

Chapter 1

Introduction

Themes

Australian society has been dramatically transformed over the past quarter of a century. Some changes have been for the better, others have been for the worse. The good outcomes are making Australia more prosperous and more diverse, while the bad outcomes are making Australia more unequal. The inequality is most evident in areas like unemployment, under-employment, low pay, and job insecurity. But inequality is also lurking in areas like excessive working hours, job dissatisfaction, and the poor balance between work and family life. In this book we look at some of the more acute problems in working life, and the challenges these pose for the community. There is, of course, a positive side to social change: more prosperity overall, and more diversity. We also look at this side of the story, but again focus on the challenges for working life which these pose: how is the prosperity to be shared fairly, and how well does working life satisfy the needs of diversity?

At first glance the 1990s appeared to have been an economic success. There had been solid economic growth; there had been good improvements in labour productivity; average wages and salaries had grown modestly; and overall employment growth had been steady. Yet despite this progress, some commentators believe that Australia is in the midst of a social crisis. As several eminent economists observed:

in spite of continued economic growth, Australia enters its second century in a state of social crisis. This social crisis in the midst of a buoyant economy is evident from many signs in Australia's cities, towns and rural areas. These range from manifest inequalities in entry to, and rewards from, economic activity to increasing demands on emergency relief agencies, public hospital casualty wards, crisis centres and services for the homeless.

... To those who focus on aggregate economic indicators talk of a social crisis, especially one driven by trends within the economy, is incomprehensible ... But the disadvantage and distress in many Australian communities is real indeed, and the fact that the crisis has developed through a period of strong economic growth has been one of its most distinctive, and most disturbing, features. (Borland et al., 2001, pp. 2-3)

Part of the answer to this discrepancy lies in the fact that each of these measures of economic progress is an average, and as we all know, averages hide reality as much they as reveal it. The growth in average wages and salaries disguises the fact that low and middle income earners suffered reduced or stagnant earnings during the 1990s while most of the growth in earnings had taken place at the top of the labour market. Overall employment growth had been reasonable during the second half of the 1990s, but most of this growth was in casual employment, and in many more part-time and temporary jobs. Unemployment, and particularly long-term unemployment, remains obdurately high, and spreads poverty throughout the community, particularly in outlying suburbs and regions. The increase in labour productivity has given us increased economic prosperity without inflation, but it has been bought at the cost of increased work intensification and longer hours of work by a large proportion of the workforce. This increased stress at work has spilled over and created greater stress on households, particularly for families with children.

In the following chapters we deal with all of these issues, and we develop an analysis of them which has been largely absent from most debates on contemporary Australian working life. One of our major themes is inequality, a theme which surfaces regularly in the literature. Our second major theme, diversity, is less frequently encountered. Our combination of the two, through an exploration of fragmentation, is our unique contribution to the contemporary debate. We argue that fragmentation leads to both inequality and diversity, and this gives rise to major policy challenges which the community needs to grapple with. We seldom venture into policy prescriptions ourselves, but each chapter ends with a short presentation of these challenges, and our final chapter brings them together.

In focusing on fragmentation, we have a particular model of social change in mind. It is captured in the image of a spinning centrifuge which unleashes the forces of social fragmentation. The Nigerian writer, Chinua Achebe, had something like this in mind when he wrote his novel, *Things Fall Apart*, which dealt with the disruption to tribal society brought about by Western colonialism. The title was borrowed from Yeats' famous poem, *The Second Coming*:

Turning and turning in the widening gyre
 The falcon cannot hear the falconer;
 Things fall apart; The centre cannot hold;
 Mere anarchy is loosed upon the world

While Yeats may have had the image of a falcon flying in an ever widening circle, the other image which these lines bring to mind is that of a spinning centrifuge. As it speeds up, it flings fragments away from its centre. This metaphor is a good one for modern societies, because it suggests that rapid social and economic changes unleash dynamic processes of fragmentation. There is little doubt, for example, that the rate of change in most societies over the past half century has been rapid, and that fragmentation has increased. From our perspective, the fragmentation process itself is neutral, but its outcomes come in two shapes: inequality (negative) and diversity (positive).

