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Financialization and labor discipline in contemporary capitalism

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Abstract

Purpose – Drawing upon a political economy approach, this article aims to analyze the transformations in the labor market within the context of contemporary capitalism, focusing on the phenomenon of financialization.

Design/methodology/approach – Financialization is defined as a distinct wealth pattern marked by a growing proportion of financial assets in capitalist wealth. Within financial markets, corporate performance is continuously assessed, in a process that disciplines management to achieve expected financial results, with consequences throughout corporate management.

Findings – We find that this phenomenon has implications for labor management, resulting in the intensification of labor processes and the adoption of insecure forms of employment, leading to the fractalization of work. These two mechanisms, added to the indebtedness of workers, constitute three elements for disciplining labor in contemporary capitalism.

Originality/value – We argue that these forms of discipline constitute a subsumption of labor to finance, resulting in an increase in labor exploitation. This formulation of the relationship between financialization and changes in the realm of labor also contributes to understanding the unrealizing potential of social free time in contemporary capitalism.

Keywords Financialization, Neoliberalism, Labor process, Labor discipline, Working time, Labor market, Contemporary capitalism

Paper type Conceptual paper

1. Introduction

Since the last quarter of the 20th century, an extensive series of political, social and economic shifts has been shaping a new configuration of capitalism. Despite national and regional variations, this configuration exhibits fundamental components that are observable as stylized facts across most advanced Western capitalist economies. As a result, a comprehensive understanding of contemporary capitalism requires a thorough examination of prevailing tendencies and tensions embedded in the recent trajectories of these economies. These trajectories, while necessitating contextual analysis within historical frameworks, effectively mirror the global-level development of capital (Streeck, 2014). Notably, manifestations of these dynamics can be observed in financialization and its concurrent transformations in the realm of labor.

The historical starting point of the reflection proposed here is rooted in the culmination of the post-World War II accumulation regime and the concomitant repositioning of the United States on the global stage. This transformation was characterized by the dissolution of the

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Bretton Woods agreements of 1944 during the 1970s. The “revival” of USA hegemony, amidst rivalry from Western Europe and Japan, led to the widespread adoption of liberalization policies, particularly in finance. Consequently, these policies culminated in the establishment of an international financial circuit, wherein financial institutions and major global corporations assumed central roles (Belluzzo & Tavares, 1980).

The effort to re-regulate financial, social and labor domains in pursuit of increased flexibility received support from neoliberal intellectual circles, including some aligned with the American radical conservative movement. As Rodgers (2011, p. 76) shows, new ideas and metaphors redefined the common sense of American public life: “To imagine the market now was to imagine a socially detached array of economic actors, free to choose and optimize, unconstrained by power or inequalities, governed not by their common deliberative action but only by the impersonal laws of the market”.

In this context, supporting a system of flexible exchange rates, liberalizing domestic policies and enhancing international capital mobility became prevalent. Helleiner (1994) underscores that this process was fostered by “competitive pressures” led by the United States and England. This impetus fueled the expansion of Euromarkets and offshore financial markets [1].

The implementation of liberalization policies was aligned with a parallel trend of expanding financial innovations, elevating global financial markets to primary arenas for determining the allocation of capitalist wealth. National financial systems underwent a transformation into a global network of financial institutions operating beyond the traditional segmented banking activities. This shift was propelled by the expansion of securitization, the emergence of global “money markets,” and the rising of institutional investors, shaping contemporary capitalist finance. In this context, financialization emerges.

From a political economy standpoint, financialization constitutes the defining wealth pattern of contemporary capitalism, wherein a substantial and expanding share of capitalist wealth assumes the form of financial assets (Braga, Oliveira, Wolf, Palludeto, & Deos, 2017). This pattern shapes the management and realization of capitalist wealth, guiding the spending and borrowing decisions of crucial economic actors and conditioning economic dynamics. More precisely, with the expansion of wealth in financial form, the decisions of economic actors are increasingly guided by the prices of financial assets. In global financial markets, the continuous assessment of prospective profitability, as manifested in financial assets prices, defines the financial benchmark that governs the behavior of financial and nonfinancial corporations, impacting the working class as well.

Therefore, this study aims to examine recent shifts in the realm of labor, which manifest as discernible tendencies in the context of financialization. To achieve this, the following section examines financialization through the lens of political economy and investigates its implications for corporate management. The second section explores the disciplinary role exerted by finance on workers, elucidating its three-fold dimensions: the intensification of labor processes, the dissemination of short term, insecure employment contracts and workers’ indebtedness. Finally, the third section demonstrates that this role represents a form of subordination of labor to finance, resulting in heightened labor exploitation. The concluding section provides a summary of the article’s main findings.

2. Finance and financialization in contemporary capitalism

2.1 Financialization: a return to Marx and beyond

Financialization can be theoretically apprehended as an immanent outcome of the genetic development of the value-form. This development can be more directly traced back to Marx’s presentation of interest-bearing capital and fictitious capital in the Volume III of his “Capital."

In his exposition of interest-bearing capital, Marx (2016, p. 444) clarifies that within the capitalist mode of production, any sum of money can be transformed into capital, thereby converting a "fixed value into a self-valorizing value". In this condition of potential capital, it assumes the form of a commodity, "a special kind of commodity", which has the use-value of producing profit (Marx, 2016, p. 445). The transfer of the use of this capacity for a certain period through lending implies, from the outset, the return of the sum of money to its owner, along with interest.

