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Where Do Organisations End and Labour Markets Begin?

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Abstract. The division of labour between *labour economists* and *organisation theorists* results in there being little or no (epistemic) connection between the disciplines of labour economics and organization theory, and little or no recognition of the (ontic) connection between the phenomena of labour markets and organizations. This paper transcends disciplinary boundaries to develop connections between organizations, especially business organisations, and labour markets. The key insight is that some of the actions taken by business organisations play a role in producing, reproducing, transforming, and hence constituting, the very labour markets in which they operate. After developing a theoretical framework with which to understand the connection between organisations and labour markets, the paper goes on to exemplify ways in which the actions of businesses in part constitute labour markets. The paper concludes with lessons for the study of labour markets.

Introduction

Whilst organisations and labour markets are different, yet highly connected, phenomena, the intellectual division of labour between *labour economists*, and *organisation theorists*¹ discourages serious analysis of the connection between them. Labour economists, qualified to analyze labour markets, do so; organization theorists, qualified to write about organizations, do so; but labour economists do not write about organizations, and organization theorists do not to write about labour markets. As a result, there is little or no (epistemic) connection between the disciplines of labour economics and organization theory; and little or no recognition of the (ontic) *connection* between the phenomena of labour markets and organizations. This paper transcends disciplinary boundaries to develop *connections* between organizations, especially business organisations, and labour markets. Indeed, it will show that (some of) *the actions taken by business organisations, in part, play a role in producing, reproducing, transforming, and hence constituting, the very labour markets in which they operate*. To avoid constant repetition, I will abbreviate this complex phrase and, henceforth, refer simply to '*the actions taken by businesses that partly constitute labour markets*' and slight derivatives.

To get this argument underway, it is necessary to accept two claims which I have made elsewhere (Fleetwood 2006 and 2007a) and will not repeat here. First, the neoclassical, mainstream or *orthodox* model of labour markets is riddled with so many methodological shortcomings, that it misleads our attempts to understand the nature of labour markets. Second, various heterodox economists and socio-economists (of which I consider myself one) have made more progress in understanding the nature of labour markets by abandoning much of the orthodox model, and treating labour markets as *embedded* in, and therefore shaped by what are referred to variously as networks, organisations, cultural and social

¹ This should not be confused with the *economics of organizations* which is an entirely different concern.

structures, institutions, fields or some such.² For convenience I will refer to 'structures, institutions and organisations'. Whilst this is an advance over orthodox economics, we need to transcend the 'embedding' metaphor because it encourages us to think in terms of *two sets of phenomena*, one called 'labour markets' and the other called 'structures, institutions and organisations', with the former embedded in the latter. When we think in this way, it is virtually impossible to rid the 'minds eye' of labour markets as supply and demand diagrams, duly embedded in structures, institutions and organisations. We should, I argue, abandon all vestiges of orthodoxy, and embrace a very different, controversial, alternative conception, whereby *labour markets just are, or are exhausted by, the very social structures, institutions, and organisations, that constitute them.*

The objective of this 'connections' article, then, is to develop this alternative conception a little more by focusing specifically upon the actions taken by business *organisations* that partly constitute labour markets. It should be noted that a few commentators have come close to this, saying, for example:

[L]abor markets are not things unto themselves; their attributes, their properties, are to a significant degree what employers [*i.e.* businesses] make them out to be (Berg and Kallenberg 2001: 12).

The role of firm's employment policies in structuring the external labour market has been largely unexplored...In practice, *the external labour market takes its form through the influence of a whole range of institutions including the family, the state and employing organizations* (Rubery and Wilkinson 1994: 14, emphasis added).

² I have in mind here the work of Granovetter (1992) following Polanyi (1992); *Segmented Labour Market Theorists*, especially those using a *Systems of Production* approach (e.g. Burchell *et al* 2003); the French *Societal Effects* school (e.g. Maurice & Sorge 2000); Institutionalists using the notion of *Systems of Exchange* (Woolsey Biggart & Delbridge 2003), and various other Institutionalists, geographers, feminist economists, Regulationists and so on.

The first part of the paper provides a theoretical framework that explains the focus on organizations, explains what is meant by 'action' and identifies four ways in which the actions taken by businesses can partly constitute labour markets. The second part uses these four types of action to exemplify ways in which the actions of businesses in part constitute labour markets. The paper concludes with a comment on who should study labour markets.

