Business organisations and the legitimation of market inequalities

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Abstract

High levels of economic inequality are associated with a wide range of negative social outcomes. Public opinion surveys, moreover, consistently show that a majority of people are concerned about existing levels of inequality (even as they tend to underestimate how unequal their own societies are.) Why then, have the citizens of many western democracies been so reluctant to support policies and parties that are committed to addressing inequality? This paper, situated in the context of an especially small, distant and open economy, explores the discursive practices of business lobby groups and, more specifically, those groups' arguments against higher wages at the lower end of the earnings distribution. It argues that these practices simultaneously rely on and reinforce a broad acceptance of the proposition that the social institution of the market is an immutable force that powerfully constrains society's ability to pursue greater equality.

Introduction

Inequality is a crucially important social issue. High levels of inequality have been shown to be correlated with a wide range of negative consequences, including the erosion of social cohesion and trust (OECD, 2011; Uslaner, 2008); reduced democratic responsiveness (Bartels, 2008), decreased levels of overall happiness (Layard, 2005) worse public health outcomes (Wilkinson, 1996) and sub-optimal economic performance (OECD, 2014). Given these effects on the lives of individuals, organisations and societies, it is imperative to understand how public and political discussion of inequality is shaped and structured.

Despite seemingly cogent lines of argument against current levels of economic inequality, a puzzle persists. As Peter Taylor-Gooby (2013, p. 31, my emphasis) observes in the British context, 'during the past thirty years, incomes have grown more unequal, a small group at the top has captured a much greater share of resources, and poverty has increased' and yet *'most people have become … markedly less likely to want government to redistribute income or tackle poverty'*. In this paper I explore this puzzle, asking what intervenes between people's expressed preference for a more equal society (Norton & Ariely, 2011) and their disinclination to support measures designed to achieve this greater equality (Bartels, 2005; Skilling, 2013). Referring to the findings of interviews and focus groups conducted in 2014, this paper identifies a fatalism in the face of “market realities” as a key reason why people do not support concrete measures to address and reduce inequalities.

To understand the strength of this belief in the constraining power of the social institution of the market, this paper analyses the discursive practices of business lobby groups in New Zealand, focussing mainly on Business New Zealand and the Employers and Manufacturers Association. These groups are not taken, however, as the simple, univocal author of a certain discourse of inequality. Other organisations (such as political parties and government agencies) contribute to the construction of what has become the dominant discourse, even as all of these organisations operate within a specific discursive context. Drawing on data from publicly available documents (press releases, opinion pieces and other statements from the business lobby groups, supplemented by parliamentary debates, and official government reports) this paper shows how the distributional outcomes of the market are represented as natural, neutral and necessary.

This paper is designed as a contribution to a fuller consideration of ‘inequality, institutions and organisations’. Given that each of these three terms are quite spacious, some preliminary definition of scope is in order. In terms of inequality, the paper focuses squarely on income inequalities. More specifically, it looks at inequalities of market incomes, as opposed to net incomes (after taxes and transfers): *pre*-distribution rather than *re*-distribution. Much has been written on the challenges of building support for re-distributive policies, and so a focus on how income is distributed *within* the labour market is important and timely. Having discussed before public attitudes towards high incomes (reference redacted), this paper focuses on low incomes, and on recent proposals to increase wages at the lower end of the distribution.

In terms of organisations, the paper focuses on the discursive practices of business lobby groups, while noting that these groups are part of a wider array of organisations who share a common discourse. In terms of institutions, the focus is on the ways in which this discourse assumes – and, in turn, asserts - a specific division of labour between the institution of the state and the institution of the market. For discourses are not free-floating systems of words and ideas. Rather, they are best thought of as specific ways of articulating ideas and language with more concrete things. Different discourses assume and assert that different objects, people, institutions and regimes of measurement are more-or-less natural and desirable.

The organisations listed above deploy a structure of argumentation in which the taken-for-granted role of the state enables firms to pay well below what a worker might require to survive and to participate in society. Low-pay in this discourse is represented as the fault neither of exploitative employers, nor of an unfair and exploitative system. Rather, blame is individualised, and low-pay is represented as the result of individual workers failing to invest sufficiently in their own human capital, such that they remain of limited value within a competitive labour market. Far from being the victims of exploitation, low-paid workers are represented as the beneficiaries of work, as fortunate and privileged to have a job.

