

Unemployment: Causes, Consequences and Policy Implications

Author:

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Publication details:

Working Paper No. 11
Reports and Proceedings
0858232219 (ISBN)

Publication Date:

1981

DOI:

<https://doi.org/10.26190/unsworks/918>

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SWRC Reports and Proceedings

No 11

August 1981

UNEMPLOYMENT

Causes, Consequences, and Policy Implications

Edited by
Bettina Cass

PAPERS GIVEN AT A SEMINAR
HELD ON 19th JUNE 1981



Social Welfare Research Centre

THE UNIVERSITY OF NEW SOUTH WALES

P.O. Box 1, Kensington, New South Wales, Australia 2033

SWRC REPORTS AND PROCEEDINGS
No. 11 **August 1981**

Reprinted **August 1984**
Reprinted **December 1986**
Reprinted **April 1990**

UNEMPLOYMENT
CAUSES, CONSEQUENCES, AND POLICY IMPLICATIONS

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ISSN 0159 9607
ISBN 0 85823 221 9

Social Welfare Research Centre
The University of New South Wales
P O Box 1 · Kensington · NSW · 2033 · Australia

Printed on the inside and outside back cover is a complete list of the Reports and Proceedings series of the Social Policy Research Centre.

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Introduction

by Bettina Cass

The Social Welfare Research Centre held a one-day public seminar on 19th June 1981 on the subject of "Unemployment : Causes, Consequences and Policy Implications". Researchers were invited to present papers which would explore some of the deeply contested issues which are currently being raised and debated in the community amongst employed and unemployed people, in Commonwealth and State parliaments and government departments, in trade unions, welfare agencies and in universities. The level of interest, discussion and debate at the seminar indicates the critical importance of unemployment as a major issue in current labour market and social welfare analysis and policy formulation.

The programme was designed to cover the main areas of the causes of unemployment, the consequences for individuals and for Australian society (specifically in relation to the state of the labour market and the social security system), and to canvass a range of policy implications and responses. Peter Sheehan was invited to analyse the ways in which Australia's economic and political policies over the past decade have shaped and defined the current unemployment situation and to suggest likely future outcomes under alternative policies. Frank Stilwell was asked to locate the Australian situation in an international economic context, to analyse the impact of unemployment in the Australian class structure and to outline some alternative political economic responses. Judith O'Neill agreed to assess some of the implications of unemployment for trade unions and to present preliminary findings of her survey of trade union attitudes and responses to unemployment, outlining the forms of assistance currently available to unemployed union members and unions' plans for future action. Adam Jamrozik was invited to analyse the consequences of labour market changes for social welfare policies. He asked the question : How do these changes affect the life chances and life styles of various sections of the population? The four papers presented at the seminar are reproduced in the following pages of this report. In this introductory paper, I outline the key issues and debates raised in the papers and in the general discussion which concluded the programme.

Causes of Unemployment in Australia : 1974-1981

Peter Sheehan's paper presents figures which suggest that the deterioration in the Australian labour market has been more rapid since 1973 than in comparable

western countries (Table 1). Taking the periods from 1964 to 1973 and then from 1973 to 1979, Australian figures show a steeper decline in the rate of growth of employment and a higher rate of growth of unemployment, in comparison with the U.K., U.S.A., Japan, Canada, Germany and France (although since 1979 the unemployment situation has worsened in Great Britain). This is related to Australia's very high rate of employment growth and low rate of recorded unemployment in the period 1964-73, which was dramatically reversed from the watershed of 1974. As Sheehan points out, there are problems of definition of what constitutes "unemployment" in each country. However, what the figures illustrate for Australia is the shortfall between the rate of increase in recorded unemployment and the rate of decrease in employment growth - a shortfall representing the extent of "hidden unemployment".

By 1979-1980, (as Sheehan's Chart I graphically shows) hidden unemployment was of a similar magnitude as recorded unemployment (i.e. approximately 6% of the labour force) reflecting since 1976 a darkening of perceptions about employment prospects and a rising duration of recorded unemployment (as Jamrozik's figures demonstrate). Sheehan emphasises the higher rates of "total unemployment" (i.e. recorded plus hidden unemployment) for older people (55 years and over) for women, particularly for teenage girls aged 15-19, and for migrants from non-English speaking countries.

Sheehan's account locates the causes of labour market deterioration in the mainly domestic monetary and fiscal policies and wage-fixation conditions of the 1973-74 period of Australian politics, with due recognition of the international economic situation of a general boom followed by a general weakening of demand in this period. His analysis emphasises the dynamics of international financial and commodity markets and Australia's position as a competitor in these markets, particularly in relation to our manufacturing industries and balance of trade problems. The dramatic wage-fixation changes of 1974 and the perceived impact of higher real wages on company profitability also enter his analysis - not as a prime-mover, but as one of the significant events of this period when restructuring of certain manufacturing industries was accelerated. Stilwell, on the other hand, places greater emphasis on technological change as an employer response to rising real wages, as does Jamrozik, whose paper demonstrates the increasing capital intensity and decreasing labour intensity of Australian industry. Jamrozik's critical argument is that job-loss alone is an insufficient indicator of deterioration in labour market conditions. What is also required is an appreciation of wider changes in the structure of the labour market of which the increasing share of part-time work as a proportion of all employment is one major indicator.

Sheehan goes on to explain the continuation and worsening of unemployment from 1976 as a consequence of the government's contractionary monetary and fiscal policies and policies of wage restraint. After a short upturn in 1980, due to increased demand caused by the rise in real wages and increase in public sector expenditure, Sheehan predicts that the reimposition of fiscal and monetary controls, the rise in interest rates, the decline in real wages and the sharp fall in the growth of real public sector expenditure in 1981 will lead to deterioration in economic growth and higher levels of total unemployment in 1982.

Stilwell's analysis locates the causes of unemployment in Australia in the mid-1970's within four structures : the structure of the international economy, the structure of industry, the structure of technology and the class structure of Australian society. He stresses the interdependence of the capitalist economies and hence Australia's dependence on international finance and commodity markets, in particular the role of transnational capital in structuring labour market conditions and opportunities. The position of Australia in the "international division of labour" is described as provider of foodstuffs, raw materials and energy for the dominant countries (Japan and U.S.A.) who are providers of capital, technology and planning. For this reason, and because of the rapid industrialisation and cheaper labour costs of the South-East Asian countries, the competitiveness and profitability of Australian manufacturing industry has been depressed.

The response to these international changes has lead to an increase in capital investment in the resource-extractive industries which are not labour intensive, and which may lead to a worsening of employment opportunities in manufacture due to balance of payments effects (a point also made by Sheehan). In addition labour displacing technology has been introduced in manufacturing and more recently in the service industries to increase profitability. Technological change itself is not necessarily conducive to high levels of unemployment. Stilwell suggests that the introduction of sophisticated machinery in the service industries has interrupted this sector's "historic" role as the employer of labour displaced from other sectors such as agriculture and manufacturing. Finally, these changes are explained as manifestations of class relationships on which the market economy is based.

In Stilwell's particular form of class analysis, periods of unemployment are seen as endemic to an economic system which is based on the need to maintain high levels of profitability by containing rises in real wages and yet, at the same time, maintaining high levels of aggregate demand to ensure consumption

of the commodities produced. This analysis stands in contrast to Sheehan's (which could be described as neo-Keynesian) which sees the management of high levels of aggregate demand by public sector expenditure and support of manufacturing industries as compatible with a wages and taxation policy maintaining both real levels of earnings and high levels of company profitability - and thereby reducing the risk of structurally-induced unemployment.

The consequences of unemployment

Jamrozik and Stilwell both show the uneven impact of unemployment which is concentrated amongst those groups with the weakest market power : unskilled workers, young people, older people, women, aborigines and recently arrived migrants from non-English speaking countries. Unemployment is also concentrated spatially in particular localities in Australian cities and regions where working class people have managed to acquire either rental accommodation or home ownership through the private housing market or public authority housing. Adam Jamrozik's work suggests that such spatially manifested inequalities and social segregation are likely to be exacerbated by prolonged periods of unemployment.

The major thrust of Jamrozik's paper is that structural changes in the Australian labour market (of which unemployment is only one indicator) have resulted in an increasing polarisation of the workforce. This polarisation is demonstrated in the following ways :

- (1) A division of the workforce between those with secure, well-paid jobs on the one hand and those with insecure, poorly paid, casual or part-time work - and those without jobs on the other hand.
- (2) An increase in inequality of access to income and opportunities.
- (3) The introduction of the "user-pays" principle in the provision of social services (in health care and education) penalising lower income families most heavily.

As a major manifestation of polarisation, Jamrozik contrasts the treatment of labour and capital by state policies and shows how capital can be accumulated (and remain relatively untaxed) while labour cannot be accumulated (and is highly taxed in comparison with capital). As a result, at the same time as capital investment is booming, the government is expressing difficulty in raising sufficient revenue to finance provision of necessary social services. But the provision of infrastructural supports for industry out of public

expenditure does not appear to create as much difficulty.

The social welfare implications of these changes (as outlined by Jamrozik) are that inequalities generated in the market are reinforced by the growth in the number and proportion of the population who are in receipt of "welfare incomes". His paper emphasises that the poverty and stigmatisation which accompany the status of welfare beneficiary are exacerbated by the trend towards residualism and the retreat from universalism in the provision of social services.

Trade Union responses

Judith O'Neill's paper points out that trade unions' responses to unemployment must be understood in the light of the long post-war boom when the expectation of an extended period of full employment was institutionalised. As a result, unions have not had to confront the issue of the availability of jobs and individual access to jobs since the Depression of the 1930's. A number of unions therefore have not developed adequate means of recording unemployment amongst their members, particularly since the experience of unemployment has had an uneven impact.

