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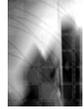
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# Unsustainable employment portfolios

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### Abstract

This Debates and Controversies contribution introduces the notion of an employment portfolio to explore how economies create combinations of employment. It is not simply the number of jobs but the factor share distributed to labour and the sectoral mix and composition that matter. Three case studies of employment portfolio (Australia, California and the UK) are used to show how previous attempts at structural reform failed to deliver sustainable employment, even though economies need to offer a portfolio of jobs as a hedge against an uncertain future. The article argues that new ideas and non-standard policies are required to help create employment of sufficient quality and quantity in the current difficult conditions.

### Keywords

distribution of employment, employment portfolios, labour factor share, structural reform, sustainable employment growth

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## **What is the problem and can it be managed? Structural imperfections or unsustainable employment portfolios?**

According to the OECD's Chief Economist, the solution to the current Euro-crisis is more 'structural reform' of the type propagated since the early 1980s (OECD, 2011) and, in the UK, the coalition government has offered austerity accompanied by deregulation as its economic policy. More generally, structural reform has become the *idee fixe* of our age, on the assumption that the benefits of enterprise will be delivered through programmes of privatization, labour market deregulation, education for competitive advantage and free trade in capital and goods. Hence the UK Coalition Government's 'growth strategy' amounts to: delivering the 'most competitive tax regime in the G20', including lowering corporation tax to 24 per cent; creating the most 'flexible' workforce in Europe through the removal of worker protections by, for example, restricting access to employment tribunals; and the removal of planning controls and the (re)introduction of enterprise zones (Cameron, 2010; Department for Business Innovation and Skills, 2012). In Australia, the single-minded pursuit of government budget surpluses has emerged as the 'solution' to meeting the changing economic situation – even as all signs point to an economic slowdown (Australian Government, 2012). Regardless of previous disappointments, the absence of alternative analysis and prescription means market doctrine triumphs even in the midst of the crisis it has helped precipitate.

All of this suggests a lack of policy imagination, which is especially worrying given the lack of clear evidence about whether austerity plus deregulation will stimulate business creation, employment and growth. The challenge taken up in this article, therefore, is one of overcoming this cognitive capture so as to clearly specify what 'the problem' is and identify effective ways of solving it. As Hobbes noted in the 17th century, the most powerful instrument of political authority is the power to give names and to enforce definitions.

This article's starting point is the reality that in modern capitalist societies the material welfare of the bulk of the population is delivered through the labour market. The number of jobs and, just as importantly, their quality, determines (and reflects) how the risks and rewards associated with economic development are distributed throughout the population. In analysing outcomes the notion of 'employment portfolio' is used as an organizing frame. In finance, a portfolio refers to a collection of securities held by an investor, where diversification spreads risk to deliver a stable stream of income to the investor. Investors will have different attitudes to risk, as well as different time horizons and underlying objectives. Together, these will inform the kind of investment strategy that is followed. For example, someone saving for retirement typically has a long term savings plan with an objective of achieving a minimum level return sufficient to live on; this may lead to some trade off to achieve security against a lower return than a less risk averse investor may pursue. Similarly, a sustainable capitalist economy should offer a portfolio of jobs as a hedge against an uncertain future, particularly when the labour market is the primary mechanism through which income is generated and distributed for most citizens. The portfolio analogy is useful because it encourages relevant questions about volume and composition: how large is the portfolio? What is the sectoral mix? How are jobs distributed between different groups? Strategies, or policies for employment may then follow from such debate.

To help analyse the employment consequences of structural reform, the alternative frame of reference presented here goes beyond observing failure to deliver. The thesis is that countries following these structural reform prescriptions are incapable of producing sustainable levels of quality jobs in sufficient volume. The analysis is based on three illustrative cases, the UK, Australia and California in the USA, with the latter two providing best (or limit) case examples of what market-inspired reforms can deliver. In each of these three cases there has been a broad consensus around the broad strategy that was to be used (including varying degrees of deregulation, privatization and liberalization) to achieve employment growth. Yet while the cases have similar characteristics in terms of overall size and composition of their portfolios – the nature of their un-sustainability differs. A common prescription has failed to deliver – but for different reasons in each case. This highlights that, while there are common ‘global pressures’ and common ‘policy orthodoxies’, national level factors remain significant in determining both the quantity and, more importantly, the quality of jobs created in modern capitalist economies today. Through the cases a new understanding is provided of current labour market problems as a prerequisite to identifying their causes and, ultimately, solutions. In particular, the central argument presented here is that the private sector has failed to create employment at the level required to sustain these economies. Policy discussion about what kind of portfolio it is desirable and possible to create in an economy at any particular time needs to follow from such understanding of the current composition of employment and the relative contributions particularly of the private and public sectors, rather than simply offering standard prescriptions.

