WORKPLACE
RESEARCH CENTRE

Shifting Risk
Work and working life in Australia
A report for the Australian Council of Trade Unions

Mike Rafferty and Serena Yu

Workplace Research Centre
University of Sydney

September 2010

Informing • Advising • Educating

The University of Sydney
Faculty of Economics and Business

Preface

When the ACTU first commissioned us to undertake the research that led to this publication, in early-mid 2009, the world was in the midst of the Global Financial Crisis (GFC). At the time, it was unclear just where things were going, and how bad it might get. It would have been quite easy to attempt to make predictions about the severity and potential effects of the unfolding crisis. This could have in turn led to a report focussing on identifying the policy failures that led to the crisis, potential ways of ameliorating the effects of the crisis, and on developing a set of corrective policy solutions to take to government. That approach may have given trade union leaders some temporary material to permit intervention in public debates, to discuss unfolding policy responses with governments, and even importantly to harness or at least give voice to legitimate public anger. But there were already lots of forecasters out there, and in an environment of tremendous uncertainty, almost any forecast was being taken seriously. Indeed, it seemed that the more extreme the forecast, the more attention it could get.

It was our view that however accurate and policy-savvy it might turn out to be, a forecasting and policy-oriented report was very unlikely to either change the terms of public discussion to the needs of labour, or focus attention on the issue of what all this means for labour and the labour movement. It also needs to be said that there is nothing particularly progressive for labour in focussing on crises: (the threat of) crisis (imagined and real) has been harnessed by a spectrum of political forces around the world for many years.

We decided instead to address the question of what the recent past, including the current crisis, tells us about the challenges and changing possibilities for organised labour. It is a difficult but immensely important question, and we certainly don't think we answered it then, or in the revised version presented here. Instead, it is our hope we have asked the right questions and provided some material to inform much needed discussion and debate.

When we distributed an earlier draft amongst colleagues and friends, both here and abroad, the most common comment was surprise and excitement that a peak union body would have the vision and leadership to commission such a research project in the first place. The ACTU, and Tim Lyons and Jeff Lawrence in particular, deserve great credit for their confidence to fund this research. The recent decision to release the report also gave us the opportunity to update the report, reflect on what has happened in the last 12 months, and improve the report along the lines suggested by a number of readers.

The research greatly benefited from the encouragement and feedback we received from colleagues in the academy and in the labour movement. The labour movement has a proud tradition in organisation and an equally proud intellectual tradition. Larry Beeferman, Elaine Bernard, Troy Burton, Luke Deer, Raja Junankar, George Koletsis, Scott MacWilliam, Sarah Oxenbridge, Barbara Pocock, David Noonan, Mark West, Sally Wright and Karel Williams provided valuable advice. We especially thank Dick Bryan, John Buchanan, Sam Gindin, Sanford Jacoby and Randy Martin for an ongoing dialogue during this project. We also thank our colleagues at the Workplace Research Centre for their support.

This report is not ACTU policy, but independent research funded by them. All views, and any remaining errors or omissions, are the responsibility of the authors.

Mike Rafferty and Serena Yu
Sydney, September 2010

Summary

The research that underpins this paper was initially conceived as a response to the Global Financial Crisis (GFC). It quickly became clear that a proper understanding of the current possibilities and challenges for organised labour required us to think more broadly about the period that the GFC brought to a close. The paper was therefore developed around the proposition that how organised labour comes to terms with the period we have been living through, and the contradictions and opportunities that it presents will make a decisive difference to the lives of working people, and to the future of organised labour. The goal has been to begin to build a broad analysis and provide an avenue for drawing in a range of experiences and expertise.

In each generation, organised labour has had to answer the question of identifying labour's shared experiences, interests and aspirations, and how they can be best articulated and organised. The challenge for this project has been to use the crisis as the close of one phase of history as a way of attempting to identify continuity and change in the experiences and challenges facing workers at work and in their lives, and to attempt to move that analysis to identifying the organisational possibilities, the new sites of economic and union renewal that might be possible in thinking about this.

The report itself builds a careful analysis of developments that have been occurring over recent decades, and their implications for labour and organised labour in particular. Summarising that sort of analysis would not do justice to the research we have assembled. Instead, this summary attempts to present a couple of the big issues and arguments it uncovered, and to draw out some of the key implications of the research. The detailed evidence and argumentation from which the key themes of the report are extracted are to be found in the body of the report.

The current financial and economic crisis brought to an end a protracted phase of global economic growth and transformation, characterised by quite dramatic social and economic change. Much has been made of the role of excess credit offered to low income sub-prime borrowers, to households who attempted to live 'beyond their means', and the toxic assets created around claims on mortgage payments as a cause of the crisis; **less attention has been given to the way this crisis has revealed how much more all workers and households are integrated into financial processes and calculations in their everyday life, a process coming to be known as 'financialization'**. Mortgage risk is just one of the many financial risks now borne by individuals and households.

The report seeks to identify continuing trends and new developments. What is undoubtedly new is the growing inequality between workers, and between labour and capital. What is also new is that the current crisis has exposed how people are now **required to absorb more and more financial, social and economic risks** (and therefore experiencing much more financial and social stress). These stresses are also

not just about labour in production – the historical site of organised labour's base. They are also about how labour has been much more comprehensively incorporated into economic and financial processes across their working lives. Superannuation, housing, health insurance, education, transportation and so on have all incorporated labour into an agenda of risk management – the household has been encouraged to think of itself as a unit of financial calculation akin to a business (yet without limited liability). The experience is often felt (and indeed is expected to be felt) individually. It is individuals and individual households that are expected to decide on the particularities of the types and how much insurance to have, how much to borrow and what interest rate terms to go for, how much and who to allocate their superannuation plan with and what investment option to choose, and so on. We wish to identify a shared process and momentum to those many seemingly individual particularities, and nominate it as part of the shared experience of modern working life.

Identifying this momentum, and naming it in a way that converts individual perceptions and experiences of particular risks and their associated stresses and anxieties into a broader conceptual understanding represents an important step toward challenging that development. Getting labour out of a language of being owners and players in risk management, and into a dialogue about what is common in the experience could therefore be a central issue to come out of this analysis. One of the challenges of the current project and for organised labour is to begin to bring an analysis of that phenomenon into a wider analysis of working life, and to consider what this might mean for organised labour.

In order to develop an analysis of the changes that have been occurring, it is useful to think of the developments in three broad dimensions:

- changes in the **world of work** (the nature of work performed, the nature of demand for and supply of labour, the structure of jobs, the nature of bargaining and pay and conditions),
- changes in **working lives beyond the workplace** (the way risk is experienced across a lifetime and how it connects with the world of work), and
- changes in the **relationships between workers** (the way workers experience and understand their life, especially their shared experience of risk both at work and in their working lives).

The work, working life and relationships distinction may be more descriptive than analytical. But in our estimation it is a critical starting point for the current analysis. In all three areas labour is presented with important challenges and possibilities.

Developments in the world of work

The current crisis can be thought of as paradoxical in the sense that it is a **crisis amidst abundance**. At its most basic, in Australia, GDP per capita has increased by

42 per cent since 1990 alone[1]. The developments in productive and technological capacity during the last thirty years have been extraordinary, and have delivered a potential for abundance that would have been almost inconceivable even 40 or 50 years ago. Just a few examples will suffice:

- technologies that have produced dramatic reductions in communication, computer processing and transport costs,
- less labour is now needed to produce agricultural, mining and manufacturing output,
- a consequent growth in service-type industries,
- a growth in the global scale of production, although now often distributed across many parts of the globe,
- global productivity has growth has been supported both by important ongoing advances in industrial countries, and rapid industrialisation in emerging economies including Brazil, Russia, India and China (the so-called BRIC countries),
- increasing internationalisation of production, trade and ownership via the disaggregation of production across global supply chains, more and more production being geared for international markets, and ongoing international mergers and acquisitions,

This growth in productive capacity has been occurring or at least experienced by labour in contradictory ways:

- growth in productivity and trade has put downward pressure on the price of many wage goods, but many of the fixed costs of living (such as mortgage repayments, child care, health care, transport, utilities) have increased,
- globalization demands that business benchmark not to local or national standards, but to global productivity and profit norms, and this has created real threats that business will move production to another location if labour resists,
- demands for productivity growth are relentless and ongoing, and
- increasing productive capacity has seen the emergence of overcapacity, experienced as the unemployment of labour and capital in many regions and industries.

The story of changing work associated with this is a reasonably familiar one. We know for instance that along with the changes in production described briefly above we have seen a change in the nature and terms of bargaining. In the place of collective and centralised bargaining around notions of what is 'fair and reasonable' (social norms that emerged in Australia's case from the Harvester judgement in 1907 onwards), we have seen the terms of wage bargaining shift more and more to bargaining around what is necessary for global profitability norms to be met by firms. Thus, in place of wage bargaining having strong elements of a (contested)

[1] ABS Australian National Accounts, cat. no. 5220.0

social conception of fairness and a fair share of wealth being produced, we have seen emerge the more brutal world of market competition and the primacy of norms of global productivity and corporate profitability. This has increased the flexibility that labour is expected to offer to capital and along with this the contingency and forms of risk that are expected to be absorbed by labour.

The challenge to previous conceptions of bargaining has extended to the institutions of collective bargaining that were part of that earlier arrangement, including arbitration commissions and especially unions. As a consequence, it has become increasingly difficult for organised labour to make collective gains, and especially difficult to spread those gains across firms and industries. Additionally, the industrial award system which used to be the base from which over-award negotiations occurred is now increasingly all many workers receive. There has also been a fragmentation of wage contracting and modes in which labour is engaged by employers at work, with the growth of different forms of casualisation, labour hire and different forms of wage contracting, notably growth in enterprise and individual bargaining.

As the costs and risks that labour now carries have increased, individual workers are often required to work longer working weeks or have more household members participate in the labour market to make ends meet (a phenomena which Elizabeth Warren has termed the two-income trap). Workers are also increasingly being expected to work longer working lives as retirement age increases. We have also seen greater household labour force participation with more paid labour required to meet the costs of living. Despite that shared experience, paid work is now often experienced in disparate ways. Notions of working time standards have changed as flexibility for capital has seen many more people working long and/or non-standard hours. Indeed as labour is expected to offer greater flexibility, these arrangements are increasingly becoming part of the new norms for working time.

Another of the important outcomes of this new bargaining regime is an increase in the inequalities of pay and conditions between workers, and between people in different locations/neighbourhoods. Along with the growing stresses and anxieties about financing household running costs, the greater dispersion in earnings has changed the relations between workers in some important ways. The research seeks to develop some of the wider implications of this growing stress and inequality for labour, but for now it is worth noting two important dilemmas this poses for the historical project of organised labour at work.

Firstly, the new norms and forms of bargaining have made it more difficult for unions to secure protection of workers from the vagaries of the market – labour is increasingly expected to absorb the risks at work. As we have noted, employers have made market and competitive demands more explicitly the basis of modern bargaining. And what conforms to global profitability norms in one firm or industry may not in another. Similarly, what was once acceptable within that conception may change and so even existing conditions may be threatened. Indeed, we can add to this changing landscape that employer attitudes to the presence of unions have hardened considerably, and this has and continues to have an important effect on union membership. Second, despite the enormous growth in the wealth being produced by labour, organised labour's capacity to claim a share of that wealth has been made more difficult by the more restrictive regulatory environment in which unions operate. One example has been the targeting of several sites of union strength (the waterfront, meat works, and construction), both to undermine the capacity of organised labour to make and spread gains, and as a powerful signal to the rest of the labour movement.

While there are areas of high union density, areas of growing union density, and some important victories for organised labour, these structural factors have made it more difficult to organise collectively at work. One consequence has been that levels of collective industrial action have fallen, and we have not seen any argument that the current crisis has come about from a worker-led profit squeeze.

Developments in working life beyond the workplace

While **labour in production** has been seemingly absent as a cause of the crisis, labour has not been entirely absent from either the developments that led to it or to the way the crisis has unfolded. The proximate cause of the crisis was the inability of a large number of low to middle income earners in the United States to repay housing debt. In other words, labour's involvement in the genesis of the current crisis has been mostly as **failed consumer, investor or creditor**. This is no accident. There have been an important series of related changes in the experience and situation of labour in these spheres that might be captured by the sense that labour is now exposed to/incorporated in many more of the wider risks and volatilities of economic life. The **individualisation and risk absorption role for labour** has been both about the re-distribution of risks, as well as part of the developments in production discussed above. This development in the wider experience of working people is tremendously important for understanding the nature of changes that have been occurring.

In the last two decades, finance has helped to facilitate the transfer of risks to labour and households. The importance of this financial risk shift was noted by the IMF noted several years ago:

> Overall, there has been a transfer of financial risk over a number of years, away from the banking sector to non-banking sectors…This dispersion of risk has made the financial system more resilient, not the least because **the household sector is acting more as a 'shock absorber of last resort'**. (IMF 2005: 89)

The risk transfer to households can be understood to come from two sources:

- **risk transfer from the state to households**
- **risk transfer from capital to labour**.

One dimension of the risk transfer to labour has been the transfer of risk from governments to households. In part, the transfer of risk from the state to households has been about the **deliberate retrenchment** of social protection, associated with such things as the privatisation and corporatisation of health care, utilities and so on. And in part it has also been **inaction by governments in the face of new risks**. The corollary of the privatisation of risks is the development of new forms of finance and service provision, in health insurance, tollways, private schooling, superannuation, and mortgage backed securities.

The high road of the transformation of risk bearing by labour has been about recasting labour and households as a unique package of identities, assets and opportunities – citizen, owner, investor, consumer and worker. The promise of financialization was that it would better reflect the wider interests of people across their lives, and perhaps even help people gain access to a larger share of the wealth being generated, but in a form unrelated to paid work – to escape what Karel Williams and his colleagues have termed the 'tyranny of earned income'.

In an era like the one we have been living through characterised by low real wage growth, but quite rapid increases in national wealth, the prospect of labour sharing in the unearned income of society was especially alluring. The contrast between the difficulties of gains via collective action through organised labour, especially in defending labour's previous share of the wealth being produced, and the individual possibilities for gain became the basis for a range of political strategies both here and abroad, including President Bush's much vaunted 'ownership society'. We were encouraged to think that risk was for winners and labour unions for the risk averse (Martin 2009, personal communication).

As the process has unfolded, the allure of wealth sharing via these new social mechanisms has involved recasting jobs and other facets of life onto the same (commercial) grid as business, suggesting that calculative tools of business and finance can be applied to life choices for clearer and more manageable lives, and for an economy's risks to be more dispersed throughout society. Yet quite apart from the obvious differences between the individual/household and the corporation (including the absence of limited liability and the corporate shield) behind this rhetoric lay a massive re-distribution of risks onto individuals and households, risks that in the past had been borne by the state and by companies (Jacoby 2009).

We can therefore identify the growth of finance as the expression of the rise of risk and risk management as a social system of calculation, and the way in which risk is being systematically transferred from the state to households and from capital to labour. In so doing, financial processes are attempting to define and redefine labour as owners, investors, pension fund investors, and of course debtors, along with the risk exposures that come with these identities. Choice has to be set in this context of the development of a vast number of risk shifting products, and in the pervasiveness of the language by which we are asked to think about ourselves as unique and individual and in the responsibility to risk manage our lives.

Contrary to the project of individualisation, we seek to identify this risk exposure as the link between labour in work and in our working lives. Growing household debt (its growth and multiplicity of forms), and other costs and exposures have transformed the integration of households into the economy, permitting households to bear the increasing fixed costs of living, but requiring additional paid labour to be added to the workforce in order to meet debt repayments and other fixed costs of living, a phenomenon that has been observed in both the US and Australia.

The impact of household indebtedness and risk exposure in the labour market can be significant. Belkar, Cockerell and Edwards (2007) find that high levels of debt servicing requirements increase the likelihood of household labour force participation, particularly for women with dependents. Intuitively, this makes sense – debt repayments are regarded as a fixed expense, and require additional hours being worked, or a non-working household member entering the workforce, should financial stress arise.

The seminal work here is Elizabeth Warren (2006) in the US who extends the analysis of labour's fixed costs to other expenses, including health care costs, child care and transport expenses. She finds that, in spite of the growth of dual-income households, and contrary to the mantra of luxury-driven excess, household consumption was in fact driven by a rising proportion of fixed expenses (housing, childcare, education, health care, transportation costs etc)– from around 54 per cent in the 1970s to 75 per cent in 2004. Instead, the story is more one of how finance was used both to absorb the increasing risks and costs of modern living, but itself cannibalised the household by extracting repayments, fees and refinancing charges that eventually brought down millions of households in the sub-prime crisis.

A key point here is that as these fixed costs rise, and as more household labour has been added to the paid workforce to meet those costs, the **household is now more sensitive to any shocks** on either the cost or income side. Preliminary research for Australia suggests a similar but perhaps less dramatic rise in the proportion of fixed costs of living to all household income.

A similar process of **risk transfer** can be identified in **relations between workers and employers**. We have seen many forms of risk protection that were once offered as part of employment – defined benefit pensions, employment security, health insurance, and so on - abandoned entirely or the risks transferred to employees (Jacoby 2007).

The story of the breakdown in employment security, cashing out of conditions, in the cancelling of benefits such as health insurance, pensions, and so on is well-known, and can be readily understood in terms of risk transfer. The increasing flexibility labour is expected to offer to capital at work, and the change in the terms of bargaining from broad social norms of fairness to profitability are likewise expressions of this momentum.

The processes associated with financialization can also be seen to be increasingly involved in changes in the regulation of the wage-consumption relation. With wages increasingly being determined through competitive relations, in terms of consistency with norms of profit and individual productivity, we also see related developments in consumption norms. The retreat of the welfare state is emphasising that individuals are now expected to use their earnings not just for consumption, but also for servicing debt and to insure and save for their own for retirement, future health care and education needs etc. This increasingly means that not only is the individual expected to manage their consumption expenditures, they are also increasingly expected to manage the risks of saving for retirement, and to manage their debt servicing requirements. And here we see financial institutions increasingly engaging in calculations about what part of the wage is required for consumption, and what parts available for saving and debt servicing. Financial institutions are therefore increasingly participating with the state in calculating minimum consumption norms for labour, but where that calculation is also extending to determining what parts of labour's income can be re-converted into payments to capital (forced savings and debt repayments) (Bryan 2008).

Changes in relationships between workers

The material changes at work and in our working lives, taken together, can also be seen have a shared further dimension, worthy of being nominated separately. That is the fragmentation in the relationship between workers. This third dimension builds on our identification of the range of structured pressures for increasingly individual solutions to economic and social problems at work and in working lives. In terms of work, there has been a decline in union density, as a result of the disaggregation of workplaces; increasing employer and government attempts to contain and undermine organised labour; growing differences in the experience of bargaining (from national wage cases to enterprise and individual bargaining with workers and unions increasingly expected to identify with the enterprise or employer); and a fragmentation in work both in terms of the growth of non-standard working hours, and of course increasingly disparate outcomes (income) from that experience. In our working lives, we have been invited and cajoled into a system of growing demands on incomes and wealth (debt servicing and other fixed costs of living, risk exposures to many of life's potential events), which has attempted to set labour in competition with itself not just in the workplace, but in wider working life.

Workers in Australia had won some collective security against many risks but have been pushed toward new more individualised sets of arrangements for managing that security. At first, it seemed that many of these new arrangements offered similar or better security. We can now see that in the process, the earlier forms of security have been and are gradually but systematically being individualised and financialised. The outcome is both a transformation of the working life of labour and individualisation of the (risk managed) experience. We can identify this project of risk shift as also a cultural shift – financial choice attempts to stress everyone as different and unique, requiring unique and different solutions. Superannuation is perhaps the best known example here, where there are literally hundreds of options for people to decide on within one fun, but everyone also is encouraged to think they have their own unique needs in health care, education, retirement and so on. These individual risk management products not only permit labour to bear these risks, but also systematically play down what labour has in common.

It has been the historic mission of unions to challenge individualisation at the workplace. The contemporary challenge is recognise the processes of risk shift as a new frontier of individualisation and press the point that it has to be resisted collectively. While the experience of being exposed to a growing range of financialised risks is not exactly like working in a large workplace, there is shared experience of being subject to the same process. We all have increasing exposure to volatile asset markets, and financial institutions are using a very similar calculus to assess our capacity to service debt, and as the sub-prime experience shows. We are all exposed to the risks of the destruction of household wealth and even the household itself should anything happen to our income or income earning capacity, and certainly to an economy-wide shock. Government and financial industry campaigns around financial literacy are part of a project to get labour to accept the individual responsibilities that go with this new financially empowered role.

The question for organised labour is how to articulate that shared experience of this financialised life in a way that not only begins a dialogue about what all workers have in common, but to begin to work toward organising challenges to that momentum. In thinking about these developments the goal is to develop a politics and organisational forms and activities that not only identifies the wealth being generated by society as labour’s, but that can use that identification to raise the question of what to do with the tremendous wealth and opportunities that are being created, and what those capacities offer to labour as a resource for getting the sort of society we want.

Where to from here?

Looking back over the last two to three decades, it is possible to see that we have been experiencing some profound changes in the nature of work, in our working lives and in the relationships between workers. Developing an understanding of those changes, and trying to think about their implications for organised labour is profoundly important but difficult task. It is a measure of the leadership of the current ACTU that it has encouraged research to begin to tackle those questions. This report needs to be seen as only a small part of that project.

This research was conceived around the proposition that there was a need to begin thinking and talking about possibilities for organised labour presented by developments that have been occurring. Asking the right questions and then beginning to develop an analysis of those developments and their possible implications for organised labour was itself an important issue this report attempted to address.

