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(Re)making labour markets and economic crises: The case of Ireland

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Abstract

The 2008 economic crisis has had significant impacts on labour markets around the world. In Europe, in particular, the need for internal devaluation within European Union nations in financial difficulty precipitated a wave of labour market reforms alongside the reform of welfare systems struggling to cope with high levels of unemployment. Various analyses have explored the nature of these changes separately for the labour market and welfare systems. Using a conceptual framework rooted in a political economy understanding the social nature of labour, this article takes an inclusive approach to understanding regulatory changes for both employed and unemployed labour. We do this using the case of Ireland, a country that went through a severe economic crisis, was subject to a European Union/European Central Bank/International Monetary Fund bailout in 2010 and witnessed one of the most significant labour market crises in Europe. The Irish case is instructive because it highlights both the range and depth of regulatory interventions utilised by the state during periods of crisis to deal with the social nature of labour and its role under advanced capitalism.

JEL codes: J01, J08, J48.

Keywords

Labour market reform, labour market regulation, workfare, labour and economic crises, public sector

Introduction

The causes of the 2008 financial crisis are now fairly well-established in the academic literature (Grusky et al., 2011; Lapavitsas, 2012; Mian and Sufi, 2015). The profligacy and

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over extension of the financial sector, particularly in the United States and Europe, coupled with a weak state regulatory apparatus, precipitated one of the worst global economic crises witnessed over the course of the last century (Baker, 2010). In the academic literature, there has been considerable scholarship on how the crisis has shaped public policy in the sociopolitical arena (Blyth, 2013; Peck, 2012; Peck and Theodore, 2015). In Ireland, the crisis had a profound impact on public policy. Social conditions in the nation were among the worst hit in Europe by the financial crisis, which precipitated a sovereign debt crisis and subsequent European Union (EU)/European Central Bank (ECB)/International Monetary Fund (IMF) bailout in 2010 (McHale and Moore-Cherry, 2017; Ó Riain, 2014).

While the global financial crisis has precipitated a pervasive change in state–labour relations globally, the impact has been particularly acute in economies such as Ireland that have been subject to international bailouts (Koukiadaki et al., 2016). It is imperative, therefore, to understand, interpret, and re-interpret the public policy response to the 2008 crisis at a range of spatial scales such as local, national, transnational and global (Martin, 2011). Of particular import to this article is how the Irish economic and resultant fiscal crisis led to a significant reconfiguration of state–labour relations in the immediate aftermath of the crisis. At the European level, Clauwaert and Schömann (2012: 66) have demonstrated that post-crisis labour market reforms have been widespread. Finding 'clear evidence of a "deconstruction" of labour law under the guise of the economic crisis', they specifically note that some EU nations used the crisis–falsely–to enact regressive changes to existing labour law. Similarly, Koukiadaki et al. (2016) also assess labour market changes in a selection of European nations but focus specifically on the impacts of changes on collective bargaining in the manufacturing sector, while Lallement (2011) interprets post-crisis labour market changes within the context of a Varieties of Capitalism (VOC) approach. In a wide-ranging European Commission review of labour market reform in the EU between 2000 and 2011, Turrini et al. (2014) highlight the scale of labour market reform across the EU after the 2008 crisis and note that core elements of reform focussed on active labour market policies, unemployment and other welfare-related benefits – all aimed at the creation of more flexible labour markets. However, they point out significant differences among nations and argue that understanding these differences may be instructive for future comparative studies across the EU. Despite the EU push for more flexible labour markets, Tridico (2013) and Tridico and Paternesi Meloni (2018) have found that EU nations with less flexible labour markets managed to stabilise consumption levels and aggregate demand during the crisis and thereby levels of unemployment. In Ireland, Culpepper and Regan (2014) have indirectly assessed labour market changes but have done so specifically within the context of understanding collective bargaining and the potential for alternative strategies.

While these analyses are timely, they fail to account for and link labour market reforms and restructuring with the social nature of labour which *necessitates* state intervention, regulation and re-regulation of the labour market to deal with endemic contradictions of capitalism. Our analysis fills this gap by utilising Offe's (1984) framework for understanding the social nature of labour under advanced capitalism in combination with Peck's (1996) subsequent adaptations. Our contribution is to explore the relevance of the framework for understanding contemporary regulatory restructuring of labour and labour markets within the context of the changing dynamic of state–labour relations in the aftermath of a crisis. Specifically, in relation to this framework, there is a notable absence of deliberation with respect to changes in state–labour relations beyond the labour market itself to include unemployed labour which is often treated separately.