Context and method

Grounded in political and sociological theory, the paper's analysis of the arguments of business organisations draws on the sort of Critical Discourse Analysis (CDA) associated with Norman Fairclough (1989, 2001). This approach is selected for its ability to bring together discursive practices and broader economic and ideological forces in a single analytical lens. The analysis is 'critical' insofar as it identifies the 'non-obvious ways in which language is involved in social relations of power and domination' (Fairclough, 2001, p. 229).

Drawing on Luc Boltanski and Laurent Thévenot's (2006) typology of 'grammars of justification', the paper also explores the sorts of arguments that are most available and most compelling in certain contexts. It analyses how arguments appeal to and (in so doing) assert a specific conception of the common good, thus eliding other possible conceptions. While accepting that asymmetries of power are always present and relevant, Boltanski and Thévenot's approach takes seriously the pragmatic need for actors to present arguments that can be accepted as reasonable by their audiences. In a public setting, in other words, an argument is unlikely to be effective if it takes the form "we should do X, which will be good for me and bad for you." It must, from a purely pragmatic point of view, at least make the claim that X satisfies criteria that are widely accepted as promoting the common good. How (by what means? deploying what mechanisms?) do business lobby groups (organisations explicitly set up to promote certain interests) make arguments that appear to become widely effective and resonant?

In terms of subject matter, the paper analyses debates in New Zealand regarding calls for higher wages at the bottom end of the labour market. Such calls have typically taken the form of arguments for (a) increases in the minimum wage and, more recently, for (b) the voluntary adoption by firms of a “living wage”. New Zealand is selected as an ideal location in which to explore these arguments. In the 1980s, New Zealand underwent a programme of economic liberalisation that was particularly rapid and rigorous in comparative terms (Kelsey, 1995). Subsequent to these reforms, New Zealand moved rapidly from being one of the more equal to one of the most unequal countries in the developed world (OECD, 2011). This dynamic challenged New Zealand’s self-identification as an egalitarian country (Nolan, 2007; Skilling, 2013) and left an ambivalent legacy: surveys reveal a deep concern over inequality, but also a deep scepticism as to whether any viable alternatives exist. Deregulation of the labour market was a key element of these reforms, instigating a decades long debate (see Rasmussen, 2004) between a vision of employment relations as a realm of contract between rational, self-maximising individual actors (see the 1991 Employment Contracts Act) and an acknowledgment of the inherently unequal nature of the employment relation (see the 2000 Employment Relations Act).

Discourses of low-pay

In October and November of 2014 I conducted thirty-six interviews with members of the public, and I brought those participants together in three different deliberative focus groups. The participants were typical of the broader population in that they expressed a general preference for greater equality, while expressing reservations about specific mechanisms for reducing inequality. Two themes stood out from the group deliberations. The first theme, repeated in each of the three groups, was a broad acceptance of the constraining force of “market realities”. Even participants who held strongly egalitarian views with respect to the distribution of occupational earnings struggled to articulate and defend those views once someone in the room had asserted that firms were constrained in their ability to improve wages “at the bottom” because of the competitive pressures of local and global markets. Secondly, participants with a wide range of views expressed an acceptance of existing state action in the areas of the minimum wage and welfare entitlements. With one or two exceptions, no participants expressed radical views one way or the other in these areas.

These two themes (the overarching constraining power of market “realities” and an acceptance of status quo settings) are also distinguishing features of the discourse around low wages associated with business lobby groups and the governing National Party. This is not to claim a causal relationship between the “elite discourse” of business organisations and the "lay discourse" of public opinion. Rather, as part of an exploration of the arguments that obstruct moves to address inequality, it is simply an observation of the ways in which this dominant – even hegemonic – discourse has been articulated and disseminated. There is not space here to fully demonstrate how the arguments that constitute this discourse are constructed. Rather, I simply sketch below the main contentions of the discourse, and identify the 'conception of the common good' to which it appeals.

