

Dear workshop participants,

Thank you for reading the following paper, which outlines the stakes of a critical history of unemployment focused on the postwar period. I am open to any questions, comments, or suggestions you might have. I wrote this paper after publishing an article on the origins of the concept of ‘informal-sector employment’ in the *Journal of Global History* (I presented an early draft of that article at the Historical Capitalisms workshop in 2017). At the time, I wanted to figure out: what were the implications of my piecemeal interventions into the global history of unemployment? This paper is my first effort to begin to provide an answer. I hope that a much revised version of this paper could appear in *Critical Historical Studies*.

Sincerely,

Aaron Benanav

Abstract

Alongside GDP growth rates, the unemployment rate serves as a key measure of the overall health of the economy. Unemployment statistics are commonly taken as evidence of the success or failure of government policies. How useful are unemployment rates as a measure of that success? And how did the unemployment rate come to hold this place in the popular imagination? Key to my account is the observation that unemployment rates increasingly fail to capture labor market realities yet continue to be reported, month after month. Offices of labor statistics today devote less effort than one might expect toward divining and disseminating truer measures of labor under-utilization. I argue that the unemployment rate is an artifact of earlier, postwar full employment policies, which states have sloughed off in the decades since the 1970s. It is difficult to replace the unemployment rate with another measure of labor underutilization today because unemployment rates became measurable in the context of a state-led effort to standardize not just what it means to have a job, but what it means to not have one. It turns out to be difficult to sustain the policies required to effect a standardization of forms of joblessness in the context of declining rates of GDP growth (so-called ‘secular stagnation’), since the high rates of fixed-capital investment—needed to create better jobs—are not forthcoming. Under these conditions, it has made more sense for governments to continue to produce unemployment rates without revision, since these persistently under-estimate the true extent of labor under-utilization and therefore serve to legitimate governments to some extent.

Towards a Critical History of Unemployment

Aaron Benanav

There are around two hundred million unemployed people in the world, representing roughly six percent of a global labor force of approximately three billion workers.¹ But this global unemployed population in turn represents only a small portion of those experiencing what we might call a wider *insufficiency of employment*. Broader measures of such employment insufficiency would include not only the unemployed, but also those working in a variety of deficient modes (involuntary part-time, temporary contracts, no-contract work, own-account work, and unpaid family contributory labor), as well as those who have been discouraged from seeking work altogether. Below, I examine the history of statistical representations of unemployment since 1945, emphasizing the development of alternative categories of deficient work or non-work, as they spilled out beyond what the unemployment rate could indicate.

To begin, it is useful to have a sense of the lay of the land, even while reminding ourselves that this landscape is impossible to describe precisely and is itself also dynamic and constantly shifting. There is in fact no single citable measure of the broader insufficiency of jobs, in any country or on the global scale. There are, instead, many overlapping measures, which are inconsistent or leaky by nature. One of the broadest measures is non-standard employment, including those in part-time, temporary, and no-contract positions, as well as self-employed workers and unpaid contributors to family micro-enterprises.² In the high-income countries, the share of full-time, permanent work as a component of all work has fallen from around 80 percent in 1985 to around 66 percent in 2014, so that non-standard work has come to represent about one third of total employment. In the world as a whole, only 26 percent of the global workforce was permanently employed in 2014, whether part time or full time; around three-quarters of employment, worldwide, is non-standard in nature.

Levels of so-called ‘standard employment’ are declining in the rich countries, while the standard employment contract has, for a long time, failed to establish itself as a norm in middle-income and poor countries. Many workers around the world experience an acute insecurity of

¹ ILO, World employment and social outlook (2019).

² ILO, Non-standard employment around the world (2016).

employment—even when they have escaped from poverty, and also when they have managed to avoid becoming fully *unemployed*. Of course, the above measures include as collateral damage many people who are working in non-standard ways but who do not see their situations as lacking in any way. Some part-time workers, particularly those on unlimited contracts, do not want full-time work. Meanwhile, many people are perfectly happy to work on their own account, for the autonomy such a life affords. To describe all such workers as lacking work would be remiss, but to sift them out of the larger pile turns out to be difficult.

At the same time, the measures cited above fail to include those whose work is deficient in senses other than those enumerated: for example, workers who take jobs that are full-time and on unlimited contracts, but which result in the atrophy of skills previously developed. Also not included are workers who have been discouraged from seeking employment, who have therefore dropped out of the labor force entirely. Workers who have been discouraged do not first enter the pool of the unemployed, and then later on find a job: they tend to move directly from being outside of the labor force to being in a job. Thus the spectacle of the US economy today: at full employment for many months, but with a constantly growing workforce.³

The extent of discouragement can be indicated only indirectly, via trends in employment-to-population ratios, although again, that requires that we make assumptions about the degree to which individuals who are neither working nor looking for work would actually want to work, and under what conditions. Globally, employment-to-population ratios are highly unreliable, given the variety of ways that women's labor is counted (particularly in societies with large rural populations, and/or large populations employed in household micro-enterprises).

Part 1: Measuring Unemployment

The above reflections begin to indicate the wider environment within which we must approach or conceptualize the crisis of the unemployment rate as a single, summary statistic for evaluating the overall health of the labor market. Yet at the time it went into crisis, the headline unemployment rate was itself a surprisingly recent invention: it predated its own crisis only by a matter of some decades. The first sample surveys of the labor force, used to determine a headline unemployment rate, were carried out in the United States only in 1940.⁴ In Europe, headline un-

³ EPI, 'Clearing out the noise in today's jobs numbers reveals solid job growth and tepid wage growth' (Nov 2019). See also David Blanchflower, *Not working* (2019).