A key challenge of the report has been to try to identify and understand the momentum of social and economic change at work and beyond. We have attempted to convert individual perceptions about growing anxiety and pressure at work, and the increasing stresses and risks facing people in their broader working lives into a more general conceptual understanding and give it a strategic direction. The research reported here was undertaken with the intention that in order to organise and challenge around what has been happening, it must first be identified and named. It is our conclusion that the changes we have named and described have considerable momentum. Life after the GFC is very unlikely to go back to some pre-financialised path, not just because there is no organised opposition to them. Rather that momentum continues because the changes have deepened labour's integration into capitalism. Regulatory and other reform is most likely to seek an accommodation with, and more orderly functioning of the relationship between finance and households. The current momentum does have historical parallels. Just as Ford was forced to recognize that raising wages was central to selling and realising profits in an era of mass production, finance now sees that maintaining credit-worthiness is crucial to their own expansion in an era of financialization.

But a measure of the sort of analysis we have begun is also what it concretely implies for what is to be done. This report has been devoted to the development of the analysis that might inform such concrete actions.

This takes us to the question of how to collectively challenge and reverse the individualisation of risk, and what a politics that could organise such a challenge might look like. One immediate and exciting possible organisational potential of developing this idea however is joining together workplace and quality of life politics in a way that is more expansive and promising than the increasingly degraded idea of work-life balance (Pocock 2010, personal communication). Such an approach might even offer the prospect of moving beyond reclaiming a slice of lost productivity gains and the associated compensatory politics, as important as that might be. It would help establish a more direct integration between the challenges to labour both in work and in our working life as a central part of the account of financialization (Martin 2010).

We have observed that the changes in the nature of work and bargaining have made the experience of labour at work more fragmented, stressed and insecure. It has certainly made organising around that experience increasingly difficult. There have however been some important and historic organisational and political advances in this domain (with the Your Rights at Work campaign being a notable example). Similarly, we have seen that often under pressure from stagnant incomes, and the weight of growing financial commitments, households have been increasing their supply of paid labour. Elizabeth Warren's work in the United States, on what she calls the two-income trap, how more paid labour is required to meet the fixed costs of living resonates with the Australian experience. Australians now work some of the longest hours in the developed world, and with current and potential extensions to retirement age, we will be doing so for more years as well. This shared experience provides an important basis for a re-politicisation of working time (Pocock 2009, Buchanan 2006).

There is clearly a need and seemingly great potential in thinking about a broader set of issues facing labour, outside of the formal workplace. It is also in our working lives, through what has been called the financialization of daily life, where a shared but as yet largely unarticulated experience of life under capitalism has been occurring. That evolving shared experience in our working lives is also critical in understanding many of the important dimensions of the transformations that have been occurring; and presents a site of great organising potential.

It is stating the obvious to say that there is no ready-made comprehensive alternative to the current situation. But that certainly does not mean that there are no alternatives. Indeed, we began the analysis with the observation that the GFC should be seen as a crisis amidst abundance, in the sense that we now live in a society (both national and increasingly global) in which the possibilities for mass abundance are a reality in ways that would have been almost unimaginable only 40 or 50 years ago. The historic importance of this should not be forgotten. By contrast with organised labour and a vision of possible abundance, it is the project of employers and governments to continually reimpose individuality and scarcity as society's organising ideas.

Once we begin to see that we now live in a society of potential shared abundance, many exciting possibilities open up. Indeed, an important point worth stressing here is that the notion of risk shift captures the fact that while business and governments have sought freedom from the encumbrance of collective labour in the workplace by distributing it through debt and credit relations, the risk shift is no less an expression of collective labour's potential. There are now vast sums of money in pension funds, and other financial assets of labour. This growth in wealth and the potential it shows is an extension of the labour movement's own history. The paradox now is in recognising that, just as in earlier periods, the collective interest of society and the possibilities that holds can only come through labour's self-organisation. This represents a strategic brief for organising labour today.

TABLE OF CONTENTS

1. Introduction

1.1. Labour and the Crisis

The financial and economic crisis brought to an end a protracted phase of global economic growth and transformation, characterised by quite dramatic social and economic change. During the boom we saw significant technological change, new levels in the globalisation of economic activity, financial innovation, the rapid emergence of new industrial nations (notably the BRIC countries, Brazil, India, Russia and China), significant changes in the balance of power between capital and labour (both in its organised and individual forms), and of course important changes in the nature of work and working life.

The financial crisis, and recession that unfolded in its wake, occurred at a great speed, and forecasters initially scrambled to keep up with its pace and severity. The recession is being experienced differently in different parts of the world, but has already had impacts to workers in terms of layoffs, reduced hours and wage and condition give-backs, and added to the growing sense of insecurity and powerlessness that often pervades workplaces today. The rapid unfolding of the recession has made arguments about its cause/s and solution/s even more difficult, and debate floundered in often moralistic and rhetorical claims of greed, speculation and regulatory failure. What is clear is that while the boom produced incredible advances in the productive powers of society in which the benefits went overwhelmingly to capital, the recession is one in which the price for recovery is systematically falling on labour. The boom may have produced a level of potential abundance unheralded in human history, but it is one in which labour is being presented with scarcity (of high quality and affordable education, health care and housing, retirement, of decently paid work and so on) as the price of recovery from the crisis.

How organised labour comes to terms with the period we have been living through, and the contradictions and opportunities that it presents will make a decisive difference to the lives of working people, and to the future of organised labour.

From the viewpoint of labour, one of the most notable aspects of this crisis, compared to almost every crisis of the post-war period, is that labour as producer (wage worker) has not been implicated as a cause of the crisis. Indeed, during the boom, leading spokespeople from business and government commented with considerable surprise about the relative absence of strong wage and industrial disputation pressures, despite all the conditions usually associated with such activity. To paraphrase the Chairman of the Federal Reserve, Ben Bernanke, the long economic boom of the 1990s and 2000s was characterised by a Great Moderation in labour's claim on the fruits of economic expansion.

Economic growth over the last decade and a half in the developed world at least has been characterised by:

- productivity growth that has far outstripped wage growth, and can be seen in many statistical indicators including the rapid growth in the profit share of national income (and a corresponding decline in the wage share);
- a fragmentation (or disaggregation) of labour in terms of the growth of smaller workplaces, or aggregations of labour in new industrial settings, hospitals, education institutions;
- a systematic targeting of sectors by militant employers and conservative governments of groups of workers with higher levels of union organisation and militancy, which has tended to undermine their ability to lead new pay and condition settlements, and provided strong symbolic warnings to the labour movement as a whole;
- a weakening in the links between improvements won in working conditions in one sector to those in other occupations and sectors, and therefore also an accentuated inequality of individual and household incomes;
- stagnant or even declining real median wages in many countries, especially among lower income groups; and
- increasing volatility of both incomes and the fixed costs of living.

It is now popular wisdom and even official policy that the cause of the crisis was a combination of corporate greed and excess, financial speculation, and poor regulation. We will have more to say about these largely rhetorical and even moralistic claims later, but it bears noting at the outset that even if all three are successfully addressed in terms often proposed by social democrats, it is unclear how this benefits labour. Addressing these issues may make the world safer for capitalism's resumed expansion, but their implications for labour are if anything quite contradictory at best. There are, in any case, significant limitations for labour of basing any sort of political agenda for labour on the basis of populist approaches. Indeed, the almost exclusive focus on greed, speculation and regulation in popular discourse may be part of the reason that there has been so little popular protest over the crisis and its growing impacts. As former Prime Minister Rudd's essays also show, they are claims that can be made in a way that is almost entirely compatible with a quite orthodox government agenda. Changing the current agenda will require unions to focus on something else.

While the speed and depth of the economic crisis was extraordinary, just as importantly, however, and thanks to massive public bailouts, global financial markets are now showing signs of stabilising. Economic growth has re-emerged, though not yet at a pace that is drawing on the large pools of unemployed left after the crisis.

But for labour, and organised labour in particular, it is likely to be another story. Unemployment rates are likely to remain high in many countries for some time even after economic activity has recovered, and the continuing impacts on labour in terms of pay and conditions give-backs, and generally weakened bargaining position will remain for the foreseeable future. While there is a desperate need for a new form of political and industrial unionism, the general perception of powerlessness, insecurity and lack of hope that the period has engendered is if anything more amenable to populist political movements on the right than the left. Developing a much needed alternative while necessary is by not going to be easy.

Beyond the rhetorical explanations for the crisis in greed, speculation and regulatory failure, there is **very little consensus about what sort of crisis we are living through**, how it came about and what opportunities exist for organised labour. Redressing this gap is one of the principal purposes of this project.

1.2. Labour's Role in the Crisis

While **labour in production** is seemingly absent as a cause of the crisis, labour has not been entirely absent from the way the current crisis has unfolded. The proximate cause of the crisis was the inability of a large number of low – middle income earners in the United States to repay housing debt. In other words, labour's involvement in the genesis of the current crisis has been mostly as **failed consumer, investor or creditor**. This is no accident. There have been a series of related changes in the experience and situation of labour in these spheres that might be captured by the sense that labour is now exposed to/incorporated in many more of the wider risks and volatilities of economic life. This development in the wider experience of working people is tremendously important for understanding the nature of changes that have been occurring and we will have cause to spend some time on it in the analysis that follows. The development has been captured in various ways including the Risk Society (Ulrich Beck), the Two-Income Trap (Elizabeth Warren) the Financialization of Everyday Life (Randy Martin) and the Great Risk Shift (Jacob Hacker). While the terms financialization and risk shift are not elegant, and risk becoming one of those catch-all phrases that describes everything and therefore nothing, the processes that it attempts to capture need to be taken seriously (Williams 2010, personal communication). For now a brief overview will suffice.

The high road of the transformation of risk bearing by labour has been about recasting labour and households as a package of identities, assets and opportunities – citizen, owner, consumer and worker. The promise of financialization was that it would both more closely reflect the wider interests of people across their lives, and perhaps even help people gain access to a share in the wealth being generated, but in a form unrelated to paid work – to escape what Karel Williams and his colleagues have termed the 'tyranny of earned income'. In an era characterised by low real wage growth, but quite rapid increases in national wealth, the prospect of labour sharing in the unearned income of society seemed alluring. As the process has unfolded however, this wealth sharing has involved recasting jobs and other facets of life onto the same (commercial) grid as business, suggesting that calculative tools of business and finance can be applied to life choices for clearer and more manageable lives, and for an economy's risks to be more dispersed throughout society. Yet quite apart from the obvious differences between the individual/household and the corporation (including the absence of limited liability or the corporate shield)behind this rhetoric lies a massive re-distribution of risks onto individuals and households, risks that in the past had been borne by the state and by companies (Jacoby 2004). It is significant here then that labour has been offered participation in the increasing wealth generated by our society, but not as labour, or even citizen, but as risk-taking player in various markets, in which finance has acted as facilitator.

Setting up the analysis this way bypasses the normal association of finance simply with notions of speculation, of being distinct from the 'real economy', and that we will emerge from the crisis returning to a pre-financialized past. Instead, we can identify the growth of finance as the expression of the rise of risk and risk management as a social system of calculation, and the way in which risk is being systematically transferred from the state to households and from capital to labour. In this way finance has become integral to the life of capitalism and indeed is now integral to people's daily life - it defines and redefines us as owners, investors, pension fund investors, and of course debtors. Just as importantly, it attempts to define us in terms of the risk exposures that come with these identities. For instance, household debt (its growth and multiplicity of forms) has transformed the integration of households into the economy, permitting households to bear the increasing fixed costs of living, but requiring additional paid labour to be added to the workforce in order to meet debt repayments, a phenomenon that has been observed in both the US (Warren 2004) and Australia (Belkar, Cockrell, and Edwards 2007).

The escalation of foreclosures in the low income sector of the US mortgage market (the so-called sub-prime' market) began a spiral of financial market turbulence that has also flowed quickly to other parts of the finance sector, and into the rest of the economy, both in the US and globally. Much has been made of the role of excess credit offered to these sub-prime borrowers and the toxic assets created around claims on mortgage payments as a cause of the crisis, but **little has been made of the way this crisis has revealed how much more financialized individual workers and households are in their everyday relations**. Mortgage risk is just one of the many financial risks now borne by households. One of the challenges of the current project and for organised labour will be to begin to bring an analysis of that phenomenon into a wider analysis of working life, and to consider what this might mean for organised labour.

1.3. The Crisis for Labour

While labour in production has not been implicated in the cause of the downturn, it should be no surprise that it is being called on to help resolve it. Researchers at the ILO recently made the following observation about the downturn:

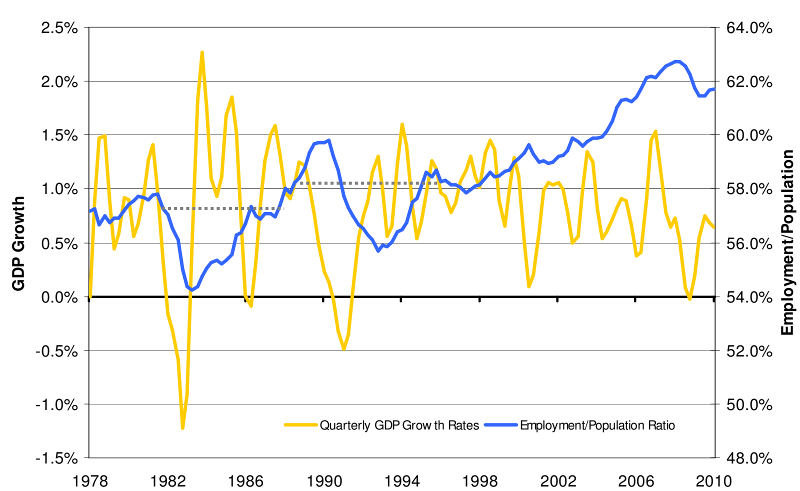
> "…firms have used downward adjustments to wages and working conditions as alternative or complementary strategies to lay-offs to cut costs in order to cope with the global economic recession…

Thus, workers have borne the brunt of the crisis either in the form of lost jobs or impaired wages and working conditions." (Islam and Shamchiyeva 2009, 6)

It bears noting that these impacts come on top of the increased exposure of workers to volatile asset markets including in their housing, pensions and borrowing activities in their working lives. It is in this aspect of the crisis that we see one way that labour at work and labour's working lives are joined. The ILO has captured some sense of this in suggesting that an **economic recession** has in many places given way to a **social recession**[2].

In addition, the lagging, and long lasting, impact of recession on employment is starkly illustrated in Chart 1. During each of the recoveries following the recessions of the early 1980s and early 1990s, the level of employment (relative to the size of the population) is restored to pre-recession levels well after GDP growth turns positive – marked in Chart 1 by the dotted lines. Therefore, while production recovers relatively quickly, the employment intensity of recovery is much more subdued. It needs to be emphasised here that no recession is the same, and we are not predicting the same outcome, merely that surplus labour is a condition that tends to prevail for some time after economic growth has begun to recover.

Chart 1 Employment and GDP cycles, 1978 - 2010



Source: ABS (2010a and 2010b)

---

[2] As a recent ILO report on the crisis suggests, "A veritable jobs crisis is looming on the horizon, leading to a **social recession**. This is demonstrated by ILO assessments that the worst case scenario of **global unemployment increasing by 50 million by the end of 2009** is the most likely to be realised. The ranks of the **working poor**, those earning less than $2 a day, **will rise to 200 million**. Given the fact that employment growth typically lags behind economic growth, the jobs crisis is likely to persist for several years, even after growth picks up in the global economy." (2009, 5, emphasis added)

1.4. Organising the Research

The purpose of the current report is to help structure discussion and debate – to get beyond just a 'brainstorming' of ideas about the challenges facing organised labour today. It attempts to build a broad analysis and provide an avenue for drawing in a range of experiences and expertise.

The paper is structured as follows. The next section provides an overview of the recent period leading up to the GFC. This is followed by an analysis of the downturn, the way it has unfolded and implications for understanding the present. This paper then turns to an outline of possible scenarios currently facing organised labour, and concludes with an overview of the next stages of the research project.

Before beginning the analysis, there is a need to establish a couple of research categories. These will help structure the analysis that follows. This paper is premised on the understanding that analysis is assisted by thinking of the prospects of organised labour in three dimensions:

- changes in the **world of work** (the nature of work performed, who does the work, the structure of jobs, the nature of bargaining and pay and conditions),
- changes in **working lives beyond the workplace** (the way risk is being experienced across people's lives), and
- changes in the **relationships between workers** (the way changes in the world of work and in peoples' lives beyond the workplace have changed rel;ationships).

The work, working life and relationships distinction may be more descriptive than analytical, but in our estimation it is a critical starting point for the current analysis. In all these areas labour is presented with important challenges. Organised labour's response to those challenges will be critical in determining not only the way they are framed in public debates, but also the organisational forms in which the challenges are expressed. Indeed, trade unions are uniquely placed to bring the challenges and contradictions occurring in work and working life together, and give it both political and organisational form.

2. Background issues and themes

It is self-evident that we are living through a crisis of some sort. But there is a regular if unpredictable pattern of financial crisis that suggests that **crises are a normal part of life** under capitalism (Kindleberger 2001). And it is also evident that the starting point for this particular crisis is that Australia entered it as a much **more unequal society**. In the following section a range of statistics are presented to indicate the dramatic scale of the growth in inequality that has occurred. But inequality of outcomes, while it has been historically and will continue to be a central issue for organised labour, cannot be the end point of our analysis in the current era.

The question for organised labour is to address **why** this is occurring, and what is **different** and **similar** about these changes than have confronted labour in the past. If we are interested in finding ways of organising around issues that increasingly affect all people's working lives, and reflecting on the nature of the struggles that are occurring, then a range of additional questions follow.

A key issue to be addressed in this respect is what is the **NEW** story about the way labour is being incorporated into the changing social and economic order? In short what is the new dimension to the systematic inequality of labour and why has there been so little protest?

What is undoubtedly new is that the current crisis has exposed how people are now **expected to absorb more financial, social and economic risks** (and therefore experiencing much more financial and social stress). These stresses are also not just about labour in production – the historical site of organised labour's base. They are also about how labour has been much more comprehensively incorporated into economic and financial processes across their working lives. Superannuation, housing, health insurance, education, transportation and so on have all incorporated labour into an agenda of risk management – the household has been encouraged to think of itself as a unit of financial calculation akin to a business (yet without limited liability). Getting labour out of a language of being owners and players in risk management could be a central issue to come out of this analysis.

The recent Your Rights at Work campaign showed that there is a need to reclaim what has been valuable in the way existing organised labour institutions operate and blend those capacities with newer issues and more diverse organisational demands confronting workers and their unions. There have also been an increasing number of innovations occurring in unions both in Australia and overseas (workload controls in Victorian public hospitals, shorter hours in construction in Victoria, Cleanstart and Justice for Janitors in the US, Capital Stewardship in superannuation governance, and many others) and reflecting on those experiences will be important. Indeed, one of the key tasks of the research is to identify the many innovations and achievements that have been and are continuing to occur in the union movement. And while YR@W presented a case of successful electoral campaigning, the issue now is also how to use that organisational success to advance issues confronting labour in production and in their working lives.

The challenge for this project is to use the crisis as the close of one phase of history as a way of attempting to identify those new and emerging themes and organisational possibilities, the new sites of economic and union renewal, and the new demands and challenges facing workers in their lives. In this sense the project will be both backward and forward looking.

What is happening to Australian workers – how did we get here?

2.1. Background – the global and historical context of the crisis

There is now a considerable story about the recent past cast in terms of a process of systematic and global de-regulation of the economy, informed by a dogmatic neo-liberal faith in the virtues of markets. This story reaches its culmination in the GFC and the global recession, with the demonstration that de-regulation of financial, labour and other markets has failed, even on its own terms. This is a compelling story, with the obvious corollary that a solution can be found in a new re-regulatory phase.

We will start with the neo-liberal story but twist it to show both its limitations as an explanatory device and its inherently conservative political implications. While what has been occurring has often been framed under the term neo-liberalism, it is a much overused term, and there is a need to go inside the changes themselves. Otherwise, we are just left with rhetorical responses.

Before moving to the direct trends and changes at work and in working lives in Australia, it is important to situate that analysis in a global context. A number of important global developments are worth considering, and here we have framed those developments into five broad categories:

1. technological change and the (contradictory) growth of global productive capacity;
2. ongoing globalisation of production, trade and ownership;
3. rise of the newly industrialising countries (including the BRICs);
4. the growth of global profit share that created large global surpluses; and
5. new frontiers of finance in risk transfer and the recycling of global surpluses.

The section now provides an overview of each of these developments in turn.

3.1.1. Technological change and (contradictory) growth of global productive capacity

The current crisis can be thought of as paradoxical in the sense that it is a **crisis amidst abundance**. The developments in productive and technological capacity during the last thirty years have been extraordinary, and just a few examples will suffice. Here we have in mind the following:

- technologies that have produced dramatic reductions in communication, computer processing and transport costs,
- less labour is now needed to produce agricultural, mining and manufacturing output,
- the growth in the scale of production (including overcapacity of labour and capital)

Together, these factors have put downward pressure on the price of many wage goods.

While many have wondered about the impact of technological change on global productive capacity, Table 1 shows the dramatic reductions in the cost of both international telephone communication and computer processing. These declines have made both the operation and conduct of (international) business dramatically less expensive and permitted a rapid growth in productive activity around the world.

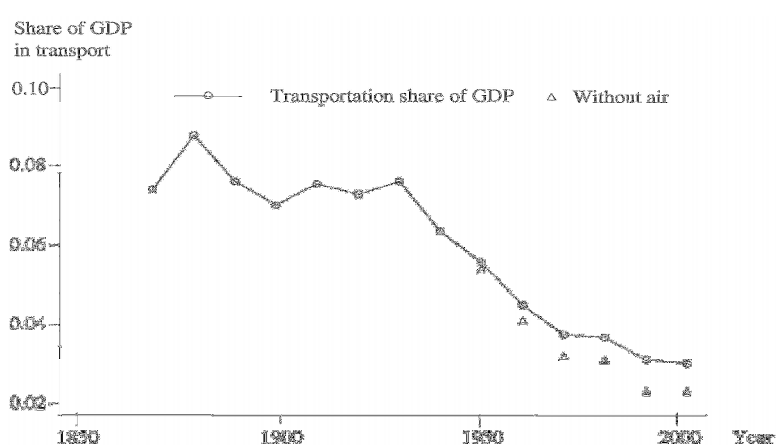
Table 1 – Falling Communication and Computer processing Costs, 1960-2000

	Cost of a 3-minute Telephone Call, New York to London (in 2000 US$)	Price of Computers and Peripheral Equipment Relative to GDP deflator (2000 = 1000)
1960	60.42	1,869,004
1970	41.61	199,983
1980	6.32	27,938
1990	4.37	7,275
2000	0.40	1,000

Source: Masson 2001

Another indicator of the growth of productive capacity is the much greater capacity and lower cost of transportation. Both air transport and containerisation have made a significant impact on the ability move commodities from one place to another, and at speeds that are unheralded. Figure 1 shows that even accounting for much greater circulation of commodities that is occurring, transport costs as a percentage of GDP has declined in a stepwise manner, reflecting the advances in transport technologies.