According to this discourse, wages should not be based on the 'political justice' principles of need or equality, but rather on the 'market justice' principle of earned desert (Lane, 1986). This is not to say that business lobby groups such as Business New Zealand (BNZ) and the Employers and Manufacturers Association (EMA) are unconcerned with social goals. They are. They both, however, assert a strict division of labour, on which firms are not 'required to shape pay packets in reference to family size and circumstances' but rather should 'focus on being competitive and paying market rates' (O'Reilly, 2013, see also Campbell, 2013). Social goals around equality, mobility, opportunity and participation remain in this discourse the responsibility of the state. Both groups claim that firms have 'understood since the 1930s that employers should pay market rates and the state will assist the unemployed.' (O'Reilly, 2013, see also Campbell, 2013). (The idea here that firms pay "market rates" seems like a serious misrepresentation of labour history, in its elision of the important historical role of unions and industry awards, and of the ongoing presence of the minimum wage.)

In short, firms are responsible for remaining competitive and thus continuing to provide jobs for workers. They are *not* responsible for paying those workers enough to provide for their families. For their part, the National-led government accepts that in many instances the minimum wage is not sufficient. In responding to this insufficiency, however, Treasury (Galt & Palmer, 2013) and the government argue *against* increased wages at the bottom, on the basis that the gains to workers would be offset anyway by reduced state assistance. This, on the face of it, is an odd argument for public agencies to make.

Implicit within this discourse is the assumption that the distributional outcomes of market exchanges are natural, neutral and necessary. Firms are constrained by their need to remain competitive in their markets (with the pressures of global markets seen as especially salient in a small, distant and open economy). Workers cannot expect anything more than the rate determined by the supply and demand in the labour market for workers with their level of skill, training and experience. In Fairclough's term, "the market" is here nominalised, or offered as a noun. Nominalisation, according to Fairclough (2000, p. 26), involves 'abstraction from the diversity of processes going on', thus eliding 'questions of agency and causality' and deflecting attention from the real actors with real interests making real decisions.

If the discourse is to be counted as an instance of neo-liberalism, however, it is a pragmatic rather than a dogmatic variant. For the discourse also contains an easy acceptance of state action. The minimum wage is accepted as a necessary protection against potential 'exploitation of the unskilled' (O'Reilly, 2013, see also Campbell, 2013); greater public investment is urged in training and skills; Finance Minister Bill English (in NZPD, 2013) expresses pride in his record of increasing the minimum wage each year he has been in the role (even as he warns of the disemployment effects of raising the minimum wage);.

The discourse operates in the *market grammar of justification* (within which things are judged good or bad according to the standards of cost, price and demand), while allowing a good deal of space to the *civic grammar* (within which things are judged good or bad according to the standards of collective well-being, equality and solidarity) (Boltanski & Thévenot, 2006). It is distinguished not by a denigration of the role of the state but by its insistence on a clear demarcation between the state and the market. Absent here is any combination of the two worlds; any expectation that firms attend in their remuneration practices to the social values of equality or need. Within this discourse, and – I would argue – within the culture at large, firms are not expected to remedy the negative effects of inequality, or of in-work poverty, let alone to make a positive outcome in terms of distributional outcomes. Remaining viable and providing jobs is taken as a sufficient contribution.

Conclusion: Discursive path-dependency

Although business groups are explicitly established to promote a certain set of interests, survey and focus group data suggest that the broad thrust of their arguments is widely accepted by the public, and not seen as narrow or self-serving. In focus group deliberations, this discourse appeared hegemonic, and able to marginalise divergent perspectives as naïve and unrealistic: as 'feel good' yet 'wrong' ideas (Employers and Manufacturers Association, 2013). The absence of an effective counter-discourse can be traced back to the legacy of the fifth Labour Government's (1999-2008) "third way" governance, and its denial of antagonisms (Mouffe, 1998). Once Labour, the party of organised labour, had accepted the dependance of social objectives of economic growth and business-friendly policies, the neo-liberal mantra of TINA (there is no alternative) became something of a reality.

The discourse discussed in this paper asserts that the interests of society, workers and firms are all served by policy settings that enable firms to remain viable and competitive, since workers benefit from having jobs, and since society benefits from more workers having jobs. This line of argument sits easily within a Third Way denial of conflicting interests (between labour and capital, for instance), and within its larger vision of an efficient and innovative national economy competing in a hostile global context. It is a small rhetorical jump from the Third Way claim of the compatibility of economic dynamism and social justice, to the claim (in the discourse considered in this paper), that social justice requires prosperous firms and – therefore – pay rates that allow firms to remain prosperous.

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