Against Shareholder Value: Accumulation in the Oil Industry and the Biopolitics of Labour Under Finance

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Abstract: Current theses on the financialization of capitalism postulate a shift from investment in material growth to financial channels, with the implication that the extraction of value from the labour process is no longer the central locus of corporate profitability and that the antagonism between labour and capital in the accumulation process has been displaced by the tension between corporate managers and financial markets. This article challenges both claims of financialization and its political implications. Using an analysis of the oil industry in the US, focusing particularly on layoffs, I argue that, instead of inhibiting material accumulation, financialization signals a change in the form of investment that has led to the intensification of labour and its deepening subsumption under capital, transcending labour exploitation and extending the sovereignty of capital over the life of living labour.

Keywords: financialization, shareholder value, layoffs, sovereignty of capital

Capitalist accumulation has undergone structural transformations since the crises of the 1970s and the ensuing neoliberal revolution. The ascendancy of financial capital has since increasingly subsumed capital accumulation under the logic of finance, channelling larger shares of corporate profits to the financial sector and making the activities and profits of non-financial corporations increasingly financial in nature. The financialization of capital accumulation was partly the result of the economic downturn of the 1970s, namely the crisis of profitability in the manufacturing sector in the core capitalist countries, and the forging of (monetary) policies that created conditions conducive to the financialization of the operations of non-financial corporations (Arrighi 1994; Brenner 2002, 2006; Duménil and Lévy 2004; Glyn 2006; Krippner 2011; Mann 2010a). The financialization of accumulation was spurred further by the deregulation of financial markets which diverted more funds to the corporate sector in search for short-term and high rates of return, and the development of a “market for corporate control” which, together with the ascendancy of the “maximization of shareholder value” as a principle of corporate governance, subjected the latter to the demands of a new rentier class composed of institutional investors. Freed from regulatory constraints, finance, long an intermediary in the process of capital accumulation, became an autonomous and “privileged site of accumulation” while financial logic, and the power of financial capital, permeated all areas of economic activity and, on a deeper level, everyday
life and individual subjects (on the latter see Martin 2002). Capitalism in its neoliberal guise, as Harvey (2005) put it, entailed the “financialization of everything”.

The accumulation of capital under finance has proceeded through a motley of redistributive mechanisms including the extraction of value through credit, speculation and predation on financial markets besides various forms of plunder and pillage, to which we can add accumulation by tax evasion, creative accounting and financial engineering, and outright thieving and other fraudulent practices that redistribute value among the owners of money such as Ponzi schemes, insider trading and manipulation of stock and commodity markets. In times of crisis especially, capitalists have resorted to accumulation by swindling each other, and since thieving from the propertied classes is the form of theft most visible to the law, such mechanisms of accumulation have engendered rounds of accumulation by litigation: multimillion dollar lawsuits and settlements that redistribute value among corporations, accountants and lawyers. Putting aside fraud and outright thievery, even the licit profits of non-financial corporations have largely derived from financial activities such as trade in equity and treasuries, foreign currency and tax gains, tax breaks and subsidies, interest and issuance of debt, etc, in addition to the production and sale of commodities.

Accumulation of property in financial instruments, company stock and debt is not fundamentally different from the accumulation of property in plant, equipment and goods insofar as they function for their owners as capital—both are proprietary claims on surplus value. Financial accumulation is accumulation. The immediate question then arises: if capital under the hegemony of finance accumulates through $M-M'-M''$... why does it still also circulate as $M-C-M'$? In other words, if the owners of capital can appropriate value through financial channels and by distributive mechanisms, why then do they still invest in the production and sale of commodities? If capital accumulation has become thoroughly financialized, why then does capitalist production persist—why does production persist as the production of value?

I address this question by examining the disciplining of labour which has accompanied the financialization of accumulation in the oil industry. My central argument is that financialization cannot emancipate accumulation from the production (and realization) of value and therefore it can only proceed alongside the extraction of value in the labour process, even when that is deferred to the future. The focus on labour in the oil industry may seem anomalous given its apparent capital-intensive character, but this appearance is precisely what renders the oil industry an appropriate object of the critique of labour under finance. As I shall argue below, the financialization of the oil corporation has rendered the industry more labour intensive, and this requires thinking labour intensiveness in terms other than the number of workers and the cost of labour relative to the cost of capital for the corporation. Furthermore, apart from being one of the most extended and most concentrated industries, in monetary terms the oil industry is arguably the largest corporate sector—globally, in the US, in Europe and in “emerging markets” the oil industry has ranked the largest sector on the Financial Times 500 by market capitalization, once in a while sliding to second place. This means that this is where investors have parked most of their money and, more important, that this is where
the promise of profitability and (financial) accumulation lies. Research on the financialization of the non-financial corporate sector, however, is typically conducted at the scale of aggregated territorial economies comprising the manufacturing sector. The conclusions of such studies obscure trends that are not visible at those scales of aggregation and can only therefore produce partial explanations of financialization that cannot stand in for the financialization of capital accumulation as a whole. Focusing the critique on the oil industry renders visible trends obscured by aggregated analyses of manufacturing. Furthermore, conducting the analysis at the scale of the corporation—the central organizing form of modern capitalism—liberates the analysis from the distortions of the territorial trap and allows us to grasp the dynamics of capital accumulation in its globality and unevenness and to explain its spatial conditions of possibility.

