

Are Robots coming for your job?

Technology, work and welfare in the 21st century



By Mike Treen, Unite Union National Director

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This booklet was originally published in February 2016. It is part of a series of booklets that are intended to contribute to the awareness and education of members of Unite Union and other unions in New Zealand.

The booklet also has an article by Matt Vidal, a Senior Lecturer in Work and Organizations at King's College London, as an appendix. It has been reprinted from Counterpunch magazine.

Over the last three to four decades there has been a huge expansion of casualised work across the globe.

A recent International Labour Organisation (ILO) report found that only one in four workers had a stable job.

“The rise in informal employment, undeclared and temporary work arrangements, as well as involuntary part-time work, has contributed to the widening of income inequalities, which have been recorded in the majority of countries” noted Guy Ryder ILO Director-General.

In NZ the Council of Trade Unions (CTU) reports “At least 30% of New Zealand’s workers – over 635,000 people – are in insecure work. We believe it may well cover 50% of the workforce. 95,000 workers have no usual work time, 61,000 workers have no written employment agreement, 573,000 workers earn less than the Living Wage and almost a quarter of a million Kiwi workers say they have experienced discrimination, harassment or bullying at work.”

As the CTU comments: “Whether we call it casualisation, precarious work, temporary, or non-standard work – it means that workers have worse conditions, less security, less say and are more vulnerable. That may suit the boss – but it is unfair and does not work for workers.”

Unite began organising workers in fast food, the tourist hotels, the Casino, security, English language schools and call centres just over a decade ago.



Unite union fights zero hour contracts in 2015

A world of insecure work

We discovered a world of insecure work, no guaranteed hours, with workers completely at the whim of the boss to use and abuse as they saw fit.

We have been fighting tooth and nail for a decade to change these practices. Progress was made in many areas but we found the one issue the employers refused to budge on was what they called “flexible rostering”.

Only in 2015 when we named the reality of life for our members as “zero hour contracts” did we get the breakthrough in the media and public consciousness needed to force the employers to finally end this practice.

When I started organising workers I was genuinely shocked at how far the basic rights of working people had been pushed back.

I grew up in a world completely different. We had full employment so that I could work full time in every school or university vacation from the age of 15. I could pick and choose part-time work during term time. I worked in freezing works, a glass factory, warehouses, construction sites. I had union protection on every job I ever worked at until the 1990s.

During the relatively brief periods of unemployment, I had access to an unemployment benefit. I remember as a 16 year old getting \$15 a week. That was equal to the rent of a three bedroom Mt Eden home. I know that because I paid \$5 a week for a big double room.

Health care and education were free in reality, not just theory. Accessibility was an issue but I still managed to get a relatively minor nose job done in a public hospital.

In this world, unions prospered, inequality was reduced, and wages steadily grew. Official statistics in New Zealand show real wages peaking in 1982.

The ruling rich hated this world and sought to destroy it. The sad truth is they have been largely, though not completely, successful.

Technology helped this process from the bosses viewpoint. Computers and the software needed for just in time manufacturing suited just in time rostering as well. They knew that having workers desperate for hours strengthens the bosses hand. It is very difficult for workers to assert their rights to fair treatment, appropriate breaks and join a Union when the boss can retaliate by cutting hours.

But technology required a fundamental change in class power relationships

for it to be used effectively. The bosses had to break the power that working people had accumulated during the three decades of economic expansion following World War II.

That expansion and the reduced levels of unemployment, as well as the fear of the Soviet Union, saw the rulers of the advanced capitalist countries in Europe, the US, Japan and Australasia make many concessions – including many of the main features of the welfare states as we know them – that they regretted and sought to reverse as soon as conditions allowed.

Renewal of mass unemployment

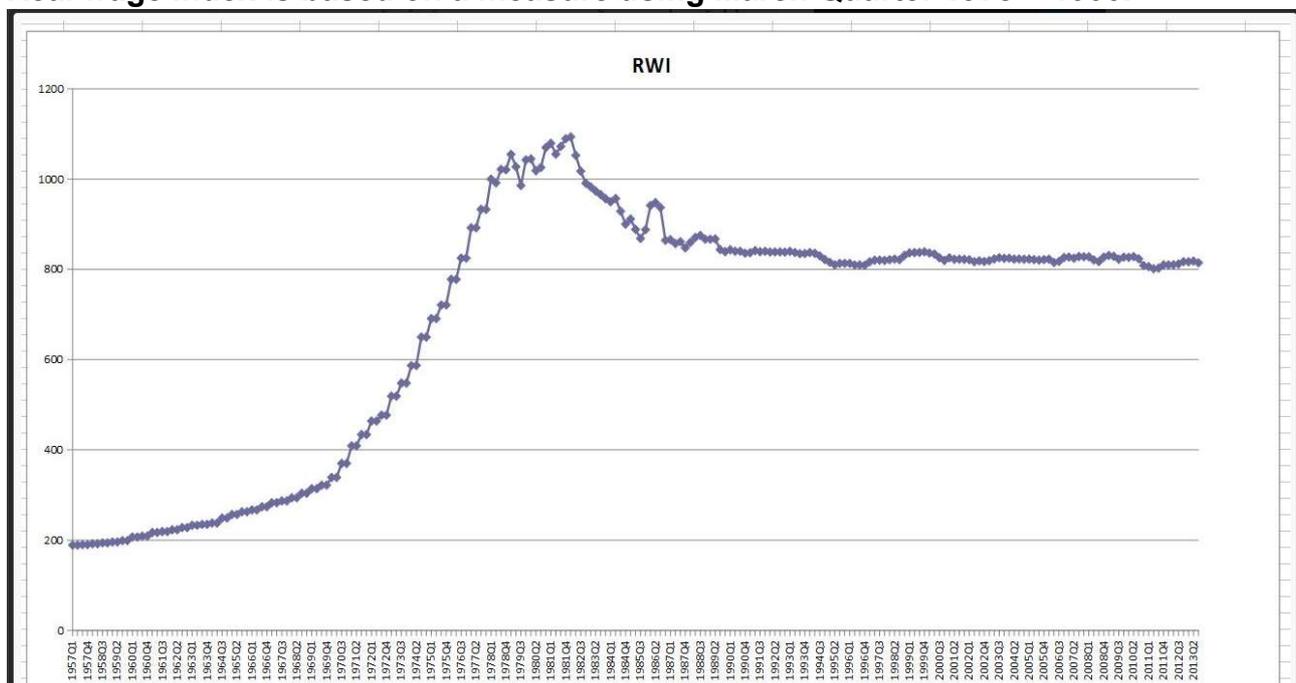
Those conditions to reverse gains made by working people followed the period of renewed economic crises from the mid-1970s that reproduced a reserve army of unemployed. Mass unemployment could be used to break unions and tame workers.

It is much harder to go on strike or tell the boss to shove it when there is a queue of workers outside the doors wanting your job. Bosses love it when they can point to the unemployed and threaten you with being replaced if you get too uppity.

The goal of the bosses was simple – to reduce real living standards of workers by reducing wages and dismantling welfare – especially assistance to those who could not work.

The combination of anti-union laws and a long recession during the late 1980s and early 1990s saw union coverage in the private sector reduced from 50% to 10% of all workers.

Real wage index is based on a measure using March Quarter 1978 = 1000.



Real wages in New Zealand were cut 25% by the early 1990s and have only recovered a little (if we use the Quarterly Employment Survey) or not at all (if we use the Labour Cost Index) to measure changes since then.

To help the process of cutting wages the minimum wage was frozen for 8 of the nine years in government for the 1990 National Government. The one year there was an increase was when Winston Peters was in a coalition. The real value of the minimum wage dropped from 50% of the average wage to 30%.

Between 1978 and 2011, aggregate labour productivity in New Zealand grew by an average of 2.73% a year according to a recent Productivity Commission report. At that rate, each individual worker is producing twice as much output every 25 years.

