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## The Burden Of Bulls\*\*t Jobs

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*The rise in unproductive labour drives economic decline, argues businesswoman and councillor Kaylee Boccalatte.*

Productive labour is key to our economic sustainability but these days jobs that do not produce any value underpin many of the fastest growing areas of employment. The Jobs and Skills Summit convened by the Albanese government in early September 2022 was intended to lay the foundations for a recovery in Australia's economic and employment fortunes. While there was much talk of industry-wide bargaining and increased migration there was, however, little evidence of meaningful measures to improve productivity. The proposals that were floated—a faster transition to 'renewable energy', greater workplace leave provisions, and increased subsidies to various industries—are likely to worsen rather than improve the economy.

Across the Western world, stagnant productivity is the root cause of falling real wages and constrained economic opportunities. In five of the 13 years between 2007 and 2019, France, Canada, and Australia experienced negative productivity growth. In Britain, productivity went backwards in six of those years. In Australia in 2018-19, prior to the COVID-19 pandemic, multifactor productivity fell by 0.4%. Across nations affiliated with the Organisation for Economic Co-operation and Development (OECD), it fell on average by 0.9%.

A seminal factor in declining productivity is a growth in unproductive jobs, or what American anthropologist and anarchist writer David Graeber (1961-2020) called 'bullshit jobs'; roles which even the job holders recognise as adding little to societal wealth. Unproductive roles can be more narrowly defined as those filling a purely bureaucratic role so as to ensure compliance with an internally or externally mandated standard that does not add economic value to the good or service being sold.

Take the state of Australia's agricultural sector. Since the year 2000, there has been an unrelenting increase in regulatory oversight in this sector. As noted by IPA's Daniel Wild and Kevin You, since the year 2000, federal environmental bureaucracy has more than tripled despite employment in the sector (people actually farming) decreasing by one-fifth. Their research paper, 'Australia's Green Tape Army' (IPA, September 2022), provides the data showing that for every job created in environmental bureaucracy, 14 jobs have been lost in Australia's agricultural sector.

The COVID-19 pandemic appears to have reinforced these trends. Private-sector jobs in the US fell from 120.7 to 111.5 million between 2019 and 2020. Those engaged in the production and transport of goods fell from 17.6 to 17.2 million. By contrast, those engaged as professionals in management, business, and financial occupations grew from 22 to 22.13 million. Those employed



by federal and State governments grew from 10.8 to 10.9 million.

There are rules for everything.

In Australia, the principal focus of this article, the number of people employed in hospitality fell by 11.2% between March 2020 and April 2021. Employment in transport and information technology fell by 7.1% and 9.4%, respectively. By contrast, employment in public administration grew by 11%, overshadowing the 4.3% increase in health care. Such was the size of Australia's public administrative sector (804,000) in August 2020 that it easily overshadowed private-sector engagements in other sectors such as manufacturing (682,000), agriculture (145,000), hospitality (616,000), and transport and storage (441,000).

On 30 September 2022, Prime Minister Anthony Albanese stated, "There's not a role for government in running every bit of people's lives forever..." But there should not be a role for government in running every bit of people's lives *ever*. Today, there are rules for everything, layers upon layers of legislation and regulation to adhere to, local laws, by-laws, planning schemes, and rules in addition to relevant common law determinations, permits, licenses, development conditions, and referrals to a host of government agencies for relatively basic and necessary functions (such as access to water or controlling feral animals). Not to mention the associated costs, application fees, search fees, registration fees, and renewal fees. As IPA's Kevin You says, in the past 50 years we have seen a "remorseless growth in onerous regulations".

Significantly, the type of labour necessarily engaged to ensure compliance with the host of rules, requirements, and regulations threatens economic prosperity. As stated by Daniel Wild in his keynote address to the Pastoralists and Graziers Association in September 2022 (available at the IPA website), there is a disproportionate growth in the unproductive workforce engaged in bureaucratic work in order to comply with the onerous requirements of increasing government red tape and regulation.

