



# **The Third Wave:**

**Micro-globalism and the  
coming employment crisis in Australia**

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This is a free introduction to the book, *The Third Wave: Micro-globalism and the coming employment crisis in Australia*

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**Author's note:**

The topic of offshore services delivery is one that is rapidly developing and evolving. Accuracy of information changes quickly in this space, and I encourage you to seek the latest version of this book, or check online for the latest information at [www.scottlindenjones.com.au](http://www.scottlindenjones.com.au) or [www.easyoffshore.com.au](http://www.easyoffshore.com.au)

## UNIVERSITY GRADS UNABLE TO FIND WORK

A recent report indicates that university graduates are finding it difficult to obtain full-time work in their fields. The Graduate Careers Australia report, which surveyed over 100,000 university graduates, found the number of graduates finding full-time work was down 10 per cent from a high of 85.2 per cent in 2008.

The 2010 result is the worst since 1994, when only 74.6 per cent of graduates looking for jobs related to their area of study were able to secure full-time work.

## COMPANY COLLAPSES RECORD HIGHS

The number of company collapses hit a record high in February, with Queensland and Western Australia experiencing high levels of collapses despite the resources boom in those states.

Accounting firm Taylor Woodings, a specialist in restructuring and corporate recovery, on Thursday released its analysis of insolvency data for February 2012 from the Australian Securities and Investments Commission (ASIC).

Taylor Woodings said the number of company collapses more than doubled to 1,123 in February 2012 - the highest monthly insolvency figure on record - from 518 in January 2012.

## VIOLENCE FLARES AS WELFARE SYSTEM ON BRINK OF COLLAPSE

A protest against cuts to welfare payments turned nasty yesterday when demonstrators in three capital cities set fire to government property and attacked police. Such riots are becoming all too familiar. Economists maintain that the welfare measures are necessary to bring down debt but the severity of the cuts are beginning to erode the fragile social fabric.

Protestors continue to campaign against the widespread nature of the cuts. Campaign spokesperson Adrian Jones says aged pensions, child support, disability and unemployment benefits have all been severely reduced, leaving many struggling to exist below the poverty line. A recent report on the rising suicide rate also draws direct links to the welfare

## UNEMPLOYMENT HITS 19.8% - HIGHEST SINCE DEPRESSION

Latest government statistics from the ABS show that unemployment has risen again for the 10<sup>th</sup> successive quarter, reaching its highest level since the great depression.

A spokesperson for the Minister for Employment said that financial support for the most affected industries has failed to create jobs.

"Loss of Australian jobs to cheap Asian labour hubs is increasing as business costs escalate. This trend towards employing offshore labour is unfortunate, but outside government control," she said.

The statistics come on the back of recent parliamentary debate around methods for reporting unemployment, with the opposition claiming severe government manipulation of figures, with real unemployment being much higher than official

## CASH ECONOMY BYPASSES MINIMUM WAGE

The new reality for many Australians is fewer jobs, lower wages, and mortgage debts that are higher than their homes are worth. The only thing that seems to be growing is the cash economy. Also called the underground or shadow economy, it refers to work that isn't regulated by the government or reported to the ATO.

But as people look for new ways to sustain their families, workers can be vulnerable to exploitation. An independent study says that many workers are pushed into off-the-books work out of desperation and have no authority to appeal to when conditions are poor or pay substandard.

It also suggests that more Australians are competing for work on crowd-sourcing websites, often bidding for jobs that pay less than the \$10 per hour.

## CRIME LINKED TO ECONOMIC CRISIS

A report prepared as part of the United Nations Global Pulse initiative shows a strong link between crime and economic climate.

Using data recorded by police in 15 countries undergoing economic upheavals, a link between economic factors and incidents of robbery, homicide and car theft could be clearly established.

Such findings are consistent with criminal motivation theory, which suggests that economic stress causes an increase in criminal behaviour.

# Introduction

Imagine waking up to the news headlines on the previous pages. Do they seem sensationalist? Overwrought? Unbelievable? Yet over half of these refer to actual reports from 2010 to 2012 and the others are projections based on a careful analysis of current trends. You may have read and dismissed some of these headlines before but you cannot afford to do so any longer. They are all warning signs of a wave of destruction that is about to engulf the Australian workforce.

Within the next ten years we will witness the largest shift in employment and skills distribution that this planet has ever seen.

