

**Debate**

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**Informalizing the Economy: The Return of the Social Question at a Global Level****Jan Breman and Marcel van der Linden**

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**ABSTRACT**

The classical conceptualization of the working class, of workers' collective action and, especially, of trade unionism, was implicitly or explicitly based on the Standard Employment Relationship that, for a few decades, has been dominant in North America, Europe, Japan and Australasia. The 'classical' model of collective bargaining, which has shaped the world's traditional labour movements, was based on this conceptualization. However, it is now increasingly undermined by the rapid spread of 'informal' or 'precarious' labour in the global North. It is our contention that the 'classical' view of the working class and workers' collective action is fundamentally biased and takes as a norm or standard what was in fact an historical exception. The real norm or standard in global capitalism is insecurity, informality or precariousness, and the Standard Employment Relationship is an historical phenomenon which had a deep impact in a limited part of the world for a relatively short period of time. If, as we argue, the 'Rest' is not now becoming like the 'West', but the other way round, then the 'traditional' forms of collective action that have developed in the North Atlantic region during the last two centuries are gradually losing much of their impact. New forms of collective action are emerging, though these are often still at an embryonic stage. It is, therefore, high time to rethink the concept of the working class and the ways in which it can further its interests.

**THE RISE AND FALL OF LABOUR RIGHTS AND SOCIAL SECURITY IN THE GLOBAL NORTH**

From the start of the twentieth century, the plight of the working class in western Europe and other advanced capitalist countries began to improve, offering a solution to the poverty and bad living and working conditions brought about by the industrial revolution. As Karl Polanyi has shown in his seminal book *The Great Transformation* (1944), this change was unavoidable, since the dynamic of an unfettered commoditized economy is self-destructive. A prominent feature of the emerging system was regular

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and regulated work based on a formal labour contract. The development was uneven and differed from country to country, but the upshot was that terms of employment became more favourable, frequently offering a minimum wage, protection against hazardous work, the introduction of compulsory education, a shorter working day, a higher rate for overtime, annual leave, a ban on arbitrary dismissal, the opportunity to appeal, and other measures to give labour a stronger bargaining position. These improvements had mainly been achieved through collective action (or the elites' fear of collective action; see de Swaan, 1988), and non-unionized workers also enjoyed the benefits they brought. Better education played an equally important part in strengthening the negotiating power of the working population. Social housing and greater opportunities for leisure emphasized the rising living standards of the urban proletariat.

The introduction of social security provisions, including paid sick leave and medical insurance, pension rights, unemployment and disability benefits, widows and orphans' support, supplemented after World War II by child benefits and an old-age allowance, often extended to a large segment of the population and made an important contribution to raising their standard of living. In the righteous jargon of politicians and policy makers, this was known as care 'from the cradle to the grave'. An important feature of the turn for the better was the building up and expansion of a sizable public sector as the cornerstone of a social order that was materialized in more decent and dignified conditions of work and life. The first steps towards this public economy were taken in the late nineteenth and early twentieth centuries, with the establishment of municipal utility corporations for gas, water and electricity, and for garbage and sewage disposal as well as sanitation. Cooperative housing societies, the postal and telephone services, public transport and communal insurance authorities were set up to cater to the commonweal. And to top it all, public health and public education became schemes of welfarism. The creation of the welfare state was inextricably linked to the emergence of public institutions, public space and public agency. The flipside of a steadily expanding public sector was, of course, higher taxation (though income-differentiated) and increasing bureaucratization.

It was the combination of two trends that was crucial: the assertion and consolidation of labour rights, and the growth of a public sector offering social security arrangements. For the working classes, especially, the third quarter of the twentieth century was a time of social emancipation. The progress achieved in this period was not limited to an increase in purchasing power and access to a wide range of consumer durables. Opinion is divided on whether this growing prosperity reduced the distance between the haves and the have-nots but we tend to believe that it did. In this assessment, greater prosperity also led to reduced social inequality, not only structurally but also

culturally.<sup>1</sup> The massive scale of the public sector was the outcome of a trend of social levelling, reflected in the disappearance of extreme poverty and excessive wealth. Public displays of both were considered embarrassing. The dynamics of this progress entailed the integration of the more skilled and better-off segments of the workforce into the middle ground and prevented the wealthy upper layer from escaping from the now broadened mainstream society. West European politicians told their voters that ‘they had never had it so good’, and they were right in important ways.

The contentment that this great leap forward brought did not last for long. In the final quarter of the twentieth century, the tide of progress began to turn. This reversal was not only economic in nature, but also social. Inequality returned, in both a structural and an ideological sense. It is as yet too early to draw any conclusions about the impact of the turnaround or how these dynamics will further play out in future. A sharp decline in employment has been accompanied by the diminution of steady jobs, wage payment based on quantity and quality rather than time worked, and promotion of self-employment and self-provision. The economy of informality that has gained the upper hand has also led to the dismantling of the welfare state. Vulnerability has replaced resilience and extremes of wealth and poverty have returned. Both are represented by classes that appear to become excluded from mainstream society. At the top, this exclusion is voluntary, at the bottom it is enforced. The public sector — healthcare, education, housing, insurance, utilities and transport — has been seriously enfeebled, or to be more precise, has been liberalized. Post offices have closed and their services are now provided by private enterprise. The collective action that used to be the organizing principle of the social struggle has been replaced by intra-class competition and rivalry on the basis of ethnicity, race or creed. Deprived neighbourhoods are now inhabited by ‘strangers’, newcomers from other countrysides than our own. They have flocked to our cities and now have to find their place in a social system that categorizes many of them as members of a new underclass. While the economic blessings of the free market are widely praised, its high social costs are systematically ignored. ‘More’ and ‘less’ have once again come to mean ‘better’ and ‘worse’, ‘higher’ and ‘lower’.