1. Why organisations?

There are many types of structures, institutions and organisations (e.g. parliament, political parties, the police, government departments such as DfES, job centres, social security offices, educational institutions, families and so on) involved in producing, reproducing, transforming and thereby constituting, labour markets. If this is the case, why, single out organisations? There are two reasons. The first reason is, in a sense arbitrary. A thoroughgoing analysis would have to investigate the role not only of organizations, but of structures and institutions also. Such an undertaking is impossible for a paper, so I choose to concentrate solely on organizations. Second, of all organizations, private sector business organisations (ranging from trans-national-corporations to small-to-medium-sized domestic enterprises) are, arguably, the most powerful and influential organisations in society (Ackroyd 2002: Chapter 2). Their primary objective is, of course, to generate and sustain a level of profit that allows them to remain in business - although they have various strategies for meeting this objective. Because labour markets have a causal impact upon this objective, those who own and/or control businesses often use their power to shape labour markets in ways that enhance this objective (Beynon *et al.*: 26). For ease of expression, I will refer to the role of 'businesses', rather than the role of 'private sector business organisations'.

1.1 What does, and what does not, constitute action?

To ask what actions businesses engage in that make them partly constitutive of labour markets requires a criterion with which to differentiate between those activities that are partly constitutive of labour markets and those that are not. The criterion I use for this purpose is what I call '*significant difference*'. This means asking the following question: *If this particular business activity were to stop, or be reduced, would the labour market operate in a significantly different way?* If the answer is 'yes' then the particular activity can be conceived of as partly constitutive of the labour market. It has to be admitted that this is not a clear cut criterion because the term 'significant' is not clear cut. Moreover, using this criterion requires judgement. But judgement of this kind does not collapse into wild speculation or mere opinion, and anyway, judgement is always involved in social science. For example, the action of a dominant business in Bristol in offering jobs with skills training can, for example, be conceived of as partly constitutive of a local skilled labour market, whereas the action of this same business in changing its bank probably has no impact on the Bristol labour market.

1.2 Action: practical and ideational or discursive?

The action taken by businesses can be practical, or ideational or discursive. The former is more straightforward; the latter less so, so allow me to expand a little. Campbell (2001: 165-7) usefully identifies four ideal types of ideas – although he recognises that these ideas do not usually come in such neat packages. He summarises them into a 4 x 4 matrix, to which I have added brief examples of hegemonic and counter-hegemonic ideas pertinent to the analysis of labour markets. It is not hard to see how such ideas might exert an influence on practice.

	Concepts & theories in the Foreground of policy debate	Underlying assumptions in the Background of policy debate
Cognitive level	<p><i>Programs</i>: Ideas as policy prescriptions helping policy makers chart a clear and specific course of action.</p> <p><i>Hegemonic ideas</i>: Forging education-business links will ensure organisations get the skilled workers they want and will increase students employability.</p> <p><i>Counter-hegemonic ideas</i>: Forging education-business links will transform legitimate education into illegitimate ideological engineering.</p>	<p><i>Paradigms</i>: Ideas as elite assumptions constraining the cognitive range of useful solutions available to policy makers.</p> <p><i>Hegemonic ideas</i>: Lack of education and skills is the cause of unemployment.</p> <p><i>Counter-hegemonic ideas</i>: Lack of education and skills are a minor cause of unemployment.</p>
Normative level	<p><i>Frames</i>: Ideas as symbols and concepts that help policy makers to legitimize policy solutions to the public.</p> <p><i>Hegemonic ideas</i>: Business should get involved with education provision.</p> <p><i>Counter-hegemonic ideas</i>: Education should remain objective and critical.</p>	<p><i>Public sentiments</i>: Ideas as public assumptions constraining the normative range of legitimate solutions available to policy makers.</p> <p><i>Hegemonic ideas</i>: Those who work hard and gain education and skills qualifications (deservedly) get the best jobs.</p> <p><i>Counter-hegemonic ideas</i>: The best jobs tend to be filled by white, middle class men.</p>

Fig 1. Types of ideas and their effects on policy, adapted from Campbell (2001: 166)

1.3 Four dimensions of action: direct, indirect, action, inaction

There are four dimensions to (practical and discursive) action and all four need to be considered – even if the first two are the most common and will form the basis of this paper. Causality does not always require action; lack of action, doing nothing, absence or inaction can also be causal and, thereby, a form of action. Furthermore, action and inaction can be direct or indirect.

