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The networked organisation: implications for jobs and inequality

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Introduction

The vertical integration of production into large hierarchical firms was a dominant organisational form during the twentieth century. Since the 1980s, however, firms have increasingly decentralised production to networks of sub-contractors. Organisational boundaries have become blurred, work processes have been fragmented, and new forms of inter-firm contracting and outsourcing of work have grown. The greater use of business strategies that re-allocate workers across networked organisations has important implications for employment relations and for wages, job quality and inequality.¹

More than a decade ago, in a series of important essays written with colleagues, Jill Rubery drew attention to the blurring of firm boundaries and the fragmenting of work in the UK. Rubery was already a leading scholar of labour market flexibility and the rise of temporary and contingent jobs in Europe. In the research on the fragmentation of work, she moved beyond that narrower focus on the rise of precarious employment to examine developments at the firm and organisational level. She was among the first to bring workers into academic studies of the rise of networked production – arguing not only that new forms of *organising production across firms* spill over into *the organisation of work within firms*, but that the outcomes for firms, suppliers, workers, customers and relations of power in inter-firm networks depend importantly on variation in the institutional context within and across countries.

Building on her extensive work on labour market segmentation, Rubery also emphasised that employers as a whole do not have a unified set of interests.

As she and her colleagues wrote in *Fragmenting Work: Blurring Organizational Boundaries and Disordering Hierarchies*:

The situating of employing organisations in a web of inter-organisational relations provides a framework through which we can understand the development of employment relations in the context of the restructuring of capital–capital relations. The twin tensions between cooperation and conflict underpin both capital–capital and capital–labour relations. These tensions and opposing tendencies need to be considered conjointly rather than separately. ... we need to recognize that inter-firm relations rely on elements of cooperation, competition, and dominance. (Rubery *et al.*, 2005: 87)

With colleagues, she went on to argue:

A second step is to bring work back into the analysis. ... It enables us to introduce such questions as: Does the network form represent a new concentration of power among employers better able to avoid or oppose the collective demands of labor? Do networks promote new divisions and new inequalities among workers? (Grimshaw *et al.*, 2005: 40)

These remain key questions today in the analysis of networked forms of production. Where is value created and how and where is it extracted? Does outsourcing deliver on promises of increased efficiency and, if so, do workers share in productivity gains? How are workers allocated among different organisations in an inter-firm network? How does this affect the quality of jobs, wage growth, wage inequality and the power of collective forms of representation?

In this chapter we examine the original contributions Rubery and her colleagues have made to our understanding of the effects of the rise in outsourcing and production networks on work and workers. While the outcomes for workers continue to receive far less attention than warranted, some important new case-study and empirical research address these issues. We conclude with a discussion of directions for future research.

Blurring boundaries and the employment relation

Research on the networked organisation emerged in the 1980s and 1990s, with attention paid primarily to describing the phenomenon, why it was emerging in the context of heightened competition and the enabling features of digital technologies, and whether it led to superior firm performance. Few scholars paid

attention to the implications of these structural changes for work and employment relations. At the forefront of new scholarship investigating these issues, Rubery and her colleagues published a series of qualitative case studies and a co-edited book in the early to mid-2000s (Marchington *et al.*, 2005). They did not assume any particular outcome for workers, but rather drew on their qualitative research to build an inventory of ways in which the rise of networked forms of production affects the quality of jobs and the nature of employment relations. This approach allowed them to expand on the institutional conditions under which networked forms may lead to better or worse outcomes for workers.

A common thread in this ambitious undertaking is the multiple ways in which boundaries between organisations have become blurred as firms increasingly contract out and fragment work. Rubery and her colleagues were among the first to recognise that existing scholarship – which examined changes in the organisation of production and changes in the employment relation in isolation from each other – missed the main point: changes in the organisation of production and the extent of outsourcing both shape and are shaped by changes in the employment relation (Grimshaw and Rubery, 2005). They were at the forefront in recognising that changes in *the organisation of production across firms* spill over into changes in *the organisation of work within firms*, with implications for human resource (HR) management and the quality of jobs (Rubery *et al.*, 2002). They demonstrated that combining analyses of the disintegration of production processes and of the fragmentation of the employment relation allows for a more complete understanding of both.

Explaining the rise and fall of the vertically integrated firm

To understand the changes now underway, it is helpful to step back and briefly review why vertically integrated and hierarchical forms of organisation emerged during the twentieth century and replaced the price mechanism as a primary form of coordinating production.

