family allowances) were extended. On the eve of the millenium, the centre of French social security appears to have moved towards an extension

of guarantees which represent a break with previous systems<sup>37</sup>. However, the project of reform has only been partly realised. Strikes by public sector workers in late 1997 against change to established pension rights proved successful and general opposition from the left forced the Jospin government to abandon the Juppe proposal to introduce private pensions as a ‘third pillar’ of retirement income. An association between the work contract and social protection - described in the first section of this paper - still survives. Even though huge sums of public money are spent on the unemployed, those unable to secure permanent full-time work, who are more vulnerable to poverty and more liable to suffer sickness, are still penalised because they have no access to the higher rates of benefits available to those with a foothold in the job market. In France, those exhausting benefit rights - or never acquiring any - are placed at higher risk than their British counterparts, forming a queue of the dispossessed, forever seeking the elusive permanent work contract. We should note, for example, that unemployment benefits are not part of French statutory social security and their reform has remained ostensibly outside the remit of Parliamentary control.

Hence flexible workers in France enter a world of social exclusion in a wider sense. Citizenship of the Republic has long embodied legal rights and duties which reflect the collective commitment to social solidarity and which originate in the Napoleonic Code Civile. Exclusion from legally ratified collective protection implies the status of outlaw. It is the threat of this externalised subject that has so excited French concern, inviting resort to nationalist political extremes which implicitly threaten the principles on which the Republic was founded. Yet even the politics of Le Pen and his acolytes do not depart from the main expectation that unites employers and employed: that the state and the law have a moral duty to provide solutions to collective labour market problems, to perpetuate established links between economic growth, technological advance, social protection and jobs for all at a living wage. Here, we find no Anglo-Saxon neo-liberal concept of a flexible labour market, no desire to exclude government from the realm of economic activity, no implicit belief in the intrinsic merits of competition - but in effect their exact opposite. Flexible labour means deregulated labour not governed by a work contract; it is illegitimate because it threatens (through low pay, high job insecurity, no social protection) to exclude entire social groups from standards of life commonly accepted as

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<sup>37</sup> D. Bouget ‘The Juppe Plan and the future of French social welfare system’, *Journal of European Social Policy*, 8, 2, 1998. B. Palier and Bonoli

normal. Enterprise and labour depend on the state to co-ordinate an effective response to economic events - a response that cannot be achieved through unbridled competition, which generates social injustice and wastes potential resources while threatening to suck industry into a spiral of decline and lost competences. Any reduction in the legal framework that governs employment and public conduct is positively counter-productive. Strong continuities can be observed here between the 1990s and the era of full employment: reflected in continuing political pressure to find solutions through government action - through social programmes to create work, through technological investment in more sophisticated products, through the use of legislative sanctions to force firms to cut the length of the working week.

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Hence, behind apparent resemblances in recent social and industrial developments in France and Britain, we find similar trajectories politically located within different discursive contexts. In both countries, labour market transformations were explained in terms of new economic realities: globalisation, the requirements of modernisation, the need for competitiveness, new technological imperatives. Such analytical frameworks justified the restoration of managerial authority. Both countries have witnessed extended debate over the proper sphere of state practice in the realm of employment. Both have witnessed a political marginalisation of trade unions which have been weakened by high unemployment, losing both their previous close links with parties on the political left and their conventional institutional frameworks of action. Equally, in both countries, academic analysis has focused on the social consequences of job insecurity - on stress-related disease and psychological disturbance suffered by those in precarious and insecure jobs, on associations between family break-up, rising crime, political disaffection, poverty - all justifying demands for public funds for programmes to help the excluded find work (RMI, JTS).<sup>38</sup>

As demonstrated, these similarities are, however, more apparent than real. The political environments within which labour market flexibilities have found their meaning are essentially very different - and this has affected both public attitudes and official responses to labour market

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<sup>38</sup> See D. Gallie, C. Marsh and C. Vogler (eds) Social Change and the Experience of Unemployment, (OUP, 1994) esp essay by B. Burchall 'Unemployment and Psychological Health'.

change. The political frameworks giving flexibility its meaning have been forged on the historical heritage of the role that state, employers and trade unions are expected to play in securing acceptable labour market policy. The impact of these conventions is further explored below.

