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The Role of State Regulation in Financializing the Employment Relationship: Activation Policies, Zero Hour Contracts and the Production of Low Pay

Introduction

Real wages in the UK have been falling consistently since 2010, the longest period for 50 years (Taylor et al 2014). Weak wage growth has persistently been outstripped by inflation, meaning workers have seen their real pay fall every year since 2008, back to the levels they were paid in the early 2000s (Monaghan et al 2014). This paper contextualizes this development by examining the relationship between labour market regulation, paid employment, and the State. It argues that the State has been a key agent in providing employment regulation that has allowed low paid and insecure employment to increase. Specifically it is argued that the UK's low wage economy is the result of regulatory choices, influenced by a political preference for financialization, even if such choices are often presented as being politically neutral. This is the result of a two pronged labour market regulation. First, the increased dominance of financialization over the last 30 years, which prompted deregulation in favour of big business. Second, deregulation permitting Active Labour Market Policies (ALMP) and Zero Hour Contracts (ZHCs) and their role in creating an environment in which low wage jobs flourish.

The role of the State is important in any such investigation as, since the 1980s, the UK state has become more interventionist in the sphere of employment relations, both for different reasons and in new ways (Howell, 2015). This role is evident in the sphere of work and employment, where the state has extended and/or modified the role it plays, yet also continued to form and shape the operation and regulation of labour markets (Forde and Slater, 2016; Gamble, 2010; MacKenzie and Martinez Lucio, 2014; Martinez Lucio and Stuart, 2011). The changing nature of the state and its interventions in employee relations has been covered elsewhere (Martínez Lucio, 2015; Howell, 2015; Rubery, 2015; Seifert, 2015; Lyddon, 2015; Nowak, 2015; Vidal, 2013; Moore and Tailby, 2015; Forde and Slater, 2016) and it has been demonstrated that the state has become 'more preoccupied with, and interventionist in, the regulation of class relations in order to facilitate a broad liberalization of work and employment relations institutions' (Howell, 2015: 2; Grady, 2010, 2013, 2015; Palley, 2013). Indeed, it has been argued that since the 1980s, financial considerations have taken a dominant and central position in decisions about how to both manage, and structure

the economy, as well as organizations, and that this has had profound effect on the nature and consequences of work (Kalleberg, 2015). Particularly, we see an environment where low wages and deregulation of the economy in favor of big business are naturalized.

Any evaluation of the role of the State in legislating for workplace regulation over the last 30 years within the field of employee relations requires an analysis of the changing political economy that underpins this regulation (Kalleberg, 2015), and the associated shift in political power from labour to capital. As such, this article uses the concept of financialization to present a theoretically informed analysis outlining how, via state regulation of the labour market and the employment relationship, financial capitalism has altered the underlying logics of an industrial economy. Financialization has been used a number of times by separate authors, and from different analytical perspectives. Here "financialization is identified as a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes" (Palley, 2013: 2). As such, financialization operates in three main ways: i) elevating the 'significance of the financial sector relative to the real sector, ii) transferring income from the real sector to the financial sector, and iii) contributing to increased income inequality and wage stagnation' (Palley, 2013: 3).

Thus, disconnection of wages from productivity growth is a key characteristic of financialization, which has led to wage stagnation, widening income and wealth inequality (Mishel et al, 2007). Moreover, this is also connected to a drive for labour market flexibility, which refers to the agenda for weakening trade unions – by making them less effective – alongside eroding labour market supports, such as employee rights, unemployment benefits, and employment protections (Palley, 2013: 23). This paper focusses specifically on this aspect of financialization, and explores how the State facilitates this via regulation that undermines labour, and how this links to increased income inequality. Though this is examined in a UK context, we can see financialization apparent in all industrialized economies (Power, Epstein and Abrena, 2003; Jayadav and Epstein, 2007).

There are two broad perspectives that distinguish between financialization as a long term historical growth of the financial sector and its power, and financialization as a particular stage or epoch of capitalism dating from circa 1980 (referred to as "financialized capitalism') (Sawyer, 2013). This paper adopts the position that rather than just representing a growth of

the financial sector in its operations and power, financialization is a particular stage of capitalism – 'financialized capitalism' – that we can trace back to the late 1970s/early 1980s (Sawyer, 2013). During that period, neoliberalism rose to prominence as some processes of 'financialized capitalism' were already underway; for example, the growth in volume of financial transactions, alongside some acceleration of previous processes such as deregulation, and the addition of some novel aspects, like securitization (Sawyer, 2013: 7). The argument is made that financialization has developed in different eras, intensities, and forms (Vercelli, 2013). The current era is one of 'financialized capitalism'; a defining feature of which is the relationship between the financial sector, and the real sector, which has changed in major ways, when compared to previous epochs (Esptein, 2005; Krippner, 2005; Sawyer, 2013). This paper analyses the emergence of low pay in the UK, the role of the State in facilitating this via particular types of labour market regulations, during this period of 'financialized capitalism'.