Thus, the circulation of interest-bearing capital manifests itself as M-M′, money that generates more money in the form of interest to its owner. Within the realm of interest-bearing capital, money appears to generate more money in a relationship with itself, in which "capital obtains its pure fetish form" (Marx, 2016, p. 494). Therefore, interest emerges as an intrinsic attribute of a particular sum of money as capital that pertains to the capitalist as its owner.

The "ossification" of interest as the particular compensation for a given sum of money as capital to its owner implies, in turn, that any income stream can be regarded as the interest derived from a specific sum of money as capital. Therefore, through capitalization, a present capital value is formed from an expected income stream. This process is at the origin of fictitious capital. As Palludeto and Rossi (2022, p. 550) emphasize, the creation of fictitious capital precisely involves transforming a future income stream into a capital value in the present, posited as an ownership title, such as a share or a bond. This process does not imply a duplication of the eventual initial capital outlay that makes the future revenue stream possible. Instead, it represents the price of a claim on future earnings related to that investment.

According to the authors, three main attributes define fictitious capital. First, the fact that fictitious capital is formed through the capitalization of an expected flow of income, which is then transformed into a commodity. Thus, there is no necessary reason why the monetary value of fictitious capital should correspond to that of the real capital it eventually represents. Secondly, for this capitalization process to take place, the existence of a secondary market is necessary, in which the dynamics of fictitious capital as a specific commodity will take place. Finally, fictitious capital has a purely financial nature, existing "alongside" real capital and presenting a form of circulation that is relatively independent of the production process.

As financial securities, these property rights become commodities and, consequently, circulate relatively autonomously in secondary markets. This process gives rise to a form of monetary capital accumulation in claims on future income. As a result of their full development, potentially, any income stream can be represented as a capital value in the present, in the form of a negotiable ownership title, thereby subordinating all forms of capital valorization to fictitious capital. Indeed, fictitious capital introduces capital evaluation criteria that impose themselves upon the specific forms of capitalist wealth. In financial markets, the expected income streams of each capital allocation form are continually reassessed through present value estimations.

This monetary accumulation can simultaneously reflect the expansion of productive capital, the real process of production and multiplied capital values in the form of financial securities, which themselves constitute investment opportunities. The development of the credit system and the expansion of real capital reproduction mutually reinforce one another in the evolution of the capitalist mode of production. This process does not indicate a flaw in the dynamics of capital but, rather, represents a consequence of its development as self-valorizing value.

The development of fictitious capital, along with the processes of credit system expansion, capital concentration and centralization, leads to the emergence of the joint-stock company and finance capital as the most advanced form of controlling investment decisions and economic activity management. It is within the large conglomerates of centralized capital, as argued by Braga (2000), that decisions regarding investment, liquidity management, debt and innovation take place.

In this context, corporations position themselves as financial command centers that engage in trade, industry and finance through their subsidiaries or affiliated units, based on various opportunities for expected profitability. This is facilitated by an unprecedented level of mobility enabled by financial markets.

Within this mesostructural dimension of capitalist accumulation, as suggested by Serfati (2008), transnational corporations represent a distinct category of enterprises. They function as financial centers engaged in industrial activities, essentially constituting an "organizational modality of finance capital" (p. 36). In this context, finance can be conceived as a mesoeconomic dimension of contemporary capitalism, in which centralized capital is located and operates under financial dominance (Braga, 2000; Guttmann, 2016). Under this organizational framework, the holding company employs financial criteria to guide resource allocation, encompassing the labor process. Consequently, the holding company centralizes the management and instills a financial rationale within the whole corporation structure.

2.2 The rise of institutional investors

Taking the concept of financialization in the terms we here propose, we follow Braga *et al.* (2017) in understanding that

> from the point of view of large corporations, there is no reason for the split between productive companies and non-productive ones, or even between productive and financial capitalists, since financialization – as a systemic pattern of wealth – means the consolidation of different forms of capital under financial dominance (Braga *et al.*, 2017, p. 837).

The systemic ramifications of financialization on the realm of production are channeled through transformations in the mechanisms governing the interconnections between financial markets and productive enterprises. As Lapavitsas (2011, p. 618) points out, "in order to construct a theory of financialization it is necessary to have a view of changes in the behavior of industrial enterprises, banks and workers, while being aware of transformation in the structures of the international financial system".

In this context, one relevant stylized fact of financialization is the rise of institutional investors. Especially since the 1980s, these organizations began overseeing increasing portions of financial assets, driven by the growth of stock markets and the expansion of capitalization-based pension systems. Fund managers grapple with intensive competitive pressures to outperform the market in delivering returns to fund investors, thereby influencing corporate behavior.

Fichtner (2020) offers a taxonomy of institutional investors that facilitates our understanding of the relationship between financialization and the "real" economy. Pension funds and mutual funds constitute the traditional segment of institutional investors. As significant owners of a vast number of companies, mutual funds have driven the intensification of share buyback strategies and mergers and acquisitions. On the other hand, they have displayed limited willingness to engage directly in corporate governance, despite their control power assured by substantial shareholdings.

Fichtner's taxonomy also includes two additional classes of institutional investors: the "high fee" segment, encompassing hedge funds and private equity funds and the "low fee" segment, such as index funds. Some hedge funds, known as "activists," seek to exploit "undervalued" companies by intervening in their management to increase their market value. This intervention is channeled towards instigating mechanisms aimed at augmenting short-term shareholder gains and market prices, since

> Activist hedge funds see companies predominantly as bundles of financial assets that can be dismembered, traded and recombined rather than as sources of production and employment, and thus have driven particularly intense forms of corporate financialization. (. . .) Hedge funds and private equity funds exert kinds of disciplinary power of listed corporations that do not have protective blockholders (Fichtner, 2020, p. 270).

