

The Future of Jobs: Reflections on the Royal Society of New South Wales and Four Academies Forum

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Abstract

The future of jobs and work in Australia is reviewed against the background of economic and other policies and events in Australia over recent decades. The impact of technology is only one of the issues which must be considered. Some of the assumptions as to the factors that contribute to prosperity and community wellbeing are explored. The role of government and behaviour of business is considered. Attention is drawn to some recent reports on jobs and futures in Australia and the world and some suggestions offered as to actions that should be taken in Australia to achieve outcomes that benefit all.

The views expressed here are personal and do not reflect the policies of the Australian Museum Trust.

Jobs count, especially (but by no means exclusively) to men, they contribute to identity and bring in money. Usually. Employment and unemployment are issues of huge importance. But the nature of work and the workplace are less thoroughly discussed in the popular media, though they are extensively in the academic literature and government reports. The reasons why jobs are not available are not well understood in the community except that they have something to do with how well people are trained, how diligent they are in seeking work, and how hard and smarter they work.

The impact of technology is important, as are currency exchange rates, wage levels, productivity, market responsiveness and general prosperity. The much bigger issue is the relative responsibility of various sectors of the economy to generate jobs: that includes both business and government. How to improve the nature of work: to

provide safe conditions, to give appropriate recognition for achievement, to pay appropriate wages and salaries and to ensure adequate training, gets far less attention than is due. Arguably the same is true in respect of relative rates of remuneration and demands for hours of work to ensure people are not exploited and are clear as to what their responsibilities are and are not so great as to not invade every other part of life.

The future of jobs is a bigger issue than how many of the present jobs will be replaced by technology, i.e. what jobs won't be, which grab attention. It includes what education and training need to be engaged in now in preparation for change, what tasks are likely to be critical. Simply focusing on literacy and numeracy does not seem adequate, especially when the imposition of standardised tests for them at school are doing nothing to improve achievement levels.

Employers often say they want prospective employees to be able to analyse and reason and work in teams but complain because they don't seem to be very good at math and spelling. Possibly the work environment is no more engaging than a lot of schooling.

In this note I try to address some of the issues.

Australia in the 21st Century

In Australia the last 20 years especially have seen only a few attempts at reform despite much rhetoric. Instead there has been an overwhelming obsession with what passes for economics, reductions of government debt and deficit together with reductions in taxes (promised if not always delivered) and the daily fluctuations in prices on the stock exchange for equities and commodities. Privatisations, advocated as a means of ensuring government is involved only in what it should be, have almost never generated real economic gains and usually lost money. The imbroglio over Telstra is an example (Gittins 2009).

Government debt in Australia is amongst the lowest of any developed country. There is no correlation between tax rates and economic growth and, despite assertions in some quarters; Australian corporate and personal tax rates are also not high by international standards. That governments should institute austerity budgets, which anyway have proved disastrous, is both unnecessary and irresponsible, which is not the same as saying prudent budgeting is unnecessary (Hacker & Pierson 2012).

Education is improved by educational leadership, quality teaching and high expectations. Health is effected by diet, the

stresses of life and access to basic medical services addresses significant issues of non-communicable diseases. Both are affected by people's socioeconomic levels (Marmot 2010). Mostly, government policies have failed to adequately address these facts.

Economic growth continues to be almost everywhere promoted as the driver of gains in prosperity for all when it is not – it is cross border transfer of ideas (UNDP 2010). Income isn't unimportant, it just isn't the most important, a very relevant point in a country which seems to take little from overseas events. At the same time business urges ever more ways to reduce wage costs, increase profits and lower taxes.

Investment in public transport and infrastructure has fallen behind, despite the contribution it would make to job creation and productivity, and often it is offered up, like many other activities of government, to the private sector which means it costs more because of higher borrowing costs; risk is not reduced as intended.

Housing affordability has declined to alarming levels, driven by several decades of favourable tax arrangements. All of which affects jobs because the housing is further and further away from where the jobs are and the time to travel increases as a result and advantage is not taken of new technology which would allow working from remote locations. Wealth, and private debt, have grown with rising house prices which in turn has simply funded consumption. The increased wealth is illusory.

These issues affect jobs. And so do the following.

In daily discourse within Australia, certainly politically and in some other quarters:

- the prevailing view of the role of government is too narrow and poorly understood,
- the dominance accorded business within the argument about economic futures is too prominent, and
- the view of economics presented by business, and very often by the governments of developed countries over the last 40 years, is too narrow.