The article proceeds by advancing the argument on two levels. First, while there is strong evidence that oil corporations have increasingly financialized their activities, financialization has not curbed investment in material growth but has proceeded alongside the expansion of production and the intensification of labour. This requires a different understanding of the dynamics of accumulation and investment under finance, and the spatial and organizational (re)arrangements that undergird them, rather than suspend the significance of investment in fixed capital and the subsumption of labour under capital for (financial) accumulation. Second, corporate strategies promising to deliver shareholder value, processes bundled together as “restructuring”—mergers and acquisitions; divestments, plant closure and capacity reduction; streamlining and rationalization; outsourcing and offshoring; technical improvements; and ultimately job destruction—are not merely responses to pressure from financial markets on the conduct of corporate managers but rather responses to structural conditions in the oil industry and in the market. Restructuring in all its forms has invariably led to layoffs, which have constituted the principal method of disciplining and regularizing the workforce. Thus, far from shifting the axis of antagonism to the relation between shareholders and managers, the ascendancy of shareholder value has instead extended the power of capital over living labour and intensified the antagonism between the owners of capital (shareholders and managers) and workers.

Hence writing shareholder under erasure. As an explanatory term shareholder in “shareholder value” is inaccurate but necessary, flawed but indispensable as Spivak (1976) would say. The ascendancy of shareholder value, as a signifier of financialization, does not sufficiently explain corporate restructuring and shifts in the methods of capital accumulation; yet shareholders exercise power over accumulation as the absentee owners of capital who command the accumulation process by virtue of their property. Rather than merely governing the conduct of corporate executives, shareholders as the owners of capital represent the condition that makes the product of labour take the form of value, the condition that condemns labour to the production of surplus value (Negri 1991; see also Elson 1979). Critique, therefore, cannot stop at the problem of value distribution between capitalists and workers, let alone distribution of value among different personifications of capital—critique must be extended to the problem of creating value per se. As Geoff Mann (2010b:175), reiterating Postone (1993), emphatically
puts it: “The ultimate goal of Marxist and/or critical political practice is not ultimately a fairer distribution of value to its ‘producers’—although this is an important task—but the abolition, destruction, overcoming of the category of value itself.” Postone’s (1993) “categorial critique”, however, evacuates the category value of the antagonism between labour and capital and the disciplining of labour on which the category value is founded. There is no value without surplus value, hence the exploitation and domination of one class by another. The marxian critique must render visible the relation of power and property embodied in the value relation, the exchange of dead labour for living labour. It must strike at the heart of the exploitation and domination by the owners and managers of capital whose individual properties and often conflicting interests are forged into common class hegemony through the corporation. In this sense this work is against shareholder value.

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The rest of the article is composed of three sections. In the next section, I examine current arguments concerning financialization focusing on two problems: the shift from the antagonism between capital and labour to the tension between manager and shareholder; and the shift of investment and profitability in the non-financial corporate sector from the production and trade of commodities to financial channels. The question of investment—finance implies the question of labour—capital, and my critique of these two problems in the financialization literature provides the basis for examining accumulation and labour in the oil industry. In the following section, I elucidate “disciplined investment” as the form in which investment has been forged under the dominance of cash flow, the source of “shareholder value”, as measure of corporate performance. I focus on how disciplined investment has led to serial layoffs—one of the principal mechanisms for disciplining labour—based on analysis of 186 layoff events and announcements of layoff events between 1978 and 2010 (August) by the 11 companies that today constitute the five biggest oil and gas corporations with extensive operations in the US: ExxonMobil, Chevron, ConocoPhillips, Shell and BP. Data on layoffs derive from the Wall Street Journal, Wall Street Journal Abstracts, Financial Times, Oil Daily, International Oil Daily, Oil and Gas Journal, Petroleum Intelligence Weekly, and Petroleum Economist. Data on the workforce, investment and finance, dividends and stock buybacks derive from my analysis of the SEC filings (10-K) and Annual Reports and Financial Reviews of the three largest US oil companies: ExxonMobil, Chevron and ConocoPhillips (and the companies from which they formed after the megamergers of 1998–2005). I only examine data for the three US companies because Shell and BP have employed different accounting principles, which makes comparison between the European and US companies difficult if not altogether erroneous; also, before 2004 Shell maintained Dutch and British statements of accounts and in 2005 BP adopted different accounting standards, which complicates further the task of maintaining consistency over time. In the last section, I return to the question posed here: if capital can reproduce itself in the form M–M’–M”… why does it still also circulate as M–C–M'? I draw on Foucault’s
work on biopolitics to argue that what is at stake in the general formula of capital is more than the exploitation of labour and the expanded accumulation of capital. The existence of the owners of capital as a class not only depends on labour as a source of value but on the reproduction of the value-relation which binds the collective worker’s living, creative capacities to capital. The subsumption of labour under capital is the obverse of the sovereignty of capital—the extension of capital’s power over the collective worker’s very life. Capital’s sovereignty, however, is contradictory—capital drives to subsume labour under its power but also to emancipate itself from labour. Capital’s attempt to resolve this contradiction intensifies it and inverts the social content of the value relation: the power of capital over living labour becomes the power to regulate the death of workers. The contradiction of capital’s sovereignty cannot be resolved without the destruction of the value relation, the emancipation of living labour from the throes of labour.

**Value and Accumulation Under Finance**

One of the most salient inferences from the ascendancy of finance is that under pressure of money markets non-financial firms were compelled to shift from a “retain and reinvest” strategy to strategies of “downsize and distribute”: instead of retaining their earnings and reinvesting them in the expansion of material production large corporations resorted to divestments, layoffs and distribution of larger shares of corporate earnings to shareholders through stock buybacks and dividends (Lazonick and O’Sullivan 2000). The corollary of this shift, presumably, has been a shift to the manager–shareholder relation as the dominant site of tension over the operations of the firm to ensure the creation of shareholder value, relegating the antagonism between capital and labour to a matter of distribution of corporate income. Some have even argued that as workers have come to own shares directly or through labour-related funds, they have themselves become another group of stakeholders that have their own interests and conflictual relations with managers and shareholders, just like those groups have conflicts with one another concerning decision making and income distribution.¹ Both assumptions are flawed. Financialization may have shifted investment away from material growth but it has not emancipated accumulation from production and the antagonistic relation with labour.