⁴ Margo Anderson, *American census*, second edition, Ch. 7 & 8 (2015).

employment rates were calculated only in the late 1940s, and in some cases were not regularly calculated until the 1950s.⁵ By the mid 1970s, the adequacy of these metrics was already being questioned. Meanwhile, in the low- and middle-income world, efforts to produce such a headline rate foundered in the 1950s, so that no consistent or reliable rates were ever regularly produced.⁶ In that case, there was no time when the category was not already in tatters.

The concept of unemployment is itself older than its contemporary statistical measure, but not much older: it dates to the end of the 19th century.⁷ From its very origins, this category was plagued by issues of measurement, so that arguments about the causes of unemployment were also arguments about its extent. The latter had to be extrapolated from the data provided by trade unions, and then later, by labor exchanges and unemployment insurance receipts, all of which covered only a small portion of the total labor force (which was not itself a statistically defined concept until the middle of the 20th century, and was associated with efforts to produce a regular survey-based measure of unemployment, as I explain in detail below).⁸

Early efforts to *operationalize* a concept of unemployment—to make it workable as a measure of the extent of unemployment in modern societies—were plagued particularly by the question of how to categorize deficient forms of work like those appearing today, forms which seemed to occupy an indistinct zone between employment and unemployment and which were referred to at that time by names such as “irregular” or “casual” work.⁹ Their marked feature was that workers alternated between work and non-work on any given day, rather than alternating between work and non-work over the course of the business cycle (theories of the business cycle were just appearing in the late 19th century, and were crucial supports for those arguing that unemployment was a social phenomenon, rather than a personal failing).

The invention and maintenance of an unemployment “norm”

Forms of irregular and casual work, today called by a variety of different names (e.g. atypical, insecure, vulnerable, informal, precarious, non-standard, disguised, etc.), are proliferating once again, although not in the same forms as in the late 19th century. New zones of indis-

⁵ ILO, General report on the progress of labour statistics (1954).

⁶ ILO, Measurement of underemployment (1957).

⁷ See John A. Garraty, *Unemployment in history: economic thought and public policy* (1978); Alexander Keyssar, *Out of work: the first century of unemployment in Massachusetts* (1986); Robert Salais, Nicolas Baverez, and Bénédicte Reynaud, *L'invention du chômage* (1986); Christian Topalov, *Naissance du chômeur, 1880–1910* (1994); William Walters, *Unemployment and government* (2000).

⁸ See for example, J.A. Hobson, *The problem of the unemployed* (1896).

⁹ See Charles Booth, *The life and labour of the people in London* (1889).

tion are opening up between employment and unemployment, which are difficult to conceptualize or to measure under the summary heading of unemployment. Rising economic discouragement creates additional zones of indistinction between unemployment and non-labor-force-participation. As it turns out, unemployment is not as self-evident an economic category, as economic textbooks and even theories might suggest.

An earlier generation of historians of unemployment demonstrated that unemployment had to be invented, not only as an economic category, but also as an economic reality.¹⁰ Unemployment is not only a fiction: a pristine category which fails to measure up against a messy reality. It also shapes that reality in key ways. In part, the establishment of unemployment as both a category and a social reality was a matter of expansion and transformation of the economy itself, which induced the further urbanization of populations and the concentration of economic activity in larger firms. The latter was accompanied by a decline in rates of self-employment, although at a slower pace than one might assume, and a rise in wage labor, as the payment of individuals rather than families. Insofar as wage-labor systems encouraged employers to economize on the use of labor, they also made for clearer distinctions between workers and non-workers.

But even under these conditions, many workers found themselves trapped in forms of employment insufficiency other than unemployment. The key reference points in the early 20th century were dock work and work in the building trades, which was highly irregular.¹¹ Government intervention was seen as increasingly necessary, in the form of an ever more complex web of labor laws, business regulations, and unemployment insurance, as well as other forms of assistance, which had the effect of clarifying and standardizing not only work, but non-work as well.¹² These government interventions in some ways forced and in other ways allowed those without work to appear on the surface of society, visible, and countable, so their situation could be known and ameliorated. These workers, now officially designated as unemployed, were placed into the vulnerable situation of having no income at all except that provided by the state. All of these efforts predate the interwar Keynesian revolution; they are its precursors.

The standardization of worklessness as unemployment was then the key to the standardization of work itself, since one of the main ways work was standardized was by “de-casualiz-

¹⁰ See especially Walters, *Unemployment and government* (2000).

¹¹ Booth, *Life and labour*; Beveridge, *Unemployment: a problem of industry* (1909).

¹² The first modern unemployment insurance scheme was adopted in England in 1911. It was expanded to include a larger portion of the total workforce at the end of WWI, in 1920.

ing” it.¹³ The standardization of employment was, in larger part, a matter of the withdrawal of labor from casual forms of work, allowing laborers to repose in the state of unemployment until more acceptable employment appeared. On this basis, unemployment itself came to function as a *norm*: one that had to be continually reinforced. It took a large dose of state intervention—via labor laws, unemployment assistance schemes, etc.—for unemployment to become the most typical way for a worker to find him or herself without work. Governments had to be on the look out for the emergence of *perverse* forms of employment, appearing at the nexus between businesses’ interests and workers’ vulnerability, which made the latter open to super-exploitation and self-exploitation. Governments had to employ the force of law to stop people who wanted to work from working such jobs, including those on unemployment benefits (the latter were forced to remain idle while looking for work, rather than working casually in the meantime).