In this article, we assume state–labour relations to encompass relations not only in the labour market itself (i.e. waged labour) but also unemployed (i.e. unwaged) labour in the welfare system. Using this inclusive approach necessitates a consideration of the social nature of labour in explaining the dynamic necessity of the state to regulate both unemployed labour and those in the labour market. Our analysis maps regulatory restructuring and (re)making of labour and the labour market to this framework which is utilised as the core basis for understanding the state's public policy response. In this sense, we argue that such an analysis may be instructive for restructuring in other nations because it provides a framework for understanding changing state–labour relations. The crux of our argument is that under market capitalism, the social nature of labour *necessitates* state intervention both in the labour market and in the welfare institutions in order to appropriately regulate labour and the endemic crises of capitalism. Beyond the aforementioned work, there have been no empirical studies that have utilised such a framework as a lens for understanding both labour market and welfare restructuring.

Our analysis utilises Ireland as a case study to apply Offe's (1984) framework. Ireland is an instructive case internationally given that its political economic system, while neoliberal in nature (Mercille and Murphy, 2015), has tended to follow a set of public policies that can be viewed as an 'in-between' case. In this regard, Kitchin et al. (2012) have noted that the Irish neoliberal model blends elements of American neoliberalism (minimal state, privatisation of public services, public–private partnerships, developer-/speculator-led planning, low corporate and individual taxation, light to no regulation, clientelism) with European social welfarism (developmental state, social partnership, welfare safety net, high indirect tax, EU directives and obligations).

For the Irish case, we focus specifically on the state's institutional response to both public sector labour and unemployed labour and specifically within the context of Offe's (1984) framework. The former is justified on the basis that right up until the onset of the global economic crisis, Irish public sector labour had collective bargaining rights with state employers under a national social partnership process. This process was terminated unilaterally in the crisis aftermath, triggering a reform of state–labour relations in the public sector (Hickland and Dundon, 2016). The focus on unemployed labour is due to the magnitude and extent of the regulatory challenge it presented in the aftermath of the crisis as well as the fact that unemployed labour has also been the subject of significant public policy reform (Roche et al., 2017).

The social nature of labour and labour reform

A core feature of contemporary capitalist labour markets is the general subordination of labour to the discipline of market regulation. Indeed, it is the clash between the requirement for market discipline and the social nature of labour that marks out the labour market as a landscape of ongoing struggle. More than 20 years ago, Peck (1996: 25) noted that capital's domination over labour could be seen more explicitly 'during times or in places in which labour's bargaining position is weakened' such as economic or fiscal crises. And in the case of labour market regulation, crises are often used as a means to reform labour and the labour market more broadly (Schulze-Cleven et al., 2017). Indeed, contemporary reforms have typically been implemented within the context of fiscal consolidation or austerity programmes to improve competitiveness by reducing labour market 'rigidities' (Koukiadaki et al., 2016) and enhancing labour market 'flexibility'.

The availability of workers is a crucial part of the production process under capitalism. Despite this, capitalism has an in-built tendency to undermine the very ability of waged labour to reproduce; its natural inclination is to exploit waged labour to the point where its very ability to reproduce is threatened (Keane, 1984). It therefore requires some form of non-market regulation to prevent the destruction of the labour pool (Harvey, 2007). Unlike other commodities though, labour is a relatively unpredictable input into the production process precisely because of its social nature. As Marx (1990) noted, capitalists do not buy workers themselves but their capacity to work; they buy their labour-power. This means that even after purchasing labour-power through the wage system, they continue to be dependent upon the worker to co-operate in the workplace if production needs are to be fulfilled. They are also dependent on the worker returning to work the day after being hired, providing notice of absence/leave, being satisfied with wages paid and so on, if production is to run smoothly. As a result, social relations in the workplace involve negotiating a fragile balance between two competing interests–control on behalf of the employer and consent on the part of the worker (Peck, 1996). The need to maintain this balance conditions the nature of workplace relations between workers and employers.

The fact that labour is socially embedded provides a useful basis for investigating the labour market as an instituted process. As Peck (1996: 24) notes, 'the character, purpose, and dynamics of this institutional underpinning are linked to the social character of labour itself', and it is this social character of labour that results in a series of regulatory dilemmas requiring state intervention. The social nature of labour and its reproduction has been illuminated by various scholars (Harvey, 2014; Offe, 1984; Peck, 1996; Peck and Theodore, 2015). Peck's (1996) research focuses on the social regulation of labour markets and points to four social processes that raise issues for regulatory intervention in the labour market precisely because of the social character of labour. These include (1) the problem of incorporating labour into the labour market; (2) the issue of labour allocation; (3) the imperative of labour control; and (4) the question of labour reproduction. This article is instructive for wider labour market analysis because it uses the first three of Peck's aforementioned regulatory issues to examine the re-regulation of the Irish labour market in response to an endemic crisis of capitalism (Harvey, 2010). The question of labour reproduction, while related, is beyond the scope of this article.