The main forms of direct assistance which unions provide for their unemployed workers are information about income maintenance, social services and referrals to CES and other government and non-government welfare departments and agencies; assistance with job searching and access to credit unions. Unions however did not generally see themselves as alternative providers of services which they considered to be the function of government, whilst their major responsibility lies in the protection and improvement of wages and working conditions.

Some of the general policies of the A.C.T.U. in response to labour market changes are outlined in O'Neill's paper, in particular, policies on redundancy, on protection of industry and workers' jobs and on reduction of the hours of the normal working week.

A.C.T.U. policy on redundancy outlines attempts to negotiate agreements with employers to ensure adequate notice about retrenchment and to maintain the living standards of former employees until new employment is secured. The package of claims has the intention of cushioning the effects of retrenchment and redundancy through technological change by placing the onus on employers to compensate employees for lost income and capital loss (if they are forced

to move to another locality to find work). This represents an attempt to make employers responsible for some of the costs of technological and other structural changes. Jamrozik's paper suggests that these costs are currently being jointly borne by the unemployed themselves and by the state through public expenditure on income maintenance. Overall, O'Neill's account emphasises that trade union responses to unemployment must be viewed within the context of their industrial responsibility to improve wages and conditions which focusses efforts on negotiation within the industrial system. Job protection and industry protection (particularly of manufacturing industries), manpower planning, redundancy agreements and the shorter hours campaign are seen as maintaining existing work, improving conditions of work and creating a measure of increase in labour market opportunities.

The Problems of measuring unemployment

Sheehan and Stilwell's papers both draw attention to the problems of access to adequate and reliable information about employment and unemployment figures. They criticise the recent abolition or suspension of two of our major series of data : the CES figures and the Civilian Employment Series. The gaps left by these official depletions and restriction of information make it all the more difficult for labour market analysts and social welfare analysts to discern the real incidence and prevalence of unemployment and to assess the ways in which poverty has been intensified and extended.

Policy Responses

Sheehan outlines 5 points in a strategy which he advocates to achieve economic recovery.

- (1) Price-reducing measures to reduce the level of inflation : cuts in indirect taxes, health service costs and transport costs in conjunction with wage-tax deals and replacement of selected tariffs by equivalent subsidies.
- (2) An incomes policy bastioned by a "social-contract" (involving government, unions and employers) and by full wage indexation and an excess wages tax.
- (3) Government encouragement and subsidisation of an export-oriented manufacturing sector.
- (4) Reform of the taxation and income maintenance system.

- (5) Development of job-creation programmes and job-training programmes for skilled labour.

Frank Stilwell states that he does not believe that the fiscal, monetary and taxation controls envisioned by Keynesian theory can solve structurally-induced unemployment. On the other hand, monetarist thought and policies which are currently dominant in most of the advanced industrial societies, including Australia, in seeking to restrain growth in the public sector and control the money supply in order to allow the private sector greater "freedom", ignore the fundamental Keynesian insight of the necessity to maintain high levels of aggregate demand. As a result, monetarist policies contribute to the exacerbation of unemployment.

Stilwell's long range prescriptions are for a set of strategies which he sees as going beyond Keynesian solutions by :

- (1) Government control of foreign investment and public ownership of natural resources.
- (2) Development of employment-generating industries on a regional basis.
- (3) Control of technological change in the interests of "social accountability".
- (4) Policies concerned within the redistribution of income and wealth, through introduction of a wealth tax and increased government expenditure on public facilities and social services.

O'Neill's paper outlines some of the policies for change preferred by trade unions. These include protection of manufacturing industries, control of the introduction of technology in the services and finance industries, and a reversal of political commitment away from "fight inflation first" policies, and towards expansion rather than contraction of public sector employment.

Jamrozik concludes his paper not with policy prescriptions but with a list of issues which he advocates for further social research. By implication however, his list signals possible strategies to minimise the production of inequalities. He advocates :

- (1) Examination of the personal and social costs of structural changes in the market sector which are borne by the community and by public expenditure.
- (2) Investigation of additional means of raising revenue through extending the concept of what constitutes income for tax-raising purposes.

- (3) A comparison of the relative benefits of residualism and institutionalism in social welfare provision and of alternative systems of income maintenance.
- (4) Studies of the generation of wealth as well as of the generation of poverty.

Jamrozik makes the purpose of this list of research proposals clear in his concluding sentence :

"Thus the task for social research is to discern between research that is of social value and research which merely serves the function of political convenience".

By way of postscript, indications from the 1981/82 budget are that strategies such as those outlined above do not feature prominently in current economic policies, which have moved towards an increase in indirect tax, an increase in health service costs to the consumer, abandonment of wage-indexation, no changes to the personal taxation and income maintenance systems and no new initiatives in the development of job-creation projects. If Sheehan's analysis is correct, continuing fiscal and monetary constraints (particularly the increase in interest rates) and increase in indirect tax will contribute to a weakening of consumer demands and an increase in unemployment. This scenario might well validate Jamrozik's prediction that prolonged periods of unemployment will increase levels of poverty for those without jobs, those on government pensions and benefits, and for low income earners upon whom the burden of indirect tax and increases in health costs fall inequitably.

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Unemployment : Policies and Prospects

by Peter Sheehan

Unemployment has been the dominant social issue, and together with inflation, the dominant economic issue in Australia for seven years now. The causes of the collapse of full employment in 1974 are complex, as are the factors which have contributed to its growth since 1974 and the issues involved in defining policies to reduce unemployment. My task is obviously to survey some of the main issues here and, in the midst of all this complexity, all that can be done is to give a brief treatment of five issues, viz.

1. the magnitude and incidence of unemployment increases over the past seven years;
2. the main causal factors behind that increase;
3. the present state of the labour market;
4. possible future scenarios in relation to unemployment;
5. policy options for unemployment.

1. Developments since 1974

One persistent theme of those who wish to play down the importance of unemployment in Australia at the present time is to draw international comparisons, arguing that unemployment is a world problem and that Australia's situation is better than that of many other countries. Indeed one of the great myths of the second half of the 1970s was the view that all major countries shared more or less equally in the labour market deterioration which developed with the oil price rise of late 1973 and the recession of 1974. In fact, both the economic and labour market experiences of major countries has been diverse, and indeed the growing divergence between countries in economic performance was one of the most notable features of the 1970s. But currently available economic statistics provide no adequate single measure of the extent of labour market deterioration in any country, and consequently they provide no ready bases for international comparisons. In a major recession, participation rates may respond quite differently in different countries, so that recorded unemployment rate comparisons can be highly misleading. Consideration of employment trends alone will not suffice, for there may well be major non-cyclical changes in the rate of growth of the labour force, and data are inadequate for many countries to permit analysis of participation rate trends, even if time and resources were available.

Nevertheless if we are to evaluate this common response we do need to get some idea of relative labour market trends in some of the principal countries, and in particular to be able to compare the Australian experience with the experience of those countries. Table 1 provides data on two relevant indicators for six major countries as well as for Australia, one concerning employment trends and other unemployment rates. It is apparent from the first section of this table that, even during periods of close to full employment, employment growth rates differ markedly from country to country. Thus for the seven countries covered the total growth in employment over the decade to 1973 ranged from an increase of 38 per cent in Canada to a decline of 1 per cent in the United Kingdom, and over the six troubled years 1973 to 1979 the range was from an increase in employment of 18 per cent in Canada and of 15 per cent in USA to a decline of over 5 per cent in West Germany. Underlying these variations are, of course, major differences in the rate of growth of the population of working age and in participation trends. But if we assume that within each country underlying population and participation rate factors change only slowly we can construct a rough measure of labour market deterioration since 1973 : the deviation of employment from the long-term growth path, where this is calculated by projecting the average annual growth rate over the pre 1973 period beyond 1973. This measure has the advantage that it is not influenced by cyclical movements in labour supply, but it has the parallel disadvantage that it takes no account of non-cyclical movements in labour supply either. Table 1 also shows a more traditional measure of labour market deterioration - the gap between the unemployment rate in 1979 and the average over the period 1964-73 - which takes account of all movements in labour supply, even those induced by the labour market deterioration itself.

While neither measure is itself adequate, the two together should provide some insight. Fortunately the two measures give qualitatively similar answers, for both suggest that the labour market has deteriorated more rapidly in Australia since 1973 than in any of the other six countries. The Australian unemployment rate was 4.4 percentage points higher in 1979 than it was on average over the 1964-73 period while, reflecting strong economic growth over 1976-79 inclusive, the increases in the Japanese and United States rates were only about 1 percentage point and the increases for the other three countries were well below the Australian rise. But it is on the deviation from employment trend measure that the Australian position is most stark, the gap between actual and trend employment levels being above 12 per cent in Australia in 1979 and the largest gap for other countries being 6.5 per cent

for Canada. By this measure the labour market has deteriorated very much more markedly in Australia than in major Western countries. Output has fallen more relative to past trends in Australia than in these countries, and in consequence employment is very much weaker relative to trend than in any of them. The big difference between the employment gap and the rise in the unemployment rate reflects, of course, the unique incidence of hidden unemployment in Australia over the past six years, as the fall in participation rates has cushioned the rise in the recorded unemployment rate. While this crude comparison suggests some significant hidden unemployment by 1979 in Japan, Canada, and Germany, somewhat less in France by 1979 but none in United Kingdom or United States of America, in each of these four countries the implied hidden unemployment is small by comparison with that in Australia. Generally, the change in the labour market over the 1973-79 period, relative to past trends, to potential labour force growth, and to popular expectations, was greater in Australia than in any other Western country. It has only been with the major deterioration in the labour markets of countries such as Britain, Spain and Belgium over the past couple of years that more drastic changes have taken place in other countries.