The troubled distinction between “good” and “bad” jobs

To speak of what is normal and what is perverse raises the issue of the fundamentally moral nature of the unemployment/employment paradigm. What exactly was the good of what was considered a normal form of employment and the evil of what was considered a perverse form of employment (e.g. casual or irregular dock work)? These analytical and ultimately statistical categories correspond to common-sense notion that there are “good jobs” and “bad jobs” or “decent work” and, one supposes, indecent work.¹⁴ In a first approximation, good work is supposed to be fulfilling in that it provides a worker with autonomy and purpose, allows for the use of skills already developed, and furnishes a measure of income security, as well as access to healthcare, education, and so on, for the worker and his or her family.

Yet it is important to remember that we are talking here about a class society, in which a good job also entails *subordination to the command of the employer*, who retains a right to hire and fire (although one that is heavily mediated in some countries, or with respect to some workers) and who controls investment and hence also manages the technological transformation and reorganization of the work process. Workers do not produce what they want, or even what they think is socially useful. They produce what is profitable. Many standard jobs are in fact excruciatingly dull, even when they pay well. A good job must mean that the worker accepts this subordination as the cost of a good job, or even a good life.

¹³ De-casualization is the term Beveridge uses in *Unemployment: a problem of industry* (1909).

¹⁴ See for example: Arne Kallberg, *Good jobs, bad jobs: The rise of polarized and precarious employment systems in the United States, 1970s-2000s* (2011). ‘Decent work’ was the term the ILO in the early 2000s.

In an early version of the good job / bad job argument, Charles Booth suggested that this acquiescence was what ultimately made a job good.¹⁵ A good job encourages workers to discipline themselves and their spending habits, so that they are induced to save some portion of their income (they must experience enough employment security to make this saving a likely success). In so doing, they gain an interest in the economic progress of society, since they now benefit from it, rather than being left behind by it. In this way, workers can be made to identify with the nation. Good jobs are *socially integrating*. They support the ongoing expansion of the economy against social disturbances and conflicts, especially from socialist agitators.

Perverse forms of employment/unemployment after 1945

In the midst of the postwar boom, issues around the control of perverse forms of employment, and hence also around the promotion of the unemployment norm, were repressed in the high-income economies. What remained of casual labor was mopped up during wartime mobilizations.¹⁶ New labor-management regimes then emerged after the war to handle the deployment of labor under conditions of a persistently high labor demand, or even, as in Europe and Japan, regular economic overheating, in economies running at more-than-full employment.¹⁷ But these conditions were not universal: efforts to construct full-employment economies quickly foundered in so-called “developing countries,” resulting in a proliferation of what was then called “disguised” forms of unemployment.¹⁸ It has been argued that standard employment—and so also unemployment, as its necessary accompaniment—never established itself as a norm outside of the West: rising precarity would then be localized as a present-day feature of the global North; by contrast, levels of precarity were always high in the global South.¹⁹

This perspective is obviously true in a certain sense, but what it fails to acknowledge is the extent of the effort that was made to bring the employment/unemployment norm to the global South in the postwar era, under the heading of economic development. Even before the war was over, efforts were already underway to figure out how to adapt Keynesian macroeconomic categories for use in the “developing” world. Full employment was taken as the explicit goal of development (e.g. in Lewis’s model of development with unlimited labor supplies).²⁰

¹⁵ Booth, *Life and labour*, vol. 1, ch. 6, ‘Class relations’ (1889).

¹⁶ See Beveridge, *Full employment in a free society* (1944).

¹⁷ See Stephen Marglin and Juliet Schor, *Golden Age of Capitalism* (1990).

¹⁸ See my article, ‘The origins of informality: the ILO at the limit-point of the concept of unemployment’ (2019).

¹⁹ Ronaldo Munck, ‘The precariat: a view from the south’ (2013).

²⁰ Arthur Lewis, ‘Economic development with unlimited supplies of labor’ (1954).

Supported by national statistical offices, macroeconomic management was then attempted in post-colonial contexts. At the same time, governments in the post-colonial world adopted a range of business regulations, taxation policies, and labor laws, which aimed to clarify the conditions of both employment and unemployment.²¹ Populations were expected to titrate slowly from rural and urban traditional sectors into a modern sector, where they would be normally employed. Governments also sought to control the appearance of perverse forms of employment on the margins of the urban economy, by fining street sellers and destroying squatter settlements—efforts to discourage the expansion of the urban labor force in excess of what the still small but growing modern sector could bear.²²

Yet by the mid-1950s, these efforts were already running into trouble.²³ Labor supply, particularly in urban areas, was rising much more quickly than labor demand could bear. At issue was not only rapid rates of population growth, but also slow rates of industrial employment expansion.²⁴ Hot-housed industrial sectors of the economy turned out to produce mostly capital-intensive rather than labor-intensive goods. By the late 1960s, a crisis of development planning was being discussed much more widely.²⁵ The low- and middle-income countries appeared to be failing to achieve full employment, unlike the high-income countries, which had easily succeeded. However, in the early 1970s, similar issues of labor underdemand began to emerge in the rich countries. Instead of being behind the curve, the low- and middle-income countries turned out to be ahead. New forms of atypical work now appeared everywhere.

Absent a high demand for labor, full employment policies become punitive

For the unemployment norm to function, the economy had to cooperate, in certain key ways, with policymakers' expectations: the economy had to grow at a rapid enough pace so that the labor market was stimulated by a persistently high demand for labor. This high labor demand was expected to lapse during recessions, but those who lost their jobs in downturns would be protected from needing to seek casual employment by accessing unemployment benefits. Such workers were assured that, as the economy recovered, more fulfilling jobs would be created. A

²¹ These were seen, retrospectively, as unnecessarily punitive: see ILO, Kenya report (1972) and below.