In the capitalist market, true commodities are produced at a rate that is conditioned by expectations around their demand and potential saleability on the marketplace. However, this does not apply to labour as a fictive commodity because its production is not dependent on demand conditions in the labour market; it is a function of a number of intersecting social, demographic, educational and economic decisions of households that is conditioned, to some extent at least, by contemporary social norms rather than labour market conditions (Peck, 1996). Because labour does not control the conditions and volume of its own supply, it is necessarily at a strategic disadvantage relative to capital in the labour market, especially during economic crises. On the contrary, the supply of capital can and is regulated and controlled by capitalists during crises; it can be withdrawn from the market and hoarded until such time as market conditions improve enough to entice its return. Labour is unable to wait outside the marketplace for conditions to improve because it is dependent on waged employment as a means of subsistence. As Offe (1984) notes '[i]ndividuals do not automatically enter the supply side of the labour market' (p. 92). During times of economic rupture (i.e. financial/economic crises, recessions), labour is essentially forced onto the labour market quite irrespective of the demand conditions for its uptake or use. The corollary is that labour is forced to adjust its expectations to the prevailing (negative) conditions of the labour market in the particular place in question.

This quandary presents itself as a difficult regulatory problem for the state because it is state policy and its institutions that attempt to govern the flow of workers onto the labour market. Offe (1984) outlines three aspects of this dilemma which stimulates non-market intervention by the state. It also allows us to identify and analyse more deeply, specifically in the case of the Irish public policy response to the labour crisis, the logic of state policy interventions via reform mechanisms in the aftermath of the crisis. These regulatory aspects are as follows:

1. The principle that those outside the labour market must be prepared to offer their labour power as a commodity on the market must be ensured and sustained;
2. The circumstances under which non-participation is permitted must be defined, organised and sanctioned by the state;
3. There must be a sustainable aggregate balance between waged and unwaged segments of the population.

The foregoing principles are the institutional means that establish, react to and continually adjust the parameters of the labour supply. Under changing socioeconomic conditions and changing labour market conditions, there is a requirement for continuous regulatory shift in institutional responses to prevailing conditions that adjust the flow of labour onto the labour market.

The readiness of workers to offer their labour on the labour market is largely secured by the fact that there are few possibilities of subsistence outside the system of waged labour. The normalisation of the waged system means that workers are conditioned, to a certain degree, to *want* to engage with the labour market (see Willis, 1981). As Peck (1996) notes, '[c]omplex processes of work socialization (operating within the family, the education system, and the wider community) serve to underpin *both* the economic necessity of waged employment *and* its social desirability' (p. 27). Ultimately, the conditions under which non-participation in the labour market are permitted must be closely regulated to ensure that non-participation is minimised. This tends to be achieved by designating specific social groups that can be said to have a legitimate alternative role (e.g. stay-at-home parent, those who cannot work) as well as through the creation of pernicious conditions under which non-participation can be accepted (i.e. for recipients of welfare).

Understanding Irish labour market reform

Since the formation of the Irish state until the late 1980s, the Irish economy generally had a history of economic stagnation relative to our European peers. This history has been outlined extensively by various scholars (Kirby, 2010; Ó Riain, 2014). Despite significant economic modernisation of the Irish economy by the mid-1980s, Irish gross national product (GNP) per head was only marginally more in 1986 than in 1970, highlighting the failure of economic liberalisation on its own to bring about convergence with other European nations (Teague and Donaghey, 2015). By 1987, when a new government came to power, the economic outlook was bleak with general government debt being 116% of gross domestic product (GDP). The new approach to achieving macroeconomic stability involved the introduction of a number of institutional innovations including social partnership (Teague and Donaghey, 2015). Social partnership became a central mechanism for moderating wage increases in the economy, encouraging worker productivity, maintaining an orderly industrial relations landscape (O'Donnell et al., 2010) and facilitating a wider accumulation regime (Teague and Donaghey, 2015). This together with the all-out embrace of the foreign direct investment (FDI) and financialisation of the economy over the subsequent decades would come to define Irish economic policy up until the economic crisis.