This consideration of international experience brings out some of the problems of adequately measuring the deterioration in the labour market in any one country. These problems above all reflect the fact that for persons employed both the quantity and the quality of employment vary with the state of the labour market and that the supply of labour also varies cyclically. The first of these issues - underemployment - has hardly been studied at all in Australia. Table 2 provides some data on persons who were employed but working less hours than they desired for labour demand reasons. There were at August 1980 nearly 200,000 such persons, of which some three quarters were people employed part-time who would prefer to work more hours. More research is certainly needed on underemployment in Australia.

The second aspect - hidden unemployment - has been the subject of recent research at the Melbourne Institute of Applied Economic and Social Research and elsewhere. Table 3 and Chart 1 summarize the results of this work as to the level of hidden unemployment and hence of total unemployment in Australia. In regard to the level and pattern of total unemployment there are several points of particular interest. One is that, by 1979 and 1980, hidden unemployment is of similar magnitude as recorded unemployment, the total being over 700,000 persons or about 11 per cent of the labour force. Another is that two main phases are apparent in the post 1973 rise in unemployment. Between the second quarter of 1974 and mid 1975 the rise in total unemployment

was almost entirely concentrated on recorded unemployment. But when the second phase gets underway from late 1976 or 1977, the increase is largely concentrated on hidden unemployment. This difference reflects, inter alia, a general darkening of perceptions about employment prospects and a rising duration of recorded unemployment. Thirdly, it is apparent from the chart that there was a drop of about 10 per cent in hidden unemployment in the year to August 1980.

In regard to the incidence of unemployment this research yields numerous conclusions of interest, some of which include the higher rates of total unemployment among older men (rates of 18 per cent); the high level of incidence of hidden unemployment among women, total unemployment rates being twice as high for women as for men; the especially serious position of teenage girls (total rate of 26 per cent); the high incidence of unemployment among migrants, especially those from non English speaking backgrounds.

2. Causal Factors

It is clear therefore that the past seven years have seen a growth in total unemployment unprecedented in Australia since the 1930s and with few counterparts among developed countries in the 1970s. What have been the main factors behind this increase in unemployment? As I have discussed elsewhere several popular explanations (real wages, technology, budget deficits and big government etc.) which I believe not to be important,⁽¹⁾ I will give here a brief account of my view of the genesis of this unemployment. Any such account must start from the two phases of the rise in unemployment mentioned above.

The first phase of the rise in unemployment began in the second quarter of 1974. During 1973 and early 1974 the Australian economy moved into a strong boom, in line with the prevailing trend in the world economy. The boom was stimulated by the lagged effects of the tax cuts in the 1972-73 budget, the rapid growth in the money supply and in bank reserves during 1972-73 and also by the spending plans of the new Labor government and the expectations which those plans created. The inflationary impact was intensified in 1973 by the coincidence of boom conditions in the key world economies, and by the consequent supply shortages and rapid increases in commodity prices. Additional impetus was given to world inflation by the quadrupling of oil prices at the end of 1973.

(1) P. Sheehan, Crisis in Abundance, Penguin, Melbourne, 1980.

By the third quarter of 1973 the Labor government had begun to take measures to restrain the boom. After a series of calls to statutory reserve deposits during 1973, interest rates were increased sharply in September 1973 and the Australian dollar was appreciated again. With controls on capital inflow still in force, these measures implied a credit squeeze by the end of 1973-74 if policy remained unchanged. In July 1973 tariffs were cut by 25 per cent and during 1973 other reductions were made in tariffs on individual industries; more importantly in terms of the flow of imports during 1974, imports were constrained by shortages of overseas supplies during 1973 and many import orders were filled only after international demand weakened from the first quarter of 1974.

At the same time as these contractionary forces were being set in train, chaos was developing in the wage fixation area. During the second half of 1973 real after-tax incomes declined, as consumer prices and interest rates rose rapidly and the progressive tax system generated large increases in income tax. Reflecting these developments, together with increases in public sector wages during 1973 and in some other awards in early 1974, the metal trades wage award was increased by \$15 per week, or 20.8 per cent, on 9 April 1974, after a lengthy period of dispute. This settlement led to a scramble for wage increases, as traditional relativities became distorted. With the final stage of the move to equal pay for females also coming into force, the upshot was that in the year to December 1974 average male award wages rose by 35 per cent and average female award wages by 45 per cent.

Thus a remarkable conjunction of factors occurred during 1974. As the result of the lagged effects of measures during 1973 and the unwillingness of the authorities to adjust policy because of accelerating inflation, a very severe credit squeeze developed in the second and third quarters of 1974. Short-term interest rates rose to unprecedented heights, the housing boom collapsed, as did a series of major companies in building and in property, finance and development, and real private sector demand weakened abruptly. At the same time, wage, monetary and demand developments were putting considerable pressure on company liquidity and profitability, leading to restrictions in business investment and employment, while surging imports contributed to a massive involuntary accumulation of business stocks.

The outcome of these factors was a downturn during 1974-75 and into 1975-76 which, at least as far as the manufacturing and construction industries were concerned, was more severe than any since the Second World War and, as we have seen, unemployment rose steeply. In late 1974 the Labor government moved to

stimulate the economy as the effects of the deepening recession became apparent. As a result of those expansionary measures, and of the natural tendency of the economic cycle to rebound from the depths of the recession, the economy showed some signs of recovery as 1975-76 progressed. But this policy changed soon after the election of the Liberal-National Country Party coalition government in December 1975. The new government followed a policy of giving priority to reducing inflation by restrictive measures, arguing that a genuine recovery would be forthcoming only when inflation was defeated. The means to achieve the defeat of inflation were fiscal restraint, which involved sharp cuts in government expenditure and in the budget deficit; monetary restraint, which involved firm and declining target growth rates for the money supply, and wage restraint, which involved attempts to reduce the real value of wages. These policies were the dominant factors behind the second phase of the rise in unemployment.

With the exception of a few major deviations, such as the devaluation of the Australian dollar in November 1976 and the personal income tax cuts effective from 1 February 1978, this policy was consistently followed by the Fraser government up till early 1980. While in the first phase of the recession Australian developments substantially mirrored those in other countries, it was in the period 1976-79, while these anti-inflationary policies were being followed, that Australia moved out of step internationally. Most countries had a substantial recovery over this period - USA, for example, had virtually returned to full employment during 1979 - while in Australia the recession deepened.

3. Where is the labour market at present?

There have been five main sources of information which students of the Australian labour market have used in recent years to track developments there. These are

- (i) the Labour Force Survey, giving employment, unemployment and participation data derived from monthly sample surveys;
- (ii) the Commonwealth Employment Service data, giving information on unemployed applicants and vacancies registered with the CES;
- (iii) the civilian employment series, based on the payroll tax collections, which gives considerable detail on employment and goes back to 1948;
- (iv) the ABS vacancies series;

- (v) the Department of Social Security data on unemployment benefit recipients.

The remarkable situation at the present time is that one of these sources has been abolished and a second has been suspended, so that only the Labour Force survey data, the ABS Vacancies Survey and the benefit recipients data are currently available. As a result of 'Razor Gang' measures, the CES data are no longer being collected or published. The civilian employees series was temporarily suspended after the April 1980 issue and it is now not at all certain that it will ever be restored.

All this amounts to a major reduction in our information about the labour market, and it is a development to be deplored, the more so because the various labour market signals are giving contrary indications at the present time. According to the Labour Force survey for April 1981, employment increased by 3.2 per cent in the year to that month, while unemployment fell by 28,500 or 7 per cent. But few other indicators suggest such strength in the labour market. The last CES figures published before the collections were abolished showed unemployment up by 12,600 or 2.8 per cent on a year ago, while the CES vacancies series show a rise of 30 per cent from a low level in the year to March 1981, the ABS vacancy series for February 1981 show vacancies 10 per cent lower than a year earlier. The latest data on unemployment benefit recipients (February 1981) show that the number of recipients was 13,700 or 4.3 per cent higher than a year earlier, while prior to its suspension in April 1980, the civilian employees series was showing a much lower growth in employment than the Labour Force survey. Clearly the state of our labour market information is very poor at the present time, but this problem is only buried and not solved by abolishing some of the conflicting series.

It is clear that the economy did strengthen during 1980 and this was almost certainly accompanied by some growth in employment, although whether this was as large as indicated by the Labour Force survey or sufficient to reduce unemployment remains open to question. The stronger growth was due partly to the increases in business investment associated with resources development, but the major factors were the growth in real wages during 1980 (and the consequent improvement in consumer spending) and the loosening of monetary and fiscal policy by the Federal government in an election year. Thus during 1980 the volume of money (M3) rose by 13 per cent by comparison with a target rate of 9-11 per cent for both 1979-80 and 1980-81. With the Commonwealth taking a more relaxed line at the pre-election Premier's Conference and Budget in 1980, real public sector current expenditure bounded along in 1980, being 6.2 per cent

higher in the second half of 1980 than in the same period of 1979.

It is important to realize that these three factors made a larger contribution to the expansion of demand during 1980 than the increase in business investment, for each of these three are in the process of being reversed in 1981. After the sharp hump of nearly 5 per cent in 1980, the latest Institute forecast has real average male earnings falling in 1981. Interest rates have risen dramatically over the last six months and may rise further, while monetary conditions are likely to tighten progressively as 1981-82 proceeds. These movements in interest rates and real wages will certainly slow consumer spending, and monetary tightness will also slow housing. The tough line being taken over grants to the States, and some cuts in the Commonwealth's own activity, will also generate a sharp fall in the growth of real public expenditure. Thus three of the four main sources of growth in 1980 are all in the process of being reversed in 1981.