It can, of course, be difficult to disentangle inequality and diversity. One person's inequality can be another person's diversity. For example, if we look at fragmentation in the wage fixing system we find that some people rely on awards for their income, others are paid according to enterprise agreements, and yet others have informal arrangements or common law contracts with their employers. Some commentators regard this fragmentation as the basis for earnings inequality, while others view it more favourably, as reflecting diversity in the rewards attached to working. In our own analysis of earnings, we emphasise the inequality rather than the diversity. On the other hand, when it comes to fragmentation in working time arrangements, we are more inclined to regard this as reflecting diversity, rather than inequality. We think that access to part-time work, for example, is critically important in meeting the needs of certain groups of workers, such as those with children. The greater diversity in household types, and the greater diversity in the workforce, require greater diversity in working time arrangements. Where inequality enters the picture is when access to *quality* part-time work is restricted to a narrow group of workers. As we show later, this is one of the main problems with the casualisation of the workforce. Instead of meeting the needs of diversity, casual jobs spread inequality through the labour market.

We do not make these decisions about inequality and diversity on an arbitrary basis. To help us decide whether fragmentation is leading to inequality or diversity, we draw on the European social democratic notion of social protection, with its emphasis on social solidarity. Within this framework, social policy has the task of combating the spinning centrifuge, which threatens to cast off particular sub-groups by way of 'social exclusion'. These may be young migrant workers, older unemployed workers, people living in low income regions, and so forth. Social solidarity requires that none of these people becomes socially excluded, and social protection offers a raft of measures designed for this goal. This may include income support, special legislation to protect minority rights, assistance with accessing social services, and so forth.

Some governments in the English-speaking world have adopted the language of social exclusion, but their priorities are largely those of social control. They are focused mainly on those people on the bottom rungs of the social ladder, the groups likely to turn to drugs and crime. By contrast, social solidarity in the European sense means social inclusion at the top and the bottom, and social

inclusion for egalitarian reasons, not just for purposes of social order. This is most fully expressed in the solidaristic wages policies which have developed in the Scandinavian countries. In this framework, reigning in high income earners is just as crucial as supporting those at the bottom.

Most importantly, the social democratic approach to social protection is not just about preventing exclusion of sub-groups. It also seeks to build a platform for the development of individual capabilities and for the exercise of genuine choice by all groups in society. Social protection within this tradition aims for the unfolding of human talents and interests within a framework of mutual interdependence and support.

From within this perspective, social protection is seen as supporting and guaranteeing choices for individuals. It is fiercely committed to diversity, in the sense of generating a range of options that can meet individual and collective needs. Its aim is to combat the inequalities in resources that threaten to strip individual citizens of the chance to make proper choices about their lives. In essence, social protection is about providing individual citizens with sufficient resources to enable them to make genuine choices. By this we mean choices which are voluntary, socially responsible and individually sustainable. In this sense, social protection is not at all—as some commentators assume—a negative, defensive effort. Rather, it entails a raft of social policies and social institutions which are oriented to positive outcomes. Moreover, it cannot be a residual affair, confined to only a small minority who are suffering from extreme need (the potentially socially excluded).

One critical aspect to social protection is its reach. Do some social groups fare badly, and fail to escape economic vulnerability or fail to expand their choices and develop their capabilities? Often, the system of social protection is uneven in its development and reflects the different amounts of bargaining power which different sub-groups wield. In Australia, the system of social protection developed after Federation was geared to the needs of white, male workers who were employed full-time and full-year. Few indigenous people, migrants or women gained much from this system of social protection. While the reach of social protection can be extended—and it was for many of these groups during the 1970s—it can also shrink. During the 1980s and 1990s, social protection had also been wound back, and new sub-groups found themselves exposed to intense economic vulnerability. The unemployed, single parents and the casualised workforce come to mind.