- Some of the actions taken by businesses are, in part, *directly* constitutive of the labour market.
- Some of the actions taken by businesses are, in part, *indirectly* constitutive of the labour market.
- Some of the *inactions* taken, or put another way, some of the actions not taken, by businesses are, in part, *directly* constitutive of the labour market.

- Some of the *inactions* taken by businesses are, in part, *indirectly* constitutive of the labour market.

For ease of exposition, I will refer to all four possibilities (including forms of inaction) as ‘action’.

2. Examples of business’s actions producing, reproducing and transforming labour markets

We turn now to examples of ways in which the actions taken by businesses partly constitute labour markets. Whilst the actions I mention here are the more obvious ones, there are clearly many more. The point of this section is to exemplify the point.

2.1 Direct action by businesses and the constitution of labour markets

Rubery (1994; 2003) is attentive to the role businesses play in taking action that directly constitutes labour markets – although she does not put matters in this way. Consider one comment on gender:

Research into occupational segregation reveals considerable constraints on women’s occupational choice, arising not only from the socialisation of women into the education and family system, but also from employer recruitment practices and the shaping of organisational and work cultures (Rubery 2003: 253).

If businesses take action that shape organisational and work cultures, or if businesses are indirectly involved in the socialisation of women, and these things influence labour supply decisions, then it is plausible to conceive of these actions as partly constitutive of labour markets. This can be extended from gender, to several other characteristics.

A business that explicitly recruits exclusively, or predominantly, from a particular group of workers, partly constitutes a labour market with characteristics that reflect the characteristics of these groups. For example, businesses that explicitly recruit women, a particular ethnic minority, immigrants, youth, disadvantaged youth, or non-union workers, partly constitute female, ethnic, migrant, youth, disadvantaged youth, or non-union labour markets. An exclusively or predominantly female (or male), ethnic, migrant, youth, disadvantaged youth or non-union labour market does not just fall from the heavens; it has to be produced, reproduced and, sometimes transformed. This means businesses do not always simply respond to the local labour supply, although they can, but they are proactive in creating it.

Businesses' reaction to the business cycle are not mechanically governed but, open to discretion. Senior managers have several ways to deal with a downturn, ranging from immediately downsizing and shedding labour, via making alterations to the way existing labour is utilised, managed and new labour recruited, to hoarding labour and waiting for the upturn. The actions of businesses in shedding, hoarding, or altering the utilisation and management of labour, are directly constitutive of slack or tight labour markets.

Some businesses make use of *employee* or *family friendly* practices such as: flexi-time, term-time working, voluntary part-time, job-share, compressed working weeks (e.g. the nine day fortnight or the four and a half day week) shift swapping, self rostering, time off in lieu, sabbaticals and career breaks. Some businesses make use of *employer* or *business friendly* flexible working practices such as: involuntary temporary working and involuntary part-time working (with loss of pay), zero hours contracts, unsocial hours working such as twilight shifts, 24 hour rotations, Saturday and Sunday working, overtime (especially enforced and/or unpaid),

annualised hours, stand-by and call-out arrangements, seasonal work and job-and-finish.³ Labour markets characterized by all or some of these practices, can be called flexible. What matters here, however, is that it is the actions of businesses that determine whether local labour markets are predominantly *employee* or *family friendly*, or *employer* or *business friendly* (Fleetwood 2007b).

Flexibility also extends to the mix of the workforce vis-à-vis permanent and hence relatively secure, and temporary or insecure. Many businesses have shed permanent (core) employees and recruited temporary (peripheral) workers in their place. Once again, it is the actions of businesses that determine whether local labour markets are characterised by predominantly permanent, secure, or temporary and insecure employment.

Some businesses actively encourage union recognition whilst others hire anti-union advisers, or use legislation to resist attempts by their employees to gain union recognition. Businesses that encourage or discourage union recognition are, via this action, causally implicated in producing, reproducing, transforming, and hence constituting, unionised or de-unionised labour markets. Matters are, of course, more complicated than this. Even where businesses directly encourage union recognition, their motives are not always as they seem. Many businesses realise they have little to fear from contemporary unions who appear to be less powerful than they were in the past. Businesses, therefore, can recognise unions, engage with unions where it suits them (e.g. using collective bargaining to set pay and conditions for large workforces where individual bargaining would be too time consuming) and ignore them when it does not, whilst presenting themselves as being good employers who care enough about their workforce to let them have a union. Businesses who engage with unions in

³ Some flexible working practices (e.g. flexi-time and job share) are 'neutral' in the sense that they often confer advantages to both parties.

these ways are, via this action, causally implicated in unionised labour markets where unions are ‘hollow shells’.