Figure 1 - Declining transport costs - the transport share of GDP, 1850 - 2003



Source: Glaeser and Kohlhase 2004

Another indicator of the growth in productive capacity of society is that less labour is needed to produce agricultural, mining and manufacturing output. If we use total goods production to proxy the output from these three sectors, then compared to the 1960s when goods production absorbed around half of world output, it now accounts for less than a third – see Table 2.

Table 2 - World goods and services production
As a percentage of total world output

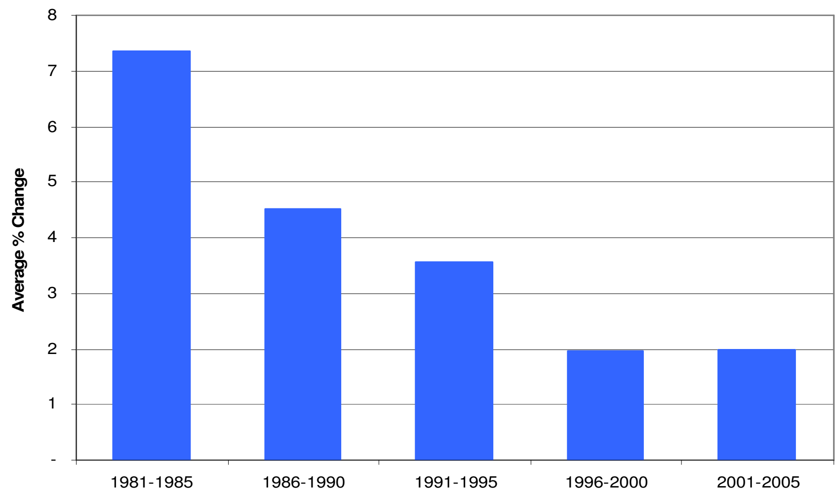
Year	Goods[b]	Services
1960[a]	49.6	50.4
1970[a]	50.9	49.1
1970	48.4	51.6
1970-1979	47.5	52.5
1980-1989	42.6	57.4
1990-1999	35.3	64.7
2000-2006	32.0	68.0

Source: Lipsey 2004

Technological change has combined with the growing scale of modern production systems such that, for instance, the world car industry currently has a capacity to produce 94 million vehicles a year, but this represents an excess capacity of some 34 million vehicles a year (CSM Worldwide, cited in Welch 2008).

The combined effects of technological change and the growth of productive capacity and scale is that there have been low even negative price rises of many consumer goods and durables (Chart 2), and this has helped to keep downward pressure on wage growth.

Chart 2 - Global consumer inflation rates, 1980 – 2005
Average annual percentage change

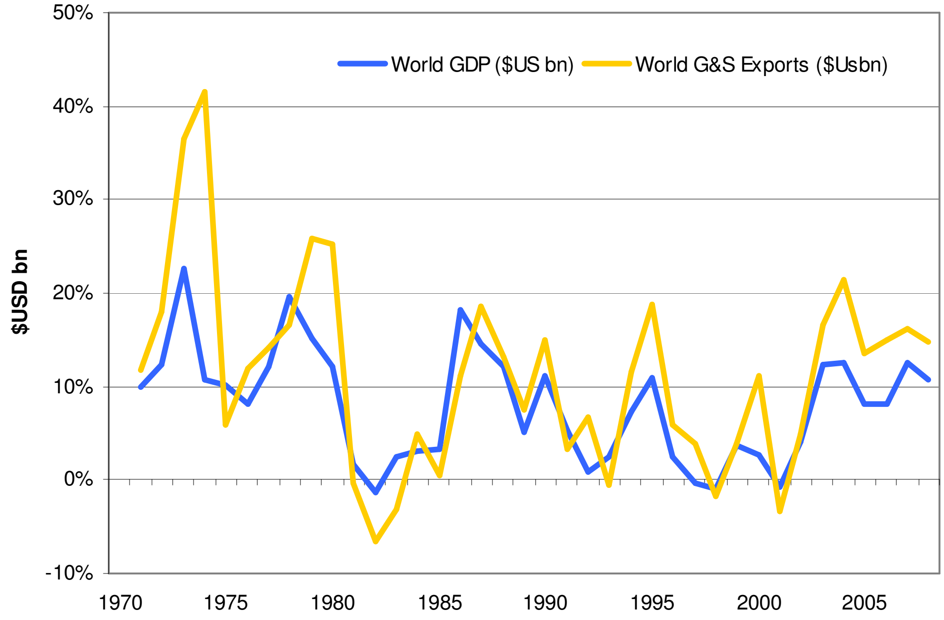


Source: IMF World Economic Outlook, April 2009

3.1.2. The Internationalisation of Production, Trade and Ownership

Accompanying the growth in productive capacity (and facilitated by it) has been an ongoing growth in world trade, such that more and more global production is geared to export markets, and more and more of what is consumed is derived from international markets. Baldwin (2007) has referred to this growth in the internationalisation of production and trade as the second great 'unbundling' of global economic activity. Chart 3 shows that the growth in exports typically outpaces growth in world output.

Chart 3 – Growth in World Exports and GDP,
1970 to 2005 (annual percentage change)

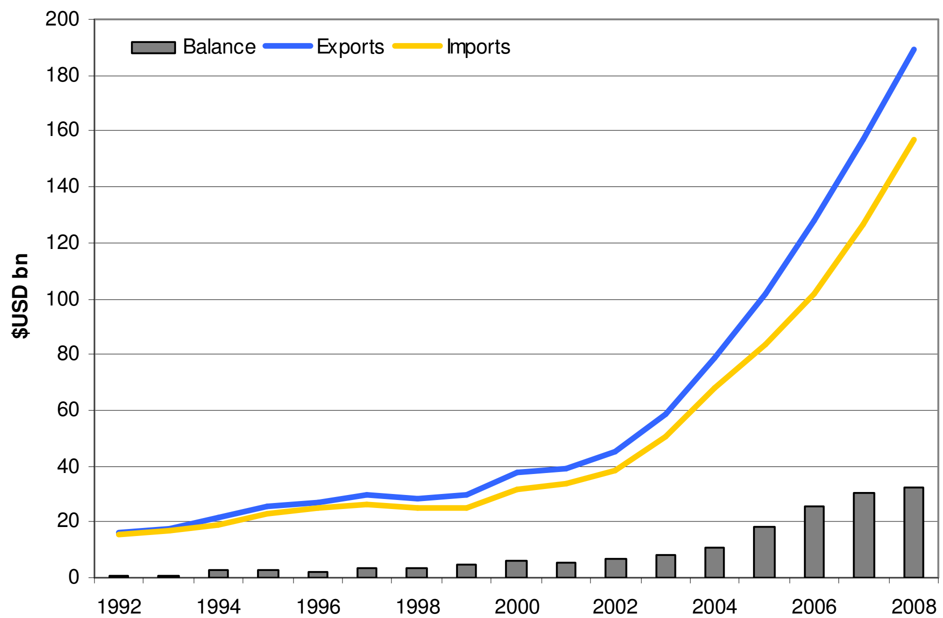


Source: IMF Economic Outlook 2009

3.1.3. The rise of newly industrialising countries

The second source of heightened global liquidity is the emergence of the so-called BRIC countries (Brazil, Russia India and China), and the global surpluses that they have been adding to the global financial system[3]. One indicator of the contribution of these countries to global liquidity can be seen in the rapid growth of the BRIC countries' participation in international trade. While much has rightly been made of the large capital surpluses that have emerged from the rapid development of countries like China, Chart 4 shows the strong growth of trade in the BRIC nations since 1992.

Chart 4 - The Growth in BRIC International Trade,
1992-2005 ($US billions)

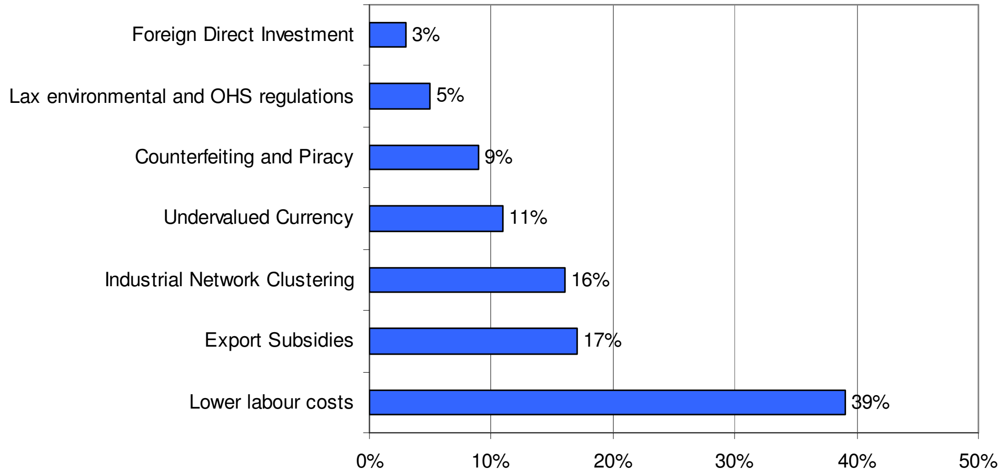


Source: OECD, International Trade

Chart 5 shows estimates derived by Navarro (2006) of the components of the cost advantage of manufacturing in China compared to the US. It shows that the cost advantage is not simply lower wages, and suggests that there is a long-term story of rapid industrialisation using quite modern technology and production methods. Gallagher (2005) suggests that along with a systematic government policy agenda, international finance has been important in China in keeping wages low and breaking down resistance to rapid industrialisation[4].

[3] An excellent popular account of the rise of China and the other industrialising countries, and the implications for the global economy can be found in Khana 2008.
[4] The authors wish to thank Scott MacWilliam for pointing this out.

Chart 5 - Major Components to Price Reductions by the Chinese Manufacturing Sector compared to US Manufacturing, 2005



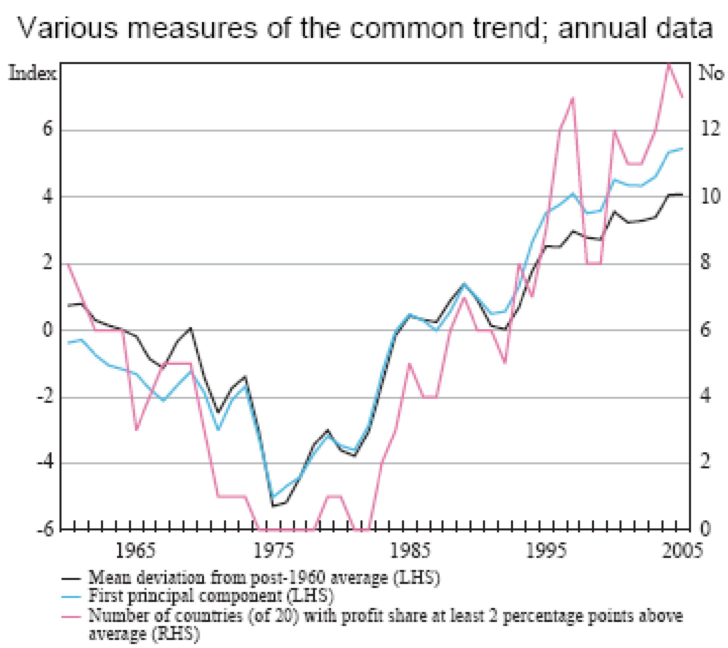
Source: Navarro (2006)

3.1.4. A significant increase in global profit share

While there has been a considerable **focus on the excess credit** that fuelled a speculative bubble and went to low income earners in the United States to buy housing, there has been **little focus on where that capital came from**. The previous section has established that the growth in global productive capacity (including technological change, productive scale, and globalisation along with the rise of the BRICs), created vast new sources of wealth. In this section we document how much of that wealth was appropriated in the form of profits, and helped to create global pools of capital looking for profitable re-investment.

Apart from the global capital injected by the developing countries like China and India, and the petro-dollar countries, a critical source of global liquidity was in the dramatic rise profit share of income in the advanced or developed economies. Research by the Bank for International Settlements suggests that for the OECD countries as a whole, there has been a dramatic rise in the profit share since the 1970s, and that for most countries this has climbed in a stepwise manner to now be higher than at any time in the last 50 years - see Chart 6. In other words, this upward shift in the profit share is of historic proportions and significance. Importantly, this historic shift in the distribution of income is largely untold and unknown to most people, except perhaps anecdotally.

Chart 6 - Economy Wide profit shares for the developed economies, 1960 - 2005



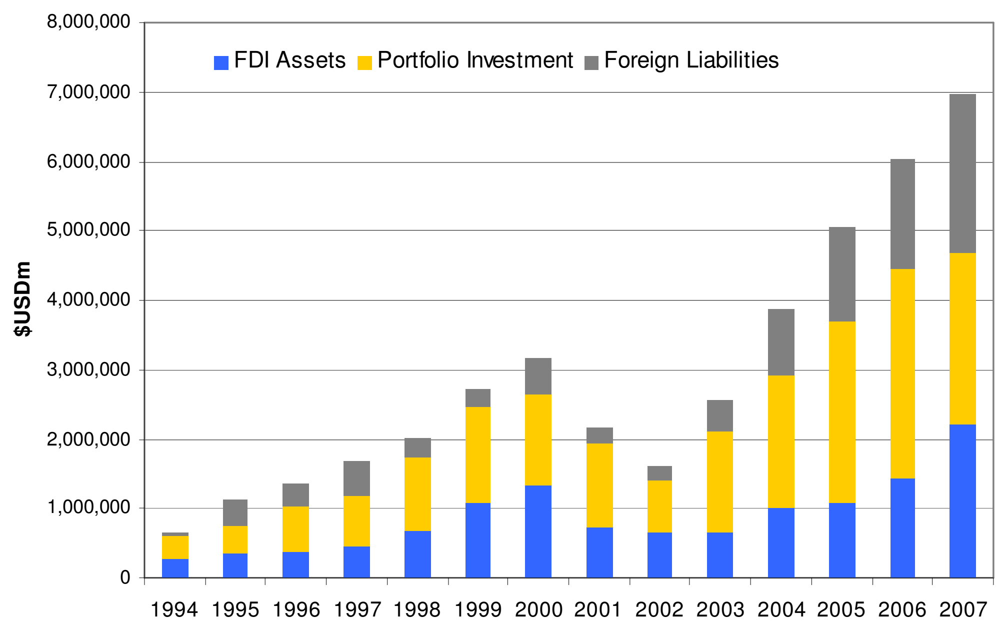
Source: Ellis and Smith (2007)

3.1.5. The New Frontiers of Finance – Recycling Global Surpluses and Transferring Risk

The global finance sector has been (rightly) scapegoated in the current crisis, in particular owing to its speculative excesses. However, there is no doubt that massive global surpluses generated out of the global economy have been channelled into global capital markets, and as such, the financial markets assumed a critical role in reallocating the risks and resources associated with these surpluses. Certainly, the mechanics underpinning the current system have been exposed as inadequate in pricing the risks taken, but it needs to be recognised that the scale of the global capital surpluses that had to be re-circulated were on an unprecedented scale.

Estimates by McKinsey (2008) of growth in global capital flows between 1980 and 1990 were robust at 8.8 per cent, compounded annually. As we can see below in Chart 7, this has vastly accelerated in the 1990s, with an average growth rate in excess of 20 per cent.

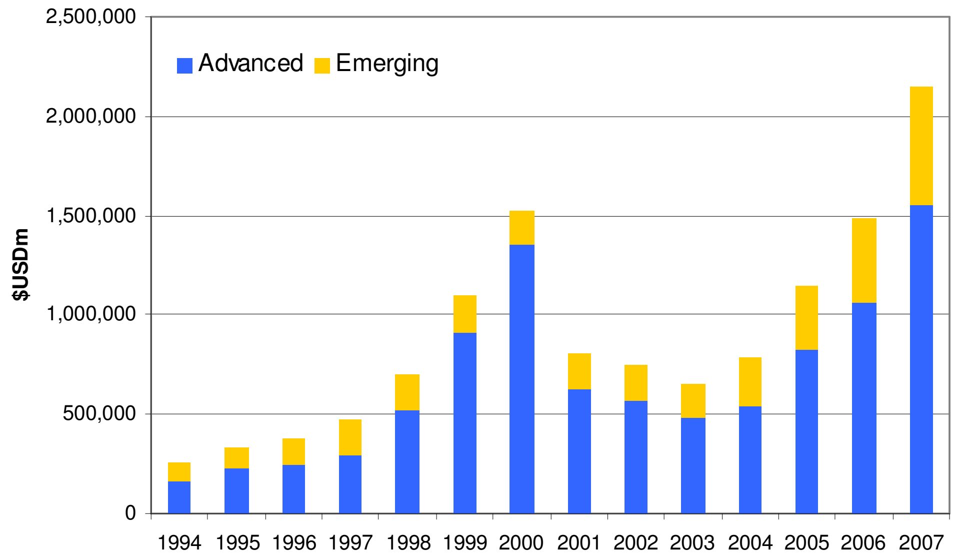
Chart 7 – Growth in International Capital Flows, 1994 – 2007
($USD millions)



Source: IMF Balance of Payments Statistics

Chart 8 and Table 3 show that the growth in international capital flows were driven not only by the growth and redistribution from labour to capital in the developed economies. It was also driven by the wealth being generated in the emerging economies.

Chart 8 – Foreign Direct Investment, Growth in Emerging Markets, 1994 – 2007 ($USD millions)



Source: IMF Balance of Payments Statistics

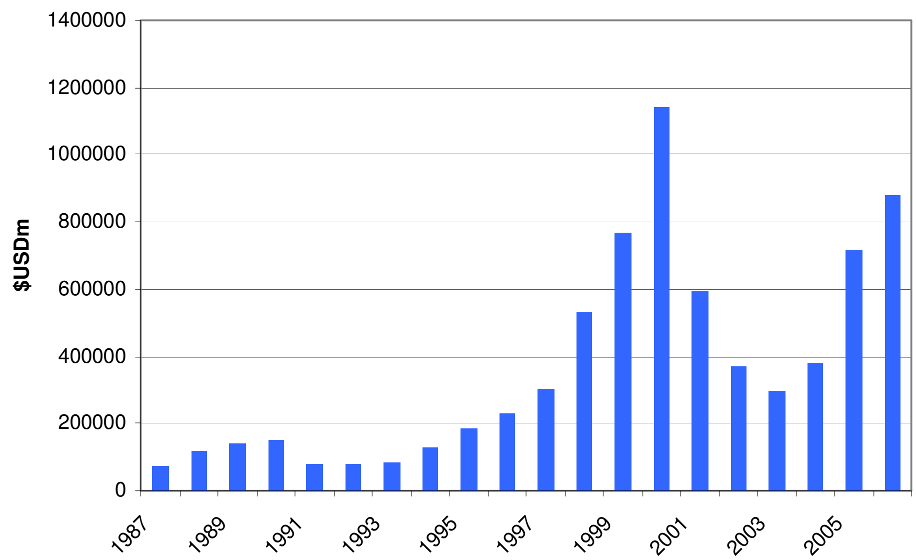
Table 3 - China’s Purchases and Holdings of US financial Instruments 1990-2004 ($US billions)

	Panel A: Net Purchases of Securities in the U.S.						Panel B: Annual flows			Panel C: End-of-Year Stocks		
			Long-term securities									
Year	Total	Treasury Bills	Treasury Bonds	Govt. agency bonds	Corporate Bonds & Stocks	Foreign Bonds & Stocks	Net Purchases of Securities (1)	Foreign Exchange Reserves (2)	Ratio (1)/(2)	Holdings of U.S. Treasury Securities (1)	Foreign Exchange Reserves (2)	Ratio (1)/(2)
1990	0.3	-0.2	0.3	0.0	0.0	0.2	0.3	5.5	0.06	.	11.1	.
1991	0.6	0.0	0.1	0.0	0.0	0.4	0.6	10.6	0.06	.	21.7	.
1992	5.3	0.3	3.4	0.5	0.7	0.4	5.3	-2.3	-2.32	.	19.4	.
1993	0.7	-0.1	0.5	0.6	0.1	-0.3	0.7	1.8	0.39	.	21.2	.
1994	16.1	3.7	12.2	0.5	0.1	-0.4	16.1	30.4	0.53	.	51.6	.
1995	14.8	13.7	0.7	0.9	0.0	-0.4	14.8	22.0	0.67	.	73.6	.
1996	14.6	-2.8	14.5	2.8	0.3	0.0	14.6	31.4	0.47	.	105.0	.
1997	2.1	-7.4	8.2	1.7	0.1	-0.4	2.1	34.9	0.06	.	139.9	.
1998	1.1	-4.1	2.6	0.9	0.0	1.7	1.1	5.1	0.21	.	145.0	.
1999	14.7	-2.7	8.2	8.3	0.7	0.1	14.7	9.7	1.51	.	154.7	.
2000	17.6	0.4	-4.0	18.8	0.7	1.6	17.6	10.9	1.61	60.3	165.6	0.36
2001	55.0	-0.9	19.1	26.0	6.7	4.1	55.0	46.6	1.18	78.6	212.2	0.37
2002	63.1	0.2	24.1	29.3	6.1	3.5	63.1	74.2	0.85	118.4	286.4	0.41
2003	68.4	0.3	30.1	29.4	4.5	4.0	68.4	161.8	0.42	157.7	448.3	0.35
2004	67.5	17.2	18.9	16.4	12.1	3.0	67.5	206.7	0.33	193.8	654.9	0.30

Source: Prasad and Wei 2005

These global surpluses were also used in changing the ownership structure of industry. We have seen both a large growth in international merger and acquisition activity, and the growth of new institutions in capital markets like private equity, hedge funds and sovereign wealth funds. These institutions, with access to large pools of capital were able to exert significant impacts on the structure of ownership in many industries. Chart 9 below provides an indication of the scale of recent international merger and acquisition activity. The scale and number of ownership changes, along with the transformations occurring in methods and technologies of production has prompted Williams et.al. (2007) to conjecture that we have entered an era of 'permanent restructuring'.

