Social Exclusion in the Learning Economy

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# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Globalisation and the learning economy</td>
<td>1</td>
</tr>
<tr>
<td>Learning organisations and social exclusion</td>
<td>4</td>
</tr>
<tr>
<td>Regional exclusion</td>
<td>10</td>
</tr>
<tr>
<td>Information Society and social exclusion</td>
<td>12</td>
</tr>
<tr>
<td>Social security and policy implications</td>
<td>14</td>
</tr>
<tr>
<td>Individual-targeted strategies</td>
<td>15</td>
</tr>
<tr>
<td>General strategies</td>
<td>19</td>
</tr>
<tr>
<td>Conclusion</td>
<td>20</td>
</tr>
</tbody>
</table>

# References

References 22

# List of Figures

Figure 1. The process of social exclusion and options for political intervention 18
Introduction

Social exclusion has become the key concept in the international social policy debate. At the end of this century, as Touraine argues, the point is no longer a matter of being "up or down", but of being "in or out" (1991: 8). The notion of social exclusion implies a relative and process-linked vision of degradation and deterioration with respect to a certain status and situation experienced previously. At the end of this process, people find themselves cut off from all circles of social exchange. Integrated subjects can become vulnerable because of organisational transformation in the working environment and these vulnerable people can fall into the precipice of social exclusion. The excluded would then occupy the fringes of social life, characterised by the loss of employment and, then, social isolation.

Although recognising the complexity of the phenomenon of exclusion, we will here focus on the sphere of work (see also Nasse 1992). Employment is seen as the core of the social tie which links individuals with society, as our modern societies have privileged economic exchange and thus remunerated work (de Foucould 1992: 6). In the following, we will analyse the impact the emerging learning economy may have on processes of social exclusion.

Globalisation and the learning economy

There is widespread agreement that after a long period of slow and steady economic development we are now living through a period of time characterised by rapid and fundamental economic changes. Some authors refer to the present stage of development as a learning economy (Lundvall and Johnson 1993, Lundvall 1996, Lundvall and Nielsen 1998). The growing importance of learning in economic life can be attributed to the process of globalisation of markets. Globalisation not only leads to
an intensification of competition but also to the establishment of new rules of the 'competition game'.

There is no doubt that the ability to produce the required number of quality products just in time and within a reasonable cost framework is a prerequisite for modern enterprises to hold their own in world-wide competition. But these criteria develop more and more into entrance barriers to the global market, while economic success nowadays depends upon companies' capability to rapidly innovate and to continuously develop new products that meet market demands. Continuous incremental innovation is the number one factor in global competition, particularly as life cycles of products in some industries are shortening quite dramatically.

The capacity of companies to produce incremental innovations continuously depends a great deal on their learning capabilities. Learning and innovation, as Lundvall and Johnson argue, are closely related, as learning is an important and necessary input in the innovation process. On the other hand, changes impose learning on all agents affected by them (1993). Global innovation competition can be seen as a major mechanism behind the new developments that are likely to enlarge learning capability of companies and thus increase and accelerate companies' innovation activities. These new developments include a change in the nature of work, the introduction of new organisation forms, the increasing application of modern information technology and its intelligent use, and a growing investment in human resources.

(1) In a learning or reflexive economy, as Lash (1994) calls it, a greater proportion of the production process than heretofore must be accounted for by a knowledge-
intensive design process and a smaller proportion by the material production process. Furthermore, companies' innovativeness depends upon their competence to interpret and translate new scientific knowledge; otherwise they can hardly make use of this 'public good'. There is also increasing demand for other knowledge-intensive business services: marketing, management, organisation, training or documentation, not to mention new ICT-related services, for example (Miles et al. 1995).

(2) In a situation of global innovation competition, companies must be able to cope with great uncertainty, a situation the traditional Fordist production model is not designed for. Therefore, new organisation forms allowing for more flexibility, adaptability and learning have to be applied. Companies move to leaner and flatter corporate structures by introducing group work and cross-functional design teams (Kanter 1991). This strategy of vertical de-integration is accompanied by an organisation strategy of functional or horizontal integration, aiming at intensifying internal information and knowledge exchange. We can conclude that the learning economy is based on the network as a central governance mechanism. Intra-organisational network structures develop among sub-units, replacing the bureaucratic governance regime; these increasingly include global production networks. At the same time, an inter-organisational network structure develops among companies, replacing the market as the traditional mode of co-ordinating exchange.