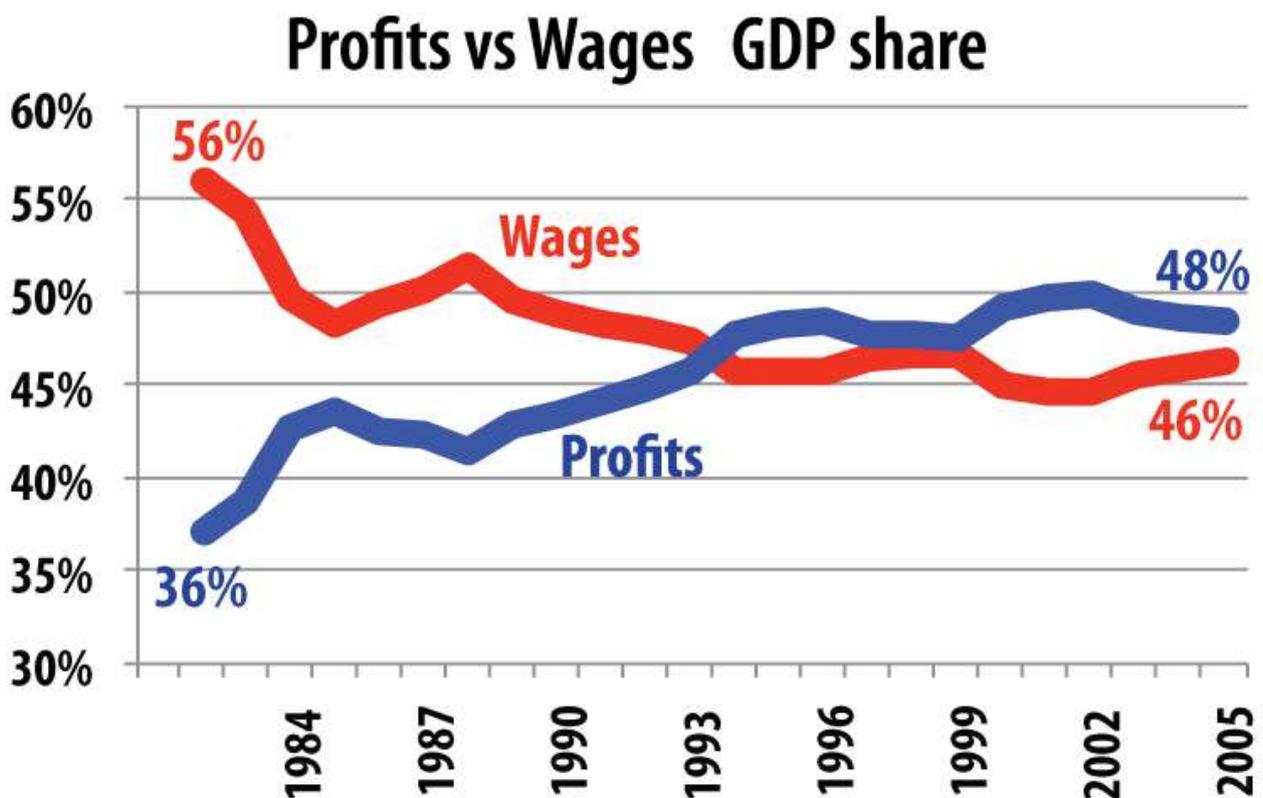


Since we know that none of that productivity gain has been given to workers we know that all that gain has been captured by the employers of labour power.

Growth in wealth inequality

Not surprisingly, as a consequence of this process, there has been a massive shift of wealth from workers to bosses. The July CTU Economic Bulletin

calculates that "labour share of income fell from approximately 60% of income in the early 1980s to 46% in 2002 – a loss to wage earners of about a quarter of aggregate income. It then recovered to around 50% – a sixth lower than the 1980s. In current dollar terms, that is a loss of about \$19bn per year or \$10,000 per wage earner per year. The present value of the loss over that period is estimated at between \$660bn (invested in term deposits) and \$1,200bn (paying off mortgages) or 3 to 5 times GDP. New Zealand's labour share is very low by developed country standards: Piketty considers 60-70% typical. In United Nations comparisons, only Chile and Mexico are lower among OECD countries."



This is actually the first time in the history of capitalism in NZ where the real living standard of working people has not increased from one generation to the next.

When the bosses tell us they can't afford a pay rise they are lying. And when the government tells us they can't afford welfare for the poor it is because they have cut taxes for the rich.

The problem is not "can we afford it" but who controls that additional wealth being produced by society.

Discussing this process in the USA one of that country's richest men

commented: “There’s class warfare, all right, but it’s my class, the rich class, that’s making war, and we’re winning.”

How we can defeat that class war being against us is the question that needs addressing.

Benefit cuts designed to cut wages as well

Since the early 1990s, benefit levels have been slashed in real terms.

The governments of the day were motivated to save money to give in tax cuts to their rich mates.

But they also made it clear they wanted to lower real wages.

That is why they destroyed collective bargaining and union representation for most workers.

But to cut real wages the employer thinks he needs the gap to grow between wages and welfare payments. You have to make living on a benefit as miserable as possible.

In 1991, National savagely cut the rates of all benefits, including the invalids and sickness benefits. The harshest cuts were for the unemployed.

The unemployment benefit was cut by 25% for young people, 20% for young sickness beneficiaries, and 17% for solo parents. They abolished the family benefit and made many workers ineligible for the unemployment benefit with a stand-down period of up to six months.

The 1992 benefit cuts were worth approximately \$1.3 billion – about the same size of each of the tax cuts handed out in 1996 and 1998. Unemployment benefits were stopped for 16 and 17 year-olds and the youth rate for 18 & 19 year-olds extended to the age of 25.

Benefits as a percentage of the average wage fell significantly after 1985. The single person unemployment benefit dropped from 42 to 30% of the average wage by 1996. National Super for a married couple went from 85% to 72%. A Domestic Purposes Benefit for a parent with one child went from 80% to 53%. The benefit for an unemployed couple with two children went from 95 to 69% of the average wage. The real value of National Superannuation was cut by 40% when combined with the extension of the age of eligibility from 60 to 65 years between 1992 and 2001 (See Table 1 below)

Table 1:

BENEFITS AS A PERCENTAGE OF THE AVERAGE WAGE

	Single unemployed aged 20+ (%)	Mrd couple on aged benefit/ National Super (%)	Widow/Solo parent + 1 child (%)	Married couple plus 2 children (%)
1960	37.1	65.9	70.0	78.2
1965	35.3	63.9	67.2	73.8
1970	35.3	64.0	64.6	74.0
1975	41.2	68.7	68.7	83.4
1980	37.1	79.1	72.0	87.2
1985	42.4	84.8	79.8	95.2
1990	37.8	75.9	67.2	84.0
1991	32.7	72.5	57.4	73.9
1996	30.2	66.4	52.7	69.3

(1996 FIGURES INCLUDE FAMILY SUPPORT OF \$44.50 FOR THE FIRST CHILD AND \$29.50 FOR THE SECOND)

Levels of unemployment were much lower in the period from the 1960s to the 1980s when benefits were higher in relation to average wages. When jobs were available people chose to work.

Prior to the cuts in 1991 around 25% of children in beneficiary families were identified as poor in the Household Economic Survey. That rose to 75% post cuts and hasn't changed much since.

The 'undeserving poor'

To justify these cuts (and the refusal of future Labour-led governments to reverse them) a whole ideology around deserving and undeserving poor has been developed. Anyone who is not working is a bludger.

Assistance is targeted to those deserving people in work through Working for families.

Universal entitlements like the family benefit were eliminated so assistance could be targeted to the deserving more accurately.

The system became one where seeking assistance became more and more difficult, humiliating, and vindictive.

The economic recession that was partly induced by the budget welfare cuts saw unemployment hit 10-12% on average. But for those of Maori or Pacifica descent, the recession was a depression with unemployment reaching 25% and whole communities shattered.

Prior to this recession, Maori and Pacifica had higher labour force participation rates than did Pakeha.

That was before the infection of these communities by a mass virus of laziness that saw tens of thousands of them quit work over just a few years.

Full-time male employment fell by 120,000 over four years from 1987-91. Of course, this impacted much more on Maori and Pacifica.

Working class communities and families were torn inside out and upside down.

Working more for less

To compensate for the loss of real income families worked more hours. Two-parent families with both working full time doubled from 20% in the 1980s to 42% of all families. Another 28% of families today had a parent working part-time.

A report by Simon Collins in the New Zealand Herald 25/11/06 found that average family income in 2001 in constant dollars was the same as in 1981 despite the fact that the proportion of women working went from 47% to 61% and the percentage of families working 50+ hours a week went from half to two-thirds.

In New Zealand, average household debt went from 60% of GDP 15 years ago to 150% today. This is the second most indebted in the OECD. Much of this went into housing with the banks fuelling a housing price bubble as prices doubled since 2000 – the same as they did in the UK and Australia.

We were told not to worry. We were encouraged to use our houses as an ATM machine. Average household expenditure exceeded average income on average about 6% for those 15 years but increased to 15% in the mid-2000s. In the 3 decades before 1980 households saved on average about 10% of their income.

The bosses agenda is simple. Shift all costs onto workers (or the environment, or the government) and maximise their profits. That is the nature of capitalism.