In 2007, Ireland appeared well placed to cope with an economic shock; it had a gross general government debt/GDP ratio of 25% and a sovereign wealth fund valued at c. €5000 per capita (Whelan, 2014). However, Irish banks had borrowed very heavily on international markets (Kelly, 2014). The downwards spiral in real estate prices meant that the value of property assets held by the main banks eroded significantly. However, the debts of the Irish banks were guaranteed by the state for an amount of €365 billion–2.5% of Ireland's GNP. The state used €64 billion to recapitalise the banks and pay bondholders and bought the bad loans issued by financial institutions through a newly established bad bank, the National Assets Management Agency (NAMA). The bank rescue was the costliest in Europe, representing 25% of GDP, or €9000 per capita, compared to an average of only €192 per capita in other EU countries. An IMF survey of 147 banking crises since 1970 concluded that Ireland had 'the costliest banking crisis in advanced economies since at least the Great Depression' of the 1930s (Laeven and Valencia, 2012: 20). By December 2010, Ireland had entered an IMF, European Union (EU) and European Central Bank (known as the 'Trioka') bailout with a total finance package of €85 billion EU (2014) primarily as a result of bailing out a banking system that had over-lent to development interests (Houses of the Oireachtas, 2016). The bailout package included conditions on labour market reform (Regan, 2012) and reform of labour market activation measures.

Between 2007 and 2012, the unemployment rate went from 5.0% in June 2007% to 15.9% in December 2011 presenting an unprecedented labour market crisis for the government. In this regard, Ireland's economic and fiscal crisis came hand in hand with an acute labour crisis. This outlines the extent of the labour market crisis and provides context for the urgency with which labour market reform was undertaken by the state. To provide a roadmap for the reader, we outline the Irish public policy response to the labour crisis within three sections related to our conceptual understanding of labour market

Table 1. Regulatory measures related to the incorporation of labour in Ireland.

Labour must be offered on labour market	Pernicious conditions of permitted non-participation	Balance of waged and unwaged segments
More stringent criteria for accessing unemployment welfare	Enhanced 'conditionality' and 'compliance'	More stringent criteria for accessing unemployment welfare
Broadening of 'activation' measures	Enhanced monitoring of unemployed	Different rates of unemployment benefit
Establishment of 'employment seeking' contract (work first approaches)	'Work first' approach – skills development secondary	Cutting of rates
Establishment of sanctions for non-cooperation	Internships – free employment/top up	Sanctions for non-cooperation
	Promotion of churning	

regulations, that is, in terms of incorporating, allocating and controlling labour. In the Irish case, the two main target areas for public policy reform focussed on unemployed labour and public sector labour. Policies targeting the incorporation and allocation of labour focussed mainly on unemployed labour while public sector labour was the focus of policies that heightened control over employed labour. Taken together, it is evident that labour was widely targeted in a multi-pronged fashion.

Incorporating labour

The aforementioned regulatory principles (1–3) intersect and overlap to condition the incorporation of labour into the labour market. State policies have a crucial role to play in the incorporation of labour into the labour market because the parameters of labour supply are substantially set and periodically modified by the state. Table 1 presents the core elements of the role of state policies for the incorporation of labour. We argue that in the case of Ireland, the core element of the approach to incorporating labour centred on the state's approach to reforming activation policy for unemployed labour precisely because the rapid rise in unemployment presented a major regulatory challenge for the state after the withdrawal of capital to the market sidelines.

Prior to the 2008 crisis, the basic features of the Irish welfare state were largely consistent with liberal welfare regimes albeit Ireland had a more generous level of welfare payment, a relatively high level of investment in active labour market programmes (ALMPs) and less use of sanctions and conditionality than the UK or other liberal regimes (Murphy, 2016; National Economic and Social Council (NESC), 2011). However, a significant feature of Irish social policy in the aftermath of the economic crisis was a major reform and restructuring of labour market activation programmes to deal with unemployed labour. Murphy (2016) has demonstrated how the roots of the Irish transformation were heavily influenced by a 2008 IMF review of Irish activation policy which was outspoken in the need to strengthen Ireland's approach to activation (Grubb et al., 2009). The review was cited in successive government and quasi-government publications focusing on activation programmes (see Department of Social Protection (DSP), 2012a; Kelly et al., 2011).