Hedge funds, private equity funds and sovereign wealth funds commonly implement strategies to influence the behavior of the companies they invest in. They do so through substantial ownership of shares or direct involvement in corporate governance. These funds are subject to less regulation and show a strong inclination for stock market investments. Additionally, they also represent significant global managers of private wealth, and their international activities benefit from the establishment of "level playing fields".

The pressure exerted by holders of financial wealth on corporate managers has intensified with the emergence of a genuine "market for corporate control." This market functions as an arena where managerial teams compete for control over corporate resources in the face of potentially dissatisfied shareholders concerned with the company's performance (Fligstein & Shin, 2007). If there is a prevailing perception of managerial underperformance, a company or a group of shareholders may signal the need for a change in management. This market for corporate control, a pivotal platform for capitalist transactions, acts as a final measure of discipline.

Faced with the ever-present threat of takeovers, executives are compelled to align with shareholders' interests. Consequently, the capitalist class, represented in financial markets, assesses companies and takes corrective action against those with below-expected performance, leading to a decline in their stock prices. This institutional form thus embodies control and discipline mechanisms within a context where ownership exists in the form of tradable financial securities, formally separated from management.

2.3 Market dynamics and the corporation

The market for corporate control not only issues the "signals" that corporate executives must consider for their decisions, but also, the labor market for top managerial positions compels them to follow the shareholder value for their individual career interests. As highlighted by Davis (2009, p. 47), the "[. . .] managerial labor markets, boards of directors, and the takeover market all compelled corporate managers to pay close attention to their company's share price, even when ownership was highly dispersed".

According to Boyer (2000), the post-war corporation has evolved into a collaboration between managers and investors. This partnership connects the quest for increased shareholder value with incentives in the form of generous remuneration tied to financial performance, such as stock options.

In this context, O'Neill (2001) shows how new financial narratives become part of the operational language within companies. The manager's role becomes one of strengthening a financial management system that centers corporate governance on a set of financial performance metrics while undermining alternative narratives within the organization. Thus, with the support of accounting procedures and resources provided by strategic consultancies, this financial management methodology attains a level of authoritative influence: "it translates complex social processes into measurable quantities without any apparent need for further referent" (O'Neill, 2001, p. 193).

Analyzing the use of the language of shareholder value, Froud, Haslam, Johal, and Williams (2000) highlight the pivotal role played by consulting agencies in shaping the action plans stemming from the corporation's newfound focus. The company's value generation became linked to a set of metrics that consistently led to the same recommendations: the identification of cost components and their controllable elements. "Shareholder value is identified with particular ratios and strategy becomes the corollary actions which improve the ratio by acting on numerator or denominator" (Froud *et al.*, 2000, p. 85).

Aligned with these financial benchmarks, the pursuit of shareholder value maximization led to a series of transformations in the modus operandi of large corporations. This led to the divestment of less profitable units and the pursuit of growth through leveraged mergers, acquisitions and a continued drive for efficiency, with a particular emphasis on core activities. Moreover, corporations began to acquire financial assets and establish financial subsidiaries, thereby incorporating profits from financial investments into their overall performance (Braga, 1993; Crotty, 2002; Chesnais, 2016).

In the context of productive globalization and the formation of global value chains across various sectors, the selection and implementation of information technology tools were more prevalent in companies with lower profitability levels (Fligstein & Shin, 2007). A central objective of this process was to reduce labor costs by fragmenting production processes and engaging in international outsourcing of intermediary supply chains (Serfati, 2008).

The strategic framework of a financially oriented corporation requires a continual process of arbitrage between product and service markets and financial markets. In this dynamic, contracts and agreements with diverse "stakeholders" across the realm of production, supply chains and product markets are reevaluated (Andersson, Haslam, Lee, & Tsitsianis, 2008). The organization of production on a global scale and the engagement in both physical and financial arbitrage operations, capitalizing on regulatory asymmetries, have permanently embedded the corporate ideology of shareholder value maximization into company strategies. Initiatives aimed at value creation are often combined with actions directly focused on boosting stock prices, such as share buybacks.

This process underscores that, subjected to continuous evaluation by financial markets, companies tend to blend long-term decisions with more immediate actions that have a direct impact on stock prices. Within a capitalist economy marked by a liberalized financial system that allows for the constant reevaluation of capital allocation across specific sectors, a tendency emerges towards shorter time horizons in economic decision-making and capitalist wealth assessment.

From this perspective, one can posit the existence of a distinct temporality inherent in financialization within contemporary capitalism. This temporality is characterized by shorter timeframes for formulating and reevaluating capitalist decisions. This shift is facilitated by the configuration, scope and institutional framework of financial markets, coupled with the expansion of private wealth in the form of fictitious capital. The capacity for the ongoing reassessment of capital allocations engenders a form of discipline that has been previously expounded upon by neoliberal thinkers, as elaborated further in the next subsection.

2.4 The ideas behind the process

The theoretical argument that drove the principle of shareholder value found its main basis in the microeconomic principal-agent relationship. Advocates of this approach in corporate finance posited the need to establish mechanisms that ensure managers act in the shareholders' best interests, given that managers should act as agents on behalf of the investors (principal). According to this approach, the formal separation between ownership and control inherent in joint-stock companies opens the door to the manager pursuing personal goals, such as enhancing the company's reputation, even if that might not be the optimal choice for the shareholder. Consequently, internal and external control mechanisms were deemed necessary to oversee corporate managers.