The nature of capitalism is expansion, and the prerequisite for expansion is a manageable and profitable workforce. To the extent that is practical capitalism will source its labour from where it is most cost effective. Australian labour is no longer cost effective in a global market.

Living and working conditions that Australians have long believed to be the underlying foundations of our society will soon be revealed as little more than a passing phase. Professions which are now the cornerstones of our employment structure will become redundant in this country. Extensive changes to secondary and tertiary education will be unavoidable as both government and private education sectors scramble to adjust to the altered labour market.

This approaching wave will dramatically shift the nature of employment throughout Australia. As it gains momentum hundreds of thousands of jobs will be irretrievably lost. Its force can already be seen flooding into a wide variety of workplaces, removing career prospects that will never again return to Australian shores. Within a decade there will not be a single citizen who is not affected in some way by the looming changes.

There appears to be very little public awareness that a tsunami is building offshore. The media focus on the mining boom, together with Australia's comparatively favourable economic conditions, are making us complacent and giving us a false sense of security. Our government fiddles with interest rates to deal with slowly increasing unemployment and what it sees as a cooling economy, but seems unaware that the very nature of our services economy has permanently changed.

Where is the government leadership on this crisis? Where are the plans to deal with a radically altered future? Are our elected politicians even aware of what is happening? As the oncoming wave sweeps away jobs and drowns businesses, Australian political parties will be swamped by demands to salvage the situation. How will they deal with these if they are unprepared?

Implausible as it may seem now, it is likely that as conditions worsen even union leaders and loyal Labor voters will petition politicians to slash the minimum wage in the hope that lower costs to business will staunch employment loss. Reforms that border on Socialism may also be proposed. However, any such attempts are part of the old world order and destined to fail.

How will all this affect you and your family? If you have children in high school today you can expect very few jobs to be waiting for them when they leave. A university degree will make little difference to their prospects. Young accountants and lawyers, engineers and designers, administrative professionals and even trades people will join the long queues of unemployed trying desperately to find menial jobs just to make ends meet.

Distraught Australians from all walks of life will condemn the business community for refusing to employ their kids but the positions these young people hoped to acquire will no longer be available in Australia by the time they are ready to enter the workforce.

The strain on Australia's welfare system will exceed breaking point. A reduced workforce means reduced taxes. Whatever political party is in power will have to make some hard choices. Pensions, disability allowances, unemployment benefits and family support payments will all be significantly reduced, forcing many individuals and families to live below the poverty line. Australia's once-enviable reputation as one of the world's wealthiest countries will become a passing stage in history.

Our sense of security and wellbeing will also take a hit. Inevitably, with poverty and soaring unemployment, crime rates rise. With high unemployment and a broken welfare system, burglary, fraud and theft will increase dramatically as desperate people resort to extreme measures to survive. As the number of poor increases, arson, vandalism and other offenses against property will target those who still have wealth. Financial pressures on families will result in domestic violence and other less visible but no less horrific crimes.

This approaching tsunami of change cannot be stopped.

The very nature of free market capitalism and democracy have created a perfect storm that is already beginning to erode the foundations of employment structures in Australia. It cannot be slowed through any political or legal mechanism currently in existence in this country.

We do, however, have a choice as to how we respond, both as individuals and as a nation. I urge you to debate the issues, raise awareness, and ask your political representatives for leadership.

The most advantageous outlook for you, your children, your business, and for the future prosperity of this country, lies in your understanding. You need to understand what is happening and take action to position yourself, your family, and your business to adapt to the inevitable changes.

# The Underlying Forces of Disaster

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Disasters often seem to emerge out of nowhere.

Yet wise people know there are always warning signs if you know where to look. Like the smooth currents running beneath the waves showing surfers that dangerous rips are present, or an undersea earthquake that foretells a tsunami, economic upheavals also have their indicators.

In the case of the oncoming unemployment crisis, four key indicators have come together to create the situation that now threatens Australia. Let us examine them briefly.

## Technology

The rapid development of technology over past decades has seen geographical distances between countries become irrelevant. Australia, once colourfully described by a former prime minister as ‘the arsehole of the world’, now makes use of a multitude of technological advances to engage with the global community on both a business and a personal level. The recent federal government decision to invest in world-class internet technologies will further accelerate the effective shrinking of the distance between Australia and the rest of the world.