Businesses choose whether to perform certain functions in-house or to contract with other firms for those inputs when producing goods and services for final demand. The transactions cost framework (Coase, 1937; Williamson, 1975, 1985) favoured by mainstream economists explains the make or buy decision on the basis of relative *transaction* costs. Firms and markets, Coase argued, are alternative ways to organise transactions, coordinate production and allocate labour and other resources. Markets rely on the price mechanism to do this, which is efficient when transactions are straightforward, non-repetitive and do not require specific investments in assets in order to carry them out. Where these conditions are not met – where outcomes are uncertain, interactions are

repeated and transaction-specific investments are required – vertically integrated firms are more efficient than markets for coordinating production. In this view, large, vertically integrated firms that retained production activities in-house emerged in the twentieth century to minimise firms' transaction costs. In particular, firms internalised the employment relation when the costs of bureaucratic monitoring and control of workers were less than the costs of specifying and enforcing external contracts with vendors or suppliers.

Alternative explanations for the emergence of hierarchical organisations also focus on the internalisation of the employment relationship. Political economists view hierarchy as a governance mechanism for managing the inherently antagonistic interests of employers and workers in the production process (Marglin, 1974). Employers are able to exercise authority over workers to achieve labour flexibility and cooperation in productive activities. In return, workers gain the economic security provided by regular work and wages.

A third approach, favoured by Rubery, notes the importance of labour market segmentation theory (Jacoby, 1984; Osterman, 1984; Rubery, 1978) and rejects the simple capital–labour struggle story that underlies the political economy rationale for hierarchical organisation as overly deterministic (see Chapter 1). Rather than a pre-determined identity of interests among all employers, this approach views the internalised employment relation as emerging out of competitive struggles among capitalists for market share and among workers for jobs that offer economic and employment security – as well as the struggles between employers and employees within firms. Capital–capital as well as capital–labour relations are important for understanding how production is organised. The internalisation of the employment relationship, according to this line of argument, is not an outcome imposed on workers by employers unified by their common interests. Rather, 'the historical internalization of employment is interpreted through the process of identity and interest formation' (Marchington *et al.*, 2005: 11).

In the 1980s, large hierarchical firms began to lose their comparative organisational advantage in the face of technological innovation, heightened competition, market deregulation and the 'shareholder value revolution'. Flexible manufacturing technologies, for example, undermined mass production by allowing factories to produce a greater variety of goods in small batches, enabling decentralised production in flexibly specialised firms (Piore and Sabel, 1984). Japanese lean production, characterised by lead firms controlling manufacturing processes in a complex web of supplier firms (Dore, 1986), achieved higher levels of innovation, lower time-to-market for new products and higher quality and efficiency than mass production models (Jaikumar, 1986; MacDuffie, 1995). The rising influence of institutional investors and shareholders also put

pressure on firms to reduce costs and headcount and dismantle the corporation by selling off assets or less profitable business units and returning cash to shareholders (Appelbaum and Batt, 2014; Batt and Appelbaum, 2013). And finance and management scholars urged firms to respond by focusing on their 'core competencies' or 'what they do best', and outsourcing the rest (Kogut and Zander, 1992; Lepak and Snell, 1999; Prahalad and Hamel, 1990). The core competency model has diffused widely across many industries and countries.

Our understanding of the extent of outsourcing within and across countries – and the number of workers affected by this process – is seriously inadequate given that national data collection continues to be based on traditional definitions of firms and industries. Nonetheless, extensive field-based and industry-specific research has documented the powerful restructuring of supply chains – particularly in manufacturing – since the 1980s. Our most advanced understanding is found in the literature on global production networks (Dicken, 1992) or global commodity chains (Bair, 2009; Gereffi and Koreniewicz, 1994); but here, the poor outcomes for workers are often attributed to the location of jobs in low-wage countries with poor labour standards. Much less attention has focused on how and why workers in advanced countries are affected by *domestic* outsourcing, and here is where Jill Rubery's research has made a lasting contribution.