Altering the governance of institutions charged with dealing with the unemployed was crucial to maintaining the principle that labour must be prepared to offer itself on the market. In this regard, much of the changes that came did so via one major crisis period innovation in Irish labour activation policy – the DSP's (2012a) *Pathways to Work 2012–2016* strategy. The strategy was important for altering governance arrangements because it merged DSP income supports and FÁS employment services.[1] Up until 2012, the various state activation programmes were housed in a range of government departments and agencies. The changes led to all activation programmes being housed within the DSP. As part of the revised arrangements, a project plan for the development of a National Employment and Entitlement Service was approved by government in July 2011. It became known as Intreo, a new DSP service model developed to act as an integrated employment and support service. Indeed, its raison d'être was to integrate benefit payments with employment support services, thereby merging significant elements of state training and welfare policies. In addition, the new model also sought to develop a 'case management approach' to dealing with claimants. The effect of Intreo was to centralise not only activation programmes but provide the DSP with greater control over all aspects of labour market activation programmes. The new service had a number of characteristics which provided additional functionality for dealing with the unemployed (DSP, 2012a) as follows:

- Integrated services for benefits and employment support; a one-stop-shop
- Case management/client profiling
- Rights and responsibilities
- Engagement with employers
- Sorting links with education/training sector
- Control of fraud.

The Intreo model provided for new measures to be introduced to govern the unemployed including the introduction of client profiling, a rights and responsibilities contract as well as the provision of enhanced fraud control.

The new policy led to significant changes in how the unemployed interacted with the DSP and established a blue print for how future labour market activation programmes would proceed under the new strategy. Martin (2014) has noted that while Ireland in 2010 had above average public spending on ALMPs (1% of GDP compared with an Organisation for Economic Co-operation and Development (OECD) average of 0.65%), there was nevertheless little engagement with Public Employment Service (PES) clients at that time; rather, 'the Irish authorities left the unemployed to their own devices' (p. 16). This idea of unemployment benefit as an entitlement changed under the new strategy.

The new governance arrangement provided the possibility of establishing enhanced 'employment-seeking' conditions on the unemployed to receive benefit. Two specific aspects of the reform are important here: first, broadening the range of labour market activation programmes that focussed on enhancing 'employability'; and second,

	Your promise to us
•	I will work to secure employment at the earliest opportunity
•	I will work with the Department to agree my Personal Progression Plan
•	I will attend meetings to which I am invited by the Department
•	I will follow up all suggestions and take up any work placement, work experience and/or training/personal development places notified to me by the Department
•	I will inform the Department immediately if I find work, or if I am no longer available for work
•	I will treat the staff of the Department with dignity and respect and honour the confidentiality of my relationship with the Department
•	I will provide the Department with all information requested to assess any claim for income support
•	I will abide by the declaration in my Jobseeker's Allowance of Benefit Application Form

Figure 1. Claimant obligations to claim unemployment benefit.
Source: DSP (2012b).

establishing contractual obligations for recipients of unemployment benefit. What is new about contemporary activation measures is the significant broadening of their scope in the Irish welfare system. For example, in January 2008, only 210 people were on activation programmes other than the Community Employment Scheme (CES);[2] by November 2014 the numbers reached a height of 16,480. A series of new programmes were introduced including JobBridge, Tus, Jobs Initiative, and Jobpath, among others. The total number of people on activation programmes went from 52,136 in January 2008 to a high of 89,704 in March 2015. As of August 2017, there are still 51,065 people on activation programmes despite the drop in the unemployment rate from a high of 15.9% in January 2012 to the current rate of 5.3% (October 2018). The broadening of activation programmes has been done in such a way as to enshrine 'job search' and 'work first' principles into them (Murphy and Dukelow, 2016), highlighting the changing nature of the policy towards ALMPs after the crisis rather than the more *passive* systems that existed previously (Murphy, 2016).

Figure 1 outlines a claimant's promises to the DSP under the mutual obligations contract. It is formally referred to as a *Record of Mutual Commitments* and its text reinforces a 'work first' model rather than one focussing on training and skills development. But it goes further because it forces the unemployed to follow 'all suggestions' of DSP case officers irrespective of the suitability of those suggestions for the individual concerned. Such harsh measures are likely to not only act as a deterrent to seeking unemployment benefit but also serve to reinforce the social stigmatisation associated with being unemployed.

The second strand of the regulatory fix for incorporating labour centres on the maintenance of harsh conditions for permitted non-participation in the labour market (Peck, 1996). The need to regulate the conditions of non-participation centre on making them

Table 2. Basis for Jobseekers Allowance sanctions.

