The Crisis and the Left – Crisis as Capitalist Opportunity

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Ursula Huws is, amongst other things, the director of the social and economic research consultancy Analytica. As part of NLP's series of pieces around this year's *Socialist Register – The Crisis and the Left* – Huws spoke to NLP's Ed Lewis about her contribution to the volume, 'Crisis as capitalist opportunity: new accumulation through public service commodification'.

Ed Lewis – Could you give us an overview of the argument you give in the article?

Ursula Huws I think the left, certainly the British left, has very much focused on seeing the financial crisis as something to do with banks and something to do with financialisation and the finance economy. All the political action that we've seen recently - including the Occupy movement, whom I support absolutely – is all focused on how the banks are the baddies, how to change the banking system, how to make it responsible etc, etc. There has been very little focus on what's been happening in what one might call the 'real economy'. That's a complicated phrase to use: people used to talk about finance capital and industrial capital, as if they were two quite distinct things, which they probably were 100 years ago, but the reality is that industrial capital behaves more and more like finance capital. We've got transnational companies with parent companies in tax havens, creating an internal global space around which they move their profits, not paying any tax whatsoever, and behaving increasingly like banks.

But nevertheless, there is such a thing as a real economy, in the sense that capitalism actually relies on producing real commodities, which are consumed by people in the real world and produced by people in the real world, to use a somewhat old fashioned phrase. Capitalism, irrespective of what the banks are up to, periodically runs into crises due to the falling rate of profit and too much accumulation. This isn't a new insight - Rosa Luxemburg wrote very eloquently about how capitalism always needs to be expanding outside itself. Her great insight is that you need new markets outside capital - because - surplus value must be extracted from the workforce - it will never be the case that all the workers can buy all the goods that are produced because the total amount of their wages will always be less than the value of these goods. So capital has to find new markets outside itself, like expanding into parts of the world which are pre-capitalist, of which there are very few left in the world. It also has to expand outside itself for other reasons. It has to find new sources of compliant labour, which will demand less; it has to constantly find new sources of raw material. It's also increasingly, in this day and age, needing to find new places to dump the detritus that results from all this production of physical stuff (which is growing exponentially despite all this rhetoric about the 'weightless economy'), in fact, more and more physical stuff is being produced round the world than ever before in history. But capital also constantly needs new things to commodify. This is what Marxists call primitive accumulation. In the past new commodities have come from aspects of nature, from the human body – generating new commodities through, for instance, drugs or cosmetic surgery. Capital is enormously inventive in its ability to generate new commodities out of more or less thin air. But I would argue that there is another sort of commodification also taking place right now.

Now, it's very clear that around the time of the financial crisis and linked to it in complex ways, there was another crisis going on in the real economy. If you look at the statistics for the year 2006-2007, for instance, you see that there was a more rapid concentration of capital going on than ever before. In that year, the market share of multinational companies went up dramatically. They also increased their share of world employment. And mergers and acquisitions went up to record levels. But while this huge concentration of power of transnational corporationsin the global economy was going on there was actually a fall in real investment in new production – what is known as 'green field investment'. There was all this money sloshing around, there were all these companies buying other companies, and there was a huge growth in terms of the share of global production levels held by TNCs, the share of employment in the world that was dominated by them – but they were only gobbling up existing capacity. They were cannibalising other companies, there was not enough new production going on. So there was a crisis of accumulation. Where could the new commodities come from?

Now one of the trends that had actually been going on, rather unnoticed for at least the last 15 years or so, was that one of the biggest fields of expansion for multinational companies has actually been the public sector. The commodification of public services isn't a primitive accumulation in the sense that we know it, of generating new commodities out of areas of life that were previously outside the money economy, like domestic labour or the body, it is actually a commodification of the collective assets of the working class. Because what the welfare state is, if you like, is what workers over the last century managed to claw back from capital. It's their share of surplus value that was re-appropriated by our parents and our grandparents, very heroically actually – not making short-term economistic demands, but demanding things for the whole working class. This is now what's being expropriated. And so for these TNCs, the financial crisis was kind of like Christmas - this wonderful opportunity for forcing governments to commodify huge new swathes of the public sector, to create a new field of accumulation of capital in the name of cutting public budgets to balance the books.

