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Sustainability, ethics and work

It is October 2004. Over 2,000 mostly unionised forestry workers from across Tasmania, Australia, have travelled to Launceston to welcome and cheer a political announcement. Some 250 trucks are parked on the edge of the small city. Wearing blue overalls and bright yellow safety gear, workers crowd into a large hall. Others overflow into a nearby park. The announcement they cheer is one made by a conservative prime minister, who is promising to allow timber companies to cut down trees that environmentalists want to save, saving jobs in the forestry industry instead. The unionists wave signs and banners criticising, as lies, the policies of the Labor Party, a party that had been established by the unions a century earlier.[1] At the election weeks later, the government will be returned.

Fast forward 13 years, to the other side of the world. A 'people's climate march' is underway in a number of American cities. The rallies protest government policies dismantling environmental protections and moratoriums on coal leases on public land. Central to organising the marches have been a number of unions. One union had issued a press release warning that 'Working families disproportionately experience high pollution levels by being exposed to environmental hazards both at home and at work'.[2]

1 Annie Guest, 'CFMEU Approves of Howard's Forest Policy'. *PM*, Australian Broadcasting Corporation, 6 October 2004.

2 Larry Rubin, 'Unions Are All in for People's Climate March, April 29'. *People's World*, 10 April 2017, www.peoplesworld.org/article/unions-are-all-in-for-peoples-climate-march-april-29/.

The contrast with the Tasmanian union's action of 2004 could hardly be starker. The Tasmanian unions' actions in prioritising jobs over the environment had been quite characteristic of unions in such times and earlier. By the time of the American marches, demonstrations about climate with heavy union involvement could also be seen in Canada, Australia and across Europe as unions called for a 'just transition' to a low-emission society.[3] By no means has it been a universal transformation across the union movement. In 2019, a key committee of the American peak union body, the AFL-CIO, lobbied against the 'Green New Deal' proposed for debate in the US House of Representatives.[4] Still, there has been a remarkable change in the perspectives key players held about the relationship between jobs and the environment, and about the sustainability and indeed the ethics of previously longstanding practices.

This chapter investigates the meanings of sustainability and ethics. In part, it considers one of the 'mega-drivers of change' in the world of work: climate change. However, the issues of ethics and sustainability go beyond this. This chapter brings together many of the issues we have discussed, under the broad banner of ethics and sustainability. We start with definitions of the concepts, and consider the ways in which the two concepts are related. We then identify several of the ethical issues that are raised by matters we have discussed previously. We look at sustainability issues at the micro, societal and systemic levels. We discuss barriers to sustainability. We consider the nature of the matters that would be addressed by firms and employees adopting sustainable approaches to employment relations within the workplace. We also discuss matters relating to corporate social responsibility (CSR). In doing this we ask, among other things: what are the future effects of climate change on work and productivity? What are the future demands for sustainability and responses to climate change? How are they affecting, and how will they affect, employees?

3 Martin Lukacs, '"Historic" Toronto Climate March Calls for New Economic Vision'. *Guardian*, 7 July 2015, www.theguardian.com/environment/true-north/2015/jul/06/historic-toronto-climate-march-calls-for-new-economic-vision; Ben Doherty and Shalailah Medhora, 'Climate Change Protests across Australia—Tens of Thousands March'. *Guardian*, 29 November 2015, www.theguardian.com/environment/2015/nov/29/climate-change-marches-australia-sydney-canberra-perth-weekend-of-protest; European Trade Union Congress, *ETUC Declaration on the Paris Agreement on Climate Change* (Brussels: ETUC, 15 January 2016), www.etuc.org/en/document/etuc-declaration-paris-agreement-climate-change.

4 Colby Itkowitz, Dino Grandoni, and Jeff Stein, 'AFL-CIO Criticizes Green New Deal, Calling It "Not Achievable or Realistic"'. *Washington Post*, 12 March 2019.

Definitions, timeframes and externalities

Sustainability

Sustainability, it was said, is 'economic development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs'.[5] This definition originated with the United Nations World Commission on Environment and Development (known as the Brundtland Commission) and was later refined by the 1992 UN Commission on Environment and Development.[6] As a definition it is obviously broad, concerning economies as a whole, but the concept of sustainability also relates to individual businesses and can be seen as extending beyond solely environmental considerations. So another way of looking at sustainability of individual activities is to adjust this definition slightly, to indicate it refers to *economic activity that meets present needs without compromising the ability to meet future needs.*

In this context, we also need to remember a point made by Frances Flanagan: 'the process of "sustaining" requires human labour. It means more than simply saying "no" to damaging acts of consumption; it also means saying "yes" to … activities that are positively necessary'.[7] In other words, we should not just ask whether a particular activity is compatible with sustainability, but also what other activities are needed to make for a sustainable society. In the end, the societal-level definition of the Brundtland Commission is the most relevant.

Timeframes and externalities in sustainability

Fundamentally there are two key conflicts that affect questions of sustainability. They relate to timeframes and externalities of actions.

The first is the competition between two logics: that of *short-termism* versus that of *long-termism*. Sustainability requires that actions be undertaken with a focus on the long term, not just the short term. This is fairly self-evident: if actions are undertaken with net short-term benefits to the parties but net long-term costs, then those actions cannot be sustained.

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5 Gro Harlem Brundtland, *Our Common Future: The World Commission on Environment and Development* (Oxford: Oxford University Press, 1987).

6 William R. Blackburn, *The Sustainability Handbook: The Complete Management Guide to Achieving Social, Economic and Environmental Responsibility* (Washington DC: Earthscan, 2007).

7 Frances Flanagan, 'Climate Change and the New Work Order'. *Inside Story*, 28 February 2019, insidestory.org.au/climate-change-and-the-new-work-order/.

But there is more to it than this. The second aspect is the extent to which costs and benefits are *internalised* or *externalised*. Sustainability requires that the costs of transactions be internalised to the parties—that is, the party creating a cost bears the cost, not making someone else incur it—and that the benefits to each party exceed the costs. If this does not occur, and instead some component of costs is externalised (passed onto another, third, party), then overproduction (at least, overproduction of costs) will occur. In response, those external parties who are bearing the externalised costs (the third parties) will eventually seek to reimpose costs onto the transacting parties, making the original arrangement unsustained. Depending on the issue there may ultimately be the potential for systemic collapse.

Not all externalities are negative. Sometimes there may be positive externalities (benefits) from private transactions. For example, if there are societal benefits of higher education—in the form of say greater mutual understanding and social cohesion—then the total benefits may exceed the private benefits, and a positive externality has arisen. If this is the case, then some public subsidy may be warranted (though this is not the only rationale for public subsidy). Our interest for this chapter, however, is in the externalising of costs.

Ethics and sustainability

Ethics means different things to different people. A dictionary will say it is 'of or pertaining to morality' and 'the moral principles by which a person [or group] is guided', while 'moral' in turn refers to matters 'pertaining to the *distinction between right and wrong*'.[8] Clearly, different people will have different views as to what is right and what is wrong, and most people will find ways to define their own actions as constituting 'right'. Still, that does not downplay the importance of identifying ethical considerations in work and organisations.

Liberal market economists often define ethics out of existence by taking the outcome of any free market as ethical and any deviation from that as, by comparison, unethical. It justifies the status quo, or at least

8 Compact Oxford English Dictionary, 1991, 534, 1114, emphasis added, cited in Joanne B. Ciulla, 'Ethics and Leadership Effectiveness'. In *The Nature of Leadership*, ed. John. Antonakis, Anna T. Cianciolo, and Robert J. Sternberg (Thousand Oaks, CA: Sage, 2004).

neo-liberalism. Yet, by most readings, many of the consequences of neo-liberalism[9] (such as poverty and environmental degradation) are unethical. Conscious choices are to be made about what is right and what is wrong.

There is probably no ethical framework that everybody will agree upon, because of differences in interests (rich people will have a different view of what is 'right' from poor people) and personality (authoritarians will have a different view of what is 'right' from people with more 'open' personalities).[10] If you have read this far in the book, however, you probably agree that an ethical society is one that is sustainable and that has some fair distribution of income and opportunity.

While sustainability may not immediately be conceived of as an ethical issue, and these concepts are not the same, a few thoughts will show strong ties.

For one thing, it is simple to argue that it is *unethical behaviour* to impose costs upon a third party that does not benefit (by an amount greater than the costs) from the action concerned. For example, a truck operator who, presumably to save costs, dumped a truckload of asbestos in a street outside childcare centres in an inner city suburb in Sydney[11]—internalising the financial benefits from clearing the rubbish away from a building site, but externalising the substantial costs almost wholly onto the residents and schoolchildren of that suburb—was acting unethically by any standards.