The remainder of this article is structured as follows. The second section summarizes case evidence on how three core features of the employment portfolios (i.e. volume, sectoral profile and gender composition) have changed in each of the three cases since 1980. The third section argues that the outcome in each of the three cases is a portfolio of employment that is unsustainable, albeit for different reasons. The article concludes with implications for analysis and policy. This article’s modest contribution is to identify useful starting points for making sense of the current situation and devising non-standard policies for the renewal of the economy and especially of employment.

## **Employment portfolios: how have they changed?**

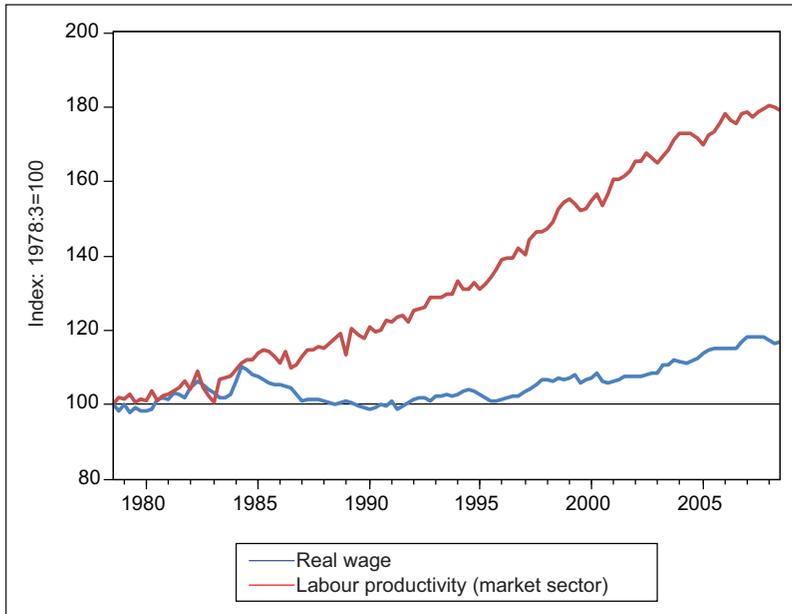
Employment portfolios can be considered in terms of many different characteristics. One perspective is that of employment outcomes, including numbers of jobs, the balance between full and part-time employment or temporary and permanent, as well as the location within particular parts of the economy. Of course, number counts do not provide a full picture in terms of qualitative criteria like the level of skills and training or the extent of equal opportunities, nor of compliance with health and safety and other employment law or expectations. A full evaluation of any employment portfolio that incorporates the size, quality and mix of the portfolio would need to incorporate these and other characteristics. The initial focus in this article is to begin with three dimensions of the portfolio, which provide not a comprehensive review but some important insights which can be used to stimulate discussion about policy. The analysis, therefore, considers the following three dimensions of an employment portfolio: volume, sector and gender. The *volume dimension* over the past three decades is

overshadowed by the redistribution of income between capital and labour at the level of the national economy; such trends in the functional distribution of income impacts on the 'size' of the employment portfolio. The *sectoral dimension* concerns the domains of economic activity that generate output, income and employment, which also have implications, inter alia, for the balance between public and private sector employment. The *gender dimension* concerns how access to the material welfare available through paid employment is distributed between men and women and how this (finally) connects through the household and work/life balance. The aim is not to present a systematic and comprehensive analysis of the three cases; rather, in the spirit of debates and controversies, it is to present illustrative empirics that allow the discussion of what can be done to be framed in a way that is different from that dominated by austerity plus liberalization.

### *The volume dimension: declining share of growth available through employment*

Before considering the nature or content of employment within particular national portfolios it is important to analyse their size. It should be noted that in the past three decades, the relative amount of national income allocated for this purpose has declined for all cases. For example, Figure 1 shows the relationship between productivity growth and real wages in Australia from 1978 to 2008. Output per worker has nearly doubled over the last three decades, while real wages have, on average, improved only slightly. Similar trends are evident in the USA and the UK.

The inability of wage and salary earners to capture more than a small proportion of productivity growth means that labour's factor share has declined. In Australia wages' share of GDP dropped from 62 to 52 per cent between 1978 and 2010, mirroring the experience of most OECD countries (Ellis and Smith, 2007; Kristal, 2010). The changes in the USA and the UK appear more modest because the wage gains of a stratum of working rich, largely in financial services, distort the figures. Analysis of wage movement by decile in the UK (Atkinson, 2009) and the USA (Dew-Becker and Gordon, 2005) reveals that the top 10 per cent of wage earners have received large wage increases in real and relative terms, while the wages of many other workers, especially those in the lower deciles, have languished (Atkinson, 2006; Dew-Becker and Gordon, 2005). A new stratum of the working rich in sectors like finance are in effect drawing business income by another means, while wages for everybody else stagnate.<sup>1</sup> Overall, in all three cases, the total wages fund – the aggregate of wage and salary costs paid out to workers – has been shrinking since the 1980s in relative terms. The specific employment portfolio effect, however, can take different forms, depending on what happens to wages. Thus a lower wage factor share can result in fewer jobs with pay held stable, the same number of jobs at lower pay, or even more jobs, if average wages fall sufficiently far. Thus it is possible, as experienced in the UK, for employment to expand, but with a change in the balance between full and part-time jobs and/or a decline in real wages. Consequently GDP growth in recent decades can have only modest job-creating effects because labour has lost share of national income growth, compared with capital; and any maintenance of the quantity of employment will be at the expense of conditions. These possible



