

Down with downsizing



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More than two years ago, *inCite* carried a column which was highly critical of Australian management's love affair with 'downsizing' — the wholesale shedding of labour. In short, we said downsizing was not efficient.

Since then, the trend has continued. In fact it has gathered speed. With mounting enthusiasm, organisations large and small, both here and overseas, have turned to reductions in staffing as a panacea for their budget difficulties. Increasingly, governments too have joined the rush to sack their staff. ALIA members in all parts of Australia have been caught up in this. Many have lost their jobs, often after long and faithful service. Others have been reduced to part-time jobs, as employers focus more and more on part-time, casual or contract work. Paradoxically, those remaining in full-time jobs have seen their time at work increase as additional unpaid hours become necessary to meet increasing demands upon them.

It is not surprising then to find that many people — especially the young — see the future as bleak. While this is certainly true among workers everywhere, there are, however, small but significant signs of a shift in attitudes among opinion leaders. The most obvious is the spectacularly public about-face from Morgan Stanley chief economist Stephen S Roach, until now the 'high-priest' of downsizing in the United States. After more than a decade spent stridently advocating ruthless labour-shedding as a foolproof way to boost the bottom line without selling more product, Roach says he was wrong. In an interview with Britain's *Independent* newspaper, he now says slash-and-burn restructuring, open-ended downsizing and real wage compression are, in fact, recipes for industrial extinction. Roach now predicts the pendulum will swing back from capital to labour. Companies will have to hire more workers, pay them higher wages and generally treat them much better, he says.

Many are now beginning to see this as an urgent imperative. Foremost among them is the highly influential director of studies at America's Council on Foreign Relations, Ethan B Kapstein. In a major paper ('Workers and the world economy', *Foreign affairs*, Volume 75, N° 3, May/June 1996), Kapstein leaves very little doubt about the implications of the job-market crisis caused by the so-called global economy. He says the whole basis for open economies has always been the assumption that, because overall gains will outweigh losses, winners can compen-

sate losers. This compact has dominated western economies, at least since the Bretton Woods agreements of 1944.

No more is this so, says Kapstein. And because advanced global capitalism is spreading wealth increasingly unfairly, there is a huge challenge, not just to policy-makers but to the fundamentals of modern economic theory. Traditionally, it has been an act of faith that increased trade and investment, together with technological change, would raise productivity and increase wealth. As a result, all would eventually be better off. The last ten years have seen booming international trade and financial activity and huge technological advances. But productivity has, in fact, declined. Unemployment has surged and inequality has worsened sharply.

The challenge is to find policies which turn around these trends to create work for millions of disaffected people. Kapstein argues that if we fail to develop broad-based policies which can help working people we risk collapse of the social fabric and serious souring of the political debate in western countries. Soon, protectionism and xenophobia will come to the fore, with potentially disastrous consequences for both the economy and social cohesion. Already, characters who espouse such populist policies are 'on the campaign trail' in many countries, including this one.

In our 1994 column we found it 'especially depressing' that even as overseas experience was challenging the wisdom of downsizing, Australian managers seemed determined to embrace it. Now, more broadly, we might well express similar disappointment that, just as the world is beginning to see creation of work as critically important, Australia seems determined to head down a road which others show signs of abandoning. And it is salutary to note that analysts like Ethan Kapstein are challenging previous orthodoxy, not from a left-wing ivory tower, but from an organisation funded by the Rockefeller and Ford foundations — in short, from the industrial mainstream.

When such distinguished opinion leaders flatly state 'the current obsession with balanced budgets ... must be replaced by an equally-vigilant focus on growth, equity and the creation of work', perhaps it is time for Australian governments and businesses to listen. If they do not, we may, as Kapstein suggests, be 'moving inexorably toward one of those tragic moments' which produce serious social collapse and leave future historians asking 'Why was nothing done in time?' ■

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