Disqualification from Jobseekers Allowance:
- Refusal of employment
- Misconduct/loss of employment
- Voluntarily left employment

Penalties:
- Refuses or fails, without good cause, to submit to an assessment of that person's education, training or development needs
- Refusal or failure to attend activation meetings
- Refusal or failure to participate in prescribed schemes, programmes or courses
- Failure to upload a CV

Table 3. Sanctions for recipients of jobseekers' allowance, 2011–2017.

	2011	2012	2013	2014	2015	2016	2017
Sanctions	359	1519	3395	5325	6743	10,867	16,451

Source: https://www.kildarestreet.com/wrans/?id=2017-09-11a.5187

difficult for those who either choose not to or cannot engage in the labour market and those excluded from it. Also important to creating pernicious conditions for claimants is the re-emphasis on 'conditionality' and 'compliance' in order to receive unemployment benefits. As mentioned already, the reform agenda forces claimants to 'fully engage' with unemployment and training supports 'as a precondition for receipt of their welfare payments' under their mutual obligations contract (DSP, 2012a: 9). As Murphy (2016) notes, behavioural controls are a relatively new feature of the Irish activation regime which was previously characterised by a more supportive and sensitive rhetoric. However, the passing of the Social Welfare Act 2010 permitted the application of penalties to jobseekers from April 2011; since then, payments can be reduced by €44 per week if a job seeker refuses an appropriate offer of training, declines an intervention, fails to attend scheduled meetings or drops out of the process. Indeed, the Act also allows for disqualification of receipt of job seeker benefit for up to 9 weeks if a recipient is on the penalty rate for 21 days or more; in extreme cases, individuals may even be banned from receiving job seekers allowance altogether. Since July 2015, job seekers can also be penalised for trivialities such as a failure to upload their curriculum vitae to the relevant government website. Indeed, the basis for sanctioning has also been widened considerably which has further eroded the right of non-engagement in the labour market (Table 2). All of this has resulted in a dramatic increase in the number of sanctions in the post-2008 era (Table 3); government figures show that the number of sanctions imposed on job seekers has spiralled more than tenfold between 2012 and 2017. It is particularly noteworthy that the number of sanctions has increased exponentially in recent years during a time when unemployment has dropped from 10.8% in December 2012 to 5.3% currently (October 2018) indicating a systematic shift in the regulatory regime.

The sanctions come hand in hand with the policy of 'more effective monitoring of jobseekers' activities with regular evidence-based reports' and the requirement to attend regular meetings; failure to do so may trigger 'sanction mechanisms for beneficiaries not complying with jobsearch conditionality' (Department of Finance, 2010: 21). Ideologically, all of this is important because it not only reinforces the principle of compulsion within workfare programmes but also makes the environment for recipients of jobseekers allowance hostile and unsupportive. Indeed, the principle of compulsion serves as a strong deterrent for both current and potential future welfare recipients that they will be placed in employment or compelled to make the transition from welfare to work through one or other of the labour activation programmes that are designed for that specific purpose.

The third element of the regulatory approach to incorporatimg labour relates to the need to maintain a sustainable aggregate balance between the waged and unwaged segments of the population. Peck (1996) points out that maintaining such a balance has 'both cyclical and structural components' (p. 28). Adjustments in Irish state policy towards the regulation of unemployed labour can be seen as a response to maintain this balance. This is typically achieved in two ways: first, by making the conditions for claiming unemployed benefit difficult and second, by minimising the costs of those on unemployment via job search and work first criteria, sanctions and establishing pernicious conditions for those in receipt of benefit. For example, in 2009, the rate of unemployment benefit was cut for the youth unemployed. Three different grades were introduced each with a different maximum personal weekly rate for the age categories 18–24, 25, and 26 years and above. There is currently a €90 weekly differential between the rate for 18–24 years and the 26 years and above category. While this policy has the effect of coercing the youth unemployed onto the labour market, it also serves to reduce the fiscal impact of absorbing unemployed labour during times of economic rupture.

Allocating labour

The matching of workers with jobs also necessitates regulatory intervention. Peck (1996) notes that an examination of labour market variables reveals two important points relating to the social nature of labour. First, the same social groups tend to suffer the brunt of the labour market disadvantage. Second, labour market disadvantage tends to vary more closely with ethnicity, gender and age than with education, training and skill. This means that theories that understand inequalities in the labour market based only on the human capital attributes of the worker (i.e. neoclassical theories) fail to understand that the matching of workers to jobs is inherently related to the social nature of labour.