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1. There is a contradictory logic at work here. On the one hand, as Rosa Luxemburg (1985: 765) observed, trade union actions reinforce differentiation amongst the working class, because they ‘raise out of poverty the upper vanguard of the industrial proletariat capable of organising, condensing and consolidating them’, thus enlarging the distance between the upper and lower layers of the working class. On the other hand, trade union action may stimulate states to pursue policies that reduce social inequality.

### INFORMALIZATION AS A MULTI-SITED STRATEGY

The process of reshaping did not occur overnight but had already begun a few decades ago. The full employment capitalism that came about in western Europe with the beginning of World War II lasted until the end of the 1960s and culminated in a Standard Employment Relationship which benefited a significant part of the workforce in the Western economies. Its main features were:

- continuity and stability of employment;
- full-time job with one employer only at the employer's site of business;
- a wage that enabled an employee to support a small nuclear family (employee, non-employed spouse, one child) without falling below an acceptable living standard;
- legal rights to representation, protection and participation/codetermination;
- social insurance provisions based on the length of employment and the level of previously earned income.

During the *trente glorieuses*, as this period of boom was known in France, unemployment dropped to barely 2 per cent of the workforce. Real wages increased and resulted in higher living standards for the labouring classes in western Europe. The progress that took place cannot be ascribed only to the post-war economic high-tide; it was also bolstered by the political need to match provisions which the workforce in Comecon countries gained during the cold war era. Capitalism was marching on resolutely but still had to confront the rearguard fight of socialism. The steps forward which materialized throughout western Europe facilitated an expansion of the welfare state and the rise in prosperity augured the beginning of a wave of mass consumption. It marked the decades that national governments were still autonomous in fixing the exchange rate of their currency, were free to decide on the flow and investment of capital, and could raise tariff walls to restrict the import of goods and services.<sup>2</sup>

A new international division of labour that slowly arose saw the exodus of major industries, such as textiles and shipyards, to the tiger economies in Asia. The collapse of the Bretton Woods system in the early 1970s signalled the end of the boom and the phasing out of full employment capitalism. The concomitant growth in labour productivity, the result of more advanced technologies substituting labour for capital — first automation, followed by informatization and robotization — meant that the *relative* surplus population, as defined by Marx, swelled and spilled over into an *absolute* labour surplus population, or what the economic historian Paul Bairoch (1988: 466) has called 'overunemployment'. The switch that was going

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2. For a long view on these developments, see van der Linden (2014).

on was not immediately detected because another crucial change was happening simultaneously: a sectoral redistribution of economic activity that transformed Western societies from industrial into post-industrial ones. It was a restructuring that encouraged working classes to reach up to a more sumptuous lifestyle and a swelling wave of mass consumption appeared to vindicate the aspiration for upward mobility. By contrast, in much of the global South large segments of the low- or unskilled workforce were never or only partially lifted up to full citizenship. The outcome, for the time being, was a sharpening of the wealth–poverty divide between ‘developed’ and ‘developing’ countries.

Since the 1980s flexibilization has also become the organizing principle for labour policies in the West.<sup>3</sup> These reforms limited the scope to provide unemployment benefits at the margins of the labour market. Both trends — the disappearance of full employment and the growth of the tertiary sector — resulted in what are classified as precarious labour arrangements. It is the same outcome which outside the Western economies is labelled as the informalization process. A striking difference is that until quite recently precarization of waged work (understood as workers becoming dependent on circumstances beyond their control, uncertain, contingent, unstable, insecure) was regarded as atypical in the West, i.e. as a temporary lapse from the general practice of full-time jobs (van der Linden, 2014). Such modalities are not at all exceptional anymore, although the workforce is not yet prepared to accept and adjust to the retrogression experienced in the labour market. There are those who continue to deny that precarization in Europe is rapidly increasing or that part-time work and casualization are invariably exploitative forms of employment (Munck, 2013: 752–3). We find the evidence provided for that appraisal not very persuasive. In 2012, youth unemployment had risen to 37.7 per cent in Portugal, 53.2 per cent in Spain, and 55.3 per cent in Greece,<sup>4</sup> while a major part of the workforce in southern Europe is underemployed and has become flexibilized to hire-and-fire practices. Even in Germany, usually regarded as a society where the Standard Employment contract endures, the trend towards casualization is clearly visible.<sup>5</sup>

It would certainly be misleading to suggest that the regime of informality can be written up as a one-size-fits-all kind of model. While due notice has to be given to its variability according to place and time, some traits make

3. For an inventory of recent legal changes in European countries, see Clauwaert and Schömann (2012).

4. Figures from [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Youth\\_unemployment](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Youth_unemployment) (accessed 4 July 2014).

5. A recent report published by the research wing of the Deutsche Gewerkschaftsbund concludes that ‘In recent years in Germany there has been an ongoing trend that began in the 1990s: more and more employment relations belong to the so-called “atypical” forms. By this one usually means part-time employment, mini-jobs, temporary work, and employment limited in time. Against this, standard employment relationships tendentially become less frequent’ (Wagner, 2010: 8).

up the core of this mode of employment. Breaking up the new labour regime of informality/precarity into its composite features results in the following shortlist.

