Global labour, global business, global crisis

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Abstract: This paper contextualises this special issue of the IJMCP on global labour by surveying the state of formation of the global labour force. Drawing on ILO data it distinguishes several groups within the global labour force. It notes problems in measuring the size of these groups and the debates about their nature and draws attention to the contributions of the papers that follow. It then considers how the global crisis that began in 2008 is affecting the global labour force and the light thrown on this by the papers in this issue.

Keywords: global labour; global crisis; workers; wage labour.


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1 Introduction

This issue of the *International Journal of Management Concepts and Philosophy* (edited by Marco Boffo) brings together a set of papers written within the critical political economy tradition and that of the International Initiative for the Promotion of Political Economy, founded in 2006. The authors, all writing as individuals, focus on the issue of labour and its role in the global economy. The papers examine a number of different aspects of the global labour market. To write of ‘the global labour market’ implies that workers across the world are tied together by a common fate. At the most fundamental philosophical level this may be true – a worker is someone who must work for a living, and who has no other means of subsistence. But while a huge number of workers fit unproblematically within this definition, there are significant numbers who do not. There is an extensive debate on managerial labour, for example. Equally, here we will see that such a simple definition creates problems at the bottom with those in precarious and vulnerable forms of work. But to speak of ‘the global labour market’ also poses another problem – the extent to which the situation of workers is determined by global trends. For many who write about globalisation this is now a truism, although they disagree as to whether the result is favourable for workers – *a race to the top* – or unfavourable – *a race to the bottom*. But all would probably admit that the degree of integration of labour markets is rather more problematic than the degree of integration of capital markets (though it should not be assumed that these are as integrated as some suggest). Certainly, international trade, investment, migration, knowledge transfer, etc., create a greater degree of integration, but the world also remains fragmented politically and economically by different levels of development, which may also limit integration both between and within countries.

One might imagine that an ongoing analysis of global labour would form an important part of the understanding of business and the global economy, but too often this is dealt with in a fragmented manner. The discussion of labour is divided between economists, who tend to see it as a factor of production, social policy specialists, who are interested in issues such as poverty, skills, etc., and human resources specialists, who focus on the contribution of the employee to company performance and its management. While much of interest is done by the latter group, too often work in the human resource management (or development) tradition tends to be parochial in terms of companies and countries, and founded around questionable concepts like the high performance workplace, which assumes that the dominant drive is towards or should be towards a high productivity, high pay workplace where loyalty and commitment are respected.

Our aim here is to cast the papers that follow in the context of a wider debate about the way that the global economy is developing, and the manner in which the different forms of labour are being linked together. To this end, we will draw on some of the broader data available to allow contextualisation, at the aggregate level, within the global system.

2 The global labour force and global labour forms

Table 1, drawn from the work of the ILO, sets out some of the most recent data available on the global labour force.
The size of the global labour force depends ultimately in the number of people in the world.\(^1\) This is not an exogenous variable, since birth and death rates are both socially determined. In these terms the world population will continue to increase until the mid century, when it will reach some 9 billion and then fall quickly as the birth rate continues to decline and then dips below the death rate – causing global population to decline in the latter part of this century. Allowing for the lag for the new born to reach working age this means that until perhaps the 2070–2080 the potential global labour force will continue to grow, albeit at a declining rate. This decline has already begun but even so the ILO suggests that in the next decade a further 400 million will be added to the global labour force (ILO, 2012).

It is at this point that we encounter our first significant debate. The end of the Cold War led to the closer integration of the Soviet bloc economies into the world market, and this at the same time as economies like India and China were also beginning to become more integrated. Even before 1989–1991 none of these economies constituted separate systems, but they were developing as more statist variants within the global economy. To the extent that they have subsequently opened up, and to the extent that this process has been accompanied by rapid urbanisation, then this appears to have dramatically increased the potential pool of labour available globally to local and international business. This has been called the ‘great doubling’ by the US economist Richard Freeman (2007), from what he estimates to have been around 1.5 billion workers two decades ago to over 3 billion today. Such a doubling – if this is the right way to think about it – is unparalleled in global history. This view is also taken by John Smith, one of our contributors here, who argues that the dramatic growth in the potential global labour

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**Table 1** Characteristics of the Global Labour Force c 2011

<table>
<thead>
<tr>
<th>2011</th>
<th>Numbers</th>
<th>Relevant %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global population</td>
<td>7 billion</td>
<td>na</td>
</tr>
<tr>
<td>Global labour force</td>
<td>3.3 billion</td>
<td>na</td>
</tr>
<tr>
<td>Employment to population ratio</td>
<td>na</td>
<td>60.2%</td>
</tr>
<tr>
<td>Labour force participation rate</td>
<td>na</td>
<td>64.1%</td>
</tr>
<tr>
<td>Employment status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forced adult labour</td>
<td>12 million</td>
<td></td>
</tr>
<tr>
<td>Child labour</td>
<td>200 million</td>
<td></td>
</tr>
<tr>
<td>Wage workers</td>
<td>1.6 billion</td>
<td>50% (LF)</td>
</tr>
<tr>
<td>Advanced world ‘precariat’</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Own account/family</td>
<td>1.53 billion</td>
<td>50% (LF)</td>
</tr>
<tr>
<td>Developing world vulnerable workers</td>
<td>1.52 billion</td>
<td>50% (LF)</td>
</tr>
<tr>
<td>Working poor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; $1.25 a day</td>
<td>456 million</td>
<td>14.8% (LF)</td>
</tr>
<tr>
<td>&lt; $ 2 a day</td>
<td>910 million</td>
<td>30% (LF)</td>
</tr>
<tr>
<td>Unemployed</td>
<td>197 million</td>
<td>6.0% (LF)</td>
</tr>
<tr>
<td>Young unemployed</td>
<td>75 million</td>
<td>12.7% (LF)</td>
</tr>
<tr>
<td>Crisis discouraged workers</td>
<td>29 million</td>
<td>1% (LF)</td>
</tr>
<tr>
<td>Stock discouraged workers</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

*Source: ILO various*
force has allowed big western companies to more strongly pursue outsourcing policies than they were able in the past.