(3) So far, modern ICTs have been mainly used to control or automate the work process. However, it may be more efficient to use ICTs for supporting the introduction of new organisation forms that foster innovation and learning, as these technologies
do not determine organisation structures but provide options for designing work and business processes according to other drivers of change. Furthermore, modern ICTs can be used as media to exchange huge amounts of information and knowledge rapidly within and between companies. As they bridge both time and space, they will likely improve and speed up the innovation process.

(4) It is generally accepted that, in the current stage of global innovation competition, the development of human resources is inextricably linked with the economic success of companies. Too little investment in human resources often becomes a limiting factor in relation to innovation and economic success (OECD 1998). However, when we talk about the need to invest in human capital, we have to go beyond the argument of a general trend towards higher qualification or re-skilling. Instead, we have to point to particular forms of knowledge, skills, competencies, work orientations and work virtues. Digital knowledge, multi-skilling, social competencies, management competencies, quality consciousness, creativity and entrepreneurship are some of the new qualifications needed to draw the maximum gain from the new organisation forms and to chronically innovate.

**Learning organisations and social exclusion**

The move into a learning economy will have major consequences for working people. Due to the growing transformation pressure, they face an increasingly unstable environment. The average worker is confronted with new tasks and problems and has to develop new skills and competencies more frequently than before. To be able to cope with unclear and unknown situations, workers have to learn how to learn. Slow
learners, among them the unskilled, handicapped and elderly, will have difficulties in preparing themselves all the time for new tasks and problems; continuous learning may be beyond their capacity. Being under pressure to innovate continuously, companies may select only rapid learners while they may dismiss slow learners (Lundvall and Nielsen 1998: 2f). This means that particularly unskilled or less skilled workers are at risk of becoming unemployed.

The restructuring of firms stimulated by global competition and supported by information technology leads to a fundamental transformation of work regulation: the individualisation of work in the labour process. The traditional form of work, based on full-time employment, a career pattern over the life cycle, clear-cut occupational assignments, standardised working hours and a collectively agreed wage, is shrinking continuously. The fastest-growing categories of work are temporary labour and part-time work. School leavers starting their working life rarely get a full-time job. Also, self-employment is becoming a substantial component of the labour force. Although the broader category of 'flexible work' in various industrialised countries takes different forms (part-time, temporary work and self-employment), we can clearly identify a general trend: in all countries traditional full-time employment is increasingly replaced by 'flexible work'. In these countries, flexible work nowadays accounts for about 30% to 40% of the workforce (Castells 1996: 266). As these 'flexible' workers are not covered by collective agreements, they may experience serious social disadvantages.

The introduction of the new organisation form also leads to the destabilisation of bureaucratic career structures enjoyed by a large proportion of managerial and
professional staff. Fewer of those in such occupations can now be guaranteed lifelong employment and continuous career advancement. With the demise of the bureaucratic business structure, these groups of workers have to accept flexible careers (Brown and Scase 1994); an inevitable feature of 'flexible work' and 'flexible career' patterns is that they are inherently insecure (Brown 1995: 36).

A consequence of this development is that unemployment constantly affects new categories of people. The workers who have been employed for a long time in 'normal', that is to say non-precarious, conditions are now made redundant (Yépez del Castillo 1994: 619-620). Of course, low skilled workers are more threatened to become unemployed than qualified workers, but the lay-offs caused by outsourcing, streamlining and restructuring often affect the middle management and narrowly trained experts in particular. The outsourcing of the R&D department or its transfer to other countries is one example of this trend. In this case, not only individual, less qualified people are selected to become redundant but sometimes whole work groups and departments are closed down.

Restructuring strategies, caused by global competition, have contributed significantly to the massive increase in unemployment that has taken place in many industrial countries during recent years. What is striking, however, is not only the scale of unemployment but also its structuration. It is the increasing and long-lasting nature of the phenomenon that causes severe problems, since the share of the long-term unemployed among people without a job has been growing continuously in recent years. The proliferation of unstable forms of employment is an important factor that causes long-term unemployment (Salais 1980). In a situation of decreasing labour
demand, it becomes more and more difficult for the unemployed to find normal, non-precarious employment. Instead, the newly unemployed are constantly moving from one insecure and unskilled job to another, while young and highly qualified people are often the beneficiaries of newly created, more demanding jobs. Even a great number of the newly created jobs, however, are based on atypical work contracts.