- Replacement of permanent and full-time employment by casualized and part-time jobs. The implied flexibilization is a major component of the labour contract leading to hire-and-fire at short or no notice, withdrawal of protection against dismissal and a progressive scaling down of out-of-work benefits. Quite unexpectedly we find ourselves using terms such as occupational multiplicity, which used to belong to a non-Western landscape of labour.
- A steep fall in wage levels and low or no compensation for rising costs of living. The decline is obfuscated by a changeover from time-rated to piece-rated employment or task work.

Wage shares have fallen in virtually all OECD countries, with decreases typically being more pronounced in continental European countries (and Japan) than in the Anglo-Saxon countries. In the advanced economies (all high-income OECD countries except South Korea) the (adjusted) wage share has, on average, dropped from 73.4 in 1980 to 64.3 per cent in 2007. The data for Germany are very similar (72.2 to 61.8); the decline is somewhat stronger in Japan (77.2 to 62.2) and a little weaker in the USA (70.0 to 64.9). Overall, real wage growth has clearly lagged behind productivity growth since around 1980. This constitutes a major historical change as wage shares had been stable or increasing in the post-war era. (Stockhammer, 2013: 10)

- Outsourcing and subcontracting. These have become widely prevalent and are routinely resorted to in order to bring down the cost of labour. Spending time in main and second jobs is no longer an employment characteristic of developing economies. Deals closed offshore as well as onshore lack transparency and invariably result in huge losses of regular jobs. Large numbers of employees are instantly retrenched without further ado but may also be hired back as temporary staff at much lower pay and without fringe benefits.
- Substitution of waged work by self-employment. The transition from industrialism to post-industrialism went together with an increase of self-employment, mainly in the tertiary sector of the economy, but that trend has been much strengthened by the growing lack of waged employment. In the EU27 group of countries, one out of seven workers already falls into the category of self-employed.<sup>6</sup> Self-employment is promoted with an appeal to petty entrepreneurialism and fosters a *petit bourgeois* mentality also insisting on self-provisioning and self-representation. Rather than agreeing that self-employment among the labouring poor is in most cases considered to be work opportunity of the last resort, in the assessment of the World Bank it is the rational

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6. Figures from [http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_social\\_policy\\_equality/migrant\\_integration/indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_social_policy_equality/migrant_integration/indicators) (accessed 4 July 2014).

behaviour of entrepreneurs who decide to escape state regulation (World Bank Group, n.d.).

- Lengthening or shortening of the workday, work week and working life as part of the flexibilization policy. The increasing irregularity goes together with flexibilization of the workload also for tenured employees who are forced to join constantly changing ‘project teams’ and no longer have a fixed workplace.
- Drastic cutbacks on secondary benefits negatively affecting social protection and social security. A wide range of allowances and provisions are curtailed or withdrawn.
- Relaxation of control by official agencies on compliance with legally proscribed terms of employment and conditions of work.

To sum up, while the regime of informality has always been the dominant mode of employment in the developing world, the Western economies now also demonstrate a strong trend towards informalization or precarization of working class life (see also van der Hoeven, 2010).<sup>7</sup> This tendency has been much strengthened and accelerated by the global economic crisis since 2007/08.

## THE REGIME OF INFORMALITY

What are the highlights of this regime defined foremost in terms of work and labour? The essence is a type of waged employment thoroughly flexibilized and unregulated by public intervention. There is nothing to prevent the degradation of labour to a commodity, pure and simple, that is unprotected and can be bought at the lowest possible price and only for as long or as short as the labour power is required. ‘Hire and fire’ is the *modus operandi*. One of the authors has carried out research over the last four decades on this employment modality in rural and urban India: more than 90 per cent of the country’s half a billion workforce is now exposed to a regime that offers no job security, no work security and no social security (Breman, 2013a).<sup>8</sup> The backdrop to the emergence of this work regime is a major shift in the sectoral balance of the economy leading to the exodus of labour in vast numbers from agriculture and from the rural hinterland that had been the mainstay of livelihoods from generation to generation. The origin of the informal sector, as it became known in the early 1970s, can be found in the influx into the urban economy of land-poor and landless peasants for whom no industrial jobs were yet available. The initial perception was of a

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7. We are not implying, though, that the precarious workers in advanced capitalist countries constitute a separate ‘class-in-the-making’, as Guy Standing (2011: vii) has recently argued. For critiques of Standing’s approach, see Breman (2013b), Munck (2013) and Palmer (2013).

8. For an informative essay on Brazil’s informalized economy, see Carleial and Malaguti (2000–2001).

pre-capitalist mode of production which eased the switch from a traditional rural-agrarian way of life to a modern urban-based one (Hart, 1973). The informal sector was looked upon as a buffer that would disappear in the process of capitalist development resulting in progressive urbanization and industrialization. In a reappraisal which began in the early 1990s, however, the informal sector was no longer considered as a time-bound problem and a transitional circuit. Rather, casualization and self-employment were considered to be conditional to successful economic growth. Informality was not meant to fade away but was to be encouraged as the best path to progress.

