The Precariat under Rentier Capitalism

Guy Standing

We are in the midst of the Global Transformation, analogous to Karl Polanyi’s Great Transformation described in his seminal 1944 book. Whereas Polanyi’s Transformation was about constructing national market systems, today’s is about the painful construction of a global market system, in which the initial ‘dis-embedded’ phase was dominated by an ideology of market liberalisation, commodification and privatisation, orchestrated by financial interests, as in Polanyi’s model. The similarities extend to today’s challenge, constructing a ‘re-embedded’ phase, with new systems of regulation, distribution and social protection.

A few common misconceptions should be acknowledged. Contrary to widespread claims, there has been no labour market deregulation, but rather state re-regulation. Occupational self-regulation has been displaced by state regulation through licensing, while labour market policy has shifted towards workfare, directing the unemployed and others to do state-determined activities to obtain means-tested benefits.

Fostering globalisation in a context of a technological revolution has been favourable for global growth, if not for the OECD. But governments and international bodies have signally failed to counter the adverse distributional outcomes of globalisation within countries. Similarly, in advocating labour flexibility, negligible attention was given to the economic insecurities this generated.1

Meanwhile, the neo-liberal phase of globalisation evolved into ‘rentier capitalism’, in which more income is going to rentiers, those possessing financial, physical or so-called intellectual property.2 Ironically, advocates of free markets have overseen the construction of an unfree market system, in which more income derives from patents, trademarks, etc, that give monopolistic income for 20 years or more.

Rental income has been boosted by the increased share of income going to ‘super-star’ firms within sectors, and by government action, notably by strengthening the intellectual property rights regime since TRIPS in 1995.

This unfree market system has been further bolstered by the continuing growth of the subsidy state, in which governments compete by throwing more subsidies at large corporations and rich individuals. In so doing, they have regressively depleted public budgets.

Consequently, in most countries, the share of income going to capital has risen sharply, the share going to labour has plunged. And within the share going to capital, the share going to the rentiers has risen; within the share going to labour, the share going to higher-earners has risen.

1 During the 1980s and 1990s, this author repeatedly warned of the social and political consequences. See, for instance, G.Standing, Global Labour Flexibility (Harmondsworth, Macmillan, 1999). The OECD approach was epitomised by its flagship report, The Jobs Study.

If we wish to escape from the regressive economic paradigm, we must nurture a narrative and vocabulary that focuses on emerging socio-economic groups. In that regard, a global class structure has been taking shape, in which the new mass class is the *precariat*.

The precariat is defined in three dimensions. First, those in it are being pressured to accept a life of unstable, insecure labour, in which casualisation is being extended by indirect labour relations in the *concierge* economy, crowd labour and on-call contracts. Within the next decade, a majority of labour transactions may be of this type, with labour brokers and apps being ubiquitous.

But although many commentators claim the precariat is defined just by insecure labour. But more importantly, they lack an occupational identity or narrative, must do a growing amount of work-for-labour, which is neither recognised statistically nor remunerated in any way, and typically must do jobs below their education level.

The second dimension is a distinctive *social income*. The precariat relies mostly on *money wages*, which have been falling in real terms while becoming more *volatile* and unpredictable. The precariat is also losing non-wage enterprise benefits (paid leave, medical leave, occupational pensions, etc), which give labour-based security. Their loss means money incomes understate growing inequality.

To compound the insecurity, the precariat has lost rights-based state benefits, and has been hit by the drift towards means-tested, behaviour-tested benefits. The resultant *poverty traps* and what I have called *precarity traps* are powerful disincentives to taking low-wage jobs. There has been a failure to criticise this feature of social assistance, epitomised by calls for ‘reduced generosity of benefits’, when in reality rising income replacement rates merely reflected falling real wages. Now, the precariat often face what are in effect marginal tax rates of over 80%, which international bodies would deplore if applied to the salariat or elite.

The third dimension of the precariat is crucial. Those in it are losing all forms of rights – civil, cultural, social, economic and political. They are reduced to being *supplicants*, obliged to please people to gain income or benefits, depending on bureaucrats to make discretionary judgements in their favour. This is humiliating, and intensifies feelings of insecurity.

While these dimensions of the precariat are becoming clearer, we still lack the statistics required to analyse them. Just as the crisis of the Great Transformation led to a revolution in labour statistics, we need one now. We should approach the task from the precariat’s perspective, not with imageries derived from the heighday of industrial capitalism.

This should start by *reconceptualising work*, escaping from the 20th century prejudice that only labour counts. This is so fundamental that I made it the first of 29 Articles of a *Precariat*

---

3 [The term gig economy is misleading; it implies a romantic vision of what is often degrading or insecure.]

4 For an analysis, see G.Standing, *The Precariat: The New Dangerous Class* (Bloomsbury, 2011). Since this was first published (and translated into the languages of most OECD countries), the author has received thousands of emails from people across the world who see themselves in the precariat. This feature is among the most mentioned.

Charter, devised as an outcome of interactions with precariat groups in over 20 countries where presentations were made between 2011 and 2014.

Labour regulations must be reformed to correspond to new forms of labour relations, recruitment practices should be regulated, and the occupational regulation system must be overhauled, to strengthen the right to practise.

Since a large proportion of the precariat consists of migrants, a more mature debate is required on migration. It has been dominated by talk of walls and bans on benefits, and policy has evolved in regressive class-based directions. This is morally reprehensible. There is also a need to respond to the growth of labour export regimes. The OECD must take up these issues.

Most importantly, the 20th century distribution system has broken down. Across the OECD, real wages have stagnated for three decades and are unlikely to rise much over the next decade. If so, the options are to allow inequality to grow or to build a new distribution system that allocates income more equitably. This is not the same as devising a more redistributive fiscal policy. The new system should foster ecologically sustainable economic growth and give proper respect for free markets.

This perspective should lead to reconsideration of such emancipatory mechanisms as basic income and sovereign wealth funds, which should be attractive to governments, business folk, unions and the precariat in general. The perspective would enable the OECD to become an institution for shaping the re-embedding phase of the Global Transformation.