New technology

New technology is often blamed for the casualisation of work that has occurred and that the continued spread of robots and the new software behind app-based labour control like Uber is a major factor behind future threats to secure work.

It is true that new technology was an important aspect of changes to labour processes in recent decades. For example, computerisation and specialised software have been developed for just-in-time inventories but also just-in-time workers. New industries developed to take advantage of this flexibility. Specialised call centres and the rapidly growing fast-food industry moved quickly to use zero-hour contracts. Even a 24/7 operation with thousands of staff like the Casino preferred staff on part-time contracts with the bare minimum of hours.

But the major reason bosses got away with what they did was because the working class suffered a major defeat in the period from the mid-1980s to mid-1990s that it has not recovered from. As I wrote in a Unite Union pamphlet called "Exposing Right Wing Lies":

The deep attacks on our rights and living standards began under the Rogernomics policies of the Third Labour Government from 1984-1990 (named after the then Minister of Finance Roger Douglas who went on to found the Act Party). These were guided by rightwing economic theories that promoted so-called free markets and private property above all else. These are commonly referred to as "neoliberal" economic policies.

Financial markets were deregulated, domestic industry protections removed, \$10 billion worth of public enterprises like Telecom and the BNZ privatized, progressive income taxes for higher-income earners replaced by GST on consumption.

Taxes on wealth and property were largely eliminated. All important state sector appointments went to people from the same right-wing big business elite – whether in the Treasury or Social Welfare departments. State Owned Enterprises were made to mimic the profit first behaviour of their private sector counterparts.

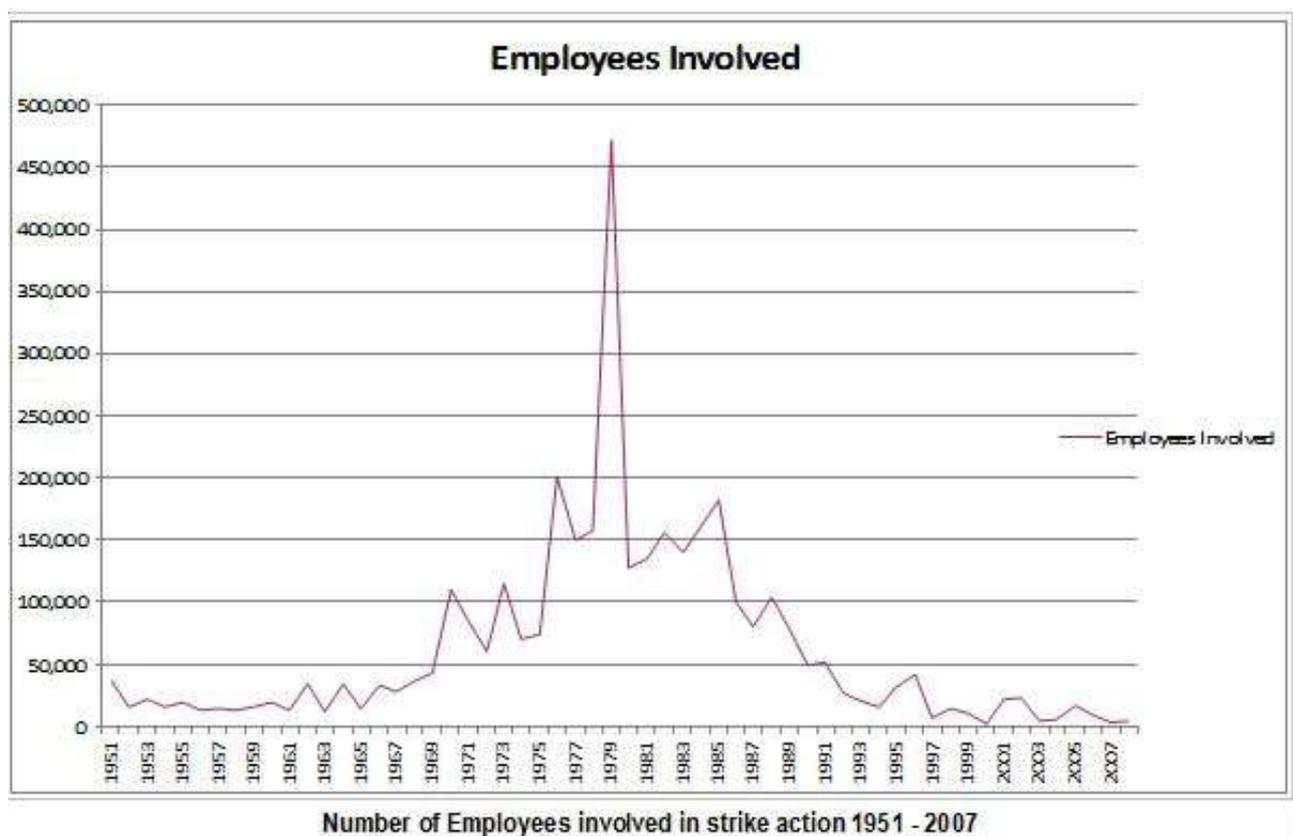
The Reserve Bank was freed from democratic controls to impose crippling interest rates. The dollar was floated to allow big business to move their money where and when they liked. The New Zealand dollar became the victim of international speculators who sent it on a roller coaster ride in value

as the world's eleventh most traded currency. The Reserve Bank used high exchange rates to squeeze inflation and squeezed the life out of agricultural and other exporters in the process.

The Labour government effectively outlawed strikes outside of the contract negotiation period.

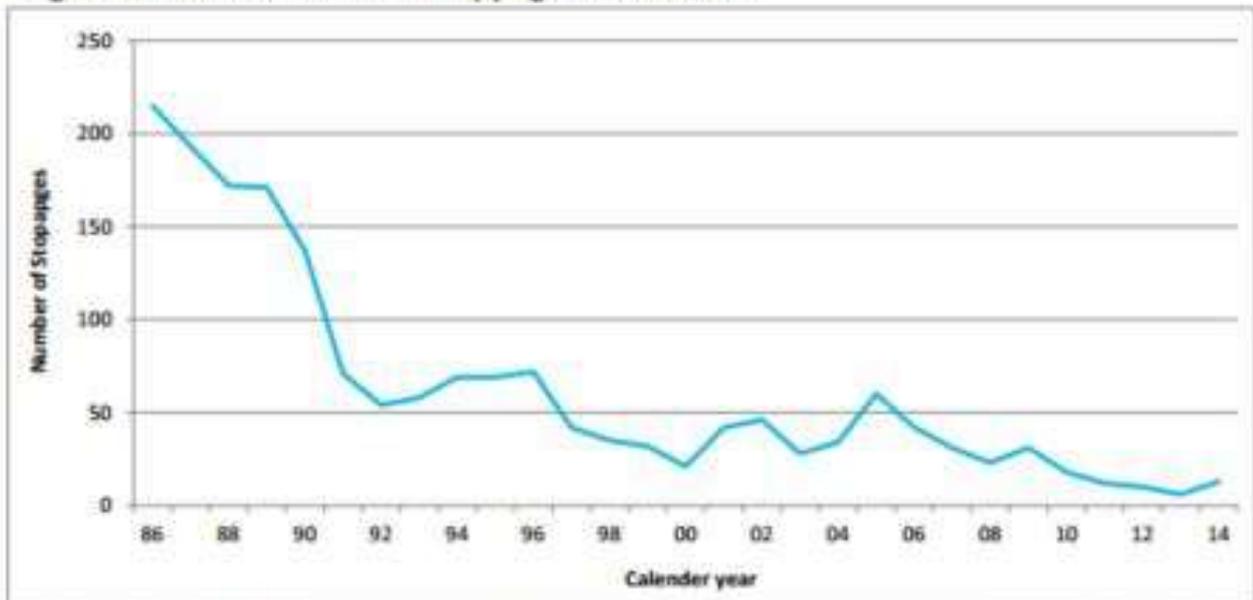
The National government from 1990 to 1999 completed the job. They cut the value of benefits and tightened access rules. The Employment Contracts Act (ECA) launched a full-scale attack on worker rights resulting in major losses of pay and conditions in subsequent years. Before the ECA, around 720,000 workers had protection under awards or collective agreements; by 1996 that number had dropped to 350,000. The ECA made multi-employer bargaining illegal and union recruitment very difficult.

Workers wanted to fight, especially when the Employment Contracts Act was introduced. Calls for a general strike were being made in meetings up and down the country. The Minister of Labour Bill Birch said he expected to have to make a lot of compromises in his draft law to quell the uproar. In the end, the top leadership of the Council of Trade Unions squashed all moves for a united fight back. The failure of the union officialdom to lead any resistance resulted in tens of thousands of workers losing faith in unions as effective weapons of struggle.