Has the policy of informalization, so vigorously pushed by the World Bank and other financial agencies operating in the transnational realm, resulted in more employment and less poverty? In 2012, the World Bank proudly claimed that halving the global poverty rate, as pledged under the Millennium Development Goals (MDGs), had already been achieved in 2010, five years ahead of schedule (World Bank, 2012: 9). But in highlighting this success, the Bank failed to mention that the poverty line, fixed at one dollar per capita per day in 1985, had been raised to just \$1.25 in 2008 to account for inflation — a figure that remained substantially below the amount required to safeguard purchasing power parity. In fact, the inflation-adjusted equivalent should have been \$1.815 per day or \$ 55.18 per month for 2005. Fixed at this level, the global poverty reduction would be just 20.45 per cent over a period of twenty years (Pogge, 2013). Even that result has to be mainly attributed to China's contribution, made manifest in an impressive record of growth and employment. Thus, claims that the MDGs have been met rest on the basis of fabricated statistics. A similar myth about the benefits of informalization for the generation of employment lingers on, while the spectacle of jobless growth should haunt the caucus of politicians and policy makers eager to perpetuate the gospel of market fundamentalism. Increasing pauperism at the bottom of the world economy — a much neglected phenomenon in monitoring the impact of growth and development — attests to the growing redundancy of labour first in the global South and now in the world at large.

What has been the impact of the informality regime in the countries where classical capitalism originated? It would be unwise to deny a pervasive and still growing mood of restiveness in mainstream society, not yet clearly targeted and not knowing whom to confront and to what purpose. The current recession is widely considered to be a temporary setback, an uncomfortable phase that has to be passed through until 'normality' is restored. It dictates the terminology in which the political class is apt to address its volatile following. Isn't that precisely what has happened before, and not once but again and again? The crisis this time is deep and long, temporary sacrifices are therefore inevitable, but by closing ranks — at least the ranks of all those who are part and parcel of our commonweal — bouncing back to business as usual is just a matter of time. The policy makers dealing with the crisis



are reluctant to reflect on the geopolitical changes going on at the global level. Since these dynamics are in any case not under their control, beyond the reach of governance, they deem it best not to pay too much attention to them in their chosen course of action.

Does this mean that labour standards prevalent in the West will become similar to those in, for instance, South Asia? The attempt to draw direct parallels is misconceived in many ways, not least sector- and skill-wise. The terms of informality in the world are of course situational, locally determined, and not uniform across time and place. Heterogeneity prevails and the degree to which both labour rights and social security do (still) exist in different parts of the world can differ significantly. Whatever the local context, they do not necessarily decrease, stagnate, or grow in parallel. It is highly unlikely that the freefall that has started will lead immediately to labour in the Western world joining the ranks of the masses toiling and sweating at the bottom of the global economy. After all, the downward slide of the working classes in west European countries is mitigated by a labour order that has been able to resist and moderate the most brutal forces of capitalism for one century. That is a period of substantial length that must have had a meaningful impact on social consciousness. The welfarist order was laid down in a corpus of labour laws and an institutional frame based on serving the interests of both factors of production, labour and capital, in deliberations mediated by public governance and structured in a way which necessitated an attitude of give and take on both sides. This was the tripartite model in which the trade union movement and labour parties were major stakeholders and which guaranteed a modicum of industrial peace and compromise. The benefits reaped in past decades have dwindled away but not yet disappeared, and their remnants constitute a safety net of sorts for a growing number of people at the bottom of the heap who 'still have access to free or cheap medical services, exiguous but guaranteed pensions, residual unemployment relief and a vestigial system of public education' (Judt, 2010: 29).

The main burden falls on the lowest and the poorest masses in the globalized workforce. Indicative of their victimization in the onslaught of predatory capitalism are factory fires, building collapses and mine disasters, resulting in many hundreds of casualties, which occur in South Asia, China, Africa or Latin America but hardly ever (anymore) in Europe or the USA. It doesn't seem too farfetched to argue that labourers engaged in either the formal or the informal economy in the West contribute to the exploitation of their work mates in South Asia. Slaving for a pittance in Bangladesh or Pakistan helps to keep down the real wages of Dutch workers who can only afford to buy garments, crockery, gadgets and other consumer durables made in Asia at rock bottom prices. The differentiation in standards notwithstanding, the regime of informality has hit the West with full force and is making serious inroads into all sectors of employment.

**RETREAT OF THE STATE**

States are crucial codeterminers of labour rights and social security arrangements. The doctrine of neoliberalism insists not only on a much reduced government apparatus but also on a shrinking of the public sector which is now considered to be antagonistic to individual wellness. Self-interest and competition are the driving forces of privatization and do not easily tolerate collective forms of agency. Rather than going along with the argument that the state has retreated from the arena of economic activity, the more pointed assessment would be that the state has given up its brokering presence in the conflict of interest between labour and capital. Having mediated, until recently, between the more immediate stakeholders — in the settlement of disputes, the building up of a complex machinery entrusted with the implementation of labour legislation, surveillance of capital transactions, backing up demands for profit sharing, etc. — the state continues to play an important role in economic policy, albeit in a more explicitly partisan way, serving the interests of capital and one-sidedly promoting free enterprise. Capital is moving around without control but also in a manner which defies transparency. The Netherlands, for instance, has become a haven for tax evasion with the connivance of state authorities but the details of how and by whom are not disclosed. The fading away of public authority is not restricted to employment issues but can also be seen in the assault on social welfarism. The role of the political elite was critical in bringing about a wide variety of care arrangements; it has been no less crucial in dismantling the welfare state about a century later. It should be noted that, from the very beginning, capital did not contribute much to the budgetary burden required for building up an all-inclusive system of social security and protection. The redistribution that came about has been described as socialism in one class, a restructuring of incomes within the working classes that only marginally affected capitalist relations of production and distribution.<sup>9</sup>

In fact, a good case can be made for arguing that the welfare state helped to expand capitalism in western Europe. At the height of the welfare state, Ernest Mandel had already warned that such a regime, in combination with mass consumption, was going to be a short-term reprieve limited to a minority of mankind. His prediction was that the steady rhythm of expansion required would exclude 'three-quarters of the countries of the world from all chance of success in such experiments. At most, these can find a momentary success in about twenty countries (the United States, Canada, Australia, New Zealand, Japan, and Western Europe), which account for less than 20 per cent of the world's population' (Mandel, 1968: 21).