If this way of looking at the global labour force is correct (and not everyone shares it) the next question is the impact that this might be having on labour itself. Freeman argues that it is simple economics that if the supply of something doubles, then, unless the capital stock rises commensurately, this will reduce the price of labour and tip the balance of the global economy further towards capital.

“The immediate impact of the advent of China, India, and the ex-Soviet bloc to the world economy was thus to reduce greatly the capital to labour ratio. This has shifted the global balance of power to capital. With the new supply of low wage labour, firms can move facilities to lower wage settings or threaten to do so if workers in existing facilities do not grant concessions in wages or work conditions favourable to the firm. Retailers can import products made by low-wage workers or subcontract production to lower cost locales.” (Freeman, 2007)

While there seems to be little dispute that the power of labour has been weakened in recent decades against capital, whether this is the right explanation is another matter. The point itself could be disputed by arguing that, for example, many workers in advanced countries are protected to a degree by their higher qualifications, knowledge levels and productivity. Or, if Freeman’s point is accepted, it could be argued that this is just one pressure amongst many, and perhaps not the most decisive one. Still others formulate the problem rather differently. Ha Joon Chang (2010), for example, seems to be suggesting that workers in advanced countries are protected less by higher levels of productivity (is a bus driver in Sweden, he asks, more productive than one in Delhi, and is he or she more meaningfully skilled?) – than by labour legislation, social security and collective bargaining.

John Smith’s paper in this issue, written from an avowedly Marxist perspective, offers a serious challenge to both mainstream approaches and the more radical tradition from which he comes. Insisting that the decisive shift in the global economy over the last decades has been the rise of outsourcing seeking to exploit this new global labour force, he goes farther by arguing that financialisation is not an independent force, as so many argue, but a part of this process – seeking to redirect wealth created in one part of the system to another. In the process, he draws our attention to many aspects of the hidden side of outsourcing, raising basic questions about the concepts commonly used to understand both the economy and the business system.

At the centre of Smith’s account is a challenge to conventional accounting measures of wealth. Figures of total output do not measure where value is produced in the system, rather where outputs are sold. What sense, he asks, does, it make to consider that Bermuda – a tax haven – generates more wealth than the work of workers in export processing zones in the nearby Dominican Republic? A value chain does not measure the equal creation of value in its different parts, but the generation of value at the bottom and its realisation in profits at the top. This is missed in those accounts which argue that the highest productivity is to be found in the richest countries, drawing on conventional GDP figures to measure this.

But this does not mean that control of the global economy is shifting to the areas where the real surplus is produced. Smith argues that the world economy is built upon a traditional process of imperial subordination and those countries whose economies are based on outsourcing, and being tied into global value chains, lack the capacity to play a
fully independent role. The exception is China, but even here the issue is that of Chinese financial assets creating the basis for tension, and the drive of the Chinese state for raw materials rather than its role in production, where it still plays a technologically derivative role.

These are debates that we are pleased to encourage. How they are resolved is partly a matter of getting a better empirical grip on labour in the global economy. In these terms, let us return to Table 1. The size of the global labour force also depends on the number of working age people available for work in the global economy. A significant part of the growth of the world’s labour force will come, as it has done recently, from people born in the countryside in Latin America, Asia and Africa. Many of those in the countryside are already counted in the figures in Table 1. Subsistence agriculture has rapidly diminished and even if part of household subsistence comes from home-produced food, a majority of rural households across the world are now to be involved in more or less complex relations with the exchange economy. But as livelihoods come under pressure, this is a push factor in rural urban migration. The world is already 50% urban, but urbanisation is continuing to grow rapidly in the developing world and this also feeds into south to south migration between countries and south to north migration.

Alex Julca, a United Nations officer and contributor to the World Economic and Social Survey, offers a survey of the role of international migration in the reproduction of global inequalities. He argues that migration needs to be seen in terms of the extension of insecure wage work in the countries of origin. Rather than analyse this simply as rural urban migration, he returns to an older approach in terms of different types of labour reserves. For Julca, the agricultural poor in the countryside form a latent labour reserve at the bottom of the world economy. Each year millions from this reserve move into the cities where they form part of a stagnant reserve making their living from insecure informal employment. Within the cities there is also a floating reserve from which (along with some of the stagnant reserve) are recruited international migrants. In terms of countries of origin these might have high skills, but when they move between countries their nature changes. Some remain highly skilled, others as legal migrants help supplement the mass of unskilled and semi-skilled workers in the destination countries, while others – the undocumented – become part of a third tier labour force in the destination countries.

The number of working age people available for work is also, of course, a social construction. It is defined at the bottom by the age at which formal compulsory education ceases and the share of those above that age in tertiary education. At the top, it is defined by the age of retirement. Where no significant pension benefits exist, people will work until they die or incapacity immobilises them, whereas where some benefits exist the number continuing working will be determined by law and the adequacy of the benefits available. Between the bottom and upper end the numbers and share of those available for work is then, primarily, a product of levels of incapacity and, crucially, the tendency of women to enter the labour force. It should be immediately apparent that these elements are partly a product of longer term social change and social policy, and that this will vary by country, region and level of development. But there is also a strong cyclical element in that people can move between employment of some kind, unemployment and labour force inactivity as discouraged workers. Measuring these elements is fraught with practical and theoretical difficulties.

