

Editorial

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Special Issue on “Labour, Markets, and Inequalities”

The discourse on inequality, or social inequality to be more precise, is one of the most persistent political controversies in human society. Most scientific work on inequality seems to relate to at least one of the following three main discursive tracks: Legitimation, critique, and empirical analysis. One of the first attempts in occidental literature to legitimise inequality was made by Aristotle and his idea of the supremacy of the attic male free citizen over females and slaves – and it was not only meant to justify the structures of political governance in ancient Greece, but also its underlying economic inequality. The legitimistic track then continued through the medieval theory of the three orders which found an end and a new beginning in the 18th century physiocrats, and it then ran via Thomas Hobbes’ apology of the state until modern renaissances of social Darwinism. The critical track, having descended from the connection between poverty and moral purity since the origin of monastic Christianity as well as from the early and middle age religious dissenter movements, found both its philosophical secularisation and giant outburst in Jean-Jacques Rousseau’s second discourse from 1755, where he stated that inequality stems from private property and is therefore not justifiable by natural law. The critical track in the inequality discourse from then on developed into the socialist theory and critical social philosophy of our time.

As this short historical outline shows, there has always been a strong interrelationship between social inequality,

economic inequality and political power. Inequality as a consequence of class conflict became more and more obvious during the industrial revolution when labour transformed into a kind of market-traded commodity thereby generating deep social changes and tensions. This was when the question of inequality began to develop an empirical branch, starting with British government enquiries into the situation of labourers, Marx’ and Engels’ critical work, but also Max Weber’s “Arbeiter-Enquete” and similar studies of the late 19th and early 20th century throughout Europe. This also meant a shift in the centre of gravity for the inequality debates from social philosophy towards sociology and economics as empirical disciplines.

Early economics and sociology have touched upon the problem of inequality in different but entwined ways. On the one hand, classical economists tended to understand inequality as an incentive for economic action which leads to benefit for all, see for instance Adam Smith’s arguments for the decrease of poverty by increasing productivity (Smith, *Wealth of Nations 1797/1978*, p. 66). On the other hand, sociology was more concerned with the risks of social disintegration as an outcome of eroding norms, increased competition and unequally distributed resources (Durkheim 1897 *le suicide*; Merton 1949 *Social Theory and Social Structure*). Interestingly, if we consider the mainstream of the two empirical disciplines from the 1920s and 1930s to the 1970s, inequality topics shifted to distributional questions in economics and to class and stratification questions in sociology, in the latter case gradually losing its relation to labour and markets. However, economics and sociology always strongly tended to overlap in their critical branches – for example discourses on the US-American political economy (Baran, Sweezy, Reich, Piore), development economy (Myrdal, Sen) and economic and labour sociology (Braverman, Weber, Lutz), where labour, markets and

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inequality as related issues have remained crucial topics even today.

In the last decades we have faced a somewhat mixed situation. Though the neoclassical turn in economics had put labour markets and their institutional framework back on the agenda, it did not develop much of a critical sense towards social inequality. By contrast, the mainstream in sociology had downgraded labour-related inequalities from their central position and started to discover gender, race and religion, different abilities and education as additional dimensions generating social inequality. At the same time, economics – especially labour economics – was more and more focussing on empirical phenomena. Thus, as an empirical discipline it rediscovered influences of gender, ethnics, education and other dimensions as important factors for understanding the economic behaviour of individuals and firms as well as their respective outcomes.

Therefore, we have at least some degree of convergence in the topics of labour-market sociology and labour economics in the field of inequality. There is some methodological convergence between the two disciplines in quantitative methods as well – although remarkable differences in theory, the formulation of research questions and interpretation of findings still remain.

It is interesting to note that leading economists have increasingly developed a critical stance towards the dramatic boost in income and wealth inequality that many western countries have experienced since the 1980s. These empirical trends clearly invalidated the long-term expectations lying behind Kuznets' law stating that the relationship between per capita income and inequality will be hump-shaped. Hence those who believed that excessive inequality is probably not a long-term phenomenon lost their conceptual justification. A growing number of economists presently criticise the extent of inequality in modern societies. For instance, some years ago Alain Krueger titled an article "Inequality – too much of a good thing". The huge windfall gains and losses in the course of the world recession in the aftermath of the financial crisis certainly contributed to a more and more sceptical view on the former belief that inequality is the price to be paid for efficiency.

The prevailing discourse and the persisting problems of inequality in and around the labour markets as well as the converging research interests and activities of various academic disciplines gave good reason for the Verein für Socialpolitik, the Sections on "Social Inequality", "Political Sociology" and "Labour and Industrial Sociology" of the German Sociological Association (DGS) to accept the IAB's invitation to join a conference on "Labour, Markets and Inequalities" in September 2009, held at the IAB in Nuremberg. The conference committee consisted of Bernd Fitzenberger, Christian Lahusen, Wolfgang Ludwig-Mayerhofer, Joachim Möller, Markus Promberger, Viktor

Steiner, Rainer Trinczek and Ulrich Walwei, while Martin Schludi was responsible for organisation. The participants were invited to submit their papers to the *Zeitschrift für Arbeitsmarktforschung* – and the present issue presents a selection of those papers.