The emergence and outcomes of networked forms of production

Rubery's critique of the mainstream literature on the networked firm offers several insights. Firstly, she argues that beyond tangible benefits, such as greater efficiency or profitability, the network form is important for many intangible benefits it provides. These include the capability to exploit new knowledge, preferential access to financing, organisational learning through access to technical capabilities, sharing of tacit knowledge and development of a shared understanding of rapidly changing markets. The extent to which networked organisations can obtain these intangible benefits depends importantly on how labour is managed across the network (Marchington *et al.*, 2005). Empirical studies of the links between technological change, organisational structure and knowledge creation support this view (Grimshaw *et al.*, 2000; Hagedoorn and Duysters, 2002; Miozzo and Grimshaw, 2005; Saxenian, 1996).

Closely related to this argument is Rubery's conceptualisation of skill. Skill is not a set of objectively measured technical competencies, which can be distinguished according to the value they contribute to firm profitability, as argued by core competency theorists. Rather, skills are defined and determined via social and political processes. Equating skill with technical competence means that tacit skills and social capital – two dimensions of skill that are critical to the success

of networked organisations – are overlooked. She disputes the assumption that a clear divide exists between jobs that require cooperation and commitment (or those with high technical skills) and those that do not. Thus attempts to separate out strategic from non-strategic jobs on the basis of a narrow technical definition of skill are likely to fail (Rubery *et al.*, 2004; Ward *et al.*, 2001). Similarly, there is no neat division of inter-firm networks into ‘relational’ (where employment relations are internalised to the network and investments in human capital are shared) or ‘transactional’ (where employment is externalised to the market) (Rubery and Grimshaw, 2001).

Networked forms of production also ‘complexify’ the capital–labour relationship, according to Rubery. Her early insights into capital–capital as well as capital–labour conflicts, developed in her work on labour market segmentation, carry over to her analysis of inter-firm relationships. Both sets of relationships shape the extent to which firms internalise or externalise (outsource) labour. Moreover, organisations in inter-firm networks need to gain the cooperation both of other firms across the network and of workers within their firm. Conflicting employer–employee interests persist, but within a framework of inter-organisational relations that provide new opportunities for cooperation and division between firms in addition to the opportunities for conflict and mutual benefit generated by the employment relationship. Thus it is an empirical question whether the shift from vertically integrated firms to boundary-less organisations, and related changes in the organisation of work, are positive or negative, and for whom (Rubery, 2007).

Rubery also emphasises the importance of asymmetrical power relations among these firms, which more often than not create pressures for less collaboration. This view contrasts with the conventional view that firms in a network necessarily provide complementary as opposed to competing inputs (Miles and Snow, 1986). Her argument is that the rents generated in the production process may be distributed unevenly among the organisations in the production network, with more powerful organisations positioned to extract a disproportionate share. More powerful organisations may then share those rents with their workforce in order to harness workers’ cooperation in producing goods and services. Unequal power relations among network members may enable some organisations (e.g. primary or client firms) to impose performance goals on weaker network members (e.g. force cost reductions onto subcontractors). Weaker firms in a network may operate on narrow margins and rely on the externalisation of labour in order to lower labour costs, with negative outcomes for workers limited only by social and political institutions, such as employment laws and the strength of unions. Thus Rubery avoids drawing generic principles about outcomes for workers as these are contingent on power relations within

the network as well as on the institutional landscape – unions, trade associations, government legislation (Grimshaw *et al.*, 2005). Her analysis leaves open the possibility of positive outcomes and a role for political intervention.

In Rubery's theoretical framework, three dimensions of institutional context – trust, power asymmetries and institutional embeddedness – play a central role in determining the conditions under which networked organisations may lead to better or worse outcomes for stakeholders. Firstly, networks may be distinguished between those that rely primarily on the market mechanism and legal contracts ('arm's length' relations) versus those that rely on relations of trust and reputation (relational contracting) (Adler, 2001; Sako, 1992). The latter require greater interdependence among members of a network and are underpinned by 'goodwill trust' and a 'moral commitment' to maintain the relationship. Secondly, power asymmetries between capital and capital – between primary and contractor firms, for example – may undermine the mutual sharing of benefits. Contractor firms may find themselves facing a powerful rationale for externalising labour in order to reduce costs. This may lead to differentiated outcomes for workers in lead and subcontractor firms. Thirdly, networks are embedded in national institutional landscapes, which may in some cases encourage trust and limit the exercise of power within production networks – for example, if national law mandates the extension of collective bargaining agreements to all parties in an industry (Grimshaw and Miozzo, 2006). In countries such as the USA and the UK, where institutional arrangements that undergird moral contracts are weak, it is the stronger organisations that are likely to exercise power over the weaker ones in the network. This may be a second-best way to organise production, but it is likely to be preferred in situations where the cost of conflict is preferable to the costs and risks of contracts secured by trust.