Government and Neoclassical Economics

The influence of government is substantial and exercised through regulation, funding and tax arrangements. The proposition that small government is good is contradicted by the evidence. The ongoing downsizing of government has stripped out experience and knowledge with the result that many tasks consequently assigned to the private sector are inadequately oversights and some important tasks, such as ‘Measures of Australia’s Progress’, which looks beyond GDP to assess the other things such as the quality of the environment, the wellbeing of the population and the way people live together in society, have been abandoned. Substantial capital expenditure on schools in Australia as part of the response to the Global Financial Enterprise was less efficient in those states where project management skills had been lost from government (Stone 2013).

In *Governomics: can we afford small government*. Ian McAuley and Miriam Lyons (2015) write, “In the din of political slogans about the supposed need to cut public expenditure it is easy to lose sight of the sound economic reasons for investing in public education, for resisting the sell-off of public assets, for taking strong action on

climate change, for public funding of health care, for regulating to protect safety standards, for providing decent support for aged pensioners and the unemployed, for allowing modest levels of public debt, and for collecting enough tax to fund these services.”

Governomics is impeccable and extensively referenced economics and not some radical socialist tract. McAuley and Lyons note, “In our work together we have seen two strong trends in Australian public life: one is the dominant idea that the best possible government is an emaciated one; the other is that many who seek change struggle to make their case in economic terms.”

Downsizing of employment in governments (and in universities and some other domains), has led to an increase in “corporate” staff involved in accountability, liaison, communication, human relations, public relations and financial management and a decrease in staff engaged in the central purpose for which the enterprise was established. The new staff may not necessarily increase the competence of the organisation to achieve its goals but instead create more layers of authorisation and scrutiny. There are cartoons and TV series depicting some of the unfortunate and even ludicrous outcomes.

In universities, restrictions on tenure combined with increased linking by students of course subjects with perceived employment prospects have amplified the corporatisation and led to abandonment of some courses; increased emphasis on assessment of the value of research has increased competition amongst researchers and led to fewer academic staff teaching, their role being taken over by graduate students. All of this has led to frustration

and a decline in quality of graduates (Corden 2005).

Should we really place so much Trust in Business?

The advocates of business are persistent: much of their influence depends on armies of lobbyists. But it is not reasonable to assume that the advocacies actually are likely beneficial to society as a whole; to do so would be naïve. Some examples:

Emphasis on the need to ensure that the best talent is recruited to the most important jobs has contributed to huge rises in corporate remuneration and the proposition that having an interest in the outcomes, or “skin in the game”, as well as push back against escalating salaries, has meant part of the remuneration is stock in the company. Average salary levels for executives are now many multiples of wage levels of the average employee.

Ongoing belief in the right of management to determine outcomes has, with cooperation of government, led to decline of unionisation which was a brake on excessive executive remuneration. Though workplace bargaining was successful in the later decades of last century in Australia, government changes later varied that to give more power and influence to management; later changes did not recover the previous situation.

Then there is the matter of unpaid overtime. The amount of money companies save by refusing to pay for the overtime they demand their employees work has been estimated at more than \$100 billion in Australia (Kimmorley 2014). Can claims for changes such as reduced penalty rates, which are identified as inhibiting profitability of business trading on

weekends, really be taken seriously? And how many extra persons could be employed if corporate salaries were reduced (and performance bonuses and merit pay recognised as not contributing to better performance) and demands for unpaid overtime eliminated? The maths is very simple.

Casualisation, part-time work and short-term contracts, as well as use of labour hire companies and, in certain areas, engagement of migrants on temporary work visas, has increased. In some areas such as seasonal agricultural work, students and others on tourist visas, which limit the number of hours which can be worked, are employed but forced to work longer hours on pain of being reported for failing to abide by the provisions of their visas.

These arrangements are particularly common in businesses used by food retailers Woolworths and Coles and cleaning companies, as reported by various ABC programs.

Argument continues over the obligation of employers to seek local employees for work before importing overseas labour. In these arguments business groups such as the Chamber of Commerce and Industry and the Australian Industry Group consistently claim employer freedom to make employment decisions.

There are other issues affecting the availability of jobs and who gets to be employed.

Over the last few decades, large companies have devoted significant proportions of retained earnings to share buy-backs and consequently payment of substantially larger dividends to shareholders (Lazonick 2015).

Executives have benefitted as already explained. Growth and diversification of the company has been diminished. The notion that the main purpose of the corporation is to increase the wealth of shareholders has been a justification; employment opportunities are diminished.

In Australia and other countries many transnational companies have pursued cost reductions through offshoring and transfer pricing so reducing taxes paid in countries where they operate and make the profits. The actions of Google, Apple and Amazon are particularly egregious. In the decade to 2013 Apple shifted nearly \$9 billion in untaxed profits from Australia to Ireland, where it pays no taxes and is not required to file any financial reports because its operations are managed and controlled in California (Chenowith 2014).