**Incomplete Financialization**

The negative effect of financialization on material accumulation in the non-financial corporate sector is typically supported by trends in real and financial investments in the US under neoliberalism (Bellamy-Foster 2010; Fligstein and Shin 2007; Krippner 2005; Orhangazi 2008a, 2008b; Tomaskovic-Devey and Lin 2011); on occasion it is extended to the UK and other OECD countries, namely France and Germany (Stockhammer 2004). Orhangazi (2008b) explicates at some length this effect in three trends: decline in real investment relative to financial investment; relative increase in the share of earnings of non-financial corporations from financial operations; discharge of higher share of earnings to financial markets through

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interest, dividends and stock repurchases. The negative effect of financialization on the “investment behaviour” of non-financial corporations is therefore of a dual source: increased investment in financial assets “crowds out” investment in real assets by channelling the internal funds of the firm towards financial markets in pursuit of better profit opportunities under pressure to increase short-term returns; pressure to shorten investment horizons and increasing investment in financial assets, however, depletes the internal funds of the firm available for investment in real assets, which is exacerbated by the pressure to return corporate profits to financial markets in the form of interest payments, dividends and stock buybacks. The net result is a slowdown in the accumulation of real capital.

Despite its valuable contributions to understanding structural shifts in accumulation in the core capitalist countries, the account of financialization sketched briefly above has several limitations. Most problematically, it draws conclusions about the financialization of capital accumulation tout court from analyses of trends in “the US economy” or the territorial economies of other core capitalist countries. Notwithstanding the difficulty and futility of delineating territorial national economies, the territorial framing of the analysis is highly problematic because it does not take into account the extent and degree of the globalization of accumulation in the corporate sector, financial and non-financial alike. Such “anaemic” geographical framing, as Christophers (2012) argues, is constitutive of the thesis of financialization. Capitalism, however, is not an aggregate of national economies, no matter how much accumulation depends on the contradictory fragmentation of global capitalism into national economies. We can only grasp the dynamics of capital accumulation, and the extent of its financialization, at the level on which it operates—if we consider its globality and uneven spatiality realized and embodied in the transnational corporation. The point is not to deny the actuality of financialization—on the contrary—but to better explain its conditions of possibility. Non-financial corporations have indeed financialized part of their operations since the slump of the 1970s to capture profits from the financial sector, but they have also shifted investments in material growth to regions outside the core capitalist countries for the same reason, in search of higher rates of return, accompanied by offensives against organized labour in the most advanced capitalist countries (see McNally 2009). Thus, introducing a spatial parallax into the analysis shows that the relative slowdown of material accumulation in the core capitalist countries is the condition rather than the consequence of financialization. In other words, the relative shift of material accumulation to regions outside the core capitalist countries has enabled processes of financial accumulation in the corporate sector. The financialization of accumulation could proceed—unevenly, concentrated as it were in the core capitalist economies—precisely because it is not universal and not total: value has to be extracted somewhere from somebody working for wages in the mines, on the offshore platforms, in the fields, the workshops, factories, etc, while financiers accumulate profits on Wall Street and in the City of London. The financialization of accumulation in the non-financial corporate sector is incomplete—it cannot be otherwise—and its partial accomplishment, indeed the very possibility of its development owes to the relative shift of material growth, hence exploitation, to regions outside the core capitalist countries. The shift is relative:
investment in material growth (exploitation) did not cease altogether in the core capitalist countries but has assumed novel forms and has relied on the intensification of labour as evident in reductions in the workforce, decline in union densities, and increase in the duration and precariousness of work.

**Executives and Shareholders: A Practical Freemasonry of Enemy Brothers**

There are two mainstream views on the relationship between corporate executives and shareholders—both of them do not account for labour. According to the so-called agency theory, developed by shareholder value ideologists in prestigious business schools, the “market for corporate control” gave shareholders—the “owners” of the corporation—the power to monitor and discipline executives, the shareholders’ agents, into creating value by employing the financial resources of the firm more efficiently (see Froud et al 2000a, 2000b). This “shareholder value conception of control” brought together shareholders, executives and boards of directors in a melange of “monitoring, rewarding, and sanctioning” that compelled executives to raise the firm’s market valuation and increase the return to shareholders (Fligstein and Shin 2007). Top executives were increasingly rewarded with shares of stock and stock options on top of their salaries to overcome their “insulation” from the shareholders and align corporate governance with their interests.

In contrast to agency theory, the “positional critique”, developed mainly by professors of accounting and management at the Manchester Business School, construes executives’ rewards as deriving from their position rather than function as value creators: top executives benefit from their proximity to large cash flows which allows them to “skim value”, to “convert streams of revenue into high pay for a select few” that includes, in addition to the top executives in the firm, intermediaries outside the firm such as bankers, accountants and lawyers (see Ertürk et al 2007; Folkman et al 2007). On this “positional” view, executives are opportunists without much power over the creation of (shareholder) value, while shareholders are passive “value surfers” whose gains and losses are determined by the “tidal movements in the price of shares” rather than their function as monitors of executives (Ertürk et al 2007:70).

If agency theory rests on the notion that executives create value by efficient allocation of the corporation’s financial resources, the “positional critique” dispenses with the problem of value creation altogether, dispensing along the way with all agency in the process—markets move, shareholders surf, managers and intermediaries skim. The “positional critique” shifts the focus to value capture and renders the problem of value creation a question of distribution among different personifications of capital. It is based on the assumption that corporate executives lack the ability to create value because of constraints on corporate profitability deriving from structural limits in financial and product markets as well as structural limits in the production process. Executives, accordingly, can do very little to create value for shareholders but are nevertheless successful in mobilizing shareholder value narratives to capture value for themselves regardless of financial performance.
and, in some instances, despite mediocre financial results and destruction of investors’ value. The top executives of large corporations are, accordingly, “neither the value-creating heroes of strategy texts and the business press, nor the pro-capital, anti-labour villains of the left. Instead ... [they] might be just another averagely ineffectual officer class whose role is to manage events and avoid disaster but not to produce high performance or glorious victory” (Froud et al. 2006:91).