Consider how many people now spend large portions of their work time completing administrative tasks (paperwork, writing reports, filling out forms) or completing tasks on behalf of government collecting tax (and reporting), withholding (and reporting) child support payments, and administering (and reporting) government paid leave; tasks that over the years have become far more sophisticated, lengthy, and legalised.

Notably, the consequences of legislative provisions filter through the economy, from federal through to State and local governments, from big business through to small: the cost of compliance compounds with each iteration and ultimately is borne by the end consumer in the society which the legislation claims to serve.

## **PRODUCTIVITY AND BULLSHIT JOBS**

The problem of what Graeber referred to as bullshit jobs is evident at the macro and the micro levels. Let us take, for example, what is arguably the most famous description of productivity at

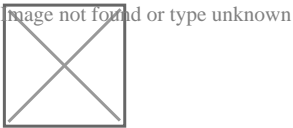


work in economic history: Adam Smith's description in the *Wealth of Nations* of how pin-workers could produce far more pins if they specialised in one part of the pin's production than if they manufactured an entire pin by themselves.

Elevated rates of unproductive labour are contrary to a 'capitalist' society.

Using Smith's analogy, let us say it takes 10 productive labourers (one person to straighten the wire, another to cut the wire, point the wire, create a head etc) eight hours to create 48,000 pins worth \$0.07 each. In a single day's work, those 10 productive labourers create a total value of \$3,360 per day or \$16,800 over a five-day workweek. If the value of the constituent parts of these pins totals \$0.05—a value that includes the labour time invested in production and the value of the 'constant capital' (including raw materials, wear and tear, and depreciation of the equipment)—then the remaining value (\$0.02 per pin or \$960 in total per day and \$4,800 per week) provides the rate of profit created by these productive labourers.

While in Smith's day the 10 workers would have probably undertaken their tasks with little supervision (let us assume one person), this is not possible in the modern Australian workplace. Instead, it is estimated we would need—as a minimum—five further workers engaged by the firm (in addition to the assumed supervisor) either directly or indirectly as required, to provide assistance and specialised advice in the fields of law, accounting, administration, human resources, and Work Health and Safety ... to name a few.



Environment Bureaucracies Grow Faster

Source: IPA Research, 'Australia's Green Tape Army', September 2022.

When the labour output is not embedded into the 'vendible commodity', any costs incurred in maintaining the unproductive labour within a workplace necessarily must be appropriated from the value generated from the produce of productive labour. Consequently, the greater the number of unproductive hands engaged by the workplace in order to meet mandatory compliance or regulatory requirements (lawyer, accountant, payroll clerk, environmental officer...) the greater the distribution of surplus-value to operational requirements; and the lower the total surplus value realised as profit by the workplace.

In order to clarify the relationship between productive labour, unproductive labour, and surplus value, let us examine the following scenario. Within Smith's pin factory, if we were to assume all staff were engaged full time and on a modern-day average Australian wage (about \$1,769/week), simply utilising two unproductive hands reduces the weekly surplus-value produced by productive labour (\$4,800) by \$3,538 in base wages alone (not including superannuation and other entitlements), leaving a greatly diminished pool of residual funds from which additional labour can be engaged or profits can be derived by the business for distribution or reinvestment.



But, today we are not just engaging two unproductive hands in a business. The rates of unproductive labour, of bureaucrats, of the layers upon layers of middle management, continues to expand. We must ask ourselves what purpose these roles serve. They are not economically beneficial. In fact, elevated rates of unproductive labour are contrary to the very essence of a 'capitalist' society. We must question who sees the economic benefits of these elaborate chains of command ingrained within our societies, filled with unproductive labour that, as Graeber states, "informs every aspect of our existence".

At the risk of overgeneralising, engaging unproductive labour often leads to engaging more unproductive labour. For example, when middle managers find a problem, the solution is to engage a consultant who may provide a report on how best to solve the problem. When researchers find a problem, the solution is to engage more researchers, consultants, or specialists to help solve the problem. How often do we see the outcome of 'findings'—later proven correct or incorrect, with little consequence—not only justify the job itself, but create more direct and indirect jobs dedicated to solving the problem (for example, 'the reef is dying')?