Current developments look for all the world like another misreading of the direction of the economy by Treasury and the Government. Obsessed as they are with the expansionary effects of the resources boom, they do not appear to realise either the role of other factors in the strengthening of the economy during 1980 nor the likely consequences of the policy and other developments which are currently underway. Consequently it looks most likely that the growth of the economy will slow appreciably in 1981-82, and that total unemployment will be a good deal higher in mid 1982 than it is now.

4. Medium-term prospects for the labour market

Two issues dominate the medium term prospects for the Australian economy and hence for unemployment, viz the problem of inflation and the fact of the resources boom. These two issues are clearly related, even though the links between the increase in wage inflation over the past twelve months and the expansion of resources investment are tenuous. It is clear that unemployment will remain at historically high levels for much of the 1980s but whether this will be associated with a rising or a declining trend will above all depend upon the nature of the policy response to these two issues.

The question can best be posed, perhaps, in terms of two possible scenarios for Australia after the resources boom has moved into the export stage. The model for the first would be Australia in the last 1960s and early 1970s. As export receipts grow and the balance of payments strengthens, this allows the

economy to grow at a more rapid rate than previously without running into balance of payments problems. Conscious of this new scope the government follows an expansionary economic strategy so that growth increases, unemployment falls and imports increase in line with the increase in demand in the economy. In this scenario the adjustment to the increase in export receipts arises through the higher rate of growth and the imports thereby generated.

The model for the second scenario would be Britain in 1981 and 1982. It is not always realised that the discovery and exploration of North Sea oil was for the United Kingdom economy a development of a magnitude and significance comparable to the current energy resources boom for the Australian economy. On this scenario economic policy is dominated by the problem of inflation and by the supposed need to restrain the domestic economy to control inflation. Consequently fiscal and monetary policy is contractionary, interest rates are high, domestic demand is subdued and imports are weak. The combination of weak demand and imports and high interest rates accentuate the effect on the balance of payments of rising export receipts, and the exchange rate appreciates (and/or tariffs are reduced). This generates substantial structural change in the economy, with the import-competing sector (particularly manufacturing) being particularly heavily hit. With both structural change against labour intensive industries and a low level of growth affecting employment, unemployment rises steeply. This scenario is in fact a good brief description of what has been happening in the United Kingdom under Mrs. Thatcher.

In my view both scenarios remain real options for Australia in the 1980s and perhaps the most likely outcome lies somewhere between the two, although the evidence of recent months suggests that we are moving in the direction of the second. The crucial difference between the two lies in policies toward inflation, as the first scenario is totally dependent on the availability of an economic strategy which can facilitate rapid economic growth while reducing inflation or at least keeping it under control. This will remain the central policy problem of the 1980s.

5. Policy Responses

The question then becomes whether an integrated strategy which can deliver rapid economic growth while restraining inflation is possible, and if so what it will look like. I have discussed this issue at some length in my book Crisis in Abundance and here can only outline the form of the suggestions made

there. In summary the strategy advocated there involves the following elements, over a period of three to five years, to achieve economic recovery in Australia.

1. Substantial use of four types of price reducing measures, namely cuts in indirect taxes, wage-tax deals, replacement of selected tariffs by equivalent subsidies and new initiatives in relation to transport costs; with other alternatives such as reductions in health service costs also being considered. These various measures should be brought into play throughout the period as necessary to achieve the goals of the programme. Although the cost effectiveness of the various measures developed in that book varies in relation to different goals, the consumer price index would be reduced by about 1 per cent for every \$500 million of direct annual revenue cost in 1979-80 prices.
2. an incomes policy, based on a real incomes bargain reached by governments, unions and employers in the context of a full wage indexation policy operated by the Arbitration Commission, and supported by an excess wages tax.
3. a major shift in industry policy towards promotion of a specialized, export-oriented manufacturing sector, using export incentives and other direct measures and serious steps to reduce tariffs when the recovery becomes established.
4. progressive introduction of wholesale reforms of the taxation and income support systems.
5. developing of long-term job creation programmes for disadvantaged workers, and a major rejuvenation of the methods for training skilled labour in Australia.

Such a policy would aim for real GDP growth of about 6 per cent per annum over the period, with inflation being held in the 3-5 per cent range. Money supply growth would be controlled at a rate of about 8 per cent per annum which would be consistent with these goals. Both nominal and indexed government securities would be on offer, and especially in the early years attractive real rates would be offered on indexed bonds. Initially inflation would be reduced by the price reducing measures in the context of the incomes policy, but as the recovery developed, assistance in containing inflation would come from tariff reductions and, hopefully, from currency revaluations. The growth in real public sector spending would be held to about 3 per cent per annum in the early years of the recovery, concentrated largely on the expenditure aspects of the measures outlined above, so that more than half of the government

revenues generated by the expansion would go into reducing the budget deficit over the medium term. The target growth of 6 per cent would imply a reduction in total unemployment of about 1.5 percentage points per year, although recorded unemployment would fall less rapidly, as the hidden unemployed would re-enter the labour force as jobs became available.

It is of course intensely controversial whether such a strategy is viable in present conditions in Australia. Whether we succeed in formulating and implementing such a strategy will be the main determinant of whether we see rising or falling unemployment in Australia in the 1980s.

Chart 1 Recorded and Hidden Unemployment, Australia 1973-1980

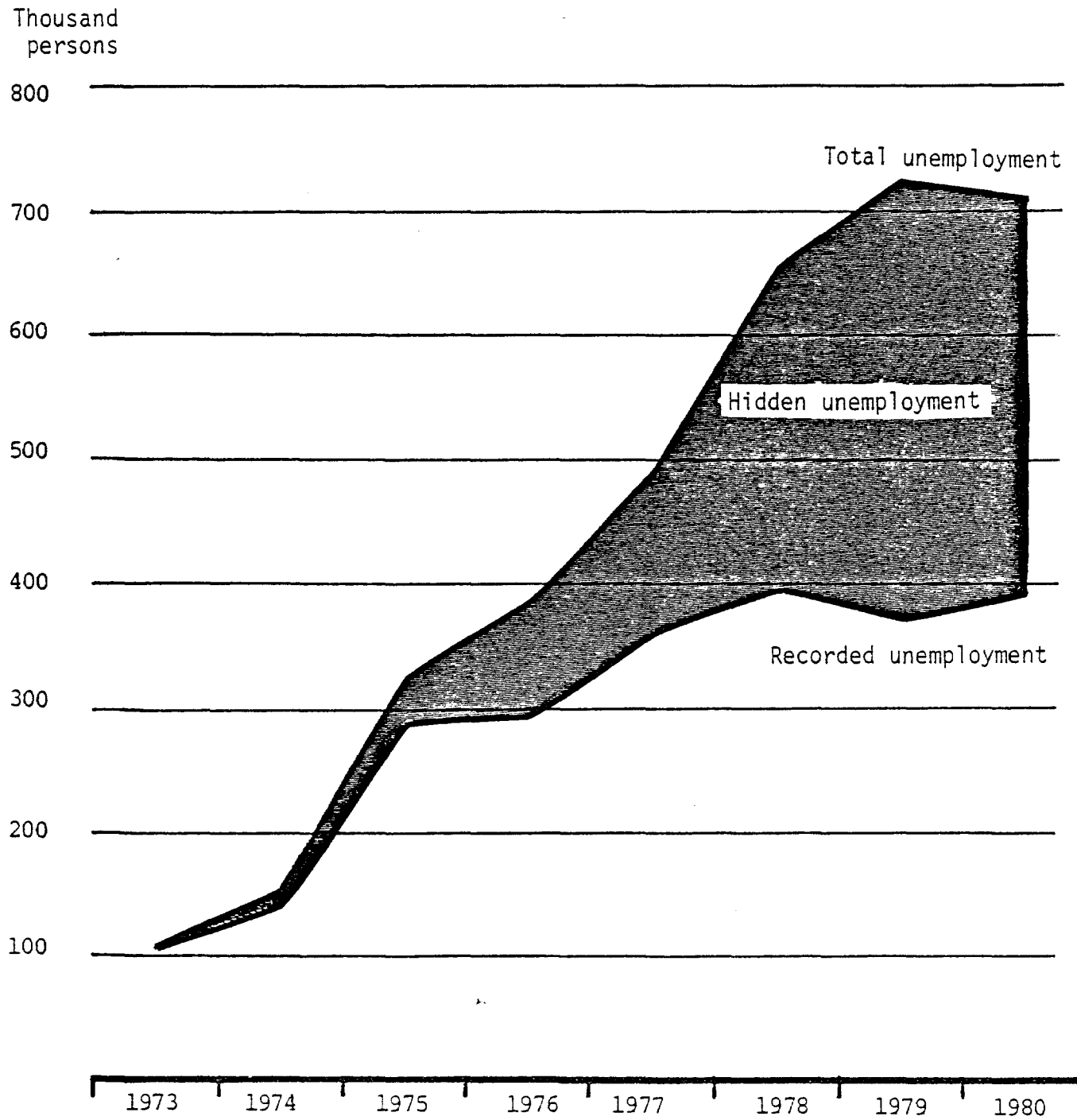


Table 1 Indicators of Labour Market Deterioration 1973-79, selected countries

| | United Kingdom | United States | Japan | Canada | Germany | France | Australia |
|--|----------------|---------------|-------|--------|---------|--------|-----------|
| Employment growth (per cent) | | | | | | | |
| 1963-73 | -1.0 | 24.3 | 14.9 | 38.4 | 0.0 | 9.4 | 27.5 |
| 1973-79 | 1.0 | 14.9 | 4.7 | 17.9 | -5.2 | 0.7 | 4.5 |
| Unemployment rate (per cent of labour force) | | | | | | | |
| Average 1964-73 | 3.1 | 4.4 | 1.2 | 4.9 | 0.7 | 2.2 | 1.8 |
| 1979 | 5.7 | 5.6 | 2.1 | 7.5 | 3.1 | 5.9 | 6.2 |
| Indicators of labour market deterioration, 1979 | | | | | | | |
| Deviation of employment from trend | -1.7 | 1.4 | 5.3 | 6.5 | 5.2 | 5.7 | 12.3 |
| Increase in unemployment rate over 1964-1973 average | 2.6 | 1.2 | 0.9 | 2.6 | 2.4 | 3.8 | 4.4 |

Note (a) 1964 to 1973

Source : For countries other than Australia, calculated from : OECD, Economic Outlook, December 1979, Table 11, p.25 and Table 13, p.26. For Australia, Australian Bureau of Statistics, The Labour Force, 1973 and 1974 (Ref. No. 6.22), 1978 (Cat. No. 6204.0) and August 1979 (Cat. No. 6203.0). The Australian employment used is for August of each year.

