

# ***Beyond fragmented futures: Where next for working life research and policy?***

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## **ABSTRACT**

This paper draws out the analytical and policy implications arising from your recent book, *Fragmented Futures: New Challenges in Working Life* (Watson et al 2003). That book addressed three questions: How has Australian working life changed since the early 1980s? Why have these changes occurred? And what are the challenges for the future of Australian working life research and policy? This paper briefly summarises our findings to the first two questions. The bulk of the paper answers the third.

## ***Introduction***

How is working life changing? This is best understood as involving fragmentation in working life policy and practice. At the level of policy this involves a rich mix of a decay in the Harvester Man model of work and the steady ascendancy of neo-liberal notions of free ‘individuals’ and ‘firms’ underpinning new policies on working life. At the level of practice diverse forms of employment have emerged to replace the once near dominant Harvester Man model of work. Wages and hours of work have become more unequal – driven partly by a wages ‘breakout’ amongst the top deciles and partly by growth in involuntary part-time and extended hours workers. And working life transitions involving education/training, family formation and retirement are often difficult and people’s capacity to navigate them are unequally distributed. This is because, for high income earners market services (eg childcare) can be bought to ease the pressures of balancing work with life beyond it. For many people, however, navigating transitions can only be achieved by working as a casual and/or significantly compromising the subjective quality of life as discretionary time is squeezed out of households. Hence, while fragmentation of the older model has provided the potential for increased diversity – it has resulted in a deepening and reconfiguration of inequality.

What has caused this outcome? The short answer is that it has not been solely or even primarily induced by public policy. Deep cultural changes, especially concerning the changing role of women have been critical. Equally underlying instability in the market economy – especially the long down turn, the crisis in excess capacity and the preoccupation with shareholder value - have played a critical role in restructuring the level and composition of demand (Brenner 2002). We are now on a growth trajectory of economic development based on inequality. (Froud et al 2002) The shift to neo-liberal approaches to working life policy have intensified these changes and limited the capacity of the state to effectively engage with new and emerging realities of inequality. In this way it is working to promote a future of unequal freedoms and undermining institutions that could help promote genuine (ie freely chosen) diversity in working life. That is a working life with real choices available to all.

What are the challenges for the future of Australian working life? Our analysis has highlighted key legacies of the distant and recent past that need to be understood when thinking about possibilities of the future and the constraints limiting their potential realisation. In particular our analysis has revealed that five key challenges need to be addressed if research and policies concerning Australian working life are to be improved.

### ***Challenge 1: The traditional ‘standards’ approach to promoting fairness is not enough***

A Fragmented Futures showed inequality is deepening and creating unfairness at work in the traditional areas of unemployment, wages and hours of work. On all of these issues there have been poor outcomes for many Australians since the 1980's. For example, while unemployment and underemployment rates vary with boom and recession, with the passing of time they settle at higher levels at each stage of the trade cycle. Wage outcomes are becoming more unequal, and hours of work are fragmenting. While this has desirable outcomes for some people, especially part-timers with caring responsibilities, for others it is undesirable with approximately 40 percent of males working part time wanting longer hours, and two third of females working extended hours wanting shorter hours. Clearly, existing approaches to addressing these issues are not working. New approaches need to be developed.

But the problems of fairness related to work are not just about renewing standards for the traditional issues. New issues must also be addressed. Non-standard work is on the rise and many of the jobs emerging in new industries and occupations are limited in the skills required and the wages and conditions associated with them. Work intensification is becoming an increasingly serious problem for growing numbers of workers. Special attention also needs to be devoted to ensuring workers skills are more effectively developed on the job. Finally, changing roles at home and at work raise profound challenges. While households have proven to be very adaptable in adjusting to the labour market – the labour market has not been as adaptable in adjusting to the needs of households. The traditional Harvester Man model has failed to address these developments and in some cases unwittingly nurtured their emergence.