Table 1 offers two measures of the share of the global labour force. While this has risen over the long run, more recently it has not. This can be seen first in the employment
to population ratio, which measures the share of the working age population aged 15 plus in work. This share fell in the crisis years from 61.2 to 60.2%. The labour force participation ratio is the share of those in work and those (actively) seeking work but unemployed. This has fallen from 65.1% in 2002 to 64.8% in 2007, and was 64.1% by 2011. But there is also the question of discouraged workers. The ILO (2012) calculates that in the crisis their numbers rose by 29 million – i.e., these were people who should have been in the labour market but effectively dropped out. The majority are to be found in South Asia but some 6 million became discouraged workers in the developed world according to this calculation.

If we turn to those in work of some kind, further complications exist. Table 2 shows the distribution of the global labour force by region and sector. If we aggregate the developed economies and the other European economies we can see that, as would be expected, the most advanced part of the world has a very small share of the world’s agricultural labour force (less than 5%), only 21% of the workforce engaged in manufacturing, and 31% of the service workforce. Therefore, in terms of labour force distribution there is an imbalance with income distribution, since these advanced economies generate (or, as Smith might say, appear to generate) over half the world’s value added. Whereas once the workers of the world were found in the advanced world and the rest the world was disproportionately made up of peasants, today most of the world’s workers – however defined – are found in the less advanced countries.

Table 2  The Global Labour Force by Region and Sector in 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,032.7</td>
<td>671.9</td>
<td>1,332.9</td>
</tr>
<tr>
<td>Developed Economies</td>
<td>17.4</td>
<td>104.5</td>
<td>343.9</td>
</tr>
<tr>
<td>Central and South-Eastern Europe (non-EU)</td>
<td>33.1</td>
<td>39.3</td>
<td>88.7</td>
</tr>
<tr>
<td>East Asia</td>
<td>286.9</td>
<td>235.2</td>
<td>299.1</td>
</tr>
<tr>
<td>South-East Asia and the Pacific</td>
<td>123.9</td>
<td>53.1</td>
<td>114.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>314.8</td>
<td>126.9</td>
<td>171.3</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>42.2</td>
<td>58.0</td>
<td>160.6</td>
</tr>
<tr>
<td>Middle East</td>
<td>10.3</td>
<td>15.7</td>
<td>35.0</td>
</tr>
<tr>
<td>North Africa</td>
<td>18.0</td>
<td>13.7</td>
<td>31.6</td>
</tr>
<tr>
<td>Sub Saharan Africa</td>
<td>186.2</td>
<td>25.5</td>
<td>88.8</td>
</tr>
</tbody>
</table>

Source: ILO

But what work do they do? So far we have left unspecified what exactly is meant by work. The ILO definition is modest indeed. To be counted a person must do one hour of paid work a week. The 3 billion plus in the labour force therefore includes many with weak links to the labour market. Indeed, many in this large number will be only partially employed or underemployed, so that the actual labour input is much less than the global figure would suggest. But characterising workers by the size and type of input they make is not easy. The availability of work and the forms that it takes vary enormously, but, despite the high flown rhetoric about the right to work and the right to decent work, the reality appears to be that few are satisfied with their situations. Global Gallup poll data
used by the ILO suggests that in every region of the world more than half those questioned were discontented with the availability of decent work. The only regional exception was East Asia, and there the figure only just dipped under 50% (ILO, 2012).

Those who must work for a living are usually considered to be ‘free workers’ – the idea is ambiguous because, of course, workers are also ‘free to starve’ if there is no work. But it is important to recognise that there are millions who do not even have this nominally free status. Table 1 includes the ILO estimate for forced labourers which, despite the abolition of slavery, still form a significant number. A second group whose ‘free status’ is also questionable is that of child labourers in the global economy, still estimated to number 200 million. While many of these work in traditional sectors, it is too easy to see this as a problem separate from modern business. Some of these unfree adults and children serve modern business indirectly, while others continue to be found at the bottom of supply chains for global multinationals, whether in farming (e.g., chocolate, raw cotton), textile production, or even the acquisition of rare metals for the electronics and computer industries.

Turning to those in the labour force who in the crudest sense can be considered to be ‘free’, then the next distinction is to look at wage labour. As Table 1 shows, about half the world’s labour force is made up of wage workers, and, albeit slowly, their share is growing. The observant reader will have noticed that at the start our loosest definition of a worker was simply someone who had to work for a living. If we are more specific and say a worker is someone who must work for a wage – i.e., have an employer other than him or herself – then the number of workers falls. This distinction between wage and non-wage work is vital because many other things flow from it. But it does not follow that those who are ‘self-employed’ (a more advanced country concept), or what the ILO calls ‘own account’ workers, and unpaid family members should not be considered ‘workers’ in a wider sense. Such workers have always existed. Indeed, as the advanced countries grew although wage work came to predominate, many also survived by own account work in ways not dissimilar to those found in poorer countries today. However, the scale of ‘own account’ working is huge in many poorer parts of the world, and can often predominate as it does in Sub Saharan Africa.

Unfortunately, matters now become more complex because other categories overlap with those we have used here, and do so in ways that can be confusing, as the many ways that people have of gaining a living do not fall neatly into clear boxes. A crucial distinction is that between those workers who are employed in the formal sector and those in the informal sector. The informal economy is made up of small unregistered businesses and those working informally for formal businesses. The scale of the informal sector is often seen as a distorting element in the global economy, and within countries, so its role is central to many debates. But it is also complicated – the ILO for example suggests that one third of the workers globally in the informal sector are wage workers and the other two thirds own account workers.