One important element here concerns the introduction of instruments to profile claimants, ostensibly to better understand their needs. The Pathways to Work programme established a registration process where potential claimants complete a 'profile questionnaire' to 'enable a case worker assess their Probability of Exit (PEX) from unemployment during the subsequent 12 months' (DSP, 2012a: 12).[3] Personal 'progression plans' are then developed on the basis of a person's PEX score. Those with a high PEX are pushed towards job search, while the more problematic individuals with a low PEX (and those on benefits for more than 12 months) need 'more intensive one-to-one support from an experienced employment advisor' who directs individuals to work experience and training programmes. Government statistics show that by the end of 2013, all individuals (about 420,000) on the live register were profiled (DSP, 2013). Profiling claimants ensure that the welfare system (through labour activation programmes) processes the unemployed into a series of categories from the most to least ready for employment or most to least 'employable' and serves an important function for labour allocation. Put another way, the system performs an important regulatory function for employers by reordering the job queue to ensure an active and job-ready supply of workers for the labour market.

Controlling labour

The previous discussions are concerned with the regulatory issues associated with entry to the labour market. However, to realise workers' capacity to work, the consent of the worker must be enlisted in a way that also allows the maintenance of control over the labour process. Maintaining a balance between workers' consent and management control of the labour process is difficult to achieve solely by the establishment of an agreed wage rate; it involves constant negotiation around the nature of the labour process (i.e. the introduction of new technologies, new work arrangements) and the labour market itself (such as hiring and promotions decisions). As Peck (1996) asserts, 'in short, it is a *political process*' that presents itself as an 'intractable regulatory dilemma' which has no stable solutions due to the fact that the interests of capitalists and workers are perpetually at odds (p. 33, 35).

In the aftermath of the crisis, the Irish state also targeted public sector employed labour for reform in an effort to exert control over both the labour process and the labour market itself. In the case of the latter, changes in state–labour relations in the public sector came under the guise of a Public Services Agreement (PSA) between the government and public sector unions which were mandated under the 'structural reforms' laid down in Ireland's 2008 EU/IMF bailout agreement. The PSA emerged after the government and private sector employers unilaterally ended collective bargaining arrangements instituted under social partnership in 1987. It launched a package of reforms and a pay freeze in return for no compulsory redundancies between 2010 and 2014. The agreement sanctioned the introduction of a pension levy which reduced the proportion that the state as an employer paid towards workers' pension entitlements and simultaneously increased workers' contributions which amounted to a pay cut by proxy. This single reform represented a 7.5% reduction in taxable income for public servants and was in addition to an average 6.5% cut already taken in direct pay. While these reforms were partly progressive, targeting higher earners with greater cuts, they nevertheless can be juxtaposed with the failure to raise corporation tax rates on business. The PSA agreements also introduced a moratorium on recruitment and froze promotions within public sector organisations between 2011 and 2014 effectively removing career progression opportunities. These elements of the PSA were governed by an Employment Control Framework (ECF) for each sector in the public service. More specific elements of control meant that the PSA imposed harsh new measures on workers including mandatory 'flexible redeployment' of staff 'within and across sectors' of the public service and potentially in an alternative geographical location from where they were previously based. Management was also given greater surveillance powers to monitor workers' activities through the introduction of 'performance verification' aided by sector-wide 'performance management systems' (Department of Public Expenditure and Reform, 2010: 4–5).

In February 2013, the government reneged on the original PSA agreement that was to run until 2014 and unilaterally announced a revision of its terms under a new 'Haddington Road' agreement. The tactics utilised were interesting because the government 'consulted' with each of the major unions individually – deploying the age-old divide and conquer strategy – and established separate agreements on that basis. Unions that did not reach an agreement were faced with the possibility of even harsher alterations to pay and working conditions being imposed via legislation, and this ultimately resulted in all of the main unions eventually coming to an agreement with the government. Indeed, despite the scale of labour market reform, there was very little in the way of resistance from the Irish trade union movement during this period. In fact, despite the extent of the cuts imposed and the nature of the changes to working conditions, there was only 1 day of general strike action called during an unprecedented period of unilateral labour market reform. The proposals enshrined under the revised agreement included further direct pay cuts for workers of between 5.5% and 10% for workers earning more than €65,000 annually (and thus had a progressive element) as well as extending the timeline of the agreed measures (including the ECF) from 2014 in the original PSA to 2016 under the new arrangements. Moreover, the wide range of controversial measures included in the original PSA such as mandatory 'flexible redeployment' of workers was extended through 'workforce planning' and 'Workforce Action Plans' which 'support management in identifying skills shortages and staff surpluses within organisations …' (Labour Relations Commission (LRC), 2013: 9).