The positional critique does not explain, however, how it is that the same executives who create value skimming opportunities for themselves, bankers, accountants and lawyers are not the pro-capital and anti-labour villains. It may be that executives generally benefit from market movements and other structural developments on which they have had no direct influence, but this does not account for executives who have indulged in massive layoffs and in raiding employee pension funds to return more value to shareholders, not to mention those executives who have actively, and quite effectively, avoided paying taxes, kept regulatory agencies at bay, secured lucrative defence and other government contracts, bailout money, subsidies, tax breaks, tax refunds, etc, all of which have contributed to their own fortunes as well as the fortunes of their firms and shareholders. Executives are dedicated to the corporation insofar as its advancement contributes to their personal fortunes and status in the business world, but they can only advance in the corporate hierarchy insofar as they empower and enrich their class. The loyalty of the propertied managers of private property is ultimately to the propertied class, the owners of capital, and the corporation is the principal apparatus by which the interests of individual properties become the interests of the propertied class. More than a mechanism of accumulation, the corporation is fundamentally an apparatus of class formation, and as such it is an apparatus that produces a unified class in opposition to another—the propertyless workers. Mutual ownership and interlocking directorates transform rivalry among enemy brothers, to use Marx’s (1981) apt term, into “a real freemasonry vis-à-vis the working class as a whole”. Despite the ongoing “shareholder revolution” reported in the daily press, the interests of executives and shareholders have never seemed so aligned as they seem at present—that is, aligned against workers. This is evident in the rise in layoffs and decline in union densities that have accompanied increase in returns to shareholders and executive pay.

Growth in returns to shareholders is best measured in the increase of the payout ratio because it measures the ratio of dividends to net corporate profits (income after tax). In the US the payout ratio averaged around 41% between 1963 and 1979, but it grew to around 50% between 1980 and 1989, 55% between 1990 and 1999, and 63% between 2000 and 2010, soaring to 84% in 2008. Since corporations have increasingly returned value to shareholders through stock buybacks, an effective payout ratio, the ratio based on dividends and stock repurchases rather than dividends alone would show a greater part of profits returned to shareholders. (Aggregated data are impossible to find; see Figure 2 for an illustration from the oil industry.) The significance of stock buybacks, however, transcends the immediate financial returns to shareholders. Stock buybacks, which are required to compensate executives, are preferred by executives and shareholders because they are tax deductible. Moreover, they increase the
company’s market value by decreasing the supply of its stock on the market, at the same time that they concentrate ownership of the firm in fewer shares, increasing at once the proportion of property in the corporation that (fewer) remaining shares represent, and earnings and cash flow per share. Increased earnings and cash flow on remaining shares allow executives to meet or beat earning expectations (and receive bonuses) regardless of actual performance.

Layoffs, as much as buybacks, are also market favourites even though there is no evidence linking layoffs with increase in earnings or returns to shareholders (see Farber and Hallock 1999). Yet, executives at large corporations that have laid off the most workers, or announced the largest layoffs, have seen their pay increase in absolute terms and have received higher (median) pay than the executives at the largest corporations (see Anderson et al 2001, 2003; Bayard et al 1997, 1998; Hallock 1998). In 2009, the median pay of executives at the 50 firms that laid off the most workers (representing almost three-quarters of the layoffs announced by the largest 500 firms) received on average 42% more than the executives of S&P 500 firms as a whole (Anderson et al 2010).

Layoffs are a principal mechanism in the deepening subjection of labour to capital in that they have been instrumental in bringing about a decline in union density. Decline in union density has been accomplished by transfer of jobs from unionized to non-unionized regions and by the replacement of unionized workers with non-unionized workers, particularly replacement of direct-hire employees with temporary, contract workers. This trend is not specific to the US and the UK, where financialization has advanced the most in the past three decades, but has also caught up in the other advanced capitalist countries (see Peters 2011). In the US, union members as a percentage of all workers in the private sector fell from 14.3% in 1985 to 6.9% in 2010. Perhaps a more accurate measure demonstrating the retreat of labour in the struggle with capital, however, is the significant decline in the number of work stoppages and in the number of workers participating in them over the past 30 years (see Table 1).

It is true that laid-off workers are sometimes hired back through outsourcing and subcontracting, but they are hired at lower wage rates with less or no benefits and in more insecure jobs—not only in the sense that insecurity is typically understood

| Table 1: Number of major work stoppages and number of workers involved (period averages) |
|---------------------------------------------|---------------------------------------------------|
| Number of work stoppages | Number of workers involved (thousands) |
| 2002–2011 | 16 | 95 |
| 1992–2001 | 33 | 263 |
| 1982–1991 | 58 | 412 |
| 1972–1981 | 254 | 1142 |
| 1962–1971 | 309 | 1539 |
| 1947–1961 | 314 | 1561 |


*Major work stoppages include both worker-initiated strikes and employer-initiated lockouts involving more than 1000 workers.*
as less certain, precarious employment but in a deeper sense as less safe work. The shift to contract workers has rendered the life of the workforce itself precarious: increase in contract employment has increased the exposure of workers to risk of injury and death. Not that unionized workers are not exposed to risk, but for various reasons contract workers are exposed to higher risk and their exposure increases the exposure of all workers to fatal risks. One of the greatest sources of insecurity to the workforce is the organizational complexity of subcontracting itself and the distance it allows corporations to keep from contract workers to avoid all appearance of employment, hence legal liability. This is often made worse by workers’ resistance to the corporate “safety culture” which ties compensation and contract renewal to performance, and the latter to the worker’s “commitment to safety”—essentially a “culture of blame” which makes workers responsible for accidents and hence encourages them to conceal or downplay accidents for fear of losing contracts or pay increase (Collinson 1999). Quite paradoxically, corporate “safety culture” increases the exposure of the whole workforce to the risk of death.