Similarly, focusing on the short term rather than the long term has major implications for intergenerational equity. For example, depleting or polluting a resource, making it unable to be used by future generations, is ethically dubious, especially as it is unlikely that future generations will be compensated for this. In other words, unsustainable behaviour is unethical.

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9 See, for example, Chapter 2.

10 Openness is a term from the psychological literature, and the scale of 'openness', part of the 'five factor model' that has dominated personality research, is a measure of the degree to which a person leans towards or away from authoritarian characteristics. Andrew J. Cooper, Luke D. Smillie, and Philip J. Corr, 'A Confirmatory Factor Analysis of the Mini-IPIP Five-Factor Model Personality Scale'. *Personality and Individual Differences* 48, no. 5 (2010): 688–91; Stephen A. Woods and Sarah E. Hampson, 'Measuring the Big Five with Single Items Using a Bipolar Response Scale'. *European Journal of Personality* 19 (2005): 373–90.

11 Leesha McKenny, '"Absolute Disgrace": Asbestos Dumped Outside Childcare Centres'. *Sydney Morning Herald*, 19 March 2013.

The second aspect of the link between ethics and sustainability is that ongoing relations between parties depend upon trust between the parties, which in turn requires a perception by each party that the other will behave ethically towards them. If employees feel that they can no longer trust management to behave ethically, or management believes that the employees' negotiators cannot be trusted, then it is much more difficult to negotiate an agreement between the two sides, and much more difficult to sustain an ongoing relationship. Resistance, and subsequent overt and covert conflict, are much more likely to occur.[12]

In other words, unethical behaviour is usually unsustainable. Usually—but not always. In the extremes, it need not be the case. Paying workers the highest wages may be ethical but, in terms of surviving market competition, not economically sustainable. Insisting that all economic activities involving carbon emissions immediately halt may be sustainable but not ethical, at least in the eyes of the current generation of workers who could feel it unethical that they suddenly lose their jobs. But such extremes are rare; for example, few proposals for addressing climate change involve immediate halts to carbon emissions—and the push for zero net emissions of carbon by 2050 does not require such immediate halts. (As long ago as 2013 the Australian Energy Market Operator found it would be feasible to operate the Australian energy market with 100 per cent renewable energy.)[13] So ethics and sustainability usually overlap a lot, but they are not the same thing.

Hence, one of the well-used definitions of the principles of sustainability performance by corporations has, as the first of nine items, 'ethics'.[14] Another refers to employment practices that promote personal and professional employee development, diversity and empowerment.

In Chapter 4 we saw how ethical issues have arisen and been handled in relation to artificial intelligence. That chapter highlighted both the importance of ethical considerations and the problems of leaving ethical matters to be resolved voluntarily through consideration by individuals:

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12 This argument was first made by Keshena de Silva in 2014.

13 Tristan Edis, '100% Renewables Is Feasible: AEMO'. *The Australian* (Climate Spectator), 29 April 2013, www.theaustralian.com.au/business/business-spectator/100-renewables-is-feasible-aemo/news-story/4a4df3b317ea8bcb6b594926977d1f0c.

14 Marc J. Epstein and Marie-Josée Roy, 'Improving Sustainability Performance: Specifying, Implementing and Measuring Key Principles'. *Journal of General Management* 29, no. 1 (2003): 15–31, cited in Marc J. Epstein, *Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental and Economic Impacts* (Sheffield: Greenleaf, 2008).

there is an important role for regulation as well. It is not just about AI, however. Ethical issues extend into almost all aspects of current and future work canvassed in this book, even if their ethical implications have been only implied, but not necessarily considered explicitly, in these chapters. For example:

- When management adopts a 'low-trust' or 'high-trust' approach towards employees, is either approach ethically superior to the other?
- Is it ethically appropriate for firms to seek to individualise employment-relations practices when some or many employees would prefer to belong to a trade union?
- Is it ethically correct to seek to impose a monoculture upon employees within an organisation—or should diversity in views and behaviours be permitted or even encouraged?
- Is it ethically correct to make employees behave in ways that go against their personal beliefs, in order to maximise the profits of the corporation?
- What are the ethical dimensions of the use of power? Is it right for a corporation to use its bargaining power against employees? Is it right for employees to combine together into a union and threaten to—or even actually—withdraw their labour from the corporation?
- Is it right that women are paid, on average, less than men, even when hours and qualifications are taken into account? Is it right, or wrong, to seek to change this?
- Is it right that discrimination or even harassment may occur on the basis of gender, ethnicity, disability, chronic illness, age or other matters?
- Is it right that technological change might result in some workers losing their jobs, even if society as a whole has higher living standards? What would constitute fair treatment of them?
- Is it right that nonunion members can free ride on the benefits obtained by unionists? Alternatively, would it be right for nonunionists to be forced to join a union in workplaces where the majority of employees are unionists? How, ethically, can such contradictions be resolved?[15]

15 Examples of efforts to deal with this conundrum are at David Peetz, 'Co-operative Values, Institutions and Free Riding in Australia: Can It Learn from Canada?'. *Relations industrielles/Industrial Relations* 60, no. 4 (2005): 709–36; and Mark Harcourt et al., 'How a Default Union Membership Could Help Reduce Income Inequality'. *The Conversation*, 21 January 2019, theconversation.com/how-a-default-union-membership-could-help-reduce-income-inequality-110021.

- Is it right that democracy often stops when you walk inside the workplace gate? Should employees have a say and, if so, how much of a say in the running of their workplace? Should it be their decision as to whether they resist collectively against managerial decisions they do not like?
- Is it right that employees have to engage in emotional labour? Should they be made to engage in surface acting, 'pretending' certain emotions? Should they be made to in effect change their emotions through deep acting? If so, should they be compensated and, if so, by how much?
- Is it right if employees can be hired and fired 'at will'?
- Is it right to differentiate in pay between different workers according to some 'objective' measure of performance? Or according to some 'subjective' measure of performance?
- How much allowance should employers ethically make for the personal needs of employees? How much allowance should employees make for the profit needs of their employer?

Those are just *some* of the ethical issues we have encountered here. Some of them are matters on which there would probably be little disagreement between readers. For example, few would say that it is acceptable to discriminate in pay on the grounds of gender or to allow harassment at work. Some are matters on which Ethics Committees (which all universities have) would have very clear views (e.g. on the matter of making employees behave in ways that go against their personal beliefs). For example, it is clear that no modern university would give its imprimatur to the Milgram experiments of the 1960s,[16] as they would be considered deeply unethical. Yet as recently as 2010 a French documentary team recreated a related scenario, *Le jeu de la mort* (or 'The Game of Death'), in which TV contestants thought they were applying electric shocks to other contestants, and audience members cheered them on.[17] So, ethical standards vary hugely between universities and the mass media. It is no wonder that a globally popular 'reality' TV show based on 24-hour surveillance of contestants was named *Big Brother*, evoking the alleged evil mastermind in *Nineteen Eighty-Four*.[18] Perhaps that repeated implicit messaging in turn conditioned the seemingly muted response to

16 Stanley Milgram, *Obedience to Authority* (New York: Harper & Row, 1974).
17 Telegraph, 'French Contestants Torture Each Other on TV Game of Death'. *Telegraph* (UK), 17 March 2010 2010.
18 George Orwell, *Nineteen Eighty-Four: A Novel* (Harmondsworth: Penguin, 1949; repr., 1976).

revelations about mass electronic surveillance by the US National Security Agency. If so, it would illustrate something we saw in Chapter 5, that the extent of ethical responsiveness to dissenting ideas is in part a function of exposure to content in the media.

Some other ethical questions raised above, however, are likely to generate more explicit disagreement—for example, positions on performance pay, employee participation or trade unionism. Some of this may be based simply on whether people sympathise with employees or management, or in particular whether their work location directs their sympathies towards one or the other. People's moral frameworks tend to adjust to suit the circumstances in which they find themselves, otherwise they may experience cognitive dissonance.[19] That is, people often have beliefs that are convenient for their situation.

So, many of the above are significant in their own right as ethical issues. But ethical considerations may also affect the success of workplace relations, for example in shaping productivity and sustainable performance. A sense of fairness in the distribution of benefits or power is critical to work.

Forms of sustainability

There are several different forms of sustainability—in effect, sustainability at different levels within social systems. We consider each of these.