²² In Turkey, squatter housing was called *gecekondu*, which means 'built in the night', in reference to laws that forced police to go to the civil courts before tearing down informal housing that was already built and dwelt in.

²³ The first indication came when measured unemployment levels were higher at the end of India's first five year plan than they had been at the beginning. See Ragnar Nurske, 'Reflections on India's development plan' (1957).

²⁴ ILO, Employment objectives in economic development (1961).

²⁵ See, for example, ILO, Report of the director-general: the world employment programme (1969).

persistently high demand for labor ensured that all labor resources would find their way into fulfilling work. But what about when that didn't happen?

Without a high demand for labor relative to supply, government interventions to shape the labor market not only failed, but came to seem perverse. Unemployed workers waited around for jobs that never appeared, while being told that they were forbidden from taking other work in the meantime. Some laid-off workers as well as some new labor market entrants took super-exploitative jobs, which had to be hidden from inspectors since they were illegal. Still other workers made work for themselves, selling directly on the market in violation of regulations concerning health, safety, and taxes. These so-called own account workers were harassed or even killed by the police despite of having no other job prospects.²⁶ Legal prohibitions on casual work make sense only as long as policymakers are confident that a high demand for labor will return.

The history of unemployment, from the late 19th century up until the 1970s, is the history of policymakers placing ever more extreme bets on the capacity of the economy to generate a high demand for labor, and then later, on their own capacity to stimulate such a high labor demand through government intervention.²⁷ In the course of the 1970s, this belief finally collapsed. Politicians thought that they had been pulling the levers of the economy throughout the 1950s and 60s. In the 1970s, the driver that translated the pushing of pedals into the revving on the economic engine was removed, or turned out never to be attached in the first place. Policymakers were now cast adrift, born by the economy's own current, to a place that I have called the post-industrial doldrums of low economic growth rates and stagnating labor demand.²⁸

Labor statisticians try to save the full-employment framework

Once the high demand for labor collapsed in the 1970s, the unemployment norm began to break down in the high-income countries. In the low- and medium-income countries, where the demand for labor never rose to meet its growing supply, this norm had already been in crisis by the mid-to-late 1960s. Under these conditions, and, increasingly across the world, a variety of new forms of non-standard and/or deficient modes of work and non-work proliferated, in ways that resisted standardization and hence easy statistical representation. Labor statisticians were of course aware of this statistical issue. They responded to it by generating a variety of alternative

²⁶ This point discussed in ILO, Kenya report (1972).

²⁷ Compare Beveridge, *Unemployment: a problem of industry* (1909) to Beveridge, *Full employment in a free society* (1944).

²⁸ See Aaron Benanav, 'Automation and the future of work-1' (2019).

measures of labor “under-utilization” or “employment insufficiency”: the first of these, informal employment, was developed for application in the developing world, in 1972 (at the same time, any notion of a clear boundary between the traditional and the modern, or the pre-capitalist and the capitalist, broke down irrevocably).²⁹ Indeed, alternative measures have proliferated since the 1970s: informal, vulnerable, non-standard, precarious, temp, gig, etc.³⁰

To observe this proliferation is enough to see that no single category, or even set of categories, can provide an adequate picture any longer. It is not that one normal form of worklessness, i.e. unemployment, is being replaced with a new normal, say informal employment. It is rather that *a process of normalization is failing*. The state’s capacity to—or interest in—normalizing the experience of being without work is dissolving. Workers lacking work therefore no longer appear, visible and countable, on the surface of society. Instead, worklessness submerges itself, or goes into hiding to evade legal prohibitions, or else takes advantage of obscure legal loopholes making possible ever new forms of super-exploitation and self-exploitation. What follows is then this proliferation of diverse employment conditions—in the expanding grey zones between unemployment and full employment and between unemployment and the absence of labor-force participation.

There is no summary statistic that can capture all the perverse modes of worklessness that then appear. The “U6” alternative measure of labor under-utilization in the United States would be an example of an attempt to provide such a summary statistic—one which first appeared in the 1980s.³¹ But U6, too, is now under strain due to the expansion of, e.g., contract work, as well as the inferred existence of a large pool of long-term discouraged workers, who are not captured even by this rather expansive metric. *Labor statisticians are trying to keep a target in their sights that is constantly shifting*, due to changes in the structure of the economy—and crucially, changes in business strategies with respect to hiring—but also due to changes in the policy framework within which governments seek to manage citizens’ lack of work.

²⁹ See A. D. Smith, Concepts of labour force underutilisation (1971); ILO, Kenya report (1972).

³⁰ ILO, Statistics of labour force, employment, unemployment, and underemployment (1982), etc.

³¹ U6 is the most expansive measure of labor underutilization provided the US Bureau of Labor Statistics. See ‘What is unemployment?’ <https://fredblog.stlouisfed.org/2017/03/what-is-unemployment/>

Part 2: The Politics of Economic Statistics

What exactly are these statisticians doing, then, when they generate, research, survey, and standardize ever newer categories of being without work? What is behind this strategy—of generating new categories of employment insufficiency, and when these fail, creating even more categories? Arguably, the labor statisticians are grasping at the only straws they have at hand. They are trying to pressure governments to uphold what they understand to be those government's political-economic responsibilities. In developing new categories of employment insufficiency, labor statisticians are trying to maintain the conditions for the application of a rule that had been only recently and tenuously established in the postwar era: namely, that *the political legitimacy of governments should rest on their success in macroeconomic management*. Governments were expected to stimulate high rates of fixed-capital investment and hence to maintain levels of full employment. Such full employment, in turn, was supposed to ensure that the benefits of economic growth, which are a necessary byproduct of high rates of investment, were shared out equally among all economic participants, expanding all incomes as a way to suspend social conflicts over income distribution.³² This project of macroeconomic management promised to resolve social problems into economic ones, via economic growth rather than contentious politics.

