

# THE SCOURGE OF UNEMPLOYMENT

*"We cannot go on permitting men to vote and forcing them to tramp. We cannot go on educating boys and girls in our public schools then refusing them the right to earn an honest living. We cannot go on prating about the inalienable rights of man and then denying the inalienable right to the bounty of the Creator."*

Henry George

This powerful condemnation applied to our present social situation will find ready agreement. It might be a cry from the heart in the Australia of 1998 but, in fact, it was written by Henry George referring particularly to the American scene of over a century ago but now generally applicable world wide.

What more dramatic proof do we need that social conditions have not improved in a hundred years; that from a century of experience of the scourge of unemployment we have learned nothing of cause or cure. Inevitably the experience will continue unless present concern can be fanned into protest.

There is nothing new about unemployment. It has existed at all times and in all countries. Without doubt it springs from a common cause. There has always been a pool of unemployed, or underemployed people, their numbers rising or falling as recurring recessions and depressions wax and wane. Unemployment has become the matter of greatest public concern at this time because of its dramatic growth indicating, as it does, the depth of the now more rapidly recurring recessions affecting the nation.

If the great depression of the 1930's threw up a tragic army of unemployed at least people were able to do

something for themselves. When there was work to be done and people anxious to do it employers and employees reached agreement on pay. The work was done, the worker rehabilitated himself with dignity his independence retained. It was as sound a piece of enterprise bargaining as one would find with a result completely acceptable to both parties. It might be said that we worked our way out of the depression.

Today, that course of action is illegal under the rigid Industrial relations system and the entrenched power of the Trades Unions who protect the employed and disregard the unemployed.

Following World War 2 when the nation was busy putting the economic system back together again after the disorganisation of war there was, for a time, considerable unemployment.

The Chifley Government of the day met the situation with the establishment of a Commonwealth Employment Service under which the Commonwealth virtually undertook to find a job for the individual or pay a dole. There was an obligation on the unemployed to make dilligent search on their own behalf or accept whatever work the Government Service found for them regardless of type or location.

Indeed Prime Minster Chifley uttered some words to the effect that "the unemployed must not expect to see the Town Hall clock every day or to sleep at home every night".

But in time the Commonwealth Employment Service became entrenched as an essential function of Government. Conditions softened. The obligation to take any job gave way to a right to reject it if the job was unsuitable, inconvenient or did not offer the applicant an opportunity commensurate with his inclinations or talent. There was no need to front up to the office to collect the

dole. The Service had it delivered by mail.

In early 1992 the numbers unemployed stood at 10.3% of the work force. It peaked at 11.2% in November. Official anticipation was that it could go higher and despite all efforts to return the economy to growth, minor correction might see the figure continue at 8% or more into the late 90's, probably to the turn of the century.

But the record shows that unemployment has always stood at 5 or 6% even during the so called full employment years of the 1960's. Indeed, there was general agreement at the time that, having regard to movement from one job to another and for other acceptable reasons, 5% unemployment came to be regarded as "full" employment.

The desperate plight of the unemployed has always been obscured by the 90% of the workforce fully employed at good rates of pay subject to regular increases until quite recently when it began to be apparent that the economy could not sustain higher labour costs without unacceptable damage. There is always the balm that the Government is providing for the unemployed through social service "transfers" as well as great and costly schemes claimed to be helping the victims back to employment.

But 10% unemployment, as a figure, conveys nothing of the grim reality of 980,000 people and their dependents trying desperately to live on social service benefits. Nor is it understood with sufficient clarity that the cost of maintaining the unemployed is not at the expense of a body called Government. It is at the expense of the income earning taxpayers whose own needs are being denied to the tune of the billions of dollars they contribute each year and rising from year to year into the \$7 billions plus of today. This might be called the first cost of unemployment!

In 1983 with the economy emerging from an earlier

recession the number of unemployed stood at 620,000, the cost to the taxpayers, \$4 billion. The Commonwealth Budget of 1990-91 indicated that the recipients of benefit had risen to 680,000 and the cost to \$5.2 billion. At Budget time in mid 1991 the estimated expenditure on unemployed benefit for the financial year stood at \$7.3 billion. The dramatic end of year rise to over 900,000 registered unemployed confirmed the estimate. The numbers registered as unemployed must be augmented by thousands under employed on part time work and those who have given up the hopeless task of finding employment. Thus it is realistic to anticipate that, for the foreseeable future, Australia will have a minimum of 5-600,000 people condemned to idleness but compulsorily maintained by the taxpayers at a cost of \$6 billion per annum or more.

There is a second cost for this situation which appears to go substantially unrecognised. It is the loss to the community of the goods and services which could have been produced by workers now standing idle. Having regard to the diversity of employment and production, it is extremely difficult to quantify the loss but, over the "average" period referred to, it was estimated at \$20 billion a year. Right now a potential market for business of that order is available if we can rid society of involuntary unemployment. Under conditions officially anticipated a continuing annual loss of \$20 billion must be expected.