Microlevel sustainability: Employees and firms

In workplace relations, the microlevel is normally the level most focused on. The issues here are manyfold. A simple example is that of personal health. Earlier we saw the growth of rotating 12-hour shifts and of drive-in drive-out and fly-in fly-out working arrangements in the mining industry. The Australian Coal and Energy Survey (ACES) indicated the presence of long hours, work–life balance problems and the transfer of the burden of housework onto mineworkers' partners (i.e. costs were being externalised to the partner). That survey additionally showed short-term illnesses were higher among workers who reported no say in their working hours and had a desire to work fewer hours, as well as among those who felt unsafe for various reasons including working night shifts, those who slept badly,

19 Leon Festinger, *A Theory of Cognitive Dissonance* (Stanford, CA: Stanford University Press, 1957).

and those who were dissatisfied with how much free time they had. There were also indications of psychological illness among those who reported no say in their working hours and had a desire to work fewer hours, and among partners who reported that their mineworker spouses were too tired or emotionally exhausted from work.[20]

This tells us that, in examining sustainability at this and other levels, one thing we should consider is the extent to which the costs and benefits are internalised or externalised. Are the benefits of the transaction (the selling of mineral products) being shared principally between the firm and the customer, while the costs are disproportionately imposed on employees? If employees are experiencing adverse health effects, and firms are not engaged in the investment necessary to prevent these adverse health effects, then some of the costs are being externalised to employees. The history of the mining industry is full of examples where inadequate investment in OHS meant that employees paid with their lives—the ultimate form of cost externalisation. We saw this in three successive mine disasters in the central Queensland town of Moura, in 1976, 1984 and 1995, in which 36 people were killed.[21] We saw it more recently in a coal mine explosion, in which 301 miners were killed, in Turkey—a country where each year one in 10 workers in mining and quarrying have an 'occupational accident'.[22] The death toll from coal mining in China is even worse, resulting in the closure of many mines in recent years.[23]

Another recent and tragic example of this approach in a different industry was the collapse in April 2013 of a building containing garment factories (the Rana Plaza) in Bangladesh, leading to the death of 1,127 workers. Eighty per cent of Bangladeshi garment workers are female. The costs of cheap clothing were externalised onto employees, who were ordered to work that day on threat of dismissal (and, in some cases, beatings), despite

20 David Peetz, Georgina Murray, and Olav Muurlink, *Work and Hours Amongst Mining and Energy Workers* (Brisbane: Centre for Work, Organisation and Wellbeing, Griffith University, 2012).
21 Georgina Murray and David Peetz, *Women of the Coal Rushes* (Sydney: UNSW Press, 2010), Chapter 3.
22 Mustafa Sönmez, 'Mining: The Sector with Low Added Value, High Loss of Life'. *Hurriyet Daily News*, 26 May 2014, www.hurriyetdailynews.com/mining-the-sector-with-low-added-value-high-loss-of-life.aspx?PageID=238&NID=66933&NewsCatID=347.
23 Wang Ming-Xiao et al., 'Analysis of National Coal-Mining Accident Data in China, 2001–2008'. *Public Health Reports* 126, no. 2 (2011): 270–75; Reuters, 'China to Speed up Closing Small-Scale Coal Mines to Improve Safety'. Reuters, 12 June 2017.

cracks having previously appeared in the building walls.[24] The benefits were gained by the factory owners and managers, and corporations and customers in the West (possibly including you). Two weeks later, under considerable pressure, the government agreed to let employees establish a trade union without the employer's permission.[25] This may not sound like much of an accomplishment, but previously workers were not permitted to form a trade union without approval of management, and union activists had been beaten and tortured. We return to this incident later on.

A colleague of mine who often travels to Bangladesh says he was very worried about what would happen if a significant earth tremor hit Dhaka. Hundreds of earlier deaths in Bangladesh have been caused by workers being locked behind closed doors in factories that caught fire. One unionist I spoke to told me of a woman who had jumped from a burning factory building, not to save her life (she did not expect to live) but to save her body, so that her family would be able to identify, and bury, her. Astonishingly, she survived. After that fire, labour activists faced the grim task of searching through the wreckage—for labels and receipts, which they found—as otherwise the clothing chains would deny they had ever made use of this building, in a classic case of 'not there' employment.

A high-profile employer in the Third World is Foxconn, with huge factories in China, producing parts for smartphones (probably including the one in your purse or pocket). It plays a key part in the 'not there' employment supply chains of several large phone companies that enable Apple to directly employ barely a tenth of the workers in its supply chain. Foxconn has been characterised by strict management, low wages, worker discontent, explosions and numerous suicides.[26] There are continuing questions as to whether employment conditions in Apple's supply chain are at all improving, and whether factories are being robotised anyway

24 Human Rights Watch, '"Whoever Raises Their Head Suffers the Most": Workers' Rights in Bangladesh's Garment Factories'. Human Rights Watch, www.hrw.org/report/2015/04/22/whoever-raises-their-head-suffers-most/workers-rights-bangladeshs-garment.

25 Jason Burke, 'Bangladesh Eases Trade Union Laws after Factory Building Collapse'. *Guardian*, 13 May 2013, www.guardian.co.uk/world/2013/may/13/bangladesh-trade-union-laws.

26 Mark Anner, 'Corporate Social Responsibility and Freedom of Association Rights: The Precarious Quest for Legitimacy and Control in Global Supply Chains'. *Politics and Society* 40, no. 4 (2012): 609–44; Charles Duhigg and David Barboza, 'In China, Human Costs Are Built into an Ipad'. *New York Times*, 25 January 2012.

and thousands of workers sacked.[27] These questions are asked alongside debates in several countries over the tax paid by large corporations such as Apple.[28] These all raise some interesting ethical issues.

Microlevel costs are not only felt by employees. As suggested, it is not sustainable for employees to continue working in situations that damage their personal lives or physical or psychological health, or maybe that of their partners. As a result, employees resist, and firms will face high labour turnover costs where working arrangements are not sustainable. The Australian mining industry, where firms face unusually high labour turnover despite very high wages, is an example of this individualised resistance to unsustainable employment practices.[29]

Sustainability at the firm level requires other things: for example, the firm must be capable of making a profit, and there must be a 'fair' distribution of benefits. On the former, it is interesting to note that a recent Harvard Business School study indicated that firms that explicitly focused on 'short termism' faced greater risks and financial problems than companies that focused on creating long-term value. Short-termism was measured by researchers' analysing the content of transcripts of company conference calls, and the risks included a higher cost of capital and a lower return on assets. They were also more likely to report very small positive earnings, and to violate loan covenants. One reason was that their investors also adopted like-minded approaches, which led to higher stock-price volatility.[30]

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27 Duncan Jefferies, 'Is Apple Cleaning up Its Act on Labour Rights?'. *Guardian*, 5 March 2014, www.theguardian.com/sustainable-business/apple-act-on-labour-right; Jane Wakefield, 'Foxconn Replaces 60,000 Factory Workers with Robots'. *BBC News*, 25 May 2016, www.bbc.com/news/technology-36376966. Thomas Clarke and Martijn Boersma, The Governance of Global Value Chains: Unresolved Human Rights, Environmental and Ethical Dilemmas in the Apple Supply Chain. *Journal of Business Ethics* 143 (2017): 111–31.

28 Lee Sheppard, 'How Does Apple Avoid Taxes?'. *Forbes*, 28 May 2013, www.forbes.com/sites/leesheppard/2013/05/28/how-does-apple-avoid-taxes/; Simon Santow, 'Google, Apple and Microsoft Deny Tax Avoidance at Senate Inquiry, Labor Says Australians Don't Accept Their Practices Are "Genuine"'. *ABC News Online*, Australian Broadcasting Corporation, 8 April 2015, www.abc.net.au/news/2015-04-08/google-apple-microsoft-deny-tax-avoidance-senate-inquiry/6379024; Michael West, 'Multinationals' Brazen Tax Avoidance'. *Saturday Paper*, 13–19 May 2017.

29 David Peetz and Georgina Murray, '"You Get Really Old, Really Quick": Involuntary Long Hours in the Mining Industry'. *Journal of Industrial Relations* 53, no. 1 (2011): 13–29.

30 Harvard Business School, 'How a Short-Term Strategy Can Backfire'. Strategy + Business, Harvard Business School, 2012, www.strategy-business.com/article/re00191?pg=all, citing Francois Brochet, Maria Loumioti, and George Serafeim, *Short-Termism, Investor Clientele, and Firm Risk*. Harvard Business School Accounting & Management Unit Working Paper No. 12-072 (Cambridge, MA: Harvard Business School, 2012), papers.ssrn.com/sol3/papers.cfm?abstract_id=1999484.

So, short-term focus in profits is inconsistent with long-term growth. Mind you, executive pay schemes that emphasise short-term incentives—and there are many[31]—help drive this behaviour.

It is also plausible (indeed likely) that short-termism among company boards is driven by short-termism among investors—that is, within important parts of finance capital. Regardless of whose short-termism drove the behaviour, it seems that, in the long run, short-termism undermines sustainable profitability.