It is helpful to contrast this position to that of the early 20th century, when no one thought it was possible to stimulate economic growth. Early 20th century reformers thought it was merely necessary to reshape the labor market, and then to wait for growth to unfold. This project crashed on the reef of the Great Depression: just as countries were adopting a set of employment and unemployment policies that depended on the long-term automatic adjustment of the demand for labor for their effectiveness, this demand collapsed. Unemployment insurance schemes, adopted or expanded in the 1920s in Britain, Germany, and Austria, became major fiscal black holes: reforms to these schemes during the 1930s were designed to reduce access to unemployment benefits, rather than expand them.³³ The notion that full employment is not automatic, but rather, is the responsibility of government, was then institutionalized as Keynesianism during wartime preparations and then adapted for the postwar reconstruction.

To undertake this project of macroeconomic management, governments needed more precise tools for measuring the economy. They were able to draw on a statistical apparatus re-

³² For Nicholas Kaldor, a stable labor share of income was a 'stylized fact' of the new theory of economic growth. Kaldor, *Capital accumulation and economic growth* (1961).

³³ See Matt Perry, *Bread and work* (2000).

financed during World War II, for the purposes of total resource mobilization, including crucially manpower mobilization. In the postwar period, this apparatus was adapted for peacetime macroeconomic management and operationalized at the statistical level via regular measures of unemployment and economic growth rates. Within this new framework, the unemployment rate functioned as a measure of the overall health of the labor market, but also of the degree to which economic realities corresponded to economic theory (classical economics had assumed full employment as the condition of its distributional outcomes, but, as Keynes explained in the course of his “general theory,” full employment turned out to be a specific and uncommon case).

Unemployment rates were now calculated and recalculated *each month* (via the new tool of the labor force sample survey—developed in the course of the later years of the Great Depression, and only tested out in 1940). When surveys showed that the unemployment rate had risen, governments were forced to contend with this objective measure of their macroeconomic mismanagement. Their very political legitimacy was at stake in their response. Conversely, when the unemployment rate fell, or stabilized at low levels, that served again as an objective confirmation of the state’s success in fulfilling its macroeconomic responsibilities. It is no wonder that statistical offices in the low- and middle-income countries were so intent on producing their own, regular and reliable measures of unemployment, both as a means of both pressuring their governments to deal with widespread problems of employment insufficiency, and as a tool for objectively measuring the success of interventions in pushing towards fuller employment.³⁴

Macroeconomic statistics were predicated on the success of state action

Statistical measures of unemployment and GDP were operationalized in a way that not only measured governments success, and hence forced governments to try to be successful in keeping unemployment levels down. *These same statistical apparatuses were also predicated on success.* That is especially true of the unemployment rate, which paradoxically, only functions as a viable measure of the health of the economy when that rate is low. It tends to breakdown when unemployment rises, at which point it more and more severely under-estimates the true extent of employment insufficiency / labor underutilization.³⁵ Workers fall out of the measure both by becoming discouraged, and therefore no longer actively seeking work, or by finding work in various deficient modes, while still searching for more permanent employment.

³⁴ See ILO, The ninth International Conference of Labour Statisticians (1957).

³⁵ OECD, Jobs study (1994) estimated that of the 50 million unemployed in OECD countries, only 35 million were actually measured as unemployed.

The same can be said of the larger macroeconomic apparatus, including measures of GDP growth. These concepts only reveal something about the overall state of the economy if unemployment rates are low and hence wages rise in line with productivity, so that average income growth is also median income growth. When and where full employment failed to be adopted as an explicit policy goal, as in the United States after 1947, full employment or nearly full employment remained as a subterranean condition of the wider project of macroeconomic governance: prosperity was to be widely spread with GDP growth as its measure.

As employment insufficiency rose, the links between GDP growth and the experience of widespread prosperity began to dissolve: employment insecurity led to worsening bargaining positions for many workers, which led to a growing gap between wage growth and labor productivity growth, with the consequence that GDP growth no longer corresponded to a lived experience of a rising standard of living.³⁶ What we are talking about here is the unraveling of a much larger framework, that had at its core a vision of capitalism with a human face, a form of capitalism that ensured that workers would have a material interest in the expansion of the national economy because they materially benefited from that growth.

Labor statisticians believe in this vision and are attempting to realize it even under adverse conditions. In producing wider measures of employment insufficiency, they are trying to right the ship of state by plugging up holes in the hull that are constantly appearing. Here, it is crucial to observe that the headline unemployment rate continues to be reported, month after month, even though, in order to be accurate, it would need to be supplemented by alternative measures that are reported much less often. That a government's political legitimacy should be based on its success in macroeconomic management remains in effect without being enforced. It hangs in the air as a suspended norm, one that is no longer applied.