Before analysing the impact of employee relations regulation, and its impact on low paid work, this paper outlines the emergence and establishment of 'financialized capitalism'; discussing how this has led to the emergence of a 'financialized organization' and also a 'financialization of the employment relationship'. The paper then examines how, alongside the proliferation of ALMP and ZHCs, these two developments work collectively to create and maintain a low wage economy in the UK.

Neoliberalism, financialization, and the development of 'financialized capitalism'

Over the last four decades there have been significant developments in the capitalist mode of production in Britain, characterised by a move away from industrial and commercial capitalism in favour of financialization (Sweezy, 1997; Esptein, 2005; Krippner, 2005; Foster, 2007; Sawyer, 2013; Flaherty, 2015). It has been argued (e.g. Overbeek, 1993; 1998; Grady, 2013, 2015; Harvey, 2005) that neoliberalism is the ideology that underpins the era of financialization ('financialized capitalism'). McChesney (1999) notes that neoliberalism is "the defining political economic paradigm of our lives [and] refers to the policies and processes by which a relative handful of private interests is permitted to control as much as possible of social life" (p. 1). At the core of this development is a sharp turn in ideology away from the ideas that governed the post-war consensus of the corporatist period, and the introduction of new economic doctrines that repudiate the mixed economy.

However, just as the understanding of financialization is multifaceted and contested, so too is neoliberalism. Thus, we can acknowledge that neoliberalism informs the dominant mode of economic thinking, but understand that it does not operate as a rigid script – simply copied and reproduced – across different locations. Instead, it is flexible and open to local adaption and interpretation (Peck and Theodore, 2013; Mirowski, 2013; Ban and Blyth, 2013; Schmidt and Thatcher, 2013; Ban, 2016). As such, the role of the State is to translate the global script of neoliberalism into local language that can then be applied and understood in a given region. Dominant and global scripts (e.g. those espoused by World Trade Organisation and the World Bank about the importance of liberalization and flexibility of labour markets) are translated by the State at a local level, and this takes the form of policies and regulations, which then go on to shape the organization of political and social life (Ban, 2016). Moreover, the translation of neoliberalism in any local contexts reflects the intellectual history of that region, naturally encapsulating the local struggle for ideas and resources, and leading to varieties of neoliberalism (Eagleton, 2007; Ban, 2016).

The increased specialisation in finance of the British and American national economies, and the impact this has had on their role in the emerging globalised economy is a result of the influence of neoliberal economic thinking that developed during the 1980s (Pantich & Konings, 2009: 1). The logic of this new order is to liberate both state and citizens by empowering individuals to make their own financial choices for the future. Conversely, the Welfare State has been transformed, incrementally moving away from Keynesian and social democratic principles, in a bid to unburden the state of complex and expensive financial welfare arrangements.

The reconfiguration of the principles underpinning welfare policy has coincided with the downgrading in importance of industrial production in both Britain and the USA (Pantich & Konings, 2009). As will be shown below, this was prompted by a collapse in the profitability of domestic Fordism, which led to a removal of any legacy of corporatism in government policy. We could argue that the increasing importance of 'financial capitalism' as a source of earnings has reconfigured the state apparatus, policy and regulation, leading to intensified implementation and acceptance of neoliberal doctrine in general, as well as the practices of financialization in particular (Froud et al, 2006). As a result, we see the reduction of the

commitment to industrial capital and the welfare and economic structures that supported this variety of capitalism (Grady, 2013).

It has been argued elsewhere (e.g. Grady, 2010, 2013, 2015; Lafferty, 2013; Price, 2015) that neoliberal policies have tended to be so successful because they are able to construct alternatives as being beyond the realm of what is considered possible – there is no alternative. Lafferty (2013) suggests that,

> "Perhaps neoliberalism's greatest ideological achievement has been the discrediting of alternatives – which allows austerity programmes to be presented as the only way out of crisis. The most enduring achievement of neoliberalism in this respect is a world in which the pursuit of private capital accumulation has become not only acceptable but celebrated, through the erosion of alternatives" (p.185).

Furthermore, neoliberal economic policy is also widely promoted by global institutions, such as the World Bank and the International Monetary Fund (IMF), which, over the last thirty years, have transported neoliberal, free-market, economic policies around the globe, particularly targeting developing economies (Chorev and Baab, 2009). For example, it has been argued that the rules of the World Trade Organization (WTO) operate as "a patchwork of universalistic neoliberal principles and particularistic exceptions" (Chorev and Baab, 2009:477), and that such promotion of neoliberal policy is evident in the WTO's sponsorship of policy reforms that affect the interests of diverse groups in the industrialised world, including organised labour.