Another category that has special relevance to the labour force of the developing world is that of ‘vulnerable workers’. They can be defined (loosely) as those with risky livelihoods – workers whose incomes are low and erratic on a daily basis, working in poor conditions, with no rights nor social protection and limited means of organisation – and, as Table 1 shows, they constitute around half the world’s labour force. Although their numbers appear to overlap with other categories, vulnerable workers can be found amongst waged and unwaged workers, and in the formal and informal sectors.
It is true, however, that most vulnerable workers are in the informal economy, but some informal sector workers manage to rise above the levels of vulnerability. Equally, some workers defined as vulnerable earn their living from agriculture rather than the urban informal sector. The next category is then the working poor, defined as those earning less than $1.25 a day and less than $2 a day (in purchasing power parity) (It is important to remember than the figures in Table 1 refer to those earning these amounts and not those living on them which would include dependents and, therefore, number many more, e.g., 1.4 billion living on less than $1.25 a day). There appears to have been a near 50% decline in the numbers earning less than $2 a day since 2000, from some 1.6 billion to 900 million in 2011. If the figures can be trusted (there is some dispute), this is a major advance. What is less disputed is that much of the gain has been concentrated in one region of the world, namely East Asia. The numbers earning less than $1.25 a day have also declined from 679 million in 2000 to some 400 million – a decline from 26.4 to 14.8% of the global labour force. Again there is no dispute that, to the extent that this fall is real, it is regionally and, indeed, nationally concentrated. 80% of the decline is accounted for by improved work and pay in China as it develops. However, clearly no qualifications to the data can remove all of the improvement – the key issue therefore is why it is not being generalised more widely (indeed in absolute terms the numbers of low wage workers has increased).

Readers may be able to make better sense of some of these issues thanks to Ludmila Abilio’s paper in this issue, offering a fascinating analysis of a major group of women workers in Brazil whose experience cuts across these three categories. Brazil is probably the least analysed of the BRIC countries, despite it having been significantly affected by change in recent decades. Interestingly, it also stands out because the ILO (2011) argues that Brazil is “one of the few countries where the incidence of informal employment has been cut significantly” so that it is “an example of what can be done in the emerging world”. Nevertheless, there are huge numbers with insecure work. Abilio shows how a million or so of them – primarily women – sell cosmetics to improve their incomes. Basing her analysis partly on qualitative research with these women, she also offers interesting theoretical insights. If one strand of her paper is to show the way that cosmetics sellers link into a major business organisation in Brazil claiming to reflect socially progressive business practice, Abilio also raises fundamental questions about what it means to be a worker and the nature of the relationships involved with capital. These arise because these women have to effectively supply a degree of capital themselves to buy the products and must also stock them. While the cosmetics company appears to be efficient by supplying on demand, the cosmetic sellers often have significant capital tied up in their products. Matters are further complicated when some of these products are used by the women themselves and others sold on. In these terms – not dissimilarly to John Smith – Abilio asks us to rethink some of the basic concepts that we use in analysing both business and economics.

In the developed world most of those who work for a living have a much more regulated relationship to the labour market and their employers. The informal economy, while not insignificant, is less important. But job security and decent work and pay (relative to local conditions) remain a problem. Alex Julca points to one aspect of this in terms of the weakening of formal work relationships through the creation of what some have called a new ‘precariat’ (see also Kalleberg, 2009). There are no global estimates of the number of workers in precarious work positions in advanced countries, which is why the line in Table 1 is left with a question mark. There is, however, a strong sense that...
their numbers are growing. However, a previous paper in this journal has cautioned about too easy an acceptance of this view (Doogan, 2011). While this area certainly needs more research, Julca is surely right to point to the way migrants in destination countries still have a greater degree of vulnerable-precarious work compared to native workers, whatever their level of skill and education.

But another aspect of the labour problem in advanced countries can also be seen in the numbers of working poor relative to their local conditions. Dafermos and Papatheodorou focus on the EU 15 to analyse the importance of working poverty. They argue that “the working poor” are “individuals living in a household the head of which is classified as employed”, and then follow the European Union definition of relative poverty as incomes less than 60% of the median. In the past, working poverty was seen as a defining part of the nature of capitalism, but in the late twentieth century it came to be assumed that work would provide sufficient incomes to keep people out of poverty. Thus, to reduce social exclusion in general and labour market exclusion in particular, policy should encourage people into work. This argument has fitted well with the agenda emphasising supply side issues and the need to encourage workers to take up whatever available jobs and to fit themselves to them. But, Dafermos and Papatheodorou argue, working poverty remains a distinctive characteristic of poverty in a developed region like the EU. While non-working poverty and poverty in old age should not be neglected, work alone is not of itself a solution to poverty if it is low paid, and, as their analysis shows, it is the latter which explains the major part of EU poverty, not lack of work. Nor is it the case that people in paid employment are poor because their households depend on part time work. Part time work is a factor, but the majority of working poor in most core EU countries are in full time employment. The issue therefore is in the first instance low wages. Dafermos and Papatheodorou note the role of the nature of the work contract in explaining this, and trade union density as a constraint on low wages and inequality. But they also turn their analysis to explore the impact of the type of welfare regime on transfers and the nature of in work poverty.