Within Australia we already utilise the convenience of these technologies daily. Online banking means we rarely have to visit a branch; we can do everything from checking balances, paying bills, or modifying loan repayments, via simple technology. A huge number of local, state and federal government forms are readily available for retrieval and submission online, minimising the time we spend commuting or standing in queues. Similarly, many business transactions are done entirely via email or telephone – from requesting a product or service, through to invoicing and payment.

These days, applying for a foreign visa can often be done electronically, and buying a product or service from the other side of Australia – or the other side of the world – is often just as simple as buying a product from the local store. Email takes the effort and cost out of sending letters. Australia Post has reported a huge decline in standard mail, while its parcel-delivery service is bursting at the seams from the huge uptake in online shopping.

Video conferencing, including consumer-grade technologies like Skype or Google Hangouts, is rapidly becoming a part of every business and every home. At the same time, social media has made everyone who is connected to your list of electronic “friends” available to receive communication. It no longer matters if thousands of kilometres separate you from those you care about or companies you want to do business with. Increasingly, everyone you need to contact is just a click away.

Internet and modern telephony technologies have also enabled the unplanned creation of a second global economy that “floats above” the rules enforced by national sovereignty. Traditionally there are rules which govern international trade, and international transactions are subject to government scrutiny and are potentially liable for taxes or duties. Technology is not only making the process of international trade easier, it’s often bypassing governmental and financial structures – controls that, in most cases, have been in place for more than a century.

For example, the location of most goods sold on Ebay is now considered almost irrelevant. People buy on price, quality, delivery time and supplier reliability as gauged by the mass reports of other consumers. If you want something delivered within 48 hours, you don’t care if it comes by road from Melbourne to Brisbane or by air from Shanghai to Brisbane.

The funds to complete your purchase will be probably transferred between buyer and seller as electronic figures in the software of an organisation that does not physically exist in Australia. Indeed this

financial institution could be anywhere in the world because it needs no local branches. One example is Paypal, an organisation that is the centre of billions of dollars of transactions each year yet it's not even a bank by international standards. Technology has drastically altered the rules and systems of international trade.

The Australian government has debated the loss of GST revenue from people importing goods independently, but has concluded that the cost of policing and collecting taxes on goods worth less than \$1000 is currently too high to yield a positive tax revenue.

Technology, however, is merely the enabler of what is to follow – a precursor to greater changes. In Australia, the digital economy, despite being worth billions of dollars annually, does not substantially affect the life of the average person other than to provide more convenient and diverse shopping options. In that sense, technology is perceived by most as a benign and friendly tool and its really alarming impacts on Australian employment remain hidden.

## **Education in Developing Nations**

Education is another key factor contributing to the wave of changes in motion. The advent of advanced technology did not of itself cause the dramatic shift we are beginning to witness as Australian businesses recruit offshore staff. However, with the enhancement of global communication, a number of developing nations saw the future far more clearly and accurately than Australia did and took action to become major players in the new global economy.

We generally assume that developing nations are always playing 'catch-up' to Australia's high quality education, so it's easy to miss that their efforts could have a significant impact upon our employment halfway around the world. By focusing their internal politics and funding on delivering a 'Westernised' standard of education to their people, some

farsighted governments of poorer countries have set about creating vast and competent workforces that are job ready for Australian positions.

It is ironic that we spend so much energy as a nation debating how to deal with refugees arriving illegally in leaky boats, worrying about whether they will take our jobs, impact our culture and be a drain on our society. These phantom fears pale in comparison to the millions of educated foreign workers in stable countries who are educated, technology-connected, and extremely content to work for an Australian employer for a few dollars per hour. Migration laws can no longer protect us.

This global knowledge restructuring has been ten to twenty years in the making and today the education systems of countries like the Philippines and India are producing huge numbers of job-ready graduates. In many cases, with limited local opportunities for highly educated staff, these graduates have had to seek work by migrating overseas but that is now changing. More often than not their education, combined with their excellent English and some basic technological tools, enables many graduates to land jobs in their own countries working for foreign employers.

In this respect, the ability to speak English to a very high standard is fundamental. The framework of any business is clear and effective communication and most companies will not employ staff who are a liability in this area. Australian employers generally expect their staff to speak and write English clearly, although that may vary with the worker's role or position.

Several farsighted Asian countries, recognising English as an international language, have been teaching English as a mandatory second language for decades. Throughout the Asian region younger generations, particularly those under 30, generally speak English to a moderate or high standard, while in several countries even the older working age populations speak English to some extent. A proliferation

of English colleges and accent neutralisation techniques has further bridged the communication gap.