Thus Rubery and her colleagues argue that because relations of trust, power and risk are so important in shaping production networks, efficiency is a second-order concern for understanding the dynamics of changing organisational forms. Their analysis breaks new ground in theorising about the nature of employment contracts and the quality of jobs – by analysing how networked forms, within and across industries, lead to new types of labour market segmentation and inequality among workers.

What have we learned since the Great Recession?

As Rubery and her colleagues developed their research programme on the implications of the networked firm for management and employment relations in the 2000s, interest in this question was emerging among other scholars – prompted

by growing evidence of stagnant wages, the decline in the quality of jobs and rising inequality in advanced economies. The financial crisis and recession in 2008, and the subsequent austerity regime in Europe, exacerbated these problems by increasing incentives for public entities and private enterprises alike to cut labour costs by outsourcing and restructuring. These events made more salient the need for empirical research to identify the impact of these strategies on workers and unions.

As we noted above, Rubery and colleagues argued that the relative outcomes for workers are an empirical question, contingent on the power relations among capitalists in the supply chain and between capital and labour, and on the points of institutional leverage available to the parties involved. Existing empirical research, unfortunately, presents a sobering landscape in the context of an overall shift in power to capital and the weakening of unions in recent decades. In the European Union (EU) specifically, the ability of elites to advance a programme of market liberalisation and privatisation of public services has increased dramatically.

Most empirical research in both the USA and Europe suggests that the rise of the networked firm and outsourcing of production has led to a deterioration in the jobs and pay of workers and to a growth in wage inequality. The European research appears to be more advanced than its US counterpart (Bernhardt *et al.*, 2015), but the findings are quite consistent. The negative effects of outsourcing are particularly noteworthy for low-wage workers, but also for public sector workers and middle-income groups. At the same time, the comparative institutional research to which Rubery has prominently contributed also shows the ways in which negative outcomes can be moderated or reversed – depending on a range of national and local institutional factors, public policies and the particular strategies of actors.

At a general level, a handful of studies using national government statistical data provide persuasive evidence linking outsourcing to lower pay and pay inequality for working people. A recent US study using national government data attributes a large portion of the rise in earnings inequality since the 1970s to increased dispersion in earnings across establishments – consistent with a story of increased sorting of workers into higher- and lower-paying establishments (Barth *et al.*, 2014). Similarly, recent US research has shown that increased occupational concentration of workers in establishments accounts for a large share of the growth in wage inequality (Handwerker, 2015; Handwerker and Spletzer, 2015). This would suggest that firms have found it useful to increase the specialised division of labour – segmenting labour markets based on occupational expertise or ‘core competencies’ and the sorting of workers by skill level or skill type into higher and lower paid firms and establishments. If firms

focus on their ‘core competencies’ – for example, engineering, IT services or value-added manufacturing – they may shift ancillary work to firms specialising in HR services, cleaning services, food services, logistics and the like. Consistent with this story, Davis and Cobb (2010) examined the size distribution of firms in a large-scale multi-country study and found that the lower the proportion of workers in large firms, the higher the wage inequality.

Two studies of low-wage workers in ancillary services provide a more detailed examination of how outsourcing leads to lower pay and pay inequality. In a critical study that links longitudinal employer and employee data in Germany, Goldschmidt and Schmieder (2015) documented a dramatic growth in domestic outsourcing of ancillary services (janitors, security guards, food service workers) since the early 1990s. They found that wages for these groups fell on average by 10–15 per cent when these workers moved from in-house firms to outsourced contractors and that they remained permanently lower. Wages of temp agency cleaning workers fell by 26 per cent. More generally, they showed that the outsourcing of cleaning, security and logistics services alone accounted for roughly 10 per cent of the increase in German wage inequality since the 1980s. Similarly, a US study using national government data found an outsourcing wage penalty of 4 to 7 per cent for janitors and 8 to 24 per cent for guards (Dube and Kaplan, 2010). The similarity of these results in the context of remarkably different national labour laws and industrial relations systems suggests that this type of restructuring may be a source of rising within-country inequality in many countries.

