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# THE GLOBAL FINANCIAL CRISIS, WORKING PEOPLE AND SUSTAINABLE DEVELOPMENT

*A Schumacher Institute Challenge Paper*

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**The Challenge:** Although they had nothing to do with the actual causes of the 2008 Global Financial crisis, it is ordinary workers and their families who have arguably suffered the most from its effects. While governments and international agencies seem most concerned to protect the returns to Capital in the name of financial austerity and economic good sense, little has been done to protect the well-being of working people or the global environment. Both trade unionists and environmentalists oppose the destruction wrought by neoliberal market economics; the challenge is for them to work more closely together in the future to promote truly sustainable development.

## 1. Background

Throughout the last half of the 20th century, there have been rapid and massive transformations in global finance, international trade and technological innovation. National economies have become increasingly integrated and the ideology of neoliberalism today remains dominant, if totally discredited in many people's eyes. Barriers to trade such as government regulations, often designed initially to protect local environments and populations, have been removed in order to facilitate the diffusion of technology and the mobility of goods, labour and - most importantly - financial capital across national borders.<sup>1</sup> In 2008, a crisis occurred in the global financial system, triggered by greed and irresponsibility in the banking sector and exacerbated by a number of significant corporate failures. This crisis destabilized the increasingly interconnected national economies as multi-national firms experienced a drop in sales and a further decline in their rate of profit which has been a recurring problem in the post-war world.<sup>2</sup> Although classical economists argue that this decline in the rate of profit has been due to wage pressures, it seems far more likely that the true cause has been the failure to invest in new capital equipment in favour of unproductive money market speculation. As the global economy lurched towards recession after the financial bubble burst in 2008 both workers and the global environment slipped down the political agenda. Despite the hand wringing following the inconclusive climate conference in Copenhagen in 2009, the 20th anniversary of the Rio summit in 2012 bears witness to two decades of lost opportunities to improve the global environment and to fashion more ecologically sensitive economic arrangements at virtually every spatial scale or level.

## 2. How were workers affected?

The economic recession, the financial crisis and the climate problem have combined to make life even more difficult for many working people. Even before the crisis wage growth was stagnating and the proportion of people on low pay was increasing. As the International Labor Office reported:

Redistribution from wages to profits and from median-wage earners to high wage earners reduced aggregate demand by transferring income from individuals with a high propensity to spend to people who save more. Before the crisis, some countries were able to maintain household consumption through increased indebtedness, while other countries based their economic growth mainly on exports. This model, however, has proved to be unsustainable.<sup>3</sup>

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1 Altwater, E., (2007) The Capitalist Energy System and Global Financial Market: The Impact on Labour. *Labour, Capital and Society* vol. 40 issue 1 & 2 page 18-34;

2 Brenner, R. (2006) *The Economics of Global Turbulence: the advanced capitalist economies from long boom to long downturn, 1945-2005*. London: Verso.

3 ILO (2010) *The Global Wage Report 2010-2011: wage policies in times of crisis*. Geneva: International Labor Office.

In the three years following the global economic crisis of 2008, 27 million jobs have been lost with global unemployment likely to remain at 6% for the foreseeable future. Global youth unemployment is high too, currently at 12.7%, and the employment to population ratio is the lowest it has been for over twenty years. In 2011 1.52 billion workers were in vulnerable employment. Additionally, the number of working poor is also growing steadily leading the ILO to state:

...to generate sustainable growth while maintaining social cohesion, the world must rise to the urgent challenge of creating 600 million productive jobs over the next decade, which would still leave 900 million workers living with their families below the US\$2 a day poverty line, largely in developing countries.<sup>4</sup>

The problems of the advanced capitalist economies have severely affected developing countries. There is clear evidence that in response to the plunge in demand for exports, price volatility and the falling rate of profit, multinational firms have intensified processes of organizational restructuring, introducing new work patterns that aim to increase labour productivity. This has led to increased long term unemployment, short-time working and temporary lay-offs in many manufacturing sectors.<sup>5</sup> Indeed, the impact of this increased labour exploitation has moved beyond the confines of the workplace; with the reduction or loss of wages many working people have fallen into debt, pushing them into poverty and thereby adding to the distress and misery of many families.<sup>6</sup> Wage cuts have meant that the workers can no longer even afford to cater for basic needs including proper and adequate food. Sharp increases in the work load of employed workers has also resulted in increased dangers, 'accidents' at work and a decline in workers' general health and well-being. Despite the under-reporting of occupational accidents in some countries records show that every day in the region of 960 000 workers suffer injury at work and 5330 die as a consequence of work-related diseases.<sup>7</sup> Excessive fatigue, stress and stress-related illnesses are becoming increasingly common, resulting in higher levels of absenteeism due to sickness. The extra need for, and costs of, medical care further compromise the basic human rights of many households to decent food, adequate shelter and children's education.<sup>8</sup> Finally, as the quality and standard of living declines, the life expectancy of many working people and their families is likely to decline too. To put it bluntly, the welfare of working people have been sacrificed on the altar of a global market economy that does not work.<sup>9</sup>