In sum, this section illustrates the (direct) *connections* between business organisations, and labour markets and in so doing, illustrates the ways in which the actions of businesses partly, and directly, constitute labour markets.⁴

3. Indirect action by businesses and the constitution of labour markets

When dealing with the actions of business that are *indirectly* constitutive of labour markets, matters are a little more complicated. It is relatively easy to mistake *indirect* action of businesses for the *direct* action of some intermediary such as the state⁵, the family or a lobby group⁶. I will exemplify this by looking at the provision of 14-19 year old education in the UK and family structure.

3.1 Education

Businesses get involved in education to pursue several objectives. One such objective is for businesses to use their knowledge and experience of

⁴ None of this means that the actions of businesses are unopposed. All I am pointing to is examples where businesses largely succeed in getting their way.

⁵ Farnsworth (2005) and Farnsworth & Holden (2006) elaborate upon the processes that link businesses and the state.

⁶ UK-based groups are, for example: CBI, IOD or EEF. EU – based groups are, for example: Business and Industry Advisory Committee (BIAC) to the OECD; the International Chambers of Commerce (ICC); the Union of Industrialists and Confederation of Employers (UNICE) and the European Association of Craft, Small and Medium-sized Enterprises (UEAPME); and the European Round Table (ERT) (Farnsworth 2005: 66-7). There is also evidence of linkages between national and EU businesses and Intergovernmental Organisations (IGOs) meeting through international business-coordinated meetings such as the World Economic Forum (WEF). There is no need to assume that these lobby groups share an identical platform or seek the same detailed policies; all that is necessary is that they share a loose commitment to a neoliberal agenda.

the business world to provide pupils with 'soft skills' like: 'the culture of the workplace, the roles and responsibilities of managers and employees, team working, formal and informal channels of communication, customer service, presentation skills, etc as well as generic personal effectiveness skills such as motivation, enthusiasm, commitment, a willingness to learn, giving and receiving feedback and contributing to group activities' (Greatbatch and Lewis 2007). These 'soft skills' are promoted because they are good for business in general, and because they improve the pupils' 'employability'. Indeed, in a highly respected and influential review, Davies (2002: 17-18) sets out the need to teach the kind of things that will make pupils employable, which he groups into three categories: '*enterprise capability*', '*financial literacy*' and '*economic and business understanding*'. Whilst some businesses directly promote these 'soft skills' (e.g. by involvement with UK Academy schools), others promote them indirectly, via intermediaries. Government departments work closely with businesses, schools and private sector education providers to ensure that businesses play a role in setting the curriculum and designing and delivering courses.⁷ All 14-19 years olds in the UK, for example, can now formally study courses like *Certificate in Job-Seeking Skills*, *Certificate in Preparation for Employment*; *Certificate in Career Planning*; *Certificate in Personal, Teamwork and Community Skills*; *Certificate of Personal Effectiveness* and *Qualification in Skills for Employment*.

The provision of 'soft skills' engages with the *ideas and attitudes* of potential labour market entrants. These ideas and attitudes include reflections upon themselves, society and employment such as: motivations, beliefs, hopes and aspirations; notions of their position in society, their relation to authority and their relation to co-workers and loyalty and commitment; their ability not just to think, but to think creatively, imaginatively, ingeniously; and their willingness to act in self-directed, self-motivated ways. These ideas and

⁷ See the DfES document entitled 'Shaping educational policy' (DfES 2007). See also Leitch (2006).

attitudes, however, are a double edged sword. Whilst these ideas and attitudes *can* be harnessed to work for the good of businesses, they can also work against businesses. The unstated objective of pro-business education, therefore, is to create a workforce not only with pro-business ideas and attitudes, but also with suitably lowered horizons vis-à-vis what they can expect from labour markets. Prospective labour market entrants are being 'ideologically groomed' as it were to enter labour markets knowing that they cannot 'buck the (labour) market'; accepting neo-liberal economic ideas and labour market policies, as inevitable, perhaps even natural; not questioning the idea that there are no longer jobs for life; recognising that they will have to spend years working on temporary contracts, 'showcasing' their skills, (whilst being grateful to employers for making them 'employable') before being considered for one of the few permanent jobs; believing that having a constantly revolving clutch of dead-end jobs is a way of exercising individual autonomy, and so on.