Prominent figures including Friedman, Jensen and Meckling proposed that markets are the most efficient way for resolving conflicts of interest, expanding the idea of rational markets. This perspective postulated that financial markets would guide investment choices toward optimal outcomes, while the market for corporate control would drive restructurings leading to increased cash flows for shareholders. Within the framework of efficient market hypothesis, the stock exchange effectively reflects available information and serves as the optimal tool for monitoring and penalizing executive misconduct (Fox, 2009).

The notion that companies should be governed by market forces invokes, as highlighted by Chamayou (2021), the concept of catallaxy in the thought of neoliberal figure Friedrich Hayek: a governance system in which rulers are subjected to the market's order. In this context, the stock price functions as an automatic surveillance tool, not only unveiling truth but also regulating corporate actions and the allocation of capital investments. Hence, one could argue that the processes of disciplining corporations through the market were, to some extent, informed by neoliberal ideals.

The need to construct a global disciplinary system through the market emerged from the diagnosis of the economic elite amid the crisis of the 1960s. Faced with challenges inside and outside the "factory", there was an opportune alignment between the rise of financial markets, the capitalist classes' political response to these challenges and the tenets of neoliberalism, which championed the creation of conditions that would foster increased competition.

Within the framework of neoliberal rationality, it is the market rules and moral principles that bind individuals, while the government is tasked with enforcing fair competition regulations that facilitate competitiveness and the triumph of the fittest. As highlighted by Mirowski (2009), the fundamental constructivist orientation of neoliberalism rests on the belief that the market possesses the capacity to solve any problem, including those that might arise from the market itself. Not only are the market and individual freedom regarded as the best solutions, but they also constitute a moral principle, an inherent value that should guide political action.

Dardot and Laval (2014) identify three disciplinary dimensions of neoliberalism in contemporary "financialized" capitalism. First, the implementation of mechanisms that shape individual desires and compel individuals to adapt to the market. Second, individuals are subjected to situations demanding choices that associate the principle of competition with personal interest maximization. Third, the spreading of market-driven logic intensifies the discipline on the workforce concerning labor management, internalizing financial profitability demands within companies.

The neoliberal political discourse aimed to strengthen the notion that individuals bear sole responsibility for their destinies in a life that necessitates self-regulation and risk management. In the realm of labor, unemployment began to be interpreted as the unemployed preference for rejecting market rules while receiving public insurance subsidies. Thus, there was a drive to eliminate anything deemed "rigidity" in market rules, including weakening labor unions and amending labor legislation to enhance flexibility. At the same time, employees were expected to take charge of themselves, becoming enterprises of themselves, transforming their relationships and time into sources of capitalization.

Entrepreneurship, as a mode of self-governance, constitutes a central tenet of neoliberal rationality. Individuals are considered agents capable of assessing risks and identifying opportunities. The entrepreneur envisioned by neoliberal thinkers embodies a "commercial spirit," tasked with identifying profit opportunities and outperforming competitors across all dimensions of life. This new subject is both shaped and shapes itself as an enterprise (Dardot & Laval, 2014; Kelly, 2013). In this light, every activity is treated as a business, necessitating personal management of one's professional portfolio of projects.

In the realm of labor, this also entails the implementation of more effective techniques of subjugation, demanding the complete engagement of individuals while exposing them to market risks. Thus, an ethos of self-valorization emerges, where individuals must improve, evaluate and monitor themselves to excel and realize fulfillment within the workplace. It becomes an individual's responsibility to assess the value to their work and to formulate a life strategy conducive to securing favorable contractual opportunities.

Consequently, the financialization of capitalism, at its zenith, brought about the adoption of different rules, norms and practices aimed at disciplining corporations and labor, rooted in neoliberal rationality. These practices enabled the operation, within financial markets, of the continuous process of assessing economic activities in accordance with the evaluation norm instigated by the transformation of capitalist wealth into fictitious capital within a historical context marked by the globalization of capital.

3. Financialization and labor discipline

3.1 Disciplining through the labor process

Within the corporation, the power of management must facilitate the transference of market-driven disciplinary pressures onto the workforce, resulting in a cascading effect throughout the entire organization (Chamayou, 2021). The sequence of "rationalizations" that would take place within major corporations primarily aims at downsizing staff and curbing labor costs, which often leads to the erosion of stable, well-compensated jobs (Lazonick & O'Sullivan, 2000; Lazonick, 2015).

In assessing the influence of institutional investors on workforce management in capitalist enterprises, Gospel, Pendleton, and Vitols (2014) examine the interplay of three factors: time horizon, corporate strategies and governance power. Elements such as job contract security, career advancement prospects, remuneration structures and benefits hinge on factors like the investor type, power balance relative to other company "stakeholders", debt levels, expansion strategies and divestment considerations. Particularly, these factors can be significantly impacted by the duration over which the company is expected to deliver financial performance to shareholders.

In this context, Thompson (2003, 2013) presents valuable insights for the consideration of finance's effects on labor management within the scope of the labor process. His "Disconnected Capitalism Thesis" points to the rupture of the capital-labor relationship inherent in post-war capitalism, which previously yielded mutual benefits. In the context of contemporary capitalism's corporations, workers must "invest all of themselves," committing more to the enterprise's success and risks, without receiving equitable recompense in the form of improved employment contracts.