### **3. Neoliberalism, Labour and the Environmental Movement**

The 2008 financial crisis of neoliberal globalization provides opportunities for trade unions across the world to radically challenge the ideology of free market economics and its social and

4 ILO (2012) *Global Employment Trends 2012: preventing a deeper jobs crisis*. Geneva: International Labor Office.

5 Mashilo, A. (2010) *Changes in Work and Production Organisation in Automotive Industry Value Chain: An Evaluation of Responses by Labour in South Africa*. Unpublished Master's thesis, University of Witwatersrand, Johannesburg, <http://hdl.handle.net/10539/8249> ; Masondo, T. (2010) *Worker Participation in Workplace restructuring in Automotive Industry: A Comparative Study of German and South African Volkswagen Plants*. Unpublished Master's thesis, University of Witwatersrand, Johannesburg. <http://hdl.handle.net/10539/8390>

6 Webster E, Mashilo A, Masondo T & Bischoff C (2009) *Changes in Production Systems and Work Methods*. Unpublished mimeo., University of the Witwatersrand, Society, Work and Development Institute (SWOP); Froud, J. et al. (2000) "Restructuring for Shareholder Value and Its Implications on Labour." *Cambridge Journal of Economics* vol 24 no. 6 page 771-797; Barchiesi, F., (1997) *Flexibility and Changes in Forms of Workplace Subjectivity: A Case Study of the South African Auto mobile Assembly Industry*. Unpublished Master's thesis, University of Witwatersrand, Johannesburg <http://hdl.handle.net/10539/8418>

7 Hämäläinen, P., Saarela, K.L. & Takala, J. (2009) Global trend according to estimated number of occupational accidents and fatal work-related diseases at region and country level. *Journal of Safety Research*, Vol.40, No.2, pp.125-139

8 Chinguwo, P. (2011) *The Impact of 2008 Global Financial Crisis on Workers at FORD in South Africa*. Published Master's thesis, University of Witwatersrand, Johannesburg. <http://hdl.handle.net/10539/10377>

9 Chinguwo, P. (2011) *ibid*.

environmental consequences. Accompanying the degradation of work and fall in working people's living standards, business and government leaders increasingly call for economic growth - not always acknowledging that growth is not the solution to everything. Global poverty and inequality has been increasing markedly in recent years. The 'trickle down effect' is a myth, as much of the 'wealth' that was created in the good times was not real - just numbers on a screen - and it is the rich rather than the poor who have benefited. At the same time, too many business organisation still see the natural environment as something to be exploited, just as ordinary workers are and have been. Despite the growing public prominence of Corporate Social and Environmental Responsibility many of the bad old ways persist as businesses still regard environmental safeguards, like labour, as a cost to enterprise and a brake on development. Thus neoliberal deregulation has licensed serious attacks on labour and the environment in the name of economic growth, energy security, jobs and so on.

There are now new opportunities for unions to network more efficiently across geographical regions and to co-operate effectively to overcome sectional rigidities and stubborn particularism. In recent years new internationalist networks or reconfigurations of trade unions have emerged in the South (the Southern Initiative on Globalization and Trade Union Rights, SIGTUR), in Latin America (thanks to reforms to the Organización Regional Interamericana de Trabajadores, ORIT) and new international strategies have been developed by South African trade unions. Unions have vigorously contested violations of labour standards among signatories to the North American Free Trade Agreement and others have organised to support, or promote, ethical trading initiatives such as in the garment industry.<sup>10</sup> A certain labour environmentalism has also emerged from concerns over occupational health and safety, environmental justice issues and a recognition that unrestrained capitalist economic growth is bad for both people and the planet. As Silverman notes, the same chemicals that pose hazards to workers are invariably those that pollute streams and kill wildlife:

By understanding the domination and exploitation of workers and of nature as inextricable, labor environmentalists situate humans within the natural. Exploitation is the unifying term, which makes the common enemy common; both kinds of exploitation result from one process. For green unionists the separations between humans, the work environment, human environment, natural environment, and nature itself have become elided. This interconnection allows a unified approach to workers' problems and the environment's needs. It encourages a common solution and offers a profound basis for alliance with environmentalists around the world.<sup>11</sup>