For those who are unemployed, the risk of becoming long-term unemployed and finally totally excluded from the labour market increases exponentially with the length of unemployment. "This dual trend – precarious employment and recruitment of over-qualified workers – continuously pushes to the back of the queue those among the unemployed who are considered to be the least productive" (Yépez del Castillo 1994: 620). Women, unskilled workers and people over the age of 50 are the groups which are most at risk of becoming long-term unemployed.

Our future society is often described as being highly segmented. We can expect, it is argued, that only a small group of core workers will have a secure work status and contracts of indefinite duration. Core workers are those whose skills are most essential to the main activities of the firm. They are required to accept ‘functional flexibility’ (Beatson 1995), which concerns the employer’s ability to vary the allocation of work within the organisation so that changes in their jobs can easily be made when required. Functional flexibility may be accomplished by the introduction of ICTs but this coincidence does not necessarily imply a causal relationship.

There is, however, another form of flexibility, often known as ‘numerical flexibility’. This takes the form of varying the size of the work force in response to changing requirements, whether these involve seasonal fluctuations, responses to changes in
customer demand, or market changes. These forms of flexibility may involve the introduction of temporary working, part-time working, home-working, on-call working or casual labour (Atkinson, 1995). Workers in this segment can be called peripheral workers; they conduct those activities which are less critical to the firm's core activities. Many of these forms of flexible working involve the employment of women (Huws et al. 1989). It is this type of flexibility that appears to have the greatest potential impact on social exclusion. These flexible workers may well find themselves outside the remit of social protection regulations, precarious, poorly paid and socially marginalised (Huws 1998).

The third group comprises external workers distanced from the enterprise; generally they are service suppliers, subcontractors or self-employed workers. They do not have conventional career perspectives or employment security. It is likely that their employment status will change very often. People may be employed on the basis of a short-term conventional labour contract, they may work as independent entrepreneurs on a consultancy basis, or they may become unemployed for some time. They often work in temporary groups on a project basis; as soon as a project has been completed, the group dissolves and its members start to work in another group, often with different partners.

Our traditional understanding of core and peripheral workers does not seem to hold true any longer. Obviously, the new vulnerability of labour under conditions of unrestrained flexibility does not concern only less or unskilled workers. We can see new risk groups developing, such as middle management, foremen or some specialist groups, which were for a long time seen as core workers, sheltered by ‘internal labour
markets’. Evidently, for some groups of employees, formerly conceived of as core workers, these internal labour markets are about to disappear. Castells points to the fact that nowadays the working life period in which professionals are recruited to the core of the enterprise is shrinking. The jobs of the employees over 50 years of age are the first in line for any potential downsizing (1996: 276f).

We can, on the other hand, no longer equate peripheral or external workers with those who have a weak labour market position. Among them we can identify at least two groups: low-skilled workers performing routine jobs (data processing) with very flexible work contracts (part-time, etc.), on the one hand, but also highly qualified self-employed specialists on the other. The second group of workers actually has a very strong labour market position, drawing on their extensive networks and renewed knowledge to ensure effectiveness (Robins and Webster 1997: 9). These ‘networked people’, due to their many connections, can easily mobilise all the knowledge needed to solve complex problems. While a core labour force is still the norm in most firms, subcontracting and consulting are fast-growing forms of obtaining professional work (Castells 1996: 267).

No doubt self-employment has some advantages, such as independence and taking more responsibility. But not all people concerned have chosen 'self-employment' voluntarily; often they are forced to accept this new employment form as the result of the outsourcing strategies of companies. We can speak of the 'fictitious self-employed'. Although they have the status of independent employers, economically they are not independent, instead 'de facto' they work as employees dependent on decisions taken by the management of the core company. The fact that the normally
employed workers are replaced by the 'fictitious self-employed' may become a major problem as the latter are not covered by the protection mechanisms of labour and social laws (Enquete Kommission 1998: 130). Labour is losing institutional protection and becomes increasingly dependent on individual bargaining conditions in a constantly changing labour market.

**Regional exclusion**

Due to global competition, companies are forced to look for the most supportive environment for specific functions or products. As cost leadership has to be combined with high quality, quick delivery and product differentiation, companies break down their value chain into discrete functions and locate them where they can be performed most effectively (Ernst and Lundvall 1997). Cost-sensitive production is transferred to the regions with cheap labour whereas knowledge-intensive production and services will be located in regions with highly qualified labour and a developed information infrastructure.