Chart 9- Internationalisation of Ownership –
The Growth in Mergers and Acquisitions activity, 1987-2008
($US millions)



Source: UNCTAD , FDI Statistics

A key role assumed by financial markets in the last twenty five years has been in **reallocating risk**. Historically, finance has reallocated risk between different types of capital owners with different claims on future income, in different locations. For instance by pricing bonds for Toyota Motor company denominated in Yen, and shares in say IBM denominated in US dollars, investors in capital markets can allocate their investments according to their investment expectations and risk tolerances. Developments in the capital markets over recent decades, including derivatives, securitisation, and growing capital flows, have facilitated this process of **intra-capital risk transfer** in more elaborate ways.

In the last two decades also there has been another way that finance has facilitated risk transfer. Finance has also helped to facilitate the transfer of risk between two other groups:

- **risk transfer from the state to households**
- **risk transfer from capital to labour**.

While much of the public attention around finance is directed to the stock market and its daily gyrations, finance began to become aware of the enormous wealth opportunities locked up in labour and households. As Robert Schiller has noted:

> "Far more important to the world's economies than the stock markets are wage and salary incomes and other non-financial sources of livelihood such as the economic value of our homes and apartments. That is where the bulk of our wealth is found." (Schiller, 2003: 9, cited in Thrift and Leyshon 2008)

And finance, if it is about anything, is about finding ways of developing and trading claims on wealth and income streams. Finance, thanks to innovations in the ability to price and capitalise claims to future cash flows (from tolls to mortgage payments and from utility and insurance payments to mortality risk) has been able to extend its role in risk transfer from intra-capital risk to whole new fields. And as so often happens, this technical development in risk pricing coincided with actions by the state and capital to transfer risk to labour and households. While stock and asset markets were booming this development went largely unnoticed, but as Leyshon and Thrift noted,

> "…massive amounts of attention have been devoted to venture capital firms which, in most countries, are actually relatively small concerns. For example, the entire venture capital industry, which is the object of almost obsessive academic attention, is dwarfed by the consumer credit industry which, thanks to the growth of credit rating over the past 20 years or so, has become an engine for the production of assets with income streams which are sold on to the highest bidder. (Leyshon and Thrift 2008)

The report will have more to say about the financialization of working life later, but here it should be noted that **welfare states** that had developed to provide an increasingly inclusive form of social protection during the post-war period, have since the mid-1970s been providing increasingly incomplete protection against the social risks facing workers and households.

In part this transfer of risk from the state to households has been about the **deliberate retrenchment** of protection, and in part it is as the pre-eminent welfare state analyst, Esping-Anderson, noted from the growing "…disjuncture between the existing institutional configuration and exogenous change. Contemporary welfare states… have their origins in, and mirror, a society that no longer obtains" (Cited in Hacker 2004). Both formal retrenchment of the state and its **inaction in the face of new risks** has been referred to as the **'privatisation of risk'**. The corollary of the privatisation of risks is the development of new forms of finance and service provision, in health insurance, tollways, private schooling, superannuation, and mortgage backed securities.

A similar process of risk transfer can be identified in relations between workers and employers. We have seen many forms of risk protection that were once offered as part of employment relations – defined benefit pensions, employment security, health insurance, and so on - abandoned entirely or the risks transferred to employees (Jacoby 2007).

One result of what we can now identify as a structural shift of risk onto labour and households is that they have become much more exposed to changes not just in labour market conditions, or even mortgage interest rates, but to a range of financial and economic conditions. In the words of a Bank for International Settlements report, issued significantly before the current crisis,

> "the increased indebtedness [of labour] has heightened the sensitivity of the household sector to changes in interest rates, income and asset prices" (Debelle 2004: 37).

The effects of this **financialization of everyday life** as Martin (2004) has called it, are one of the defining features of the lived experience in the current era. And as Janeway recently observed, this risk transfer has added a brutal new dimension to relations between the state and households and capital and labour, a brutality that 70 years of welfare state building had cushioned. Some 75 years ago, Andrew Mellon gave President Hoover the definitive rationale for refusing to respond to the financial crisis:

> "Liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate…People will work harder, live more moral lives." (cited in Janeway 2006)

The financialization of labour's working life is an issue taken up again in terms of changes in working life in Australia in Section 3.3.

2.2. Labour at Work in Australia

The nature of work in Australia has seen seismic shifts and contradictions over the last two decades. While on the one hand, participation rates (particularly amongst women) and levels of academic attainment have risen steadily, the level of low-skill, low-wage work remains prevalent. Strong national income growth has been coupled with moderate wages growth and increasing wage dispersion. Skills shortages have been met by growing proportions of the workforce being underutilised or experiencing extended working hours. On the industrial relations landscape, the erosion of bargaining rights, culminating in the ascension and then defeat of the WorkChoices legislation, highlights the breakdown of earlier relativities in pay and working conditions between employees in different industries. Growth in part-time and casual work has underpinned the rising prevalence of labour market intermediaries (hire firms) and outsourced labour. Employment continues to rotate out of traditional manufacturing sectors into the services sectors.

These elements of change are noteworthy in and of themselves, but the confluence of the economic crisis, the imperative of the climate change agenda, *and* these dynamics of the labour market make for critical consideration of our policy priorities and possibilities. Key policy changes such as the Fair Work Act will have an undeniable impact on the trajectory of work in Australia; however, a more sustainable approach to training, working hours and conditions is required to arrest the growing inconsistencies in the labour market.

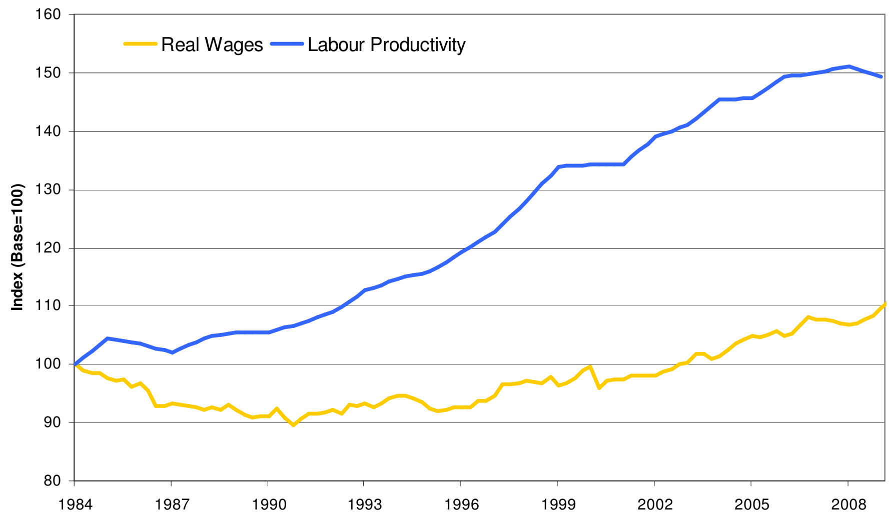
We now turn to explore and illustrate some of these key inconsistencies.

2.2.1. Growing Inequality

2.2.1.1. Inequality between Capital and Labour

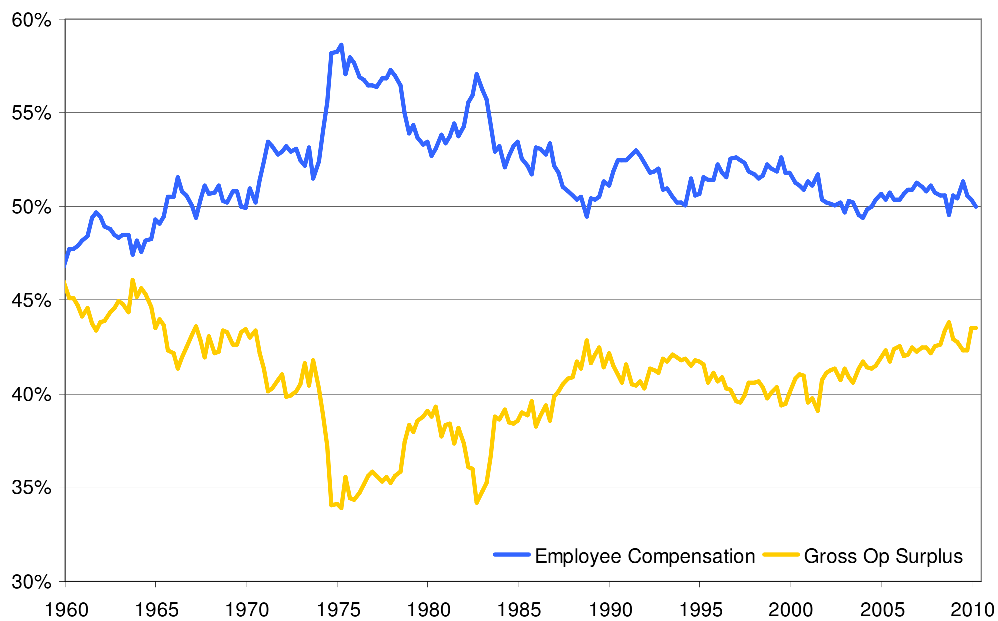
Embedded in the crisis are trends of labour's declining share of wealth. Despite strong labour productivity gains in Australia since the 1980s, returns to labour, as measured by real wages growth, has lagged significantly, as illustrated in Chart 10 below. Conversely, the returns to capital have grown markedly over time. Profit share expressed as a proportion of national income has grown from less than 35% to almost 45% since the 1970s, as shown in Chart 11. This trend has been widespread across the OECD nations, as captured in research by the Bank of International Settlements (BIS) (See Chart 6 above).

Chart 10. Labour Productivity versus Wages Growth, 1984 – 2009
Base Index = 100



Source: ABS (2010c and 2010d)

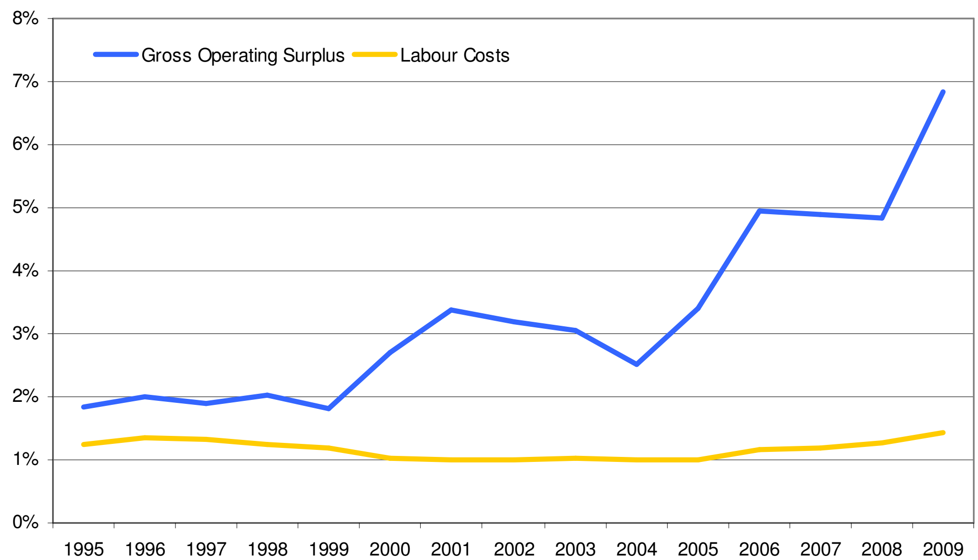
Chart 11. Rise in Profit Share and Decline in Employee Share of GNP, 1960-2010
As a percentage of GDP



Source: ABS (2010b)

The lopsided distribution of returns to capital versus labour is starkest for Australia's mining industry and finance. In mining for example, the global commodities boom underpinned record profits for mining corporations, even throughout the crisis, as well as the government's corporate tax revenues. While employee earnings in the mining sector grew significantly, they nonetheless represented a small proportion of the sector's gains, as illustrated in Chart 12.

Chart 12 The Mining Boom, 1973 – 2009
Profits and Wages in Mining as a percentage of GDP



Source: ABS (2010c and 2010f)

2.2.1.2. Wage Inequality

The fragmentation of the bargaining system, the decline of union density and accelerated wages growth for the top earners has spurred increasing wage inequality in Australia. Across the Australian population, changes in income inequality have been stark. Table 4 provides three measures of income inequality in 1995/96 and 2005/06 - the Gini coefficient[5], the ratio between the 90th and 10th percentiles of Australian income distribution, and the ratio between the 95th and 10th percentiles. These measures indicate that the top 10 percent of full time workers have extended their wages premium over the bottom 10 percent of workers from 2.65 to 3.04 times between 1995 and 2006- an increase of almost 15 percent. The story has a further dimension when we consider all sources of income - through mechanisms of the tax and transfer payment systems, this ratio of top 10 to bottom 10 income has only increased by 5 percent (from 3.71 to 3.88). This highlights the point that income relativities depend on settings in both the industrial relations and social welfare domains.

Table 4 – Changes in income inequality, 1996-2006

	Inequality Measure		
Distribution	Gini Coefficient	P90/P10	P95/P10
Equivalised disposable income (all households)			
1995-1996	0.295	3.71	4.34
2005-2006	0.303	3.88	4.68
% change	2.7%	4.6%	7.8%
Wage and salary income (full time employees)*			
1995-1996	0.252	2.65	3.25
2005-2006	0.274	3.04	3.68
% change	8.7%	14.7%	13.2%

Source: Saunders, P & Hill, T (2008)
*Full time employees aged between 25 – 55

In addition, Leigh and Atkinson (2006), using Australian income tax statistics, report that the share of income accruing to the top income groups in Australia declined in the three decades after World War II, but since the early 1980s has undergone a dramatic reversal. By the early 2000s, the income share of the richest one percent was

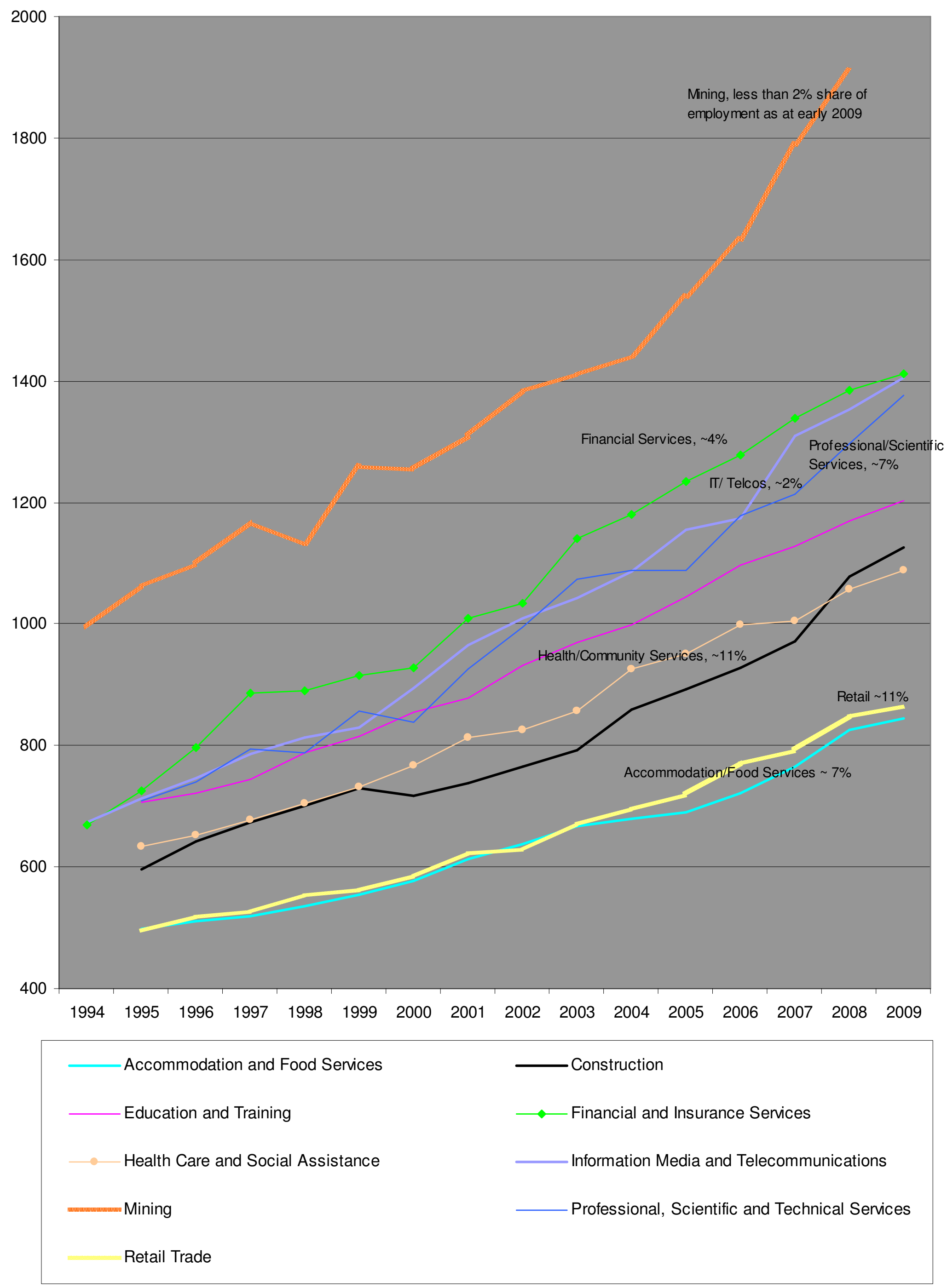
[5] The Gini coefficient ranges in value between 0 and 1, where 1 represents the highest levels of income inequality ie all incomes to one person. At the other extreme, it all income is equally shared within the population of interest the coefficient is 0. An increase in the coefficient is commonly accepted measure of rising inequality.

higher than at any point since 1951, and the income share of the highest 10 percent was higher than it had been since 1949.

In order to understand these changes in earnings, we now investigate trends in sectoral earnings and employment.

Between 1994 and 2009, average weekly earnings in Australia grew an average 4.5% per annum (ABS, 2010d). Around this central measure, we can observe the diversity in average wage growth by an indicative set of industries in Chart 13. The labels indicate the share of total employment attributable to each industry in 2009.

Chart 13 Average Weekly Ordinary Full Time Earnings by Industry, 1994 – 2009



Source: ABS (2010d)

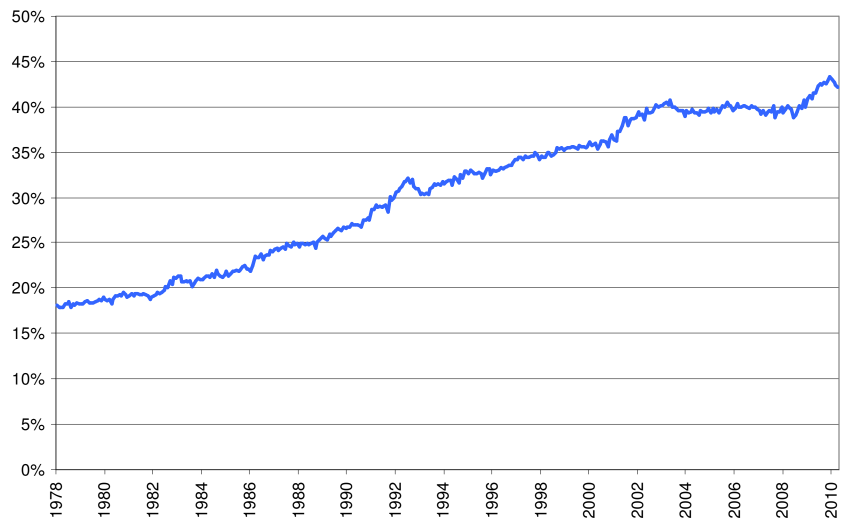
The main considerations here are that three of the largest sectors of employment (combining for almost 30 per cent of employment in February 2009) – health/community services, retail, and accommodation/ food services – receive the lowest levels of average earnings; and these sectors, along with education and training, have seen amongst the slowest wages growth over the last 15 years.

Aggregate average wages growth has been driven by strong growth in the mining, telecommunications, and the professional, scientific and technical services, sectors. These sectors, along with financial services and electricity/gas generation, are characterised by high average earnings, but relatively small contributions to employment. Mining, for example, comprises less than 2 per cent of total employment, and financial services less than 4 per cent.

3.2.2 Growth in contingent employment and underemployment

Chart 14 illustrates the rise of part-time workers, defined by the Australian Bureau of Statistics as those working less than 35 hours per week. While this underpins a level of labour flexibility, particularly as workers increasingly tend to move non-linearly between work, study, family commitments and retirement, it also highlights the rise of underemployment, defined as part-time workers willing to work more hours, and those discouraged from seeking work.