As the international market becomes more demanding and clearer about the type of skills it requires in its offshore teams, labour companies and governments in countries such as the Philippines, India and Sri Lanka are listening and adapting. In the Philippines for example, Tagalog and English have shared the title of official languages for decades. In fact Tagalog has so many diverse regional dialects that English is generally more useful and is spoken by virtually all Filipinos under forty. Younger generations, particularly those who have gone on to tertiary education, converse in what we would consider to be a high standard of English, with a mild Americanised accent.

## **Wages Costs in Australia**

The third factor to impact the Australian employment scene is purely and simply the fiscal 'bottom line'. Australian legislated wages, particularly the minimum wage, are amongst the highest in the World. Over a century of industrial laws, union activity, and successive government policy has seen wages in Australia continue to rise.

During this time, much of the legislation designed to protect lower income individuals became an integral part of Australia's welfare safety net. Symbolic of the Australian sense of a 'fair go' for everyone, and a source of national pride, this safety net ostensibly includes free health care, free education, and welfare for those who cannot work.

As an aside, it's interesting to note the growing flaws in this great concept. Year by year our health care becomes more costly and citizens are pushed towards taking their own private health cover. As for free education – the user-pays system introduced into tertiary education over the last few decades means that university students are paying off the costs of their studies for up to ten years. Meanwhile, an increase in

middle-class welfare (offered most commonly to win votes at elections) has created a sense of entitlement amongst many who don't need it at all.

The wages continue to rise, however. Compared to most countries we live in a workers' paradise where an unskilled adult cannot legally be paid less than approximately \$30,000 per year for a full time position. It hardly needs to be pointed out that this has created huge incentives for employers to find ways to control spiralling wages costs.

## **Free Market Economics**

The fourth factor that underlies the tidal wave about to engulf us is the level playing field for global trade. While this brings many advantages which will be discussed later, it also enables other countries to produce goods and services at far lower prices than we can produce them Australia. This cost difference is the primary reason why you can afford most of the consumer goods in your home. It is also one of the reasons why our jobs are heading overseas at an alarming pace.

## Summary

To summarise, the key factors that have generated the wave of changes about to hit Australian employment structures are worldwide technology advances, wages costs in Australia, discerning education programs in developing countries, including quality of communication, and free market economics. The convergence of these factors has created a situation where Australia's current employment regime is unsustainable. Change is already upon us.

What we are now witnessing is what might be described as large scale 'macro' globalism transforming into its next inevitable stage; micro-globalism. As micro-globalism takes hold we will see many of the small details of our everyday lives become heavily influenced by people from all over the world.

Already, we can see the effects of micro-globalism as businesses all over Australia employ staff in other countries to perform a wide variety of tasks that are 'geographically impartial'. That is, work that can be done outside Australia without a difference in quality.

But what exactly is micro-globalism?

# Micro-Globalism

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The terms globalism and globalisation were coined in the 1930s and have been in common use for well over half a century. In general, globalism refers to the emergence of an international network of social and economic systems supported by the understanding that information, people and goods should be able to cross international borders freely. In our context, globalisation could be called ‘macro-globalism’ since it describes trends and interactions on a large scale, typically involving the interactions of countries and entire industries or sectors.

Until recently, the commercial world has viewed the globalism concept more in terms of products than people. Globalism in a manufacturing sense was perhaps most solidly established in the

*micro – “small scale”*

*global – “world economy”*

*ism – “a philosophy or system”*

Western world by the Japanese in the 80s and 90s. Their meticulous attention to quality, extreme work ethic, and leverage with technology eventually produced electronics and vehicles which at a certain price point were in many ways superior to the standards coming out of the United States and Europe at the time.

Today there is a growing recognition that China is now the manufacturing powerhouse of our age, with an extraordinary ability to duplicate intellectual property and deliver it at a very low cost. It is predominantly the labour cost efficiency of Asian ‘manufacturing’ countries which results in the shelves of Australian stores being full of low cost products and our homes with cheap and high quality consumer goods.

For example, we have come to accept that the “normal” price for a typical flat-screen TV is between \$500 and \$1000. But had this same product been produced in Australia, it would cost between \$3000 and \$5,000, and very few middle and low income Australians would be able to afford even one.