One might suppose that this potential market, presently out of reach, would excite the interest of manufacturers and business generally to turn their minds to the unemployed situation with renewed vigour if only for the most selfish reasons. There could be an additional \$20 billion worth of trade to be won if we can cure unemployment.

Evidently the electorate has learned to tolerate the obscenity of this army of our fellow Australians in idleness.

But our society in general cannot absolve itself from responsibility for the third great cost of this breakdown in our industrial-social system. It is the social cost of reducing whole generations to dependence on others with loss of dignity, physical deprivation leading to frustration, broken homes, poverty, demoralisation and crime.

You can't put a dollar value on that! Nor can you assess the effect on the nation's future when 250,000 families are without an employed breadwinner, where the same number of Australians have been unemployed for more than a year, where there are half a million of the nation's youth involuntarily unemployed and demeaned by the all too general epithet of "dole bludgers".

In this situation government must be seen to "do something". The period was characterised by changes to old and introduction of new schemes and devices to look like real action. New names came up for allowances like "Job Search", "Job Start" and "New Start" with more stringent conditions attached obliging applicants to face more intensive interviews, to report regularly on the result of their job search. If nothing came of that in six months they were to make themselves available for more intensive "Labour Market Assistance". Meaning training! but for what?

But unemployment didn't arise from lack of trained operatives who were being retrenched at wholesale. And where were the jobs for which the unemployed were being trained?

Dr Bruce Chapman, Deputy Director for the Centre of Economic Policy Research at the Australian National University pointed out that "an active employment strategy is a good idea when the economy is booming but

it is almost irrelevant when the economy is in free fall. To think labour market programmes are a panacea in a recession is a joke" and "Once you create a pool of long term unemployed what the Government can do for them is almost nothing".

Then in February 1992, with an election not too far ahead and with political pressures mounting, the Government came up with it's "One Nation" scenario targeted generally on restoration of the economy but with heavy emphasis on job "creation".

It called for vast capital expenditure on infrastructure projects. Employing modern methods of production, which it must, it would provide jobs for relatively few people and then only for the duration of the work. It would certainly put more money into circulation but at the cost of throwing the National accounts heavily into deficit.

On this the then Minister for Finance is on the record as saying *"To get the economy going we have to give it a kick start with the kind of responsible package which is here, the package which is funded in the sense that it will mean deficits of about 18 billions over four years compared with a surplus of 18 billions in the previous four years"!!*

Odd method of funding! But then, Governments are like that!

The reason for that economic downturn was not the absence of up to date infrastructure. Nor could the position be rectified by vast spending on big ticket capital works which is merely the counterpart of the "kerbs and gutters make work" schemes of the 1930s. There is no future in constantly reverting to superficial devices to hide unemployment, training people for jobs that are not there, subsidising wages to provide cheap labour and the so called creation of jobs. All of these devices have been tried before. If they had been effective we would not still have

the problem with us.,

The "One Nation" project merely evaporated!

The Institute of Public Affairs "Wealth and Poverty" - Policy Issue No 6 of November 1988, when double digit unemployment was still below the horizon, carried the message "We believe there should be a national inquiry into the prospects of restoring Australia to a full employment economy. This would help ensure that the full employment goal is restored as a key objective on the national agenda, help build community understanding of the impediments to full employment and encourage policy makers to take the steps this requires."

Clearly policy makers don't know what steps to take!

It also seems pertinent to point out that the "policy makers" would hardly expose themselves to this discipline voluntarily particularly in the light of the Institute's own assessment that "political parties seem content to accommodate the increase in dependency by providing - or ordering the taxpayers to provide - appropriate unemployment and other relief" and "We believe a major reason for this attitude on the part of political leaders is an unwillingness to tackle the privileged power groups which result from our centralised wage determination system".

Meantime there will be a long wait for government initiative towards an inquiry. It should not be beyond the resources of the Institute of Public Affairs itself to conduct such an inquiry but it must be prepared to delve deeper into basics than is usual for such activities mostly considered to be the exclusive domain of conventional economists.

That view was a response to the I.P.A. published article. Six years on, the I.P.A. took the initiative with the Institute of Applied Economic and Social Research of the University of Melbourne in launching "The Full

Employment Project" a joint venture with public support.

The first Discussion Paper of November 1994 is an extremely valuable survey of the problems of dealing with unemployment. Professor Hughes underlined "no quick fix" and dealt harshly but objectively with present superficial proposals before going on to establish reforms essential to success.

But my conviction remains that changes only of conventional economic arrangements will leave untouched the basic causes of economic disruption and social suffering.

There is constant reiteration of the theme that Governments create new jobs. But it is only through artificially created demand at great expense to the taxpayer and with little lasting benefit. Government must now set about removing the obstacles which presently prevent a persons own needs from being translated into a job when raw materials of every sort are available and facilities for production are underemployed. There is no warrant for anyone willing and able to work languishing in unemployment. Nor can the nation afford it.

It makes no sense for the Government to go on boosting employment in the present fashion. What it must do is to so order the economy that pent up demand can call production into being.