These studies are suggestive of broad-based patterns linking outsourcing to lower pay, although they do not provide the kind of nuanced detail to identify potential causal mechanisms or variation across institutional settings and actor strategies – the hallmark of Rubery’s approach. Other qualitative and mixed methods research follows more in this latter tradition. This stream of research also generally finds negative outcomes for workers in outsourced operations, although variation in the magnitude of the effects on job quality depends on institutional and other external factors. The case-based research in Europe is considerably more advanced than in North America, perhaps because outsourcing has been more publicly salient – as in the privatisation of public services or outsourcing of work in highly unionised settings where deep institutional legacies are challenged and unions have waged public and media campaigns.

Call centres were an early focus of attention in part because they were a new phenomenon that used new technologies to industrialise service work in a dramatically new way. But early research did not distinguish between in-house and outsourced centres, viewing them equally as a new form of Taylorisation and degradation of work; rather, it focused on the threat of job loss owing

to offshoring. Later research, however, clearly showed that within advanced countries, outsourced centres had consistently lower job quality and pay. A 20-country study based on field research and identical establishment-level surveys, for example, showed systematic differences between union in-house, non-union in-house and outsourced operations, with the latter scoring the lowest on virtually all dimensions of job quality – including substantially lower pay, benefits, training and discretion at work – and the highest on the use of electronic monitoring and part-time and contingent work. These conditions also led to higher quit rates (Batt, Holman and Holtgrewe, 2009; Doellgast *et al.*, 2009). The average wage penalty for outsourced establishments was 10.8 per cent in the USA and Canada, but 14.6 per cent in major European countries (Batt and Nohara, 2009) – higher in Europe because employers shifted work not only from in-house to outsourced centres, but from *union* in-house to *non-union* outsourced centres. These findings are consistent with the theoretical predictions that outsourcing leads to new forms of labour market segmentation and inequality for workers performing similar tasks in the same industry.

Other sector-specific research has focused on construction and transportation services, where the accelerated use of subcontracting has also led to a decline in wages and working conditions in both Europe and the US. While construction work has always relied on a network of contractors, market liberalisation in Europe and deregulation in the USA have undermined union power and facilitated the emergence of new non-union competitors. In Europe, this has taken the form of transnational contractors hiring migrant workers within the EU ('posted workers') to work on shipbuilding and construction sites for lower wages (Lillie, 2012). In the USA, subcontracting to non-union firms in residential construction and to owner-operators in trucking was the key strategy to undermine union power in those industries, leading in turn to the proliferation of low-wage, non-union jobs (Belzer, 1994; Milkman, 2008).

Some research has also addressed the impact of outsourcing in manufacturing. In the European auto industry, for example, the major players adopted three strategies that have led to two-tier wage and employment conditions (Doellgast and Greer, 2007): the establishment of separate subsidiaries with second-tier union contracts; the greater outsourcing of parts production; and the use of contractors to staff on-site activities – including those for ancillary services such as logistics, cleaning, food service and maintenance, as well as temporary staffing agencies to fill core jobs in assembly and parts production. Consistent with this grounded research, econometric studies of German manufacturing have found that while the wages in primary manufacturing firms have not fallen, their labour costs have – supporting the idea that they have shifted some work to lower-wage contractors to reduce overall labour costs (Dustmann *et al.*, 2014).

Other research demonstrates that workers in outsourced operations face far worse health and safety conditions or higher violations of basic labour standards and labour and employment laws (Weil, 2014). Compared to primary firms, contractor firms have shown substantially higher injury rates or safety hazards in the US context (Boden, Spieler and Wagner, 2016), and specifically in the US petrochemical industry (Rebitzer, 1995), mining (Muzaffar *et al.*, 2013), trucking (Belzer, 1994) and among staffing agency workers in a variety of occupations (Foley *et al.*, 2014; Morris, 1999). Franchising is another fast-growing form of contracting out; and recent US research shows that establishments owned by franchisees have a 24 per cent higher probability of non-compliance with wage and hour laws than those owned by franchisors (the primary firm) – attributable to differences in the profit models and cost pressures that each type of establishment faces (Ji and Weil, 2015).