While there can be many forms of social protection, a useful contrast is that between universalism and what can be called 'residualism'. This contrast applies to the welfare aspects of social protection, such as entitlements to income support for unemployed people and single parents, or access to health services for sick people. With universalism, the intention is to make these welfare provisions available to most of the population; with residualism, the intention is to restrict their provision to a small sub-group of people by applying tight eligibility rules. In Australia, the original version of Medicare was a good example of universalism

in access to health services. The great strengths of universalism are that its provisions avoid stigmatising recipients; they attract broad middle-class support (people are prepared to pay taxes for these provisions); and that these provisions are hard to wind back in periods of shrinking government expenditure. By contrast, the problems of residualism are almost the reverse of the strengths of universalism. Recipients can be easily stigmatised, eligibility can be reduced, and expenditure can be curtailed more easily.

Political support for universalism in contemporary Australia is extremely low, with both major political parties priding themselves on how efficiently they have 'targeted' welfare. Not only does targeting the 'poor' or the 'deserving' bring in its wake all of the moralistic baggage of the Victorian Poor Laws, but the provision of social protection becomes almost Victorian in its stinginess. As the British social policy analyst, Richard Titmuss, noted long ago: benefits specifically for the poor will be poor benefits (quoted in Standing, 1999, p. 269).

It is quite natural that the focus in discussions of social protection is on the disadvantaged. The costs of residualism, after all, are rarely borne by those with wealth or power. Yet we would argue strongly that when it comes to discussing social solidarity, we need to expand the term 'social inclusion' to encompass those at the top. This is glaringly evident in the United States, where studies by Galbraith (1998), Waltman (2000) and Ehrenreich (2001) show that growing income inequality depletes the middle layers of society, and leaves a vacuum in its wake. Growing inequality allows high income earners to detach themselves from their public responsibilities, encourages middle income earners to become resentful about taxation and welfare transfers, and leaves low income earners with a diminished social wage, inhabiting a public realm which is increasingly pauperised. In Galbraith's words:

In the squeeze between entitlements, public interest payments, and private spending, public services are degraded, downgraded, and de-based; they become symbols of the shabby, amenities to avoid. The social bargain exempting the rich from their share of the burden . . . comes to grate on the middle-class as much as the burden itself. (Galbraith, 1998, p. 16)

In summing up her experiences of working and living as a low wage earner in America, Barbara Ehrenreich observed that for high income people, the working poor were largely invisible. The 'blindness of the affluent' was even more striking because every week the working poor cleaned their houses, served them food and sold them products. Part of the answer for this perplexing behaviour by the affluent was:

the fact that they are less and less likely to share spaces and services with the poor. As public schools and other public services deteriorate, those who can afford to do so send their children to private school and spend their off-hours in private spaces—health clubs, for

example, instead of the local park. They don't ride on public buses and subways . . . (Ehrenreich, 2001, p.217)

As well as social protection, we also draw on the notion of *economic sustainability* for adopting a stance towards fragmentation. This entails drawing the distinction between long-term viability and short-term expediency. Market economies are dynamic and change is the norm. New products come rapidly to market, old products die, and business enterprises rise and fall accordingly. But beyond the fortunes of these solitary firms lies the economic fabric itself, a system composed of networks, interdependencies and complementarities (Nove, 1990, p. 164). The economic fabric is partly composed of the physical infrastructure, such as transport networks and electricity grids, while other parts of it are more intangible: a system of contract law and commercial traditions of honesty. Networks and interdependencies in the business world rely crucially on principles of reciprocity and trust. When these break down, as happened with the collapse of the insurance company, HIH, the repercussions spread throughout the community—small businesses, community groups and individuals all suffer. In essence, economic sustainability is all about keeping this economic fabric intact, so that industry and commerce can survive long term.