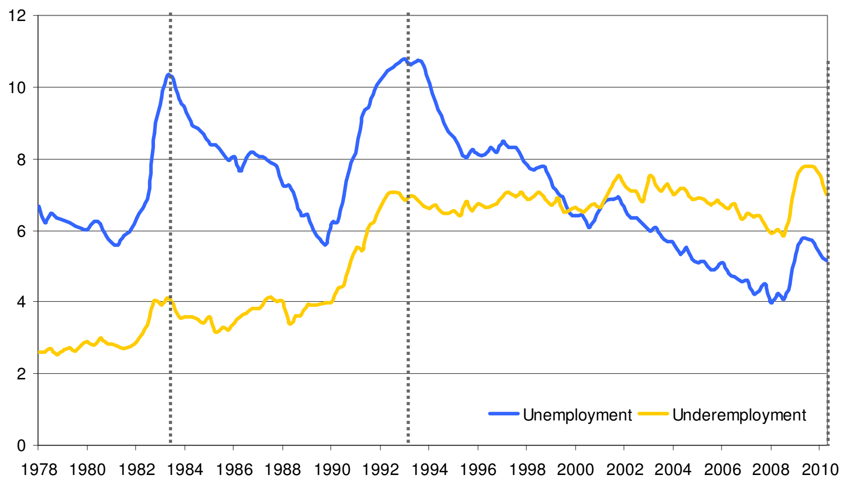
Chart 14. The Growth of Part Time Employment, 1978 – 2010
As a percentage of full time employment



Source: ABS (2010a)

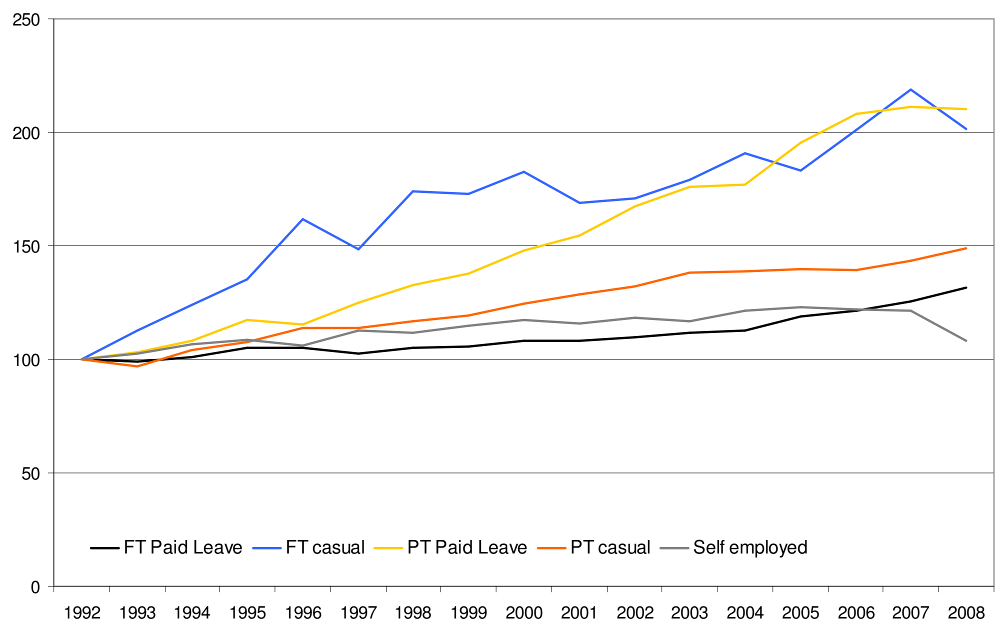
Chart 15 plots the changes in underemployment and unemployment between 1978 and 2010. Notably over the last two peaks in unemployment (marked by the dotted lines) during the recessions of the 1980s and 1990s, the level of underemployment rose and stabilised at higher levels than prior to the recession. This represents a structural shift in the labour market towards both an inefficient and unsustainable outcome, with underutililised workers underpinning low unemployment rates. The increase in contingent employment, and in particular the casual work force, is emblematic of what is happening in Australian workplaces today. Disaggregating the nature of employment growth, we can see in Chart 16 that growth in non standard forms of employment has outstripped that of standard full time employment, defined as a working week in excess of 35 hours attracting paid leave benefits. The greatest growth has been experienced in full time casual and part time employment.

Chart 15 – Labour Underutilisation 1978 – 2010,
As a percentage of the labour force



Source: ABS, 2010a

Chart 16. Growth in Non Standard Forms of Employment, 1992 – 2008,
Base Index = 100

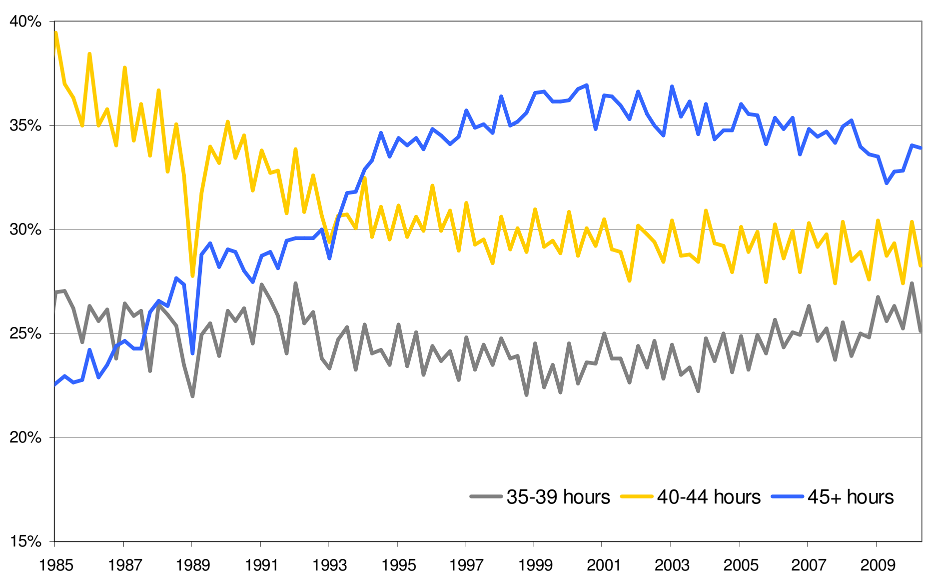


Source: ABS (2009c)

Interestingly, since the onset of the global economic crisis in August 2007, employment growth across these categories has shifted markedly (Note that data is to August 2008 only). The self employed, here defined as owner-managers of incorporated and unincorporated enterprises (and including contractors), and full time casual employment has fallen significantly. Part time casual and standard full time work has continued to grow, although the latest Labour Force Survey data (which does not disaggregate for the casual workforce) indicates that full time work has shrunk in 2009 while part time work has seen mild growth. The key issue here concerns the degradation in standard norms of employment, both by the growth of non-standard work and the blurring of earlier concepts of employment and self-employment.

Partly reflecting this blurring, the growth in non standard employment also coincides with work intensification for full time workers, as illustrated in Chart 17. Here we observe that the proportion of the full time work force working extended hours (over 45 hours) has increased from around 22 per cent to 35 per cent between 1984 and the late 1990s. Notably, this period also coincides with Australia's phase of strong productivity growth. During the GFC, this proportion of the workforce has shrunk back to 32 per cent.

Chart 17. Workforce experiencing extended hours, 1985 – 2010
As a percentage of the workforce



Source: ABS (2010e)

Extension of working hours arguably contributed strongly to productivity gains in Australia throughout the 1990s. Yet as mentioned earlier, despite these labour productivity gains, returns to labour – that is, real wages – have lagged significantly.

Finally, the data on employment commonly available for analysis tends to understate the dynamic nature of unemployment, since it is generally a static snapshot in time.

The ABS' Survey of Australians' Employment and Unemployment Patterns (cat. no 6286.0) conducted between 1994 and 1996, during the last recession, found that while the static unemployment rate was around 8-9 per cent, the incidence of those looking for work at some time during the period was closer to 25 per cent. Moreover, by September 1996, almost half the job-search periods recorded exceeded a year, highlighting the prevalence of long term unemployment during a recession. Of the 878,000 job seekers who did commence work over the survey period, two thirds of these roles were casual positions and 89 per cent were for short term roles (less than 12 months).

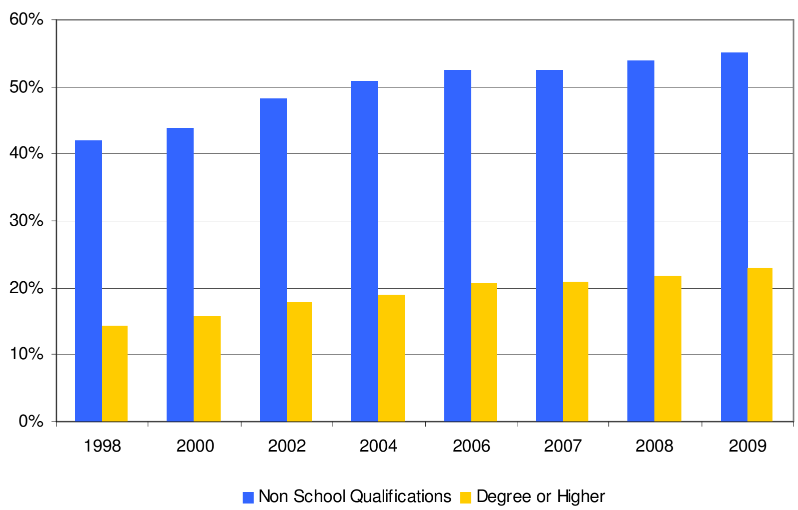
Furthermore, concentration of joblessness amongst disadvantaged groups is well documented. For example, analysis by Headey and Warren (2008) focused on children in jobless households, and found that 26 per cent of children experienced a period of joblessness between 2001 to 2005, while over 5 per cent of children lived in jobless households for the entire period.

3.2.3 Skills mismatches

Against a backdrop of rising educational attainment, and irrespective of the phase of the business cycle, skills mismatches have persisted, pointing to a need to better coordinate the demand, supply and deployment of skilled labour. The rhetoric of public versus private mechanisms of coordination has limited usefulness, as shortages in areas such as health, engineering and the trades is persist next to over-qualified workers in other areas.

Chart 18 shows increases in post-secondary qualifications in Australia. Between 1998 and 2008, the proportion of Australians with a bachelor's degree or higher rose from 14 per cent to 23 per cent. More than half of Australians possess a post-secondary qualification. ABS data relating to the articulation between education and work (ABS, 2009b) indicates that 27 percent of university graduates were working in jobs which did not require a degree[6], that is outside the managerial and professional occupations. Indeed, the Graduate Pathways Survey (2009) showed that amongst the top twenty occupations for graduates five years after degree completion were numerical and general clerks, clerical and office support workers, inquiry clerks and receptionists, sales assistants, and personal assistants and secretaries (Coates and Edwards, 2009:76).

Chart 18. Growth in Academic Attainment, 1998 – 2009
As a percentage of the population



Source: ABS (2009b)

[6] These graduates were employed as technicians/trades workers, labourers, community/personal service workers, sales workers, machinery operators, or clerical workers. We caution here that while the ANZSCO framework attributes 'Skill Level 1', requiring bachelor degree or equivalent qualifications, to managerial and professional occupations, over 43 percent of these jobs were filled by those without bachelor or higher qualifications. In this instance, the classification considers experience and on-the-job training as the other key components of acquiring skill.

Moreover, an NCVER survey of over 4500 employers in 2007 indicated that 40 per cent of employers viewed their employees as being overqualified for their roles. Table 5 illustrates the results of the survey.

Table 5. NCVER Employer Survey, 2007

Current skill level of employees relative to needs of the organisation (% of all employers):	
Above what is required	40.3
Adequate	54.5
Below what is required	5.1

Policy aspirations to develop a high skill workforce for a high skill economy assumes preconditions of high skill jobs being available for better educated and trained workers. While shortages in engineering and the health professions have been well documented, there is evidence that this is far from the norm. Cully (2003) highlights the 'hollowing out' of employment in the middle of the skills distribution). That is, there is a growing phenomenon of the 'hourglass' economy, where employment growth has taken place at the highest, and lowest ends of the skills distribution. Cully finds, for example, that among the top 25 occupations in terms of employment which had moved up the rankings between 1986 and 2001, nine were from the highest skill groups (including computing professionals, nurses, primary school teachers and accountants), and seven were from the lowest skill groups (such as waiters, checkout operators and receptionists). Importantly, he emphasises that while employment expansion has taken place at the tails of the skills distribution, it remains the case that the occupations which employ the greatest numbers of people are generally lower skilled.

2.3. The Financialization of Working lives

This section extends the analysis of labour's experience in economic and social life beyond the workplace. We do this not because of any *a priori* notion that it is inherently interesting or important, but because the empirical evidence has drawn us there. In particular, the section attempts to elaborate how recent decades have seen labour beyond the workplace integrated into the profitability of business in new ways. Here we have in mind that in the workplace and beyond there has been a major change in the terms on which labour engages with the rest of society and the economy in particular. And it's in the analysis of these changes that we can integrate a story about the role of finance in modern life that gets us beyond the simple finance as speculation rhetoric.

It is now well understood that today people's working lives are affected greatly by their involvement in what were once seen as esoteric financial and capital markets. For instance, there has been an almost inexorable rise in household debt, with the implication that either workers have been living beyond their means, or attempting to compensate for low wage growth by using debt to acquire assets that have been rising more rapidly than wages. Here however, we have something else in mind.

Stock markets are now much more pervasive (and more important to labour with more pensions exposed to stock market returns), credit and debt are now an integral part of daily life, waves of restructuring, mergers and acquisitions continually transform the ownership of the corporate sector, and the shareholder has replaced the 'stakeholder' to become the sole claimant of corporate control and responsibility. Critically also an increasing range of the risks of life that up until the mid-1970s were absorbed by governments or businesses have been gradually transferred to individual workers and households.

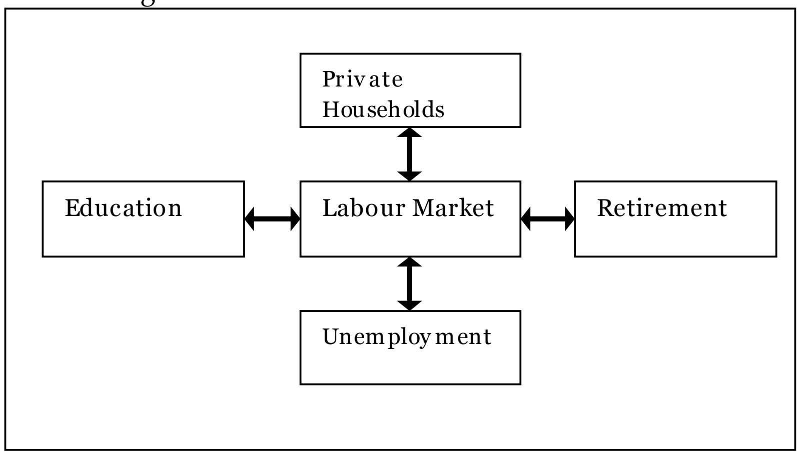
In the post-war period, governments and often businesses helped to absorb the risks:

- of not working via unemployment, age pensions (and employer defined benefit pensions) and job creation programs,
- of illness, via public health care,
- of the costs of education, via public education,
- of consumption norms, including home labour and household care activities, and
- housing and utilities, via public provision.

Price regulation especially around basic commodities and services also helped to balance out the risks of rapid changes in the costs of living. In financial markets, banks were controlled both in terms of their pricing (often by having a public bank as competitor) and the range of products and services. International financial regulation also served to absorb international price and capital flow imbalances.

In a narrow sense of labour as worker, these risks can be thought of in terms of the flows of labour from education, paid work, unpaid labour in the household, unemployment and retirement. The notion of 'transitional labour markets' has been developed to capture these labour flows (Schmidt, 1997), and it is a framework which can help map the increasingly non-linear working life paths taken by individuals, and the risks that each of these transitions may confer onto the worker – see Figure 2.

Figure 2. Transitional Labour Markets



Source: Schmidt (1997)

The risks of these transitions were once borne largely by the state and gendered divisions of paid and unpaid labour, but since the mid-1970s across almost all these areas, there has been what can now be identified as a systematic process of risk shifting, so that labour in production, and importantly in their wider working lives, have come to absorb a growing number of these risks more directly. Many of the important developments in finance have been the expression of that risk shift.

As Jacoby has observed:

> We live in an era of financial development…We also live in an era of rising income inequality and employment risk. The gap between top and bottom incomes and between top and middle incomes have widened since 1980. Greater risk takes various forms, such as wage and employment volatility and the shift from employers' to employees' responsibility for pensions and, in the US, for health insurance (Jacoby 2005, 2)

There has been a story of uplift that has gone along with this about the extension of opportunities for wealth sharing and making to all parts of society, of untying the provision of goods and services to labour from employers or from the state. Along with that story, grew also a notion that individuals and households could now better tailor the sorts of risks and opportunities that suited their particular circumstances, and that the dispersion of risk would be both economically efficient and politically more representative. This risk shift was noted by the IMF noted several years ago:

> Overall, there has been a transfer of financial risk over a number of years, away from the banking sector to non-banking sectors…This dispersion of risk has made the financial system more resilient, not the least because the household sector is acting more as a 'shock absorber of last resort'. (IMF 2005: 89)

The IMF went on to note that this new role required households to become skilled in risk management – to accept the responsibilities that go with this new financially empowered role. Of course, the real implications of this new shock absorber role for households can now be seen in another light in the wake of the GFC. But it is important to be clear, one phase of financialization may have closed, but there is no reason to suspect that a reformed version of this might be worked through that maintains many of the costs and risks on labour and households.

What sub-prime lending and the securitisation of various revenue streams from labour's consumption represents is finance's attempt to unlock that wealth and expand the profit-making opportunities from labour. Workers' incomes, their expenditure, debts and assets are not simply about sources of effective demand, they are also potential sources of financial accumulation. As we will see the process also amounts to an expansion of the discipline of labour beyond the factory into domains that were once thought beyond the reach of the market.

The new risk paradigm is not without its critics. Even within the finance profession, there is recognition of the 'special' problems of risk management for labour. Labour's principal asset, human capital, is difficult to separate from labour itself, or in finance terms it is difficult to trade and hedge. John Campbell, in his 2006 Presidential Address to the American Finance Association (2006: 1559) emphasizes the distinctiveness of labour:

> "Models in the Merton tradition assume that all wealth is held in a liquid, easily tradable form. However, the largest component of wealth for most households is human capital, which is nontradable. Put differently, households receive labor income but cannot sell claims to that income. . . In practice . . . much of the risk in labor income is idiosyncratic and therefore unhedgeable."

Workers may be cast as players in the market for risks associated with housing, retirement, health care, child care and education, just as they are players in the labour market, but the relationship contains a similar and perhaps even more dangerous asymmetry as in the labour market. Financialization points to the need to frame the household increasingly also as a unit of financial calculation: not just in its internal operation (family bookkeeping, for example) but in its wider social role. As has been recently noted:

> "In the language of finance, the household is increasingly to be seen as a set of financial exposures to be strategically self-managed. These are not just

expanded in size and range, but meanings change too. The household now faces not just the choice as to whether or not to borrow, but also the specific forms of financial exposure, that are predicated on both a range of risk choices and predictions about financial market trends (see Martin 2002). Calculations and decisions must now be made about a range of issues. Some such issues have emerged because the management of certain exposures is no longer undertaken by the state: there is now need for private calculation and decisions about such things as health insurance, education investment and investment in an asset portfolio for retirement.

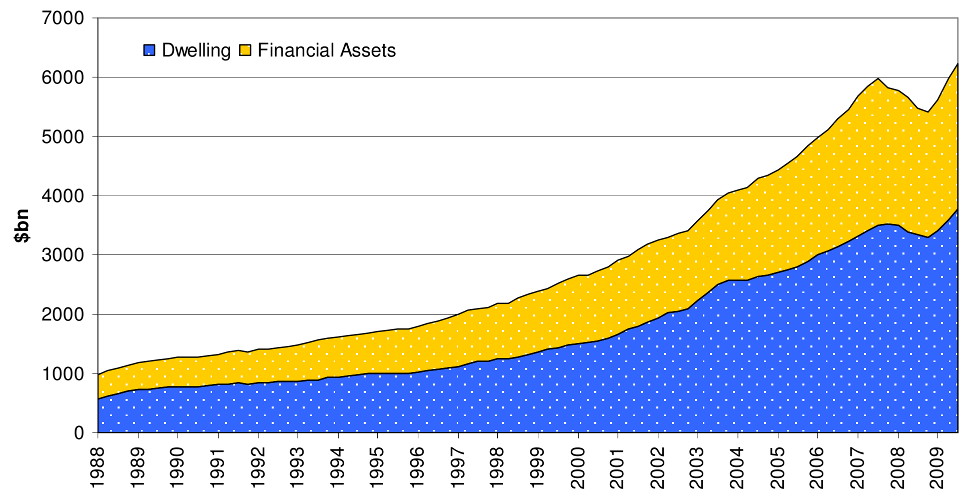
There are also issues that have emerged with increasing competitiveness within the financial sector: decisions about the proportion of (expected) income to dedicate to home loan interest payments; the time profile of loans, fixed or floating rate loans, the management of consumer credit options; the preferred pension scheme.

Finally, there is an emerging set of choices to be made in the face of new financial products – in particular the emergence of derivative products that permit people to hedge exposure to risks relating to their employment and the value of their home (Schiller 2003). In each one of these calculations there are (at least retrospectively) right and wrong choices, requiring the household to be financially savvy, not just in the sense of prudence, but in identifying the range of financial risk exposures and knowing how to manage them. Hence the new and emphatic push by financial regulators at all levels to generate programs for financial literacy; so that households can be assumed to have the strategic financial capacity necessary to understand the financial pressures they now face. The corollary… is that the (assumed) financially literate worker can morally and legally take responsibility for their own financial success and failure.” (Bryan and Rafferty 2009)

Households’ growing exposure to a range of financial risks is captured in Charts 19 and 20 below. While household wealth continues to be dominated by home ownership, the absolute contribution of financial assets has risen markedly over the past 20 years, arising from a combination of superannuation reserves, deposits, and investment portfolios, as shown in Chart 19. Note that the data covers all households (rich and poor) and also includes the assets of unincorporated enterprises. More disaggregated data would be useful here but some important observations can be made at this stage.