Let's talk about the process of commodifying public services. How does it occur?

The commodification process you can see in a broad historical way. It's a process that takes several steps. First of all, we have to recognise that all economic activity is based on human ingenuity, skills, knowledge and creativity. They are necessary to any economic process at all. In the first stage of commodification, processes have to be standardised. If they're not standardised, you have what's in effect a sort of craft production – the skilled guy who makes a basket, say, and then he makes another basket and then he makes another – but the production costs of each basket are the same. As soon as you've got a standardisation of labour processes and the possibility to introduce a division of labour, the capitalist can invest money in the machinery that mass produces baskets and the workers are reduced to units in the production line, producing lots and lots of individual baskets. The profit on any given basket multiplies according to how many you sell, which is fundamentally different from pre-capitalist, pre-commodified craft production, where however many baskets you make, you make the same profit per basket. It's that logic of mass production which to me is the essence of commodification. And it doesn't just apply to physical goods, it could apply to something like an insurance policy, which can equally be a commodity.

Most public services actually involve a lot of tacit labour which isn't easy to standardise, and so it's quite a long and difficult procedure to standardise the processes in such a way that they can be produced on effectively a production line basis, using less and less skilled labour. So the first stage is codifying the tacit knowledge of the worker, and standardising that knowledge in such a way that instead of the worker using his or her initiative and creativity and skills, it's done in a completely standardised and replicable way, which can be done by increasingly unskilled workers.

Once it's standardised it can also be managed by results. So you get this introduction of performance indicators or whatever, so workers, instead of being paid a salary and being trusted to do what they do in a professional and committed way (public sector workers tend to be extremely committed, if we're looking at uncommodified public services that have been delivered for their use value) is increasingly evaluated by what she or he produces, measured by these performance indicators or targets or whatever. And once the work can be managed by results, it can be outsourced. It can be done by anyone. All you have to do is count the results, and set targets for 'X number of hip replacement operations' or 'X number of visits to the care home' or whatever it is. So the kind of standardisation that goes on in a factory, let's say, can then be applied to public services, so stage one of commodifying public services is standardising, and increasingly that standardisation isn't just taking place within a national context. We're talking about companies here that have a global division of labour. So there's standardisation that underpins that, includes international standardisation (ISOs) that set minimum quality standards or specify particular procedures and there's a need to make sure the qualifications are recognised globally, so work can be done anywhere in the world by people with the right skills. Either you can send the work overseas, which is called offshoring, or you can bring in migrant workers to the work.

So stage one of the commodification process is standardisation; stage two, managing by results. Stage three is when you can disaggregate processes and organisations. You can carry out a task anywhere in the world, where you've people with the right skills and where you've got infrastructure to deliver it, because it can all be managed remotely. So what effectively you do is you introduce a global value chain into parts of the economy that historically didn't have them. What we've seen in the last 15 years or so – partly because of the end of the Cold War, partly because of the global introduction of information communication and technology, partly because of the defeat of the working class in most of the developed countries, at least in the private sector – we've seen effectively the creation of a global reserve army of workers.

Because of the standardisation, many of the things that are provided to the public sector, such as IT support or payroll processing, are increasingly pretty much the same as the services that are provided to the private sector. And we've got this new breed of multinational corporations that has grown up to supply these outsourced services, that have their own internal global division of labour, where you get some of the work done in developing countries, some done near where the customer is. They have an enormous flexibility, in terms of whether they bring migrant workers in, bringing workers to the jobs, or whether they send the jobs to the worker. Increasingly these companies also have a global space within which to operate that enables them to avoid paying tax.