Part 3: Structural Unemployment as a Transitional Concept

Facing up to their inability to guarantee everyone stable employment in the new 1970s climate (of a persistently low demand for labor amidst high rates of inflation), governments abandoned full employment as a goal, or at least as an immediate goal. In the low- and medium-income countries, this goal, known as “economic development”, was abandoned in the crisis

³⁶ Josh Bivens and Lawrence Mishel, ‘Understanding the historic divergence between productivity and a typical worker’s pay’ (2015); Paolo Pasimeni, ‘The relation between productivity and compensation in Europe’, European Commission Discussion Paper 79 (2018).

years of the 1980s, under the duress of the imposition of IMF loan conditionality. *Pace* a narrative that foregrounds Keynesianism and neoliberalism as two coherent and opposed ideologies, a shift that hardly occurred all at once. Instead, it took place in a complex and ad-hoc fashion, between the late 1970s and the mid 1990s. Crucial here was the deployment of a concept of *structural unemployment*. “Positive” or “structural” adjustment was supposed to be its cure.³⁷

The concept of “structural unemployment” had originated in an earlier era: as part of planning in already developed economies, governments were expected to take on the role transferring workers from dying industries to ones that were newly being born.³⁸ In the 1970s and early 80s, in the midst of ongoing deindustrialization (taking place, it should be said, in many medium- and high-income countries alike), a high incidence of structural unemployment was called on to explain the resistance of unemployment to amelioration via Keynesian demand stimulus. According to this theory, *there were already jobs for the unemployed*, but not the sorts of jobs for which the unemployed were patiently waiting. At issue was not under-utilized capacity in existing industries, but rather the failure to retrain and transfer workers to new industries. Hence the need for positive or structural adjustment policies, which would induce workers to seek jobs not in declining industrial sectors, but rather, in the new service sectors of the economy.

Initially, structural adjustment was understood as one aspect of a two-pronged strategy. Adjustment at the microeconomic level of workers’ individual incentives was supposed to accompany ongoing macroeconomic stimulus, undertaken by the leading countries in the world.³⁹ When global demand revived, structural adjustment would already have done the work of pushing workers towards new industries and away from old ones. In the low- and medium-income countries, this adjustment was understood to be a matter of pushing workers from bloated public or protected industries—serving the domestic market—to lean private enterprises—producing for export markets (or at least competing with foreign imports).

Adjustment without stimulus: on the way to neoliberalism

Yet the expected international revival never took place. As stimulus after stimulus failed, the economic consensus began to shift. Instead of macroeconomic stimulation, it was now thought that what was needed was macroeconomic stability, that is, the maintenance of a stable,

³⁷ Samuel Beroud, ‘Positive adjustments: the emergence of supply-side economics in the OECD and G7, 1970–1984’ (2017)

³⁸ See references to this concept in UN, National and international measures for full employment (1949).

³⁹ OECD, The case for positive adjustment policies (1979).

low-inflationary economic environment to provide the conditions under which market economies could repair themselves. For the time being, lower rates of economic growth would have to be accepted (meanwhile, within this depressed environment, competition from East Asian industrial powerhouses only increased). The consequence was *structural adjustment without economic growth*, hence in an environment of a persistently low labor demand. The jobs without workers for workers without jobs never appeared, or at least, did not appear in the form that had been promised. Yet pressures to increase labor market flexibility did not cease in the face of persistently high levels of (increasingly long-term) unemployment.

Some indication that there was a problem with the “structural unemployment” and “positive adjustment” narrative was demonstrated early on by studies of the US economy.⁴⁰ In the US, unemployment benefits were extremely weak, paying out only a small and limited percentage of previous earnings, with a six-month limit on drawing benefits. The result was that workers could not wait long for jobs in their former fields to reappear; they had to go seeking work elsewhere. Unemployment rates fell steeply after recessions in the course of the 1980s, unlike in Europe, but the US economic “jobs machine” created mostly low-paying jobs in the service sector. Average wages of production and non-supervisory workers fell in this period, even as productivity continued to rise, so that inequality increased significantly. In the context of a persistently low demand for labor, structural adjustment policies merely facilitated the underselling of labor.

The same thing took place on an even wider scale first in the developing world, and then later in the so-called “transitional” post-socialist economies, in the course of the 1980s and 90s. To curb inflation, interest rates were raised to punishing levels, significantly reducing investment levels and worsening already intense economic depressions. Public enterprises were sold off, resulting in massive layoffs, while tariffs were lowered, resulting in a hammering of domestic industries. In this environment, levels of open unemployment surged, but without access to unemployment benefits, those who had lost their jobs were forced to try to find new jobs as quickly as possible. Many people ended up working in the informal sector, where the need of workers to self-exploit intersected with business opportunities for super-exploitation.⁴¹ Still, in spite of all this painful “adjustment,” taking place across many countries, high rates of economic growth never returned. The effect of structural adjustment was merely to intensify workers’ insecurity in the context of depressed economic conditions, in effect throwing them to the wolves.

⁴⁰ Barry Bluestone and Bennett Harrison, ‘The Great American Jobs Machine’ (1986).

⁴¹ Jan Breman and Marcel van der Linden, ‘Informalizing the economy: the return of the social question at a global level’ (2014).

Governments abandon full employment in favor of maximizing employment

Over time, the expectation of a return of rapid economic growth rates faded away yet the demand for labor market adjustment remained. Positive or structural adjustment in the labor market became synonymous with increased *labor market flexibility*, aimed at overcoming persistent *labor-market rigidities*.⁴² Demands for flexibility were felt particularly strongly in continental Europe, where labor protections remained strong and unemployment assistance benefits remained high, with the result that unemployment levels were also persistently higher.

