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Periods of intensive mergers and acquisitions activity are always difficult for workers. The inevitable restructuring brings job losses and threatens pay and conditions.

M&As are running at an all-time high, last year at $3.6 trillion worldwide, according to the IMF. In this M&A boom, the risks facing workers are heightened by the unprecedented role being played by private equity buyouts and hedge funds.

In value, private equity M&A deals accounted for more than 20% of global M&A activity in 2006. And hedge funds, which now have more than two trillion dollars under management, are intervening in M&As as well.

The global investment climate is becoming increasingly speculative and opaque, against a background of growing economic and social inequality.

The alternative investment market continues to boom. Private equity funds have been borrowing ever greater amounts of money to finance buyouts. This debt, plus further heavy borrowing to pay early "dividends" to private equity partners, is being loaded onto the bought-out companies. That can compromise their long-term investment and make them more vulnerable to an economic downturn.

Concern about the possible broader impact is mounting. A senior official at the UK's Financial Services Authority has stated: "Given current leverage levels and recent developments in the economic/credit cycle, the default of a large private equity backed company or a cluster of smaller private equity backed companies seems increasingly inevitable … . Besides the risk this poses to the firms involved, these factors also pose a risk to orderly markets." 'Private Equity: a Discussion of Risk and Regulatory Engagement', Speech by Sally Dewar, Capital Markets Sector Leader, FSA, 25 January 2007.

In M&A transactions, workers face an unfair sharing of risk, reward and costs. Especially so in finance-driven buyouts, where the emphasis is on quick profits rather than on a company's long-term health.

Investors, creditors and top company managers take heavy risks, but it is their own choice and they often reap rich rewards. The employees of a target company have the risk imposed on them. They share the costs in the event of failure. But in the event of success, they can expect at best maintenance of the status quo; at worst, a loss of their jobs; nearly always, pressure on their pay, pensions and working conditions.

UNI Global Union and its affiliates around the world want a fairer sharing of risk and reward. UNI's Principles on Private Equity are our platform for engagement with the private equity business. We have met and opened a dialogue with certain private equity firms as well as with British and French, and soon with US, private equity associations.

UNI affiliates are acting to attain a twofold objective: a better deal for workers affected by individual private equity and hedge fund transactions, and a regulatory framework that enhances financial stability and deprives private equity firms and hedge funds of their privileges in terms of taxation and normal obligations regarding transparency and prior consultation and negotiation with workers and their unions.

UNI Global Union welcomes the decision of the Australian Senate to hold this inquiry into the private equity business and hopes the Senate with make proposals for adequate and effective statutory regulation.