The popularity of neoliberal based economic planning acts to construct behaviour within its frame of reference as normal (naturalised), whilst constructing life outside of a neoliberal political and economic framework as undesirable or unworkable (Chorev and Baab, 2009). For example, even when, to quote the former Chairman of the US Federal Reserve, Alan Greenspan, 'the fundamental flaw in the edifice of market economics' is revealed; recourse to solving economic problems is still sought by the application of neoliberal, market-based solutions, regardless of how discredited they may be (Brown, 2010). In sum, despite the evidence that neoliberal policies do not work, the perceived necessary medicine is more neoliberal regulation. It is argued in this paper that a similar logic is evident in the regulation

intended to tackle low pay in the UK, and that the pursuit of financialization of the employment relationship and labour market has exacerbated low pay, rather than solve it. In her 2015 article outlining changing themes in the field of employee relations, Rubery acknowledges that financialization is a key trend; a development she attributes to political choices to deregulate, decollectivize and depoliticise the employment relationship. Thus, the outcomes of financialization are caused by the application of financialization – it is not a naturally occurring phenomenon, as it is often presented due to the naturalisation of financialization and neoliberal logic. In her discussion, Rubery argues that financialization calls into question 'what work or labour is for' (2015: 634) as value is no longer sought from the production of goods and services, but rather from finding other ways to realise financial value.

In order to allow this to happen financial markets have been deregulated, but also integrated in the UK economy (Rubery, 2015: 639). This occurred alongside the decline in manufacturing, and the turn towards a service-based driven economy; thus we see a corresponding movement from 'production values to financial values' (Rubery, 2015: 640; Ackroyd and Murphy, 2013), and the pursuit of shareholder value (Thompson, 2003). This development is also discussed by Thompson (2003) in his Disconnected Capitalism Thesis, where he argued that financialization becomes a key driver of corporate and workplace change, which in turn undermines the stable conditions necessary for workplace-based productivity bargains, and investment in human capital.

Therefore, financialization underpins a type of corporate governance normativity that in order to increase shareholder value, is reliant upon a reconfiguration of workplace relations, which worsen conditions for employees (Thompson, 2003; Ireland, 2005; 2009). A by-product of reshaping the focus of the economy, financialization has also led to a shift from high quality, high skilled, high pay work, to low skilled and low pay work, characterized by limited workplace security. Appelbaum, Batt and Clark (2013), in their analysis of the financialized business model of private equity, argue that money is made through extracting value from other stakeholders including customers, creditors, suppliers and employees. In this context, low pay work is a result of the state's application of financialization through regulatory frameworks, and the subsequent impact this has on corporate behaviour, and workplace change, as outlined by Thompson (2003), in their pursuit of a new accumulation regime as they pursue other ways to realise financial value.

The state, therefore, as a 'market making institution' (Polanyi, 1944), has played an important role in the development of financialization in the employment relationship (Rubery, 2015; Grady, 2013; Daniels and McIllroy, 2009). This can be seen, for example, in the "encouragement of more 'individualized' employment contracts over collective agreements" (Forde and Slater, 2016:592). In responding to what the neoliberal ideology actually calls for, which is not the liberalization of markets as is often suggested, but the diffusion of market relations into all aspects of the economy and social life, the role of the state has been heightened. Martin (2002) alludes to this, noting that the influence of financial calculations and judgments in regulation and State decision making has reshaped institutions on the model of the market. The state is now expected to provide coherence and cogency to neoliberal capitalism (Plant 2012) and manage class relations; whether by attempting to limit and smooth conflict or intervening decisively in order to overcome resistance to liberalization (Howell, 2015). For example, in the UK, neoliberal policy prescriptions urging "disinflationary monetary policies, deficit reduction, partial dismantling of the welfare state, [and] flexible labour markets" were adopted in the UK; many of which were first enacted by Margaret Thatcher, but have been further carried on by subsequent governments (Polanyi-Levitt, 2013: 56).

Dumenil and Levy (2011) point out that the class dimension of financialization expresses the strategy of the capitalist classes in alliance with upper management, specifically financial managers, intending to strengthen their hegemony and expand it globally. They go on to argue that neoliberalism has not functioned as government for the market, but as one for the restoration of very high income. This can be seen in the regulation of financial markets, and financial incentives provided by monetary policies enacted so as to ward off inflation, which encourages corporations to move away from traditional forms of capital accumulation – e.g. reinvesting in productive industry and infrastructure – and towards creating high income for managers and owners, as well as dividends and increasing stock prices for investors.