New information technologies facilitate the global organisation of companies’ production and innovation processes. Moreover, as production becomes more science-based, advantages such as a developed research infrastructure, a highly qualified work force or an innovative milieu are becoming more important environmental factors than natural resources, which means that a supportive environment for companies can deliberately be created. To become attractive for companies, nations or regions can set up specific organisations and institutions to support their innovation and production strategies. In this respect, it may be that ‘region-states’ are now more appropriate for
designing supportive environments than nation states (Ohmae 1993). Scott stresses the importance of spatial proximity to co-ordinate economic activities, as the possibility to continuously interact facilitates collective learning processes (1996).

It is argued that the globalisation of markets will lead to economic convergence, as it allows each region to specialise and develop specific advantages that will attract large transnational companies to invest and set up a business. This argument neglects the fact that regional specialisation is always tied up with the aims of companies. Companies' strategies, in order to organise their production processes on a global scale, do not only create opportunities for a 'high road development'. They also produce 'low road development' perspectives (Sengenberger and Pyke 1992), since for some of the products or parts, cheap labour and less restrictive environmental regulations are seen as advantages which particular regions can offer.

Due to the fact that companies, when organising their production processes globally, are looking for both a 'high road' and a 'low road' environment, only a limited number of regions can acquire the position of a knowledge and decision centre in global organisation networks (Amin 1993). Although they are integrated in global production networks, many regions, however, are caught in the trap of a 'low road development'; less value creation per capita seems to be their fate. A less qualified workforce, traditional value patterns, ineffective institutions and traditional regulation practices often reinforce this development which makes the changeover from a low road to a high road development strategy very unlikely. Instead, the less developed regions compete against each other; and in this context, economic development becomes a 'zero-sum game', one region loses what the other gains. In their attempt to catch up
with the high road regions, less developed regions start to overshadow each other through low wages, permissive environmental regulations and open-handed subsidies (Schienstock 1997: 83). This means that social exclusion is no longer a phenomenon associated with individual courses of life only, but it is a collective fate of people living in 'low road' regions.

**Information Society and social exclusion**

It is often argued that the transformation of the traditional industrial economy into what is called the 'information society' or 'knowledge society' will lead to new forms of social exclusion. Two trends are mentioned to underline this argument. One aspect is that the emerging organisation forms of business processes and the developing network economy will result in the prioritisation of certain types of occupations. Robins and Webster mention the following groups: "those which manage and operate across global networks, those which are capable of offering design intensity, those which can provide high added value to products and services through scientific excellence, imaginative skill, financial acumen, or even effective advertising" (1996: 9). All these jobs can be characterised as informational; they are increasingly interpenetrated by information work. Often individuals are working out of physically dispersed workspaces, or even from mobile devices not tied to any particular workspace. These people are called information or knowledge workers or symbolic analysts (Reich 1992). It is assumed that in future they will make up about 30% of the whole workforce.
At the same time, modern IT has and will further increase the possibilities to codify large parts of human skills. This does not mean, of course, that tacit knowledge becomes less important. Often, the codification of knowledge creates the need for new tacit knowledge, for example, for a worker to be able to sort out relevant information and to use it effectively. The more knowledge becomes codifiable, the more the remaining non-codifiable part is likely to become even more crucial. Nevertheless, an increasing number of routine skills are becoming totally codifiable and people become de-skilled, as their knowledge is no longer an asset needed in the production process. One does not need to to assume an inherent ‘skills bias’ of modern ITs, however, together with the wide-spread use of these technologies, ‘skills mismatches’ are more likely to be of a more pervasive and general nature. Furthermore, there is increasing concern about a negative employment impact of Information Society (Soete 1996: 53).

The growth of a group of highly skilled and very flexible knowledge workers, on the one hand, and the increasing codification of knowledge on the other, may lead to a process of segmentation in society. Authors like Reich (1992) and Castells (1996) assume that while the 'symbolic analysts' will rise in the upper ranks of companies, the great majority of workers, whose knowledge can be codified and whose work can be automated, will form a new underclass which will be more or less irrelevant for the information society or for informational capitalism. The information age, according to the authors, will be one which excludes a great majority of people, not only in less developed parts of the world but also in the metropolitan societies.