In effect, increased flexibility meant reducing workers' access to unemployment insurance benefits or other unemployment assistance, lowering restrictions on hiring and firing workers, especially on the hiring and firing of youth and other new labor market entrants, as well as reducing other business regulations, including minimum wage requirements, or taxes that supposedly made it hard to hire workers. Governments were also encouraged to take steps to retrain workers for newly emerging jobs: this aspect of positive adjustment would later be known as *active labor market policies*. They were stressed as the actually positive aspect of the process, yet few countries spent enough money on retraining to make a real difference in labor market outcomes. Governments were faced with the risk that they would spend large amounts of money to train workers for non-existent jobs.

Under all of these pressures, governments' immediate goals tended to shift: they began to advocate *maximum employment* rather than *full employment*.⁴³ These two terms appear to name the same aim, but distinguishing them is crucial. In retrospect, it is clear that "full employment" never simply meant giving everyone a job. Behind the category was a wider social vision: of fulfilling employment for everyone. Full employment meant normalizing or standardizing the supply of jobs: the only jobs that would henceforth be allowed to exist were high productivity jobs, with rising quantities of capital per worker. That was precisely what required the clarification of the situation of workers without work: that is, via the normalization the experience of being without work as unemployment. Workers without work were therefore highly discouraged or prevented from taking casual employment.

As long as the dream of full employment lived, labor would not be allowed to lose itself in low-productivity, super-exploiting work. Instead, such labor was held in reserve, educated and trained for high productivity work (and, when it was subsequently laid off, paid a percentage of

⁴² OECD, *Labor market flexibility* (1986).

⁴³ See Robert Salais, "La politique des indicateurs. Du taux de chômage au taux d'emploi dans la stratégie européenne pour l'emploi (SEE)" (2004).

its previous wage while looking for new work). The economy was understood to be capable of continually transferring workers from low to high productivity jobs, amplifying economic growth rates. That meant training people for jobs requiring ever more skills and education, on the assumption that the economy would create work for ever more productive workers. The Keynesian ideology of full employment put forward the claim that all excess labor would eventually be mopped up. That had the key effect of rendering unviable super-exploitative business strategies that has previously been normal (or limiting them to sections of the population that were excluded from full citizenship).

As economic growth rates slowed and the economy proved increasingly resistant to stimulation, the dream of full employment faded. There was no point in holding workers in reserve for jobs that were never going to appear. Governments therefore increasingly tried to resolve employment issues by push people to work in any case. From the 1980s onwards, governments therefore began to relax restrictions on employment, while reducing workers access to unemployment benefits—in some cases reluctantly, in other with gusto. Given a persistently low demand for labor, that meant that governments were encouraging workers to take precisely the sorts of irregular jobs that policy makers were formerly trying to eradicate, and, not unrelatedly, that labor statisticians found difficult to measure: e.g. temporary and part-time work, or work that pays poverty wages. In effect, governments were trying to create jobs without inducing a corresponding investment in fixed capital—hence maximum employment at the lowest cost—which required that wages be low, or that they remain low relative to rising productivity levels.

How and how quickly these changes occurred depended on the nature of pre-existing policy frameworks, as well as specifics of national politics, but the direction of change has been clear. In all of this, unemployment statistics continued to play a role, but a shifting one: they exerted a political force even as they lost their operational value. Governments realized that they could achieve reductions in headline unemployment rates—and therefore increase their political legitimacy—even if what was actually happening was that the unemployed were disappearing into other, less visible forms of employment insufficiency. The statisticians got to work describing these newly emergent and constantly changing forms of insufficiency, but governments paid less and less attention to such numbers.

Businesses adapt to the growing supply of super-exploitable labor

Even without government action, more and more businesses have been adapting themselves to this new economic environment: government complicity here has often been a *fait ac-*

compli rather than a real decision. Firms increasingly split their labor forces into secure and insecure sectors, or adopted fully super-exploitative strategies, which depended on the existence of a ready supply of workers who could be employed profitably under sub-normal conditions, with low levels of capital per worker (as well as higher labor turnover, etc). In these ways, economies reshape themselves in relation to changes in the structure of labor markets.

All countries already had precarious sectors; standardized work never absorbed everyone, but the idea was that full standardization was the future. That was as true, again, in the global South under the spell of development as it was in the global North. Now, that dream has ended. There is still a core workforce, but the idea that non-core workers will be incorporated into it has been revealed as a myth. In fact, the core is shrinking rather than expanding. That means that there is and will be a permanent surplus workforce available for super-exploitation, and often engaging often in self-exploitation (selling directly on the market: non-waged labor).

The actual shape of this surplus workforce varies significantly by country, depending on the openings for super- and self-exploitation that appear or have been created within each country's legal-institutional framework. Crucial in that respect is the degree to which immiseration is concentrated or diffuse. Three things matter most of all. First, there is the extent to which new labor market entrants find themselves forced to undersell their labor to get a job, as well as the ways in which they are allowed to undersell (that corresponds to the ways in which businesses are able to take advantage of such pressures). Second, there is the extent to which unemployed workers are able to access unemployment insurance/assistance benefits, which protect them from also engaging in underselling to various degrees.

Finally, there is the extent to which those who obtain secure-employment are protected against firing, which insulates them from labor market pressures. If secure workers are protected from competition by insecure workers, they can often achieve regular increases in their wages in spite of high levels of unemployment. Additional factors include the extent of public employment as an alternative to private employment, as well as the gendered organization of the household, that is, the degree of women's labor force participation, especially in waged work.