Table 2 Persons working reduced hours for labour demand reasons
(data as at August of each year; thousand persons)

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 ^(c) | 1979 | 1980 |
|----------------------------------|------|------|------|------|------|---------------------|-------|-------|
| Part-time workers ^(a) | | | | | | | | |
| Males | 7.5 | 8.3 | 14.3 | 24.0 | 27.2 | 36.5 | 40.5 | 47.2 |
| Females | 13.6 | 18.6 | 23.5 | 29.1 | 41.5 | 83.6 | 80.2 | 102.8 |
| Persons | 21.1 | 26.9 | 37.8 | 53.1 | 68.6 | 120.2 | 120.7 | 150.0 |
| Full-time workers ^(b) | | | | | | | | |
| Persons | 4.6 | 8.2 | 8.4 | 9.9 | 17.3 | 47.7 | 41.2 | 44.4 |
| Total | 25.7 | 35.1 | 46.2 | 63.0 | 86.0 | 167.9 | 161.9 | 194.4 |

Notes : (a) Up to 1977, workers who are working part-time only because full-time work is not available; from 1978 onwards, part-time workers who would prefer to work more hours.

(b) Up to 1977, persons who normally worked 35 hours or more but did not in the survey week were asked why they were away from work, being offered inter alia a category 'laid off or on short time - economic reasons'. The persons listing this reason are shown for the years 1973 to 1977. After 1977 full-time workers working less than 35 hours in the survey week were asked why this was so, being offered inter alia a category 'stood down/on short time/insufficient work', and the responses in this category are shown for 1978 to 1980.

(c) Labour force survey data since 1978 is based on a revised questionnaire.

Source : ABS The Labour Force Catalogue 6203.0 and 6204.0.

Table 3 Unemployment in Australia - August 1979
(Estimates of hidden unemployment must be taken as orders of magnitude only;
thousand persons, per cent)

| | <u>Recorded Unemployment</u> | | <u>Hidden Unemployment</u> | <u>Total</u> | <u>Total</u> |
|-------------------|----------------------------------|-----------------------------|--------------------------------|--------------|---|
| | Number | Per cent of labour force | Number | Number | Unemployment Per cent of labour force |
| <u>Males</u> | | | | | |
| 15-19 years | 59.2 | 14.7 | 15 | 74 | 18 |
| 20-54 years | 123.2 | 3.9 | 39 | 162 | 5 |
| 55 years and over | 13.7 | 2.7 | 93 | 107 | 18 |
| Total | 196.1 | 4.8 | 147 | 343 | 8 |
| <u>Females</u> | | | | | |
| 15-19 years | 70.6 | 20.4 | 25 | 96 | 26 |
| 20-24 years | 33.3 | 8.0 | .. | 33 | 8 |
| 25-64 years | | | | | |
| - married | 58.1 | 4.7 | 142 | 200 | 15 |
| - not married | 15.4 | 5.1 | 39 | 54 | 16 |
| Total | 177.7 | 7.7 | 206 | 384 | 15 |
| | 373.8 | 5.8 | 353 | 727 | 11 |

Unemployment and Socio-Economic Structure

by Frank Stilwell

The problem of unemployment in Australia is an outcome of the structural changes taking place in our socio-economic system. It has no simple cause, though it is politically convenient for some to single out particular sections of the community as scapegoats - immigrants, women, trade unionists, dole bludgers, etc. It has no simple remedy, though the conservative economist would have us believe that the solution lies in tighter control of the money supply and razor slashes at the level of government expenditure. A genuine attempt to understand the origins of the unemployment problem and formulate effective policy responses requires a more sophisticated analysis. What is needed is a study of the political economy of Australia in the 1970's and 1980's. My comments deal with this issue in three steps : causes, impacts and remedies.

Causes : The political-economic roots of unemployment

The most important starting point is the recognition of the structural character of the current economic situation. Four aspects are crucial : the structure of the international economy; the structure of industry; the structure of technology and the class structure of our society.

The changing structure of the international economy establishes a general set of conditions which have a direct bearing on individual economies, particularly one such as Australia which is closely integrated into the international economy via trade and investment. A particular set of circumstances made possible the long boom of the 1950s and 1960s : a stable international monetary system; the hegemonic political-economic position of the U.S.A., and the exploitation of cheap resources from the third world. However, all this changed in the early 1970s : the international monetary system became unstable with the collapse of the Bretton Woods agreement, the U.S.A. lost much of its political dominance following its defeat in Vietnam and some of its economic dominance because of the growing importance of Japan and West Germany, and cartels were formed to raise the price of resources such as oil (on which economic growth in the advanced capitalist countries has relied so heavily). Suffice to say that a historically unique set of conditions could not be reproduced. The 1955 Chicko roll is not on the menu. Moreover given the interdependence of the capitalist economies, particularly resulting from the growth of transnational

corporations, no country could be wholly insulated from these changed international conditions.

The changing structure of Australian industry is a specific manifestation of these international forces, and has a major bearing on the character of the unemployment problem. Australia has been particularly adversely affected because of the manner in which capital has responded to the depressed conditions in the international economy. Economic crises in general are periods during which capital engages in rapid restructuring in an attempt to establish the conditions for renewed economic growth. Obviously, an economic system which has capital accumulation as a motive force depends for its viability on re-establishing a situation in which investment is profitable. This means the weeding-out of inefficient enterprises, the introduction of new technology, new labour processes, speedups, and so on. It may also mean the relocation of industrial activities. In the context of the current economic crisis, multinational capital is stressing such relocation by developing further its routine manufacturing operations in "free trade zones" and elsewhere in third world countries where cheap labour is available. The emergence of this "new international division of labour" is particularly clear in the Pacific region. With the growth and increasing economic integration of Japan, China, Taiwan and Korea, the Pacific area is becoming the focus for a growing share of world trade and investment. Corporations are already restructuring their activities in this area, in a way often described as 'the Pacific Rim strategy'. This involves the reorganisation of the Pacific region on four tiers : (1) the U.S. and Japan acting as providers of capital, technology and planning; (2) Canada, Australia and New Zealand delivering foodstuffs, raw materials and energy; (3) the former colonial areas maintaining their role as the providers of raw commodities and cheap labour; and (4) the socialist countries of east Asia which are being invited and cajoled to join the system. The employment implications of this international restructuring are enormous. Between June 1974 and January 1979 employment in Australian manufacturing industry declined by 212 thousand. The manufacturing sectors which do have buoyant prospects are characteristically those such as aluminium smelting, which provide relatively little employment, are energy-intensive and environmentally degrading.

The structure of technology has intensified these processes and led to a further reduction of employment growth. There are two important aspects of this. One is the different capital-intensity of the major sectors of the economy. The resource-extraction sector is particularly capital intensive, employing less than 2% of the workforce at the last census. Structural change

which puts primary emphasis on this sector as the engine of economic growth makes little direct contribution to job creation. Indeed, if the impact of growth in mineral exports on other sectors of the economy is negative because of balance-of-payments effects, the overall impact may be a reduction in total employment opportunities. The other consideration is the changing degree of capital-intensity within the manufacturing and service sectors of the economy. As already noted, depressed economic conditions create conditions favourable to the introduction of new technology which may be more effectively resisted by workers in a period of full employment. Of course, this does not necessarily intensify problems of unemployment : historically, there have been vast developments of technology which have not generated problems of long-run unemployment. What is different about the current wave of labour-replacing technology is that it is concentrated in the very sectors of the economy which historically have absorbed labour "liberated" by technological changes elsewhere. The services sector has been the major employment growth area but it is here that much of the modern technological change is concentrated e.g. through the use of word-processors, computerisation, etc. This combination of structural and technological changes is a particular characteristic of the current economic situation.

The class structure is also of fundamental importance in understanding the economic crisis. Capitalism is inevitably a class structured society : some people derive their income from the sale of their labour (if they can) while others derive their income primarily from their ownership of capital. In such a society, the interests of those who derive their income from labour are fundamentally antagonistic towards those who derive their income from capital (though this antagonism is not necessarily perceived). The important point is that the tendency of the capitalist system to generate periodic unemployment may be regarded as a general consequence of this class antagonism. Employers seek to depress the wages of the workers in order to minimise costs of production, but by so doing they undermine the high level of aggregate demand for goods and services necessary for the maintenance of a high rate of profit. Thus, in a general sense, the level of wages can be simultaneously too high and too low for effective functioning of the system (or, in more formal Marxist terminology, there is a contradiction between the necessary conditions for the production and realisation of surplus value.) Any system based on contradictory conditions is bound to feature an uneven pattern of development. This is certainly true of the capitalist system. Moreover, any economic system which simultaneously features involuntary unemployment and unfulfilled social needs for goods and services is an irrational system. Thus, at its most

fundamental level, it is the system of production for profit rather than directly for social needs which lies at the heart of the unemployment issue.