While the original PSA provided management with greater surveillance powers to monitor workers through 'performance management systems', the Haddington Road agreement entailed enhanced 'performance improvement actions plans' for individuals with 'performance issues that need to be addressed over a defined timeframe' (LRC, 2013: 12). When taken in combination, both the Croke Park and Haddington Road agreements resulted in the normalisation of greater levels of control over the labour process and wider public sector labour market by the state. These types of reforms reconfigure future expectations around pay and working conditions and, in effect, serve to reinforce employer control over the labour process.

Conclusion

This article has attempted to explain changing state–labour relations as a necessary response to addressing the ongoing regulation of labour, the labour process and the wider labour market under an acute crisis of capitalism. While the 2008 financial crisis precipitated significant labour market reforms across the EU, there has been little analysis of that reform that specifically considers the social nature of labour in its analysis. In this regard, our work may be useful to other scholars interested in understanding state–labour relations during periods of economic crisis. Our analysis has focussed on the regulatory changes for employed labour in the public sector as well as regulatory changes for unemployed labour in the aftermath of the 2008 Irish economic crisis with the aim of outlining the states' response to the regulatory issues associated with incorporating, allocating and controlling labour. Utilising Offe's (1984) and Peck's (1996) framework for understanding the social nature of labour provides a useful alternative to mainstream labour market analysis. Indeed, it is the very social nature of labour which requires regulatory intervention on behalf of the state on an ongoing basis and particularly during times of crisis. In this respect, this article has employed the framework developed by Offe (1984) and Peck (1996) and extended it to include contemporary analysis of the regulation of labour and the (re)making of labour markets in the case of Ireland. In doing so, we provide a holistic approach to understanding state instituted labour market and welfare changes.

For unemployed labour, the move towards more aggressive activation measures has served to reconfigure unemployment as primarily a behavioural issue rather than a structural issue associated with the wider economy. There has been a visible institutional shift in Ireland away from welfare principles of needs-based entitlement and universality to workfare principles of compulsion, selectivity and active labour-market inclusion (Murphy and Dukelow, 2016). Essentially, these changes allow the state to better manage the flow of workers onto the labour market in the future. Moreover, it is important to note that changes in how the state incorporates and allocates unemployed workers prior to their entry onto the labour market is likely to have important repercussions once unemployed workers gain employment. Changes to include enhanced conditionality and monitoring of the unemployed has the effect of lowering workers future expectations; pliant workers are more likely to accept lower wages and enhanced workplace monitoring if they have already experienced it while being unemployed. By the same token, changes to state–labour relations in the public sector serve to normalise 'flexible' working conditions throughout the labour force. It would be useful for future research to compare if the changes witnessed in Ireland are part of wider EU labour market restructuring. In the area of labour market activation, Turrini et al.'s (2014) research suggests that labour market activation and welfare benefits are two of the areas where rapid restructuring has been ongoing since the 2008 crisis.

The labour market changes in Ireland have not occurred in isolation but were part of a wider attempt to re-make labour markets in the aftermath of the 2008 global economic crisis (see Guardiancich and Molina, 2017; Koukiadaki et al., 2016). Adjustments in Ireland went further than many of its EU counterparts, due to the fact that Ireland's fiscal and economic crisis was much deeper than elsewhere. Indeed, Lallement (2011) has succinctly outlined the extent of labour market adjustment in the EU. However, he interprets labour market changes within the context of a VOC approach and thus assumes that labour market differences relate to the type of capitalist system in operation in EU nations rather than the structural necessity to regulate labour markets within capitalist systems. Indeed, it is the social nature of labour and the fact that the labour process is political that requires the need for regulation. In this regard, what Lallement's work does show is that nation-states that temper capitalism to a greater degree than those that do not tend to require less extreme regulatory intervention during periods of economic crisis. Nevertheless, this article has demonstrated that the task of incorporating, allocating and controlling labour are ongoing regulatory issues in capitalist economies that result directly from the social nature of labour and its incompatibility with the principles of market capitalism, irrespective of the health of an individual economy.

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Notes

1. FÁS was the state training and employment authority; it was abolished in 2011.
2. The Community Employment (CE) programme is designed to help people who are long-term unemployed and other disadvantaged people to get back to work by offering part-time and temporary placements in jobs based within local communities.
3. The Probability of Exit (PEX) was developed for the government by the Economic and Social Research Institute (ERSI), a government-funded think tank.

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