What is at stake in undermining the power of labour by layoffs and subcontracting is not simply cost cutting and profitability—no matter how important those are for accumulation—but the sovereignty of capital, the right and power to expose the combined, collective worker to the risk of death. The extension of the power of capital over the life of living labour lends a literal meaning to Marx’s dictum that “Capital is dead labour”. The production of value is a process of killing labour not only in a metaphorical sense. The sovereignty of capital, however, is structured by a fundamental contradiction, a paradoxical drive to transcend labour, break away from it, while relentlessly striving to subsume labour deeper under the power of capital. At the same time that capital seeks to increase its control over the labour process, it endeavours to emancipate itself from it. This contradiction is embodied in “disciplined investment”, investment in material growth centred on the creation of shareholder value. The more investment is disciplined by the logic of finance, the more intense the contradiction and the more severe the disciplining of labour in the production process.

Disciplined Investment, Disciplined Labour
There is ample evidence indicating the financialization of oil companies’ activities, but those are far more complex and ambiguous than to be described as shifts from investment in material growth to financial channels. Over the past 20 years the largest US oil companies have spent more cash on financing activities (Figure 1), the largest portion of it going to shareholders in the form of dividends and stock buybacks, which grew at a faster rate particularly since the rise of the oil price in 2003 (Figure 2). Yet, although the return to shareholders has increased in absolute terms, the payout ratio has in fact declined; the same with the effective payout ratio except in the case of ExxonMobil which, despite growing expenditure on buybacks, has remained the same (Figure 3). In other words, a smaller share of corporate income has gone to shareholders. Investment, however, has not ceased but has grown; in the process, it has been disciplined into enhancing the corporation’s cash flow, the source of shareholder value, rather than expanding production and sales.
“Disciplined investment”, as ExxonMobil has come to call its investment strategy and which has become common practice among large oil companies, is investment that increases cash flow—the preeminent measure of corporate performance under finance because it is the indicator of the company’s ability to pay dividends and fund common stock buybacks. Disciplined investment is arguably the effect of a “demanding investment community”. Very rarely, however, do executives of major oil companies justify particular actions with creating or maximizing shareholder value. Instead, those are often justified with cost cutting, creating efficiencies, strengthening market position etc. This is not to say that those measures are not intended to create shareholder value, or that they do not. But even in those instances when executives have resorted to maximizing shareholder value narratives, this was construed as a beneficial consequence rather than the primary motive behind management’s actions. Sans surprise, the annual and financial reports of the major oil companies are replete with references to the corporation’s commitment to growing shareholder value, but those rhetorical flourishes—as well as the degree of actual financialization—are uneven across the largest (five) oil companies. Shareholder value is most prominent in ExxonMobil and BP’s strategies, to some extent in ConocoPhillips’s but very rarely in Shell’s and hardly at all in Chevron’s. For BP, “shareholder value lies at the heart of all we do”. For ExxonMobil, the most disciplined of corporations, “delivering long-term growth in shareholder value” is the “core objective” of the company: growth in shareholder value is at the centre of the company’s business model, literally as the diagram illustrating the company’s business model since 2003 demonstrates.7 In all cases, however, it is important to note the corporation’s commitment to long-term shareholder value that would ensue from growth: investment in acquiring assets and enhancing the value of existing assets; technical developments in upstream and downstream activities to increase productivity; exploring frontier regions and establishing strong positions in downstream markets. Growing shareholder value is thus predicated on expanding production and sales, at all times committing to divestment and cutting costs. Hence, investment disciplined by cash flow is a dual strategy that aims to create shareholder value in the long term by avoiding risky projects (especially in upstream production) and investing only in projects with a guaranteed rate of return higher than the average; and divesting non-performing assets, that is, assets whose rate of return is below average, and cutting costs, particularly the cost of labour. Because there is high risk involved in greenfield investment, disciplined investment has favoured growth by merger and acquisition over organic growth without doing away with the latter since greenfield investment can, under certain circumstances, yield higher rates of return.8 Since this is contingent upon industry and market conditions, oil companies have pursued both even when those conditions favoured organic growth because mergers and acquisitions allow for growth combined with divestiture, what ConocoPhillips calls a “shrink-to-grow” strategy,9 and because mergers and acquisitions and divestitures enhance the scope for reduction of the workforce.

Oil companies have reduced the number of regular employees continuously, the largest reductions usually following mergers and acquisitions or major divestments as in ConocoPhillips’s recent spinoff of Phillips 66, regardless of the movement of...
the oil market (Figure 4). Thus reductions in the workforce continued despite the rise of the oil price in 2003 and increased after the crash of the oil price at the end of 2008, the subsequent financial crisis providing justification for further layoffs as a cost-cutting measure. Layoffs, however, are more than a method to cut costs; they constitute the principal mechanism by which oil companies discipline and regularize labour. Direct layoffs represent one of four such mechanisms that intertwine in a complex web of causality. Technical developments, especially the introduction of computers and improvements in information and communication technologies that have allowed large oil companies to outsource and offshore administrative operations (accounting, legal, etc), centralize more power over the entire production process by removing direct control over the labour process from the actual site of production and concentrating it in headquarters. Deunionization is another mechanism which is one consequence of outsourcing/offshoring as it is of layoffs—one observable measure of the weakening of oil workers is the virtual halt in strikes and work stoppages in the oil industry in the US since the 1980s. Finally, relocating production abroad—extraction to new regions in Africa, refining and marketing to developing markets in Southeast Asia, has also served to reduce the size of the workforce as well as union representation. While each deserves a study in its own right, I focus here on reduction of the workforce since the other three mechanisms have either led to layoffs or were accomplished by layoffs.