These companies have, for at least the last ten years been explicitly targeting the public sector, but in a way that's rather invisible. Because services tend to be seen as peripheral functions, what happens is this – let's say a government department decides to outsource its cleaning, the civil service union thinks 'well, cleaners aren't our core workforce, we think it's a pity, we'll do what we can, but basically who we're worried about are the tax inspectors etc'. So increasingly, more and more groups of workers are being peeled off the public payroll and outsourced and becoming employees of the global companies, and in a lot of cases when that happens, it happens very invisibly, because it's done through a transfer of personnel. They don't actually sack people, they say 'oh we'll give this contract to Accenture or Serco or Siemens Business Services or Cap Gemini' or one of these companies. But they still need the skills of these workers, at least in the first stage. So, for instance, suppose a company gets a contract to do outsourced IT support, you will find in that company workers who have been transferred from the civil service, from local government, from the

BBC or from Barclays Bank or from a manufacturing company like Fujitsu, all sitting working alongside each other with different inherited working conditions.

Now, the union thinks it's done its job in protecting them because of TUPE[1] regulations which protects their terms and conditions when they are transferred. And so the issue for the unions often isn't 'let's fight outsourcing', it's 'let's make sure they've still got their pensions'or whatever, when they get outsourced to this company. But the thing is the TUPE regulations were designed for situations where there's a sort of one-off switch of employer, they were originally designed for a merger or acquisition situation. And what's happening with these contracts is that they're actually renewed every five years or so, and every time they're renewed there's the potential for another deterioration.

This process seems central to the creation of a casualised public sector workforce.

It's transforming public sector workers into private sector workers. But it's not just transforming their status, it's also turning them into employees of global companies which have a global division of labour, putting them into direct competition with workers from low-waged parts of the world with increasingly standardised working processes and thereby proletarianising them.

You said earlier that the financial crisis gave capital an opportunity to expand further into the public sector. How?

Because national governments were obliged to buy out the banks, this created a huge imperative to cut public sector budgets. This was seen by the new breed of multinationals, who see their future as lying in growing their markets into the public sector particularly, as providing them with a huge opportunity because they understood that the pressure on public budgets would be translated in policy terms into a pressure to outsource, as a way of saving money. Outsourcing is seen as a way of saving money, even though there are a lot of ways in which outsourcing doesn't save money. There has been a rhetoric that assumes that the private sector is more efficient, it's so embedded in people's minds as a kind of new common sense that says 'it will always be cheaper to outsource it'. So they saw this as a golden opportunity to make lots and lots of new contracts.

You have to remember that by 2007, public sector outsourcing in the UK was already a huge industry, it was an industry that accounted for 6% of GDP, bigger than industries such as food and drink (see figures in the article). It was already a huge sector, with very high value added, seeking to expand. If you look back at the documents that were produced before the crisis there was already a very clear consensus that getting into the public sector market was the way to expand for these business service outsourcing companies in particular, and also the labour only sub-contracting companies such as Manpower and Addeco.

Not only was this the main place to expand, but they particularly targeted health and education as their two areas with the biggest scope for expansion, and I don't think there's any accident that we're seeing, quite independent of the cuts, these initiatives that are intended to force open the door for, for example, American private universities to enter the UK market, and various other forms of private health and education provision in particular, but also other sectors. There is enormous scope for continuing expansion – 6% of GDP may sound like a lot but public spending all told is around 47% of GDP so the opportunities are huge.

What's the impact of this commodification been on workers?

Public sector workers have been the last remaining standard bearers for 'decent' employment opportunities. This is an oversimplification of course. But basically the workers who were smashed under Thatcher were private sector workers – you might argue that the miners were public sector workers but they were production workers. But public sector workers remained strongly unionized in most developed countries – in every EU country apart from Belgium, for instance, there's higher union density in the public sector than in the private sector. Public sector workers have better holidays, not necessarily better pay, but better work-life balance agreements, equal opportunities agreements. They've got good job security, they've got good procedural agreements.