There are several reasons for the higher cost of production in Australia. As we indicated earlier, wages are the major factor, although legislated health and safety requirements, together with other compliance costs, also contribute to the non-competitive nature of Australian-produced goods.

Whilst legislation targeted towards both employee safety and corporate compliance has a highly positive impact upon worker injuries and employer financial integrity, it also dramatically increases the cost of production. Add to this the fact that unskilled and semi-skilled labour in Australia often costs ten to twenty times more than similar skills in other countries and you begin to see why Australian employers in almost all fields of industry find it impossible to compete on a cost basis against developing countries.

Labour costs have also decimated many repair-related industries in this country, with the result that most cheap consumer goods end up in land-fill when a minor repair might have given the products a new lease of life.

We have been comfortable with this cost difference to now, and indeed celebrated it as a defining part of our industrial relations and humanitarian success.

To traverse from savage penal colony clashing with ancient indigenous culture, to one of the highest overall living standards in the world, in around 200 years is truly remarkable. (Though let us not forget that many indigenous Australians have a very different and justified view of that “progress”).

While it is clear that goods produced by cheap foreign labour have infiltrated almost every home in Australia, the impact of that cheap labour has not yet made its presence felt in the wider Australian employment scene. Yet it's not a large conceptual step to go from cheap manufacturing labour to cheap technical labour, and cheap office

administration labour, and cheap professional services labour, and cheap sales support labour.

What we are now witnessing is large scale ‘macro’ globalism transforming into its next inevitable stage; micro-globalism. Micro globalism is the expansion of global influences to all aspects of product and services delivery.

In the new world of business micro-globalism, the decision about where a business task will be done, is not based upon the location of the client, the location of the management, or the location of the contract. The geographical location of each task, has become purely a function of where it can be done to an acceptable quality at the lowest price.

The roles and tasks that will move to lower cost countries first are those which are “geographically impartial”. That is, work that can be done outside Australia without a difference in quality because the location of the worker is irrelevant if they have the right skills.

Technology is core to both geographic impartiality and micro-globalism. Much of the work that can be now done in another country is because of technology systems that make this possible, convenient, and low cost.

The rise of Cloud Computing has further increased the tasks that can be done from any location. Cloud Computing describes the centralisation of business IT systems for reliable access from anywhere in the world.

For organisations which are sensitive to the physical storage location of data, technologies like Private Cloud allow them to have a high degree of control over the security of their information. It also allows them to have flexibility over which applications and information can be accessed by which staff, and where in the world. Importantly, Private

Cloud is now affordable to every business in Australia, and costs represent only a small fraction of the savings with cheaper labour.

Technology marches inevitably forward, and we can expect that further evolutions will enable even more roles and tasks to become geographically impartial, and global communication systems to become consistently stronger and more flexible.

The traditional concept of globalisation refers more to the physical creation and global distribution of tangible goods. It began with the refining of international trade standards, the standardisation of shipping systems, and the establishment of global manufacturing hubs.

Micro-globalism, on the other hand, has more advanced technology at its core and may be thought of in relation to the electronic movement and manipulation of information and intellectual property. Technology has now enabled the global distribution of 'white-collar' processes, making a wide range of business functions geographically impartial.

Over the coming years, even the small details of our daily lives will become heavily influenced by people from all over the world. Services that we expect are purely local, will all end up having a foreign component to them. For example, you may call a local glazier to get a broken window replaced. During that interaction, the following scenario is highly likely.

- The website or directory you used to find the glazier was built in Sri Lanka, and is physically hosted in the United States.
- The helpful person who answers the phone and does your quote lives in the Philippines, though they seem to have a detailed understanding of the suburbs in your area, travel times, and kinds of glass in houses like yours.
- The software being used to record and execute your glass job and to manage glass inventory was created in Ireland, and is

hosted in Europe and mirrored in several different countries for high availability.

- The processing of the invoice, the emailing of that invoice to you, will all be done from outside Australia.

In fact the only part of the work that is purely local is the trade-person that arrived onsite (in the imported utility) to fit the (imported) glass.

Micro-globalism is an immutable law of the today's business environment. Micro-globalism occurs where disparity in national labour costs are empowered by the effects of technology, communication, and education, to shift the geography of work performed.

Let us next examine the three distinct waves of global change that have lead us to the brink, and how the third and final wave will unfold for Australia.

The full publication is available through Amazon, Apple and other online retailers from 31<sup>st</sup> January 2013.

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