Thompson argues that subsequent labor process restructuring entails a qualitative intensification of labor. This stems from heightened performance expectations, increased operational burdens due to a reduction in permanent workforce numbers and the intrusion of work into personal time. The dominance of finance introduces novel financial performance metrics to firms, which often respond by cost-cutting measures—reconsidering company assets and restructuring work processes, given that labor power constitutes a considerable and controllable cost in numerous sectors.

Palladino (2021)'s analysis for publicly traded USA corporations shows that the wage bill fell from 21% of total corporate assets in 1972 to 11% in 2017, while payments to shareholders doubled from 1.7% to 3.5% in the same period. The author's model using firm-level data shows that a 10% increase in shareholder payments as a share of operating expenses is associated with a 1.5% slowdown in logged wage growth, after controlling for other factors such as unionization, offshoring and the sectoral composition of the economy.

In the field of Labor Process Theory, various authors have analyzed specific instances of financialization's influence on work process management, introducing new dimensions to the phenomenon. Clark (2009), scrutinizing the business model of private equity funds, underscores the conception of the company as a network of contractual relationships governed by the market. For companies that are conceived that way, strategies involve disintegration and divestiture of company parts, implementation of financial engineering practices to amplify short-term profits, alterations to employment contracts, capitalizing on legal loopholes and leveraging tax benefits accessible to closed capital entities.

Cushen (2013) reveals that the dictates of financial markets are communicated through narratives of performative hegemony within the corporation. Decisions are guided by optimistic rhetorical constructs crafted to generate greater shareholder returns, and they engender impact through "calculative agents" aligned with the dominant discourse. Among these mechanisms are the adoption of accounting and budgeting practices that promote projects with higher projected returns and the appointment of "financial business partners" across corporate departments. These partners are tasked with identifying cost reduction opportunities and curbing operational budgets through measures like centralization and outsourcing.

On the one hand, this context results in competition within companies for shares of the budget allocated for new projects. These projects hinge on business cases following the financial return objective set by top management. Often, these projects fall short of their promised outcomes, heightening workers' job insecurity. At the same time, operational staff faces intensified workloads due to the demand for improved results amid workforce reduction. As such, the narratives presented to investors and the corporation's budgetary-financial processes act as conduits to subject the labor process to financial return criteria, inciting behavioral changes among workers.

Cushen and Thompson (2016) argue that valuation models employed by financial market analysts to determine a company's value guide managerial decisions. This process, in turn, establishes financial targets for employees, encourages measures to lower labor costs and implements measures to channel resources to investors through dividend payouts and share price appreciation, often via share repurchases. Yet, the ultimate "moment of truth" for the company's value is situated within the labor process (Cushen & Thompson, 2016, p. 358).

> Ultimately, the novel financialized valuation factors are key transmission mechanisms connecting NFCs with the interest of investors. Achieving these financialized targets has led to distinct forms of organizational control or "control financialization". NFCs rely heavily on accounting techniques that provide quasi-legal firm level control mechanisms to position financial targets central and dominant in decision making. (Cushen & Thompson, 2016, p. 357)

In fact, the empirical study of Jung and Lee (2021) investigates the relationship between the role of financial agents and firms' measures of downsizing for the largest USA corporations from 1984 to 2006. The authors find a 40% increase in the rate of downsizing when the firm fails to meet financial analysts' quarterly forecasts, and this effect is reinforced by the presence of institutional investors in the company's ownership structure and the presence of a chief financial officer (CFO) in the firm. This resulting relationship holds even when taking into consideration only companies with a positive performance over the year.

Finally, Alvehus and Spicer (2012) offer a case study that highlights how accounting for billable hours in the work of consulting and auditing professionals functions as a financial technology for work control and discipline. The conversion of working time into monetary units compels employees to channel their available time toward higher-paying tasks in the short term, engaging in competition to contribute directly to the company's profitability. This establishes a direct connection between individual performance and the company's value, stemming not from overseeing the labor process, but rather from implementing mechanisms that incentivize professionals to adopt behaviors that translate directly into financial outcomes.

These analyses demonstrate the implementation of a range of mechanisms within corporations, encompassing the scope of the labor process, aimed at disciplining employees to meet the demands that markets impose on companies. This direct form of discipline, exerted by corporate hierarchies and management authority, constitutes only a facet of this process. It converges with the worker's internalization of discipline through novel hiring models that expose individuals to market risks, fostering a disposition toward self-entrepreneurship within the realm of employment.

3.2 Disciplining through labor contracts

A notable trend in the realm of labor in contemporary capitalism involves the widespread adoption of more flexible contractual arrangements, which deviate from the wage norms established during post-war capitalism. Atypical employment contracts often lack a distinct employer, exhibit a contingent nature of engagement, or lack a defined full working day. Generally, these contracts are associated with low wages, heightened insecurity and limited benefits (Kalleberger, Reskin, & Hudson 2000).

Consequently, employment relationships have become less stable. Farber (2008) discerns a decline in long-term employment through an empirical study spanning USA labor market data. Younger individuals are more frequently subjected to short-term contracts and the notion of lifelong employment within a single job has become less prevalent. The author's calculation shows a reduction in the fraction of male workers who have been with the same employer in the private sector for at least ten years from 50% to 35% and in the 20-year-rate from 35% to 20%, between 1973 and 2006.

In a similar vein, Conran (2017) observes an increased inequality in working hours between workers with higher and lower wages, where insufficient working hours are also connected to lower earnings. The difference in working hours between the bottom and top fifths of the wage distribution increased from a few minutes in 1979 to more than 8 hours a week in 2010.