It is necessary then to question the degree to which unproductive roles make a meaningful contribution to society. To quote Graeber, "It's as if someone were out there making up pointless jobs just for the sake of keeping us all working." When the rate of unproductive labour exceeds productive labour (for example, to achieve regulatory compliance), less value is being added to the wealth of the community, workplace, or nation than that which is being consumed. Greater strain is, therefore, placed upon the existing value, resulting in exacerbated cost pressures and, ultimately, diminished wealth.

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## THE AWARD SYSTEM's IMPACT

Governments play a central role in shaping the institutional structure of Australia's corporate system and by extension, employer responsibilities. While the nominal hourly or annual rates paid to an employee is a commonly perceived measure of labour costs, the remuneration received by an employee is not reflective of what it costs an organisation to employ them.

If a *Level 1* Retail employee, receiving the nominal gross wage of \$46,202 per annum (\$888.50 per week or \$23.38 an hour), is paid for one year, the annual employment costs for that full-time employee (not including lost productivity) equates to \$52,445.34 when superannuation entitlements, accrued of long service leave, and leave loading are combined.

When this direct employment cost is calculated back against the time spent at work (1641.6 hours of the 1976 hours paid annually once annual leave, personal leave, and public holidays are



deducted), this single employee incurs a minimum direct employment expense of \$31.95 per hour; so the cost to the employer is 37% more than the employee's base hourly rate of \$23.38. These employer-borne costs *exclude* any allowances, entitlements, and penalty provisions paid to that employee as well as any other form of paid or unpaid leave (such as Community Service Leave, Compassionate Leave, Domestic Violence Leave, or Parental Leave).

Unproductive labour consumes value.

It is critical to remember, however, that in business, employment does not exist in isolation; labour is integrated within the very core of an organisation. For an employer, the cost of employing (productive and unproductive labour alike) extends far beyond the monetary entitlements as prescribed by modern awards. For example, the Queensland Government payroll tax, at the lowest current rate of 4.75%, adds about \$2,425 to a wage cost of \$51,053 (gross minimum wage + super) per annum, before deductions or when relevant conditions are met. Workers Compensation Insurance is also mandatory; insurance that for a Queensland employer engaged with 'Other Horse and Dog Racing Activities', for example, may incur a cost of approximately \$6,013.37 (including GST and stamp duty) per annum for a *single* employee.

Indeed, labour costs are commonly associated with overt, easily measurable outings, such as wages. However, when employing staff there exists a range of 'soft' or 'invisible' costs incurred that are not only challenging to identify but furthermore quantify. Absenteeism, presenteeism, inefficiency, staff turnover, and inadequate employee performance all incur 'hidden' costs to an organisation. So too do associated administrative tasks including performance reviews and staff surveys, paperwork that is later used (if at all) by another unproductive worker to assess, evaluate, audit, and provide recommendations for the relative value of work being conducted. To put the significance of these costs in perspective, absenteeism—the act of not attending work—is estimated to cost the Australian economy \$44 billion annually in direct costs alone. Costs which, for the workplace, are compounded by lost productivity costs; costs that in part, stem from the disruption to other staff (who need to 'pick up the slack'), the lowered morale of staff (including management) encountered as a result of the disruption, and the errors made by interim labour. Presenteeism, on the other hand—the act of an employee attending work, yet failing to perform the necessary duties at an average level of efficiency—place considerable strain upon a company's resources and diminishes the Australian economy by a purported \$35 billion annually.

According to the OECD, Australia boasts a "generally high ... quality of jobs" with regulation rightly ensuring that employees are properly remunerated, safe at work, insured, and financially secure in retirement. The costs incurred by employers as a result of regulatory requirements and the consequent impact of these costs on the firm's economic output is significant.