Activities of financial institutions in developing complex financial instruments such as collateralized debt obligation (supposedly asset-backed and reliably rated), excessive lending on real estate and poor quality advice on investment, sales persons rewarded for size of loans without regard to likelihood of repayment, are well-known. As well those institutions have limited much of their trading to interacting with each other rather than investing in the expansion of various enterprises. In concert with much company activity being in mergers and acquisitions with substantial benefit to lawyers, this has meant fewer jobs being created than would otherwise be the case.

What should be the Future for Jobs and what can we do about it?

It would be wrong to suggest that there have been no serious considerations in Australia of future job opportunities. It is just that the issue of employment is overrun

by rhetoric, not least the rhetoric of governments being in the business of creating jobs when in fact mostly they have been shedding jobs, as noted above.

In Australia, in 2015 especially, there has been mounting frustration with the seeming inability of government to take the leadership role they should, despite calls by business that government reduce taxes on business and objections to removing tax advantages favouring businesses and the already rich in areas such as superannuation, real estate and capital gains. John Howard as Prime Minister introduced a GST despite saying in the election campaign which brought him to government that he would not. But the present government keeps resisting changing disproportionately beneficial tax arrangements until approval is given by the electorate at the next election!

The Committee for Economic Development (CEDA) reported on 'Australia's future workforce' in June 2015 (CEDA 2015): the Report represents an approach to economic futures common in Australia. The underlying proposition of the Report is that government's role is to pursue an environment which enables industry to flourish, maximising application of human capital and incentivising innovation. The Report recommended investment in education from early childhood focusing on competency and improvement of learning systems and incentivising innovation. Issues concerning corporate behaviour and leadership and governance were not mentioned.

A National Reform Summit of business, community and employee groups met late August 2015 (Anon 2015a): it saw a prosperous country with an even more prosperous future that improved the quality

of life for all through sustainable growth and high quality jobs generated by a comprehensive program of economic and social reform to boost competitiveness through investment in skills, research and development and infrastructure.

Governments promote new international trading arrangements in the name of giving access by Australian business to the markets of overseas countries and thereby creating jobs. But in fact their actual value is overstated, even according to government's own modelling. Assertions that the so-called free trade agreements such as the Trans Pacific Partnership Agreement (TPP) and Australia-China Agreement will significantly increase jobs is wrong: instead of the 178,000 additional jobs trumpeted by Trade Minister Andrew Robb in respect of the China Agreement, it is estimated that only a little less than 5,500 will result according (Martin 2015) to the government's own modelling! *The Age* economics editor Peter Martin observes that by 2035 the gain will be less than one-half of one-tenth of one per cent of Australia's workforce.

Large governments can frustrate individual creativity, small governments can leave people floundering. As Ian McAuley (2015) said, responding to former Treasurer Hockey's advocacy of income tax cuts, "We found countries with high taxes and low growth (e.g. France and Belgium), countries with high taxes and high growth (particularly the Nordic countries), countries with low taxes and high growth (e.g. Switzerland), and countries with low taxes and low growth."

Whilst the impact of new technology will have a profound impact by computerisation through replacement of jobs – especially in office administration, services and sales and

anything involving simple assessment, addressing the future need for more jobs is required now. The failure of the economic policies of the last 30 or so years and the negative impact they have had on health, education, infrastructure and much more to contribute to a cohesive and productive society must be acknowledged.

That means creating and preparing for the kinds of jobs needed in the near term as well preparing now for the new jobs in the more technology dominated world of the more distant future. It means acknowledging the huge cost to the community of high levels of unemployment and ceasing the rhetoric that justifies penalties on many of those not working but fails to address the cause of the problems, especially high levels of stress which flow over to significant drug and alcohol abuse: those are symptoms. That means both a greater role for government and a more responsible business sector. And it means leadership committed to understanding and acting on evidence rather than populist demands.

The cry we hear is for workplace reform and more flexible working conditions which is shorthand for reducing employee conditions. That is not to say that there are not structural issues to be addressed. But what is not talked about very much are the real factors which contribute to improved outcomes, especially in the much talked about but less well-understood areas of productivity and in creativity. Australia does not score high in competitiveness, engagement of industry with academe in research and development and leadership is given cursory consideration (Hall, Agarwal & Green 2012).

The continued assertions that people on welfare should get a job and receive minimal support so as to encourage them to do so does not contribute anything, especially in the case of younger persons. The stories of ordinary people, unemployed or homeless or both, which can be found in the pages of *The Big Issue* sold on street corners by poor people tells a quite different story from that broadcast by politicians and some business advocates.

Work under the Community Employment Programs in more remote Indigenous Communities made a difference (Altman 2015). Its removal in the belief that it was not real work has contributed to stress, substance and alcohol abuse, violence, incarceration and suicide: the level of youth suicide per person amongst Indigenous youth in the Northern Territory is higher than any national rate for any other country (Anon 2015b).