From 1976 to 1986 there were never fewer than 100,000 workers involved in strike activity in any one year. Nearly half a million workers were involved in 1979 when the National Government under Prime Minister Muldoon tried to impose wage controls and was met with a general strike involving 300,000 workers. It is no coincidence that real wages peaked in NZ in early 1982. Numbers on strike halved to 50,000 in 1990 and 1991 and halved again in the mid-90s.

Figure 1: Number of work stoppages 1986-2014



Source: Statistics New Zealand and MBIE

The decline in strike action has continued since. Just 1564 workers engaged in strike action in 2014.

This is what allowed older industries like forestry and construction to be transformed from being large companies with staff directly employed right through the production chain to small head offices contracting work out to smaller companies or contract gangs competing against each other to offer the lowest price and driving down wages to achieve those prices.

Regular full-time jobs eliminated

Tens of thousands of regular full-time jobs were also lost in what had been secure public sector jobs through corporatisation and privatisation. Many workers, like those who worked for Telecom, were turned into self-employed contractors.

Thousands of other workers like courier drivers and pizza delivery drivers have also been classified as self-employed and offered contracts where they

struggle to make minimum wage. This is despite the fact that it is hard to argue they meet the legal definition of self-employed because they have no real control over their own labour at all.

What were usually full-time manufacturing jobs were sacrificed on the free trade altar. A wave of factory closures ripped through working-class communities in NZ from the mid-1980s.

A lot of regular full-time work in older industries like hotels were also eliminated as soon as the union was taken out of the equation. Also removed were penal rates and other allowances. We estimate that real wages of a housekeeper in a hotel today are only about 50% of what one would have received under the union contract in the mid-1980s.

More and more employers use temping agencies for at least part of their workforce rather than employ directly. Unite has run into this problem at call centres like Sky TV and manufacturing plants like Allied Liquor.

Increased job insecurity

The bosses have succeeded in imposing job insecurity on large parts of the working class.

Job insecurity for many workers means we have jobs that don't give us enough hours.

Job insecurity for other workers is being worked too many hours – and not all of them will be paid.

Job insecurity means we often have to work more than one job. Job insecurity today means if we lose a job the one we get to replace it with is more likely to pay less.

Job insecurity means that if we are unemployed we are far less likely to be able to access benefits. This is an important aspect of it from the bosses point of view. If the unemployment benefit is seen as a "right" that workers have then they are protected to a small degree from just accepting shit jobs for shit wages.

Removing the benefit as an entitlement seems to have been the purpose of the intrusive case management regime that began under the previous Labour Government. The bureaucratic nightmare of repeated form filling and participation in useless training is used to just bully and harass people into giving up.

As a consequence, there was much more dramatic fall in the number of people receiving unemployment benefits than the comparable fall in the official measurements of unemployment.

From 1990 to about 2003 there was a broad correlation between the number of people on benefits and the number of people recorded by the Household Labour Force Survey as being unemployed or jobless. Using the jobless number as the comparative the percentage on benefits was always about 70%. That percentage fell to 20% in the five years to 2008 and there was no possible reason for this other than aggressive denial of entitlements.

BENEFICIARIES AS A PERCENTAGE OF THE JOBLESS 1990-2013

Year	Unemployed 000s June	Unemployed benefit June year	Jobless numbers 000s June Year	Unemployed benefits as a % of the Jobless
1990	122	149	191	78
1991	157	161	242	67
1992	184	178	276	64
1993	176	181	263	69
1994	159	170	248	69
1995	128	151	206	73
1996	115	146	192	76
1997	122	148	202	73
1998	138	161	225	72
1999	143	169	230	73
2000	125	159	206	77
2001	109	145	185	78
2002	107	130	187	70
2003	103	116	179	65
2004	92	86	165	52
2005	82	67	155	43
2006	84	57	153	37
2007	85	40	164	24
2008	85	34	164	21
2009	115	68	211	32
2010	153	78	262	30
2011	154	71	258	28
2012	157	64	265	24
2013	159	50	269	19

This has continued under National with increased requirements for women with children of a certain age to make themselves available for full or part-time work.

Benefits get cancelled immediately for the most trivial and bureaucratic reasons but mistakes by WINZ take months to correct.

The end result is that the percentage of the working-age population receiving any type of benefit (unemployment, sickness, invalid, sole parent) has been cut from over 13% in the late 1990s to less than 8% today when the unemployment rate has only fallen from around eight to six percent.

Getting that 3% of the working-age population (about 110,000 people) off benefits essentially has just removed about a billion dollars a year from working-class communities.

It is reflected in overcrowded homes, people living in garages or on the street, kids staying at home longer, poor health, poor nutrition.

Systems have been created to weed out the undeserving poor (those who don't work or don't work the hours considered necessary to be deserving).

Poverty traps

This creates poverty traps around working extra hours or getting a promotion or a pay rise if we receive working for families. Sole parents must juggle child care and work obligations if they are deemed able to work because their child is a certain age, and again any extra hours worked can penalise you.

An unemployment benefit is also clawed back so mercilessly that additional part-time work is essentially discouraged.

Working for families doesn't match the combined income of a low wage and a sole parent benefit so parents are forced to live apart to access enough support from the state to be able to afford to bring up a child.

This is true even for the single and couple's unemployment benefit which if you apply as a couple rather than two singles leaves you \$90 a week worse off.

The law incentivises the break up of relationships.

Then of course if they live separately they are spied on to make them prove they are not in a relationship – especially if you are a solo mum.

Working for Families is premised on regular work of 20 hours a week or more for a single person or 30 hours for a couple. Tens of thousands of workers with children have no idea how many hours work they will get from week to week and navigating access to Working for Families is almost impossible for

many.

How does a self-employed pizza hut driver access this system?

That is the reality we discovered when we returned to try and unionise the hotels and fast food workers again a decade ago.

Not a special class of workers

But what we also discovered is that these are not some special class of worker with special needs that are different from other workers.

They want the same things. Better pay, more secure hours including the chance of full-time work, respect and dignity and fairness around breaks and rostering and an end to bullying and illegal deductions.

We could fix some things relatively quickly. Other like an end to the zero hours contracts took a decade.

This year we have also ended zero-hour contracts at SkyCity casino. Some progress has also been made in the tourist hotel sector but bars and restaurants and most retail work remain unionised and without any protections.

90% of employees in the private sector remain unprotected by a union. Many will be on some form of zero-hour contract.

That is why working people need to find their fighting spirit again to take on the inequalities of capitalism, challenge their casualised market for our labour.

Uber and other new forms of work organisation – threat or opportunity?

Last week I discussed how the casualisation of work was fundamentally a product of the weakening of working-class organisation (and struggle) over recent decades rather than being the inevitable result of new technology.

However, we need to have a strategy for dealing with technological change so that it is not used to further reduce the rights of working people.

Simply opposing technological change doesn't work, as “the Luddites” discovered 200 years ago - although the truth of their struggle may not have been as anti-technology as it is popularly remembered.

There is a real debate over the possibility that robots will take all our jobs. That may be the case in some future society, but I have doubts that this is

remotely possible under capitalism.

Capitalism is a system of production for sale at a profit. Because that is the case, there is an intense competition between capitalists for market share. Only the fit survive. Costs get cut, including labour costs. The essence of a productivity rise over time is the replacement of labour by machines.

Over time, that leads to technological change and rising productivity of labour. The most efficient and successful capitalists drive out or take over the competition and the more productive capitalist sets the new standard.

That is also why there is an inevitable process of the concentration and centralisation of capital into ever greater monopolistic groups over time. Monopolies, however, often seek to suppress new technologies that could “disrupt” the value of their investments. Monopolies ultimately are a drag on capitalist growth and innovation.

I do not believe that rising productivity (which is what robotics essentially is) necessarily leads to unemployment.

Germany's greater use of robotics in manufacturing has meant it has pushed out its US and other rivals in many markets and, therefore, maintained employment in the manufacturing sector more than the US did.

Until now new types of work also seem to inevitably develop – often in the form of new “needs” (real or manipulated) not thought of before. Capital constantly seeks to commodify all aspects of life to create products for sale at a profit.

Capitalism is a perpetual growth machine

As a system capitalism is a perpetual growth machine. It cannot exist without growing. Regular periods of crisis only temporarily interrupt it. Ultimately, that is why it is such a threat to the planet and all species, ourselves included, who live on it.

As David Harvey notes:

Capital is thereby committed to a compounding rate of growth. The quantity of global goods and services traded through the market (which now stands at around \$55 trillion) has grown at an average rate of around 2.25 per cent since 1750 or so. (3) In some places and times, it has been much higher and elsewhere much lower. In some places and times, it has been much higher and elsewhere much lower.