## THE RENEWABLE ENERGY DELUSION

The growth of unproductive roles within the Australian economy—roles in large part required as a result of increasing legislation, rules, and other regulatory requirements—contribute not only to the rising cost of living but furthermore, to the fragility of Australia's long-term economic security.



Curtailing productive efficiency adds to the increasingly precarious state of private sector business, most particularly small to medium organisations in traditionally productive sectors such as manufacturing, agriculture, mining, and transport. As fewer and fewer are engaged in productive jobs—that feed us, house us, clothe us, and produce value—while an increasing number of people are employed in unproductive jobs (such as ones that manage us, tax us, consult us, and consume value), Australia’s economy deteriorates. Increased regulation has improved social wellbeing: today, the country is more equitable, workplaces are safer, and governance more transparent. The cost of these improvements, however, is the country’s economic productivity.

Policy adoption at a national, State and local level sets the direction for government initiatives and ultimately, the environment in which society lives. The growing regulatory environment characteristic of modern Australia has created a raft of service jobs. Consider the detrimental effect regulation in the electricity sector has on the cost of living for the average Australian citizen, both directly and indirectly through the purchase of goods and services. Between 2008 and 2021, employment in the ‘Electricity Supply’ industry has increased 63.7%.

Until 2008, Australia’s electricity price increased largely in line with changes in the CPI (see chart above). However, since 2008—the year Australia’s first ‘assessment period’ of the Kyoto Protocol commenced—the price of electricity has increased more than four times the average CPI. Despite seeing a steep increase in the cost of supplying electricity during this period, IPA’s Daniel Wild and Kevin You predict these costs will more than quadruple by 2030 as a result of the governments adoption of a net zero target. Wild anticipates this will cost our economy \$274 billion in forgone direct and indirect economic output by 2050.

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Consumer Price Index of Electricity

Source: Australian Bureau of Statistics, 2022. Prices have been indexed to 100.

Ongoing commitment to implementing policies—such as those surrounding climate change—increases the cost of living in Australia. According to IPA Research on Labor’s net zero bill, the adoption of the Climate Change Bill 2022 alone will impose an economic cost of \$101 billion.

Australia’s economy is bound by chains.

Achieving policy objectives often comes at a significant cost. Not only are government resources necessarily dedicated to the implementation or maintenance of new regulatory regimes (resources paid for through tax), but so are an organisation’s resources. Organisations are progressively



focusing more of their time, energy, and resources on compliance matters instead of managing their core functions. For a business relying on the ability to sell goods for profit (income exceeds costs) any elevation in costs associated with managing compliance, other things being equal, must necessarily be recompensed—in one form or another—by an increase in income, such as by charging higher prices.

Where an organisation experiences an increase in production costs and subsequently elevates the sale price of their commodities, these elevated costs can be felt exponentially along the domestic supply chain; not only in the production of all component parts, tools, and resources, but in the transport and retailing, finally culminating in the end product. Thus, as production costs increase and these increases are passed along through higher exchange prices, the end user of the product ultimately pays the cost of policy objectives through the nominal purchase price of their goods and services.

Regulatory compliance costs are incurred by the Australian society not only directly, but indirectly through the exchange price of all domestically produced commodities, which in many cases are non-discretionary (such as rates, water, and electricity). The greater the amount of money dedicated to the purchase of necessary commodities, the lesser the amount that remains for a person to procure further goods or services to support the conveniences of life.

In a society that finds its industrial system governed by a host of legislation controlling most aspects of commercial operation, each individual member of society, in large part, will ultimately pay the cost of compliance. Today, Australia's economy is bound by chains of regulation. No longer does productivity fuel a growing economy. Instead, economies are 'powered' by the growth of unproductive labour which consumes rather than produces value.

As the expense of non-discretionary elements of life increase as a result of red and green tape imposed upon organisations and the community alike, members of society, compelled by their need to live (including access to food, housing and electricity) necessarily devote a greater portion of their income to sustaining their life. Claims the minimum wage is insufficient to cover the basic cost of living can, in some part, be attributed to the increasing cost of doing business, a cost ultimately passed on to the end consumers: you and me.

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