Whether these *indirect* actions taken by businesses are conceived of as the legitimate provision of education or the *illegitimate* inculcation of a pro-business agenda, the point is these actions in part, and *indirectly*, constitute labour markets.

3.2 Family structure

What *appears* to be the causal role of the family, is often better understood as the causal role of businesses, operating via the family and the state. Instead of taking the causal chain as it appears (*i.e.* family → state → business → labour market) it is often more accurate to probe beneath the appearance and consider it as it really is (*i.e.* business → state → family → labour market).

Whilst differences remain between varieties of Marxists and feminists over whether to conceptualise gender in terms of patriarchy, dual-systems, class relations infused with gender, gender orders, gender regimes, and so on (Acker 1989 and 2006; Pfau-Effinger 1998; Pollert, 1996; Walby, 1990 and Jackson and Scott 2002, part 2) there is little or no disagreement over the fact that labour markets are gendered. Gendered labour markets do not, of course, just happen; they are caused. Whilst the causes of the gendering are many and varied (and here the various conceptualisations become important), I want to focus on one specific cause, or more accurately, the causal connection that runs from businesses to labour markets via the family and the state.

The relation between changing forms of family structures and changing modes of production, and hence changing forms of businesses, state and labour markets, is by no means straightforward (German 1989, 2007; Seccombe 1993 and 1995). Throughout the history of capitalism, businesses (and proto businesses) have taken measures to influence, via state agencies, dominant family types. This has often involved attempts (successful or otherwise) to regulate things like marriage and co-habitation, sexuality, conception, contraception, abortion, childbirth, childrearing and provision for elderly care of the working class. In these cases, businesses often encouraged the state to legislate in its favour. Seccombe charts the twists and turns of this noting, to cite just three examples, interventions in marriage following the labour shortages due to the Black Death; poor law wardens forbidding the poor to marry to prevent them becoming a future tax burden on the parish; and the factory acts of the mid-nineteenth century that changed the nature of the family, and paved the way for the 'family wage'. Summing up developments from the mid-nineteenth century, German writes:

Time and again those proposing...the demands of women's liberation...came up against the limits of class society. At their root was the clash between demands for equality, whether they were for free nurseries or equal pay, and the refusal of employers and governments to accede seriously to these demands, for fear that the costs would eat into their profits and make them uncompetitive with their rivals (German 2007: 16).

More recently, many businesses have pursued what is, generically, known as 'flexibility'. At the root of flexibility lies the ability of businesses to respond flexibly to the fluctuating demands of production and consumption. Flexible responses require flexible businesses, which in turn require flexible workforces and flexible labour markets. And flexible businesses, workforces and labour markets work best with *flexible families*. Businesses are actively involved in policies that extend flexibility into the family via family friendly working and work-life balance agendas. I have argued elsewhere (Fleetwood 2007b) that flexibility is a double edged sword. On the one hand, many businesses, realise they have little to lose and a lot to gain by offering *employee* or *family friendly* practices. On the other hand, many businesses seek *employer* or *business friendly* practices that are often extremely *employee and family unfriendly*. The flexibility discourse, when aligned to the family friendly and work-life balance discourses, is extremely useful to business because it glosses the negative connotations of generic 'flexibility'. This allows businesses to pursue their chosen forms of flexibility, which may be employee or family unfriendly, whilst appearing to be pursuing an entirely pro-employee agenda. Indeed, whilst pursuing family friendly, and work-life balance policies, UK businesses have lobbied hard to ensure that the UK government does not capitulate to a EU agenda that they feel will push the employee or family friendly agenda too far. The following comment from the CBI neatly sums up the business case:

Proposals to revise the Working Time Directive are currently being discussed in Europe and there is a risk of the individual opt-out being abolished. The loss of the opt-out would damage the UK's flexible labour market, preventing companies managing their people and resources efficiently to improve productivity and competitiveness. The opt-out is an important flexibility which allows businesses to adapt quickly to changing market conditions and fluctuating demand. Such flexibility is particularly important in sectors where customer demand fluctuates significantly or is unpredictable (CBI 2005: 9).