Impacts : The Uneven Incidence of the Current Economic Crisis

How does this affect the Australian people? We now turn to a brief consideration of the impacts of the current economic crisis. Indeed, it needs to be questioned whether there is a crisis at all. The much heralded "resources boom" is a major source of economic growth and some sectors of manufacturing, particularly semi-processing of minerals, are also expanding on a major scale. There has been an increase in employment opportunities in some sectors, as a recent analysis in the Australian Bulletin of Labour has shown. The latest ABS unemployment figures show a slight improvement : comparing the 6 months from October 1980 to March 1981 with the equivalent six months a year ago : the proportion of the workforce registered as unemployed has fallen from an average of 6.3% to 6.0%.

Four general observations can be made. First is the general point that the official economic statistics often have major deficiencies as an indicator of changes in the conditions actually affecting the people. Unemployment statistics - and those on unfilled vacancies - are notoriously unreliable. Different statistical series have different bases of compilation. (When all else fails, abolition of the section of the CES responsible for collecting unemployment statistics is one way of getting rid of the unemployment problem). Discouraged workers are excluded from both CES and ABS statistics of unemployment : one would expect the absolute numbers of people discouraged from even seeking to enter the workforce to have grown during a period of prolonged unemployment, so this understatement may be on the rise. Also the composition of the "employed" workforce needs careful consideration : to the extent that employment growth is closely linked with an increased incidence of casual and part-time work it may be argued that the problems of the labour market are being expressed in a different form.

Secondly it should be noted that all periods of economic depression have their internal "ups and downs". Looking for "spring" (though understandable as an expression of optimism) may divert one's attention from the long-run problems which need to be faced. This period of significant unemployment began in 1974/75 : the rate of registered unemployment has not fallen below 5% since 1976. It must be regarded as a prolonged period of economic depression, and it is not surprising that economists have started to re-apply those old

theories of Kondratieff, Schumpeter and others which emphasise the tendency for the capitalist system to experience long waves of expansion and stagnation. Also it is not surprising that the depressed conditions have generated rapid structural changes in the economy. As previously noted, capital always seeks to re-establish the conditions for further capital accumulation; the important point is that it is now doing so in ways which provide little in the way of a general solution to the unemployment problem. Indeed the process of rapid structural and technological change is a major part of the unemployment problem.

Thirdly, it should be noted that unemployment has a very uneven impact on different sections of the Australian community. Particular occupational groups suffer particular difficulties : in 1980, at a time when the national average unemployed to unfilled vacancy ratio was 20:1, there were 77 unskilled manual workers to every vacancy in that category. Particular social groups are also over represented. Youth unemployment is one obvious aspect : recent figures indicate that over one third of unemployed people are teenagers, though this age group accounted for only about 12% of the labour force : in February 1981 their unemployment rate was 16.8%. Recently-arrived migrants are also significantly over-represented among the unemployed : in February 1980 the unemployment rate for those who had arrived in Australia since 1978 was 10%. Women have also been adversely affected, though this shows up less in the figures on registered unemployment than in the trends in workforce participation rates. Aboriginal unemployment is dramatic : though statistics are difficult to obtain, some estimates quoted in a report of the Anti-Discrimination Board based on CES statistics, suggest an unemployment rate in N.S.W. of between 40 and 60%. These inequalities also have a clear spatial dimension, unemployment and the associated economic and social problems being concentrated in particular localities within Australian cities and regions. On the whole, the evidence suggests that the unemployment problem is closely linked with a widespread process of redistribution of income and wealth in Australian society and that, to the extent that economic growth is occurring, its benefits are not being widely dispersed. Furthermore, given the wealth of data on the links between unemployment and a wide range of personal and social problems - crime, delinquency, drug abuse, physical and mental health, even suicide - there is every reason to think that the costs of the economic crisis, (or this period of structural adjustment, if you prefer) are being borne by those groups least able to protect themselves.

Finally, it should be noted that, given this important distributional dimension in the unemployment problem, and in the economy in general, policy responses

of the conventional macroeconomic kind are likely to be relatively ineffective.

Remedies : Policy Responses to the Unemployment Problem

It follows from this analysis of the structural causes of the unemployment problem that the remedies must be far-reaching. There can be no quick-fix : no fiddling with fiscal and monetary controls can resolve structural problems. On the contrary, the solutions must involve fundamental changes to the social, economic and political institutions from which the problems arise. We turn now to a consideration of the policy responses.

Broadly speaking there are three sets of economic policy, each of which is associated with a particular school of economic thought : Keynesianism, monetarism and political economy.

Keynesianism held sway during the long boom of the 1950's and 1960's and was associated with what may be called a broad "liberal consensus". This held that capitalism, though prone to periodic economic depressions, could be managed by governments (through manipulation of taxation, expenditure and monetary policies) so as to achieve a more efficient utilisation of human and physical resources. The focus on full employment as the primary objective of government policy was widely accepted. Accompanied by a general growth in welfare state expenditures, Keynesianism was also widely perceived as a means to the establishment of a more humane society. This rather soothing approach has been a casualty of the economic depression which struck the advanced capitalist countries in the 1970's. The problem of simultaneous inflation and unemployment could not easily be explained or resolved by application of this approach. The theory said that unemployment arises when there is a deficiency of demand for goods and services relative to the productive capacity of the economy; and that inflation arises when there is an excess of demand for goods and services relative to productive capacity. How can both employment and inflation occur at the same time? And, if they do, what policies are appropriate : the stimulation of demand by tax cuts, increases in expenditure and so on? The problem has never been adequately resolved by the Keynesians, despite attempts to develop separate explanations of the two aspects of the stagflation problem and to develop incomes policies to hold back inflationary pressures.

Enter the monetarists. They seek to explain the current economic crisis primarily in terms of excessive expansion of the money supply. Friedman in particular has long argued that attempts by governments to manage the level

of aggregate demand have done more harm than good because the policies have operated with long and unpredictable lags and because they have generated uncertainty about the state of the economy. Moreover, financing increased government intervention has often been associated with rapid increases in the supply of money. If not matched by a corresponding increase in the production of goods and services this will generate inflation : "too much money chasing too few goods". Once inflation sets in, people develop inflationary expectations, uncertainty increases, real productive investment declines and large scale unemployment arises. The monetarist solution is to restrict the growth in the money supply to a slow, steady, and predictable rate just necessary to finance the growth in the level of transactions. Once this is done, business confidence will recover and eventually boom conditions will be re-established in the economy.

The immediate problem is that the application of this approach inevitably intensifies the magnitude of the unemployment problem. The cutbacks in government expenditure associated with this monetarist - oriented policy "liberate" resources for the private sector, but business will only invest in new productive capacity if they anticipate a demand for the products. Currently much of the demand comes from the public sector itself : that would diminish. So too would the demand from employees who previously worked in the state sector but who became redundant as a direct result of the expenditure cuts. Keynesianism, for all its limitations, should remind us of the importance of aggregate demand. In summary, the monetarist medicine has become a major element in the unemployment problem. Indeed, the political effects of monetarism is the rejection of the full employment objective established by the Keynesians.

What is the alternative? The conservatives would have us believe that the demise of Keynesian theory and policy has left us with no alternative. This is not true. There is an alternative, though its implementation requires political commitment of the sort which is currently all too rare. The alternative, elements of which can be found in policies being advocated by the Labour left in the U.K., involves a programme of radical reforms which attack the structural roots of the unemployment problem and provide a potential transition to an economic system based on production for use rather than production for profit.

The elements of such a package can be classified in various ways. One useful way is to relate them to the various structural elements described earlier in this paper when discussing the causes of the unemployment problem in Australia.

First are the policies for dealing with international aspects. What is necessary is to gain control of our own social and economic development. This means restrictions on foreign investment by multinational corporations. It means public ownership of our natural resources and other potential key growth areas. That in turn raises the possibility of using those resources in a manner consistent with environmental objectives, the rights of indigenous people and the objectives of regional policy. Second are the policies for dealing with the structure of industry. From a position of public control of the basic economic structure, it is then possible to implement a system of national economic planning. This would presumably involve a systematic attempt to develop a balanced economic structure, involving some degree of import - substitution and emphasis on developing industries that are employment-generating. Regional planning is an important feature, to ensure that the geographical distribution of job opportunities is consistent with the needs of the population.

Third, and following on from this, are policies concerned with the control of technology. An increase in the rate of economic growth does not necessarily increase employment opportunities in conditions of rapid technological change. Hence the necessity of pursuing policies to control the application of technology in the interests of social accountability rather than private profitability. Manpower planning is one aspect. Also, it is important that planning of employment opportunities should take account of the special position of particular groups in the workforce. Ultimately, such a policy is of crucial importance to bringing into the public arena the question of the distribution of the benefits of technological progress.

Finally, there is a need for policies concerned with the redistribution of income and wealth. The introduction of a wealth tax is an obvious measure. Together with public ownership of our resources this could provide the basis for increased government expenditure. Such expenditure could then have a major role in job-creation while simultaneously providing for the fulfillment of basic social needs for improvements in the quality of public facilities : transport, housing, education, health, and so on. In this way, an alternative economic strategy paves the way for a society in which unemployment would be an aberration rather than a recurrent systemic phenomenon.

These policies are not intended to represent a comprehensive package. Certainly they are not a blueprint. Rather, they are a sketch of some elements in a possible alternative economic strategy. The point is simply to indicate that there is an alternative to conservative economic policies, one which

provides the basis for a more rational long-term solution to the employment problem. There are tremendous impediments to a programme of this kind (about which I have written elsewhere). Nevertheless, it is an alternative and merely posing it should have an important ideological effect. Moreover, a strategy such as this can give a focus to the struggle of unemployed people and other citizens disadvantaged by the current economic system, whose struggles are otherwise piecemeal and unco-ordinated. As such it can also have an important tactical role.