**Figure 1.** Wages and labour productivity: Australia 1978–2008.

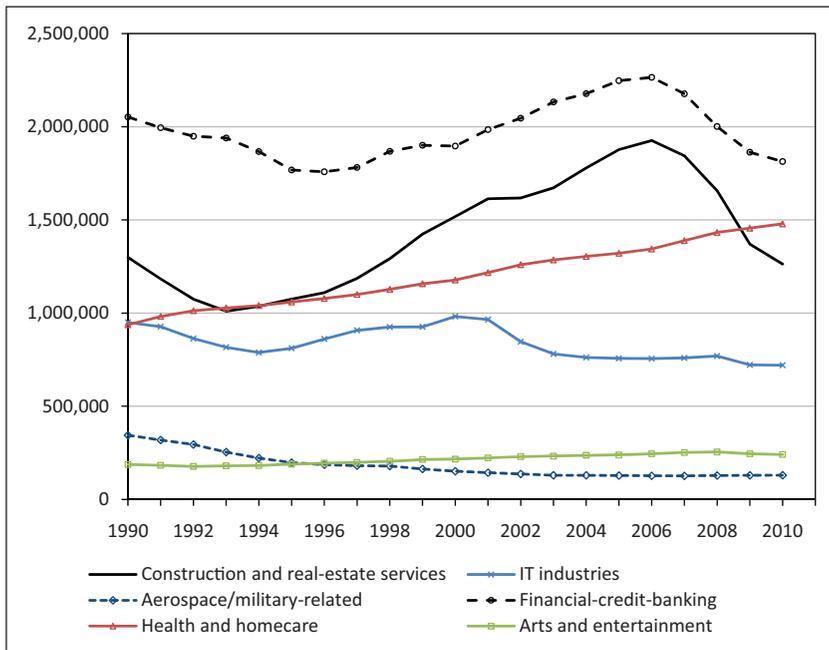
Source: Data from ABS, A System of National Accounts, 2007–2008. Graph prepared by Serena Yu.

outcomes under a declining wage share of national income highlight the importance of distribution in any discussion of policy.

### *The sectoral dimension: public employment ‘filling in’ for feeble private sector jobs growth*

Of course, the total volume of employment is only one aspect of the portfolio; composition needs also to be investigated. This is particularly important because narratives about the private sector as the source of economic dynamism are often disconnected from the reality of net job growth. In particular, for over three decades the narrative has been that the ‘frontiers of the state’ are being rolled back to liberate the private sector as the engine of output and employment growth. The three cases in this article offer variants on this narrative. In the UK, the Thatcher governments’ privatization and deregulation programmes purportedly liberated enterprise to deliver a bounty of private sector jobs. In California the story was slightly different: the imagery was of ‘two men in a garage’ supported by flexible and responsive venture capitalists producing a ‘new economy’ in sectors like ICT. Australia represented another narrative where the abolition of industry protection, financial deregulation and smaller government would usher in a new age of productivity growth. Australia was, according to Alan Greenspan, ‘the miracle’ national economy of our time.

In each case the narratives were misleading: leading sectors (finance for the UK, ICT for the USA and mining for Australia) generated significant output and profit growth but



**Figure 2.** Employment in 'economic driver' sectors, California, 1990–2010.

little increase in net employment. Instead there was a high degree of similarity about where the extra jobs came from: in all three cases the extra jobs were in health, education, welfare and social control (HEWS). These jobs did not so much crowd out the many diverse activities in the private sector, but 'fill in' for the failure of such activities to create new employment. This trend creates a medium term problem, however, because public expenditure cannot be expanded indefinitely and indeed austerity programmes require significant real terms cuts.

The example of California provides a particularly clear example of the state filling in for the private sector's limited job creation, as illustrated in Figure 2. Traditionally, much employment in California came from aerospace and military spending, but employment in this sector declined steadily in the two decades to 2010. Despite its prominence in the popular narrative about west coast innovation, employment in information technologies and financial services hardly changed in absolute terms and actually declined in relative terms. Much of California's contribution to the great American 'jobs machine' of the 1990s and 2000s was due to the 50 per cent increase in California's health and education employment – in industries dependent on public expenditure for growth even when the employment was in private firms. Even in California, public employment increased its share of total employment.