Research on the outcomes of outsourcing for knowledge and professional workers is less developed, and the evidence is more mixed. In theory, if outsourcing creates a more specialised division of labour across firms, then workers with specialised occupational skills (or higher human capital) should have substantial bargaining power and be able to extract rents, for example, in engineering, IT or consulting firms. A specialised division of labour should also allow these firms to compete on the basis of differentiated or ‘value-added’ services, facilitating their revenue growth that in theory may be shared with workers. Moreover, workers should benefit from knowledge-sharing and promotion opportunities. One study, for example, found that dieticians and food service managers had better job promotion opportunities if they worked for a contract food service company than if they were a direct-hire employee of an individual school or hospital (Erickcek *et al.*, 2003). By contrast, research on the unbundling of corporate functions (law, accounting, HR functions, shared services) provides no clear evidence regarding the quality of jobs in outsourced high-skilled occupations (Sako *et al.*, 2013).

In Europe, a particularly important stream of research has examined the restructuring of public sector service provision in response to government pressure to reduce costs, as well as strategies of the EU to create integrated markets for services across member states. New Public Management strategies have included a blurring of boundaries between the public and the private sectors via public–private partnerships or the use of market-based incentives, as well as complete outsourcing of traditionally public sector work to private sector vendors that are increasingly trans-European providers. This trend accelerated as the EU and member countries adopted widespread austerity policies from 2012 on. Two large-scale research projects investigating the impact of public service outsourcing (WORKS and PIQUE)² provide substantial evidence that it

has led to the deterioration in pay, benefits and a range of working conditions – including longer or flexible work hours, understaffing and work intensification, and job insecurity – across a wide swathe of different types of services and different countries (Flecker and Hermann, 2011; Flecker and Meil, 2010; Hermann and Flecker, 2012; Vrangbæk *et al.*, 2013). Case studies showing specific sectoral dynamics also document lower wages, employment contracts or work intensification in health care (Greer *et al.*, 2013), adult social care (Grimshaw *et al.*, 2015; Rubery and Urwin, 2011) and municipal services (Mori, 2015).

More importantly, Rubery and her colleagues have been at the forefront of documenting the ways in which public sector outsourcing and privatisation exacerbates gender inequality as women have historically dominated public sector jobs and have been the hardest hit by austerity measures designed to outsource public sector services (Rubery and Karamessini, 2013). After two decades of proactive gender policy and economic progress for women in Europe, the austerity turn has undermined many of those gains (Rubery, 2015). The intersection between outsourcing and European migration patterns is also noteworthy in current research, as the fragmentation of work across organisational boundaries places disproportionate risks on migrant workers who are least able to organise or who may or may not be incorporated into union strategic campaigns (Danaj and Sippola, 2015; Haidinger, 2015).

In the context of these broad-brush trends, however, the comparative institutionalist research tradition that Rubery and her colleagues have fostered does offer theory and evidence for the effectiveness of political and strategic action (see Chapters 1 and 3). The devil is in the detail, as research illustrates how national and local institutions and activist strategies have shaped the magnitude of outsourcing's effects. Unions and social movement organisations have used different points of institutional leverage to moderate the negative impact of outsourcing or to resist it all together. Doellgast's (2012) careful comparison of the dynamics of outsourcing in German and US telecommunications demonstrates, for example, the specific mechanisms through which union power and co-determination rights were used to limit the unilateral power of managers and the extent and conditions of outsourcing in Germany. And Doellgast and colleagues' (2016) follow-on study of telecommunications call centres in 10 countries found that while outsourcing produced wage inequality between in-house and outsourced or externalised groups of workers, the magnitude of the effect depended importantly on how national institutions shaped the cost structures faced by employers as well as the sources of bargaining power that unions could call upon (Doellgast *et al.*, 2016).

Rubery and colleagues' recent work on local government outsourcing illustrates how public sector sourcing decisions are complex and varied – depending

on the extent to which the public and private sectors differ in terms of pay levels, union coverage and opposition, collective bargaining provisions, labour market protections, the level of the minimum wage and differences in the legal status of public and private sector workers (Grimshaw *et al.*, 2015). As a result, public sector outsourcing calculations are complex, with outcomes shaped by political contestation, which varies markedly across national and local institutional contexts. This variety – and new strategies for organising and solidarity across organisational boundaries and supply chains – is illustrated in a series of recent case studies of resistance to public and private sector outsourcing across Europe (Danaj and Sippola, 2015; Doellgast *et al.*, 2017; Drahoukoupil, 2015; Haidinger, 2015).