Although the discourse on inequality has become more and more empirical in the last decades, social philosophy is still present – we need only think of John Rawls, Martha Nussbaum and Amartya Sen, for example. And this is so, because inequality is not only a labour-market topic, but is closely connected to life chances, to the questions of justice, power and legitimacy. Claus Offe, keynote speaker at the conference, reopened discussion of the latter. On the basis of empirical findings he showed that at least European citizens strongly tend to prefer social structures with less inequality than in the present situation. This not only confirms economists' and sociologists' scepticism about the questionable benefits of high inequality, but also gives labour-market policy a rather strong legitimation to follow strategies which are meant to lower inequality, therefore raising the acceptance and legitimacy of market societies and the welfare state. Colin Crouch, also a keynote speaker, shows what a comprehensive research programme on the labour market and inequality should look like, when aiming not only at market functions or dysfunctions, but also at the institutional and cultural frameworks and social structures around the labour market – like family structures and decisions, migration, education, employment culture, and changes in production and various other social fields, related to, but not part of the labour market.

John Roemer, the third keynote speaker at the conference, began re-interpreting an economic discourse dating back to the 1940s, involving Hayek and others. Roemer points out that two mechanisms are thought to be constitutive of a functioning market society, the allocation mechanism and the incentive mechanism. While the former is based on price signals indicating scarcity, the latter deals with economic inequality as a stimulus for effort and productivity. Roemer argues that while the allocation mechanism is crucial for an efficient economy, the latter is less important. The reason is that effort is not influenced by material motives alone. For example, social prestige plays an important role as well. Therefore, society has some discretion in terms of the amount of income inequality. Put differently, efficient economic behaviour can be motivated by relatively small differences in income or wealth.

Ideas or means which are meant not only to legitimise but also to compensate structural socioeconomic inequalities are at least as old as capitalism – just remember Pierre Joseph Proudhon's suggestion of charging foreign trade customs differentially according to a country's or sector's productivity, or think of redistributive aspects in the taxation systems of modern welfare states. But some of these ideas

fail at birth, others in their effort to compensate, some may even create new inequalities – and some of them may indeed succeed. Decades ago, Ralf Dahrendorf and others propagated the idea of the “peoples share”, which meant company stocks distributed to workers as a means to overcome the “class” dimension of social conflicts – but it never became much of a big deal, with some interesting exceptions. However, allowing workers to participate not only in regulated industrial relations, but also in financial respects is still one of the myths in relation to lowering or even crossing class boundaries. Martyn Andrews, Lutz Bellmann, Thorsten Schank and Richard Upward use IAB establishment panel data to investigate the effects of workers financial participation schemes on wages, asking the question whether and to what extent workers do indeed get more cash or have to participate in new risks. Also, active labour-market policies may create certain inequalities – this may result from selectivity in regard to access to labour-market programs, from unequal outcome for different participants, or from different outcomes for persons in otherwise similar situations who mainly differ in relation to whether they participated in a particular labour-market program or not. Wage subsidies paid by the labour administration are one example of such labour-market programs, creating incentives for employers to hire workers with poor labour-market positions (i.e. hard-to-place workers). Gesine Stephan raises the question whether otherwise similar people in subsidised jobs receive more or less money than those in non-subsidised employment.

In conclusion, one thing has to be stated clearly: Labour markets and inequalities represent a subject that is far from having been explored extensively. Although we all possibly remember the extensive debates on labour-market segregation and segmentation, although considerable work is and has been done on wage inequalities, and skill-biased technical change is to quite an extent related to the subject of labour-market inequality, there seems to be at least three major areas where knowledge is lacking: Spatial segregation may be one of them, with the dynamics of labour-market inequalities as the second overlapping one. We’ve learned a lot about the dynamics of the labour market, but we still don’t know enough about selectivity and inclusiveness of

those dynamics: Who’s being taken up by those dynamics and who is left behind? This counts in a spatial sense, when we observe that young well-educated women leave rural eastern Germany, leaving behind a mostly elderly, less educated and male population. But this also counts in a vertical sense, if we look at the recent labour-market boom before 2009, where almost no short-term unemployed were left in the labour market, but reemployment dynamics were much lower in the long-term segment of the unemployed. A third subject, at least from the perspective of sociology and political economy might be, how, where and when chances for sustainable upward mobility really do occur – be it by climbing the wage ladder, by becoming an entrepreneur or by improving one’s educational status. Referring to Claus Offe’s emphasis on legitimacy of inequality, a core question of legitimising social and economic inequality is the extent to which individuals really can improve their social position, or to what extent they are pinned to the position of their parents or their own biographical starting point. And then, this begins to significantly move towards Colin Crouch’s agenda to extend the labour market and inequality research to the markets’ institutional and cultural “environment” – including families, education systems and, of course, labour and employment. We hope this issue of the ZAF will stimulate our readers’ own ideas on how to approach the fascinating and highly relevant questions of labour, markets and inequalities.

Extension of the editorial board

With Thomas Hinz, Professor for Empirical Social Research at the University of Konstanz, Martin Biewen, Professor for Statistics, Econometrics and Quantitative Methods at the University of Tübingen, and Martin Abraham, Professor for Sociology and Empirical Social Research at the University of Erlangen-Nuremberg, we were able to win three excellent scientists for the editorial board of the ZAF.

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Joachim Moeller and Markus Promberger