The impact of this is that short-termism is required in order for organizations and economies to be flexibly competitive. This has resulted in little to no long-term security for employees, with nothing preventing organisations from "seeking an entirely different way of realising financial value" (Rubery, 2015: 640). This can be achieved via various methods; for example, selling assets, investing profits in financial products, or simply outsourcing product and service activities elsewhere. It ultimately makes work contingent and fundamentally changes

the nature of work, moving away from the idea that work provides meaning or meets the needs of citizens (Rubery, 2015; Thompson, 2003, 2013). In addition, the contingent nature of work, and search for financial value has also resulted in undermining the main leverage that workers have over their employers – "that is the dependency of the employer on their cooperation and the quality and intensity of that labour" (Rubery, 2015; 640). This argument, outlined above, was first made by Thompson (2003), and more recently by Cushen and Thompson (2016), in their work on financialization and value.

Both articles demonstrate that there is an increasing disconnect between localised employer strategies from work/management, and wider, global strategies for value accumulation. Moreover, it is noted (e.g. Cushen and Thompson, 2016; Froud et al, 2016) that a key aspect of financialization is that non-financial corporations (NFCs)[i] rely heavily on accounting techniques. These techniques position financial targets as central and dominant in organisational decision making; this is, ultimately, these targets are delivered by employees (Cushen and Thompson, 2016). Thus, financialization is not something that only occurs on a macro level; we can see that on a meso-organizational level, "labour and the labour process, is called upon to contribute to organizational value, and that in recent years, this has in fact expanded" (Cushen and Thompson, 2016: 7-10).

The Emergence of the Neoliberal Organization

The role of organizations and the related changing constitution of financial markets mean that managerial decision making – which impacts on workers' day to day lives – is increasingly focused on market valuations of companies based on share price, returns to investors and creating market confidence (Froud et al, 2006; Cushen and Thompson, 2016; Piketty, 2014). Evidence suggests that in this era of 'financialized capital', labour cost reduction has become the main object of management intervention, as the financial outcomes of other types of management activity has produced disappointing outcomes for capital (Froud et al, 2006: 109). Corporate restructuring, alongside mergers and acquisitions has tended to compensate; hence labour-cost-reduction strategies – experienced by workers via squeezing labour to reduce costs by whatever means necessary (usually resulting in downward pressure upon salaries) – have come to dominate corporate behaviour in the neoliberal organization (Froud et al, 2006). A catalyst for this has been the distributive effects of the orientation towards shareholder primacy, which has directly led to an increase in income inequality alongside

poorer working conditions for those outside of top management circles (Demir, 2007; Dore, 2008; Brenner and Wernicke, 2015; Jansson et al, 2016). This has been accelerated by the shift from labour to capital intensive industries, in addition to the growing decline of labour share within industries. This has been particularly noticeable in those industries where profits have grown significantly, such as finance, "which has been accompanied by simultaneous accumulation of capital income by the very top of wage earners" (Kochan and Riordan, 2016: 420).

This is most evident when we examine executive pay and learn that the squeeze on working conditions and wages is not a universal phenomenon in organizations. Whilst it is true that we have witnessed a flat-lining of real income growth for low and middle income brackets over the last four decades (Van Arnum and Naples, 2013); the incomes of the top 10 per cent have increased rapidly. Prominent amongst the latter has been corporate remuneration –the so-called 'super-wages' (top 0.1 %) found among corporate top-executives (Piketty, 2014; Brenner and Wernicke, 2015). Ironically, due to various work intensification measures, "the flat lining of employees' income comes in a time when average employee productivity as well as average earnings per employee, have been rising" (Jonsson et al, 2016:4). This aptly shows how organizations have been able to extract greater value from their employees twofold, via an increase in productivity whilst simultaneously lowering wages.

Meanwhile, we also witness corporate behaviour that further enshrines the importance of profit and shareholder value, such as corporations engaging in various share buybacks in order to facilitate fast redistribution of profits to shareholders (Jacoby, 2008; Lazonick 2014). This has led to dramatically increased shareholder pay-outs compared to previous eras. This behaviour can be traced to state deregulation, which allows corporations to embody "the capacity to construct and govern value chains in which the value produced can be channelled in different directions – to be realised as profits in any number of possible locations" (Ackroyd and Murphy, 2013: 345). A concrete example of this are tax legislation repeals in the USA.

Given the values implicit in financialization, "it should not surprise us that the realisation of profits often occurs in places where taxation will be minimal and well beyond the reach of state revenue authorities" (Ackroyd and Murphy, 2013: 345). However, as noted, this is sanctioned by the state as they enact deregulation that allows this activity to occur.

These trends in the distribution of global wealth, which facilitate the development of large corporations as significant agents, are consistent with the emergence of a new corporate governance normativity that emerged from the 1970s onwards (Ireland, 2005; 2009). The prioritization of shareholder value over the last 30-40 years thus connects both historically and also programmatically to the emergence of neoliberalism during that period (Lazonick and O'Sullivan, 2000; Ireland, 2009; Mirowski and Plehwe, 2009; Peck, 2010; Heilbron et al., 2014; Jansson et al, 2016). The important thing to note here is that state regulation has allowed organisations to behave in this way, naturalising this as normal corporate behaviour.