## **Conclusions**

The main focus of this paper has been on short-term transformations: on how the experience of full employment shaped apprehensions of flexibility in the political sphere. Here, the two countries under examination stand in marked contrast to each other. In France, an apparent degree of rationalised cohesion achieved under the umbrella of state planning meant that the possibility of flexible practices appeared as a threat - an innovation which, by its very nature, tore into the fabric of statutory law, standardised employment contracts and social rights. As so often in the past, French political debate has utilised languages of solidarity in focusing attention on processes of assimilation, redefining ways and means by which the externalised - or 'socially excluded' - can acquire permanent professional status and full citizenship. Within these discussions, established links between employment, professional qualification and social rights have survived - as has the expectation that government has a duty to take all measures necessary to preserve this status quo. Multiple contractual forms have been developed primarily to permit the young labour market entrant, the unemployed and the redundant to (re-) acquire a working identity, to climb onto the bottom rung of the ladder leading to advancement within a profession or trade, thereby gaining access to associated hierarchies of social protection<sup>39</sup>. Within an expanding range of employment possibilities, the standard employment contract retains its place as the ultimate objective. Although pathways to this objective have multiplied, flexibility - as an end in itself - has no permanent place; rather, in some legitimised form, it becomes a transitional stage through which labour market recruits pass before acquiring a 'normal' employment contract. Notions of 'profession' and 'formation professionnelle' reflect conventions of hierarchical work structures rewarding individuals who acquire additional qualifications and the experience seniority endows. This circumscribes one of the possibilities flexibility is said to

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<sup>39</sup> A. Supiot (dir), *Le travail en perspectives*, L.G.D.J., 1998: esp. Titre 4 P. Cam, 'Travail et formation: insertion et cheminement professionnelle ?'

promote - the development of a labour force capable of constantly changing jobs, of adapting to a quickening pace of change dictated by technological imperatives. Implicitly, the French association between the promotion of co-ordination in economic action and the realisation of economic prosperity and social accord still underpins labour market policy and denies the validity of the premises on which flexibility is based.

In Britain, by contrast, flexibility has become a proper object of state policy, part of an agenda of marketisation promoted by Margaret Thatcher and her successors. With the demise of full employment, the provision of social protection has switched from the collective to the individual - away from the state and towards the market. This shift has been prioritised by politicians: in the promotion of private, 'flexible' pension plans, in New Labour's introduction of tax-free individual savings accounts (ISAs) and life-long learning schemes - all to be funded personally by the flexible worker. With the demise of collective identities (based on job, on place of employment, on locality), the possibility of security is now relocated within the realm of individual endeavour and personal adaptability to market signs and opportunities. Opportunistic behaviour is rewarded in a liberal world encompassing the war of all against all: the possibility of mutuality is rendered increasingly archaic, even within traditional family-based systems of support, which now appear to be in decline.

However, as during the era of full employment, the influence of policy on employment practice remains slight: British politicians extol and encourage change but seem unable to impose the new gospel except in the privatised utilities and welfare services. As shown above, government policy remained fractured throughout the years of full employment; recurring disputes over the proper boundary between private and public spheres of action affected the promotion of training and cohesive manpower policies as well as efforts to contain wages. This lack of coherence, however, has facilitated the promotion of flexibilities without disruption to other policy areas: hence policy frameworks which once were viewed as problematic have now emerged, redefined, as advantageous. Flexibility rhetoric returns responsibility - for finding work, for the development of skills, for personal security - to the private sphere. There is no expectation that the state should secure new forms of employment: on the contrary, state intervention would destroy market competition, the source of efficiency. Here, state and market stand in permanent opposition - unlike France, where state and law have long determined the nature and scope of employment, the obligations between employer and employed, as part of the

republic's duty to promote social solidarity within market operations. Over the last twenty years, British politicians have assiduously underwritten a labour market of freely contracting individual agents, where the formation and dissolution of organisational and institutional relations respond flexibly to collective sets of personal preferences and individual self interest. This ideal, rooted in assumptions of perfect information and the equivalence of all actors, assumes competition will hold opportunism in check and justifies market mechanisms as the sole proponents of efficiency<sup>40</sup>. Hence we observe British and French political trajectories apparently moving in opposite directions - the former seeking to liberate the individual from the constraints of any labour market 'regulation', the latter to widen the scope and nature of legal interventions in order to guarantee social rights.