Over the past two decades this fabric has come under strain and problems of economic sustainability have become apparent. For example, a considerable amount of economic restructuring during this period period has seen production arrangements reconfigured so that larger and more powerful firms push a growing number of risks and costs of production onto suppliers and workers. In recent years, supply-chains—and not simply workers and enterprises—have been a central concern in debates about working life. Who should be responsible for occupational health and safety when a firm uses labour-hire workers? Who should be responsible for workers' entitlements when businesses restructure or collapse? Who takes responsibility for training workers, so that the long-term needs for a skilled workforce are ensured?

In summary, we argue that many of the changes in working life over the past two decades can be seen as a process of fragmentation which generates both inequality and diversity. While the diversity has the potential to offer us greater choices in working life, inequality has the potential to reduce those choices. How should we deal with fragmentation? What new arrangements and institutions are needed to reduce inequality and meet the needs of diversity? While we do not offer precise answers to these questions, we do aim to foster debate about what some of these answers might be. To foster this debate we need to understand more closely how working life has become fragmented during the past two decades, and what this means for inequality and diversity in Australia. Our book aims to make a contribution to that understanding.

Outline of the book

We explore the realities of labour-market fragmentation in the following chapters, using a combination of statistical information, focus group interviews, and workplace and industry case studies. While the themes discussed above link the various chapters, we also adopt a particular perspective across many of the chapters. This is the life-cycle perspective and its underlying idea of labour-market transitions. This idea comes from Gunter Schmid, who distinguishes four main points of connection between paid work and life in modern societies. These are the points where paid work is linked with:

1. education and training;
2. unemployment;
3. private households; and
4. retirement (Schmid, 1995, 1998).

Each of these connections can be understood as a point of pressure on workers. Each has become a site of tensions and conflicts, which affect large numbers of persons. The tensions may be stable, producing an undercurrent of discontent, or they may be volatile, leading to pressure for employees to withdraw from their current level of involvement in paid work. The pressures around these transitions can lead to withdrawal from work, either a complete withdrawal or a reduction in hours of paid work. Over the past 20 years we have seen the evolution of new and more complicated patterns of participation in paid work. These new patterns entail both opportunities and risks: the opportunities point towards diversity, the risks highlight inequality. Labour-market policies need to distinguish between these two outcomes, and to make it possible to seize the opportunities and forestall the risks.

Schmid and his colleagues stress the distinction between good and bad transitions. In particular, they point out the dangers which can result from complete withdrawal from paid work in response to these pressures. Such withdrawal may lead to considerable costs for workers; it may be associated with barriers to re-entry; and it may unleash a process of cumulative disadvantage. Such workers can too easily find themselves trapped in the more marginalised sectors of the labour market. The challenge for policy is therefore to manage the pressures in order to minimise costs and maximise benefits.

There are many policy issues which are relevant to this notion of transitional labour-markets. Good policy means helping workers gain access to paid work—making use of such things as training, labour-market programs, and opportunities for good quality part-time work. Good policy also means trying to weaken and cushion the pressures that thrust workers towards complete withdrawal from paid employment. Included here are measures that can reduce the

pull factors drawing people out of the workforce—providing social infrastructure, such as education and training facilities, and high quality childcare and elder care. At the same time, good policy needs to reduce the pressures, or push factors, that shove workers out of the workplace. The goal of good policy is to humanise work and give workers more flexibility and choice.

We begin our story of change by glancing backwards, by taking a brief look at the kinds of arrangements and institutions which underpinned working life for much of the twentieth century, a model of working life which we call ‘Harvester man’. In Chapter 2 we show how this model of working life unravelled during the latter part of the twentieth century, exposing new problems for working life, but also opening up new opportunities for greater diversity. Economic policy from the 1980s onwards failed to grapple with these problems and failed to meet the needs of diversity. Instead of a range of options within economic policy, we were told ‘there is no alternative’, and a new set of arrangements and institutions were set in place which promoted inequality.

We counterpose these realities in Chapter 3 with the aspirations for working life which people express in surveys. As is well known, many people ‘work for the money’, but Chapter 3 also shows that they want a lot more than this. And while many express satisfaction with their current job, closer analysis reveals that this is misleading when different dimensions of work are examined and when different sub-groups are questioned.