There is no doubt that the way in which welfare states operated added much to the legitimacy and strength of trade unionism. Its leadership

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9. This was the essence of a comment in a United Nations document (UN, 1950: 148); see also Panitch (1976).

became a major stakeholder in the regulatory mechanisms of public welfare. Collective action did not focus merely on labour rights but also on the promotion of social security and protection of the workforce and their households. The pretext for phasing out public amenities is that they have become prohibitively expensive, but the spiralling financial cost is to a large extent due to the privatization of the public domain over the last few decades. Public healthcare, public housing and public education have been sold off and are now run at much higher profits by private capital. Likewise the once-public corporations charged with utilities, housing, transport, sanitation and safety and security have been bargained away. People growing old shy away from seeking expensive medical treatment for their increasing health problems, and youngsters who invested in schooling and skilling themselves at a higher level have to enter the labour market saddled with debt.

At the same time, more is at stake than figuring out what is in the best interest of the calculating citizen. When employment conditions improved, real wages went up and the welfare state came about, it was also realized that the trajectory followed would result in a progression of equality. This is why the working poor are the prime victims of casualized employment and the break-up of the welfare state. Adults are increasingly unable to consolidate the progress made, and their offspring face a bleak future. The state has failed them. Their sense of betrayal is acute and finds expression in a deep distrust of a political elite that promises protection but has instead withdrawn rights that were fought for. When adversity strikes in the shape of unemployment, illness, disability or old age, people without the means to hire help will have to fall back on cost-free care provided from among their circle of family members, friends and neighbours. Intergenerational support is eagerly canvassed but reluctantly granted, since the social fabric has become thin and fragile and ill-equipped to deliver what is minimally needed. Healing the damage done will not be possible without the restoration of public space.

## **GROWING INEQUALITY**

The response of state officials and politicians to the outbreak of the financial crisis in 2008 might be described as groping in the dark. Their repeated message that 'recovery' is just around the corner finds few takers among a citizenry that has grown wary of false prophets. What should be even more worrisome for the future of democracy than a general loss of credibility and trust in the political establishment is the highly uneven impact of the steep fall in income. Inequality within countries has been increasing for several decades. The OECD has reported that income inequality in its thirty member countries has widened since the mid-1980s (OECD, 2008). The 2011 report on income inequality from the same agency, *Divided We Stand*, documents that the gap between rich and poor in OECD countries had

widened continuously over the three decades to 2008, reaching record levels. Moreover, inequality increased more over the three years to the end of 2010 than it did in the previous twelve years (OECD, 2011).

The drift towards class polarization has been given new impetus with the ongoing crisis. Impoverishment and enrichment seem to be dialectically intertwined, each reinforcing the other in a centrifugal direction. A sizable underclass has emerged consisting of the unemployed, the lowly schooled and unskilled, labour which is physically or mentally vulnerable, immigrants and the undocumented (among them, in particular, second- and third-generations of ethnic minorities), the non-labouring poor (old-aged, disabled, sufferers from chronic diseases), homeless, vagrants and other misfits roaming around at the seamy fringe of society. We witness the comeback of the soup-kitchen and the pawnshop, lottery-sellers and beggars on the pavement. While throughout Europe governments continue to cut down on social expenditures and welfare provisions drain away, we see the return of poor relief handing out doles to this pauperized segment. *Distant suffering* (Boltanski, 1999) is no longer a faraway vista, but can also be seen at much closer quarters: 'Across the EU, 19% of children are at risk of poverty' and there are 'pockets of communities where joblessness is the norm — 10% of Europeans live in jobless households — and may span several generations'.<sup>10</sup>

High above this rapidly expanding lower echelon are the moderately to opulently rich: bankers and corporate business executives, the free professions of lawyers, accountants and medical consultants, financial wizards such as big shareholders and stockbrokers, rentiers, drug dealers, top sportsmen and women and other performing professionals. Within the greedy class we also come across the managers of privatized enterprises handling what used to be the business of agencies in the public sector: housing corporations, health-care organizations, board members of educational establishments. Many of them are erstwhile politicians, high-ranking officials and trade-union bosses who have stepped down from their public jobs to make lots of money. It is an odd amalgam of big-time earners, appropriating a disproportional part of the national income. The regime of informality does not remain limited to labour and employment issues but is of equal significance in the capital circuit. The suggestion that financial transactions are by definition formal in nature is deeply flawed. Providers of capital are often not held accountable for their shady deals and evasive tax declarations of cost and benefit. The lack of transparency, made manifest in widespread fraud, corruption and a black money circuit, is not an unintended but a preconceived consequence of informalization. It also means, of course, that accumulation is difficult to trace.

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10. See <http://www.eurochild.org/en/policy-action/child-poverty-in-the-eu/index.html> (accessed 4 July 2014).