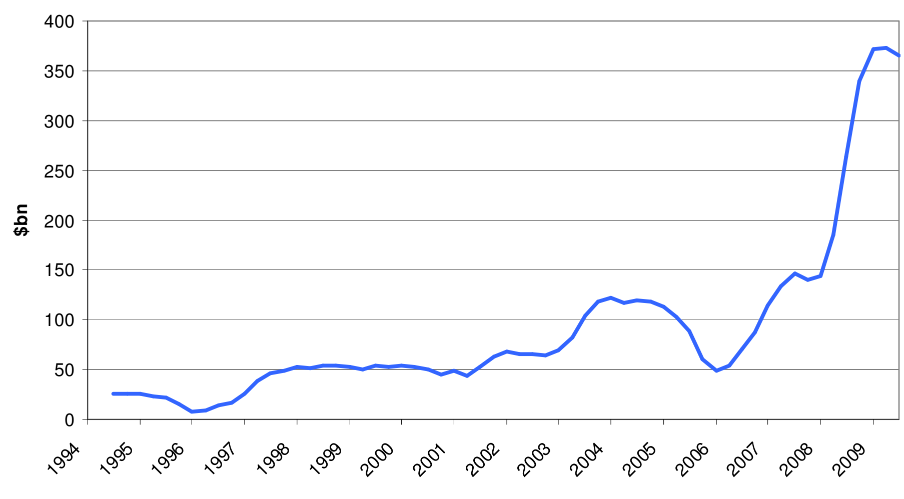
Chart 20 plots the volatility of a de-trended time series of household wealth, and shows that, due to a combination of household exposure to falling financial markets and housing prices, the risk inherently present in household asset portfolios is at an historic high. Given the composition of household wealth, it is unlikely to revert back to historical averages.

Chart 19. Composition of Household Wealth, 1988 – 2009
($AU billions)



Source: Reserve Bank of Australia (2010a)

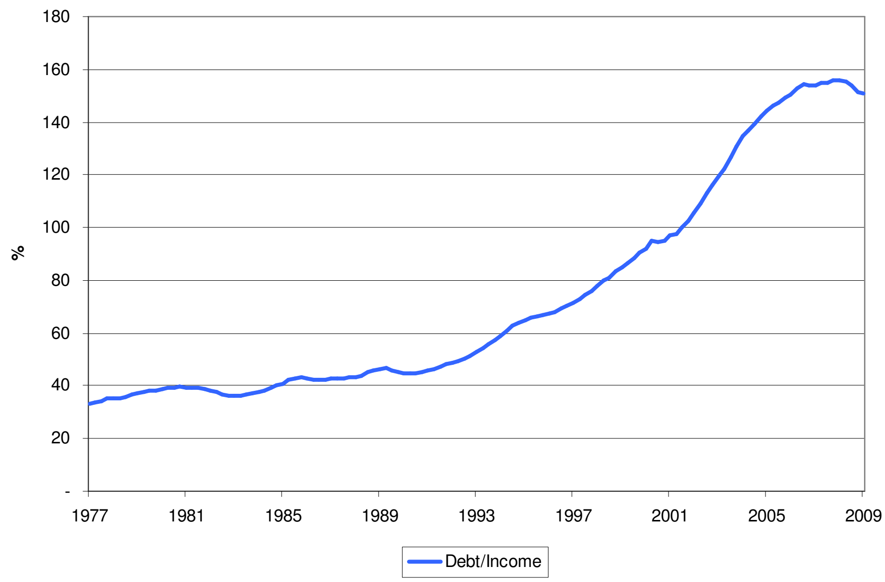
Chart 20. Volatility of Household Wealth, 1994 – 2009
($AU billions)



Source: Reserve Bank of Australia (2010a)

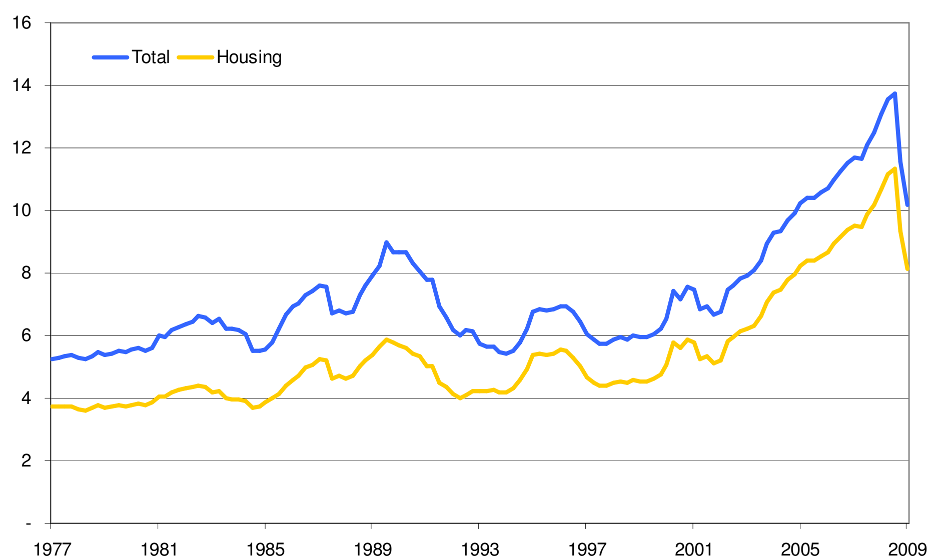
Labour's precarious identity as an investor is heightened by the period of excessive credit and leverage preceding the GFC. Charts 21 and 22 below show that households' ability to absorb credit peaked in about 2007 at debt to income levels exceeding 150 per cent of household income, with commensurate growth in interest payment burdens. While debt servicing burdens (defined as the ratio of interest payments to disposable income) have fallen with interest rates and a greater propensity of households to save, household indebtedness remains at high levels.

Chart 21. Growth in Household Debt to Income Ratio, 1977 - 2009



Source: Reserve Bank of Australia (2010b)

Chart 22. Growth in Household Debt Servicing Ratios, 1977 – 2009
Ratio of Interest Payments to Income



Source: Reserve Bank of Australia (2010b)

The impact of household indebtedness in the labour market can be significant. Belkar, Cockerell and Edwards (2007) find that high levels of debt servicing requirements can increase the likelihood of labour force participation, particularly for women with dependents. Intuitively, this makes sense – debt repayments are regarded as a fixed expense, and would require additional hours being worked, or a non-working household member entering the workforce, should financial duress arise.

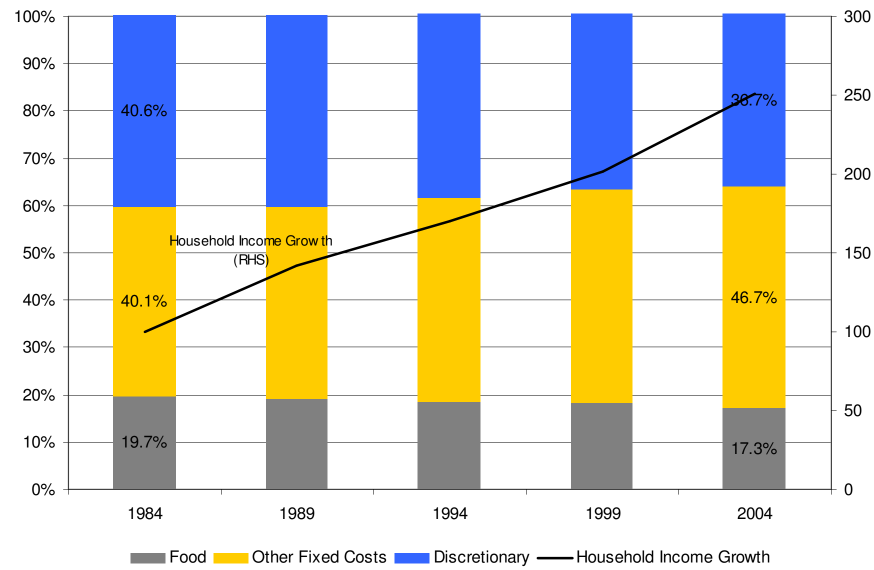
Warren (2006) extends this fixed cost analysis to other expenses for the US, including health and transport expenses. She finds that, in spite of the growth of dual-income households, and contrary to the mantra of luxury-driven excess, household consumption was in fact driven by a rising proportion of fixed expenses – from around 54 per cent in the 1970s to 75 per cent in 2004. Instead, the story is more one of how finance was used both to absorb the increasing risks and costs of modern living, but itself cannibalised the household by extracting repayments, fees and refinancing charges that eventually brought down millions of households in the sub-prime crisis[7].

A preliminary analysis of the Australian experience yields a similar, although less dramatic, result. Our definition of fixed costs includes estimates for childcare, education, health, transport, housing, energy and food costs. More importantly, whereas Warren was able to focus on households of a particular type (households with two adults and two children and within what might be thought of as low-to-middle incomes), our preliminary analysis aggregates all households – those at very different income and wealth characteristics, and those with different demographic characteristics. Clearly, more analysis of the Australian experience needs to be done.

Nevertheless, Charts 23 and 24 below indicate that, as a proportion of total expenditure on goods and services, non-food fixed costs have risen from 37 percent to 42 percent, driven by increases in housing, health, and education expenses. Clearly, households more exposed to rising costs of housing, healthcare and childcare will have experienced a considerably higher increase in those fixed costs as a proportion of household income. A key point here is that as these fixed costs rise, and as more household labour has been added to the paid workforce to meet those costs, the **household is now more sensitive to any shocks** on either the cost or income side.

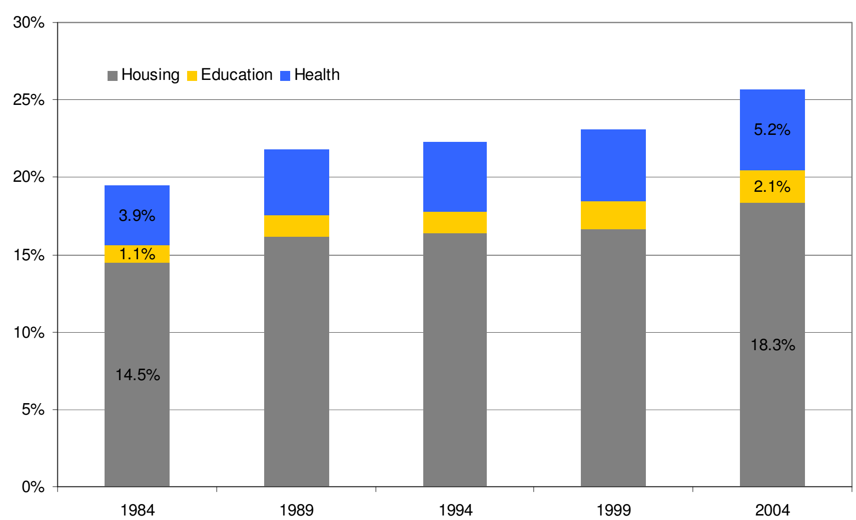
[7] Warren cites the statistic that in 2007, a US child was more likely to be living in a household facing bankruptcy than divorce.

Chart 23. Composition of Household Expenditure, 1984 - 2004



Source: ABS (2004)

Chart 24. Growth in Household Fixed Costs, 1984 – 2004
As a percentage of total goods and services expenditure

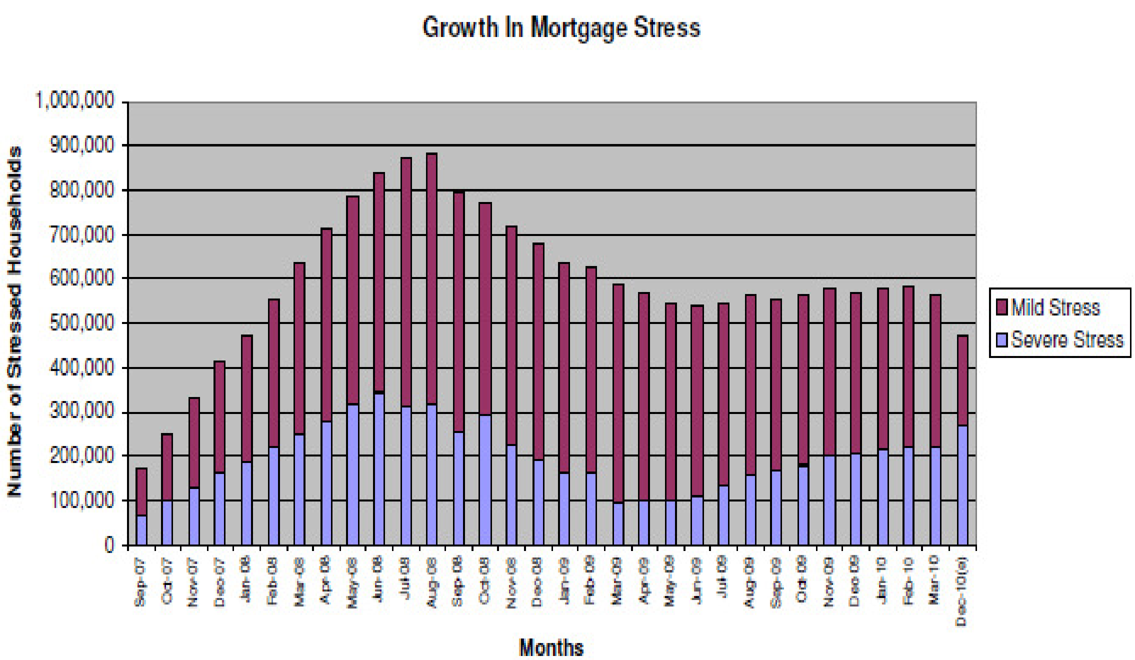


Source: ABS (2004)

With household wealth and expenditure dominated by housing considerations, perhaps the greatest illustration of household risk exposure continues to arise from meeting mortgage payments. There has been a **structural shift** in the costs of land infrastructure from state utilities (which used to charge nominal capital costs on developers) to including more and more of the infrastructure costs of land development being charged directly to the developer; with these costs passed through to the buyer. This has increased the base price of serviced residential land on the urban fringe in most Australian cities, with of course, repercussions for all land in urban areas. The consequent increased cost of home ownership has required historically high debt-to-income ratios to acquire homes, and has added pressure for households to add or continue with multiple income earners. With increasing unemployment and lack of job security across many regions and occupations, the cost of meeting mortgage payments exerts significant pressure on household incomes and lives.

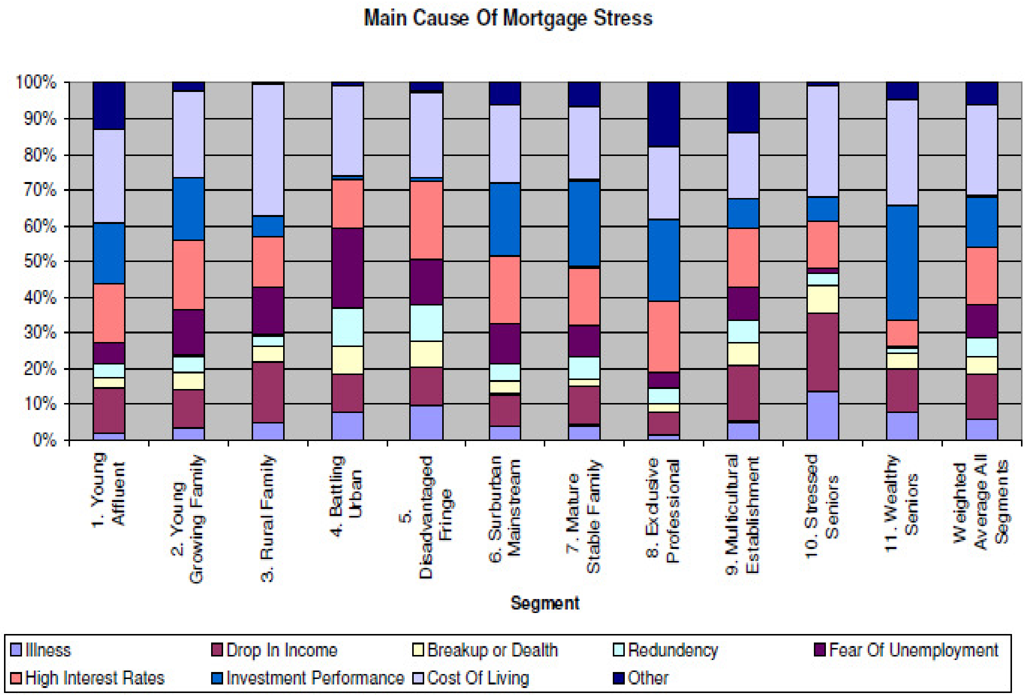
Results from the Fujitsu Mortgage Stress Survey indicate that while lower interest rates reduced the number of those suffering from mortgage stress from late 2008, this number is still very high, has been growing again as interest rate rises resumed and seems to have reached a new plateau. Indeed severe stress has been on an upward trend since mid-2009 – see Charts 25 and 26 below.

Chart 25. Population of Mortgaged Stressed, 2007 - 2010



Source: Fujitsu, March 2010

Chart 26. Causes of Mortgaged Stress, March 2010

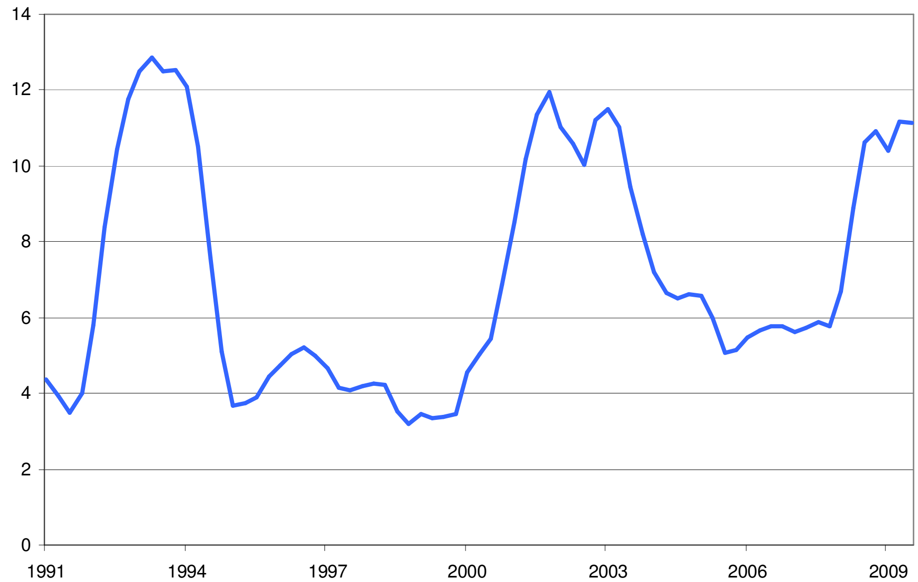


Source: Fujitsu, March 2010

As we can observe from Chart 26, one of the most significant causes of mortgage stress is a drop in income[8]. Such drops in household income can come from such events as loss of job by one or more income earners, illness, breakdown of the household, or reduced hours of paid employment. Certainly income security underpins not only one's consumption patterns and standard of living, but also our ability to manage the multitude of risks mentioned in this section. During a recession, pressure on wages and hours manifests itself in rising income insecurity, as illustrated in Chart 27. Here we have measured the volatility of average full-time earnings, accounting for the trend increase in earnings over time. It shows that residual earnings around this trend reached a peak following the recession of the early 1990s, and that income insecurity is spiking once again in light of the current crisis.

8 It should be noted that the data used here is based on average weekly ordinary time earnings and may be affected by compositional changes in employment.

Chart 27. Income Insecurity - Volatility[9] of Average Weekly Ordinary Full; Tme Earnings
1991 – 2009 ($AU)



Source: ABS (2010d)

Another significant source of risk exposure is the shift to privately managed, mandatory, defined-contribution pension financing. This shift away from state pensions and company provided defined benefit plans exposes labour to three important new sources of risk:

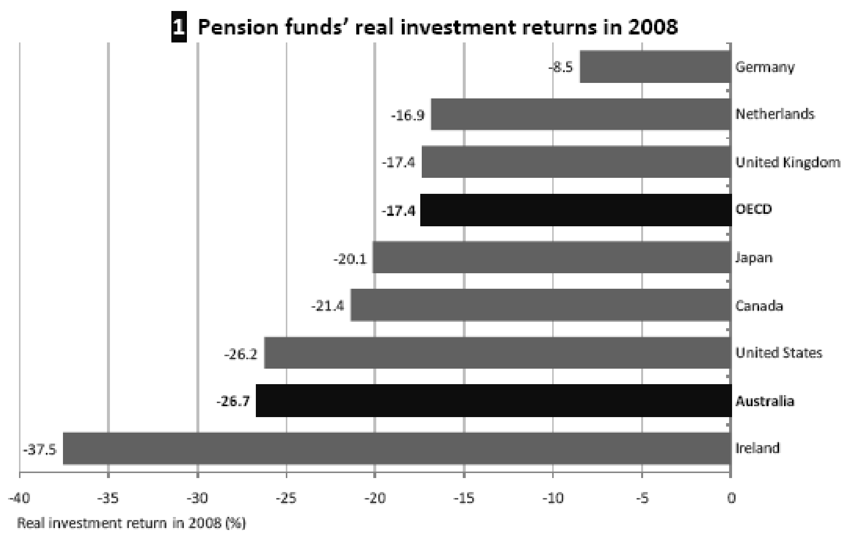
- **market risk**: The exposure of retirement savings to market movements has been starkly realized in the wake of the GFC, with many people now facing less secure or delayed retirement owing to the fallen values of their retirement savings
- **asset allocation risk:** the extent to which market movements impact on one's retirement savings can be exacerbated by poor choices with respect to which asset (and geographic) classes dominate one's portfolio
- **manager risk:** even with a portfolio which suits your investment needs, there is significantly variability in the returns to different managers, about whom there is only limited information

Chart 28 illustrates the realization of all these risks in pension funds across the OECD throughout 2008. The synchronized capitulation of equity and other asset markets around the world illustrate the systemic risks tied to retirement savings. Chart 29 also shows that after nearly twenty years of reform in financing retirement, Australia

[9] Here a five year moving-average filter has been applied to earnings in order to remove the trend increase in the time series. The standard deviation of the residual earnings has been plotted in Chart 28

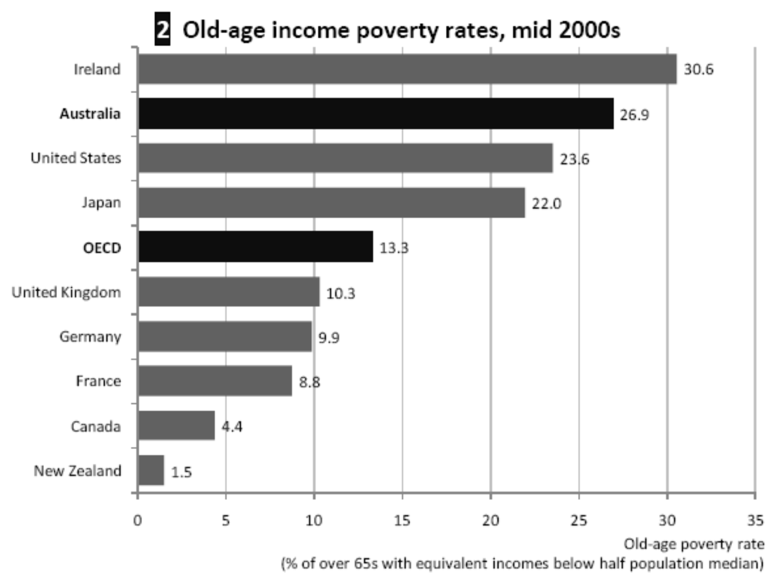
has one of the worst systems for delivering security from poverty in old age in the western world. The current answer in Australia to resolving that problem seems to be extend the working age and demand the low paid contribute more to superannuation, and continue to offer generous tax incentives to the high, to contribute more to private superannuation.