This fits with the conventional wisdom that a growth rate of three percent is the minimum acceptable level at which a "healthy" capitalism can operate. The average global growth rate from 2000 to 2008 was exactly three percent (with plenty of local variation). Anything less than three percent is problematic, while zero or negative growth defines a crisis which, if prolonged, as in the 1930s, defines a depression.

So the problem for capital is to find a path to a minimum compound three percent growth forever. There are abundant signs, however, that capital accumulation is at a historical inflexion point where sustaining a compound rate of growth is becoming increasingly problematic. In 1970, this meant finding new profitable global investment opportunities for \$0.4 trillion. Resumption of three percent growth right now would mean finding profitable investment opportunities for \$1.5 trillion. If that rate of growth were to be sustained by 2030 or so we would be looking at \$3 trillion.

Put in physical terms, when capitalism in 1750 was about everything going on around Manchester and Birmingham and a few other hot spots in the global economy then three percent compound growth posed no problem. But we are now looking at compounding growth on everything going on in North America, Europe, much of East Asia, Latin America and increasingly South Asia, the Middle East and Africa.... The implications socially, politically and environmentally are nothing short of gargantuan.

China's growth and the laws of mathematics

China has doubled its production every decade for the last three decades by capturing a greater and greater share of the world market. The laws of mathematics preclude that being repeated forever. China's share of world manufacturing output has gone from 3% to 25% in 30 years. It cannot, and will not, be able to double that again over the next ten years without collapsing the global economy it relies on for markets.

Similarly, smartphone production seems to have now reached its peak and become a mature market which can only be divided and redivided among the big competitors. Apple may well await the fate of General Motors which went from the world's number one car manufacturer to bankruptcy in 2009. It has since been revived in a new form following nationalisation by the US government.

What General Motors discovered was that despite its size it ceased to be able to produce cars at a quality and type able to be sold at a price that gave them

at least the average rate of profit.

Unless there are purchasers of products at prices that realise at least an average rate of profit from the surplus value embodied in them they will not be produced – by robots or humans.

If goods may be produced but they are not sold a crisis follows. People lose their jobs and factories, warehouses and shops close down. The crises feed on itself for some time.

Eventually, the crisis passes but not until a portion of accumulated goods and means of producing them are written off and production can resume on a more profitable basis with the elimination of the weakest players.

By then the pressure of unemployment will have reduced the value of labour power to the point where it becomes more competitive against new machines and is re-engaged as the market recovers.

Business cycle a 'vicious circle'

It is this repeated clash between the growth in production and the less rapid growth in the market that has produced the periodic crises of overproduction every 7-10 years that have plagued capitalism for the last 200 years.

This was summarised well by Karl Marx's close collaborator Frederick Engels in 1877:

We have seen that the ever-increasing perfectibility of modern machinery is, by the anarchy of social production, turned into a compulsory law that forces the individual industrial capitalist always to improve his machinery, always to increase its productive force. The bare possibility of extending the field of production is transformed for him into a similarly compulsory law. The enormous expansive force of modern industry, compared with which that of gases is mere child's play, appears to us now as a necessity for expansion, both qualitative and quantitative, that laughs at all resistance. Such resistance is offered by consumption, by sales, by the markets for the products of modern industry. But the capacity for extension, extensive and intensive, of the markets, is primarily governed by quite different laws that work much less energetically. The extension of the markets cannot keep pace with the extension of production. The collision becomes inevitable, and as this cannot produce any real solution so long as it does not break in pieces the capitalist mode of production, the collisions become periodic. Capitalist production has begotten another "vicious circle".

(I discuss why this is the case in an article discussing crisis theory for those interested in a more theoretical analysis. See <http://links.org.au/node/4156>)

Without these periodic crises, the demand for labour power would continue to the point that full employment would be the norm and workers bargaining power would be enhanced. The rate of profit would decline as competition favoured the sellers over the buyers of labour power. Capitalists would be driven to replace living labour with dead labour at an even faster rate. Ultimately, this too would lead to an undermining of capitalist profitability.

But a crisis interrupts this process and restores capitalist stability until a new crisis breaks out.

An immediate danger from app-organised labour

But there is an immediate danger with some of the new technologies like Uber and Task Rabbit that are becoming available that if the control and benefits are left solely in the hands of the bosses it will lead to greater control over workers lives and increased exploitation as a consequence.

They say about 3-4 million are employed in the US by these app-based companies and this is expected to double in five years.

These apps are allowing labour to be connected directly to a customer in a bidding process that incentivises the lowest cost providers. At the moment, many of these workers are being classified as self-employed and they often have no protections.

What I also know is that if we could make sure the benefits of robotics and automation are shared in society then we should welcome their arrival.

But that is the problem. That is not what has been occurring.

New labour regulations needed

I don't believe unions can stop the technology. We need to figure out ways to use it.

Where there are unfair advantages because one group is following the law and the other is not then that needs addressing. Uber, for example, should be obliged to have necessary insurance, to do checks on the drivers, and so on.

But if it is an artificial barrier designed to protect the existing taxi company monopoly then that doesn't need to be supported.

The technology can be modified to protect workers as well. One of these apps in the US has adopted an algorithm that allocates work based on earning at least \$15 an hour. Another one which arranges someone to do your shopping has shifted from a self-employed model to a waged model.

Californian courts have ruled that Uber drivers are employees not self-employed. The Seattle City Council is considering a law to allow Uber drivers collective bargaining rights.

We can also write the law to make that happen here as well.

That means they would have to be paid at least the minimum wage. It means the contract would stipulate the app must include an algorithm that ensures that is the case.

These apps also open up the possibility of cooperative labour being promoted. Why can't a local government help drivers establish their own cooperative using the same technology?

All of those possibilities need looking at.

Productivity gains must be shared

It is probable in the near future that a driverless car and a phone app combo will eliminate taxi drivers for good. That is progress in my view. That is not labour that is particularly rewarding. But the overall productivity gain and share of the profits needs to be captured by society not only by Google or whoever invents it.

The jobs lost in one sector need to be replaced and that is a social obligation. If the jobs can't be replaced then the work can be shared and the free time devoted to leisure, education and crafts, art and all manner of creative pursuits.

Governments need to intervene to ensure that happens. At the moment the bigger and wealthier you are as a capitalist the less you seem to pay in tax or contribute in any other way usefully to society.

That is why legislative measures remain vital to restoring security and dignity for workers. Having a National Government doesn't make that task impossible.

We have pushed the minimum wage back up to 50% of the average wage and this government has not felt able to reduce its real value. That is a victory.

Legalising zero hour contracts

However, the government's promise to eliminate zero-hour contracts has proved to be a lie. The draft law actually makes the legal situation worse.

The MBIE website is upfront. It says that with the new law “The employer and the employee do not have to agree on set hours if both prefer flexibility.”

Telling a young, unemployed, unskilled worker that they can make a choice to “prefer flexibility” when accepting a job with a fast food giant is a lie and Workplace Relations Minister Michael Woodhouse knows it.

But the fight is not over on this issue. I think the government is vulnerable. They were hurt by appearing to pander to their mates over weakening health and safety law changes. Unite and other unions will be campaigning to force the government to meet its promise to actually end zero-hour contracts. We will need your support.

We need laws that will allow a radical expansion of union coverage. Most workers like unions. Given a genuinely free choice, most would join.

How hard is it to design laws that give that choice? We need real access rights. We need a real choice for workers when they start work, including meeting the union for that sector.

Unite Union has 7000 members but only 20% density. With 60 or 80% density, we would be able to bargain much more effectively with the bosses in our sectors.

We need a minimum wage that equals two-thirds of the average wage.

We also need laws on breaks, scheduling, and overtime.

We need additional sick leave and annual leave to spread the benefits of the productivity rises we have already achieved.

We need to radically reduce the use of self-employment and subcontracting unless it is a genuinely equal contract like happens for some specialised and very skilled workers.

We must make the big companies employ directly unless they have a good reason not to. We could also make the lead contractor liable for unpaid wages or failed health and safety compliance committed by the subcontractor.

And we need a welfare system based on universal entitlements not begging

for crumbs.

There should be universal access to publicly provided housing. The most deserving should be assisted first but our goal should be to progressively make public housing a right for whoever wants one.

Health care and education must remain universal entitlements and made really free.

A Universal Citizens Income

There should be a generous universal family benefit for all children.

There should be a universal citizens income for all when you leave school.

We could end Working for Families and nearly all benefits currently being paid by WINZ.