Societal-level sustainability

Ethical income distributions affect economic sustainability at the societal level. In cross-national analysis, researchers from the International Monetary Fund (an institution long known for its strong support for liberal market policies) in recent years have commented that 'more inequality seems to spell less sustained growth'.[32] They found that reductions in inequality were more important than any other factor (e.g. trade openness or external debt, the latter being of minimal importance) in explaining the duration (i.e. the sustainability) of growth periods.

Aspects of workplace policy also affect sustainability at that level. Incentive schemes in the financial sector were a significant element in the global financial crisis, because of their distorting effect on behaviour.[33] The use of incentive schemes for managers was identified as a reason why the economic performance in Iceland experienced unsustainable procyclical extremes of boom and bust before and during the global financial crisis.[34] This should not surprise us. Incentive schemes in Australia drove a raft of financial misbehaviour so bad that a conservative government was forced to hold a royal commission that disclosed widespread deceit and

31 Ann Tenbrunsel and Jordan Thomas, *The Street, the Bull and the Crisis: A Survey of the US & UK Financial Services Industry* (New York: The University of Notre Dame and Labaton Sucharow LLP, May 2015), www.secwhistleblowerадvocate.com/pdf/Labaton-2015-Survey-report_12.pdf; see also Johnson interviewed in Andrew Robertson, 'ASIC Is Waving a Big Stick at Directors'. *The Business* (Australian Broadcasting Corporation, 2016), 15 April, www.abc.net.au/news/2016-04-15/asic-is-waving-a-big-stick-at-directors/7331522, at 4'23" (link expired).

32 Andrew G. Berg and Jonathan D. Ostry, 'Equality and Efficiency: Is There a Trade-Off between the Two or Do They Go Hand in Hand?'. *Finance and Development* 48, no. 3 (2011): 12–15.

33 David Peetz, Stephane Le Queux, and Ann Frost, 'The Global Financial Crisis and Employment Relations'. In *The Future of Employment Relations: New Paradigms, New Approaches*, ed. Adrian Wilkinson and Keith Townsend (Basingstoke: Palgrave Macmillan, 2011), 193–214.

34 Robert H. Wade and Silla Sigurgeirsdottir, 'Iceland's Rise, Fall, Stabilisation and Beyond'. *Cambridge Journal of Economics* 36 (2012): 127–44.

exploitation of customers and of barely functioning regulators.[35] While incentive payments are often accepted as a matter of faith, particularly in market liberal economics, as promoting good behaviour, in practice they often produce counterproductive results in a wide range of areas including, for example, occupational health and safety.[36]

Systemic sustainability

The biggest and most important level at which sustainability can be considered is the systemic level—the system (often referred to as the global ecosystem) within which society and economy exist. In earlier times we thought about how the actions of firms, in dumping pollution into the environment, were engaged in classic externalising of costs onto local ecosystems and communities. In *The Handmaid's Tale*, there is frequent reference to the 'Colonies', unidentified distant toxic dumps with labour camps to which noncompliant women were sent. Since that was written, concern has grown to cover the impact of rising carbon dioxide emissions upon the global environment and global society. It is not just people in former colonies who are threatened by the toxicity of those emissions to the planet.

The peer-reviewed evidence overwhelmingly shows that growing carbon dioxide emissions are leading to dangerously rising sea levels and severe consequences for ecosystems, forestry, agriculture, energy consumption, water resources and human mortality unless major changes occur in economic behaviour.[37] If anything, the situation is worse than previously

35 Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry, *Final Report* (Canberra: Australian Government, February 2019).

36 Andrew Hopkins and Sarah Maslen, *Risky Rewards: How Company Bonuses Affect Safety* (Farnham, UK: Ashgate, 2015), 28. They cite Richard E. Fairfax (Deputy Assistant Secretary), 'Employer Safety Incentive and Disincentive Policies and Practices'. Occupational Safety and Health Administration, Memorandum for Regional Administrators, Whistleblower Program Administrators (Washington DC: US Department of Labor, 2012), 12 March. See also Michael Quinlan, Philip Bohle, and Felicity Lamm, *Managing Occupational Health and Safety: A Multidisciplinary Approach* (Palgrave Macmillan, 2010).

37 M. Diesendorf, 'Climate Change and the Economy'. In *Readings in Political Economy: Economics as a Social Science*, ed. George Arygous and Frank Stilwell (Melbourne: Pluto Press, 2010), 15–18; Derek S. Arndt, Molly O. Baringer, and Michael R. Johnson, 'State of the Climate in 2009'. *Bulletin of the American Meteorological Society* 91, no. 7 (2010): S1–S224; Intergovernmental Panel on Climate Change, 'Summary for Policymakers'. In *Global Warming of 1.5°C*. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, edited by V. Masson-Delmotte et al. (Geneva: World Meteorological Organization, 2018).

thought, because scientists appear to have a 'bias towards underestimation' of the effects of climate change on sea levels, the polar caps and methane emissions from thawing permafrost and lakes.[38] What seemed like alarmist predictions at the time turned out to be overly cautious.

Apart from the above implications for the societies in which corporations trade, there are also more direct implications for employment relations. For example, as labour productivity is reduced during periods of high humidity, research published in *Nature Climate Change* indicates that labour productivity will be damaged in many countries as a result of climate change.[39] The impact on productivity, for people not experiencing the increasingly expensive benefits of air-conditioning, will be quite substantial, especially for people in warmer or mid-latitude climates. This is one of many indicators that it is much cheaper to deal with climate change now than to wait until some date in the future.

It is largely in response to these global threats, and to other related concerns, that corporate literature and rhetoric increasingly refers to sustainable development, to the need for a 'green firm' responding to the 'sustainability imperative', and to a 'triple bottom line' encompassing social, environmental and financial matters.[40]

Barriers to sustainability

Why isn't more happening? The fundamental barrier to sustainability is the logic of the economic system. Liberal market economist Milton Friedman claimed that the firm has no social responsibilities other than

38 Katharine Hayhoe and Robert E. Kopp, 'What Surprises Lurk within the Climate System?'. *Environmental Research Letters* 11, no. 12 (2016): 1–3; Martin Wik et al., 'Biased Sampling of Methane Release from Northern Lakes: A Problem for Extrapolation'. *Geophysical Research Letters* 43, no. 3 (2016): 1256–62; Chris Hope and Kevin Schaefer, 'Economic Impacts of Carbon Dioxide and Methane Released from Thawing Permafrost'. *Nature Climate Change* 6 (2016): 56–9.

39 Charis Palmer and Sunanda Creagh, 'Climate Change Linked to Declines in Labour Productivity'. *The Conversation*, 25 February 2013, theconversation.com/climate-change-linked-to-declines-in-labour-productivity-12407, citing John P. Dunne, Ronald J. Stouffer, and Jasmin G. John, 'Reductions in Labour Capacity from Heat Stress under Climate Warming'. *Nature Climate Change* 3 (2013): 563–6.

40 Dallas M. Cowan et al., 'A Cross-Sectoral Analysis of Reported Corporate Environmental and Sustainability Practices'. *Regulatory Toxicology and Pharmacology* 58, no. 3 (2010): 524–38; David A. Lubin and Daniel C. Esty, 'The Big Idea: The Sustainability Imperative'. *Harvard Business Review*, May 2010, 42–50, hbr.org/2010/05/the-sustainability-imperative; Daniel C. Esty and Andrew Winstone, *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value and Build Competitive Advantage* (New Haven: Yale University Press, 2006).

to itself: 'the social responsibility of business is to increase its profits'.[41] As Joel Bakan argued in *The Corporation*, corporate decision-makers must always:

> act in the best interests of the corporation, and hence its owners. The law forbids any other motivation for their actions, whether to assist workers, improve the environment or help consumers save money … As corporate officials … they have no legal authority to pursue such goals as ends in themselves—only as means to serve the corporation's own interests, which generally means to maximise the wealth of its shareholders.[42]

Both writers, posed at opposite ends of the political spectrum, echo Marx's view that the actions of a capitalist do not 'depend on the good or ill will of the individual', because 'competition brings out the inherent laws of capitalist production' as if they were 'external coercive laws having power over every individual capitalist'.[43] Bakan, as a lawyer, focuses on the situation regarding formal legal obligations, which may vary between jurisdictions, and maximising profit need not be seen as always acting in the best interests of shareholders. As a comment on the logic of capital, however, his remarks have considerable validity. In *The Corporation*, Bakan seeks to point to numerous examples, from the failure of Enron to the privatisation of water in Bolivia, where corporations, in pursuing a single, profit-maximising objective, have shown callous unconcern for the feelings of others, incapacity to maintain existing relationships, reckless disregard for the safety of others, deceitfulness, incapacity to experience guilt and failure to conform to social norms regarding lawful behaviour. He argues that, if the corporation were a natural person, these attributes would (on a standard World Health Organization personality checklist) lead to that person being diagnosed as a 'psychopath'. This is a very different image to that of the utopian free market in which buyers and sellers, individually pursuing self-interest, collectively produce the best possible outcome. But it does better to explain why, around three decades after the Bhopal disaster in India, Dow Chemical, the owner of the corporation whose factory exploded and killed over 10,000 people with hundreds of thousands harmed, still declined to clean up the area contaminated by the

41 Milton Friedman, 'The Social Responsibility of Business Is to Increase Its Profits'. *New York Times Magazine*, 13 September 1970.