State regulation has facilitated the corporate view that employees are an easily disposable cost, or at the least are an obvious source of overhead reduction. A recent example of this, covered in Forde and Slater's (2016) examination of the EU Agency Worker Directive, demonstrates that the UK state has "ushered in regulations that embed capital-labour relations favoring the actions of employers, and which allow for and promote further flexibility in the use of temporary labour contracts" (p. 603). This is in contrast to the way in which the Agency Worker Directive has been implemented in other EU countries, leaving UK agency workers with "unevenness of protection, with some workers clearly not benefitting from pay equality" (Forde and Slater, 2016: 602). Moreover, this has created a regulatory space to specifically avoid many of the originally intended protections offered by the EU Agency Worker Directive, allowing UK business to continue to access agency workers at differential cost.

Additional legislation that has facilitated the undermining of labour is outlined below. As it has also been argued, such developments in the employment relationship have been done alongside financial deregulation, though there is insufficient space to discuss that in any more detail here[ii]. The next section explores how state regulation has facilitated the financialization of the employment relationship, with specific reference to policies that assist the declining share of labour income and facilitate wage stagnation and low wages. The application and proliferation of Active Labour Market Policies (ALMPs) and zero-hour contracts (ZHCs), is examined as these have further enabled the emergence of disconnected capitalism, allowing for greater value extraction by organizations, prioritization of shareholder value and the 'precarization of workers' (Appay, 2010).

The financialization of the employment relationship: Active Labour Market Policies, Zero Hour Contracts, and the reconfiguration of paid employment

Examining the role of legislation and regulation allows us to understand how precariousness is an active process by which precarity is implemented and institutionalized (Appay, 2010: 37-38). The result is an ideological shift in the way in which individuals, the State, work, and society are understood, as well as how individuals are increasingly exposed to the destructive processes of the global economy, whilst simultaneously being held increasingly more responsible for their own circumstances and future (Appay, 2010; Bryan et al, 2009). This section examines how the combined use of ALMPs and the rise in the use of ZHCs is not just reconfiguring the nature of paid work, but also enabling the increase in low paid work (both directly and indirectly) in the UK economy.

In recent decades, ALMPs have been used in welfare reform in order to change the institutional regulation of the labour market by seeking to re-commodify labour, by increasing participation and reducing spending on jobless benefits (Greer, 2015). Specific attention has been given to the emergence of workfarist social policy and also the increased use of ZHCs, both of which, it is argued (e.g. Greer, 2015; Moore, 2014), have delivered an industrial reserve army mechanism, increased precarity, and driven down wages, both directly and indirectly.

The idea of activation as an employment policy concept emerged in response to criticisms of welfare states during the 1970s (Pierson, 2001), particularly to the belief that "welfare benefits reduce workers' incentives to take jobs in addition to incurring 'costs that reduced capitalists' incentives to invest and to reinforce long-term unemployment and associated inequalities of income, wealth, health and happiness" (Greer, 2015: 2). Engaging in activation was seen as preferable to simply abolishing welfare payments, as outright attempts to eliminate welfare apparatus often fail, as communities of support develop around them (Esping-Anderson 1998: 80). Instead, the notion of unemployment provision is maintained, which allows the state to roll-back the cost and scope of public provision while simultaneously extending the market in the space vacated; such as we have seen with workfarism. Gray (2010) has argued that "[a]n increase in state power has always been the inner logic of neoliberalism, because, in order to inject markets into every corner of social life, a government needs to be highly invasive" (p. 1). As such, the intention of ALMPs is not

to eradicate welfare, but to enact institutional change that consequently intensifies control over job seekers and makes them more compliant in low-wage jobs (Greer, 2015: 3).

It is widely acknowledged that UK activation regime began with the first Restart interviews in 1986, which were compulsory interviews for unemployed claimants (Martin, 2015; Van Reenen, 2001). In addition, in 1986 the government extended the unemployment insurance disqualification period for those deemed to have left their jobs voluntarily from 6 to 13 weeks (Van Reenen, 2001). Restart also offered a £20 bonus to job seekers if they took a low paid job (Van Reenen, 2001: 7), and set a trend that would see the conditionality of benefits progressively tightened through the early 1990s, until eventually unemployment benefit was replaced by the Jobseekers' Allowance (JSA) in 1996 (Martin, 2015). A range of measures were introduced with the intention of improving job search (for example, an agreement that the unemployed could not refuse jobs outside their own occupation after 3 months unemployment) and there were also increased checks were introduced over eligibility of claimants (Van Reenen, 200: 8). After the 1997 general election, the New Labour government introduced (from 1998 onwards) a series of so-called 'New Deals' targeted at specific groups: the groups included youth, long-term JSA claimants aged 25–49, lone parents, and those with registered disabilities (Martin, 2015). As with earlier activation regimes, welfare and work were increasingly intertwined, alongside sanctions for refusal to engage with work when offered (Martin, 2015; Van Reenen, 2001).