Freeman and Soete reject the notion of skills-biased technical change as being too simple. Modern ITs, they argue, have much more contradictory consequences.
According to them, the substantial growth and employment potential of networking is typical of the most recent set of ITs. "At the same time, however, not being linked up to information networks necessarily implies being locked out of the efficiency gains associated with the use of ITs. Moreover, it implies being prevented from participating in the learning activities associated with new and more efficient uses of ICT" (Freeman and Soete 1994: 600). Lash argues in a similar way, speaking of 'reflexivity winners' and 'reflexivity losers'. “Life chances in reflexive modernity are a question of access not to productive capital or production structures but instead of access to and place in the new information and communication structures” (Lash 1994: 121).

Social security and policy implications

There is a danger that, due to the individualisation of work in the labour process, our work system will evolve into multifaceted, generalised flexibility for workers and working conditions (Castells 1996: 272). Of course, the new work arrangements can have some transformation value for social life. As Hewitt argues, they may improve family relationships and may contribute to greater egalitarian patterns between genders (1993). At the same time, however, increasing job insecurity, growing un- or underemployment, and increasing inequality will lead to a widespread deterioration of living and working conditions. The transformation of the working system, according to Castells, has already shaken our institutions, inducing a crisis between work and society (1996: 272). Of course, all these trends do not stem from the structural logic of the learning society but are helped by the powerful tools provided by modern ICTs and facilitated by the new organisation forms. There is a need for stabilising work and improving social security together with the transformation into a learning society.
Individual-targeted strategies

Various approaches have been developed to prevent or combat social exclusion. They are based, as Foucoulud (1992) argues, on a concept of social justice different from the one underlying the postwar social consensus, which simply insured the population against predictable risks. We can distinguish between individual-targeted and general approaches. The former individualistic approaches often define social exclusion in connection with citizenship and social rights. The Observatory on National Policies to Combat Social Exclusion, for example, states that social exclusion "can be analysed in terms of the denial - or non-realisation – of social rights" (Room et al. 1992: 13-15).

The right to work can be seen as a key social right. The emphasis here lays on employment, not on income compensation through social welfare; integration into the work process is the aim of strategies to combat social exclusion. Therefore, the unemployed and school leavers having difficulties in finding a job are the main target groups. The following measures of an active labour market policy can be seen as key strategy elements:

- the readjustment of the unemployed to new labour market demands;
- the appropriation of wage subsidies for the creation of new jobs in firms;
- the promotion of employment outside the labour market.

Training to readjust the unemployed to new labour market demands cannot be reduced to training workers in specialised knowledge only. Instead, it becomes more important to strengthen their labour market position, as in future an increasing number of
workers have to cope with the prospect of flexible careers. Therefore, a variety of
different skills and competencies such as social skills, learning how to learn, digital
skills and management competencies are becoming increasingly important.

Embracing intensive training programmes for long-term solutions is not sufficient. Job
creation programmes for unskilled workers also have to be financed. There is,
however, always the risk that wage subsidies for firms will not create new jobs or at
least any stable employment. On the one hand, it is argued that companies will only
employ those workers they need anyway; on the other hand, it is very likely that
companies will hire only temporary workers. In the sector for tradeables, it is therefore
important to combine employment based on wage subsidies with a qualification
element.

In addition, including programmes that have a high growth potential to create jobs for
the unskilled in community and personal services is needed. Although ICTs will be
used in this or non-tradeables sector of the economy, the criteria and imperatives of
international competition will not exert the same pressure to conform to the needs of
the international markets (Freeman and Soete 1994: 602). The promotion of
employment in sheltered areas outside the labour market dissociates work from
employment; this means that people become socially integrated, although they are not
occupationally integrated. Furthermore, such a strategy helps people to manage 'non-
employment' (Yépes del Castillo 1994: 621). The promotion of employment outside
the labour market is often combined with a policy of guaranteeing employment for
those people who have been unemployed for a longer period of time.
From various evaluation studies, we know that competencies can be acquired more easily by people with employment than by those without employment (Schmid 1996). Therefore, combatting social exclusion has to start while people are employed. Protective training and competence development becomes increasingly important. This includes various forms of home training on the basis of multimedia technology. The realisation of the concept of lifelong learning may be helpful in avoiding precarious employment and may even support people in starting a new career in a more promising work environment. For workers in precarious employment, so-called adaptive training can be seen as a possible measure to avoid unemployment. In the case of skills miss-match, employees have to acquire new skills through further training inside or outside the company. This strategy should also become a part of companies' human resource management.