Similar trends are evident in the UK. Despite the rhetoric about a smaller state and revitalized private sector, more than half of all the extra jobs created in the UK in three decades after the 1979 election were from the public sector (Buchanan et al., 2009). In Australia, even under the staunchly 'small government' Howard administration of

1996–2007, with the strong tailwinds of a resources boom, as Buchanan et al. (2010) have demonstrated, public employment grew at the same rate as private employment. For example, public administration, health and education rose from 20.9 to 24.8 per cent of total employment between the mid-1980s and 2010. Here, as elsewhere, without this public employment the anaemic rate of private sector job growth would have been more apparent. In all three cases, far from crowding out, the public sector has been filling in for a private sector incapable of providing employment to all who need it to maintain their material welfare.

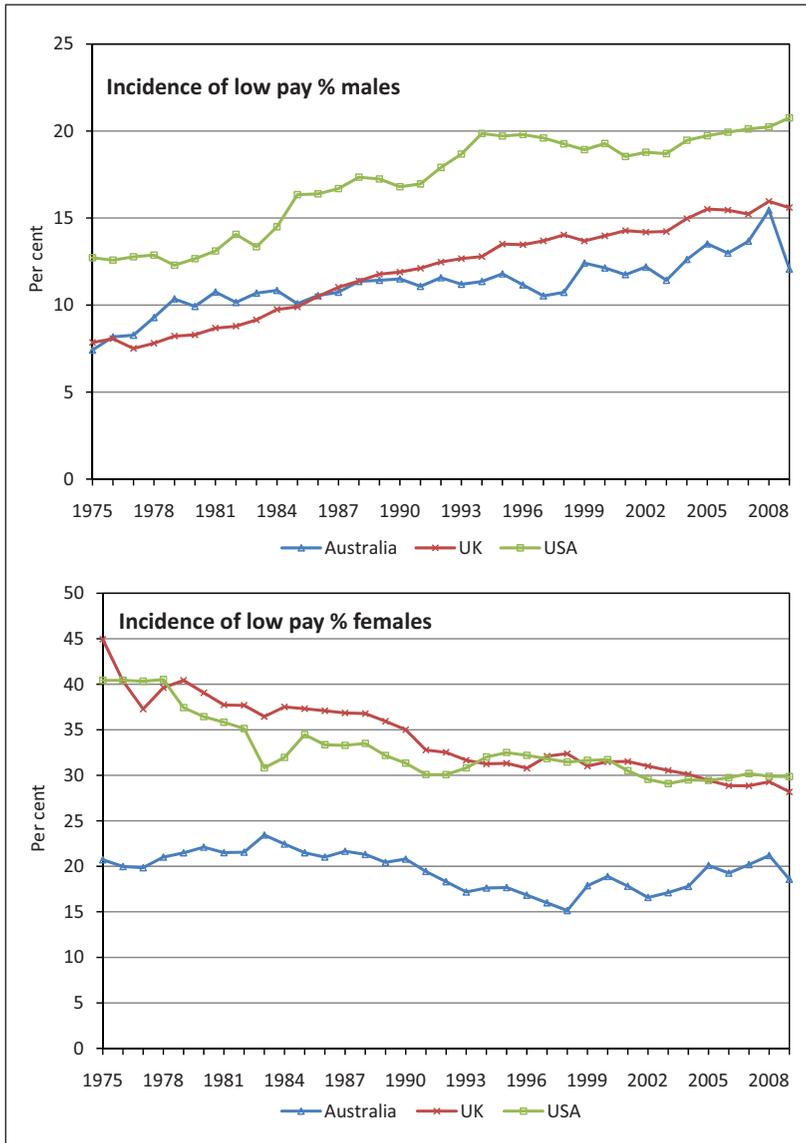
### *The gender dimension: the rise of the low paid male worker*

The OECD defines low pay as employees earning two-thirds or less of median earnings. On this measure the low paid as a percentage of the workforce changed only modestly: in the USA the percentage increased from 21.7 to 24.8 per cent in 1973–2009 and in the UK decreased from 22.6 to 20.5 per cent of employees in 1970–2009.<sup>2</sup> However, these limited changes in aggregate levels of low pay hide a profound shift in the relative proportions of men and women holding such jobs. It is certainly true that in all three countries significant gender wage gaps and occupational segregation persist: a larger proportion of women than men are still low paid. However, a growing proportion of male workers are now classified as low paid, whereas the reverse is true of female employment (Figure 3). The changes are most pronounced in the UK and the USA, where the proportion of low paid men more or less doubled from 7 to 15 per cent and from 12 to 21 per cent respectively between 1975 and 2009.<sup>3</sup> By contrast, the proportion of women in low pay fell from over 40 to less than 30 per cent over the same period. In Australia the proportion of women in low pay has hovered at around 20 per cent for most of this period but the male proportion has similarly increased, in this case from 7 to around 15 per cent.