42 Joel Bakan, *The Corporation: The Pathological Pursuit of Profit and Power* (London: Constable & Robertson, 2004).

43 Karl Marx, *Capital, Volume 1* (London: The Electric Book Company, 1887; repr., 1998), 389.

explosion.[44] For all we know, the vast majority of shareholders in Dow may believe this to be a tragic situation, but the corporation does not behave as if it does.[45] Thus the corporation is to Bakan 'an externalising machine',[46] something that is inherently incompatible with sustainability.

Added to this, since the 1980s, have been the effects of financialisation, which 'transforms the functioning of economic systems at both the macro and micro levels'.[47] Ownership of large corporations has shifted from families and individuals to finance capital.[48] Finance capital is more mobile and the costs of entry and exit are lower than for family capitalists. This has implications for workplace relations, more so when there are alternative opportunities for finance capital to make high profits via 'accumulation by dispossession'.[49] Economic blogger Peter Dorman recently commented:

> One consequence of a longer-term orientation is an incentive for greater investment, and an important venue for this investment is the enterprise's workforce. A high-investment personnel strategy is one in which more resources are devoted to cultivating human capital and worker attachment to the firm. The latter is fostered through internal labor markets, rent-sharing and a more favorable, or at least less resistant, attitude toward worker voice … Financialization is linked to inequality and greater precariousness of work because there is little incentive to expend resources in the present to capture the return to investments in the workforce that materialize (uncertainly) well into the future.[50]

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44 Amnesty International, *28 Years Later, Women in Bhopal Still Waiting for Justice* (New York: 3 December 2012), www.amnestyusa.org/news/news-item/28-years-later-women-in-bhopal-still-waiting-for-justice.

45 David Peetz, *Brave New Workplace: How Individual Contracts Are Changing Our Jobs* (Sydney: Allen & Unwin, 2006).

46 Bakan, *Corporation*, Chapter 3.

47 Thomas I. Palley, 'Financialization: What It Is and Why It Matters'. Working Paper No. 525 (Annandale-on-Hudson, NY: Levy Economics Institute, 2007), papers.ssrn.com/sol3/papers.cfm?abstract_id=1077923.

48 David Peetz and Georgina Murray, 'The Financialisation of Global Corporate Ownership'. In *Financial Elites and Transnational Business: Who Rules the World?*, ed. Georgina Murray and John Scott (Cheltenham: Edward Elgar, 2012).

49 Discussed in Chapter 2. See David Harvey, 'The "New" Imperialism: Accumulation by Dispossession', Socialist Register 40 (2004): 63–87; David Harvey, The New Imperialism (Oxford: Oxford University Press, 2003).

50 Peter Dorman, 'Financialization and the Incredible Shrinking Time Horizon'. Econospeak, 2013, econospeak.blogspot.com.au/2013/05/financialization-and-incredible.html.

This also has implications for global sustainability. The climate crisis should be seen in the context of conflicting capitalist visions; between, on the one hand, those focusing on short-term profit, increasingly associated with the 'financialisation' of modern economies, and, on the other hand, those focusing on long-term considerations, accounting for sustainability.[51]

There are other barriers to global sustainability of course. Lobbyists, using the same tactics (and partly the same personnel) that tobacco companies used to confuse or discredit the science on smoking,[52] along with some major media corporations and a spread of blog sites, give the impression that there is debate within the scientific community on the existence of anthropogenic global warming. In fact, over 97 per cent of climate scientists recognise the reality of human-made climate change.[53] Studies have used a variety of methodologies to come to similar conclusions about the climate. Yet the muddying of the water has affected public opinion and severely restricted governments' willingness to take action. Among the broader public, understanding is hampered by people's unfamiliarity with the studies, frequent exposure to counter-ideas from those with an interest in continuing carbon emissions, and the cognitive dissonance that leads people to often reject evidence that runs counter to their own theories and ideologies and to welcome evidence that supports their belief systems. In the case of climate change, where the evidence is overwhelming, the selective use of evidence and failure to take account of the totality of the evidence is known as 'cherry-picking'. As one mistruth is exposed, another rises to take its place. (It was common, for example, for climate

51 David Peetz and Georgina Murray, *Global Wellbeing and Climate-Interested Investors' Motives*. Working Paper (Brisbane: Centre for Work, Organisation and Wellbeing, Griffith University, 2013), www.griffith.edu.au/__data/assets/pdf_file/0012/569559/Global-wellbeing-and-investors-motives-Peetz,-Murray.pdf.

52 Naomi Oreskes and Erik Conway, *Merchants of Doubt: How a Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Global Warming* (London: Bloomsbury, 2010).

53 John Cook et al., 'Quantifying the Consensus on Anthropogenic Global Warming in the Scientific Literature'. *Environmental Research Letters* 8, no. 2 (2013), iopscience.iop.org/article/10.1088/1748-9326/8/2/024024/pdf; see also Kyle Hill, 'The Overwhelming Odds of Climate Change'. *Scientific American: Blogs* (20 May 2013), blogs.scientificamerican.com/overthinking-it/2013/05/20/the-overwhelming-odds-of-climate-change/; James Powell, 'The State of Climate Science: A Thorough Review of the Scientific Literature on Global Warming' (Science Progress, Center for American Progress, 2012), scienceprogress.org/2012/11/27479/.

denialists to argue that the world has been cooling since 1998.[54] Now the nine hottest years in recorded history have been since 2004,[55] so this myth has been put away, and others created to take its place.)[56]

There is, however, an important difference between achieving consensus on action on global sustainability and action on sustainability in employment relations. In the long run, it is not in the interests of capital—even finance capital—to create an uninhabitable planet. So in essence the conflict is one between those parts of capital and the state with a short-term perspective, and those with a long-term perspective ('patient capital'). The former are, in effect, extracting value from the latter. On this matter, the interests of labour are not in conflict with those of the latter group.

On employment relations, though, the conflict of interest between labour and capital—over how the benefits will be distributed—is fundamental and in some ways irreconcilable. Yet at the same time, as we know, there are also core overlaps in interest—each needs the other to survive. So achieving sustainability in employment relations will always be a form of compromise, and one in which the parameters will likely never be fully resolved.

Corporate social responsibility

A concept closely related to questions of ethics and sustainability is that of 'corporate social responsibility' (CSR). It is an idea that prompted Friedman's riposte mentioned above, that the only social responsibility a corporation has is to its profits. There are a wide range of definitions and concepts behind this label, making a single definition controversial but 'at the heart of many of the differing definitions of CSR is a commitment from companies to produce some sort of social or environmental benefit,

54 Michael Mann, *The Hockey Stick and the Climate Wars: Dispatches from the Front Lines* (New York: Columbia University Press, 2012).

55 Climate Central, 'The 10 Hottest Global Years on Record', *Climate Central*, 6 February 2019, www.climatecentral.org/gallery/graphics/the-10-hottest-global-years-on-record.

56 Skeptical Science, 'Global Warming and Climate Change Myths', *Skeptical Science*, 2019, skepticalscience.com/argument.php.

which goes beyond merely the basic compliance with the law'.[57] Citing Blowfield and Frynas,[58] Burchell refers to three key aspects of this 'umbrella' approach, being that corporations have responsibilities:

- for their impact on society and the natural environment, beyond compliance with the law;
- for behaviour of those with whom they deal (e.g. within supply chains);
- to manage their relations to wider society, either to add value to the business or to society.

The proposition that corporations would engage in CSR activities for reasons other than adding value to the business runs counter to the idea that profit maximisation is the sole purpose of the corporation (seen as embedded in the law in some countries, and in the writings of Friedman and Bakan). There are two possible ways for observers and policy-makers to reconcile these perspectives.