The fundamental starting point for any discussion of working life lies in asking the question: ‘who gets the opportunity to work’. We pursue this theme in Chapter 4, where we examine the issues of employment and under-employment. We look at the emergence of long-term unemployment, as well as the transitions between employment and unemployment. Closely allied to unemployment is under-employment, where people are unable to access sufficient hours of work. Questions of employment are also central to Chapter 5 where we ask: ‘where are the jobs now?’ Here we chart the patterns in industry restructuring which have been evident over the last two decades. While many of the new jobs which have sprung up in the growing industries have been in well-paid, skilled occupations, many others have been in low-paid unskilled jobs. The job losses, moreover, have often been among the relatively well-paid jobs that used to exist in some of the less skilled occupations.

The fragmentation along occupational lines is mirrored by a fragmentation in the way workers are employed. Increasing numbers of workers are now employed under casual, contract or labour-hire arrangements. In Chapter 6 we deal with these issues and discuss the growth of non-standard employment and its implications for inequality. The growth in these forms of employment poses serious risks for workers’ occupational health and safety, and they jeopardise the long-term supply of skilled labour in the economy. Moreover, the kind of labour-market inequality which non-standard employment accentuates threatens to cement a profound division within the labour market between those workers with secure employment and those locked into precarious employment.

In Chapter 7 we look at those workers who are spending very long hours at work. In many cases, they are not paid for these extra hours, and the difficulties of juggling work and life, particularly family life, is experienced acutely by many of these workers. Of course, long hours of work, and work intensification in particular, are not the preserve of the managerial workforce. We show how certain sections of the blue-collar workforce are also locked into unsustainable patterns of work. We suggest that the underlying causes of work intensification lie in patterns of chronic under-staffing and work re-organisation. Ironically, it is these same patterns of under-staffing which are responsible for such limited job opportunities for many other under-employed workers. Working longer and working harder are not just serious problems for the workers themselves, but the spillover into family life and community life can be extremely serious.

The links between fragmentation and inequality are particularly sharp when trends in wages are considered (Chapter 8). Our analysis shows that earnings inequality grew strongly during the 1990s, driven by stagnation at the bottom of the labour market and a wages explosion at the top. We also look at the fortunes of the 'working poor', a term which was once rarely uttered in the Australian context. As we suggested earlier, the analysis of inequality must also take into account problems of social exclusion at the top. The challenges posed by Chapter 8 focus on securing the wages floor, as well as containing the breakout at the top.

The importance of the balance between work and life is the central theme in Chapter 9, where we show how the choices available to workers are circumscribed by a dearth of good quality part-time work and inadequate social support for parenting and other caring roles.

In Chapter 10 we examine skill formation, and show how Australian workers are raising their levels of education and increasingly combining work and study. Employers' training practices, on the other hand, have been far from innovative. Their poor performance is not simply personal failure on the part of individual managers, but is the legacy of wider political and economic forces, particularly the decision to develop a 'training market' during the 1990s.

The broader economic picture also enters the story of retirement (Chapter 11), where we look closely at the issue of superannuation. Part of this chapter has a labour-market focus and deals with the final transition in working life: the entry into retirement. But we also look more generally at the adequacy of retirement incomes. In so doing we raise questions about what happens to society's savings, a query which leads us to examine the implications of working life of what has happened to housing and share markets in Australia over the past two decades. From this discussion it is but a brief leap into the heady waters of the international economy (Chapter 12). This is no token excursion into the globalisation debate, but a careful account of the dynamics behind the changes in working life. A full analysis of this would require another book, but we feel strongly that the kind of exploration of working life which we have followed in this book would be incomplete without revealing some of the under-

lying forces which have shaped the world of work during the past 20 years. We show how problems of excess capacity in the world economy have generated a competitive maelstrom, with intense pressures to compete imposed upon many Australian workplaces. We also argue that fierce competition provides one of the main explanations for low wages and under-employment in the Australian labour market. In Chapter 12 we also draw the link with inequality by examining the flows of consumption and investment which propel economic development. We draw on important overseas research which shows that modern industrial economies are increasingly following an economic trajectory which is based on inequality, and which in turn, deepens inequality.