Looked at in aggregate, the proportion of women in low paid work declined in the UK and the USA and remained relatively constant in Australia; while, for men, options for well paid desirable work have been shrinking. Of course, the story is more complex if absolute numbers are considered as well as percentages: because the workforce has grown in all three countries, the proportion on low pay can fall, while the number concerned rises (Table 1). In all three countries, more females than males were low paid throughout the 1975–2009 period, but low pay becomes increasingly significant for males. The impact at a household level depends upon how the incomes from a number of jobs are consolidated, as households pool resources and attempt to manage risk. Yet the increases in low pay (and/or reductions in working hours) have all kinds of social as well as personal consequences, not least where states have to subsidize low pay through taxation and benefits systems.

### **Employment portfolios today: varieties of un-sustainability?**

The three cases reveal the same underlying failure of the private sector to generate extra jobs of good quality in large quantity, although this key outcome has not manifested



**Figure 3.** Incidence of low paid males and females: USA, UK and Australia, 1975–2009. Source: OECD, Distribution of Earnings database, August 2011.

itself in the same way in each case. Put another way, each case illustrates the problem of ‘un-sustainability’, albeit in different forms. This is because the extent to which the portfolios change and the nature of their un-sustainability depends on their starting point – especially the sectoral composition of employment and institutional peculiarities like the privileges originally attached to full-time employee status. These legacy effects

**Table 1.** Number and proportion of the civilian workforce on low pay in Australia, UK and USA.

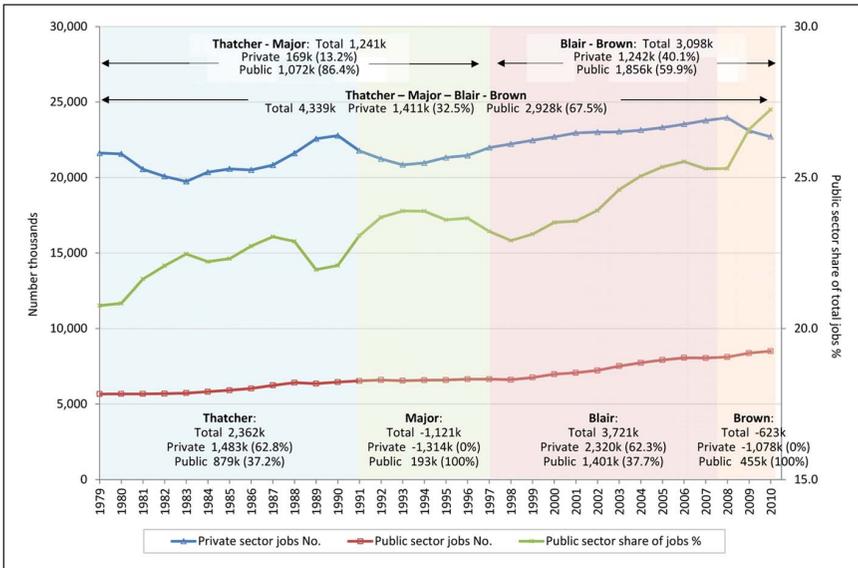
	1975	1990	2009
<b>Australia</b>			
Female low paid workers			
% share	20.7	20.8	18.6
number ('000)	422	678	928
Male low paid workers			
% share	7.4	11.5	12.1
number ('000)	284	529	719
<b>UK</b>			
Female low paid workers			
% share	44.9	35.0	28.2
number ('000)	4,300	4,065	3,768
Male low paid workers			
% share	7.8	11.9	15.6
number ('000)	1,189	1,809	2,385
<b>USA</b>			
Female low paid workers			
% share	40.4	31.3	29.9
number ('000)	13,739	16,821	19,770
Male low paid workers			
% share	12.7	16.8	20.8
number ('000)	6,596	10,939	15,292

Source: OECD *Labour Force Statistics*

profoundly shape how employment portfolios have changed in the last three decades. In this section, the argument is developed one step further by highlighting some key employment portfolio themes from each of the three cases to illustrate different aspects of un-sustainability. Again, there is not scope here to present full case studies; instead, the aim is to show how the specifics of the cases are distinctive yet jointly contribute to the need to rethink policy.

### *The UK: the public sector cannot prop up the private sector forever*

The UK private sector's chronic inability to generate net new jobs has arisen because mass employment in manufacturing and tradable goods has declined sharply, while expanding new sectors like finance generate relatively few extra jobs. This situation was true of the Thatcher-Major years as much as the Blair-Brown years: Figure 4 shows data for employment in education, public administration and health employment as a proxy for public sector employment. On this basis, between 1979 and 1997 under the Conservatives, 86.4 per cent of net employment growth was in the public sector; and, under New Labour from 1997 to 2010, just under 60 per cent was government funded.