Underlying the long-standing desire of business to regulate phenomena related to marriage and co-habitation, sexuality, conception, contraception, abortion, childbirth, childrearing, provision for elderly care, not to mention the desire to promote flexible families that mesh with flexible workplaces, is the production and reproduction of the workforce. The labour that goes into producing and reproducing the workforce is unpaid domestic labour. For reasons we cannot go into here, women have long been saddled with the responsibility of performing this domestic labour – whether they work or not, or work part-time or full-time. As far as business is concerned, not only does the family produce, and re-produce, a steady and reliable stream of potential workers, it does it with no cost to business: No other input into the production process comes free of charge. Anything that threatens to destabilise the role of the family, and/or the gendered division of labour, carries with it the worry that it might start to involve costs for businesses. These costs can take many forms, ranging to having to accept a request for some employees to work flexibly (e.g. flexi-time) for family reasons, via the provision of crèche facilities for employees, to having to pay higher taxes to fund enhanced state provision such as generously funded paternity leave. One implication of this, of course, is the gendering of labour markets. Women's role in performing domestic labour has serious, and almost always negative, consequences for women's labour market activity. These

consequences are well documented, and I will not repeat them here. The point is, by probing into the connection between labour markets and families, we can see the causal primacy of businesses, operating indirectly via the state, on the family and hence on women's labour market activity.

In sum, these two examples illustrate the (indirect) *connections* between business organisations and labour markets. In so doing they illustrate ways in which businesses have played (and continue to) play, an indirect role in constituting educated and/or ideologically inculcated, and gendered, labour markets.

4. Direct inaction by businesses and the constitution of labour markets

Some of the *inactions* taken, taken, by businesses are *directly* constitutive of labour markets. Consider a couple of examples. Businesses that *do not* engage in any form of training are, via this inaction, partly constituting unskilled labour markets. Businesses that hide behind the 'business case' for not offering (genuinely family friendly) flexible working practices when workers request them are partly constituting inflexible, family un-friendly, labour markets. Inaction does not, of course, always have negative consequences. Businesses that *do not* engage in discriminatory hiring, firing, training and promoting are, via this inaction, partly constituting non-discriminatory labour markets.

5. In-direct in-action by businesses and the constitution of labour markets

Some of the *inactions* taken by businesses are *indirectly* constitutive of the labour market. Whilst it often appears that the intermediary, not the business, is the cause of the *inaction*, closer inspection reveals the causal role of the business. Indirect inaction is often done by 'turning a blind eye'. Consider a couple of examples. Businesses that 'turn a blind eye' to legislation such as minimum wage and equal opportunities legislation are, via this inaction, constituting, low-paid,

unequal, labour markets. Businesses that use immigrant labour, but 'turn a blind eye' to the (unethical or even illegal) activities of gang masters, are partly constituting unethical, perhaps even illegal, exploitative labour markets.

In sum, and taking parts 4 and 5 together, these examples illustrate the (direct and indirect) *connections* between business organisations and labour markets, and in so doing they illustrate ways in which the actions taken by businesses partly constitute labour markets.

Conclusion

I have argued that the actions of businesses are, in part, constitutive of labour markets. Put another way, the actions of businesses make labour markets work, and make them work the way they do. If this is right, what difference does this insight make? I see it making a difference in three senses: to the subject discipline of labour economics, theory and policy.

The discipline of (orthodox) labour economics

Orthodox labour economists have started to recognise the need to analyse 'non-economic' phenomena, usually referred to generically as 'institutions', and have managed to incorporate a handful into their (form and/or mathematical) models. This has not, however, led to a significant alteration in the way the subject is studied and taught. Orthodox labour economists simply do not take the kinds of social, political, institutional, organisational and ideological phenomena elaborated upon above seriously; indeed these phenomena would be shuffled off for 'sociologists' to investigate. More to the point, however, orthodox labour economists are both *unwilling, and unable*, to take phenomena like these seriously. They are *unwilling* to take them seriously because they are unwilling to abandon the deductive-nomological method and the commitment to quantification and mathematization this method sponsors. Indeed, many labour economists