More recently, the proliferation of ALMP has tended to adopt the face of workfare. Workfare is a term used to describe any regulation of the labour market through an emphasis on job search, conditionality, and sanction (Vis, 2007). Workfare is not simply a development in the UK, but can be seen within many industrialised economies (a study by Vis in 2007 compares 16 countries that have implemented workfare activation between 1985-2002), and sits within a global trend in capitalist countries since the onset and dominance of neoliberal thinking during the 1980s (Vis, 2007). Workfare involves policies whereby individuals are required to undertake work requested of them, in return for benefit payment (Greer, 2015) rather than a salary from the corporation. Failure to undertake the requested work, results in the risk of losing whatever prescribed benefit/welfare payment.

Workfare placement schemes in the UK tend to last for a 13-week period. The TUC (2014a) has argued that workfare is inherently exploitative of unemployed people as it compels them

to work at a job that pays below the National Minimum Wage (NMW). In addition, it also leads to the deterioration of pay and overtime for permanent employees and the loss of paid jobs in the labour market as organizations use cheap workfare labourers to do jobs they would have once paid employees to do. A key neoliberal argument in favour of workfare is that it is assumed to 1) improve the employment prospects of unemployed/Job Seekers Allowance (JSA) claimants once the 13-week workfare period is over, and 2) reduce the number of people claiming JSA overall. However, the Department of Work and Pensions' (DWP) own assessment of the success of workfare in achieving these objectives demonstrates that neither has been met. In direct contradiction to the assumption that those who completed 13-weeks workfare placements did better in finding paid employment than those 'dropped out', the DWP (2014) discovered that it was actually those who left the scheme that had much higher rates of finding paid employment. This suggests that the neoliberal assumption upon which workfare is founded is inaccurate; though as we know, a failure of policy does not dissuade policy makers from continuing with the application of neoliberal or market-based solutions (Brown, 2010).

According to the DWP (2014) data, of those who made it to the end of their 13-week period, just 26% ended up in paid employment. This compares quite unfavourably to 60% of those who dropped out midway through the scheme and around half of those who refused to take part at all. In addition, the decrease in JSA claimants was considered 'negligible' at minus 0.8%. Ultimately, based on the UK government's own data, the implementation and continued enforcement of workfare is not effective in achieving the stated goals of the policy. However, as previously argued, this does not necessarily mean the policy will be abandoned; indeed, this has far not been the case, and the policy has simply been rebranded. So why keep the policy?

As Dumenil and Levy (2011) remind us, financialization has a clear class dimension, and whilst the gains for government from driving down the JSA bill may be small, the benefit for big business is significant as they receive state-subsidized cheap labour. However, they primarily benefit from a regulatory regime that allows them to strategically extract greater value from their employees. In an era of 'financialized capitalism', the ruling class no longer draws its power mainly from control over the means of production as this does not offer a reliable lucrative return on capital (Foster and Holleman, 2010; Froud et al., 2006). Instead, the ruling class now draws wealth and power from control over the means of finance (Foster

and Holleman, 2010). However, this is not a permanent state of affairs, and “neither the continued ascendancy of finance capital, nor its future demise can be regarded certain at this point” (Foster and Holleman, 2010; 192).

What is clear, however, is that capital has demonstrated itself to be dependent on the financialization of the employment relationship in order to continue to extract value for shareholders (Froud et al, 2006). This requires the gradual transformation of the State and the welfare it provides, rather than its abolishment (Esping-Anderson, 1998). The implementation of activation, however, allows for low waged work to become naturalized, viewed as inevitable, but also preferable to engaging with workfare (Greer, 2016). Thus, despite the functional incentives of ALMP, these policies are ultimately a direct form of negative state intervention.

Another development that helps to explain why British wages remain low is connected to the increase in temporary and agency workers and the rapid increase in the use of ZHCs. ZHC are “a type of employment contract under which an employer is not required to offer an employee any defined number of working hours and the employee is, in turn, neither guaranteed any set number of working hours nor obliged to take any offered” (Pennycook et al., 2013: 6). As such the individual worker only receives pay for the working hours for which they are required and these hours may be subject to variation on a daily or weekly basis, with no need for consultation or notice. According to research by the Resolution Foundation, ZHCs have several implications for employees: the ability to manage household income and family commitments is disrupted, and employment rights and job quality are also negatively impacted, alongside complications claiming tax credits and other benefits (Pennycook et al., 2013: 16-19).