For some risk groups, continuous learning becomes a heavy burden. Particularly older people often have difficulties in acquiring the knowledge needed for them to participate in learning organisations; their position in the labour market may be gradually weakened and, in the end, they may become excluded from the labour market (Ernst and Lundvall 1997: 15). In their case, it is possible to protect them from being fired and becoming unemployed through collective agreements or legal regulations. The problem here is that protective regulations for specific groups increase the risk of other groups becoming unemployed. "Social protection schemes have – in part at least – had a negative impact on employment in that they mainly have tended to protect people already in work, making their situation more secure and consolidating certain advantages. They have in effect proved to be an obstacle to the
recruitment of job seekers or of new entrance to the labour market” (European Commission 1993: 124).

In the following, a five-stage model of social exclusion is presented and strategies of intervention are suggested. The process runs from full integration (stable employment), through forms of precarious, intermittent or seasonal employment, to unemployment and long-term unemployment, and results in total exclusion from the labour market when people become unemployable and have to live on public assistance.

Figure 1: The process of social exclusion and options for political intervention

Stage 1: Stable and long-term employment

Intervention options: e.g., continuous further training

Stage 2: Precarious, fragile employment

Intervention options: protection agreements, training to overcome mismatch between needed skills and existing qualifications, home training using multimedia technology

Stage 3: Unemployment

Intervention options: wage subsidies, adjustment training

Stage 4: Long-term unemployment

Intervention options: job guarantees, promotion of employment outside the labour market, further training and wage subsidies for firms to create new jobs

Stage 5: Final exclusion from the labour market
Intervention options: training to keep workers employable, social aid.
General strategies

Active labour market policy, including measures such as further training, wage subsidies or the creation of employment outside the labour market, may help individuals to avoid social exclusion, but one may have some doubts whether this will solve the problem entirely. On the contrary, these measures are often seen as limited, particularly in a longer perspective. To fundamentally approach the problem of social exclusion, a new solidaristic approach or, as Lundvall and Borrás (1998) argue, a 'new new deal' is needed. This is not meant in the sense of guaranteeing material security, but of re-establishing bonds between excluded people and society.

The sharing of work can be seen as the key approach towards re-establishing solidarity. The general reduction of working time is discussed as one option to employ more people. Whether this strategy will have a significant impact on employment is still controversial; it is more often seen as an instrument to stabilise than to increase employment. Promoting part-time work is also discussed as a strategy for sharing work among a larger number of people. As part-time work is applied to low-skilled jobs in particular, it may help to reduce the problem caused by the rising need for skills and the increasing skills bias. The establishment of more flexible transitions from employment to other social spheres, such as education, leisure, family, community and retirement, is also seen as a promising approach to divide existing jobs among more people. The idea of such an approach is that if people have a real choice between different activities without risking losing their jobs, the supply of labour will be reduced and more people can be employed.
Dividing the existing working time among more people is sometimes seen as a defensive strategy to deal with the problem of social exclusion, as low demand for labour is taken as given. The problem is that of restoring strong economic growth conducive to massive job creation. The need for applying an innovation-oriented growth policy is increasingly stressed in order to combat social exclusion. However, traditional innovation policy aiming at encouraging major technological breakthroughs seems to be less effective in creating a great number of new jobs. Instead, a policy is needed which creates the general conditions for continuous improvement, incremental innovations and continuous learning in as many companies as possible. We can speak of the need for a conditions-enabling innovation policy (Schienstock 1999).

**Conclusion**

Global innovation competition puts a lot of pressure on companies to increase their learning capacity in order to be able to continuously produce incremental innovations. This transformation pressure has triggered techno-organisational change, moving firms towards learning organisations and inter-organisational networking. The need for more flexibility, on the other hand, can be seen as the major factor behind increasingly unstable and insecure work careers for a growing number of people. This should not prevent politicians from supporting technological change and organisational restructuring; public intervention, however, should no longer rely on launching large research programmes in the first place; instead, a new, more catalytic type of intervention is needed. The basic idea is to improve companies' capabilities to innovate by transforming them into learning organisations.
At the same time, innovation policy and labour market policy have to be linked more closely. This, however, implies a transformation of the traditional 'caring welfare state' into a 'co-operative social state'. The latter can be characterised more as an intermediary and enabler role than as a producer of benefits. The co-operative social state no longer concentrates on social aid as a compensation for resource deficits; rather, it supports self-organising entities (Schmid 1996). This means that the main aim is to empower people to participate in the learning processes taking place within companies.
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