**Figure 4.** UK private sector and public sector employees 1979-2010. (Public sector is the summation of education, public administration and health and the underlying data relates to employees and excludes self-employment).

However, the trajectory of public sector compensating for weak private sector job creation has limits because it requires a continuing expansion of public expenditure and the UK abruptly reached these limits with the financial crisis after 2008.

A further dimension to the UK situation is spatial. There has been no net private sector job creation in the former industrial regions of the North East or West Midlands in the last two decades (Buchanan et al., 2010). Indeed, there has been little autonomous full-time job growth outside London during this period: between 1997 and 2010 London accounted for 43 per cent of all extra UK full-time jobs.

### *The USA: extended hours with deepening inequality*

One of the most striking features of the US experience is the continuity of its employment portfolio, where low pay and long hours are ubiquitous. The overwhelming bulk of employed persons now work in excess of 40 hours a week: over 85 per cent of men and over 60 per cent of women continue to work extended hours. Table 2 presents a summary for the USA, alongside comparative statistics for the UK and Australia.

In the US case, a long-standing extended hours regime means it has been difficult for many employees to increase working time further to respond to the squeeze in living standards. Indeed, in recent years, although the proportion of the workforce employed in part-time work fell slightly, the percentage working such hours involuntarily increased dramatically: from 13.6 to 40.2 per cent between 2000 and 2010 (OECD, 2011). This

**Table 2.** Distribution (%) of employed persons by hours worked per week, by sex, early 1980s to latter 2000s: USA, UK and Australia.

Country and year	Hours worked per week (%)		
	< 35	35 – 40	>40
USA (1)(3)			
Men			
1980	8.2	6.3	85.4
2007	7.6	6.6	85.8
Women			
1980	21.9	18.8	60.0
2007	17.8	15.5	66.6
UK (1)(3)			
Men			
1983	3.4	26.0	70.7
2007	9.9	25.3	64.8
Women			
1983	40.1	36.6	23.3
2007	37.8	33.9	27.5
Australia (2)(3)			
Men			
1980	17.5	42.1	33.1
2007	24.3	31.0	37.5
Women			
1980	42.5	38.2	11.6
2006	49.1	26.3	15.9

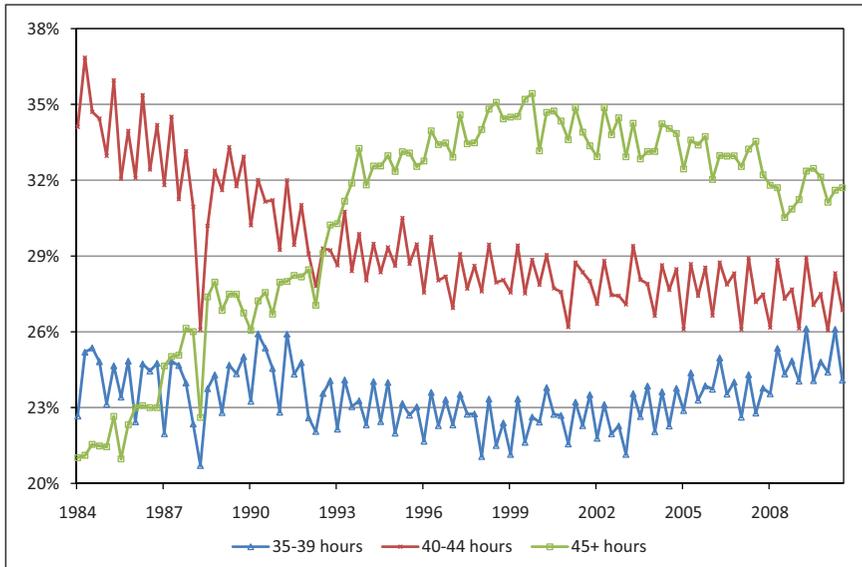
Sources: ILO KILM for USA and UK; for Australia, Wooden and Drago, 2007

Notes: (1) USA and UK data are for usual hours worked.

(2) Australian data is on actual hours worked. Note in any one week among employed persons, about 7 per cent of men and 8 per cent of women report working '0' hours, hence numbers do not sum to 100. This is due to workers taking leave, etc.

(3) Within the ILO dataset material on actual and usual hours for the USA is provided. Comparisons were made of these data to see if one could be used as a proxy for the other. This was possible for extended hours workers as the categories for grouping hours were directly comparable. This comparison revealed that movements in actual and usual hours between years were roughly comparable in a relative sense. There was a slight difference in the absolute estimates provided. They can, therefore, be reliably used to track change over time, and with care, comparison across countries where the magnitudes of difference are major. This is clearly the case with Australia compared to the other two countries – especially among workers working greater than 40 hours a week.

employment portfolio clearly does not provide its citizens with the means to maintain material standards of living. The pressure on living standards was mitigated by credit card and other debt in the 2000s credit boom but imbalances driven by the gap between the generation and distribution of productivity gains ultimately become unsustainable and the extent to which the state can fill in with quality jobs is limited.