Conclusions: Implications for research and policy

Recent scholarship has advanced our understanding of how and why organisational restructuring and outsourcing has occurred in advanced economies and what the general implications are for working people. But there is much to be done. Accurate data on the prevalence and growth of outsourcing appears to be weak in both Europe and North America, as government statistical agencies typically do not collect data based on contractor status, and researchers have often relied on industry or trade association surveys or consulting reports instead. Nationally representative data linking contractor status to wages and employment conditions are also rarely available. Thus, at a general level, we do not know how much organisational restructuring and outsourcing have occurred and the extent to which they have contributed to stagnant wages and wage inequality in advanced economies – information that is needed to inform public policy debates.

In the meantime, however, researchers can and should pursue the kind of grounded, industry- or occupation-specific studies that can inform public policy. These studies may be undertaken from the perspective of the contracting industry (autos, hotels, health care) but also from the angle of contractor industries (third-party logistics companies, professional and business services). Industry studies can capitalise on a rich combination of sources – including government and administrative data, media analysis, company and union archival data, interviews with industry actors and on-site observation – which taken together can advance our understanding of the complex causal mechanisms linking firm organisational strategies to better or worse employment outcomes for working people (Bernhardt *et al.*, 2015).

Industry studies of this kind are also important because the dynamics of outsourcing and the different forms that networked organisations take vary

according to the institutional legacies and market dynamics of specific sectors. Plotting complex network ties is also a first step to examine a relatively unexplored topic – highlighted in Rubery's theoretical perspective – that is, the importance of asymmetrical power relations between and among primary and contractor firms. Strategic analysis of power relations is critical to identify the points of leverage for negotiating better outcomes for workers across supply chains, to pinpoint opportunities for public policy reform and to begin to construct models of new inter-organisational industrial relations systems to represent workers' rights.

Research on the differential effects of outsourcing on distinct demographic and occupational groups is also undeveloped. There have been some important studies of public sector restructuring and its unequal gender effects, as well as case studies of migrant or posted workers. And some studies of organisational restructuring have highlighted outcomes for certain occupations and demographic groups. But we lack deep empirical investigations at the intersection of organisational restructuring on the one hand, and race, gender and ethnicity on the other.

In addition, as we have noted, emerging research has identified some promising forms of collective action via coalitions of labour, community, consumer and other constituencies in both the USA and Europe. Unions in some cases have moved beyond only protecting their core members to embrace a broader advocacy agenda for the rights of migrants and other 'peripheral' workers. But a central question for future research is whether these promising examples can diffuse more broadly – or get to scale. Which mobilisation strategies or policy reforms are the most effective in securing minimum job and income security as the employer of record and location of work continually shift? Broad-based campaigns, such as minimum- and living-wage campaigns, are particularly effective as they disproportionately affect low-wage workers – often working for subcontractors or franchised operations. In the USA, the 'fight for fifteen' is an example of a broad grassroots movement to raise the minimum wage to \$15 an hour that rapidly and unexpectedly moved into the mainstream, with many states and localities now raising their minimums to at least \$10 per hour and some to \$15. But that still does not deal with challenges of ensuring workers' rights when existing employment laws continue to assume that the employment relationship is between a single employer and employee.

The challenge, as Rubery and her colleagues point out, is to rethink employment policy to respond to the growing importance of networked forms of organisation and fragmented work. As organisational boundaries have become blurred, assigning responsibility for poor job quality, poor customer service,

inefficient use of resources or poor economic performance becomes ambiguous. Employment law and labour market policy that assumes a single employer may mean that no one is accountable or that legal liability falls on less powerful and less well-resourced organisations. The most vulnerable workers are the most at risk from the fragmentation of work. But the lack of regulation may also be detrimental to the interests of employers and production networks, as unfettered competition may undermine the collaboration and coordination among capitalists necessary for innovation and growth. A better balance of power among stakeholders in production networks, achieved through government policy and legislation and new forms of worker representation, can improve outcomes for workers, citizens and national economies more generally. Meeting this challenge will require another type of collaboration – among researchers, practitioners and policy-makers.

Notes

- 1 This chapter benefited greatly from the joint work of Bernhardt and colleagues (2015).
- 2 WORKS (Work Organisation and Restructuring in the Knowledge Society) Project – Changes in Work (www.worksproject.be); PIQUE (Privatisation of public services and the impact on quality, employment and productivity) Project (<http://www.pique.at>).

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