Analysing poverty has always been a politically charged issue. The earliest poverty investigators tended to adopt a basket of goods approach. This defines the consumption necessary to achieve a minimum subsistence level or some version of a socially determined level for an adequate-dignified life. Defining a basket of goods that all can agree on is hard and so too is the measurement of its cost. It is easier to adopt a relative standard based on a certain percentage of the average wage/income and then to look at those who fall below this. This is how relative poverty is usually measured in the advanced world. But as Labrinidis et al. point out in this issue this means that poverty is then a function of the distribution of income (and the level set as the poverty threshold). The other approach – used in the poor world – is equally problematic because it sets an arbitrary wage/income as the minimum such as the $1.25/$2 a day standard. Ironically, it is the approach that makes most sense in logical/philosophical terms. However, because it is so politically charged and difficult to measure it has tended to fall by the way side. The paper by Labrinidis et al. is therefore of great interest as they attempt to restore this approach by taking the example of Greece and analysing what might be meant by adequate levels of food, clothing, transport, etc. Further they also try to relate this to social norms and the arguments about how such norms are created and change over time. Those who resist the logic of what they are doing should reflect on the away that, for example, from the side of capital, marketing and advertising is informed by appealing to and helping to construct a sense of need of or want for an adequate basket of goods.
Equally from the side of labour what workers feel to be an adequate wage has less a relationship perhaps to a statistical threshold than to a sense of whether workers can purchase and enjoy a socially determined standard of goods.

In many areas of the developing world, there is no social protection for labour. “Only 20 per cent of the world’s working age population has access to comprehensive social security systems’. Moreover, even when these exist they tend to be under pressure these days. In these terms progressive reformers agree that it is necessary first to generalise ‘social protection floors’ and then to improve their level, ironically, calculations suggest that the generalisation of such floors is not as ‘expensive’ as some suggest, universal social protection floors could be done at a cost of between 1 and 2 per cent of GDP depending on the country” (ILO, 2011).

But there is another dimension to the problem of social security and welfare that is little discussed. It is normally assumed that social security and welfare expenditure is progressive in the sense that taxes are raised disproportionately from those with higher incomes and protection goes disproportionately to those at the bottom. Social security expenditure therefore tends to reduce social inequality. Doubts have often been expressed as to whether this is really the case. In this issue, Thanasis Maniatis takes a less common approach and follows that tradition which tries to look at this question not in terms of transfers between arbitrary slices of the population (quintiles, deciles, etc.), but on a class basis. His analysis of the European data supports similar work done on the USA suggesting that the fundamental transfers are less inter-class than intra class. Thus, the argument made by reformers to bring up the floor of social protection (or to stop it being reduced) has a socio-political dimension that needs to be confronted – social protection needs to be based not on some abstract ‘income redistribution’ mechanism but one which recognises that social divisions are fundamental to the world in which we live.

Perhaps unemployment – loosing a job or not being able to get one is the most obvious visible manifestation of dysfunctionality. Table 1 reports the ILO measures for the formally unemployed. It also reports the problem of youth employment and it can be seen that globally the youth unemployment rate is twice that of the overall rate. Since the onset of the economic crisis, the ILO calculates that unemployment has risen by 27 million in the years 2007/11, but it also adds a calculation of those who have become discouraged workers (29 million). These are added to the existing stock (whose dimensions are less clear) of discouraged workers – especially in the advanced world. The ILO notes that women are especially vulnerable here making up around 1/3 of the global labour force but two thirds of the discouraged workers globally.

3 The global crisis, labour and austerity

The papers in this issue may also help us to get a clearer perspective on the current economic crisis – both its causes and the limitations or strengths of the policies pursued to help recovery.

In terms of causation, it is a commonplace of economic history – perhaps a ‘stylised fact’ – that in the pre-capitalist economy crises tended to come from outside the system. With capitalism, however, economic crisis becomes internal to the system – endogenous rather than exogenous. This is because capitalism is a system driven by profits, markets, and finance. The result has been a highly dynamic global economy which has pulled, and continues to pull, humanity forward, but a global economy which is also prone to
Global labour, global business, global crisis

systemic crisis. The crisis is systemic both in the sense that, even if it happens locally, it arises from the system, i.e., endogenously, and because, periodically, crisis occurs on a near system-wide scale.

In the nineteenth century the crisis-prone aspect of capitalism was barely understood, therefore crises tended to be seen as ‘facts of life’. In the last hundred years, the aim has been to control them, and the debate in the first instance has been over whether this is a good thing, with those influenced by the Austrian school seeing crises has necessary and healthy correctives. If this is rejected, the argument has then been over how to intervene initially to stop crises developing, and then to control them.

It has periodically been declared that policymakers and business people – working with the grain of the system – have found the secret of success of making the global economy a less volatile entity. Most recently, for the OECD countries Bernanke talked of ‘the great moderation’ in volatility, in the UK policymakers referred to the NICE economy, characterised by ‘non-inflationary continuous expansion’, while others made boosterish talk of a new ‘platinum age’ of prosperity that would outdo the ‘golden age’ following the end of the Second World War. The crisis that began in 2007/8 put a stop to all this. It has quickly proved to be the most serious crisis since the 1930s, involving the first contraction in global output since 1945, a short term decline in global production that was faster than in 1929, and a decline in stock market wealth that was bigger than that of 1929. But this has not meant a return to the 1930s. Differences are also important – while some countries and regions (not least Europe) continue to be stuck, at a global level the decline in industrial production has been much shorter compared to the three years decline after 1929. Unemployment too, especially in the advanced world, has not risen as much as some predicted as firms have – at least until now – retained some jobs. On the other hand, the financial complications seem to be more intense than those following 1929, not least because of the attempts to avoid a systemic financial failure (still working at the time of writing), albeit at the expense of short to medium term pressures in some parts of the global economy towards stagnation.