What happens to the fabric of democracy in the trend towards more rather than less economic and social disparity? In a recent report, the World Economic Forum observes that ‘widening income disparities’, ‘persistent structural unemployment’ and a ‘diminishing confidence in economic policies’ could lead to huge rebellions (WEF, 2013). Branko Milanovic, the lead economist of the World Bank’s research group, said that ‘severe income inequality could fuel mass migration and popular uprisings’ (reported by CNBC, 2013). To what extent traditional labour movements in general and the international trade union movement in particular could play a role in such protests is debatable.

### **THE CRISIS OF THE TRADITIONAL LABOUR MOVEMENT**

Since the mid-1970s, the increasing prominence of financial institutions has further weakened workers’ bargaining position on a global scale.

Financialisation has had two important effects on the bargaining position of labour. First, firms have gained more options for investing: they can invest in financial assets as well as in real assets and they can invest at home as well as abroad. They have gained mobility in terms of the geographical location as well as in terms of the content of investment. Second, it has empowered shareholders relative to workers by putting additional constraints on firms and the development of a market for corporate control has aligned management’s interest to that of shareholders. (Stockhammer, 2013: 7–8)

Financialization has probably been the major cause of the declining wage share in advanced, emerging and developing countries. It has also resulted in the current global crisis, which has much invigorated the dramatic shift from a thoroughly formalized economy to an informalized one in an advanced stage of capitalism.

What is called a crisis of capitalism does not harm capital in general, which is bailed out at the public cost and by workers’ sacrifices, but should be seen as a crisis caused by the refusal to adhere to decent labour standards and social security arrangements. What then is the reaction to the collapse of employment and welfare experienced by a large part of the population in the West, the working classes in particular? Shock and awe, but also confusion and bewilderment, having no idea how to handle what is going on, what to do or where to go. Massive popular mobilizations have taken place in southern Europe and in Ireland, sometimes larger than anything seen since the 1940s. But this widespread social protest has not yet led to a strengthening of more permanent organizational forms, such as trade unions. Trade unions are now ‘increasingly coming up against a brick wall’; strikes, even ‘general’ strikes, are largely seen as ‘impotent protests no matter how high the participation rate and how strong public sympathy is’ (Lehndorff, 2013). Many younger and older workers reject the labour movement’s established hierarchies, although they have not yet succeeded in building alternative structures. Substantive solutions for the current problems

Table 1. Trade Union Density in Advanced Economies 1960–2010

Country	1960	1970	1980	1990	2000	2010
Australia	50.2	44.2	49.6	45.2	24.5	18.0
Canada	29.2	31.0	34.0	34.0	30.8	30.0
France	19.6	21.7	18.3	9.9	8.0	7.9
Germany*	34.7	32.0	34.9	31.2	24.6	18.6
Italy	24.7	37.0	49.6	38.8	34.8	35.5
Japan	32.9	35.1	31.1	26.1	21.5	18.4
South Korea	–	12.6	14.7	17.2	11.4	9.7
Spain	–	–	18.7	12.5	16.7	15.6
Sweden	72.1	67.7	78.0	80.9	80.1	68.9
UK	40.4	44.8	50.7	39.3	30.5	27.1
USA	30.9	27.4	22.1	15.5	12.8	11.4

\*West-Germany until 1990

Source: ICTWSS database, Amsterdam Institute for Advanced Labour Studies (AIAS).  
(<http://www.uva-aias.net/208>)

seem to be missing. In our opinion, the prevention of collective action should be seen as a major accelerator in the drive towards informalization.

The social media have become a platform for instant responses to events and are accessed for exchange of information, but they provide an outlet that does not solidify into concerted action. Strikes that do occur are often intended to draw attention to the precarious predicament of lowly paid and unskilled segments among the working poor. The dearth of a collective and sustained front is a telling comment on the rapid decline of trade unionism, as shown by decreasing union densities (see Table 1), indicating that also in terms of organizational representation, the workforce in developed countries is coming closer to the regime of informality which operates elsewhere in the world.

Traditional working class solidarity was related to an industrial society prone to articulating collectivity in the arduous struggle for emancipation. Flexibilization results in growing stress and decreasing trust among fellow workers. Of course, the ethos of free enterprise is of an altogether different nature and insists on acknowledging nothing but the well-comprised and singular self-interest. Individuation easily boils over into alienation and the loss of social bonds needed for successfully manoeuvring in the labour market has made that precept more relevant than ever. The closing down of factories or offices may occasionally lead to occupation of the worksite but it is a form of agitation that soon peters out. Employees unable to deal with the stress of a heavier workload are weeded out for early dismissal by their bosses — and indeed by their own work mates. Progressive marginalization is the fate of all those condemned to a future life of unemployment. Loss of job flows over into acute disenfranchisement from citizenship. There are undoubtedly niches of solidarity left behind but they are grounded in primordial attachments along network boundaries that require prior and inside information to land a job. While in the lower echelons of the economy,

coping behaviour (at best) dominates, higher up a mentality of resilience and ambition prevails, especially among the young, upcoming and educationally better qualified generation (Standing, 2011). It is also in this milieu that merit and an acquisitive individualism are praised above all other talents.

Thwarted by colonial rule and late capitalist development, the organized labour movement in major parts of the southern hemisphere is of younger vintage. The trade unions set up in those countries recruited membership mainly from big industry and the public sector. Their fight for labour rights and social security benefits remained restricted to a tiny portion of the total workforce and the formal conditions of employment that this small frontguard came to enjoy were abrogated when the tide of informalization began to swell. As a result, the established labour movement lost much of the space it had gained, often in bitter struggles, in the preceding decades. The International Trade Union Confederation, founded in 2006, is dominated by the unions of the developed countries, and must, despite its declared 176 million members, be considered a weak force, representing less than 7 per cent of the world's labour force (ITUC, 2014: 2).<sup>11</sup> The largest organization outside the ITUC is the All-China Federation of Trade Unions with roughly 230 million members; however, the ACFTU should not be seen as a 'real' and independent union, but rather as a transmission belt of the country's Communist Party and state bureaucracy (Bai Ruixue, 2012; Ching Kwan Lee, 2007).