Robert Lucas: gravedigger of the full employment framework

Moving away from full employment and towards maximum employment allowed a certain critical consciousness to emerge with respect to the project of employment reform. Robert Lucas, gravedigger of Keynesian economics, attacked the distinction between voluntary and in-

voluntary employment on which the full employment project had been based.⁴⁴ Lucas argued that the unemployment level is not a fact about the world. On the contrary, Lucas argued, unemployment levels vary in relation to politically determined unemployment benefits, including not only the duration of access to this benefit but also the extent to which it replaced the wage a worker had previously earned. When overall unemployment benefits are reduced, unemployment levels also fall. The reason is that workers devote less time to their job search.

For Lucas, all unemployment really is *voluntary unemployment*: workers are voluntarily refusing to accept current job offers, in favor of waiting for better ones they think will come (it is of course true that unemployment rates are significantly lower in poorer countries, where benefits are often non-existent). Lucas argued that the virtue of reducing workers' insecurity over the course of the business cycle must be balanced against the virtue of pushing workers to adjust their expectations relative to what the market can actually offer them. Crucially, Lucas was also at the forefront of reconstructing models of economic growth that disarticulated growth from full employment, based on the idea that what people really wanted was higher incomes, not fulfilling work (which was not for governments to decide anyway).⁴⁵

In the 1980s, in response to an interviewer's question about an accountant working as a taxi driver—a classic case of underemployment—Lucas simply said, it sounds like this man is a taxi driver.⁴⁶ He went on to say that we all take risks in pursuing a career, and sometimes, we lose in our bets. Indeed, it would be impossible for the economy to guarantee that everyone who trains for a certain job will get that job. If an industry is shrinking, some people will lose their positions, and often, it just comes down to luck who is able to stay and who is forced to move on.

Forgetting the origins and aims of full employment policies

It is common in economics textbooks today to describe a supposed trade-off between minimum wage levels and unemployment rates. In fact, the empirical evidence for this trade-off is weak: textbooks fail to account for the fact that workers are forced to sell their labor regardless of prevailing demand, leaving them open to super-exploitation by firms at wages that are lower than what those firms could otherwise afford and would be willing to pay (the textbook account fails to see *involuntary employment*). But what is more important, in my view, is that from a mid-20th century perspective this trade-off would not only be acceptable, but also desirable.

⁴⁴ Robert Lucas, 'Unemployment policy' (1979).

⁴⁵ Robert Lucas, 'On the mechanics of economic development' (1988).

⁴⁶ Arjo Klamer, *Conversations with economists* (1984), p. 40.

One goal of minimum-wage laws was to purge the economy of jobs paying poverty wages. The point was to hold labor resources in reserve, to create conditions under which the only jobs that would be allowed to exist were socially integrative, ‘good jobs,’ and therefore to ban business strategies that relied on the existence of a pool of super-exploitable workers pooling at the bottom on the labor market. But again, when the state revealed its incapacity to achieve this goal, to push the economy onto a track of high rates of economic growth—via high rates of productivity growth—then all of these policy moves come to seem irrational, if not perverse and punishing. Why prevent people from taking low-wage jobs, if there are no other jobs around? Why punish people from trying to work, or force them to hide their work underground? Under these conditions, the maximum employment strategy seems less vindictive. Presumably, those suggesting that the minimum wage could be raised without causing unemployment would argue that once unemployment did ensue, the wage should not rise any more.

Saving the world of work but undermining its foundations

Yet contained within the strategy of maximum rather than full employment are two deeper contradictions, which are now, in the 21st century, beginning to shift the political field. As I described above, facing up to a persistently low demand for labor, and a backlog of jobless and discouraged workers, governments decided it was essential to get people back to work, in order to preserve employment itself as a foundational social link. Creating work at any cost—including and especially, rescinding labor protections, unemployment benefits, and minimum wages—meant pushing people into all sorts of jobs that were precarious, dead-end, soul-crushing, temporary, poorly paid, unskilled, etc.

The problem with this strategy, insofar as it is a strategy at all, is that employment in itself is not enough to generate an affirmable social identity for workers to latch on to, that is, an identity that is able to serve as a socially integrating force. On the contrary, governments have been pushing people to take the sorts of precarious jobs from which no stable work-based identity can be formed. *Efforts at restoring forces of social integration only shifted the form of appearance of social disintegration.* People are cast adrift from the world of work, even as they continue to live by working. That then reshapes their struggles within and against this work-centered world, in ways that are difficult to describe within the framework of the 20th century’s labor movement.

Generating rising levels of economic inequality

At the same time, forcing workers—or at least, a large portion of the workforce—to seek work under permanently depressed conditions has made for rising economic inequality. Average wages began to rise more slowly than productivity, and median wages grew even more slowly than average wages. Large sections of the population no longer benefited from national economic growth, in the literal sense that their shares of total income tended to fall. These outcast or excluded workers were also typically excluded from unionization and other forms of representation. The result was a shift in income from labor to capital, which allowed businesses to make up for falling capital/output ratios, partly at least, by raising the capital share of income. The rich have therefore continued to see their incomes rise, in spite of overall economic slowdowns. Yet without obvious places to invest returns, the result has been a rapid financialization of capital, which seeks to park itself in relatively liquid assets, rather than fixed investment.

As society henceforth became ever more unequal, it was torn apart socially, across all sorts of vectors, both due to the increasing disaffection of those who find themselves socially outcast, or left to “bad jobs,” as well as due to the increasing arrogance of the elites, who dismiss these same workers as degenerates, in terms reminiscent of the social Darwinism of an earlier era. With rising social tensions, many people are casting about for scapegoats, particularly among the growing precarious sectors of the working class, insofar as these can be “other-ized” along lines of racialization, religion (Jews, Muslims), gender, immigration status, etc. The result has been an increasingly unstable political environment, defined by all manner of negative politics: against elites, against the people, against foreigners.