We conclude the book by reflecting on the key challenges facing the community which arise from the fragmentation of working life:

1. The Harvester man vision of work and life accounts for a dwindling proportion of labour-market arrangements and people's preferences. There is no going back, but there are many possible ways forward.
2. 'Deregulation' has not resulted in a profusion of choice for workers within the labour market. Rather it has given employers greater power in more domains of economic life, not always to the benefit of their workforces.
3. The end product of the social and economic changes which we map in this book is deepening inequality, but this can be reversed.

What is the answer to inequality? For a start we need to reverse an important trend which has been evident for the past decade. During that period the key players—employers, shareholders and the state—have been retreating from taking responsibility for work related problems. As a result, many of the risks and costs associated with employment have fallen on the weakest members of the community. Such a trend needs to be reversed. What is required are new social arrangements which ensure those with capacity take greater responsibility for providing people with real choices at work and over the life cycle. The future of work is not preordained, but can be shaped by social actors and institutions. 'Really useful knowledge' is always an important stage in such a process, and this book aims to make a contribution to such useful knowledge.

The matter of words . . .

Words always matter, and we aim to use them carefully. On a pedestrian note, this means that we always explain our terms when we first use them, and we also include a glossary of these terms for ease of reference. On a more profound note, we think it is important to map some careful distinctions. Some of these are technical, and some are metaphorical.

The major policy framework behind economic change over the past quarter century has been variously referred to as deregulation, economic liberalism,

neo-liberalism, economic rationalism and economic fundamentalism. The term we use is ‘market regulation’, a term borrowed from Guy Standing (Standing, 2002). We prefer this term because it goes to the heart of what is distinctive about this policy framework: its emphasis on subjecting more and more areas of economic and social life to market forces. We use the word ‘regulation’ because there is no such thing as a ‘deregulated’ sphere of activity. The real issue is whether the source of regulation lies in political institutions and formal arrangements, or whether the regulation is imposed informally by those with more power. At the workplace level, for example, we have witnessed a transition from external regulation by arbitration institutions, to a situation of internal regulation where control is largely imposed by managers (Callus and Buchanan, 1993). By employing the term market regulation, and always placing quotes around ‘deregulation’, we maintain this important perspective throughout the book.

We are conscious that too many quote marks can be irritating, and we generally employ them only on the first appearance of a distinctive term. However, like deregulation, we do repeat our quote marks for another favourite term of the 1980s and 1990s: ‘reform’. Not only has the word been debauched through overuse—today, just about everything is a reform—but more often than not the reform is *not* an improvement. Making something better is surely at the heart of the idea of reform. Proper reform should not just mean overturning existing arrangements and institutions, particularly when these have not ossified or become irrelevant, but serve a useful social role. Our skepticism about the host of labour-market ‘reforms’ which have proliferated in the last two decades is signalled in the quotes.

On the metaphorical side, we prefer the language of architecture to the language of the circus: we prefer pillars and floors rather than safety nets. In Chapter 11, for example, we look at the three pillars which underpin retirement incomes and in Chapter 8 we look at how well the floor in the labour market holds up. In our view, edifices are more suited to social protection because they imply an integrated whole, a range of social and economic policies which interlock. As with the model of Harvester man, the edifice may become unstable, and the floor may have holes, but the institutions established around such models are integrated and their coverage is universal. By contrast, the safety nets which have come into favour in recent decades—such as Living Wage cases and various welfare reforms—are intended as the last resort for those defined as society’s losers. They are classic examples of residualism, and they also shift the responsibility for social protection from the institutions of society onto the shoulders of the individual. Hopefully, as readers progress through the following chapters, they will appreciate the importance of this metaphorical difference.