**Figure 5.** Hours distribution among full-time workers, Australia, 1984–2010.

Sources: ABS (2011) LFS data cubes.

### *Australia: declining job quality even in boom conditions*

The situation in Australia is different again. Thanks to a resource boom and macroeconomic management, Australia avoided recession in 2008–9, but its employment portfolio has been dramatically recast through a fragmentation in hours of work. As Table 2 shows, of the three cases Australia used to have the largest proportion of people working standard hours of between 35 to 40 per week. Unlike the USA and the UK, the proportion of employed persons falling into this category has changed dramatically. The proportion of male and female part-timers increased by over 7 percentage points and the proportion working extended hours increased by 4 percentage points.

A closer analysis of the Australian situation reveals problems with this changing employment portfolio. The first is that the growth in hours worked is highest among those already working the longest – more than 45 hours per week. As a percentage of full-time workers, this group has increased from a fifth to around a third between 1984 and 2010 (Figure 5). Unsurprisingly, within this group 52 per cent want shorter hours (Drago and Wooden, 2010; Van Wanrooy et al., 2009; Wooden and Drago, 2007).

Problems of a similar nature affect those working part-time. While the growth of part-timers in Australia is dramatic, equally striking is the proportion of part-timers who want to work more hours to boost income, so that the under-employed constitute 7 to 8 per cent of the labour force. It is also important to note that casual employment has increased considerably, particularly in Australia (see Table 3). While the level of casual employment remains high among women (at roughly one female employee in

**Table 3.** 'Non-permanent' employees as a proportion of total employment in the USA, the UK and Australia, early 1990s and mid-2000s.

Country and year	Males (%)	Females (%)	Total (%)
USA ('temporary employees')			
2005		4.8	4.5
UK ('temporary employees')			
1996	4.8	7.8	6.1
2005	4.1	5.3	4.8
Australia ('casual employees' i.e. those with no paid leave)			
1992	10.6	25.6	16.9
2007	16.1	24.9	20.1

Sources: USA: Carre and Heintz (2009); Australia: Campbell et al. (2009) and ABS *Labour Force Survey*; and UK: O'Reilly et al. (2009).

Note: numbers are different to those cited in the UK source as they have been standardized to present data as a percentage of the labour force to ensure some basic comparability with the other two countries.

four), among men the proportion has risen from 10.6 to 16.1 per cent over this period. This complements the earlier finding about the growing number of poorly paid male workers.

So why does the emergence of a growing number of poor quality jobs constitute a problem of un-sustainability in contemporary Australia – the economy that still seems to perform at miraculous levels compared to most in the OECD? The answer lies in questions about the capacity of the economy to continue to grow and adapt in the future. The largest problem confronting it today is a seemingly chronic incapacity to secure the labour needed to maintain stable growth in the key export sectors of resources and agriculture. Even more troubling is its capacity to adapt once the resources boom passes (Buchanan and Jakubauskas, 2010; Buchanan et al., forthcoming). In addition to the problems of adaptation there are legacy effects of growing fragmentation and extension of hours and high levels of precarious employment on population health. The long term costs for health budgets and potential labour supply over the life course are only now beginning to become manifest (McNamara et al., 2011; Quinlan and Bohle, 2009) and the legacy is an inability to successfully navigate the future.

The three cases show that high income capitalist countries are, like Tolstoy's unhappy families, all unhappy in their own way. There is, however, a common result of un-sustainability: although the activity bases and growth drivers are different, none of these countries has a private sector capable of generating large numbers of additional good quality jobs within the employment portfolio. Understanding the nature of current limitations is important for thinking through how a more sustainable portfolio employment can be constructed. In particular, it highlights that the key challenge is to move beyond the standard prescriptions of much employment policy today – namely 'leaving it to the private sector to do what it does best' – but equally recognizing that the public sector cannot 'fill in' the gaps in employment growth forever. It is vital to engage with the character as well as the number of private sector jobs created. This also highlights the

importance and continued relevance of national level policies in shaping employment today. Policies that respect the market as an honourable servant for economic development – not something to be deified as the master of our future.