Reduction of the workforce has been accomplished by several methods intertwining with each other, each compounding the effect of the other. Those methods could be summarized as follows: involuntary and voluntary separation (layoff, early retirement, job elimination); outsourcing or offshoring; capacity reduction or plant closure (or idling); merger of operating units and joint ventures; mergers and acquisitions; and asset sales. The reasons justifying layoffs exhibit a wide range of reactions to developments in the oil industry and in oil markets in consequence of broader economic trends. Quite often, layoff announcements indicate generic causes such as restructuring, reorganization, realignment, streamlining, downsizing, rationalization, improving organizational efficiency (usually following mergers), joint ventures and combining operations, hence redundancies and duplication. More particular causes range from plant closure, asset sale, reduction of plant capacity and operations in the downstream sector because of competition, high crude prices, declining product demand, outlook of shrinking markets, excess capacity, redundancy from acquisition or from integrating, linking or consolidating operations, refinery inefficiency and compliance with environmental regulations. In the administrative part of the business, layoffs typically result from consolidating offices, office closure and eliminating surplus employees “left over” from acquisition; and outsourcing and offshoring, especially in information technology (IT), to streamline IT structure, engineering and maintenance following acquisition. In the upstream sector, the causes of layoffs include cost cutting because of competition, oil glut, sluggish markets, drop in crude oil price, grim outlook for the future (low and volatile prices), declining production in maturing fields, shift to overseas operations, sale of assets from acquisition, and in one instance, closure of the upstream sector—lack of access to low-cost, low-risk regions led Phillips in 1999 to lay off 1400 workers (850 in the US) in its corporate offices. Only in two instances, out of 186, layoffs were justified.
by pressure of financial markets: in 1998, Shell laid off 4000 workers across the world as part of a restructuring program following the megamergers of 1998; in 2003, ConocoPhillips announced layoff of 17,400 workers from sale of Circle K retail assets to reduce exposure to US retail markets “which was losing favour on Wall Street”.

Oil companies have also embarked on processes of internal reorganization that have shifted the operations of the corporation from a geographical to a functional structure, eliminating local and regional offices and concentrating more power in corporate headquarters. Such processes, often following the integration of merged companies, have led to substantial layoffs because they eliminated entire offices in addition to layers of management and support staff in corporate headquarters. Functional reorganization, however, has also been accompanied by a multidimensional spatial shift away from the maturing oilfields and saturated markets of the US and Northern Europe towards “higher reward frontier areas” in West Africa and growing markets in Southeast Asia; a geological shift towards deep sea drilling; and a shift towards “frontier resources” (shale oil, methane-bed gas). Since the 1980s, large oil companies have sold small upstream properties in the US, considered marginal to their operations—those were gobbled by smaller producers rather than taken out of production. By 2003, despite the increase in crude oil prices and forecasts of growing demand for products, oil companies were still divesting assets (and laying off workers) in older producing regions. Downstream, large corporations disposed of service stations in tight markets, reduced refining capacity, closed old and inefficient refineries, and entered into joint ventures with each other to eliminate redundancy, turning eventually from the US and Northern Europe to “emerging markets”. The shift to product markets in East Asia, spurred by the economic recovery following the crises of the 1990s, was given another boost by the economic downturn of 2008–2009 and forecasts of further decline in western markets in the demand for oil products. As larger shares of capital were employed overseas and larger shares of income came from overseas operations where the returns on investment were higher (Figure 5), the overwhelming majority of layoff events were in North America (67, mostly in the US) and in Europe (33, mostly in the UK, the North Sea and the Netherlands). Only 15 layoff announcements reported layoffs at the global scale; one indicated Nigeria. Most of the layoffs were in downstream operations: 41 announcements/events in refining and marketing (R&M), 18 in petrochemicals; compared with 40 in exploration and production (E&P); 24 in administrative functions; and 5 in non-core operations. The difference in the size of layoffs, however, is far more significant than the difference in their number: roughly 79,385 workers in downstream operations compared with around 41,540 workers in upstream operations. The sectoral difference in layoffs is congruent with the geographical shift to overseas operations since downstream operations have been historically concentrated in the US and Northern Europe.

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The unity of opposites at the heart of disciplined investment—growth coupled to serial layoffs—has intensified the labour process and laid the ground for further disciplining of the workforce. Financialization did not “crowd out” investment in
real assets or slow down the accumulation of real capital, when those are examined at the global scale of the corporation; neither did financialization shift the axis of antagonism from capital—labour to management—ownership. Rather than shifting finance away from investment in material growth, executives disciplined by the logic of finance have rearranged the global and uneven spaces of investment; they shifted part of the corporation’s investment capital to productive activities outside the most advanced capitalist countries and continued to invest in the intensification of labour in the core capitalist countries. Reduction of the workforce has been compensated by more intensive labour: the total number of production employees in US refineries declined by more than half from 92,000 in 1979 to 44,000 in 2012; over the same period, the average weekly overtime hours of those workers increased from 3.8 to 9.7 (Figure 6). Labour productivity in those refineries more than doubled between 1987 and 2011 (Figure 7). Thus, one of the most capital-intensive industries has, under the discipline of finance, become one of the most labour-intensive and labour-disciplining industries.

Beyond Exploitation: The Biopolitics of Labour and the Sovereignty of Capital

Oil companies, like other non-financial corporations, accumulate profits deriving from diverse activities—mainly from core operations, but also from trade in financial instruments, issuance of debt, asset sales and leasing etc. Indeed, the boundary between financial and non-financial activities is not always clear: the acquisition of one company by another is at once a financial transaction and a material investment; trade in financial instruments, say a crude oil derivative, can be realized in the exchange of oil at a particular place and time or settled for cash on the floor of the NYMEX according to a physical exchange in a physical market (Labban 2010). A financial instrument creates value for the corporation as much as a semi-submersible vessel or a refinery, and the corporation can accumulate value accruing from trade in financial markets as well as from the production and exchange of commodities.