All crises tend to be multi-causal, but in abstract we might distinguish between

- problems in generating profit in production
- problems in market coordination
- problems in the financial system, – banking, currency, debt crises
- ostensibly ‘random shocks’, which may be ‘accidents waiting to happen’.

In these terms, what stands out with hindsight about the recent past is not the absence of crisis but its ever present place in the global economy – “between 1970 and 2008, there were: 124 systemic banking crises; 208 currency crises; 63 sovereign debt crises; 42 twin crises; 10 triple crises; global economic downturns about every ten years; and several price shocks (two oil shocks in the 1970s, the food and energy price shock in 2007–2008 …)’ (Sher and Iyanatul, 2010).

The existence of periodic crisis raises fundamental issues about how the system we live in works. In political terms, it becomes essential for those defending the status quo to deflect attention away from any deep critique and to seek to lay ‘blame’ elsewhere. The strange thing about the crisis of 2008, however, is how badly traditional arguments used to deflect attention from the real causes fare. Accident is clearly not very convincing when so much attention was given to policies based on trust in ‘business’, ‘finance’ and
the ‘market’. In these terms, to the extent that policy choices were important, the failure is better described as a case of ‘failure by design’ (ILO, 2011). Nor can aggressive labour – the usual suspect – be blamed. It has often been argued that it is workers creating a profit squeeze by their aggressive demands who turn a boom into a slump. In the 1970s, this was a popular explanation of the end of the long boom, and it was even controversially taken up by some on the left. The 2008 crisis, however, was clearly preceded by a prolonged wage squeeze in most parts of the advanced world (Glyn, 2008; Irvin, 2008, 2009). Across the OECD countries, the share of labour in national income has been falling. Wages have tended to rise much less than productivity, enabling capital to make the biggest gains in the boom.

But these were not invested – the share of investment fell by some 2% from the 1980s to 2009 – instead they were taken at the top in terms of stratospheric increases for the elite and top managers, with profits diverted into bonuses and stock dividends. There is now an extensive literature, both popular and academic, on this explosion in top pay. One popular measure can be seen in the Forbes Global billionaires list, which has traced top wealth since 1987. In that year it registered 96 global billionaires. By 2000 the number was 322, with an estimated wealth of just over $1 trillion. The numbers of billionaires counted rose to 1,125 in 2008, then fell to 793 with the crisis-induced fall in share values in 2009, only to rise to 1210 in 2011 with an estimated wealth of $4.5 trillion – a level of wealth equivalent to one third the output of the giant US economy and, as radical critics have pointed out, more than enough to solve many of the world’s problems at the bottom (Lansley, 2012).

These billionaires represent a miniscule slice of the global population. Below them, however, there has been a much more systematic attempt to track the changing distribution of wealth and income both globally and with countries (see Atkinson et al., 2011). In two out of three advanced countries for which comparable data exists, there has been an increase in the level of inequality. The USA continues to be one of the most spectacular cases, and this has been reflected in the 99% movement against corporate greed and malfeasance. In 2007, in the USA, the top 1% had 23.7% of the income. But even within this highly privileged group there has been a further concentration of income, with the top 0.1% increasing their income share from 2.3 to 12.6% between 1976 and 2007 (ILO, 2011).

Table 3 shows the contrasting fortunes of the level of median earnings to top executive pay in the UK. This data adds together basic pay, bonuses, performance related pay and fringe benefits, but of course the earnings of those at the median derive overwhelmingly from basic pay. At the top it is rather different in 2011, with the median value of fringe benefits alone for top CEOs higher than the total earnings at the median for the workforce at large (Lansley, 2012).

<table>
<thead>
<tr>
<th>Current values £ rounded data</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median earnings</td>
<td>18,800</td>
</tr>
<tr>
<td>Median FTSE 100 CEO earnings</td>
<td>884,400</td>
</tr>
<tr>
<td>Ratio</td>
<td>47:1</td>
</tr>
</tbody>
</table>

Source: Lansley (2012)
The third popular 'straw man' explanation for crisis is the crowding out of private enterprise by an over powerful state, but this too fails in the context of the 2008 crisis. The decades before 2008, the great era of deregulation, were also an era where, as a result of lower taxes on business and increasing tax avoidance, the real 'tax burden' on companies fell dramatically. In the UK, one recent study has shown that of the 100 FTSE companies (most with turnovers measured in billions), one fifth paid less in corporation tax to the UK government than the millions that they paid their CEOs (Lansley, 2012). If 'crowding out' did occur, it reflected the fact that business as a whole (i.e., not just the banks) found financial dealings a more attractive way of making money. In the developed countries the profit share made in finance rose from around 25% in the 1980s to some 45% on the eve of the crisis (ILO, 2011) In an era that lauded ‘leadership’ and ‘entrepreneurs’, future economic historians may well be struck by how few followed the path Schumpeter claimed they should. Indeed even in the IT sector – pictured as at the centre of a ‘gale of technological destruction’ – they may be struck by the importance of financial manipulation, tax avoidance, transfer pricing etc in the growth strategies of companies like Google, Dell and Apple.

The result of the crisis in 2008 was, therefore, to put the system we live in under the microscope. In country after country saving the system required the biggest state financial intervention in human history, in both absolute and relative terms. But in the last two years there has been a retreat towards a sense of 'business as usual' – reflecting what has been called a ‘big crisis – small reform’ effect (Floud et al., 2012). This is in line with a shift away from the sense that ‘we are all in it together’ to the argument that austerity is the solution. In country after country this has come to mean a drive to reduce wage costs, the size of the public sector and welfare state. This is argued to be in the interest of restoring national competitiveness, dealing with the debt, and aiding the recovery of the global economy.