My comment may seem to have been rather wide-ranging. The temptation is to turn towards piecemeal policy discussions based on the implicit assumption that the problem is amenable to technical solutions, new policies to be implemented by the state. Such a response is understandable since the unemployed face immediate problems which need immediate attention : they cannot wait for the adoption and implementation of the sort of transitional alternative economic strategy that I have outlined. Moreover, within the present structure there are some employment policies which could have a marginal impact : e.g. job-creation schemes in areas with high pockets of unemployment. There is also scope for extended re-training schemes so as to deal with the problem of skill mis-match : though the scope for this should not be exaggerated. The overall ratio of unemployed persons to unfilled vacancies is 20:1. Even taking account of the problems in interpreting statistics, it seems fairly clear that the unemployment problem has much more to do with an overall deficiency in the demand for labour. Moreover, even piecemeal policy measures depend upon certain political conditions, such as the re-establishment of full employment as the prime objective of government policy and the willingness and ability of the state to undertake an expansion of its interventionist activities. Put this way, the importance of the broader analysis is clear. The demand for a programme of policies to help the unemployed is simultaneously a demand for a reversal of political priorities; it is a demand for a transformation of the dominant ideologies; it is a demand for redistribution of power within our society.

Unemployment - Some Implications for Trade Unions

by Judith O'Neill

Introduction

Debate relating to major social issues in Australia tends to be characterised by polarization and confrontation which distorts and trivializes the issues and effectively limits the potential for constructive action. The level of debate on the issue of unemployment provides an unhappy illustration of this tendency, whereby anecdote and personal opinion have been accepted as a substitute for factual information and rigorous analysis.

The nature and causes of unemployment and its implications for our society in terms of the alienation of the unemployed have been masked by determined efforts to blame people for their predicament, to categorize them as dole bludgers and cheats and to transfer responsibility for inadequate economic policies to individuals.

As a consequence, the community as a whole and its component organizations and institutions have found it difficult to reach an understanding of the complexity of the causes of sustained unemployment. For many, including those who enjoy the security of paid employment, it is often less threatening to believe that unemployment is the result of personal inadequacies, lack of training or a will to work, than it is to confront major structural changes within the labour market and within Australian society at large.

At the same time, attitudes and responses to unemployment have been shaped by experience. For almost three decades since the second world war, Australia has enjoyed high levels of employment. Imbalances in supply and demand have been largely temporary and, until the early 1970s, modest rates of output growth were coupled with low inflation rates. Jobs were plentiful and few workers had difficulties in obtaining employment. There appeared to be little reason to doubt that this state of affairs would continue.

Indeed, changes which began to emerge which paralleled similar developments in other western industrialized countries were initially viewed as a short term aberration. However, rising inflation, a recession in output growth and an increase in unemployment proved to be persistent factors in the Australian economy. By the latter part of the 1970s, unemployment had risen to rates unprecedented since the depression years though it has received surprisingly little consideration as a major social and economic problem - surfacing

briefly in the 1980 election campaign as a matter of concern to the wider community. The economic stability of the post war period has therefore had a lasting effect. It has discouraged recognition or thorough analysis of the dimensions and nature of unemployment, encouraged the belief that the unemployed themselves are at fault and moreover has led to administrative arrangements and modes of operation predicated on full employment. In other words, the extended experience of full employment became institutionalized in Australian society.

The response of the trade union movement to increasing levels of unemployment, like that of many other organizations and individuals, has been informed by this environment. In past years the availability of jobs and individual access to them required relatively little union initiative. Their major and accepted responsibility was seen by both union officials and their membership in terms of maintaining and improving wages and conditions of employment.

Until the late 70s, the membership of most unions had relatively little experience of unemployment. Consequently, unions were ill prepared to cope with the needs of the increasing numbers of members who have joined the ranks of the unemployed during the present economic recession. Because unions have not confronted this issue on such a wide scale since the depression their administrative structures as they have evolved over the post war period are not always responsive to the problem and do not even provide adequate means of recording unemployment among members. As a result relatively few unions were able to accurately identify members who have failed to obtain regular work.

Procedures developed during a period of full employment to meet the needs of the generally small number of unemployed members aimed to resolve short term difficulties. In many cases, unions operated on the basis that employment in an industry provided the necessary condition for eligibility as a union member and when employment ceased so also did union membership. The Australian industrial system has created and maintained this criterion for union eligibility and has imposed administrative and structural rigidities such that changes to union rules to maintain membership for the unemployed and the terms and conditions on which that membership is maintained will be difficult to negotiate.

The structural and organizational inhibitions which have restricted unions from developing a systematic understanding of unemployment are exacerbated by the uneven incidence of joblessness. Unions in some industries are experien-

cing widespread unemployment among their members while others are finding that particular sections of their membership are more vulnerable than others. Some unions have been cushioned from the current downturn by sustained demand for the products of their industries which guarantees jobs for their members in the foreseeable future.

Moreover, union responses to the changing fortunes of their membership are variable. In some cases unions have recognized emerging problems and have acted quickly and responsively to provide services and supports to meet the needs of the unemployed. In other instances long periods of job security and full employment have led to a degree of complacency which has made adjustment difficult.

The following information is taken from a more extensive survey of unions and unemployment which will be completed later in the year.

Types of Assistance Provided for Unemployed Workers

Personal assistance offered to the unemployed by the 157 respondent unions can be divided into two broad categories. The first involved offering advice on eligibility for Unemployment Benefit, providing pamphlets from the Department of Social Security and the CES and referring unionists to welfare agencies. The second category of help offered is more direct and includes job search and a measure of cash aid.

The unions were asked to nominate all the types of assistance they used and up to six were coded. Thus the results refer to all those unions who nominated a particular type of assistance. Approximately one-third of the unions made no response to this question including most unions who stated that there was no unemployment amongst their membership.

The bulk of unions who replied referred to types of assistance within the first category. Thus 69 unions nominated advice on application for Unemployment Benefit as the help given and 54 unions indicated that appropriate pamphlets from the Department of Social Security and the CES were given out to members. Almost the same number (52) referred members to welfare agencies and organizations both government and non-government.

Fewer unions indicated that they provided more direct help to members. Only 11 unions made emergency cash payments available to those in need and no union provided material aid in the form of clothing and food. Direct assistance with

job search was offered by 26 unions. However, some 46 unions noted that they kept registers of their members generally for the purpose of assisting with job search. The effectiveness of the registers varied. In some cases, the numbers registered had increased dramatically while the unions' capacity to locate jobs had decreased because of the lack of job vacancies in the industry. Others stated that their job registers were virtually inoperative since the membership did not apply for registration. Some unions, often those with small membership and specialized skills had developed sophisticated job placement schemes. Irrespective of size, however, job search and job placement tended to be more successful on behalf of skilled workers.

The unions acted by and large as an information source and as a referral agency to the Department of Social Security, the CES, to community welfare agencies and in some instances to employing bodies. Referral tended to be passive rather than active - that is the agency or organization was generally not contacted by the union seeking their co-operation in helping with the particular problem which existed. Rather, referral took the form of suggestions to unemployed members about the most appropriate agency to contact. Sometimes these were located close to the member's home but more often than not they were referred to more generalized relief agencies or widely recognized services dealing with unemployed people's rights, the appeals system and so on.

Direct assistance was more likely to involve active help in obtaining work. Cash aid was used rarely and material aid not at all. Indeed unions were generally uncomfortable about the issue of material aid. They felt that workers did not view them as providers of 'welfare' (or, perhaps more accurately, of charity) and considered that offers of food or clothes would be both embarrassing and insulting to their members.

The unions were asked to indicate which of the various types of assistance were most usually offered to members and their responses reinforced the pattern described above; that is information and referral were most often provided, while in those instances where cash grants were used, they tended to be offered more sparingly.

It was not possible to relate the actual requests of unemployed members for help to the type of assistance available since most unions did not keep systematic records about the nature of enquiries made to them. However, it is apparent that there was a high degree of uniformity in the type of services offered irrespective of the unions' differing perceptions of the nature and extent of unemployment amongst their membership. Nor was there any marked difference in the range or type of assistance available in those unions who,

for example, had given particular responsibility for contact with unemployed members to one person in the union office. It might be expected that, in these instances, the designated person would have developed expertise in the area with a consequent effect on the quality of the services offered. However, there was little difference in the nature of the services actually provided and their distribution. The reasons for such uniformity in the types of services offered are not easily isolated. However, it is likely that similar types of provision depend to a degree on all or some of the following : the level of demand, the nature of requests, perceptions of appropriate roles and the ease of provision.

In lieu of more comprehensive data, it is not possible to reach a conclusion about the appropriateness or usefulness of the types of assistance offered or whether they met the needs of unemployed members. Further, on the basis of the information provided, no detailed assessment can be made of the quality of service provision. However, as information on contact with the union by the unemployed shows, it is likely that the availability of such services is not widely known amongst the membership, and the overall demand for the assistance provided is not great.

The data suggest that unions offering services to their unemployed membership should carry out an evaluation of both the effectiveness and relevance of those services to the needs of the unemployed. If, as it would appear, an information/referral role is considered to be the most appropriate level of service the union could provide, then that role should be adequately resourced and publicized so that unions can contribute to the network of support for the unemployed in a clearly visible and positive way.

General Services

In addition to information on the resources available specifically for the unemployed, details of more general welfare oriented services offered by unions were provided. These questions were given a low priority in the context of the information sought since they were originally intended simply to obtain background material for further investigation and assessment. No information was taken on the amount of use made of the services provided or on the demand for them by particular groups.