#### **DRAFTING A NEW AGENDA FOR CLASS-BASED ACTION**

Göran Therborn (2012) has rightly observed that Europe can no longer provide a global perspective for emancipation, development and justice. In framing an outline for further analysis and action our point of departure is that efforts to contain capitalism within national or even regional boundaries are going to remain futile. Neither would it be realistic to expect that the current mode of runaway capitalism will be tamed by a sudden resurgence of effective public governance at the supra-national level given the absence of an equivalent of the state globally. We see no other option than a strategy aiming at the formalization of labour rights which also has to be formulated and acted upon at the global level. Since capital has transcended the nation state in its operations, labour will fail to turn the tide against the regime of informality/precarity as long as it remains unwilling to confront its opponents worldwide. Of course, that will be easier said than done.

A common minimum programme intended to find wide acceptance is a major step in this direction with the overall objective to hold capital accountable for its contribution to decent and dignified standards of labouring lives. The first article of the short catechism would be to fix a minimum

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11. The ITUC's *paying* membership is about 120 million (ITUC, 2009: 13).

labour price indexed to the variable cost of living. It is a recommendation in line with the floor wage campaign already going on. A second feature of no less importance is to insist on employment which is not flexible but regular, dependent not on what capital wants but what labour needs: proper jobs rather than endless drifting around short term work-sites. The final claim concerns the universal right to social security and protection against adversity. The common denominator of all these desiderata is to hold capital accountable for the condition of labour whether it is employed or not.

The basic needs approach, born out of the World Employment Programme launched by the ILO in 1976, was a policy recipe for addressing absolute poverty. The list of provisions was on the conservative side — healthcare and several other vital human needs were not listed — and redistribution remained limited to sharing in growth, not touching on existing wealth. Due to donor resistance, mainly by USAID and the employers' lobby, the attempt to bring employment generation and the social question back onto the policy agenda failed miserably. What we have in mind are, of course, much more radical reforms than the WEP envisaged. The tripartite mandate of the ILO itself would not tolerate their implementation; it is an agency without teeth, deprived of the authority to enforce the conventions agreed to. This shows the kind of resistance with which all efforts to strengthen labour rights are going to be met in the international arena, but the urgency of the task ahead makes it imperative that we continue those efforts. The obstacles are formidable: redressing the extremely tilted labour–capital balance cannot be restricted to raising the voice and clout of the dominated factor of production, but will have to be accompanied by harnessing and downsizing the privileges attached to the dominating force of economic activity, such as, for instance, the levy of a tax on financial transactions.

It is clear that in the struggle ahead the unequal distribution of private property (land holdings first and foremost) and power, and the loss of public control over sources of livelihood, should be ranked at the top of the agenda for social action. The dismantling of the Western welfare state coincides with an attempt by the most important BRIC countries — China, India and Brazil — to introduce social security schemes for the working and non-working poor (Kannan and Breman, 2013). We consider these state interventions to be of utmost significance for the beginning of public welfarism.<sup>12</sup> These policies will have to be framed in a spirit of austerity: the short spell of ebullient consumerism, caused by an unrestrained mode of capitalism which has already gone beyond the carrying capacity of the planet, should come to an end forthwith. The political space gained needs to be backed up by collective action of the targeted classes in the global setting. 'Workers of the world unite!'. The realization of that rallying cry is more urgent and relevant now than ever before; but is it more likely to happen?

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12. For a critical appraisal of these provisions to which conditionalities are attached with regard to how the cash transfers are to be spent, see Lavinias (2013).



### THE SOCIAL QUESTION FRAMED IN A GLOBALIZED SETTING

The traditional labour movement has not yet found an adequate strategy for dealing with the continuously growing precarious segments of the working classes. Attached as the old organizations are to collective bargaining, they do not know how to handle employees who work for several employers at the same time, who change jobs every few days, and who have a very weak bargaining position to begin with.

In the advanced capitalist countries, the progressive deterioration in labour terms and conditions is felt but it has not yet resulted in a mindset willing to acknowledge solidarity across the North–South divide, for instance identifying with the down and out in South Asia. There may be a sense of compassion with the men, women and children working (and dying) in the textile mills of Bangladesh, India and Pakistan. But this sentiment is not expressed in a spirit of shared exploitation, the realization of jointly suffering from a political economy in which the tenets of market fundamentalism remain the driving force. The notion that the regime of informality/precarity has come to stay has not yet sunk in. Neither is much thought given to the question of whether, under the script and praxis of a predatory capitalism, there will be enough gainful work generated to satisfy the needs of mankind at large.