If non-financial corporations can accumulate capital through financial channels (M–M′–M"…”) why do they still invest in the production of commodities (M–C–M′)? If capital accumulation can proceed by the self-valorization of value on financial markets, why does the production of value persist in the labour process? In the first place non-financial corporations such as oil companies still have to invest in their core operations because their market valuation depends on perceptions about the promise of growth and profitability: development of new technologies, reserve discovery and expansion, layoffs and other cost-cutting measures, expansion in new markets etc. Large corporations, moreover, have large amounts of fixed capital assets that need to be valorized at the risk of devaluation. M–C–M′ is necessary for the valorization of already existing value: not employing constant capital (fixed and circulating) in the creation of fresh value leads to passive wasting of value (means of production not employed in absorbing surplus labour) and active wasting of value because they need maintenance to protect value congealed in them from falling “prey to the destructive power of natural processes” (Marx 1976:289; also 373–374). Notwithstanding physical decay arising from lack of use, fixed capital is under constant threat of “moral
depreciation” because of technical change, that is, the production of better or cheaper means of production of the same kind (Marx 1976:528). Only living labour preserves the value of capital by transferring it to the product; and this act of preservation is the condition for the creation of new value. This is from the standpoint of individual capitalists. From the standpoint of the capitalist class, accumulation of capital through M–M′–M″... is a redistribution of total social value among the owners of capital, including its redistribution from the future to the present through speculation on financial markets, that does not expand its magnitude. Individual capitalists may accumulate more than others, but the whole capitalist class loses. Thus, even if M–M′–M″... could proceed independently, or without correspondence with M–C–M′, only M–C–M′ provides the conditions for expanded accumulation and the expansion of the magnitude of value appropriated by the capitalist class as a whole.

The product that matters most from perpetuating M–C–M′ is the value relation itself which binds the creative powers of labour to capital and constitutes the absolute condition of the existence of the capitalist class. The drive of capital to liberate accumulation from the labour process—a drive accentuated by the financialization of accumulation but not created by it—finds contradiction in the relentless drive to subsume labour under the power of capital. The subsumption of labour to capital—the compulsion to perform surplus labour, to work for wages (at the risk of death) as a matter of survival, underpins what I would call, to borrow from Foucault (2003), the biopolitics of labour. Layoffs accordingly do not only constitute a method of cutting costs but also a regulatory-disciplinary technology that operates at the point where the individual worker and the class of workers meet: a technology that disciplines and manipulates the capacities of the collective worker as a productive force and regularizes the life of the collective worker as a living mass. What is at stake in the reproduction of the value relation is not simply expanded accumulation but the sovereignty of capital.

The sovereignty of capital expresses itself in the power to subject living labour to slow death while deferring indefinitely the death of individual workers. The power to suspend death, as Baudrillard (1993) put it, is the source of the sovereign’s power. Death, as Foucault (2003:248) noted, is “the moment when the individual escapes all power”; yet it is outside the reach of power insofar as power intervenes to improve life. Power as such is paradoxical—its objective is to improve the chances of life, yet it kills. The paradox of power is resolved by fragmenting the population and exposing some people to the risk of death for the security of society as a whole. This paradox is at the heart of capital which exposes certain workers to death at the same time that it seeks to improve the workers’ chances of life through safety boards, routines and regulations intended to eliminate hazards, prevent accidents and enforce safety standards. Capitalists try to resolve this paradox by a combination of subcontracting and accounting: they cannot remove accidental fatalities from their books so they eliminate them by moving dead workers from one column to another, laying off employees and letting them die in the labour process as contractors.

All 15 workers who died in the explosion of BP’s Texas City refinery in 2005 were contract workers. Soon after BP acquired the refinery in 1998 John Browne, chief executive of BP then, embarked on cutting training staff from 30 at the time of acquisition to eight in 2004; over the same period, BP cut costs by 25%, including
maintenance and training costs, costs of installing safety measures and replacing malfunctioning equipment. The US Chemical Safety Board cited BP for safety violations, some 300 dating to 1991, but BP blamed the explosion on workers not following instructions and refused to comply with federal regulations despite the fines and subsequent fatal accidents. In 2009, the Department of Labour’s Occupational Safety and Health Administration cited BP for 709 safety violations, including failure to address hazards similar to the ones that led to the explosion in 2005. BP accepted some of the citations and paid part of the fine: in perfect reversibility, death was exchanged for death, dead workers for dead labour. In the mean time Tony Hayward, BP’s chief executive at the time, vowed to fix the safety lapses that have caused fatal explosions and numerous spills in Texas City and elsewhere, but also to improve operations by cutting costs and firing more workers, despite the fact that cost-cutting and layoffs have been established as significant factors in the explosion at Texas City.

Operations did improve: in the Gulf of Mexico BP’s workers took 6% less time to drill 10,000 ft; idle time of total rig days fell to 24% from 34%; and output reached its target a year ahead of schedule while spending on wells declined by 10%. One thing did not improve: safety. BP’s recordable incidence rate for the unit drilling in the Mexican Gulf was 0.97, much over its target of 0.62. Quite remarkably, BP’s target of injury frequency is not zero—some people must get injured, some people must die. In April 2010, 11 workers did die in an explosion on the Deepwater Horizon semi-submersible platform drilling in the Gulf of Mexico, all of them contractors. The social fixation on the death of those workers obscured the ongoing destruction of life in the oil industry: that same year, 148 oil workers in the US perished. Corporate “safety culture”, however, is not concerned with the safety of individual workers as much as with safety as a statistical average regularizing the collective worker. The corporation improves the safety of the collective worker by shifting the risk of death to contractors. It comes as no surprise then that the incidence rate of contractors in the oil industry, as well as the number of fatalities, is invariably higher than that of employees (see Table 2).