Instead of facing up to the evidence, the response has been cashless debit cards. Health and education services and housing continue to be grossly inadequate and financially supported to a significantly lower level than for non-Indigenous people. Why is this not recognised as a reason for the poor educational achievement and health levels in Indigenous communities, in suburbs where the majority of Indigenous people live as well as in remote areas? Consider the Northern Territory. Millions of dollars in wages stolen from Indigenous people over the period to 1973 have still not been repaid! The fundamentally important issue of self-determination already demonstrated as a significant contributor to better outcomes is simply not talked about.

And Now for the Long Term

A consequence of Australia's relative isolation and devotion to market economics is that major studies which would likely contribute to significant advances in public policy seldom get to where it counts. With few exceptions the only media outlet that attends to these matters is the ABC. Major studies of world futures is an example. The Oxford Martin Commission is worth mention.

The Oxford Martin Commission is chaired by former World Trade Organisation Director-General Pascal Lamy and includes a huge range of people from various countries and backgrounds including Nobel laureates and leading politicians. The Commission published its report, *Now for the Long Term* in October 2013 (Lamy et al 2013). Lamy toured Australia in 2014 to communicate the findings of the Report: his visited attracted almost no media attention!

The Commission observed that the hyper-connected world requires unprecedented collaboration: reaching consensus requires deep understanding of "how the one-world affects the many and how the many worlds affect the one". The Report sought to contribute to the ability of governments, institutions and communities to understand and navigate competing tensions "to grapple with the major long-term issues of today". Its five areas of focus addressed youth unemployment, women and inequality; climate change, green growth and resource security; health for richer or poorer; managing change and uncertainty cooperatively; and governance.

The Commission's major recommendations urged business to revisit accounting for the future to reduce the bias against future generations, invest in people and attack

poverty at its source. Most especially efforts must be made to build shared global values.

The future of jobs in Australia requires reforming education and workplaces, it means genuinely engaging young people in learning in their formal education years and valuing older employees with experience. It also means vigorously addressing the ongoing gender discrimination, recognizing that merit-based appointments as a way of overcoming the gender gap will achieve little since most assessments are inherently biased to criteria chosen by dominant males.

Paying big money to private schools, in the mistaken belief that it provides choice which improves outcomes should be revisited: from 1973 through 2012 the additional cost to government per student at non-government schools was \$3,000 more than it would have been had the students been enrolled in a public school (Connors & McMorro, 2015).

Since 1996 when the Howard Government increased its spending on independent schools test scores have declined, according to the OECD's PISA studies. Moreover, nearly 30 academic studies show no greater gain by students attending non-government schools after adjusting for socioeconomic differences in enrolment (Cobbold 2015). Students from public schools do better at university and there is actually little relationship between end of school test scores and the salary level of later employment (Cawley, Heckman & Vytalil 1999).

A major driver of increasing wage inequality in the US has been rising

educational wage differentials: rising costs of college education reduced the number of college graduates who then were in greater relative demand and accordingly could demand higher wages (Anon 2007).

More importantly, it means recognising and acting on what is known of the vital contribution early life makes to the rest of life and to the community, as a feature of most traditional societies before they were overrun.

It means acknowledging a genuine and unique role for government as well as the importance of a mixed economy in which commercial business is able to achieve its proper aims and benefits employees and all stakeholders including the community. Of special importance will be providing training and retraining so people can transition through jobs by development of a portfolio of skills over time which will be important throughout working life so enhancing the value experience can bring to the enterprise. Some of these issues have been addressed recently by the International Monetary Fund (Colebatch 2015); inequality has been especially highlighted, including by the CEO of the IMF and the Governor of the Bank of England. Angus Deaton who studies consumption, poverty and welfare has been awarded the 2015 Nobel Prize in economics: will governments sit up and take note?

For Australia in particular it means learning from the real lessons of the experiences of other countries and not cherry-picking just those instances which accord with preconceived ideologies and the views of those in authority. It means addressing the inequalities in every aspect of life which hamstringing the real everyday experience of more and more people as the super rich

become more and more isolated from everyday experiences.

In particular it means valuing genuine education and learning which engages those who participate in it, which ultimately is everyone throughout life, the experiences of which ought to provide the opportunity for all to reach their maximum potential, social justice in the Rawlsian and not the Benthamite sense.

It can't be that radical: Nobel economics laureate Edmund Phelps has said as much recently in talking of the "good life" and the need for "prospering", i.e. "gaining for oneself better terms—or means to rewards, whether material, like wealth, or nonmaterial" and "flourishing", i.e., "exercising one's creativity, taking fascinating journeys into the unknown, and acting on the world" (Phelps 2015).

A common humanity means community and cooperation. As we understand more and more about the lives of non-human animals we must surely struggle to hold on to those features which distinguish us as humans.

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