I was sceptical for many years on a universal income. It has been promoted by some who see it as a support mechanism to avoid challenging casualisation, low wages and job insecurity because we supposedly can't stop it. I would dispute that.

A citizens income shouldn't be done to avoid taking action to turn back the clock on casualisation and job insecurity. We need better laws and stronger unions for that to happen.

But I think a citizens income will empower workers to join unions. It will enable workers being abused to give the boss the one finger salute and be safe while finding other work.

And the "cost" is not much more than the current tax and benefits regime. In fact, the elimination of the punitive multi-billion dollar bureaucracy known as WINZ would be a wonderful sight. And it will give many WINZ staff the chance to find a worthwhile job to regain their self-respect.

The future of work and welfare is another one where there will be a social struggle between the interests of the majority and those of a small minority.

Let us step up with radical but practical ideas for the challenges that lay before us.

Let us propose humane solutions. Let us be reasonable. But let us also be insistent that change must come.

And if the system can't accommodate these sane practical solutions then we need to change the system so that it serves the majority not a small group of super-rich "haters and wreckers".

I see no reason why the majority of humanity would surrender their lives to some form of a super-wealthy elite with a tiny minority of winners and a vast number of losers.

A social struggle will determine that outcome.

But this will be a perpetual battle until we also realise we must ultimately replace this system with a system where the working majority democratically own and control the productive process and can run society in the interests of humanity and the planet.



The robots are coming!

There seem to be two contrasting approaches to what will happen to society if robots displace more and more jobs in the future.

One is that this is an inevitable outcome and we must prepare for a dystopian future like that portrayed in the film *Elysium*. There the 1% have created a space planet in a protective enclosure where they can live a life of luxury based on robotic production on earth. A robotic security system is used to keep out the declassed mass of poor scavenging an existence on earth.

Professor Stephen Hawking joined the debate last week. "If machines produce everything we need," Hawking wrote in an "Ask Me Anything" session on Reddit, "everyone can enjoy a life of luxurious leisure if the

machine-produced wealth is shared – or most people can end up miserably poor if the machine-owners successfully lobby against wealth redistribution. So far, the trend seems to be toward the second option, with technology driving ever-increasing inequality.”

(http://www.huffingtonpost.com.au/entry/stephen-hawking-capitalism-robots_5616c20ce4b0dbb8000d9f15)

The other view is that robots will inevitably become more productive and useful and take over all the drudgery of meaningless work. This will, in turn, free people to live full lives of leisure and creativity.

However, both sides ignore the nature of the social system we live under today.

Capitalism is a system of commodity production

Capitalism is a system of generalised commodity production. Commodities are produced to be sold at a profit. The purpose is to make money not useful goods. Capitalists succeed if they are able to get at least the average rate of profit as a consequence of producing and selling their commodities.

Competition drives the capitalists to increase the productiveness of their capital through the intensification of the exploitation of labour and nature. The introduction of new technology often aids that process by making labour more productive. However, it is introduced only if it makes labour more profitable, that is if it produces goods more cheaply and those goods can be sold at prices that returns the average rate of profit or better.

But production is limited by sale. I discussed why there are limits of the market under capitalism earlier. However, all capitalist economic theories assume an unlimited ability to increase production. That is why pro-capitalist economic theorists and commentators are forever surprised when generalised crises of overproduction emerge in the system again and again.

Elysium can't actually be a capitalist society. Who would buy the commodities being produced? The elite consumption of the 1% can't be enough on its own to replace the consumption of billions of people who would have no means of purchasing the commodities.

It would be a type of technocratic slave or feudal economy that simply fed the serfs or slaves and appropriated the surplus. But why bother feeding them if the robots made robots and made the luxury items needed by the rulers? No society like that could tolerate for long. Society would have broken up through economic and social crises and class struggle long before such a horror could be established.

2008 world recession

The 2008 international recession was the most recent generalised crisis of overproduction. Paul Mason, the economics editor of Channel 4 in the UK, noted its impact in a July 17 feature in *The Guardian*: “The 2008 crash wiped 13% off global production and 20% off global trade. Global growth became negative – on a scale where anything below +3% is counted as a recession. It produced, in the west, a depression phase longer than in 1929-33, and even now, amid a pallid recovery, has left mainstream economists terrified about the prospect of long-term stagnation. The aftershocks in Europe are tearing the continent apart.”

Paul Mason believes that this crisis was the beginning of a deeper and more profound period of crisis in the system of capitalism. His article is headed “The end of capitalism has begun.”

A book by Mason exploring the themes of this article in more depth is called “PostCapitalism: A Guide to Our Future”. In it he writes: “The 2008 crisis was just the tremor in advance of the earthquake”. To salvage the fortresses of international capitalism, central bankers around the world pumped an incredible \$12 trillion into the system, primarily through the form of quantitative easing.

I agree with Mason on the depth of the crisis and the need for an alternative. The capitalist system was thrown into reverse on a scale not seen since the 1930s. The recovery from that crisis has been weak. There is a real possibility that a new a greater crisis will hit the system as part of a new world downturn over the next few years. None of the usual mechanisms the capitalists have used in the past to drive a recovery seems to be producing the results they were hoping for.

A new downturn will mean that capitalism has few tools left to fight it. Essentially the capitalist rulers threw money at the problem. Government's printed money, ran budget deficits, maintained low interest rates and so on. But if the economy turns down again – as seems to be happening – they can't just repeat the previous trick without collapsing the value of the US dollar and destroying its role as the world currency. That would simply deepen the crisis into one of a severity likely to be greater than the 1930s.

Robots can't change that reality. In fact, although robots may increase the productiveness of an individual capitalist and his or her chance of survival, ultimately new technology undermines the system itself by accentuating and reproducing the periodic overproduction crises.

Will an information revolution lead to “post capitalism”

Paul Mason's book on “Post Capitalism” argues the information revolution which is an important aspect of the new technology will inevitably lead to a “post-capitalist” society. His arguments are summarised in the Guardian article that is worth studying.

Mason argues that “information”, once it has been produced, is essentially costless to reproduce and, therefore, can't be made to fit a capitalist model. This allows for a post-capitalist mode of production based on free ownership and cooperation to emerge and replace capitalism.

In my view, Mason overestimates the importance of information technology and its potential to change society on its own which clouds his judgement from the beginning.

The thesis that information is becoming abundant and therefore loses its value is not new. Karl Marx, one of the founders of the socialist movement, wrote in 1863 that it was one of the many contradictions that exist under capitalism. "The product of mental labour – science – always stands far below its value because the labour-time needed to reproduce it bears no relation at all to the labour-time required for its original production. For example, a schoolboy can learn the binomial theorem in an hour." (Theories of Surplus Value Volume I, p.353)

Trade agreements and intellectual property

Capitalism uses every mechanism possible to turn information into a commodity to sell. That has been much of the reason for the prolonged negotiations around so-called trade agreement. These agreements are not actually much about trade which has few restrictions on it anymore. The capitalists have instead been using these agreements to beef up intellectual property laws, patents and copyright to protect their monopoly control. In addition, usually “information” is locked up in material commodities and cannot be separated easily.

These laws are then backed up by the legal, political and military might of the greatest powers on the globe. Kim Dotcom is discovering this to his discomfort despite his personal wealth.

Some industries may ultimately disappear. The production of music CD's could be displaced by digital downloads and streaming. Maybe the LP stages a comeback for genuine quality music. But when some industries decline, others have grown in their place. One area of recent expansion in capitalism has been the fast food industry. McDonald's NZ has 10,000 staff and is one of

the biggest companies in the country.

According to Mason, the key features of this new post-capitalist system are: "First, it has reduced the need for work, blurred the edges between work and free time and loosened the relationship between work and wages. The coming wave of automation, currently stalled because our social infrastructure cannot bear the consequences, will hugely diminish the amount of work needed – not just to subsist but to provide a decent life for all."

It is not at all obvious that the system we live under has reduced the need for work. According to the International Labour Organisation (ILO), the world waged working class hit 1.6 billion in 2013 and exceeded non-waged labour for the first time in human history. Average work weeks in advanced capitalist countries remain largely unchanged. But under capitalism overwork for some and under work for others remains a constant feature.

And Mason's caveat that "The coming wave of automation, *currently stalled because our social infrastructure cannot bear the consequences....*" undermines his whole thesis.

Technology can eliminate labour from the productive process. But the current "social infrastructure" i.e. capitalism, based on production for profit, is the barrier to progress.

The sharing economy needs democratic ownership

As Juliet Schor explains in her article entitled "Debating the Sharing Economy":

"...these new technologies of peer-to-peer economic activity are potentially powerful tools for building a social movement centered on genuine practices of sharing and cooperation in the production and consumption of goods and services. But achieving that potential will require democratizing the ownership and governance of the platforms.