## Concluding discussion

This article has presented empirics to argue for the use of an *employment portfolio* to consider composition as well as volume issues; in doing so it finds that the trajectory of employment portfolios in these three countries is a significant concern. The size of the portfolio is problematic because shifts in factor shares have been against labour, implying that any quantum of growth generates only modest extra employment unless wages fall. At the aggregate level, the composition of the portfolio is improving for women, though there is still a marked gender gap in terms of low wage jobs in all three cases. Moreover, any such improvements for women are partly off-set by deteriorating job quality for growing numbers of men – with uncertain net effects at household level which often consolidates wages and salaries from more than one worker or more than one job. The maintenance of high levels of employment and job creation in the decades before 2008 depended unsustainably on publicly funded job creation in health, education and welfare. Whether in the public sector or private firms, these extra jobs are important for both those employed and the society which needs the services they deliver. However, extra publicly funded jobs cannot continue to make up for feeble job creation in the private sector. While this trajectory of un-sustainability dates from the early 1980s, many un-sustainability related problems – especially in earnings and hours – pre-date the neo-liberal private sector illusion. In endeavouring to change the trajectory it is necessary to recognize that the pre-existing policy regime was not without its problems.

This leads to a second conclusion: the key economic problem of our time is not growth via productivity improvement; rather, it is distribution. All three societies studied are richer today – in absolute and per capita terms – yet they face deep economic and social problems because of adverse shifts of factor shares away from labour. The issue is not, where will the money for economic renewal come from – rather, where did the productivity dividend go? It certainly was not used to devise a portfolio of growing, sustainable employment opportunities. This analysis also suggests that it is necessary to recover a broader vision of ‘redistribution’, one that takes jobs and just not tax/transfer payments as the primary object of concern. In thinking about jobs, however, a broader focal point is needed than that commonly associated with concerns about the nature of the labour process and employment relations. These aspects of work are, of course, very important, especially when it comes to the question of job quality. It needs to be noted, however, that interventions at this level are ineffectual if the overall portfolio is shrinking or the extra jobs come from sources that are either inadequate in the private sector and/or unsustainable in the public sector.

This leads to a third conclusion: the need to take the national space seriously. The three cases show continuing differences, even after 30 years of ‘globalization’ and a deepening ascendancy of market populism in everyday life, public policy and political practice. Clearly national level institutions and interventions still matter. The nation has not been superseded by an international order; indeed, the global order brings more

problems than it solves for those who live with national consequences. This is not a call for a return to the 'national capitalisms' model of the post-war era, but it does suggest more focus on what can be effectively done in the national space. One can either stumble through the current situation in a 1930s way, or articulate a different direction building on traditional labour and social democratic concerns with factor shares and with the number and quality of jobs. Unless these matters are made the central objective of policy and politics we will be condemned to a regressive policy drift, unable to challenge the prescription of more 'structural' reforms despite earlier failures. The fundamental political challenge of our time is to devise non-standard policies for particular national and regional economies that could create a sustainable portfolio of decent jobs.

There are no easy, generic prescriptions but neither is there any excuse for fatalism or inherent hostility towards active policy. Thus while 'picking winners' is often derided as a failed approach to industrial policy and cited as a reason why markets should be left alone, national and regional governments have a role to play in improving and sustaining infrastructure of all kinds to provide foundations for the private sector. This includes physical infrastructure – transport, utilities and communications – as well as training and skills development; where the state needs to not simply underwrite risk and, in some cases, provide significant finance, but to co-ordinate provision, ensure minimum standards and access. This needs to be coupled with requirements on employers for social responsibility to bolster the wages share of GDP: the desirable outcomes would include a greater and less unequal distribution to labour. Here, initiatives like the living wage in the UK show how it is possible for modest, yet encouraging improvements to be made. At the same time as providing stronger foundations for private sector employment, the role of the public sector in employment should be valued, rather than being seen as a problem. In economies where there is a demand for public services the state will either directly employ or indirectly fund a significant part of the workforce. National and regional interests should be asserted more aggressively, much as investors are encouraged to be more active as stewards in the companies in which they invest. In these ways, the language needs to change to recognize the important role of the state, not to supplant the private sector but to employ, manage and enable in ways that allow employment portfolios to be strengthened.

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### **Notes**

- 1 This raises definitional issues. If many in the top 10 per cent are more accurately considered joint owners of businesses like investment banks, characterizing their work related income as 'earnings from a formal wage' is quite misleading. This is more accurately characterized as drawing business income by another means. As Husson, reflecting on the USA

- experience, has noted: 'the share of national income going to the [highest 1 per cent] of wage earners went from 4.4 to 8 per cent between 1980 and 2005, or a capture of 3.6 per cent of GDP. [This] rises to 5.3 per cent if [the top] 5 per cent of wage earners are considered (Husson, 2008: 2).
- 2 Note that there are a number of ways defining low pay. Mason and Salverda (2009) for example report the proportion in the UK rose from around 10 to just over 20 per cent between 1977 and 2005. See also Salverda and Mayhew (2009). We have used the numbers cited as they are from an OECD data set that has standardized the way labour statistics on the topic of wages and hours are gathered.
  - 3 The data here comes from the OECD and thus is presented for the USA, not California.

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