The strength of this argument and its influence on policy reflect a degree of recovery of confidence from the gloom of 2008. The global economy is clearly still in serious difficulties, but it has not crashed in the way that some feared it might. This has led to the argument that the time for blame is over and the system needs to be made to return to ‘business as usual’. Politicians are being warned against ‘anti-business moods’. In response the British Prime Minister David Cameron has argued that business is “the most powerful force for social progress the world has ever known” (Anon., 2012). The rewards that were reaped by irresponsible behaviour before the crash are defended again, and it is argued that the post-crash leaders need continuing high rewards to inspire them to recovery. Not only taxes on high earnings and business should not be raised, they should be lowered even more to further assist recovery.

The other side of the argument is then the attempt to shift the burden of the crisis. Internationally it is argued that the most vulnerable countries are the authors of their own fates, and object lessons of what happens if people try to ‘live beyond their means’. In reality, long chains of debt and credit link countries together and cannot be allowed to break, but this discourse allows them to be sustained and the burden of adjustment to be put on the few. The argument is reproduced in Europe, within and outside of the Euro zone, where it is suggested that a line can then be drawn between a self-defined group of the responsible (e.g., Germany, France, the UK) and the irresponsible (e.g., Greece, Ireland, Italy, etc.), with the most responsible having the right to discipline the least in a way that questions the meaning of national sovereignty.
Within countries there is an ongoing attempt to shift the burden of adjustment downwards onto labour and those who depend on state welfare. Despite the argument that this would be a ‘middle class’ crisis, there is little evidence that its social impact is different from those in the past, save perhaps at the top, where causalities might be hypothesised to be fewer. Certainly inequality, after initially falling due to the stock market slump, seems to have recovered its earlier level. Indeed, some, like Joseph Stiglitz, have argued that state policy in effect offers ‘socialism for the rich and capitalism for the poor’, while others have suggested its logic is that while some are ‘too big to fail’, others are ‘too small to matter’.

This is most obvious in terms of pay and unemployment. Both the state and private companies seem to have put pressure on pay as a way of not only rebuilding profits and reducing debt, but also building up financial reserves. The scale of private sector financial reserves has sometimes been commented on in the context of state debt, but it can also be seen as a measure of the extent to which companies are continuing to seek to ‘profit’ at the expense of their workers (Lansley, 2012). Similarly, so far as unemployment is concerned, the current pattern, allowing for a degree of labour hoarding, seems to be all too familiar to past patterns. In the UK, for example,

“It has been blue-collar workers – skilled and unskilled – and those in low-paid white-collar jobs that have born the brunt of the rise in unemployment …. The lowest increase in unemployment rates were found in the highest-paid professions including managers and senior officials (such as chief executives, senior officials in national and local government, financial managers, advertising and PR managers senior officials in the police and NHS [health service]) and professional occupations …” [Lansley, (2012), pp.9–10]

No less, the crisis shift to more part-time and more precarious work appears to be found in these types of traditional groups too.

Where austerity is in place, the argument has been that those in work must work harder, and those out of work must strive harder to find jobs, implying that, despite the lack of jobs, this is less a demand problem than a supply one. These arguments focus on individualising the causes and solutions of unemployment. The unemployed are expected to learn to present themselves better, which can involve anything from getting a better CV to dressing better, searching for jobs more enthusiastically, reducing their expectations if they have past work experience, and gain experience, if necessary by unpaid work, if they are new to the labour market or long term unemployed.

Shifting the burden of adjustment will not automatically work in the face of political opposition, so, no less than in past crises, post-crisis rhetoric has also focused increasingly on arguments seeking to divide any opposition. While these do not always have an obvious relation to the objective situation, this is not necessarily how they are intended to work. As the burden of debt has been shifted from the private sector to the state sector, for example, it has been argued that recovery depends on cutting back state expenditure. This has two dimensions – one is the reduction of the social budget in terms of welfare and pensions. The articles in this issue – not least those on the welfare – offer evidence of why many of the prejudices about the welfare state and poverty are false. The argument that welfare states are unaffordable and a drain on the ‘productive part’ of the economy implicitly assumes that a financial speculator makes a more productive contribution than a doctor or teacher. The argument about working poverty is especially interesting, since in many countries it falls to state welfare to offer a way to attenuate and alleviate poverty. While welfare critics often present this as a subsidy to the poor, it can
also be presented as a way of subsidising business since it allows them to continue to pay low wages. This might be called the Wal-mart effect, because it has long been argued that the profits of that company involve an indirect state subsidy as it pays its workers too little to allow them to survive without welfare assistance. This can also be applied to assistance with housing, for example, which again is often presented as a subsidy to the poor, but since such benefits are then transferred as rent payments to private sector landlords it is no less a subsidy (and in the UK, for example, a considerable subsidy) to property.

The other thrust in policy in respect of the state is the pressure to cut back the numbers of state employees and to reduce their pay and conditions. Here it is often argued that state workers form a privileged group against the private sector, though, again, it is not obvious that this can be sustained. Moreover, even it were true, this perhaps illustrates a problem of the private sector rather than the state. The argument reflects the successes of those on the right in recasting the argument that the state should lead the way as a better employer into an argument about the state as a privileged employer.

The supply side approach to the labour market also allows those who cannot get jobs to be condemned for their own inadequacy and for it to be argued that they need more of a stick to force them back into work. Again, there is no obvious link to the evidence. In the UK, for example, where this argument is strongly made, unemployment pay has fallen from 17% of average earnings to 10% in three decades (in the same period the total remuneration of FTSE executives rose by 1000%), and within the EU only Estonia has a higher share of its unemployed living in relative poverty (Walker, 2012).