"The sharing economy has been propelled by exciting new technologies. The ease with which individuals, even strangers, can now connect, exchange, share information, and cooperate is truly transformative. That's the promise of the sharing platforms about which virtually everyone agrees. But technologies are only as good as the political and social context in which they are employed. Software, crowdsourcing, and the information commons give us powerful tools for building social solidarity, democracy, and sustainability. Now our task is to build a movement to harness that power."

We can agree with Mason that capitalism needs replacing. But what with?

Mason also says, “it will need the state to create the framework” for the changes needed. What does he want this state to do?

Paul Mason's programme of reform

He wants a universal basic income. He demands that the state stop privatisations. He wants companies to act more responsibly through “law and regulation.” He would “suppress or socialise” monopolies. He wants “public provision of water, energy, housing, transport, healthcare, telecoms infrastructure and education.” He would also “socialise the financial system.”

This all very worthy and sounds very familiar. It is a programme to try and make capitalism work through fundamental reforms to weaken the power and control of big business over the economy. It is a revived form of what was promised in the past by traditional social democratic or labour parties.

The problem has been that big business controls the state that Mason wants to use to introduce these changes and does everything to ensure it controls any party that wants to govern a capitalist country.

If a party wants to challenge capitalist control and carry out the type of reform programme outlined by Mason in his book it will require a massive confrontation with the 1% who run the show today.

The programme of privatisation, deregulation, and commodification of essential services was not some weird aberration in Thatcher's Britain that can be turned around by a few wise heads getting together on the net. It was a global class programme to benefit the 1%. It has been enormously successful.

That 1% is now more powerful than ever before. It will be harder than ever to achieve a fundamental change of course from those now in power. Every aspect of the existing state apparatus has been transformed to ensure it only hears the voices of the class that owns the means of production and exchange.

Powerful social movement needed

It will require a social and political movement based on alternative power in society to challenge that control, transform the state where it can be and build a new one serving the interests of the majority where needed. The only class with the numbers and social cohesion to be able to provide that power that has no interest in maintaining capitalism is the working class.

Paul Mason seems to have been demoralised by what he sees as the defeat

of the left and working-class movement. He writes that "over the past 25 years it has been the left's project that has collapsed. The market destroyed the plan; individualism replaced collectivism and solidarity; the hugely expanded workforce of the world looks like a "proletariat", but no longer thinks or behaves as it once did."

He is looking for a new agency of change in the "networked individual". But under capitalism, the networked individual may be a Bill Gates or a factory worker in China. Who is the more likely agent of change in this system?

Mason often seems to miss the bigger picture. For example, he notes that "In 2014, 30,000 shoeworkers at the Yue Yen factory in Shanzhou staged the first big strike to use group messaging and microblogging as organisational tools." He seems more impressed with the messaging than with the strike.

The left project has not collapsed all over the world in the last 25 years. That was true for many advanced capitalist countries – especially in the Anglo-Saxon world Mason is part of.

But the working class is mobilising in their millions in China, India and Latin America. In Latin America, there are political alternatives developing that pose the need for a "socialism for the 21st Century". That is the road we should be following rather than the dead end of appeals to the existing state structure or middle-class techno-libertarians to save us through a utopian "post capitalism" devoid of social content.

Socialism is the post-capitalist society

"Post capitalism" already has a name – socialism. We need to rediscover socialism's original attachment to radical change that seeks to put democracy at the centre of economic and political decision making. The technological changes that are happening, including those allowing a more democratic means for people to collaborating politically and economically through solidarity social networks, makes socialism more possible today than ever before.

Technology can give us new levers, but the working class, not the 1%, needs to take control of those levers to restructure society in such a way that economy works for the big majority.

John Lanchester made this point very well in a wonderful book review in the March 5, 2015, London Review of Books headed "The robots are Coming":

It's also worth noting what isn't being said about this robotified future. The scenario we're given – the one being made to feel inevitable – is of a hyper-capitalist dystopia. There's capital, doing better than ever; the robots, doing

all the work; and the great mass of humanity, doing not much, but having fun playing with its gadgets. (Though if there's no work, there are going to be questions about who can afford to buy the gadgets.)

There is a possible alternative, however, in which ownership and control of robots are disconnected from capital in its current form. The robots liberate most of humanity from work, and everybody benefits from the proceeds: we don't have to work in factories or go down mines or clean toilets or drive long-distance lorries, but we can choreograph and weave and garden and tell stories and invent things and set about creating a new universe of wants. This would be the world of unlimited wants described by economics, but with a distinction between the wants satisfied by humans and the work done by our machines. It seems to me that the only way that world would work is with alternative forms of ownership.

The reason, the only reason, for thinking this better world is possible is that the dystopian future of capitalism-plus-robots may prove just too grim to be politically viable. This alternative future would be the kind of world dreamed of by William Morris, full of humans engaged in meaningful and sanely remunerated labour. Except with added robots. It says a lot about the current moment that as we stand facing a future which might resemble either a hyper-capitalist dystopia or a socialist paradise, the second option doesn't get a mention.

Despite my disagreements with some of his arguments Mason's conclusion in his Guardian article still rings true except I would count his proposals as among the utopian dreams:

“We need more than just a bunch of utopian dreams and small-scale horizontal projects. We need a project based on reason, evidence and testable designs, that cuts with the grain of history and is sustainable by the planet. And we need to get on with it.”

We need socialism!

Appendix: What's Behind the Rise in Income Inequality? Technology or Class Struggle?

By Matt Vidal

“The prevailing explanation for rising inequality – the mainstream economics explanation – is that technology did it. There are no capitalists making investment decisions, no managers making employment decisions and certainly no class struggle. Only technical change, supply and demand. Here I want to make the case for the centrality of class struggle in driving inequality.”



*The following article has been reprinted from **Counterpunch**. The author, Matt Vidal is Senior Lecturer in Work and Organizations at King's College London, Department of Management. He is editor-in-chief of **Work in Progress**, a public sociology blog of American Sociological Association, where this article first ran. You can follow Matt on Twitter @ChukkerV.*

The author's conclusions are similar to my own when I looked at the course of the growth of inequality in New Zealand over the last few decades.

Mike Treen (Unite Union National Director)

By Matt Vidal

Over the past three decades, income inequality has risen in most of the 34 member countries of the Organization for Economic Cooperation and Development. A recent analysis of 22 OECD countries from 1985 to 2013 found that inequality increased in 17 of them (including the US, UK, Canada and Germany), underwent little change in four (Belgium, Netherlands, France, Greece) and declined in only one (Turkey). Over the same period, in the 17 richest countries GDP growth primarily benefitted the top 10% of the population, with the bottom 40% receiving little from a quarter century of growth.

The prevailing explanation for rising inequality – the mainstream economics explanation – is that technology did it. There are no capitalists making investment decisions, no managers making employment decisions and certainly no class struggle. Only technical change, supply and demand. Here I want to make the case for the centrality of class struggle in driving inequality.

According to Harvard economist N. Gregory Mankiw, “Most economists agree that a leading cause [of rising inequality] is skill-biased technological change — the tendency of new technologies to increase the relative demand for skilled workers.”

A more sophisticated and convincing version of the technology story is the “task approach” of MIT economist David Autor and colleagues, which is about the automation of jobs. Computerization is able to easily replace routine jobs, which happen to be those in the middle of the skill distribution (e.g. clerical work and bookkeeping). Both higher-skill jobs (e.g. professionals, managers and technical workers) and lower-skill jobs (e.g. cooks and cleaners) are nonroutine jobs, hence unable to be replaced by automation.

The task version of the technology story well fits the data showing polarization of the job structure into high-wage and low-wage jobs, and it is an important part of the story. But it's not the most important part of the story.

If technical change is the main driver of income inequality, then either version

of the technology explanation predicts that inequality should trend similarly in countries that are comparable in terms of level of economic development, industrial structure and vocational training and educational systems.

To examine this, I've plotted income inequality for Canada, the UK and the USA. In addition to having similar industrial structures, these countries are all conventionally understood to be institutionally similar, highly liberal economies with minimal government intervention and only a residual social safety net. Further, they have comparable vocational training and education systems with similar outcomes on a range of indicators.

As a measure of inequality I used the Gini coefficient, in which perfect equality has a value of zero (0) and complete inequality a value of one (1). Using OECD data, the only measure available for all three countries going back to the early 1970s is the Gini for net income (after taxes and transfers). The Gini for gross income would have been better, because it would display the picture produced before government transfers. However, all three countries have similar levels of government income transfers, so the net income measure will suffice.