Chart 28 - Risk Exposure in Retirement Savings – Superannuation returns and the GFC



Source: OECD 2009

Chart 29 – Australia's Retirement Security or Poverty?



Source: OECD 2009

2.4. Changes in relationships between workers

The material changes at work and in our working lives, taken together, can also be seen have a shared further dimension, worthy of being nominated and examined separately. That is the fragmentation in the relationship between workers. This third dimension builds on our identification of the range of structured pressures for increasingly individual solutions to economic and social problems at work and in working lives.

For most of the 20th century Australia's Arbitration system provided organized labour with an institutional identity. Most conspicuously wage increases were determined by a centralized process, based on minimum wage determination, around social norms (albeit contested) that included fairness and a fair share. That gave all workers some shared destiny in the labour market, and all workers an interest in the fortunes of the lowest paid, for the 'basic wage' impacted on everyone. It also meant that there existed mechanisms which permitted improvements in wages and conditions in one sector or occupation to flow across the workforce.

With the decline of the old arbitration system, these standard processes that bound workers together started to diminish. At the same time, there were forces working against union activity. The decline of heavy manufacturing and other large-scale employment sites and the rise of smaller, more diverse workplaces represented challenges for unions. Where new aggregations of labour has occurred, in office towers, hospitals, and universities, earlier forms of organisational activity have not proven to as successful. In addition, there has been a shift to casual and other flexible forms of employment, which serves among other things to decompose labour organisationally.

These concurrent changes have proved challenges for unions, such that solidarity between workers across different industrial, localities, skills and different modes of employment cannot be presumed. They now have to be continually built and rebuilt by union campaigns. 'Your rights at work' was the most recent, and probably most successful, iteration of this project.

In working lives, the same sorts of challenges arise. Risk shifting to workers and households see a vast array of products and services that must now be purchased. Instead of a pension, we now have defined contribution superannuation. Instead of guaranteed health care, we now have health insurance. The same is true of utilities: we must select our preferred telephone and internet contract, etc.. It is assumed that individuals possess the required information, and the skills to synthesise this information to make optimal calculations and decisions.

In each of these cases, workers and households are presented with enormous choice. The choice manifests in the vast advertising budgets expended by superannuation funds, insurance companies, banks and telcos, each telling individuals how they have a product exactly detailed to YOUR needs and circumstances. One of

Australia's leading (for profit) superannuation funds offers more than 230 different product varieties, presumably suggesting that there are at least 230 different sorts of pension financing needs workers have.

Risk has become pervasive as it pertains to the discourse of individual life. People without enough income are not poor but "at risk". In a similar vein, we are all familiar with car insurance advertising, which targets what makes each individual different, that everyone has a different risk profile in their car or home use, and hence warranting a different insurance product or price. The intention is to cast the individual as more worthy, and so warranting special treatment ('what about ME?'). Advertising is presenting the message, but this process is not just about advertising campaigns. Inside these financial organizations actuaries are calculating ways of creating niche products, based on different packages of risk exposure. This is, as we have argued, a systematic strategy of risk shifting.

In effect, financialization has created a culture in which each worker/household is encouraged to think about what makes them different from other households/workers. Financial literacy campaigns, whatever their merits, also feed into this culture. They suggest to individuals that if they are more financially savvy or responsible, they can make better financial choices, and purchase the RIGHT product or right amount of a product just for them.

But the effect is consistently to emphasise the differences between the experiences and circumstances of workers, not what they share in common. What they share in common is that things like their participation in mass savings and insurance schemes like superannuation and private health insurance, and that these schemes are seeing risks shifted from the state to workers, and employment changes and financial products offered by banks are shifting risks from capital to labour. This is the over-arching process that is currently getting lost in the way finance has reached into the household and into the lives of people beyond the workplace. The myriad of product choices and appeals to individualism underpins the cultural dimension to the current process of risk-shifting.

The question for organised labour is how to articulate the shared experience of this financialised life in a way that not only begins a dialogue about what all workers have in common, but to begin to work toward organising challenges to that momentum. In thinking about these developments the goal is to develop a politics and organisational forms and activities that not only identifies the wealth being generated by society as labour's, but that can use that identification to raise the question of what to do with the tremendous wealth and opportunities that are being created, and what those capacities offer to labour as a resource for getting the sort of society we want.

3. What sort of crisis are we living through?

The paper has already noted that while not all crises are the same, **they are normal** in the economic and financial life of the various forms of capitalism. The economic historian Charles Kindleberger estimated that there had been at least 32 financial crises at an international level during the period 1720–1987. And financial crises have continued at an even more rapid rate since then. The IMF has estimated that since 1970 there have been around 125 financial crises of some kind around the world. Despite their regularity, it has been difficult for researchers to develop a satisfactory theory of crisis that permits anything approaching predictability, suggesting that while crises/financial disruptions share many common elements, they are particular to the time they occur. The question for analysis then is what is, if anything, different about this particular crisis.

This particular crisis originated in the sub-prime sector of the American mortgage market, but the contagion rapidly spilled over into the global finance sector and world economy more generally, matched only by the response of the world's governments. We have seen downward spirals in world economic growth (and forecasts of) and stock markets, as well as sharp upward trends in un- and under-employment, excess productive capacity and budget deficits. But, building on the analysis of change and transformation, this crisis both in its global dimension and speed of transmission as well as the scale of government response emphasises that this is perhaps the most obvious crisis amidst abundance in world history. Consider the current estimate of the amount of public money that has been amassed and deployed to avert the effects of the crisis. In the US alone the cost of the bailouts and other measures to deal with the GFC has already exceeded $5 trillion and could cost as much as $23.7 trillion. Even with the lower actual figure the US government's response has cost more than all former US big budget government expenditures combined. One researcher has tallied the inflation adjusted costs of some of these to illustrate the point.

The US GFC Bailout in Historical Perspective

• Marshall Plan: Cost: $12.7 billion, Inflation Adjusted Cost:	$115.3 billion
• Louisiana Purchase: Cost: $15 million, Inflation Adjusted Cost:	$217 billion
• Race to the Moon: Cost: $36.4 billion, Inflation Adjusted Cost:	$237 billion
• S&L Crisis: Cost: $153 billion, Inflation Adjusted Cost:	$256 billion
• Korean War: Cost: $54 billion, Inflation Adjusted Cost:	$454 billion
• The New Deal: Cost: $32 billion (Est), Inflation Adjusted Cost:	$500 billion (est)
• Invasion of Iraq: Cost: $551b, Inflation Adjusted Cost:	$597 billion
• Vietnam War: Cost: $111 billion, Inflation Adjusted Cost:	$698 billion
• NASA: Cost: $416.7 billion, Inflation Adjusted Cost:	$851.2 billion
TOTAL:	**$3.92 trillion**
GFC Bailout	**$5 trillion**

Source: Bianco cited in Forbes December 2008.

The capacity to assemble and deploy such a vast amount of wealth to tackle a problem is truly mind-blowing, and it is difficult not to overestimate the potential that such capacity has revealed.

Also, while this crisis is global in a way that few before them have been, the severity and effects of the crisis are being unevenly experienced. It has already been established that the downturn is having different effects as between capital and labour, between those whose retirement is financed by defined benefit or public provision and (market linked) defined contribution schemes, between those with different exposures to housing and credit markets, and so on.

The uncertainty and disagreement about what sort of crisis it is/has been is one of the reasons the report has devoted a considerable amount of time to an analysis of the recent period – to the changes and transformations we have been living through – on the basis that understanding the present and likely scenarios for the future depends on both understanding the sort of crisis we are in and what sort of changes have been occurring that are structuring that crisis.

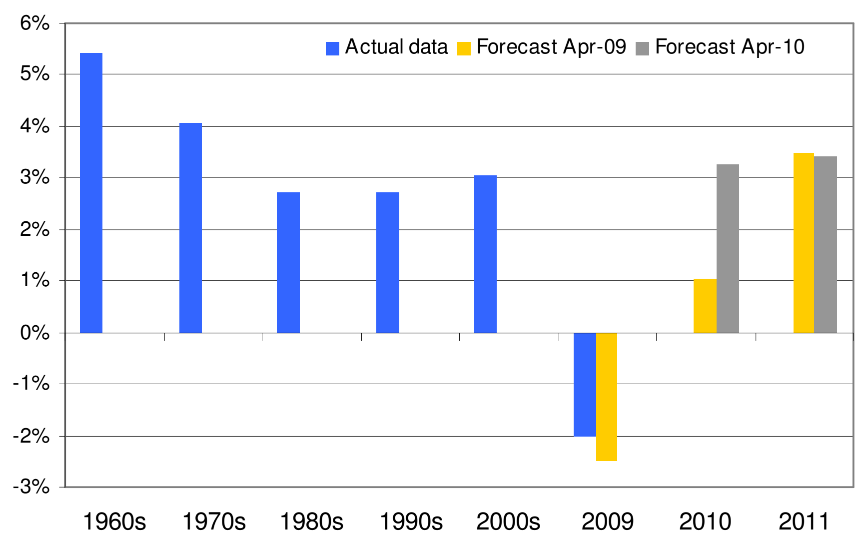
It is important to be clear here also that the way we engage with the problem of what sort of crisis it is, and the reasons for doing so, links to what sort of issues are at stake. Beyond the largely rhetorical and moralistic claims that the crisis is about greed, regulatory failure and financial excess, we suggest that there is an analytical approach which situates labour and labour's capacities and needs at the centre of both the analysis of the crisis and potential futures. The crisis has for instance, raised the possibility of the elimination of scarcity as a condition of life, and in this sense this crisis could become of historic importance. Having developed that analysis in terms of the recent past, this section seeks to build toward an analysis of the crisis itself.

4.1 Dimensions of the Crisis

Chart 30 shows the sharp downward contraction and recovery during the crisis. The swiftness of the contraction was marked by a series of downward revisions to income, growth and employment forecasts, which have since been gradually replaced by more optimistic figures.

Tables 6 and 7 show that there are certainly 'hotspots' for greater severity, namely the United States, and much of Europe. However, these numbers typically hide the many dimensions of such a widespread crisis, including ongoing inequality within and between nations, the quality of work, and the types of recovery paths that may take place.

Chart 30– Average Annual Growth in World GDP, 1960 – 2009
IMF growth forecasts, 2009-2011, as at April 2009 and 2010



Source: World Bank Group (2009) ; IMF Economic Outlook (2009 and 2010)

Table 6- International GDP growth forecasts

	2008	2009f (Apr 2009)	**2009 (April 2010)**	2010f (Apr 2009)	**2010f (April 2010)**	2011f (Apr 2009)	**2011f (April 2010)**
United States	0.4	-2.8	-2.4	0.0	3.1	3.5	2.6
Euro Area	0.6	-4.2	-4.1	-0.4	1.0	1.4	1.5
China	9.6	6.5	8.735(f)	7.5	10.0	10.2	10.0
Japan	-1.2	-6.2	-5.2	0.5	1.9	2.2	2.0
ASEAN-5	4.7	0.0	1.7	2.3	5.4	4.3	5.6
Australia	3.6	0.0	1.0	-0.5	1.5	2.3	2.8

Source: IMF Economic Outlook April 2009 and 2010, Treasury Budget Papers May 2009, Treasury Mid-year Economic and Fiscal Outlook, 2009

Table 7 – International Unemployment forecasts

	2008	2009	2010f (Apr 2009)	2010f
United States	5.8	9.3	8.9	9.4
Euro Area	7.6	9.4	10.1	10.5
Japan	4.0	5.1	6.2	5.1
Australia	4.2	5.5	8.3	6.8

Source: IMF Economic Outlook April 2010,
ABS (2010a), Treasury Budget Papers May 2010

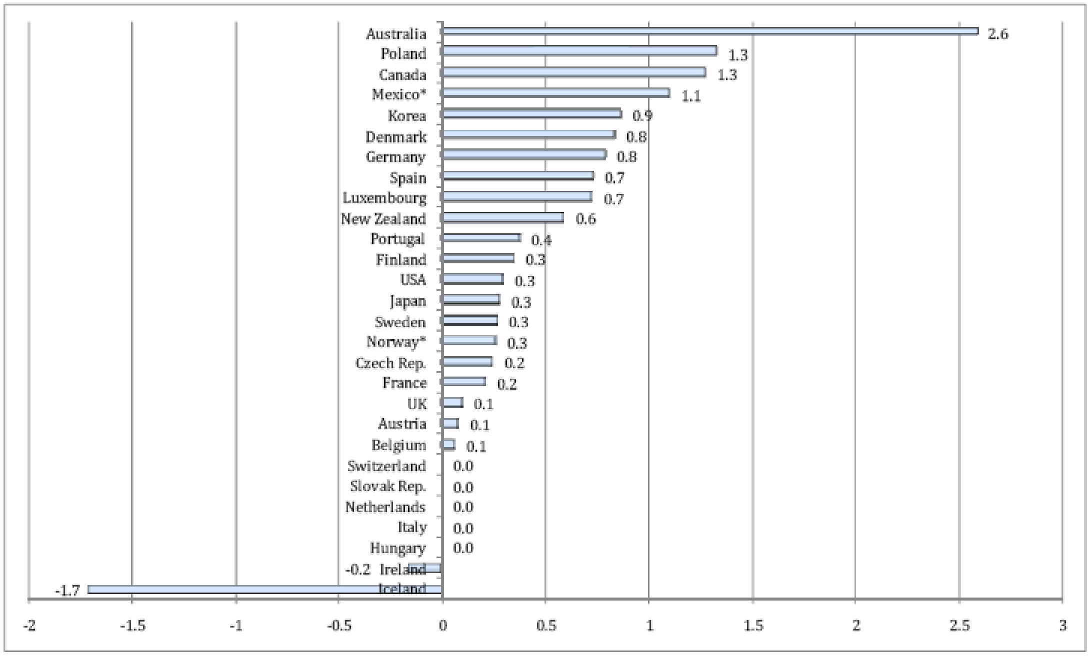
An alarming dimension to the unemployment crisis has been the rise in the proportion of the working poor, defined by the International Labour Organisation (ILO) as those working for less than $USD 2 per day. The ILO modeled three different economic scenarios, relating to the expected severity of the global recession – see Table 8. Sccenario 1 relates to the IMF's overoptimistic forecasts as at November 2008; scenario 2 assumes that historical relationships between employment and growth hold; and scenario 3, principally assumes that the worst unemployment outcome since 1991 is replicated across all developed economies. Under this third scenario, over a quarter of the world's labour force will be working under conditions of poverty. While the consensus view is that we have avoided the worst case scenario, the paper nonetheless highlights the contagious nature of an economic crisis, and the vulnerability of the world's working poor.

Table 8- ILO Global Employment Forecasts

	2007	2009 Scenario 1	2009 Scenario 2	2009 Scenario 3
Global Unemployment %	5.70%	6.10%	6.50%	7.10%
Working Poverty %	20.60%	18.10%	23.30%	26.80%

Unlike Japan in the 1990s, or the initial policy responses to the Great Depression, governments and central banks moved swiftly to inject liquidity into the economy during this crisis, moving interest rates to historically low levels, and providing fiscal stimulus packages to counter anaemic global private demand. Figure 3 below shows the broad sweep and scale of government fiscal stimulus packages across the OECD, and while many would argue the appropriateness, scale or direction of this expenditure, certainly the response has been rapid.

Figure 3. Government Investment in Stimulus Packages, % of 2008 GDP



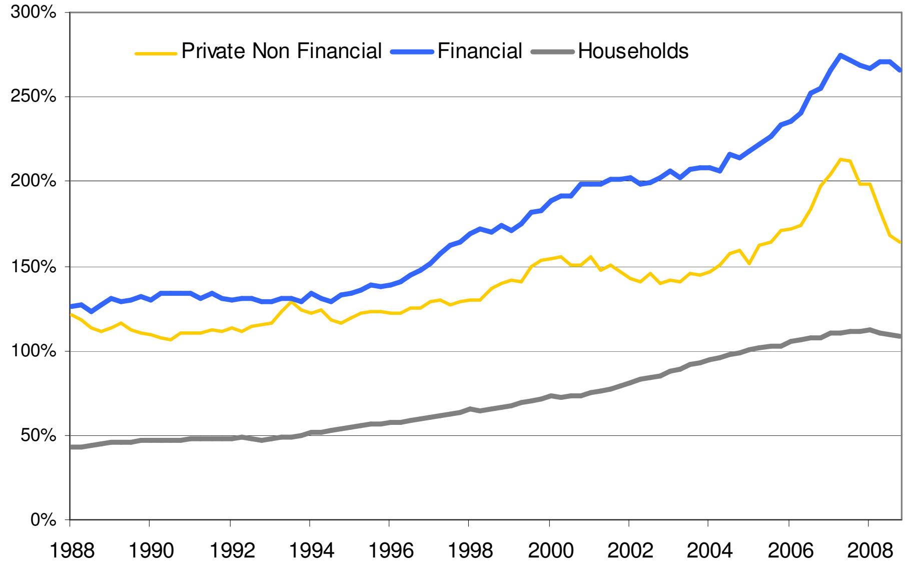
Source: OECD (2009)

The economic decline was precipitated by collapses in the debt and equity markets and banking systems of many advanced economies, following a period of seemingly inexorable rises in asset values and accessibility to credit. These conditions, underpinned by a firm belief that financial markets would self-regulate and deliver the most efficient outcomes, produced a mantra of high-leverage, high-returns thinking within the financial sector, as we can see in Chart 31 and Table 9.

Table 9. Leverage in the US economy, by sector
1970 - 2007

			Debt by sector			
	GDP	**Total debt**	Household	Financial firms	Non-financial business	Government (local, state, & federal)
1970	**1.0**	**1.5**	0.5	0.1	0.5	0.4
1980	**2.7**	**4.5**	1.4	0.6	1.5	1.1
1990	**5.8**	**13.5**	3.6	2.6	3.7	3.5
2000	**9.8**	**26.3**	7.0	8.1	6.6	4.6
2007	**13.8**	**47.7**	13.8	16.0	10.6	7.3

Chart 31 - Leverage in the Australian economy, by sector[a]
1988 – 2008, as a percentage of GDP

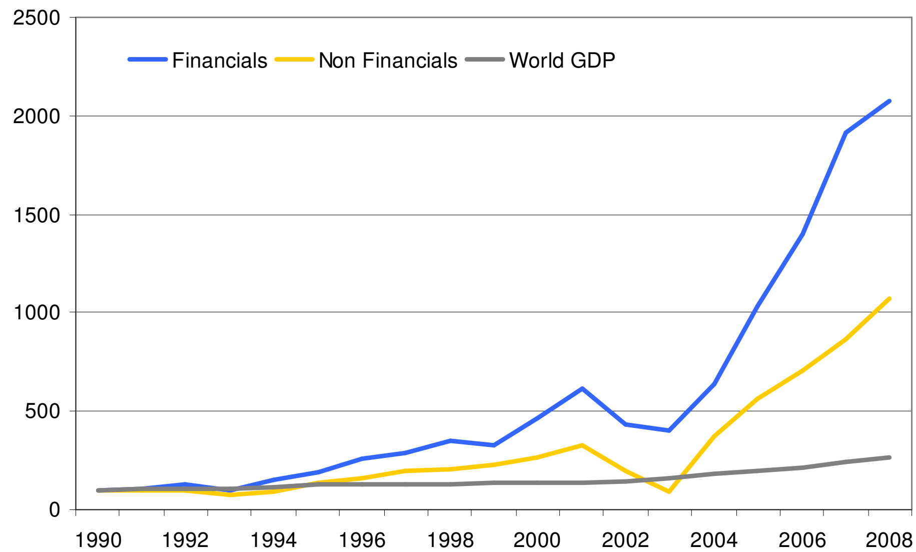


Source: ABS (2009a)

a. The financial sector has been defined as banks, other authorised deposit-taking institutions, and financial intermediaries

Unfortunately, the nature of systemic, correlated, extreme or simply irresponsible risks was ignored or misunderstood by the financial engineers who priced them, and as a result, the level and concentration of toxic exposures in the sector could not be absorbed when the system came under stress. After the disastrous ripple effects of allowing Lehman Brothers to fail were observed, governments around the world stepped in to guarantee the survival of those institutions deemed 'too big to fail'. Indeed, while the contribution of the financial sector surpluses outpaced growth elsewhere in the economy (see Chart 32), the systemic risks associated with this growth were never reasonably considered.