would surely agree with Fallon & Very who note that the subject has advanced, precisely because it has become more quantitative and mathematical. They observe, with some pride, that some 'very advanced econometric techniques are now commonly used in labour economics research' (Fallon and Very 1988; ix). To this we should also add game theoretic techniques. More recently, McConnel, Brue and Macpherson (2006: 3) have repeated the same sentiment, adding: 'As a result, economic analysis has crowded out historical, institutional, legal and anecdotal material' which they associate with 'the "old" study of labor'. This, however, makes them *unable* to take these phenomena seriously: Their commitment to the deductive-nomological method, quantification and mathematization 'crowds out' the very social, political, ideological, ethical, institutional and organisational phenomena necessary to understand the way the actions of business partly constitute labour markets.⁸ And without this, the nature of labour markets will never be properly understood. Orthodox labour economists, then, cannot even begin to study large chunks of phenomena that actually make labour markets work, and work the way they do. Matters are very different in several other disciplines, such as, but not restricted to, organization studies. Because organization studies tends not to be dominated by positivism, the deductive-nomological method, quantification and mathematization, organization theorists⁹ are well placed to deal with these (and other) social, political, ideological, ethical, institutional and organisational phenomena. Other social scientists should not be afraid of venturing onto the terrain of labour

⁸ To be sure, any non-economic phenomena can be mathematised or in some way formalised if one is prepared to make enough assumptions. And this is how orthodox theory proceeds. Unfortunately, the number of assumptions necessary to mathematically model something like a trade union, for example, makes the model hopelessly unrealistic. See Fleetwood 1999 and 2006.

⁹ The same could be said of Heterodox economists such as feminists, (Old) institutionalists, Marxists, post-Keynesians, regulationists, economic-sociologists and segmented labour market theorists, along with many who would not describe themselves as economists (despite the fact that they often write about labour markets) coming from subjects such as sociology of work, labour law, state theory, human resource management, industrial and employment relations, urban geography and so on.

economics, and using their insights to deepen our understanding of labour markets. As the Cambridge economist Joan Robinson once famously put matters: ‘economics is too important to be left to economists’!

Theory

At the heart of orthodox labour economic theory is the basic idea that labour supply, labour demand and wages are functionally related. Adding in this or that institution or changing the perspective from perfect to imperfect competition does not fundamentally alter the point. In their textbook, which does have the merit of dealing with institutions better than most of its rivals, Bosworth, Dawkins and Strombeck (1996: 3) choose not to:

‘burden the reader by worrying too much about what is meant by a “labour market” this early in the book. For the time being it is sufficient to regard the labour market as the “place” where labour supply and labour demand come together to determine the prices and quantities of labour services exchanged’.

In what I take to be quite revealing, they do not say what is meant by a ‘labour market’ later in the book either. Hyclak, Johnes and Thornton, (2004: 19) probably speak for the discipline when they claim that: ‘Adjustment to a demand and supply equilibrium may be complicated by institutional factors, but we would nevertheless expect supply and demand to be major influences on labour market outcomes.’ Diagram 1 from Case and Fair (2004) is instructive.