In the UK, government figures recorded an increase of 15 per cent in ZHCs between 2014 and 2015 – in December 2015 the ONS estimated that 801,000 UK workers were employed on such contracts, compared to 697,000 workers in the same period in 2014 (ONS, 2015). This accounts for 1 in every 40 workers in the UK (ONS, 2015). The widespread practice of employing workers on ZHCs means that workers are not guaranteed work, and thus a stable weekly wage eludes them. The average weekly earnings of ZHC workers in 2015 were £188, compared to £479 for permanent workers and two-fifths (39 per cent) of ZHC workers earn less than £111 a week (TUC, 2016). The result is that they ultimately become responsible for

managing the economic and financial risks linked to their own productive activities, and this institutionalises precariousness. This disproportionately affects vulnerable populations, such as those on low wages (the working poor) and women (Appay, 2010); 55 per cent of those on ZHCs are women (ONS 2014). This is most evident in the care sector, which pays low wages and is a predominately female labour force (Moore, 2014).

Moore (2014: 1) argues that ZHCs "reconfigure the labour process and disrupt the construction of working time as paid time"; because working time is bifurcated into productive and unproductive periods, working time is only considered valid when it is spatially anchored inside the confines of the workplace. This has significant implications for pay levels as it renders statutory or voluntary minimum hourly pay rates ineffectual (Moore 2014). In addition to securing low pay, this leads not only to the intensification and extensification of working time (Hayes and Moore 2014), but also facilitates the shifting boundaries between commodified and de-commodified time (Tuckman 2005). As such, the proliferation of ZHCs are a significant element of the proliferation of unpaid labour in the UK economy, and is a significant facilitating factor of the low pay economy.

Given that the model of ZHCs relies on offering zero security of hours for employees, such contracts have attracted criticism from a wide constituency base (Brinkley, 2013; Cushen, 2013; Moore 2014) as they increase asymmetry of power in the labour market whilst redefining and reconstituting paid labour. However, these contracts are part of the regulatory mechanisms that underpin the new corporate governance normativity already discussed, and the increasing financialization of the employment relationship as evidenced by disconnected capitalism. ALMPs and ZHCs, therefore, represent more than simply a key mechanism in making 'work not pay' – though it is true they do this. As argued by Thompson (2003), financialization has become the key driver of corporate and workplace change. ALMPs and ZHCs, therefore, are a connected to the development of financialization, but they are not a result of financialization. Rather, they are created and maintained by State regulation, which benefits capital at the expense of labour, and legitimizes the financialization of the employment relationship by allowing capital to extract value via the processes outlined.

Hayes and Moore's (2014) study of homecare workers is particularly illuminating in confirming this. They argue that ZHCs are a key mechanism through which 'unproductive' time is managed out of the labour process with paid and unpaid working time blurred. ZHCs

effectively restructure working time by introducing episodic working where workers are not paid for time between shifts despite being available to the employer. The result is that many once hourly rates are averaged out over time available to the employer so ZHC staff are not in reality receiving a NMW (Moore and Tailby, 2015). This allows organizations to unshackle themselves from the burden of paying for unproductive time, and the employer captures the value that has been taken from the employee, returning greater shareholder value.

Ultimately, ZHCs are associated with lower hourly rates of pay than permanent contracts, evidenced by TUC research that reveals that the average hourly wage for a worker on a ZHC was £8.83 an hour in 2014, which is approximately a third less than the average for staff on permanent contracts (£13.39) (TUC, 2014b). Other evidence supports this; for instance, the CIPD (2013) found that half of all ZHC workers earn less than £15,000 per year compared with just 6 per cent of all employees. In addition, findings from WERS 2011 (van Wanrooy et al., 2013) indicate that workplaces using ZHCs have a higher proportion of staff paid between NMW rates and £7.50 an hour, than those companies that do not use these types of contracts. What we see, therefore, is that ALMPs and ZHCs epitomize the financialization of the employment relationship, as they create regulatory space legitimized by the State for organizations to extract value from their workforce.

The result is a transformation of labour markets, which has been undertaken alongside regulation that has systematically weakened the institutions of labour, such as the introduction of anti-trade union legislation since the 1980s by Thatcher governments, and continued by successive governments (Fuchs, 2016; Williams, Scott and Welch, 2016;). This legislation has not only weakened the position and power of workers but more specifically has constrained unions' ability to defend workers in certain circumstances, but has also de-legitimated collective action, and undermined institutions of collective labour market regulation (Kelly and Heery, 1994; Daniels and McIlroy, 2009).