### ***Challenge 2: Free market inspired approaches to ‘flexibility’ are not working***

The major policy alternative to the Harvester Man model to date has been ‘deregulation’ in the name of ‘flexibility’. Far from solving problems concerning fairness at work this has merely exacerbated them. This has been the explicit aim of wages policy. Increased wage inequality has been the result. This has not delivered lasting reductions in the level of unemployment. While unemployment did fall as real wages fell in the later 1980s this proved to be only a temporary achievement. Unemployment and especially underemployment remain at unacceptably high levels. ‘Deregulation’ has, however, made an enduring contribution to a reduction in job quality, especially at the lower end of the labour market. The major result of recent changes appears to have been an increase in the number of workers moving between unemployment and low paid casual jobs. Meanwhile, at the top of the labour market high earners have drawn further away from the mainstream. In a similar vein, it is now clear that enterprise bargaining has very successfully facilitated changing working time standards, but this has not given flexibility to individuals and allowed them to strike their own balance between life and work. Rather it has created growing numbers of people dissatisfied with their hours of work and the balance between their work and life beyond it.

### ***Challenge 3: Capturing the benefits of coordination: standards for flexibility***

How do we get beyond the limitations of the traditional ‘standards’ and emerging ‘flexibility’ approaches to promoting fairness associated with work? At numerous points in Fragmented Futures we identified the potential benefits for both fairness and efficiency if coordination in the labour market is improved. Coordination needs to be improved amongst **employers** to ensure better management of the risks associated with hiring and managing labour occurs so that economies of scale can be realised. Improved coordination amongst **workers** is needed to ensure the risks and benefits associated with work and working life are more fairly distributed. How is this to be achieved? Special attention needs to be devoted to clarifying the concepts that help make sense of the world and which thereby structure thinking about options for the future.

Our starting point, with apologies to John Donne, is that no workplace is an island. Rather production and service provision are increasingly organised on a network or supply chain basis. Equally, no worker is an island. Most share labour market experiences caused by important labour market transitions, such as taking up study, moving to a new city or region, having children, and retiring. Many share the experience of unemployment and finding a job. Gunther Schmid (1995; 1998) has described these periods of life-cycle change as producing “transitional labour markets.” Few people would disagree with these general propositions. But what do they mean for how we approach the future of work? This paper does not offer precise details on where to go next. It does, however, offer some leads on the key issues we need to focus on in developing a new approach to work. The essence of this new approach is that we need to take fairness seriously but do so in a way that is compatible with an efficient economy. The key finding in this regard is that we need to move beyond the traditional ‘standards’ and emerging ‘flexibility’ mindsets. Instead, the key challenge for the future is to establish effective *standards for flexibility*.

This finding is supported by recent research from scholars working in disciplines as diverse as economics, sociology, education, industrial relations and law. Over the course of the 1990s a growing body of research has highlighted the benefits for both efficiency and fairness in simultaneously capturing the benefits of coordination at sectoral and national level and adaptability at the workplace and regional level (Briggs 2002). Pointers as to the types of issues that need to be confronted if work is to be fairer in the future than in the recent past can be summarised as follows.

**WORKING TIME:** Hours of work provide a particularly good example of how standards for flexibility can achieve better outcomes than either totally ‘standardised’ or totally ‘flexible’ arrangements. For extended hours workers this could take the form of having a cap on the number of overtime hours worked over a six month period. Once all workers in a work area filled their quota, management would be required to recruit additional labour to meet further demands and reduce work intensification problems. This would facilitate flexibility in the short run and nurture sustainability in the longer term.

Equally, more attention needs to be devoted to promoting quality part-time work. Such an approach could involve rights for workers to request part-time work with the onus being on the employer to prove why such arrangements were not possible for particular jobs. The specification of new standards of this nature would nurture increased choices for many people, ensuring flexibility for (and not simply of) workers.

**SKILLS:** The issue of skill formation provides another good example of how coordinated flexibility can achieve superior outcomes. The essence of a new approach would involve establishing arrangements which pool the risk of training so that the individuals and employers who take responsibility for nurturing skills do not acquire a cost disadvantage for doing so. Insights into how this might be achieved are provided by the better examples of group training companies. These arrangements ensure that no one employer has to bear the risk of training an individual, and means that more training places than would otherwise emerge are offered by employers. More importantly, it ensures that support structures are in place to help trainees and employers get the best out of the training system in ways that minimises risks to them. As such, coordination increases the range of choices available for individual workers and employers.