The relationship between the rise of "atypical work" and corporate financialization is found in the empirical analysis of Gouzoulis, Iliopoulos, and Galanis (2022). The authors find evidence for the impact of the volume of stocks traded, net corporate lending and pension fund financialization on the increase of involuntary part-time employment rate. This effect is stronger for women and less important for older workers.

This transformation was enabled by significant regulatory changes in the labor market. These changes encompassed more flexible rules for determining work arrangements at the company level, a decrease in social and labor protections and a decline in union representation, accompanied by a shift toward personalized employment contracts (Dedecca, 2012). Across Organization for Economic Co-operation and Development (OECD) countries, while 32% of workers were unionized in 1985, this number decreased to a 15% in 2019; during the same period, the part of workers covered by collective agreements decreased from 45% to 32%. Huber, Petrova, and Stephens (2022)'s empirical results show that strong labor institutions such as unions and work councils can act to contain the effects of financialization.

This trend is seen in 3 indicators proposed by Darcillon (2015) and calculated for 16 OECD countries: the index for workers' bargaining power decreases continuously from a mean of 7.51 in the 1970s to 5.68 in the 2000s, the index for union density from 47.52 to 33.92 during the same period and the index for employment protection legislation from 2.39 in the 1980s to 1.90 in the 2000s. By modeling an ordniary least squares (OLS) regression, the author finds strong evidence that features of financialization have an influence on these trends. The same relationship between finance and labor is detected by Kollmeyer and Peters (2019), whose model finds empirical evidence for 18 countries of the effects of capital markets and the expansion of financial markets on the general trend of union decline, for the period 1970–2012.

These shifts reflect the capitalist pursuit of greater workforce flexibility in terms of hiring, utilization and compensation, departing from the Taylorist planning of labor processes and schedules. Flexibility, as Sennett (1998) defines it, embodies the capacity to adapt human behavior to changing circumstances without succumbing to them. In corporate settings, flexibility entails the replacement of enduring hierarchies with a new system of power and control allocation, more susceptible to market dynamics. This system amalgamates power concentration with structural decentralization, enabling permanent restructuring.

Within the realm of atypical employment, the fixed regulation of working hours gives way to a principle of continuous operation, emphasizing the indivisibility of time usage. Precarious workers, as outlined by Standing (2011), must be occupied all the time, juggling multiple jobs at the same time, relinquishing control over a cohesive narrative of time allocation and a well-defined upward occupational trajectory. Thus, several channels in the contemporary realm of labor can lead to precarious circumstances, including temporary positions, part-time roles, contract work and internships.

These transformations converge with the neoliberal ideology, where the worker has to take charge of himself, embodying their own enterprise and translating personal relationships and time into sources of income. As outlined by Boltanski and Chiapello (2018), this new spirit of capitalism eschews valuing stability and long-term careers within organizations, instead legitimizing a world of projects driven by autonomous individuals, prioritizing their subjectivity and personal life as central to business endeavors.

The adoption of less secure employment contracts also served as a means of work discipline. As described by Chamayou (2021), the dissolution of post-war capitalism's disciplinary regime was diagnosed by the ruling classes as a widespread governance crisis, affecting both the State due to heightened popular demands and companies facing contestations to authority and work discipline norms. Confronted with growing strikes and resistance to existing disciplinary techniques, it was necessary to create a new way of governing work.

In response to the contestation of the factory disciplinary regime and the risk posed by increased worker autonomy, the solution converged with the interpretation that full employment policies and union power had rendered workers excessively accommodated, rendering labor costs unsustainable. In this context, the idea that social security represented a moral hazard became central, and it was necessary to promote social insecurity to ensure work discipline. Less continuous work contracts create significant social insecurity.

This moral doctrine aligned with the strategy of adopting precarious contracts by corporations during the era of financialization, leading to a reconfiguration of working hours that departs from Taylorist approaches to workforce management in the labor process. This reconfiguration advanced to such an extent that, as posited by Berardi (2014), it surpasses mere flexibility, culminating in a more sophisticated fractalization of labor relations. Fractalization, as Berardi defines it, refers to the modular and reconfigurable fragmentation of work time, enabling the workforce to be conceptualized as individual time units dissociated from the worker as an individual.

> Capital no longer recruits people, but buys packets of time, separated from their interchangeable and occasional bearers. In the net economy, flexibility has evolved into a form of fractalization of work. Cells of time are for sale on the Net and businesses can buy as much as they want without being obligated in any way in the social protection of the worker. Depersonalized time has become the real agent of the process of valorization. (Berardi, 2014, p. 160)

Accordingly, labor relations in contemporary capitalism indicate a dissolution of the individual worker into impersonal fractals of working time, devoid of individual needs and rights. Workers' livelihoods are no longer assured by employment contracts that stipulate hours and wages to sustain workforce reproduction. Rather, working time serves as a mechanism of discipline, encouraging workers to independently seek work opportunities that, when combined, ensure their subsistence.

3.3 Disciplining through worker indebtedness

Besides the disciplining mechanisms directly connected to the work environment, a third mechanism of discipline emerges, closely intertwined with the effects of financialization on workers' private lives: indebtedness. Gouzoulis *et al.* (2022) identify three disciplining effects of debt on financially insecure workers: (i) a heightened inclination to accept flexible contracts; (ii) an increased likelihood of seeking additional part-time or temporary jobs; (iii) and a greater motivation to enhance productivity within the labor process. Their empirical analysis, based on a panel of OECD countries, underscores that the extent of a worker's indebtedness influences their willingness to conform to work supervision, especially evident in the case of part-time jobs.