Perhaps the most disturbing aspect of this ‘divide and rule’ approach links back to Alex Julca’s paper and the attempt to divide workers against one another on grounds of race, religion, and migration status. Again, it is striking how little input there is from the evidence, and how little support there is in the evidence for some of the positions that mark the popular political debate. To use the UK again – one government study for 2011 found that while 16.6% of working age British nationals claimed benefits in some form, while only 6.6% of non-British workers did, and amongst these only 2% might be claiming benefits illegitimately (UK Government, Department of Work and Pensions, 2012).

Could austerity policies work and are they working? It is important to highlight three problems. Firstly, if the problem does not lie in labour, then austerity to an extent diverts attention away from the need for urgent reform elsewhere. This may allow problems to build up again, producing another (possibly deeper) crisis in the future. Secondly, there are also good reasons to think that austerity cannot work in the way its supporters hope. One is the obvious Keynesian argument that crisis and debt can only be overcome by a restoration of demand through state action. If the economy is squeezed not only will a supply side miracle not occur, but in the short term the debt crisis may be accentuated as tax revenues do not recover, and welfare payments (despite the cuts) rise. Moreover, if several economies pursue austerity policies simultaneously, hoping for export-led recoveries, this – via the well known fallacy of composition – will mean the risk of mutual deterioration. The problem with competitive solutions is that they are competitive. This is less of a problem when there is strong global growth, but when there is weak growth or stagnation, these easily become zero-sum game. Thus when Greek workers are told that they just become more competitive they can only succeed in relative terms if
workers elsewhere become less competitive, i.e., if the crisis is shifted geographically. If all strive to become more competitive, then the system may not be able to be rebalanced.

Thirdly, some argue, the extent of this commitment to austerity is not in the long term interests of business and the wider survival of capitalism as a system. This is not the first time these arguments have been made. Keynes famously saw his own role partly in terms of saving capitalism from its more Neanderthal supporters. Today, this debate finds expression in a rehearsal of earlier arguments made by Keynes for state intervention and the counter-posing of a good capitalism to a bad capitalism. If such a choice exists, any sensible person would support a good system to a bad one, but the first issue for us is why such arguments struggle to have an impact in so many countries at this time. There are several explanations.

One, which would have been recognised by Keynes, is ideological. The dead weight of the last two decades of economic theory and policy hangs over the debate in terms of the continued support of markets (which eventually will get it right), finance (which must be deferred to), and the supply side (the origin of all difficulties). But for ideas to dominate, they must also have a material base. This rests in the institutionalisation of financialisation in the global system as a whole, which finds expression in the direct role of the financial sector globally, its strategic role in the international financial institutions, and its predominant influence and strategic position in most national economies. All of this gives it and these ideas a disproportionate influence in the debate.

This institutionalisation also has an additional element in the form of a generalisation of a degree of crony capitalism. While this was once thought to be the preserve of developing countries, transition countries, and weak advanced countries such as those in Southern Europe, it seems to be growing everywhere, not only in terms of individuals but also private organisations which have a parasitic relationship with the state. Closed circles of policy making, revolving doors between business and the state, membership of elite policy groups, the role of privately (and often secretly) funded think tanks, common social origins, etc., can be argued to have become more important in recent decades as democracy has to a degree become hollowed out and alternative centres of influence (labour and the trade unions) weakened in policy making (Floud et al., 2012).

This has allowed the formal political debate to be controlled and alternatives marginalised. It has therefore been left to protests from outside the formal system to open up a wider space for debate. The complex processes involved and whether ‘the network beats the hierarchy’, as Paul Mason claims (Mason, 2012; Upchurch and Mathers, 2012), cannot be discussed here. Suffice it to say that 2011 saw the powerful confluence of the Arab Spring, the street protests against austerity – especially in southern Europe – and the influence of the (September) US Occupy Wall Street movement with its suggestion that the 99% needed oppose the 1% (Mason, 2012). But this response has not been uniform. In the UK, for example, the British Chamber of Commerce noted at the start of 2011 that “management have often commented that they were surprised by the workforce’s understanding and the general acceptance of the necessary measures to help steer companies through recession” (Lansley, 2012). Subsequently, while it is true that a major public sector strike took place and that in the summer of 2011 there were serious riots, despite the scale of the austerity programme the response seems less sharp than that even in the USA.

It is clearly the case that not all governments have responded in the same way to the crisis, so some flexibility remains with the global system. Iceland is an interesting outlier. This tiny country became in the boom the ‘island that tried to take over the world’, as its
banking system expanded and Icelandic ‘entrepreneurs’ (sic) engaged in global deal making. When the collapse came, the sense of betrayal amongst the population was intense, and Iceland pushed into one of the most radical recovery programmes which trampled in many of the shibboleths of the market. Indeed, at the time of writing the former Icelandic Prime Mister is on trial for his role in the crash – something unique in the world. No less, China has engaged in a huge programme to support its economy and, even though critics say it is not enough, there has been a massive (especially in comparative terms) programmes to support jobs. Europe by contrast continues to emphasise austerity. But Iceland (and to some extent China) aside, the policy range has been narrow, and it can be argued that nowhere do policies really address the underlying problems which continue to be hidden by sticking plasters.

In these terms the global system remains fragile and business relations within it vulnerable to shocks and subject to tension. Therefore, we encourage readers to look carefully at the papers in this issue and to contribute to the debate in future issues. As in the past, we look forward to publishing papers which raise challenging philosophical and conceptual issues while also engaging with the empirical evidence of the situation in an uncertain world.

References


Notes

1 Space alone precludes a discussion here of the gender and race-related aspects of the labour force. We do not intend to imply that they are not important, nor downplay their significance.