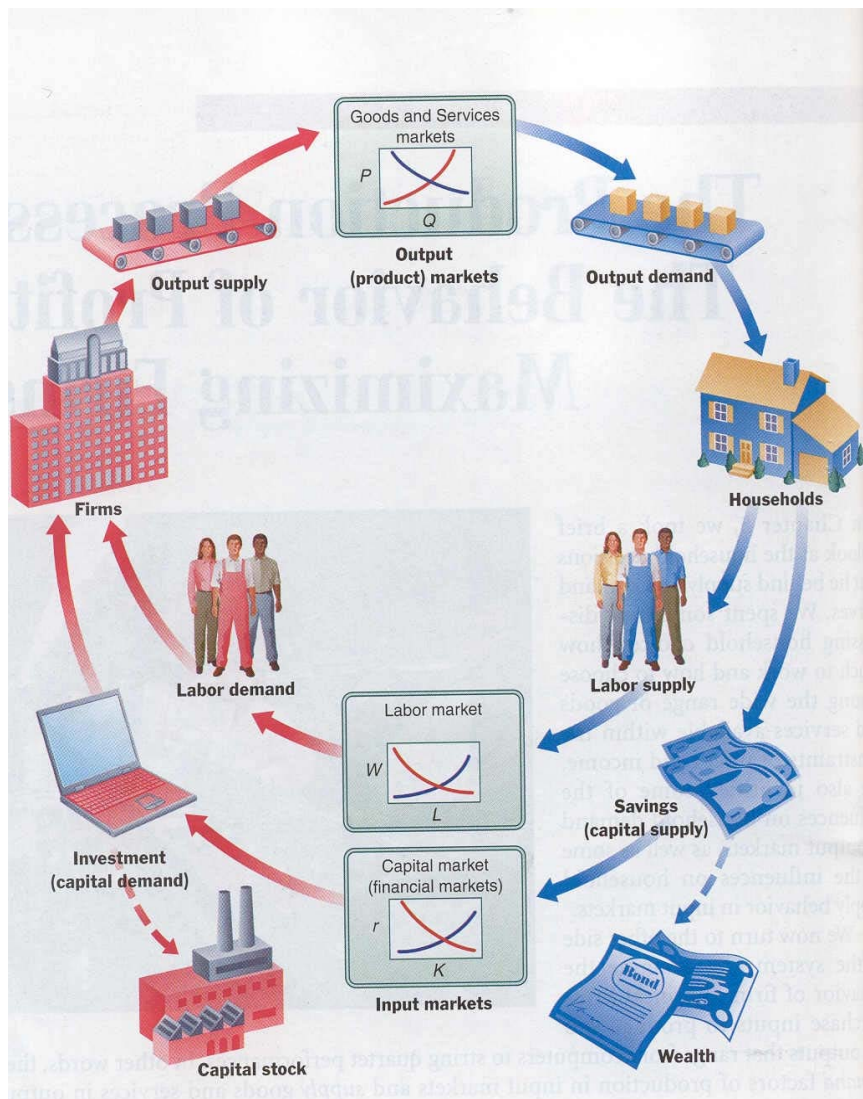


Diagram 1 Case and Fair (2004: 198)

Case and Fair have obviously gone to great lengths to find some way of illustrating, symbolically, the key components of the economy. Households are symbolised by a house, businesses are symbolised by a factory; labour demand and supply are symbolised by groups of people; money by bank notes and so on. Interestingly, however, markets are symbolised by labour supply and demand curves. I suggest this 'Freudian Slip' tells us a great deal about how, deep down, orthodox economists think of labour markets; they assume there really are supply and demand curves, although they are, of course buffeted by the effects of non-economic factors and exogenous shocks.

When orthodox economists do consider institutions, they are 'bolted on' to the basic model, and their effects, typically, on wages, labour demand or labour supply, are predicted. The idea that an institution should be studied *in its own right*, is rejected because this is how the 'the "old" study of labor' was conducted. But 'bolting on' non-economic phenomena onto the basic model is not only *ad hoc*, it is also doomed to fail. The more 'bolting on' that occurs, that is, the more non-economic phenomena are added, the nearer we get to the inevitable recognition that it is the social, political, institutional, organisational and ideological phenomena, not wages, labour demand or labour supply, that are the real stuff of labour market theory.

Policy

When we attribute some state of affairs to 'the labour market' or say it is the result of 'labour market forces' we are really attributing it to some real, flesh and blood, human beings – the powerful men (and sometimes women) who make the kind of decisions that underlie the actions' of businesses discussed above. These people are free to make decisions and take actions, albeit under the constraining influence of social and cultural structures and institutions. Different decisions and actions, however, will lead to different kinds of labour markets. The point is that if the actions of businesses make labour markets work, and make them work the way they do, then labour markets are not naturally occurring, and their form is not inevitable; if we do not like the way labour markets work, then we can, and ought, to take steps to change them. This is, however, missed by policy makers who root their policies in orthodox labour economic theory.

Current neoliberal labour market policies aimed at de-regulation, that is, at removing social, political, institutional, organisational and ideological phenomena on the grounds that they are 'impediments' and 'imperfections' stands exposed as little more than an attempt to make reality conform to (very poor) theory. If

labour markets are, in part, constituted by the actions of businesses, then current labour market policy is not actually about de-regulation at all, but about alternative forms of regulation (Almond and Rubery 2000). Policy does not, and neither should it, revolve around removing institutions, but around re-engineering them. If labour markets are, in part, constituted by the needs and subsequent actions of businesses, then there is no reason why policy cannot seek to re-constitute them to meet the needs and actions of other stakeholders. Why not design labour market policies to re-regulate, and thereby re-constitute, labour markets in the interests of (say) women, working class families or even the environment?

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