Environmentalists and trade unions have much in common. They both often confront the same enemies - the big corporations, neoliberal financial bodies and unresponsive or downright repressive governments. There is every reason for environmentalists and organized labour to work more closely together.<sup>12</sup> There are also genuine and real alternatives to globalization emerging from labour's new internationalism and, considering the recent revival of socialist thought and anti-capitalist protest, to global capitalism also.<sup>13</sup> For environmentalists, it is important to remember that human health and well being is an important part of the sustainable development agenda; work often provides a great deal of meaning to people's lives, and sustainably productive work benefits

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10 Waterman, P. & Wills, J. Eds (2001) *Place, Space and the New Labour Internationalisms*. London: Wiley-Blackwell.

11 Silverman, V. (2004) Sustainable Alliances: The Origins of International Labor Environmentalism. *International Labor and Working-Class History*, Fall 2004, No. 66, pp.118-135.

12 McElrath, R. (1988) Environmental Issues and the Strategies of the International Trade Union Movement. *Columbia Journal of World Business*, Fall, 1988, pp.63-67.

13 Brecher J, Costello, T. & Smith, B. (2000) *Globalisation from Below: The Power of Solidarity*. Boston: South End Press; Radice, H. (2009) The Idea of Socialism: from 1968 to the present-day crisis. *Antipode*, Vol. 41, No. S1, pp.27-49.

individuals, households, communities, societies and the environment.

Trade unionists and their allies have been looking to improve social, economic and ecological environments for many years. The International Confederation of Free Trade Unions, the International Trade Secretariats (Global Union Federations) and the European Trade Union Confederation have participated in a variety of international conferences including the 1972 Stockholm Conference on the Environment, the 1992 Rio Earth Summit and the 2002 Johannesburg World Summit on Sustainable Development. Chapter 29 of Agenda 21 explicitly recognized the importance of trade unions in the promotion of sustainable development concepts and practices. In 2012 the International Trade Union Confederation (ITUC) and Sustainlabour organized the second Trade Union Assembly on Labour and Environment at Rio+20. Jobs, the green economy and the environment go hand in hand. For example, recent research conducted by the Millennium Institute concluded that investing 2% of GDP in the green economy could create up to 9.6 million new jobs per year for the next five years.<sup>14</sup> A joint report of the International Labour Organization, the European Union and the International Institute of Labour Studies, *Towards a Greener Economy: the social dimensions*<sup>15</sup> has argued decisively that market solutions by themselves will be unable to create a low carbon global economy, high value and highly skilled jobs, necessary new green technologies, products and business opportunities. Appropriate regulation, public investment, new research and development together with a more sustainable system of higher education and social dialogue with trade unions are of considerable importance too.

#### **4. Conclusion**

A 'new labour internationalism' has emerged which is seriously challenging global neoliberalism.<sup>16</sup> Vibrant cooperation among trade unions across the globe can help create revolutionary transformations in society that will in turn have positive knock-on effect for ecological sustainability, local democracy and worker autonomy. To achieve this though, internationalist trade union practices must overcome national boundaries, internal sectionalism and those world-views which ignore the intrinsic value of the natural environment and the rights of all the living creatures whose prosperity depends upon it. Thus, the need of human beings for creative and fulfilling work is not separate from the need for a more socially and environmentally just world. If future global development is to be sustainable then the future of creative and meaningful work, human social wealth, material sufficiency and ecological well-being need to be accorded equal consideration. We can only secure a sustainable future if we stop destroying the planet through the blind pursuit of simply more and more and more.

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14 ITUC (2012) *Growing Green and Decent Jobs*. Brussels: ITUC.

15 IILS (2011) *Towards a Greener Economy: the social dimensions*. Geneva: International Institute for Labour Studies.

16 Webster, E., Lambert, R. & Bezuidenhout, A. (2008) *Grounding Globalization: Labour in Age of Insecurity*. London: Blackwell.

Causes of the 2008 Global Financial Crisis. What Really Caused the Crisis? Share. The financial crisis was primarily caused by deregulation in the financial industry. That permitted banks to engage in hedge fund trading with derivatives. Banks then demanded more mortgages to support the profitable sale of these derivatives. Rising property values and easy mortgages attracted a lot of people to avail of home loans. This created the housing market bubble. When the Fed raised interest rates in 2004, the consequential increased mortgage payments squeezed home borrowers' abilities to pay. This burst the bubble in 2007.