The first is to believe that the form of corporate behaviour varies according to their institutional environment and that these differ between nation states. There is a literature based around the notion of 'varieties of capitalism',[59] which distinguishes between 'liberal market economies' (LMEs) such as the USA and UK and 'coordinated market economies' (CMEs) such as those in Scandinavian countries, Germany and Japan. In addition, patterns of corporate ownership appear to differ between these 'varieties'. For example, in many large German companies the largest, dominant shareholdings are by individuals, families or other small groupings, whereas in the USA the largest shareholdings are by banks and other forms of finance capital.[60] Thus financialisation is much more important, to date, in the USA than in Germany. Financialisation in turn emphasises maximisation of short-term returns. It encourages profit as the sole criterion for corporate behaviour and promotes short-termism. Inequality is higher in the USA: American firms on average are less sympathetic to employee interests and unions than European-based

57 Jon Burchell, 'Just What Should Business Be Responsible For? Understanding the Concept of CSR'. In *The Corporate Social Responsibility Reader*, ed. Jon Burchell (Oxford: Routledge, 2008).

58 Michael Blowfield and Jedrzej George Frynas, 'Setting New Agendas: Critical Perspectives on Corporate Social Responsibility in the Developing World'. *International Affairs* 81, no. 3 (2005): 499–513.

59 Peter A. Hall and David W. Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

60 David Peetz, Georgina Murray, and Werner Nienhüser, 'The New Structuring of Corporate Ownership'. *Globalizations* 10, no. 5 (2013): 711–30.

firms (union density in the USA is among the lowest in the OECD), and European firms tend to show greater willingness to adopt sustainability principles in relation to the environment.[61] So, perhaps the Bakan/Friedman perspective is more about LMEs than CMEs. Perhaps.

The alternative response is to believe that the profit-maximising objective is not just a result of any nation's particular corporate laws but is fundamental to the nature of the corporation as a collective of capital. That is, the logic of capitalism means that capitalists behave this way as if the law made them do so.[62] If this is the case, then as firms seek to maximise profit the only way to ensure that firms engage in socially responsible behaviour is to change the legal/institutional framework to make it mandatory. If there are differences between how corporations behave in LMEs and CMEs, it is because the laws force them to behave differently. In the short term, a CEO or senior manager of a corporation, acting individually or as a group, may exercise agency and be able to pursue some CSR objectives; but in the long run this runs up against the financialised logic of capital and is only sustainable if the law requires them to act this way.

Companies engaged in CSR will typically produce voluntary reports on their CSR activities. Most large corporations will do this, for the public relations benefits. Some may have deeper, more genuine engagements. These reports take many formats, but the Netherlands-based Global Reporting Initiative (GRI) provides a common framework. One recent critique argued that 'sustainability reporting does not currently meet the needs of stakeholders interested in the labour practices performance of Australian companies'.[63]

Finance and industry associations

The United Nations (UN) became directly involved in attempting to promote CSR, and several years ago helped set up, through seed funding, the UN Principles for Responsible Investment (PRI). This was a UN-backed (but member-financed) 'network of international investors' and other corporations willing to agree to six key principles on environmental,

61 Asset Owners Disclosure Project, *AODP Global Climate 500 Asset Owners Index 2017* (Sydney: AODP, 2017), aodproject.net/wp-content/uploads/2017/04/AODP-GLOBAL-INDEX-REPORT-2017_FINAL_VIEW.pdf.

62 Marx, *Capital, Volume 1*, 389.

63 Banarra Consulting, *2010 Labour Practices in Sustainability Reporting—a Review* (Sydney: Report for the Construction, Forestry, Mining and Energy Union, Mining and Energy Division, 2010).

social and governance (ESG) issues. It aimed 'to help investors integrate the consideration [of ESG] issues into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries'.[64] Based in London, it promoted 'evidence that ESG issues can be material to performance of portfolios, particularly over the long term'. It had 1,484 signatories who were either investors or asset managers in May 2017, plus 223 'professional service partner' signatories.

There are several other privately established institutions designed to promote investment more specifically in climate-friendly activities. It appears that, even in a financialising world, climate-interested (long-term focused) investors are able to successfully pressure large transnational corporations to adopt at least some carbon-friendly actions,[65] so it is possible that pressure on corporations to engage in CSR behaviours may arise not only from workers and NGOs but also from elements of finance capital focused on longer-term issues (i.e. 'patient' capital).

On the other hand, industry associations may act in the opposite direction. Data drawn from Influence Map (a UK-based nonprofit organisation) suggest major discrepancies between the positions of target corporations, and of industry or trade associations representing them.[66] This is also evident within specific industries, such as oil.[67] Perhaps this is because the associations' behaviour becomes responsive to and dominated by the target corporations with the most to lose from responding to the climate crisis; or they take on an ideological role within capital; or the behaviour of the industry or trade associations is a better reflection of the genuine interests and preferences of target corporations (whose public statements might not be taken at face value). There are major benefits for

64 United Nations Principles for Responsible Investment, 'FAQs' (UNPRI, 2013), www.unpri.org/about-pri/faqs/ (site discontinued).

65 David Peetz and Georgina Murray, 'Financialization of Corporate Ownership and Implications for the Potential for Climate Action'. In *Institutional Investors' Power to Change Corporate Behavior: International Perspectives, Critical Studies on Corporate Responsibility, Governance and Sustainability*, ed. Suzanne Young and Stephen Gates (Bingley, UK: Emerald, 2013), 99–125.

66 David Peetz et al., *Corporations, Their Associations, and Climate Action* (Canberra: Association of Industrial Relations Academics of Australia and New Zealand/SSRN, 2017), papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=589529.

67 Ibid.; Elysse Morgan, 'Woodside Boss Peter Coleman Calls for Australia to Introduce a Carbon Price'. *ABC News*, 13 November 2018, www.abc.net.au/news/2018-11-14/woodside-ceo-peter-coleman-argues-for-carbon-price/10494026.

corporations in 'distancing' accountability[68]—it is the same philosophy behind the 'not there' employment model. Interesting comparisons can also be drawn with employer associations in industrial relations.[69]

Pressures from finance capital are more likely to relate to climate sustainability issues than to labour issues, as the latter still tend to throw up questions about the conflict of interest between labour and capital, whereas the long-term survival of the planet is in the interests of both. That said, managers of workers' pension funds[70] have been criticised for themselves adopting too short-term a focus.[71] Yet short-term financial returns in one year typically do not correlate with returns the next year anyway.[72] To the extent that pension funds represent the interests of (retired or retiring) workers, a sustained longer-term focus by them may have implications for corporate labour relations behaviour as well. Others argue that workers' pension funds should not concern themselves with these issues, and indeed that worker involvement in pension fund boards reduces returns to members. However, evidence indicates institutionalised workers' pressure probably increases financial returns, most likely because it reduces opportunities for rent-seeking behaviour by financiers involved in pension funds.[73]

Indeed, it is possible that the 'tide is turning'. A recent report by the Asset Owners Disclosure Project (AODP) described 'a fundamental power shift … from short-termers to long-termers'.[74] That the financial industry has been slow, even reluctant, to fund the Adani Carmichael mine in central

68 David Peetz, 'Why Establish Non-Representative Organisations? Rethinking the Role, Form and Target of Think Tanks'. In *Think Tanks: Key Spaces in the Global Structure of Power*, ed. Alejandra Salas-Porras and Georgina Murray (New York: Palgrave Macmillan, 2017).

69 Peetz et al., *Corporations, Their Associations, and Climate Action*.

70 The equivalent in Australia is superannuation funds.

71 Trades Union Congress, *Investment Chains: Addressing Corporate and Investor Short-Termism* (London: TUC, 2006).

72 Daniel Kahneman, 'The Surety of Fools (Don't Blink! The Hazards of Confidence)'. *New York Times*, 19 October 2011, MM30; Christopher B. Philips, 'The Case for Indexing'. Vanguard Research (Valley Forge, PA: The Vanguard Group, 2011), personal.vanguard.com/pdf/icrpi.pdf; Richard E. Ferri, *The Power of Passive Investing* (Hoboken, NJ: Wiley, 2010).

73 David Peetz, *The Relationship between Collective Representation and National Pension Fund Outcomes* (Melbourne: Industry Super, January 2019).

74 Asset Owners Disclosure Project, *Active Ownership* (Sydney: AODP, 2017), aodproject.net/active-ownership/.

Queensland is possibly one example of that phenomenon.[75] It also seems from anecdotal discussions that the interest of Australian superannuation funds in these issues is increasing,[76] but there is still a long way to go before workers' pension funds give primacy to the long-term sustainability of the planet on which all economic activity occurs.

There are several potential reasons for this shift, besides the changing economics of renewable technology, the worsening climate outlook and shifting policies in countries like China and India. New tools are being developed to enable investors to quantify the impact of climate on their investments. In financial circles, the more things can be counted, the more they count. Pension funds need to invest over long periods of time, and so are now forced to invest with climate change in mind. They cannot afford to have 'stranded assets' on their books. There is a rational reason, within the logic of finance capital, for this rethinking.