The incidence rate is perhaps the purest expression of the paradoxical sovereignty of capital, the killing of individual workers in the labour process while ensuring the safety of the collective worker. Death may be outside the power of capital, but with the incidence rate capital controls mortality, it controls death in statistical terms. The incidence rate is capital’s mechanism of security which does not eliminate individual injuries and fatalities but ensures that their occurrence at the level of the mass of workers conforms to statistical rates considered optimal for a given functioning, moving within a bandwidth of acceptable costs of damages and preventative measures that must not be exceeded. Capital is dead labour for sure, but capital also kills labour—capital lets workers die as long as the mortality rate of the mass of workers remains within the bandwidth of the acceptable, as long as it does not undermine the rate of profit and the existence of the capitalist class. Baudrillard is wrong in positing death as the only alternative to labour. The only alternative to labour is the destruction of the sovereign law of value.
Table 2: Incidents of injuries and fatalities in the largest five oil companies

<table>
<thead>
<tr>
<th>Year</th>
<th>BP</th>
<th>ExonMobil</th>
<th>Shell</th>
<th>Chevron</th>
<th>ConocoPhilips</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported recordable injury frequency</td>
<td>Total recordable incident rate</td>
<td>Fatalities</td>
<td>Fatalities</td>
<td>Total recordable rate</td>
</tr>
<tr>
<td>2012</td>
<td>0.26</td>
<td>0.43</td>
<td>1</td>
<td>3</td>
<td>0.24</td>
</tr>
<tr>
<td>2011</td>
<td>0.31</td>
<td>0.41</td>
<td>1</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>2010</td>
<td>0.25</td>
<td>0.84</td>
<td>0</td>
<td>14</td>
<td>0.23</td>
</tr>
<tr>
<td>2009</td>
<td>0.23</td>
<td>0.43</td>
<td>0</td>
<td>18</td>
<td>0.31</td>
</tr>
<tr>
<td>2008</td>
<td>0.35</td>
<td>0.5</td>
<td>2</td>
<td>3</td>
<td>0.37</td>
</tr>
<tr>
<td>2007</td>
<td>0.35</td>
<td>0.59</td>
<td>3</td>
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<td>0.33</td>
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<tr>
<td>2006</td>
<td>0.4</td>
<td>0.55</td>
<td>0</td>
<td>7</td>
<td>0.33</td>
</tr>
<tr>
<td>2005</td>
<td>0.41</td>
<td>0.62</td>
<td>1</td>
<td>26</td>
<td>0.39</td>
</tr>
<tr>
<td>2004</td>
<td>0.49</td>
<td>0.56</td>
<td>4</td>
<td>7</td>
<td>0.39</td>
</tr>
<tr>
<td>2003</td>
<td>0.57</td>
<td>0.65</td>
<td>5</td>
<td>15</td>
<td>0.41</td>
</tr>
<tr>
<td>2002</td>
<td>0.72</td>
<td>0.81</td>
<td>3</td>
<td>10</td>
<td>0.54</td>
</tr>
<tr>
<td>2001</td>
<td>0.77</td>
<td>1.12</td>
<td>5</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>2000</td>
<td>0.84</td>
<td>1.73</td>
<td>10</td>
<td>13</td>
<td>0.54</td>
</tr>
<tr>
<td>1999</td>
<td>1.09</td>
<td>1.82</td>
<td>10</td>
<td>20</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Source: Author from various company reports and webpages.

Notes:
e = employee; c = contractor.

The total recordable incident rate or injury frequency is the number of "recordable injuries and illnesses" occurring among full-time workers, typically 100 workers working 40 h per week for 50 weeks per year (200,000 work hours). It is calculated according to the following formula: total number of injuries and illnesses × 200,000 ÷ number of hours worked by all employees.

Shell does not report different incident rates of employees and contractors; ConocoPhillips does not report different fatalities of employees and contractors.
Acknowledgements

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Endnotes

2 Author’s calculations from the Economic Report of the President, 2012. Table B–90.
5 The seven figures are available online: http://antipodefoundation.org/supplementary-material/
6 Investing and financing activities seldom generate cash: cash flow is generated by operating activities, ie the company’s core business of producing and selling oil and gas and refined products.
7 See, for example, Exxon’s Annual Report 2010, p 10.
8 A study by Wood Mackenzie (2003) showed that 25 companies that invested $50 billion in exploration and production created the same quantity of value ($23 billion) as the 25 companies that invested $140 billion in acquisitions (Petroleum Economist June 2005).
9 This strategy has been recently adopted by BP to pay for the spill of 2010, but it was in fact formulated by Asahi Glass Co in 2000. See press release at http://www.agc.com/english/news/2000/0410.html
10 Offshoring in a rather literal sense has also been effective in consolidating control over the labour process. Moving extraction offshore intensifies as it spatializes the antagonism between intellectual labour and manual labour: centres of command onshore dictate the movements of isolated workers on offshore platforms, which operate around the clock employing workers in three shifts. Offshore drilling platforms, moreover, are considered vessels and they can therefore be registered in tax havens, which removes them from the jurisdiction of the regions where they extract oil and allows them to evade labour regulation (not to mention taxes) and undermine further the power of labour.
11 The numbers do not add up to 186, the total number of cases analyzed in this study because not all layoff announcements indicate region, sector and number of workers laid off. Significantly, the number of workers laid off exceeds the number announced. All announcements state in one form or another the cause, or justification, of the announced layoff and, with few exceptions, the method of layoff.

References