**WAGES:** In recent times Australia has moved rapidly from a highly centralised to a highly decentralised system of wage determination. The problems with both approaches are now clearly evident. The challenge for wages policy is to work with the grain of the labour market – especially the notion of comparability as a basis for defining fairness. The idea of accepting ‘the going rate’ is as common amongst employers as it is amongst workers. This was clearly evident in the data on pay movements for CEOs and senior executives. If pay relativities are not properly managed, wage rates tend to leapfrog up as people try to maintain their standing in the relative pay structure. These forces are clearly at work at the top of the labour market today. If these forces are to be effectively managed we need to move beyond the fiction that somehow wages can set at enterprise or individual level as if such entities exist in a vacuum.

Instead, greater attention needs to be given to the potential benefits of coordinating bargaining on a multi-employers basis. Coordination need not necessarily mean rigid prescriptions in pay rates and movements. If properly managed, it can deliver both stability at national and sector levels and adaptability at local and workplace level. Shorter hours in the German engineering sector, for example, involved wage agreements at industry level specifying overall standards for wage movements and length of the weekly working hour week (i.e. 36 hours). As framework agreements, however, workers and managers at the local level had considerable discretion in how the new standards were to operate in their workplaces.

In dealing with the problem of executive pay consideration could be given to devising taxation based incomes policies. These involve imposing additional taxes on companies which increase earnings in excess of community norms. Such arrangements do not prevent adaptation at enterprise level, but they send a powerful signal about how wage relativities should be handled. As such they would put a break on unstable and unfair pay structures, much of which currently emanates from the top of the labour market. Such policies also ensure the community shares in super-normal profits, most of which currently accrue to a very small band of people.

**REDEFINING EMPLOYERS:** In thinking about employers we need a more encompassing set of categories and social arrangements to define and enforce work related rights. Currently most labour market rights and obligations are defined with respect to employers conceived as operating independent businesses. The construction industry offers some powerful examples of how standards can be enhanced for all workers, not simply employees and the responsibilities more effectively shared across all employers in the industry. In several States the entitlement to long service leave is accrued against the industry (not an individual employer) and is available to all who contribute to the industry – contractors as well as employees. Equally, the operation of the Memorandum of Understanding on safety in the NSW industry also revealed how coordination amongst the head contractors could help standardised safety procedures amongst sub-contractors and thereby provide a better platform for promoting safe working practice throughout the industry for all workers, not just ‘employees’ of particular firms.

**REDEFINING WORKERS:** The problem with old regulatory approaches is that workers are neither as ‘standardised’ nor as ‘unique’ as commonly assumed. It is more accurate to recognise that they often share experiences and circumstances which make it possible to increase choices for individuals by better coordinating the provision of services for people in common situations. Consider the issue of work/life balance for example. This is a growing problem for many people. These problems are not, however, unique to each household – many household face very similar pressures. Amongst households with working parents most problems emerge within four distinct situations:

- the ‘traditional’ model of one full time work and one full time carer;
- the ‘career couple’ model of two full time workers;
- the ‘one plus’ model with one full timer and on part-time worker, and;
- the ‘sole parent’ model (Buchanan and Thornthwaite, 2001).

As such, the pressures involved in managing work and family life for employed parents are not unique and because of this they are not efficiently solved on a workplace by workplace or household by household basis. If people are to have the capacity to choose between these different arrangements support will need to be available in terms of child care, flexible rostering arrangements and possibly some home-help arrangements. These are the kind of arrangements for which there can be considerable economies of scale when needs are co-ordinated through new collective structures. Traditionally Australia has nurtured a dynamic community based child care sector to provide quality, affordable child care. These initiatives and ones like it need to be developed further as social innovations that enhance the choices available to individuals and households.