In the context of financialization, financial wealth has gained greater significance in household balance sheets and overall economic dynamics. This trend is even more pronounced in the United States, where asset appreciation and increased consumer credit formed a cumulative process via the wealth effect. Assets, particularly real estate, serve as collateral for loans, supporting workers' consumption amidst job insecurity and stagnant wages. Between 1997 and 2010, household debt-to-disposable income ratio in OECD countries increased from 72 to 129%, followed by a period of stagnation and a slight decline to 114% in 2019 (Gouzoulis *et al.,* 2022). Barba and Pivetti (2008) show for the U.S. a rising tendency to extract equity from the value of houses: from 1965 to 2006, mortgage equity withdraws grew from 1.4% to 4.2% of disposable income. While in the 2000s mortgage credit became more important than consumer credit for U.S. workers, this situation was inverted in the aftermath of the Great Financial Crisis, with higher growth rated of consumer credit (Brochier, 2014).

From the 1980s onward, debt has become the avenue for workers within the four lower income quintiles in the U.S. to sustain their consumption patterns despite widening income inequality. During this period, households allocated larger portions of their income to debt servicing, with rising indebtedness affecting even families with rising incomes (Barba & Pivetti, 2008). In particular, this process was even more intense for workers dealing with underemployment and stagnant wages (Bellofiore & Halevi, 2010). During the same period, personal savings became less important for U.S. workers, decreasing from 11.5% in 1982 to 2.6% of disposable income in 2005 (Brochier, 2014).

This process was facilitated by institutional shifts, such as tax incentives, novel loan structures and refined risk assessment models. A myriad of risk assessment techniques emerged to assign to each customer a personal credit score, allowing for the pricing of risks of consumers who were previously excluded from the credit system (Langley, 2008).

Individuals navigating this financial landscape are compelled to adopt a form of financial discipline, necessitating efficient resource allocation and management of consumption-related debts. This not only prompts them to handle debt obligations but also incentivizes the exploration of debt management strategies, such as consolidating debt or improving personal credit scores. Langley presents the case of "revolvers" debtors, who are unable to pay their total credit card bill at the end of each month and must resort to strategies of extending the payment period and transferring debt among different credit cards.

This "entrepreneurial" financial behavior becomes even more critical for workers facing unpredictable wages, as they grapple with personal financial management alongside work-related responsibilities, often struggling to establish financial stability. Indebtedness, coupled with labor relations and the work process, enforce discipline on the neoliberal subject, albeit precariously and often insufficiently for the needs of the individual and their family.

4. The subsumption of labor to finance: capital's exploitation of labor and capitalist control over productive forces

As aforementioned, financialization gives rise to three distinct mechanisms of work discipline: the financial control of the labor process, the fractalization of working time and the indebtedness of workers. These mechanisms converge to foster a widespread increase in the exploitation of labor within contemporary capitalism. This transformation deviates from the established patterns of labor organization and management that characterized the post-war capitalist era in Western advanced capitalist economies. In this context, it becomes conceivable, therefore, to consider a new form of work subsumption under finance, representing the prevailing or emergent modes of exploitation in present-day capitalism.

When dealing with the labor process, Marx's analysis reveals that within the capitalist production process, the labor process functions as a means to ensure the valorization process – the ultimate aim of capital. The objective conditions of production only become capital when confronted with wage labor, that is, with the worker's need to sell his labor power to survive.

When the labor process becomes an instrument for capital's valorization, labor becomes subsumed under capital, effectively embodying the very essence of the capitalistic process. The capitalist, as the personification of capital, assumes the role of governing it. Marx terms this phenomenon the "formal subsumption" of labor under capital, a phase wherein the worker's reliance on the sale of labor power as a commodity to the capitalist establishes a dependency referred to by Cicerchia (2019) as "structural domination in the labor market." Russell's (2015) work underscores that formal subsumption constitutes the general foundation of the capitalist mode of production, effectively embedding relations of dominance and subservience within the very fabric of the relation of production.

The production process is transformed on capitalist bases, developed through cooperation, the manufacture, the integration of machinery and the conscious application of scientific knowledge to specific technologies – that is, the development of the social productive forces of labor. Marx conceptualizes this phase as the real subsumption of labor to capital, materialized in the generation of relative surplus value. Production becomes antagonistic to the direct producer, who is effectively just a means to the real objective of producing value and surplus value. This dynamic is inherent to the capitalist mode of production, imposed on the individual capitalist by competition, irrespective of their personal will.

Capitalist production becomes increasingly characterized by the conscious application of science, evolving into a powerful weapon of competition. This process, while intensifying the exploitation of labor, particularly through increased labor intensity, tends to relatively reduce the mass of employed workers. In this sense, capital tends to appropriate less direct labor time as it assimilates socially generated knowledge, which emerges as a potent driving force of production – referred to by Marx in the Grundrisse as the "general intellect" (Marx, 1973).

Nevertheless, within contemporary capitalism, the expanded free time produced by advances in productive forces is absorbed by capital, particularly in its developed forms of ownership (Belluzzo, 2012). Marx captures this tension, noting capital's dual disposition to create disposable time while simultaneously transforming it into surplus labor (Marx, 1973). This dichotomy underscores that even though capital possesses the capacity to generate available social time, that is, the general reduction of working hours for society, it paradoxically fuels valorization through surplus labor.