Reinsurers—essentially large firms that provide insurance for insurance companies—face the same issue. They need to minimise exposure to extreme weather events, which are increasingly influenced by climate change. Indeed one, Munich Re, funded the early climate change research.[77] Some worry that, after 2050, extreme weather events could become so abrupt and severe as to be 'uninsurable'.[78] Fund managers are creating financial products to enable investment in climate change adaptation. And some investors are taking more control over their investments, rather than leaving them in the hands of fund managers, so they can give appropriate priority to climate issues.[79]

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75 David Peetz and Georgina Murray, 'The Government Is Swimming against the Tide on Westpac's Adani Decision'. *The Conversation*, 3 May 2017, theconversation.com/the-government-is-swimming-against-the-tide-on-westpacs-adani-decision-76950. At time of writing, the proposed project had been reduced to less than half the announced size and was to be 'self-financed' (as still no financial institution would support it), if it ever goes ahead. John Quiggin, 'Adani's Rail Line Cut Shows Project Is on Life Support but Still a Threat to Climate'. *Guardian*, 15 September 2018, www.theguardian.com/environment/commentisfree/2018/sep/16/adanis-rail-line-cut-shows-project-is-on-life-support-but-still-a-threat-to-climate.

76 From discussions with the author.

77 Jeffrey Ball, 'Who Will Pay for Climate Change?'. *New Republic*, 3 November 2015, newrepublic.com/article/123212/who-will-pay-climate-change.

78 Ibid.; Jason Murphy, 'Climate Change Could Make the World "Uninsurable"'. *Crikey*, 14 March 2019, www.crikey.com.au/2019/03/14/climate-change-could-make-the-world-uninsurable/.

79 Asset Owners Disclosure Project, *Active Ownership*; Georgina Murray and David Peetz, 'Financial Markets, Climate Change, and Paradoxes of Coordination and Intervention'. *Perspectives on Global Development and Technology* 15, no. 5 (2016): 455–79; Celine Herweijer, N. Patmore, and R. Muir-Wood, 'Catastrophe Risk Models as a New Tool to Investigate the Financial Risks Associated with Climate Change Impacts and Cost-Benefits of Adaptation'. *IOP Conference Series: Earth and Environmental Science* 6 (2009), doi.org/10.1088/1755-1307/6/9/392021; Glenn W. Laper, 'Lombard Odier Launches Climate Bond Fund with AIM'. *NordSIP* (Nordic Sustainable Investment Platform), 6 March 2017, nordsip.com/2017/03/06/lombard-odier-launches-climate-bond-fund-with-aim/.

This is not to say that financiers around the world are responding uniformly to climate issues. Nor has finance uniformly abandoned short-termism. 'Climate-interested investors' currently account for no more than a third of the ownership of the world's very large corporations, and quite a bit less than that using stricter definitions.[80] However, as renewable energy becomes cheaper, inexorably widening the gap with the cost of carbon-fuelled energy, and the externalities of the latter become priced into costs faced by producers, financiers will increasingly behave *as if* they cared about sustainability. Whether that is enough for the planet is, however, another matter—without widespread carbon pricing, it is almost certainly not.

Workers, sustainability and a 'just transition'

Some environmental groups seek negative economic growth to resolve the conflict between the economy and the environment. Yet this is a politically and probably a socially impossible approach: there is no currently known economic system in which negative growth would lead to anything but higher unemployment. Negative growth could not be achieved by a reduction in labour productivity, as the logic of technological change is to increase labour productivity. The only possible route to lower productivity would be substantial reductions in hourly wages, so that capital-intensive technology is discarded in favour of less productive, labour-intensive technology. Such large wage cuts or job losses—that is, a recession—would be unacceptable to trade unions and to voters. They would likely also lead to a right-wing backlash, potentially violent, targeting migrants or other minorities for taking some of the few jobs that remain, and dismantling the prospects of sustained action on climate change. Nor would negative financial returns be accepted by finance capital.

An alternative to wage cuts or job losses would be major cuts in working hours while hourly wages were kept stable. This, too, would lead to major reductions in weekly incomes and hence major resistance. Moreover, while the idea that we could reduce working hours to share the burden may be noble, it fails to account for how the capitalist economy works. As we saw in Chapter 3, reduced working hours did not happen following the expected wave of technological change after the 1970s, counter to predictions from

80 Peetz and Murray, 'Financialization of Corporate Ownership'.

that decade.[81] Perhaps over the very long term a social compromise can be reached in which slower or negative growth is accepted in return for cuts in working hours and weekly incomes, and for the regulated imposition of a maximum number of working hours for all people—perhaps with state-guaranteed minimum incomes and state-enforced maximum incomes. There is debate about moving from a 'linear' to a 'circular economy', in which there is a lower level of activity and resources are not ultimately wasted but systematically reused.[82] However, we are a long way from that point and the planet does not have enough time to wait.

In the meantime, can a compromise be found between environmental and labour interests—between the planet and jobs? If carbon emissions are not to be minimised through a reduction in gross domestic product, then it requires a very large reduction in *carbon intensity* (the amount of carbon emissions used in producing a unit of GDP). Recycling, enforced by regulation (not just individual voluntary decisions) is a step towards that, but just a small one.

Large changes in relative prices are central to achieving a major change in carbon intensity. Some of these have already happened: the price of solar panels, at US$101.65 per watt in 1975, was just US$0.61 in 2015; so annual global installations of solar capacity rose from 2 MW in 1975 to 64,892 MW in 2015.[83] Wind energy prices have also fallen, while battery storage has recently moved from a theoretical nicety to economic viability, with a large 2017 battery installation in South Australia rendering irrelevant most of the debate about the intermittency of renewable electricity.[84] Favourable shifts in prices have been assisted by technological developments that have responded to well-known needs, but not all new technologies are helpful: because of the electricity used in complex calculations across multiple high-end computers, the trade in Bitcoin, a speculative cryptocurrency reliant on blockchain technology, consumes approximately as much energy as Ireland.[85]

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81 See Chapter 3.

82 Teresa Domenech, 'Explainer: What Is a Circular Economy?'. *The Conversation*, 25 July 2014, theconversation.com/explainer-what-is-a-circular-economy-29666.

83 Michael Graham Richard, 'This Striking Chart Shows Why Solar Power Will Take over the World'. *Treehugger*, 15 April 2015, www.treehugger.com/renewable-energy/striking-chart-showing-solar-power-will-take-over-world.html.

84 Kyree Leary, 'Elon Musk's Huge Battery in South Australia Made $1 Million in Profit in Just a Few Days'. *Science Alert*, 25 January 2018, www.sciencealert.com/south-australia-tesla-battery-earns-million-neoen-company.

85 The Economist, 'Why Bitcoin Uses So Much Energy'. *The Economist*, 9 July 2018, www.economist.com/the-economist-explains/2018/07/09/why-bitcoin-uses-so-much-energy.

While changes in market prices make new coal-fired power plants economically unviable, we cannot expect the market to solve the climate crisis. After all, the failure of the market over two centuries to incorporate externalities into resource pricing caused the crisis in the first place. A high carbon price—some have suggested over US$100 per tonne[86]—will also be needed to drive a redirection of economic activity to low-emission behaviour. Perhaps ideally, a scientifically informed estimate would be made of what level of carbon the environment can absorb, and the market would then set a price for that quantity. This was the theory behind an emissions trading scheme ('cap and trade'), which operates in a number of jurisdictions, though various exemptions or special arrangements can undermine the policy logic.

Government intervention need not be restricted to the pricing of externalities. Most governments seek to actively subsidise certain forms of renewable energy or recycling. Although, in terms of economic theory, a pure model of emissions trading would render such subsidies unnecessary, in practice emissions trading has been far from pure and carbon pricing would be well supplemented by such interventions anyway. Carbon pricing leads to higher consumer prices, including of electricity, but the Australian Government's attempts to offset these higher prices through fiscal compensation reaped little in the way of political benefits. Polls suggested that voters preferred the revenue raised by carbon pricing be used to subsidise renewable energy anyway,[87] and supported action to address climate change.[88] It seems that the best way of dealing with political opposition to carbon pricing is not to offer compensation but to address the core issues, gaining the support of unions, many workers and parts of capital.