They've also got more autonomy, often – the standardisation agenda seems to be about limiting autonomy, no?

Oh absolutely.

And all of these benefits have been steadily eroded. They're having to work to performance indicators, their procedures have been very much standardised, increasingly managed and disciplined by league tables and other numerical instruments.

So in a sense these developments affect public sector workers very directly, but they affect all otherworkers too because all workers have benefited from the benchmarks that have been set by public sector workers. Moreover, the current developments don't just affect all workers as workers. They affect the entire working class as the working class. Because what's been commodified is the collective assets of the working class, in the form of these welfare services that we've all fought for. So it's a sort of triple whammy if you like.

How does your analysis relate to the contemporary politics of the left?

Well, right now, there's a window of opportunity that won't be there for very long. In the first stages, when workers are transferred to outsourcing companies they're still needed, their skills have not yet been fully standardised. They haven't yet put their 10 most FAQs onto a database so that whatever casual worker who replaces them can answer queries. There's a process, even after the privatization has taken place, whereby they still have a bit of industrial strength because their knowledge has not yet been fully captured and codified. In this stage, many are still trade union members, and they're pretty pissed off at not being public sector workers any more, because they usually joined the public sector because they actually wanted to be public sector workers. They wanted to do a job that seemed useful to society and wasn't just making some company directors rich. And it seems to me that what the trade unions should be doing right now is they should having a monumental campaign to organize these workers, we should be taking on these companies.

There is an extraordinary irony here. The older generation on the left in Britain is mostly public sector workers – if we look at class base of the left, it's school teachers, it's social workers. In the '70s they were all desperately tying themselves into little knots trying to convince themselves they were members of the global proletariat. The argument then was 'let's take on the employers in the workplace, let's take capital on at its heart, that's where we've got industrial strength, where we can withdraw our labour and make a difference'. Now, suddenly, at last, well they really are becoming part of the global proletariat. But they seem to have forgotten this syndicalist argument. This is a historically unprecedented and rather brief window of opportunity, to actually do 'workers of the world unite' in a rather real way, and take on some of these companies.

Of course people on the left are being active in a variety of other ways. Including saying 'no cuts'. But 'no cuts' is the wrong slogan in my opinion. Arguing that the problem is cuts is to miss the point. Because it's not to do with the size of the budget – I mean obviously the size of the budget is an issue, I'm not saying don't fight the cuts – but just saying 'it'll all be alright if there's a bigger budget' is completely missing the point in terms of what's happening. In my opinion the slogan should at least be ‘no outsourcing. No cuts’.

There are actually quite big sections of capital whose interest is to have a big public sector. If you look at the publications of industry organizationsit’s absolutely clear that they’re worried about cuts insofar as it might mean smaller contracts, but they absolutely relish the cuts in the sense that it forces government departments to look critically at their budgets and look for ways of saving money and outsourcing. They love any argument that outsourcing is the main thing that’s on offerfor saving the money. And people on the left haven’t yet twigged that public services are now part of huge new field of accumulation for global capital.

So you disagree with the standard left narrative that the cuts are a class project on behalf of capital? Does the business class actually have an interest in an enlarged, but commodified, public sector?

They have an interest in an enlarged public sector, but only if that enlarged public sector has a compliant workforce, which is effectively part of a new, disenfranchised, global proletariat. Public sector workers are becoming part of this new, disenfranchised global proletariat and they should bloody well wake up to the fact and start organizing as such and stop trying to tinker with finding new ways of organizing the economy on behalf of capital. Maybe I’m just an old-fashioned syndicalist but it’s almost like people have given up on doing anything as direct and obvious as taking capital on at the point of production.

P.S.

* From New Left Project (NLP):
http://www.newleftproject.org/index.php/site/article_comments/crisis_as_capitalist_opportunity

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