### ***Challenge 4: Keeping working life in perspective***

Powerful economic forces shape the extent and nature of the key problems in working life like unemployment, wage inequality, fragmentation in working time and sub-standard forms of employment. Improved policies on working life alone will not solve issues such as these. Policies concerning full employment and industry development are particularly important. Any advance in these areas of policy needs to grapple with the limitations of strategies pursued in the 1980s and 1990s. For example, while the Accord shifted factor shares from wages to profits, the increase in profit share delivered only transitory labour market gains. To ensure that increased profits and savings are put back into positive and sustainable economic development new institutions need to be established to ensure priority is accorded to creating quality, sustainable jobs. Such institutions could take the form of an enlarged and invigorated public sector – especially in education, health and social services. Wage earner funds, which involve the redistribution of excess profits through networks of regionally elected local economic development councils, offer another possible basis for shaping more desirable forms of economic and social growth.

There is also a need to have a more active industry policy. This is necessary if we are to directly shape the industry and occupational composition of employment – ie the content of work. In short, any serious improvement in working life will require that policy on work is no longer regarded as a discreet area of policy. Instead, a commitment to promoting sustainable, quality employment must become the defining feature of the overall mix of public policies directed at shaping economic and social development in general.

### ***Challenge 5: Building new linkages in policy and practice***

Too often responses to new issues in working life occur on an ad hoc basis. The currently fashionable status of ‘work and family’ initiatives is but the latest example of this trend. Arguably the greatest challenge in responding to the problems of working life today and in the future concern changing established realms of activity, such as wages policy and practice, in ways that successfully engage with emerging issues. It is not simply a matter of adding further issues to the bargaining, test case or policy agenda. Rather it is necessary to identify ways in which issues can be linked to address traditional and emerging concerns simultaneously. Staffing levels, for example, have implications for work intensification, skill formation and (potentially) levels of non-standard employment – as well as aggregate labour costs. They also have implications for the quality of service provided by workers to customers/clients as well as the quality of work experienced by those producing a product or service.

Making links between different issues requires establishing links between a range of social groups. Establishing these links in practice will be necessary if lasting changes are to be achieved. For example, problems of work intensification for nurses are linked to funding levels for public health. Skill shortages in manufacturing are linked to an industry policy environment which encourages the sweating rather the development labour assets: i.e. a process akin to farmers eating their seeds. And problems in work/family balance for shop assistants has as much to do with wage rates, rosters and levels of public funding for child care as they do with any fancy ‘work/family’ packages promoted by employers. In short, achieving a fairer future for work is intimately linked to establishing a broad coalition committed to achieving a fairer society.

### ***Conclusion: Unequal freedoms or cohesive diversity?***

Our major conclusion concerns the need to clarify policy objectives and broaden the categories that guide working life analysis and policy. Clearly neo-liberal notions of free individuals and flexible firms are failing to deliver diversity that offers real choices to growing numbers of workers. Equally traditional approaches to working life intervention, based as they were on gendered notions of breadwinning, have failed to grapple with changed labour market realities and workers’ (especially women’s and young people’s) aspirations.

This way of framing current challenges has echoes of the need for a ‘third way’ beyond the limits of traditional ‘labourist’ and ‘neo-liberal’ approaches. Recent Australian experience, however, has highlighted the limitations of this approach. As we have argued elsewhere (Buchanan and Watson 2000) a prototypical version of ‘the third way’ was pioneered by the Australian Labor Party (ALP) Government in 1980s – years before Clinton and Blair gained office. This policy approach only deepened and reconfigured inequality as noted in our analysis. The root cause of this policy failure was the obsession with developing market and quasi-market mechanisms to solve most social and economic problems. Interest in direct interventions and service provision (the hallmarks of traditional Australian ‘labourism’ and European Social Democracy) gave way to reducing tax levels and increasing ‘targeting’ of public expenditure to achieve ‘growth with equity’. (Hawke 1985) The Hawke and Keating ALP Governments worked vigorously to implement this policy agenda. Levels of tax and government expenditure fell as proportion of GDP and the targeting of welfare was amongst the tightest within the OECD. As the analysis of this paper has revealed – problems of working life, especially inequality, continued to deepen and expand on every key dimension of the TLM framework.