In practice, setting a carbon price may be administratively cleaner than setting a quantity. In discussions with climate-interested investors within finance capital, carbon pricing seems more of a focus for action than the tradability of emissions. While both carbon pricing and emissions trading are unambiguously liberal market solutions to a clear market failure,

86 In an interview with the author.

87 Matthew J. Kotchen, Zachary M. Turk, and Anthony A. Leiserowitz, 'Public Willingness to Pay for a US Carbon Tax and Preferences for Spending the Revenue'. *Environmental Research Letters* 12, no. 9 (2017), iopscience.iop.org/article/10.1088/1748-9326/aa822a/pdf.

88 David Peetz and Georgina Murray, 'Class, Attitudes and Climate Change'. In *Public Opinion, Campaign Politics and Media Audiences: New Perspectives on Australian Politics*, ed. Bridget Griffen-Foley and Sean R. Scalmer (Melbourne: Melbourne University Press, 2017).

probably the strongest opposition has come from those associated with the party of capital in the most neo-liberal industrialised economy in the world (the USA), illustrating the limits of market liberal ideals amidst the reality of neo-liberal policy regimes.

As mentioned, major changes in economic structures can lead to major problems of structural unemployment, and hence a need for substantial structural adjustment[89] programs, enabling retraining, creation of new jobs, subsidisation of new technologies and income maintenance for displaced workers. An adjustment program and subsidies could be financed at least in part through carbon price revenue—though it is not clear whether that would be enough.

As hinted at the beginning of this chapter, one of the important work-related features of this area is the changing role of trade unions. Once focused almost exclusively within nation-state borders, as a locale for influencing their ability to regulate workplace behaviour, they are increasingly turning to transnational action. They are doing this through such mechanisms as negotiating codes of conduct, in an effort to regulate workplace behaviour in multiple locations, as what happens in one workplace may ultimately affect those on the other side of the globe. (Employers being able to reduce costs by cutting corners on safety in Third World countries makes it harder for unions to organise, or even maintain employment, in factories elsewhere.) There is more on codes of conduct in Chapter 10.

Union roles on environmental sustainability are also changing. Whereas once they could be relied on to 'defend jobs' regardless of environmental implications, an increasingly sophisticated approach to environmental and climate change issues is becoming apparent, in some but not all unions, including some where this would be quite unexpected—probably a result of increasing awareness of long-term implications for their membership.[90] In the end, though, it is the nature of trade unions that environmental and climate issues will be secondary to matters regarding the direct employment relationship. Where unions have had a dominant role in labour supply (such as at the time of Sydney's 'Green Bans' in the

89 The meaning of 'structural adjustment' here is totally different to that used by the IMF.

90 Ray Markey, Joseph McIvor, and Chris F. Wright, *Climate Change and the Australian Workplace: Final Report for the Australian Department of Industry on State of Knowledge on Climate Change, Work and Employment* (Sydney: Macquarie University, 2014).

1970s),[91] placing the environment first has not been at the significant expense of employment. It is harder when unions lack such power over labour supply. It is especially hard since, as discussed in Chapter 4, the composition of future labour demand—the jobs of the future—is hard to predict.

Most of the focus of trade union action in recent years has been not in opposing action on climate change but in achieving a 'just transition'. The term means different things to different participants, but typically involves some combination of improvements for workers and communities, at the same time as the issue of climate change is addressed.[92] So a representative set of elements in a just transition is environmental remediation, energy 'democracy', 'green' jobs, worker retraining, revitalisation or diversification of energy sources for local communities, and community agency. As the climate warms, heat stress becomes a more important occupational health and safety issue for union action, and plays an increasingly important role in building standards.

Just transition is not a concept that is easy to attain. For example, wages in 'green' jobs (jobs in renewable energy industries or in sectors of the manufacturing or service sectors where production assists in the reduction of greenhouse gases) are typically lower than in coal. This is the case even if renewables are installed where coal extraction or burning was previously located. More commonly, though, green jobs are in different locations to the old coal jobs, so in the absence of effective state intervention there are not enough jobs for those displaced as the market moves from high-emissions to renewable energy production. Nor is it inherently the case that they will be 'good' jobs.[93]

Unions in different countries think of just transition in different ways. The issues vary between developed and developing countries. A just transition for German coal unions, seeking to move their members into green jobs as carbon-emitting technology is phased out, may be seen as injustice by worker representatives in developing countries who supply raw materials

91 Meredith Burgmann and Verity Burgmann, *Green Bans* (Sydney: UNSW Press, 1998); Greg Mallory, *Uncharted Waters: Social Responsibility in Australian Trade Unions* (Brisbane: Boolarong Press, 2005).

92 An example is ACTRAV Bureau for Workers' Activities, *Just Transition Towards Environmentally Sustainable Economies and Societies for All* (Geneva: International Labour Organization, ILO ACTRAV Policy Brief, 2018).

93 Helen Masterman-Smith, 'Green Collaring a Capital Crisis?'. *Labour and Industry* 20, no. 3 (2010): 317–30.

or components to old works. In many nations, particularly but not exclusively in the developing world, worker representative organisations may be ill-equipped to deal with just transition issues, whether because they are too poorly organised, too locally focused or ignored by national governments. Other civil society groups may be prominent in promoting low-carbon development but with possibly quite different perspectives.

So the concept of 'just transition' raises a number of questions identified by researchers.[94] What policy mechanisms are needed to make retraining for fossil fuel workers and green jobs a viable reality? Is it possible for communities to have more control over economic redevelopment planning without transferring financial responsibility away from corporations? How can the urgency of decarbonisation be balanced with the long-term goal of democratising the grid? What about communities that are not agitated to advocate for themselves amid energy transitions? Bigger than these, however, are some fundamental questions about resolving the contradiction between the need for employment and the need for a move to zero-emission economic activity, discussed above. And there is the big political question, about how to garner the political constituency necessary to respond to the issue. This seems to relate in some way to making use of the potential for common interests between unions, many environmental groups and parts of industrial and finance capital.

Conclusions

Two key conflicts on the capital side affect questions of sustainability: the competition between the two logics of short-termism or long-termism; and the extent to which costs and benefits are internalised or externalised. On the labour side, there is a conflict between the needs for employment and for a sustainability built on production methods with low carbon intensity, and there are contradictions in building consensus for a just transition.

Many aspects of work have ethical dimensions, and ethics have implications for workplace relations, organisational commitment and turnover. What *should* we do about climate change? What *can* we do?

94 For example, at the International Sociological Association's world congress in Toronto, July 2018.

In analysing issues of ethics and sustainability, we need to take account of the role of regulation in bringing about sustainable and ethical behaviour, and how effective corporate social responsibility really is or can be. We saw a bit of that in the last part of Chapter 4, and for more on that we will turn to Chapter 10. Some changes are inevitable including, centrally, changes in prices that will make some old industries uneconomic and new ones prosper. Still, sustainability, particularly environmental sustainability, is the area where some of the biggest choices are to be made, and where the difference between making the right choice and the wrong choice is literally a matter of life and death for many. And regulation is not just about the critical matter of pricing: it goes to issues like the uses permitted for water, for rural land, for native forests and for urban space; the types of mines or other carbon-relevant economic activities that are enabled; the levels, locations and types of pollution that are allowed and the fees that society charges to permit such pollution; and obligations on producers, retailers and consumers for recycling, waste, obsolescence and reparability.

While the toxic wastelands used for labour camps depicted in *The Handmaid's Tale* may not seem such a likely scenario, the general point it draws is valid: those without power will most suffer the consequences of environmental degradation, and those with high power will avoid them. The elite will have the resources to maintain their *relative* standard of living, whether it be through building walls, new communities or private armies. For most workers, though, the prospects of climate change are serious and negative. We looked in general at the downwards transfer of risk in Chapter 6. The exposure of the world's poor to the dangers of climate change, while the rich seek to insulate themselves from it, would be the starkest and most serious manifestation of the transfer of risk, without commensurate returns, from an elite within capital to a mass of labour.

In the meantime, we can also expect some major changes in the world of work. There are obvious ones like the loss of jobs in coal mines, oil wells, coal-fired power plants, manufacture and distribution of petrol cars and the like; and the growth of jobs in the manufacture, construction or maintenance of wind turbines, solar panels, electric cars, public transit and seawalls. Other changes will affect how work is done. Energy systems may become more decentralised and possibly less controlled by large corporations. Ways will need to be found: to undertake work, particularly outdoor work, in a hotter climate; to produce food (predominantly

vegetable-based rather than animal-based) from less arable lands and from oceans with declining fish stocks and growing numbers of jellyfish;[95] and to accommodate, often in industrialised nations, untold numbers of climate refugees from countries that have not been a major source of migrants until now. Those migration flows might produce the biggest unpredictable impact of climate change on work.

95 Lisa-Ann Gerschwin, *Stung! On Jellyfish Blooms and the Future of the Ocean* (Chicago: University of Chicago Press, 2013).

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