Under these adverse circumstances, political radicalization often tends to have a reactionary streak. The social void left by the breakdown of the traditional labour organizations is partly filled by atavistic movements which want to cordon off society — spuriously contemplated as a classless, homogeneous community — from the threat of alien infusion. It is a kind of populism fuelled by a retrogressive mindset favouring isolationism and xenophobia. In Europe the *Blut und Boden* (blood and soil) jargon has indeed a stark fascist slant; it feeds on sentiments which resist integration in a united Europe and reject forces of globalization even more strongly in an ideology that brazenly postulates fundamental inequality between creeds and races. There seems to be a close relationship between the unfettered free market mechanism and religious or ethnic fundamentalism. The rightist backlash is targeted against ‘outsiders’ as the enemy in our midst. ‘Hijacked by populist nationalist entrepreneurs, the public signification of traumatic experiences of disenfranchisement and dispossession is . . . hegemonized, displaced . . . and projected onto supposed intruders into the national space and body politic’ (Kalb, 2011: 30). Is it nightmarish to predict the recurrence of a movement with a social Darwinist bent that has no interest in respecting universal human rights and blames the most vulnerable segments, once again, as the non-deserving scum? Isn’t the maxim of equality, the idea that all should share in the increasing wealth of nations, the root cause of the current crisis? There are also those who urge, in a more roundabout way, a policy of graded exclusion. The ILO’s *World of Work Report 2013* has aptly commented on the strength of negative perceptions among proponents of market fundamentalism who believe that public intervention in questions

of redistribution and workers' rights is antithetical to growth (ILO, 2013: Ch. 5).

In the somewhat longer run, only a drastically reformed and reorganized international trade union movement can offer a way out — not only striving for 'embedded markets' (Polanyi, 1944), but also for the abolition of exploitation in the Marxian sense (Selwyn and Miyamura, 2013). The building of such a restructured and more combative movement will be a difficult process, interspersed with failed experiments and moments of deep crisis. Organizational structures and patterns of behaviour that have existed for a century are not easily changed. Moreover, it is highly unlikely that new structures and patterns will be shaped through reforms from above, through the central leaderships. If there is one thing that history has taught us, it is that trade union structures almost never develop smoothly by means of piecemeal engineering. They are generally the outcome of conflicts and risky experiments. Pressure from below (articulated in competitive networks, alternative action models, etc.) will be of the utmost importance in deciding that outcome (van der Linden, 2008).

Our contention that the West is more likely to follow the Rest than the other way around is based on the rapid spread of informality from the global South to the Atlantic basin and other regions which could claim to be at the apex of development. The long-cherished idea that the nations of latecomers in the process of transformation will follow in the footsteps of the frontrunners, has not proven to be valid. Several critical differences that contrast with the restructuring of economy and society in the Western world during the nineteenth and early twentieth centuries can be identified immediately. Firstly, the man/land ratio is less favourable in contemporary Asia than it was in urbanizing/industrializing Europe, which results in a much higher labour redundancy, in agriculture in particular. Second, when Europe started to transform to industrialism, technology and production were still labour- rather than capital-intensive and even the large reserve army of either deserving or undeserving poor which then existed could be gainfully and permanently employed. Third, emigration to underpopulated regions in the world is no longer an option for the masses driven out of the countryside. The land flight currently going on in Asia, Africa and Latin America has produced desperate swarms of 'economic refugees' who are refused entry on other shores or who try to cross borders *sans papiers*. Last but not least, while the early industrializing state was prone to arbitrate between the interests of capital and labour, as Bismarck did to pre-empt massive social unrest, the state in Asia nowadays has to be seen as acting in collusion with what capital wants and does.

Even more important than such differences in initial conditions is the changing face of capitalism itself. At the high tide of the Third World frenzy, when countries were clubbed together under the banner of developmentalism, there were already those who drew attention to the dynamics at the end of that blissful trajectory: 'These theories say to Asians, Africans or Latin

Americans: what you are today, we have been in the past; you may become what we are today, but by that time we, of course, will be something else because we will have gone on' (Cohn, 1980: 212). Even that incisive criticism still held the trusted belief that the North–South divide would remain intact along national lines in a domination–subordination bind. Rather than following this received wisdom we want to forefront, along with Therborn (2012: 12–17) and several other authors, that the trend of growing inequality has shifted and is nowadays more acute *within* than *between* nations. In the twenty-first century 'the development of underdevelopment' regression seems indeed to be increasingly class- and not, as in the previous century, country-based. This major change in context is the outcome of the predatory nature of capitalism worldwide. As in the epoch on which Polanyi focused his analysis (nineteenth century Europe), the economy has once again become disembedded. At the globalized heights there is no public governance to reign in the freebooting operations of capital.

The dominant political and public opinion in the erstwhile heartland of capitalism is that economic recovery will have to be found along lines of the national state or at the regional (EU) level. It is the classical approach which calls for joining hands in a common front to overcome adversity in a social compact of unity. As the main 'partners', capital and labour are pressed to team up and work out a deal that implies concessions from both sides. Although the lip service paid to their joint interest is loud and clear, it would seem that those who act on behalf of capital are adamant that they will not meet their counterparts even halfway. Their argument is that to regain lost markets requires bringing down the price of labour substantially in order to become competitive again. Re-employment of the idle workforce is, for these dominating stakeholders, not a major priority; nor do they accept the claim that real wages should at least keep pace with growth of productivity. As pointed out above, the economy has managed to escape once again from social and political control but this time it has escaped beyond the boundaries of the nation state. The hegemony of capital at the global level remains uncontested, a consequence of the relentless determination with which the principles of market fundamentalism are upheld. The conditionalities of the labour policy which now dominates globally, with its stamp of informality/precarity, are dictated by the providers of capital who refuse to be held accountable for the interests and needs of the working classes. Whatever their size and wherever located, the working classes are trapped in a trajectory of exploitation and forced together into a race to the bottom.

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