As such our analysis highlights that if we are concerned with equality today policy attention needs to move beyond a preoccupation with redistribution of income by means of reduced levels taxation and higher targeting of government transfer payments. If diversity is to be real, in the sense of offering an increase in the choices actually open to people policy needs to move beyond the ‘quasi-market’/targeted transfer-payment/enterprise bargaining mindset. Equality is not just about slightly reducing income inequality (as is assumed by in third way policy and practice). Its about how we live our lives. The notion of transitional labour markets (TLMs) provides a powerful framework for thinking about this issue. The transitions it draws analytical attention to involve profound social experiences like learning, caring for the young, aged and infirm, experiencing unemployment and living life beyond work. Profound experiences need not necessarily be desirable or pleasant. For many Australians today these experiences are painful. Support for many in skill formation, raising children or when unemployed is limited and often non-existent. Having extra money helps navigate these transitions – but money alone is of limited use if the support services available are limited in quality or scale. In making increased diversity desirable (ie choices real) more thought and resources needs to be devoted to new institutional arrangements that actively assist or facilitate the fairer sharing of the costs and risks of making these transitions. Such arrangements need to be designed so as to achieve, simultaneously, the benefits of coordination and increased choice for workers, households and workplaces.

In short, *the key challenge for working life policy today is to ensure that fragmentation diversifies options and does not deepen and reconfigure inequality.* And this means particular attention has to be devoted to rethinking notions of equality and diversity. For us the key idea needing further development is the notion of what we call ‘cohesive diversity’.<sup>2</sup>

The challenges of promoting **cohesive** diversity are great. At their core is the need to move beyond traditional notions of breadwinning with its conservative notions of women and acceptance of the market. It also means breaking with the fictions underpinning neo-liberalism – with its assumptions built on the fantasies that humans as commodities in the market. But most challenging of all it also means recognising the limitations of what some US researchers have termed ‘money liberalism’ and traditional notions of tax-transfer payments as the primary tool for equality. The reconciliation of equality and choice is not easily achieved through simply redistributing money more fairly for realisation of equality in consumption in the market. The problems of residualism have long been recognised and are now becoming evident. More significantly the market just does not address **social needs** – it only addresses **solvent demand**. In addressing **social need** we need **social innovation**. Cohesive diversity requires ascertaining what the social dimensions of diversity are and developing the organisational arrangements to help make those arrangements real. Economics and money are part of the equation. But deepening social capacity is equally important.

To date this is an issue that has receive too little attention in the literature on the future of working life. Fortunately leads on what a more effective approach to working life might look like are implicit in aspects of ‘spontaneous’ labour market and social practice. As Polanyi notes over sixty years ago: while laissez faire had to be planned, planning was spontaneous. (Polanyi 1944 (1957): 147)

Good examples are provided by the challenges facing working parents and skill formation. Current policy on work and family is predicated on the assumption that abstract individual households interact with abstract firms. Operating alone such entities have very limited choices. In the work/family transition we identified four work/parenting pathways. The challenge for policy is to devise effective ways of enabling people to choose between one of these four. By defining the problem socially – that is collectively – it becomes possible to identify potential economies of scale and to redistribute resources to make choices in that domain real. Similar considerations apply to the issue of skill formation. Individual workers and employers do not just need subsidies for the public good aspects of skills. They also need institutional forms to help spread the risks of employment based training. In particular, they need brokers who can network training providers, employers and workers with common training interests/needs. They also need support structures to help develop better system of on-the-job training. Encouragingly organisational forms are emerging which deliver such services and improved outcomes. The clearest examples in Australia are provided by the better group training schemes. Greater attention needs to be devoted to identifying, nurturing and developing arrangements such as these. Unless greater attention is devoted to the, the choices available to growing number of people will be limited and the future will be marked by increasingly unequal freedoms, not cohesive diversity.

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