> Labour time as the measure of value posits wealth itself as founded on poverty, and disposable time as existing in and because of the antithesis to surplus labour time; or, the positing of an individual's entire time as labour time, and his degradation therefore to mere worker, subsumption under labour. The most developed machinery thus forces the worker to work longer than the savage does, or than he himself did with the simplest, crudest tools. (Marx, 1973, p. 628)

The knowledge production intended for technological application in the productive process, enabling job automation, is generated collectively – often within national research and innovation systems. However, it is privately appropriated, especially through intangible assets, which are financially capitalized within the realm of fictitious capital, as they represent future income flows.

This dynamic gives rise to a novel form of labor subsumption, characterized by shifts in the configuration of capitalist wealth during the period of financialization. These changes reverberate through labor, leading to an augmented exploitation of labor and the capitalist absorption of the social time. The comprehensive study by Basso (2003) shows a widespread tendency of increasing working days and intensifying workloads, supported worldwide by the capitalist class, which usually hardly opposes demands for working hour's reduction.

The mechanisms of exploitation emblematic of the period of financialization surpass mere submission to employment contracts and the generation of relative surplus value through technological progress. The financial markets establish the financial benchmark for capital allocated across various economic sectors through real-time reassessment of future profitability prospects in the form of fictitious capital.

To meet these demands, the labor process is intensified, employment contracts become fractals of working time, the stagnation of labor income has been accompanied by the increasing indebtedness of workers – tendencies that exhibit varying relevance contingent upon the specific country or sector in question [2]. Hence, the concept of labor subsumption to finance, as posited here, emerges from the transformations in the composition of capitalist wealth within contemporary capitalism, as particularly encapsulated by the phenomenon of financialization. This subsumption engenders heightened labor exploitation and the appropriation of potential free time by capital.

The concept of subsumption of labor to finance was employed by Bellofiore and Halevi (2010) to refer to "the emergence of traumatized workers and indebted consumers" (p. 9). For them, one can speak of a combination of the processes of extraction of absolute and relative surplus value, as indebted precarious workers need to work more and more intensively – generating a situation of "full underemployment".

In our conceptual framework, comprehending the shifts in labor relations within capitalism necessitates a departure point in the metamorphosis of capital's very form, which governs the terms of employment. Capitalism, an intrinsically monetary system, culminates in the financialization of capitalist wealth, with fictitious capital assuming a central role in shaping capital's particular forms of allocation. It is through this process that the transformations in the realm of labor within contemporary capitalism must be apprehended.

5. Concluding remarks

In summary, our objective in this paper has been to add some elements to the comprehension of the transformative shifts occurring within the realm of labor in contemporary capitalism. Our interpretation underscores the significance of financialization as a manifestation of the development of value-form within a historical context characterized by the liberalization of capital from the regulatory constraints prevalent in post-war capitalism.

This lens of interpreting financialization reveals that the metamorphoses in capitalist wealth's configuration have positioned financial markets as the primary arena for decision-making upon forms of capital allocation. Moreover, these changes have created the conditions for an elevated degree of investment liquidity, allowing for the continuous real-time reassessment of capitalist decisions.

Our argument posits that this approach provides crucial insights for grasping the transformations in the realm of labor. The development of value-form bears with it corresponding shifts in the forms of labor subsumption to capital. In our perspective, the subsumption of labor within contemporary capitalism encompasses the emergence of three new forms of labor discipline, which intensifies labor exploitation.

By embracing financial logic as a general reference for evaluating the allocation of capitalist wealth, contemporary capitalism has shaped the mechanisms for disciplining the workforce. These mechanisms include the intensification of the labor process within publicly traded companies, the adoption of more flexible employment contracts and the worker's indebtedness.

Our approach to financialization as a critical analytical framework for understanding the contemporary issues in the realm of labor has proven to be fruitful. This approach circumvents the pitfalls posed by other perspectives, such as the dichotomy between financialization and productive investment and the lesser importance of the labor process.

In our formulation, there is no need to challenge the relevance of labor as source of value. Rather, the development of value-form signifies the subordination of this domain to financial criteria, which assumes a superior role in governing and assessing capitalist's decisions. Consequently, this also entails the reconfiguration of workforce management in alignment with this transformed relationship between the market and employing corporations, shaping the subsumption of labor to finance.

This process culminates in higher rates of labor exploitation, resulted from the three identified forms of workforce discipline. Moreover, it offers a perspective to comprehend the problem of the unrealized potential for liberation in terms of working time from a political economy perspective. The mechanisms of labor discipline, as part of the financialization process, enable capitalist appropriation of the liberating potential derived from advances in productive forces.

While the widespread increase in working hours is well-documented, it is prudent to acknowledge the limitations of this study in interpreting specific national realities. The general transformations examined here primarily pertain to advanced capitalist nations. Consequently, mediations are required for the evaluation of specific cases. Nonetheless, it's imperative to consider whether these phenomena extend to peripheral countries, where historically, "atypical" forms of employment are more prevalent and where such phenomena may engender unique interplays with the forms of labor subsumption under finance. Thus, our formulation concerning the relationship between financialization and changes in the realm of labor may pave the way to studies dedicated to analyzing elements of these relationships in specific contexts.

Notes

1. In addition to being subsequently promoted to underdeveloped countries through reforms supported by the International Monetary Fund (IMF) and the World Bank.
2. For example, Gouzoulis (2021) shows that, although finance has a negative effect on the share of wages in income (labor share) in France and Sweden, the Swedish model, with greater public participation in the financial system and institutional centralized forms of collective bargaining, contained the disciplining effects of indebtedness on labor income.

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