The trends in the chart are not easily squared with the prediction of the technology story. From the early 1970s to the present, income inequality has risen more or less continuously in the US, while in Canada it was stable for two decades until around 1994, rising continuously thereafter. In the UK inequality rose faster than the US until 1990, thereafter remaining comparatively stable while it continue to rise in the US.

In a bit more detail, in Canada the trend in inequality was largely flat for 21 years, fluctuating only 0.019 points between from 1976 to 1997. Over the same period, inequality in the US rose more or less continuously, a full 0.062 points. In the UK, inequality rose even faster than in the US in shorter period of time: shooting up 0.101 points in just 13 years between 1978 and 1991.

Compared with Canada, variation from low point to high point in the Gini coefficient over the 21 years from 1976 to 1997 was three times higher in the US and five times higher in the UK.

A more plausible explanation for the variation in income inequality trends across the OECD would refer to the distinct political economy of each country. Because such an explanation requires an in-depth analysis of each country, I focus the remainder of this short article elaborating a class struggle argument for the US case.

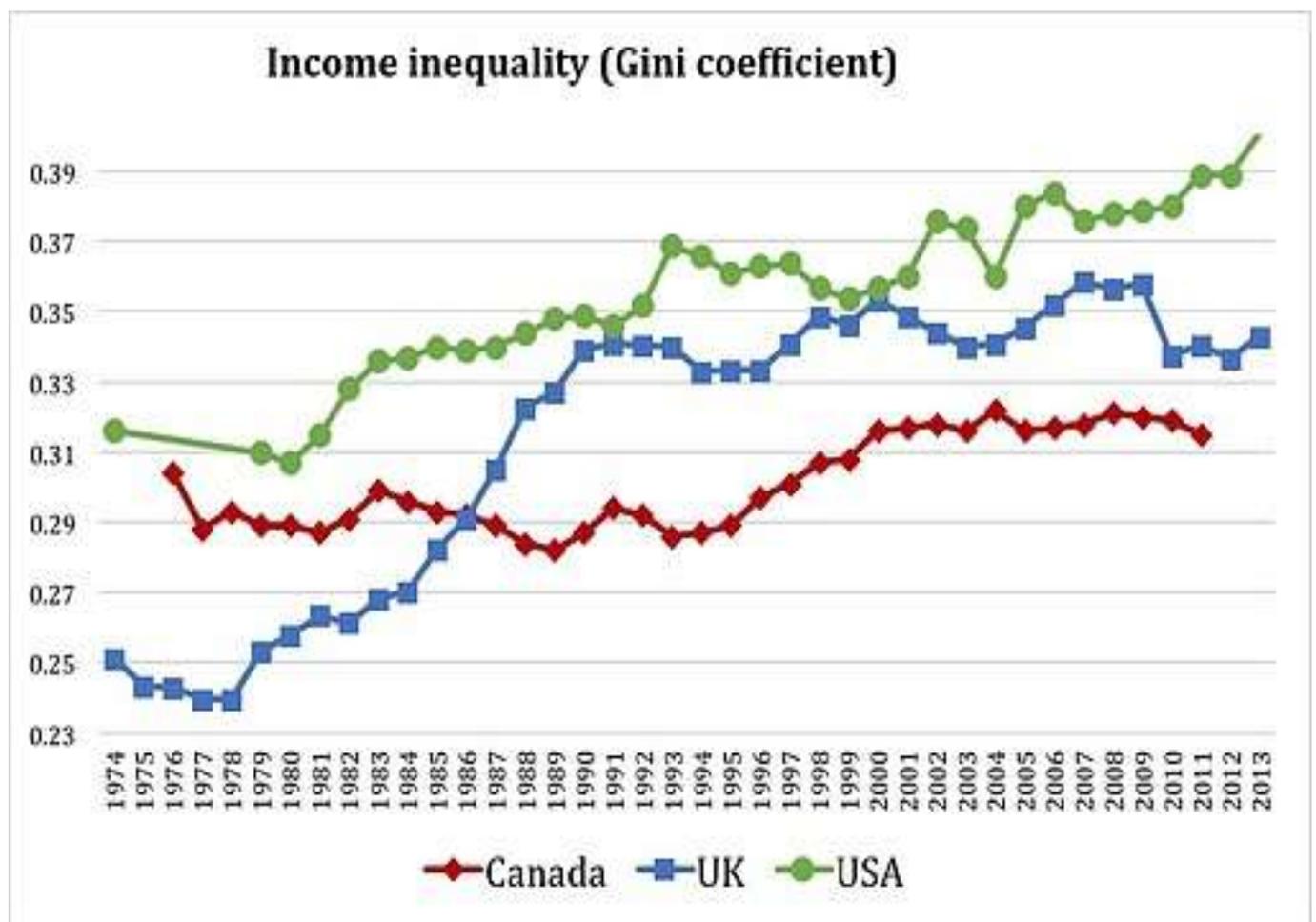
The skill-biased technical change story is an extension of human capital theory. According to the latter, wages are determined by the skill levels of individual workers; according to the former, technology increases the productivity of skilled workers, hence increasing demand for them. Human capital theory suggests the rise in low-wagejobs would be driven by a rise in

low-skill jobs. However, in a recent academic paper I found that from 1960 to 2005, there was a 15 percent decrease in the low-skill job share of total employment.

In short, compared with previous decades, the contemporary American economy has a lower proportion of low-skill jobs yet a higher proportion of low-wage jobs. What gives?.

The US Case

A high corporate profit rate in the 1950s and '60s allowed a class compromise: Capital provided secure jobs, rising real wages and opportunities for training and promotion; labor provided industrial peace and cooperation with management leading to continuous productivity improvements. The class compromise was forged within the corporation.



Source: OECD (Canada and US) and Institute for Fiscal Studies (UK).

Sociologists have shown that there is no single version of economic rationality. Rather, people come to understand their interests through particular ideologies or cultural logics. In the 1950s and '60s, corporate managers understood their business interests to include not simply maximizing shareholder value but also sales growth and market share. The dominant logic of corporate organization was one of vertical integration.

The logic of vertical integration included internalizing employment: the development of internal labor markets and the protection of workers from market forces. As a result, many low-skill jobs in large manufacturing corporations provided security, opportunities for training and promotion, and decent pay through administratively-determined wages (patterned on union contracts in the auto sector).

Vertical integration led to high levels of industry concentration. It has been demonstrated that industry concentration ratios have a remarkably strong negative correlation within inequality, a full -0.8 in the US from 1950 to 2006. Inequality is reduced by high concentration due to the substitution of administrative policies regarding wages for market determination.

However, the profit rate began dropping due to a combination of increasing capital intensity in the economy (pushing the profit rate down) and increasingly high wages associated with the class compromise (cutting into the profit rate). From a postwar high of 26.8 percent in 1951 the corporate profit rate dropped to a low of 9.4 percent in 1982.



Source: BEA data (corporate profit/corporate net capital stock).

Under intensified international competition and a declining profit rate, capital abandoned the class compromise and began to recover profits out of wages. One of the most well-known outcomes of capital's assault on labor was deunionization, which played a central role in rising inequality, the former explaining up to one-fifth of the latter in the US.

Equally important, under the rise of the ideology of shareholder value, the dominant logic of employment became one of externalization. This included outsourcing, downsizing, and lean staffing strategies (which reduced opportunities for training and promotion) along with increased use of part-time and temporary employment.

Most important was a return to the market-determination of wages even for full-time, long-term jobs. This provides an explanation for the increase in low-wage work despite a decrease in low-skill work: under the class compromise, low-skill jobs provided decent wages because they were shielded from market forces. Under the ideology of shareholder value and the logic of employment externalization, market competition now forces the wages of low-skill workers down as far as possible.

A central outcome of these measures has been a steady decline in the wage share of total national GDP (leading to a rise in the profit share) from a high of 59.9 percent in 1970 to just 50.7 percent in 2011. This is behind the partial recovery of the profit rate.

In sum, much of the rise in inequality is the result of class struggle, as capitalists and their managers have attempted to recover profits out of wages. This happens through real people making real decisions – what industries and regions to invest in, how to organize the corporation, how to structure employment contracts – not by the impersonal march of technology.

To be sure, there are structural dynamics driving these decisions – the UK and Canada experienced similar declines and rises in profit rates and employment costs, and engaged in similar responses, though with different timings and magnitudes. Nonetheless, it remains the case the decisions of a small class of capitalists are behind rising inequality and stagnating living standards.

More articles by Matt Vidal: <http://www.counterpunch.org/author/matt-vidal/>