Chart 32 – Profit v GDP Growth, Global Listed Entities 1990 – 2008[10], Base Index = 100



Source: Datastream(2009)

Certainly, critics have stepped in with vitriol, questioning both the moral hazard that arises when the government acts as a guarantor against further negligent or excessively risky behaviour, as well as the current nature of sharing risks – that the benefits of risk-taking accrue to the few within the financial sector, yet the losses are borne by the public.

Much of this initial bailout money went to purchase toxic assets or failed financial institutions, money that was not only unconditional, but from the outset was knowingly going to acquire essentially valueless assets. Nevertheless, the ability of governments to amass such large sums of money at very short notice, suggests that the enormous wealth generated by our societies has produced a capacity for discretionary spending not thought possible before. Of course, just as rapidly as the money was amassed and spent, so too were the calls to 'get back to normal'. So while we saw an extreme version of what sort of social surplus can be brought together to address a problem, we can also see that scarcity is being reimposed.

This situation can be illustrated by looking at the crisis facing workers – there is no bailout for households who also subscribed to, or were drafted into, the high leverage, asset inflation cycle. Households, with similarly unprecedented levels of debt and with their wealth concentrated in falling house values especially in the US

---

[10] Growth indices have been calculated using the Datastream universe of 'World Financials' with data type 'Net Profit' denominated in US dollars. Financials include banks, insurers, real estate, and financial services organisations.

and UK on this occasion, are also bearing the additional risks to their retirement pensions. Combined with greater job and income insecurity, this is having a very destabilising affect on households.

Obviously, the burden of these risks is not borne evenly from country to country, or industry to industry. The scale, and targeting, of government responses, the existing framework of welfare support, the nature of trade and aggregate demand, and the health of local financial systems all contribute to the severity of the current crisis. In Australia, a relatively robust banking system, stable export markets and swift fiscal stimulus packages have shored up economic growth at home. This, however, belies the crisis facing labour – the employment intensity of growth, the degradation of job quality and the nature of productivity gains will all be pivotal issues for the type of growth path resumed post-crisis.

4. Scenarios for organised labour

This section is intended to begin the process of considering, discussing and debating the possible strategic responses to the crisis, based on the analysis that has been presented. The section is intentionally open-ended and suggestive, because it is the task of the next stage of the project to collect views and ideas to build toward a more representative and considered response. The purpose here then is to sketch out some broad possibilities and challenges that can help frame that discussion and debate.

It is possible to identify three broad scenarios flowing out of the research:

1. restoration of 'business as usual'

2. strategic restructuring for quality jobs, and

3. strategic interventions for better lives - union organising for better lives

We will leave out the business as usual scenario on the basis that it is taken as given that it does not express a desirable agenda for either most people or for organised labour. The distinguishing although not neatly separable areas in the other two scenarios are that there are organising opportunities in both pursuing existing trade union activities at the workplace and work in new and exciting ways. But, picking up the analysis of the shared experiences in working lives, there are also important opportunities for organised labour in areas that have often been marginalised from union activity. The scenario analysis will seek to draw on experiences both in Australia and abroad, and draw insights and inspiration from innovations in organised labour and beyond to frame future strategic discussion for the ACTU and its member unions.

5.1 Strategic restructuring for quality jobs

Here we have in mind the many ways that organised labour has been and is responding to the many challenges confronting workers today, and attempting to provide an organisational response to the fragmenting experiences of labour at work. There are some very exciting initiatives that have been undertaken here and our goal here is to assemble them and discuss their relative merits to enable them to be considered as both individual and collective responses.

Some of the possible issues here include challenging and changing the flows of production and consumption (including the prospect of a permanent reduction in working hours with equal pay, income security in terms of citizenship not as a deserving poor or working family, and increases in guaranteed incomes). John Buchanan has for instance suggested that one way here might be to re-open and renew the culture of collective consumption, and shorter hours (eg 'time for renewal, time to live')

These interventions may require a re-visiting of the massive rorts in the tax system favouring high income earners (so-called salary sacrificing etc), making income tax structures more progressive again, and making regressive taxes like the GST more progressive such as via luxury consumption tax.

There are also a range of opportunities to improve existing work, including targeting:

- Quality jobs (eg decent wages, hours and skills), and
- Sustainable jobs (eg sustainable relativities, workforce development and increasingly green content)

5.2 Strategic interventions for better lives

The report has made a strong claim that some of the most important shared challenges facing workers are not just coming from work, but are occurring in the wider experience of daily life – especially the increasing risk shift that has occurred from the state to households an from capital to labour. The project will seek to scope out some of the opportunities and possible interventions in areas such as housing, education, health care, superannuation and pensions, unemployment, public and private transportation, and so on that the paper has identified as important challenges confronting labour outside or on the boundaries of work.

Here we have in mind extending and/or re-opening organised labour's systematic engagement with issues of housing, health care, education, work-life balance and so on. Furthermore, the history of the global economy over the last one hundred years suggests that full employment has been the exception, yet that paid work remains the primary condition of household access to the wealth produced in society. It may be that in a society in which relative affluence is now present, and yet there is simply not enough paid jobs to go around, we need to re-visit the terms on which citizens have entitlements to a decent standard of living. These are issues that organised labour has always been involved in (the introduction of Medicare was one such example), but with the dramatic changes in the way these issues have now emerged as sites of risk shifting (and profit-making) they have become urgent matters for may people in Australia.

5. Where to From Here - Some Key Themes and Trends to be explored

Looking back over the last two to three decades, it is possible to see that we have been experiencing some profound changes in the nature of work, in our working lives and in the relationships between workers. Developing an understanding of those changes, and trying to think about their implications for organised labour is profoundly important but difficult task. It is a measure of the leadership of the current ACTU that it has encouraged research to begin to tackle those questions. This report needs to be seen as only a small part of that project.

This research was conceived around the proposition that there was a need to begin thinking and talking about possibilities for organised labour presented by developments that have been occurring. Asking the right questions and then beginning to develop an analysis of those developments and their possible implications for organised labour was itself an important issue this report attempted to address.

A key challenge of the report has been to try to identify and understand the momentum of social and economic change at work and beyond. We have attempted to convert individual perceptions about growing anxiety and pressure at work, and the increasing stresses and risks facing people in their broader working lives into a more general conceptual understanding and give it a strategic direction. The research reported here was undertaken with the intention that in order to organise and challenge around what has been happening, it must first be identified and named. It is our conclusion that the changes we have named and described have considerable momentum. Life after the GFC is very unlikely to go back to some pre-financialised path, not just because there is no organised opposition to them. Rather that momentum continues because the changes have deepened labour’s integration into capitalism.

Regulatory and other reform is most likely to seek an accommodation with, and more orderly functioning of the relationship between finance and households. The current momentum does have historical parallels. Just as Ford was forced to recognize that raising wages was central to selling and realizing profits in an era of mass production, financialised capitalism will now have to recognise that sustaining the household as supplier of labour and as managers of risks (including maintaining credit-worthiness) is crucial to future expansion.

But a measure of the sort of analysis we have begun is also what it concretely implies for what is to be done. This report has been devoted to the development of the analysis that might inform such concrete actions.

This takes us to the question of how to collectively challenge and reverse the individualisation of risk, and what a politics that could organise such a challenge might look like. One immediate and exciting possible organisational potential of developing this idea however is joining together workplace and quality of life politics in a way that is more expansive and promising than the increasingly degraded idea of work-life balance (Pocock 2010, personal communication). Such an approach might even offer the prospect of moving beyond reclaiming a slice of lost productivity gains and the associated compensatory politics, as important as that might be. It would also help establish a more direct integration between the challenges to labour both in work and in our working life as a central part of the account of financialization – a project that has historically been the ambit of organised labour to articulate and organise around.

We have observed that the changes in the nature of work and bargaining have made the experience of labour at work more fragmented, stressed and insecure. It has certainly made organising around that experience increasingly difficult. There have however been some important and historic organisational and political advances in this domain (with the Your Rights at Work campaign being a notable example). Similarly, we have seen that often under pressure from stagnant incomes, and the weight of growing financial commitments, households have been increasing their supply of paid labour. Elizabeth Warren's work in the United States, on what she calls the two-income trap, how more paid labour is required to meet the fixed costs of living resonates with the Australian experience. Australians now work some of the longest hours in the developed world, and with current and potential extensions to retirement age, we will be doing so for more years as well. This shared experience provides an important basis for a re-politicisation of working time (Pocock 2009, Buchanan 2006).

There is clearly a need and seemingly great potential in thinking about a broader set of issues facing labour, outside of the formal workplace. It is also in our working lives, through what has been called the financialization of daily life, where a shared but as yet largely unarticulated experience of life under capitalism has been occurring. That evolving shared experience in our working lives is also critical in understanding many of the important dimensions of the transformations that have been occurring; and presents a site of great organising potential.

It is stating the obvious to say that there is no ready-made comprehensive alternative to the current situation. But that certainly does not mean that there are no alternatives. Indeed, we began the analysis with the observation that the GFC should be seen as a crisis amidst abundance, in the sense that we now live in a society (both national and increasingly global) in which the possibilities for mass abundance are a reality in ways that would have been almost unimaginable only 40 or 50 years ago. The historic importance of this should not be forgotten. By contrast with organised labour and a vision of possible abundance, it is the project of employers and governments to continually reimpose individuality and scarcity as society's organising ideas. Once we begin to see that we now live in a society of potential shared abundance, many exciting possibilities open up. Indeed, an important point worth stressing here is that the notion of risk shift captures the fact that while business and governments have sought freedom from the encumbrance of collective labour in the workplace by distributing it through debt and credit relations, the risk shift is no less an expression of collective labour's potential. There are now vast sums of money in pension funds, and other financial assets of labour. This growth in wealth and the potential it shows is an extension of the labour movement's own history. The paradox now then is that in recognising and realising this potential, just as in earlier periods, the collective interest of society and the tremendous possibilities it faces can only come through labour's self-organisation. This represents a strategic brief for organising labour today.

6. References

Atkinson, A and Leigh, A 2006 The Distribution of Top Incomes in Australia, ANU Centre for Economic Policy Research, Discussion paper 514, March, Canberra.

Australian Bureau of Statistics (ABS) 1997, Survey of Employment and Unemployment Patterns, cat. no. 6286.0, ABS, Canberra.

ABS 2004, Household Expenditure Survey, cat. no. 6530, ABS, Canberra.

ABS 2006, Household Income and Income Distribution, cat. no. 6523.0, ABS, Canberra.

ABS 2009a, Australian National Accounts – Financial Accounts, cat.no. 5232.0, ABS, Canberra.

ABS 2009b, Education and Work, cat. no. 6227.0, ABS, Canberra.

ABS 2009c, Labour Market Statistics cat. no 6105.0, ABS, Canberra.

ABS 2010a, Labour Force Survey, cat. no 6202.0, ABS, Canberra.

ABS 2010b, Australian National Accounts – National Income, Expenditure and Product, cat. no 5206.0, ABS, Canberra.

ABS 2010c, Australian System of National Accounts, cat. no 5204, ABS, Canberra

ABS 2010d, Average Weekly Earnings, cat.no. 6302.0, ABS, Canberra.

ABS 2010e, Detailed Labour Force Survey cat. no 6291.0, ABS, Canberra.

ABS 2010f, Business Indicators - Company Gross Operating Profits cat. no 5676.0, ABS, Canberra.

Baird M 2007 'Time for Change: Work and Family Policy' in *Time for Change: Work and Family Policy*, ed. Ed Davis and Valerie Pratt, CCH Australia, Sydney, NSW, Australia, pp. 55-59

Baird M, Cooper R and Ellem B 2009 'Low-Paid Women: The Impact of Regulatory Change in Australia', Industrial Relations Journal, vol.40:5, pp. 393-407

Baird M, Cooper R and Ellem B 2009 'Fear, Insecurity and the New Industrial Relations: Talking to Low Paid Women About Work, Life and family in Australia', USA Labor and *Employment Relations Association (LERA) 61st Annual Meeting*, San Francisco, United States, 5th January 2009

Bellofiore, R and Halevi, J 2009 'Deconstructing Labor: What is 'new' in contemporary capitalism and economic policies: a Marxian-Kaleckian perspective', in C. Gnos and L.P. Rochon (eds.) Employment, Growth and Development. A Post-Keynesian Approach. Cheltenham: Elgar.

Beck, U 1992 Risk Society: Towards a New Modernity. Translated from the German Risikogesellschaft New Delhi: Sage.

Belkar, R Cockerell, L and Edwards, R 2007 Labour force participation and household debt, Reserve Bank Discussion Paper RDP 2007-05, June.

Briggs, C., Buchanan, J. and Watson, I. 2006 Wages Policy in an Era of Deepening Inequality, Policy Paper No. 4, Academy of the Social Sciences in Australia, Canberra

Brinkley, I Clayton N, Coats, D Hutton, W and Overell, S 2008, Hard Labour: Jobs, unemployment and the recession, The Work Foundation, London, November.

Bryan, D 2008, Minimum Living Standards and the Working-Class Surplus: Higgins, Henderson and Housing, Labour History, Vol 95.

Bryan, D and Rafferty M 2009 The Global Financial Crisis: Where does labour fit? paper presented to AWGF Seminar A Crisis Like No Other, held at University of Sydney July

Bryan, D Martin, R and Rafferty, M 2009 Financialization – giving capital and labour a financial makeover, Review of Radical Political Economy, Volume 41, No.3.

Campbell, I. (2004). Casual Work and Casualisation: How does Australia Compare? *Labour and Industry*, 15(2), 85-111.

Campbell, I. 2002 'Snatching at the Wind? Unpaid Overtime and Trade Unions in Australia', International Journal of Employment Studies, 10(2), 109-156.

Campbell, I. 2002 'Extended Working Hours in Australia', Labour and Industry, 13(1), 91-110.

Campbell, I. 2007 Long Working Hours in Australia: Working-Time Regulation and Employer Pressures. *The Economic and Labour Relations Review*, 17(2), 37-68.

Campbell, I. & Peeters, M. 2008 Low Pay, Compressed Schedules and High Work Intensity, A Study of Contract Cleaners in Australia. *Australian Journal of Labour Economics*, 11(1), 27-46.

Campbell, J. 2006. Household finance, Journal of Finance, Vol.LXI, No.4. August: 1553-1604.

Commonwealth of Australia, 2009, Budget Strategy and Outlook– Budget Paper No 1, Commonwealth of Australia, Canberra

Cooper R, Ellem B, Briggs CM and van den Broek D 2009 Forthcoming 'Anti-unionism, Employer Strategy and the Australian State,1996–2005', *Labor Studies Journal (US)*

Cooper R and Briggs CM 2009 ''Trojan Horse' or 'Vehicle for Organizing'? Non-Union Collective Agreement Making and Trade Unions in Australia', *Economic and Industrial Democracy*, vol.30:1, pp. 93-119

Cooper R 2009 'Forward with Fairness? Industrial Relations under Labor in 2008', Journal of Industrial Relations, vol.51:3, pp. 285-96

Cully, M 2003, 'Pathways to knowledge work', NCVER, Adelaide.

Debelle, G, 2004 'Macroeconomic implications of rising household debt' BIS Working Paper 153, June.

Department of Employment, Education and Workplace Relations, June 2009, Vacancy Report

Eichengreen, B and O'Rourke, K 2009 A Tale of Two Depressions vox Research-based policy analysis and commentary, June

Ellis, L and Smith K 2007 The global upward trend in the profit share, Bank for International Settlements, BIS Working Paper No 231 July 2007

Folkman,P, Froud, J, Johal, S and Williams, K 2007 Working for themselves? Capital market intermediaries and present day capitalism, Business History, Vol49, 4

Fujitsu 2010 Anatomy of Australian Mortgage Stress, Fujitsu, Australia.

Gallagher, M, 2005 Contagious Capitalism: Globalization and the Politics of Labor in China Princeton University Press, Princeton

Glaeser, E and Kohlhasse, J 2004, Cities regions and the decline of transport costs, Papers in regional Science, Vol 83, pp197-238.

Hacker, Jacob 2006 The Great Risk Shift: The Assault on American Jobs, Families, Health Care, and Retirement - And How You Can Fight Back. Oxford University Press, Oxford.

Hall R 2007 'The "Work Choices" Revolution in Australia', *Perspectives on Work-Labour and Employment Relations Association*, pp. 35-38

Headey, B and Warren, D., 2008, Families Incomes and Jobs, Volume 3: A Statistical Report on Waves 1 to 5 of the HILDA Survey, Melbourne Institute of Applied Economic and Social Research, University of Melbourne

International Labour Organisation (ILO) 2009 Tackling theglobal jobs crisis – recovery through decent work policies, 98th session Report I (A). ILO , Geneva.

ILO 2009, The Financial and Economic Crisis: a Decent Work Response, ILO, Geneva.

International Monetary Fund (IMF) 2009, Balance of Payments Statistics, IMF, Washington

IMF 2009, World Economic Outlook, April 2009, IMF, Washington

Jacoby, S 2009 Finance and Labor: Perspectives on Risk, Inequality, and Democracy, UCLA , Anderson School of Management mimeo.

Janeway 2006 Risk versus Uncertainty: Frank Knight's "Brute" Facts of Economic Life, published on th privatisation of Risk, June, SSRC.

Khanna Parag 2008 The Second World: How Emerging Powers are Redefining Global Competition in the Twenty-First Century Penguin, Harmondsworth.

Kindleberger, Charles, P. Manias, Panics, and Crashes. A History of Financial Crises, 2nd ed., Basingstoke: Macmillan, 1989.

Kitay GB and Lansbury R 2006 'Diversity and Change in Work and Employment' in *Rethinking Work: Time, space and discourse*, ed. H Hearn and G Michelson, Cambridge University Press, Melbourne, VIC, Australia, pp. 79-101

Lansbury R, Saulwick J and Wright C 2008 'Globalization and Employment Relations in the Australian Automotive Industry' in *Globalization and Employment Relations in the Auto Assembly Industry: A Study of Seven Countries*, ed. Roger Blanpain, Kluwer Law International, Alphen aan den Rijin, Netherlands, pp. 13-34

Lipsey R 2006 Measuring International Trade in Services, NBER Working Paper No. W12271, New York, June

Krugman P 2009 The Great Recession versus the Great Depression, Conscience of a Liberal, New York Times, March 20.

Martin, Randy 2002 The Financialization of Daily Life Temple University Press, Philadelphia.

National Centre for Vocational Education Research (NCVER) 2007, Employers' Use and Views of the VET system

Navarro, P 2006, The China Price Project, Merage School of Business, University of California-Irvine

Organisation for Economic Cooperation and Development (OECD), International Trade Statistics, OECD, Paris.
OECD 2008, Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD, Paris.
OECD 2009, 'Policy Responses to the Economic Crisis- Investing in Innovation for Long Term Growth', OECD, Paris.
Pocock, B., Buchanan, J. & Campbell, I. (2004). Meeting the Challenge of Casual Work in Australia: Evidence, Past Treatment and Future Policy. Australian Bulletin of Labour, 30(1), 16-32.
Prasad E, and Wei, S 2005 Understanding the Structures of Cross-border Capital Flows: The case of China, IMF, Washington, December.
Reserve Bank of Australia (RBA), 2010a, Selected Assets and Liabilities of the Private Non- Financial Sectors (B20), RBA, Sydney
RBA, 2010b, Household Finances – Selected Ratios (B21), RBA, Sydney
Rollins, A and Keith, S 2009 Income Shock yet to Come, Australian Financial Review, Features, Wednesday June 24, p 61.
Saunders, P & Hill, T. 2008, 'Mr Howard and the Gini Coefficient', Dialogue, Academy of Social Sciences in Australia, 27(1), 49 - 58
Schiller, R. 2003 The New Financial Order: Risk in the 21st Century, Princeton, NJ: Princeton University Press.
Stedman Jones, G 2004 An End to Poverty? A Historical Debate. New York: Columbia University Press.
Thomson Reuters Datastream 2009, World Equity Indices (Datastream codes LTOTMKWD and LFINANWD)
United Nations Conference on Trade and Development (UNCTAD) Foreign Direct Investment Statistics, UNCTAD, Geneva
Warren, E, 2003, The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke, Basic Books, New York.
Warren, E, 2003, "Mortgage Debt, Bankruptcy and the Sustainability of Homeownership" in Credit Markets for the Poor", in Howard Rosenthal ed., Russell Sage.
Warren, E 2003 Financial Collapse and Class Status: Who Goes Bankrupt? Osgoode Hall Law Review, Vol. 41, No. 1, p. 114, Spring 2003
Watson, I. 2007 Low paid workers in Australia: insights from HILDA, Report for IR Victoria, March 2007
Watson, I. 2008 (a) "Low Paid Jobs and Unemployment: Churning in the Australian Labour Market, 2001 to 2006", *Australian Journal of Labour Economics* Volume 11 Number 1 2008 pp 71 – 96
Watson, I. 2008 (b) "The low paid workforce and labour market transitions: Assessing the impact of unemployment on earnings at the bottom of the labour market", Paper for Minimum Wage Research Forum, Fair Pay Commission, Melbourne October
Watson, I. 2008 (c) Skills in use: labour market and workplace trends in skills use in Australia, Paper presented to Jobs Australia National Conference, Brisbane, 8 September 2008.

Watson, I, Buchanan, J Campbell, I and Briggs, C 2003 Fragmented Futures: New Challenges in working life, The federation Press, Annandale.

Williams, K Froud, J, Johal, SD and Montgomerie, K 2009, Escaping the tyranny of earned income? The failure of finance as social innovation, CRESC, University of Manchester Working Paper No. 66

Wood, Geoffrey. "Great crashes in history: Have they lessons for today?", Oxford Review of Economic Policy 3, (1999): 98–109.

World Bank Group, 2009, Joint External Debt Hub, Joint BIS-IMF-OECD-WB