This divergence is in some respects illusory, for in both cases the promotion of 'flexible' employment has resulted in an extension - not a withdrawal - of state surveillance of labour market operations. The rationale underpinning the promotion of flexible employment contains implicit contradictions, requiring the 'policing in' of new assumptions. In France, the elaboration of employment law has allowed the question of flexibility to be evaded. As legal obligations have become increasingly complex, so marginal employers are more eager to by-pass officialdom while the unemployed are ever desperate to gain any foothold in the labour market - even one which ostensibly by-passes statutory requirements. Hence flexibility is confined to illegal employments which government, ostensibly, wishes to eliminate. With increasingly complicated employment law, the identification of illegality is removed from spheres of common knowledge; understanding is confined to state officials with discretionary powers charged with the implementation of externally defined norms and standards. Far from the state being removed from work and its associated social relationships, therefore, it bears down increasingly on employers and employed alike, challenging notions of social justice while fostering public resentment.

In Britain, while the flexible employment has gained greater credibility, the political limits of flexibilisation are becoming more apparent. Anglo-Saxon flexibility discourses are located within market logics. In Britain, state welfare has subsidised flexibility - the retired are no longer economically inactive, female participation rates have risen, low-income households claim state supplements to their earnings, school-children man supermarket checkouts at week-

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<sup>40</sup> Storper and Salais, op cit

ends and so on. However, the clash between socially accepted classifications used to determine access to public benefits (and the under-mining of those classifications by flexible employment) has generated an explosion in social expenditure. State benefits are based neither on insurance principles nor on the employment record: they are discretionary and -like any discretionary system - conditions of access are subject to constant amendment (provoked by repeated attempts to reduce public liability). As a result, the state (through the police, the agencies dispensing benefits and their associated officials) becomes ever more entangled in the public surveillance of private labour market behaviours. Neo-liberal associations between flexibility and 'free' markets become tautological as issues of welfare rights are immersed in new languages of fraud, its detection, its punishment. Here, the election of New Labour has offered no relief. Under the Welfare to Work Programme, specific categories of state claimant - notably the young unemployed, single mothers and the disabled - are invited to official interview to facilitate their return to the world of work, with benefit penalties for any refusal to comply. This attempt to renegotiate established legitimacies concerning the obligation to work relies heavily on individual casework and the 'regulating in' of approved behaviours. Far from removing official regulation, the genesis of flexibility is strongly associated with an extension of state surveillance.

In both countries, therefore, the rationale of flexibility has provoked contradictions: increased individualisation in the terms of reference of both social protection and employment has created inconsistencies, requiring an ever greater presence of the state in the world of work. Commonly assumed opposition between 'state and market' is exposed as an illusion. The tenets of neo-liberalism assume the exclusion of institutional interventions in economic activity, including employment. This premise contradicts itself when official regulation is needed to guarantee these conditions. The assumption that market relations are either uniform or natural is facile. Economic activities are historically shaped by commonly accepted practices, by social conventions; most of these are underwritten in law. They guarantee understanding, confidence and trust - vital to the promotion of economic exchange. Changes in the terms of employment require transformations in common expectations and knowledge; the viability of such transformations is associated to how these relate to other forms of accepted practice, not least the right of elected governments to intervene in these matters. Further, terms of contractual exchange differ by product and by place as well as by historical period - and, in this at least, a labour market is a market like any other. New forms of employment have required a redefinition of

desirable and undesirable behaviours and public authority has been central to the enforcement of new moralities. In this at least, the limits of an ideologically defined project of labour market change can be observed, limits imposed by historically shaped frameworks within which the legitimacy of state action is defined.