In the UK, the removal of trade union rights is a key explanatory factor of workforce exploitation, which is evident in the deterioration of working conditions and benefits, erosion of job security and employment protection (Daniels and McIlroy, 2009). However, the Trade Union Act 2016 further tightens restrictions on union activity, despite the fact that the UK is currently experiencing an unprecedented and sustained period of low levels of industrial action (Lyddon, 2015: 733; Darlington and Dobson, 2015). The Trade Union Act 2016 is

described by Ford and Novitz (2016) as a “ragbag of different measures, united only by a common theme of placing more controls on trade unions — restricting union-supported industrial action and picketing, increasing the Certification Officer’s powers of intervention and enforcement, restricting unions’ facility time and use of check-off in the public sector and placing additional constraints on unions’ political funds” (p. 277). They go on to argue that the combined effect of the measures included in the Act represent the most significant trade union legislation since the Employment Act 1980, and demonstrate a “sudden acceleration in the incremental legislative controls subsequently introduced by Conservative governments” (Ford and Novitz, 2016: 277). The Trade Union Act 2016 reveals the way in which neoliberal ideology has embedded itself into the State apparatus and its enactment exposes how the State sees and engages with its regulatory role. Based on the Act, we can see that the State – whilst deregulating labour market protection for workers (via ALMPs and ZHC) – is adopting an opposing regulatory stance with regards to workers’ ability to protect their own interests, by adding considerably more restrictions and constraints.

Conclusion

This paper has examined a set of interconnected macro and micro factors that suggest that low pay is set to remain entrenched in the UK. It has shown that this is not the result of some natural response to labour market demands. Far from it, these policy choices are neoliberal in motivation, with the outcome of establishing low pay and insecure employment being deliberate. Corporations benefit from neoliberal regulation and can extract greater surplus value as a result of them; indeed, this is a main characteristic of value extraction and profit return to shareholders in contemporary organizations. As has become evident, this situation is the result of choices made by the State. These choices include pursuing a policy of activation, which (amongst other things) compels workers to take low paid employment, alongside lowering employment protections, by permitting the extensive use of ZHCs. Both, taken together represent a financialization of the employment relationship, which is favorable to corporations, and undermines labour.

There are clear contradictions in the neoliberal message that unregulated markets (or markets regulated following the neoliberal economic model) will lead to the greater social good (Merino et al, 2010: 775). One such contradiction is that in pursuit of unregulated markets, the process of neoliberalization has entailed regulation and ‘creative destruction’ of prior

institutional frameworks and powers, which seek to challenge traditional forms of state sovereignty (Harvey, 2005). What we see is not the ushering in of an objective unregulated market model – which is perceived as morally preferable to State intervention – but simply a different type of regulation that seeks to bring all forms of human action into the domain of the market (Harvey, 2005). The assertion that unregulated markets will deliver greater social good is also questionable, as evidence shows that economic performance under a more regulated model of capitalism in the years after the Second World War was better on all economic goals – with the exception of inflation – when compared with more unregulated market capitalism of recent decades (Lansley, 2011).

However, regardless of the failure of neoliberal policies to achieve their stated objectives – be this the particular regulatory mechanisms examined in this paper or the corporate crises we witness around us – neoliberal rhetoric remains strong in underpinning state regulation (Grady, 2010, 2013, 2015, 2016). This has led some to conclude that neoliberalism "has succeeded as the class project of capital" (Tabb, 2003: 25). We see in this paper the extent to which contemporary organizations disproportionately benefit from this development to the detriment of workers. The regulation outlined in this paper (ALMPs and ZHCs) – which seeks to undermine the position of labour within the labour market – has ironically produced a situation where further regulation is required to support workers, and protect them from these new vulnerabilities.

Indeed, stronger trade unions, and legislation to support workers is needed now more than ever if workers are to be protected from the new corporate normativity which seeks to further extract profit from the labour process, and challenge government regulation that institutionalises the asymmetry of power which allows such practices. Though it is difficult to imagine such legislation being implemented in an era of financialized capitalism. However, without regulation that supports and protects workers, challenging low pay will continue to be a rhetorical endeavour, where workers continue to lose and will likely be compelled to take indirect pay cuts via ZHCs.

Neoliberalism not only fosters a particular type of corporate governance normativity, but it also produces regulatory frameworks that allow and encourage the financialization of the employment relationship. As profit becomes the focal point for organisations, "everything else, from product quality to the workforce, becomes cost to be controlled and reduced.

Profits over people, profits over environment, profits over community, (fake) profits, even, over shareholders" (Vidal, 2002: 2). As a result of the regulation outlined in this paper, individuals are increasingly exposed to the destructive processes of the market, and compelled to take responsibility for their own economic futures, despite protections from the worse excesses of the market being removed (Appay, 2010; Bryan et al, 2009).

As discussed in this paper, the State remains a powerful and transformative actor, regulating to ensure greater labour market flexibility and free-market dominance. Through government regulation, it is making citizens the shock absorber for global capitalism, and undermining the position of workers in the labour market; allowing organizations to exploit them as a key source of value extraction. Further research examining the various ways in which State regulation facilitates the financialization of the employment relationship is needed, in addition to research that examines the ways in which financialization is experienced by and impacts on workers' day-to-day lives.

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[i] Non-financial corporations (NFCs) produce goods and services for the market and do not, as a primary activity, deal in financial assets and liabilities.

[ii] For further discussions, see Froud et al. (2006), Appelbaum et al. (2013), Piketty (2014) and Cushen and Thompson (2016).