Benefit Funds

Probably the most relevant general service offered was the union benefit scheme. Benefit schemes have long been a part of the union movement's activities and 'mortality funds' which gave a union member 'a respectable funeral and perhaps something for his widow' were first established in the latter years of the last century. Just under one-third of the respondent unions indicated that they maintained a benefit fund and though they still reported an emphasis on funeral and death benefits, the application of the funds has widened considerably since their inception. For example, only 9 unions restricted assistance to funeral or death benefits. The remaining forty unions did not exclude such payments but also provided a measure of emergency financial assistance either in a lump sum, over a series of weekly payments, or according to need. Eligibility for application was generally limited to paid up union members or to the families of deceased members although a number of unions retained a discretionary clause which permitted eligibility to be extended where it was deemed necessary.

Almost half the unions with benefit schemes financed them out of general revenue. Eleven unions made a special levy on the membership to keep their funds financial while the remainder relied on special fund raising efforts such as raffles, social activities, sales of goods and so on.

Schemes of this sort tend to operate in long established blue collar unions and craft unions. There is, of course, considerable variation in the ability of the funds to provide assistance. In some cases, unions guaranteed a death benefit of between \$500 and \$1000, in other unions death benefit payments have become victims of inflation and changing priorities and offer only relatively small amounts. Similarly the amounts offered in emergency grants or weekly supplements differ in range from substantial income support payments to what can only be viewed as a token gesture.

Credit Unions

A total of 42 unions either operated a credit union for their membership or had arranged access for members to an outside credit union. Thus union members were able to avail themselves of saving accounts, loans, budgeting advice and any other services which the credit union provides. Both the ability to obtain a loan and to get help with budgeting may well have offered alternatives to those union members who were unemployed. However, credit unions

were more common among white collar and professionally oriented unions which tended to have had, as yet, little experience with unemployment.

Welfare Officers

The only other general service which requires mention in this context, is the employment by unions of particular individuals to carry out a general welfare role amongst their members. Of the respondent unions, 28 indicated that someone in the union office had special responsibility of this sort. Only two were professionally trained while the remainder had developed varying degrees of practical experience in meeting the needs of workers. One of the major areas of work was with workers' compensation cases, dealing with personal or family problems which resulted from the death of a worker or from accident or injury. A further responsibility was considered to be with the special needs of migrant workers and, to a somewhat lesser degree, with the unemployed.

Union policies and action

The following consideration of the policies of the respondent unions provides further insight into union attitudes and the importance of the industrial context within which they function.

Union Policy

The first in the series of questions on policy and action asked for a statement of union policy towards a further increase in unemployment. Almost half the unions gave no reply to the question. Non-respondents included unions which were experiencing increasing difficulties with members who were out of work as well as those unions reporting no unemployment amongst their membership. It is likely that in the period since this information was collected the persistent nature of unemployment has meant that a greater number of unions have incorporated resolutions on the prospects of unemployment into formal union policy. For those unions who did provide information on their policy, the aspect most often mentioned was that of protective provisions directed at members or towards industries.

Protection for Workers

Protection of membership mainly involved policies on redundancy, stabilization agreements and clauses, or severance pay. A number of unions had been successful in negotiating such arrangements. For example, the Seaman's Union several years previously had negotiated with shipowners to implement a 'stabilization system' which ensured that a member who was unemployed after exhausting leave entitlements registered for employment and was entitled to daily attendance money until re-employed.

Other unions, often those who had experienced unanticipated closures and shut downs which had forced numbers of their members out of work, viewed redundancy agreements as an essential back up mechanism. Unions recognized that, in the absence of any formal arrangement, they were restricted in what they could do for members and in any case were often left uninformed of an employer's intentions. In this environment an agreement between the union and the employer was seen as a critical factor in cushioning workers from the effects of the downturn in certain industries. Nevertheless, protection of workers affected by retrenchments was seen as supplementary to the need to protect and increase job opportunities, particularly in the manufacturing sector, as the following extract from one union's policy indicates :

Where it is not possible to assure employment... by opposing the relaxation of restrictions on imports... realistic severance provisions should be obtained from employers to maintain the living standards of employees until new employment is secured.

ACTU policy on redundancy is included for information :

Redundancy

Technological change should be introduced in such a way that no redundancy is caused. In the event that redundancy is unavoidable the following conditions should apply:

Workers made redundant as a consequence of technological change, should be entitled to compensation and the time to adjust. In this regard unions should seek to reduce the financial, emotional and physical hardship by including in their claims the following -

- * Minimum periods of six months' notice to be given to employees it is proposed to retrench.
- * Severance pay for retrenched workers based on a minimum of four (4) weeks' pay in respect of each year of employment.

- * An extra week's pay for each year of employment for each person over 35 years of age.
- * An additional four (4) weeks' pay for each two years' employment or part thereof in excess of 10 years' employment if over 45 years of age. Provided that in no case should a person get an amount in severance pay exceeding that which he would have received if he had remained in the employment of that employer until normal retirement age.
- * The retention of older employees in employment until normal retiring age unless satisfactory arrangements are made for the payment of superannuation or pension benefits as if normal retiring age had been reached, and supplementary assistance from the employer and/or Government for the period until normal retiring age is reached.
- * Payment of pro-rata long-service leave or provision for its portability to another employer.
- * Payment of the total accumulation of superannuation or pension fund benefits arising from employer-employee contributions or provision for portability to a fund available in any succeeding employment and amendment of the Income Tax Act to make this mandatory.
- * Portability of all other accrued rights.
- * Where required, assistance by the employer to employees to obtain alternate employment.
- * Immediate implementation of an approved scheme of retraining workers made redundant by technological change by agreement with the unions concerned.
- * Compensation by employers to employees for capital loss in homes where such employees have to transfer to other localities to obtain work.
- * Payment by employers of lost time, fares and removal expenses where retrenched employees have to work in other localities.
- * Or alternatively, unions should seek make-up pay by the last employer until retrenched employees secure new positions at least comparable with previous average earnings and during a period of retraining up to the rate of pay they would have received if retained in their employment.

Less often referred to as a means of protecting members' jobs, though still an important aspect of policy were mechanisms to limit the number of workers with particular skills. Often this response came from unions facing a decreasing demand for workers whose skills had been overtaken by technology,

while in other instances the competition for jobs had been exacerbated by various economies and staff ceilings instituted by both state and federal governments. Some unions sought restrictions on the number enrolled in training while others looked to increased access to retraining as the most appropriate solution to the problem of over supply.

It should be remembered that unions were asked to specify their policies to increases in unemployment. Therefore a number of already well established protective provisions including such arrangements as ensuring preference for union members or closed shops were not referred to by unions in their responses.

Protection for industry:

Industry protection was raised by a somewhat smaller group of unions as an effective strategy to counteract unemployment. Policies usually called for the maintenance of, or increase in, tariffs. This was particularly so for unions representing workers in the manufacturing industry where competition from overseas markets, often coupled with technological change, was seen as a primary cause of decreasing job opportunities.

Other unions, notably those in the services and finance industries, expressed their concern more directly about the need for protection against the inroads of technology as new processes were implemented throughout Australia. In some cases, union policy called for a moratorium on the introduction of technology to allow for the establishment of manpower planning directed to a rationalization of whole industries or enterprises. In one or two cases the introduction of new technology was rejected out of hand - an understandable if negative expression of the powerlessness which some unions experienced in the face of the impact of the microchip revolution.

Though manpower planning was mentioned in relation to technological change by some unions, it also emerged as an important policy in its own right, nominated by a quarter of the unions who responded to this question. Job creation and improved training and retraining programs were held to be dependent on the development of adequate planning procedures. Unions commented that in present circumstances training and retraining programs were often hit and miss affairs, as evidenced by the gaps in the availability of skilled tradesmen in certain industries.

Finally, a small number of unions with high proportions of unemployment amongst their membership specified policies which were directed at changing

the government or its handling of the economy while a further group of unions simply expressed their hostility and frustration about the increases in unemployment their membership was experiencing.

The emphasis on protective provisions within union policy should not be taken to mean that unions saw protection either of workers or of industries as necessarily the most effective means of dealing with the problem of unemployment. Rather it should be viewed in terms of the capacity of unions to establish and police such provisions within the industrial relations system. Protective provisions offer unions the most practical and realistic area for negotiation with employers or with government and as such were an appropriate measure for specification in policy. The pursuit of protectionist policies was further supported by unions in their response to subsequent questions about the action unions should take in assisting the unemployed but these questions also elicited suggestions on a number of other avenues through which solutions to unemployment could be found.

Preferred action

Political intervention

Though union policies did not stress the need for changes in government or government policies, the respondent unions nevertheless considered action by unions at the political level was an important means of assisting the unemployed. Over a third of the unions who responded to the question on what action unions should take considered that they had a responsibility to lobby government to obtain a redirection of policy. Alternatively they believed unions should use the political process to ensure a change of federal government. Unions objected to the 'fight inflation first' approach of the government which they saw as one of the fundamental causes of unemployment. Some unions mentioned particular economic policies often related to industry protection, while others commented on measures directed towards the commonwealth public service including restrictive legislation directed towards workers and to practices intended to limit the size of the public service workforce. A further area of disenchantment with existing government policies related to the parsimonious attitude to the provision of income maintenance for the unemployed through the administration of Unemployment Benefit. The unions were not sanguine about their capacity to bring about changes at this level but they made it clear they considered that the

Liberal/National Party government showed little sympathy with the social and economic problems related to unemployment and was unlikely to implement policies to ameliorate the situation.

Training and support services

Equal emphasis was given by the unions who responded to this question to take action by pursuing the protection of workers and industries, to seeking improved training and retraining provisions and ensuring that unemployed workers had access to essential practical and financial support including effective job placement.

As has already been noted, the establishment of protective provisions was seen to be an integral part of unions' industrial responsibility. However, the action which could be taken regarding improved training and support services was generally considered to be outside union control. On the whole unions saw both measures as government responsibilities but expressed concern about the way in which those responsibilities were being met. Lobbying the government to ensure that the appropriate steps were taken was considered to be the most effective way of guaranteeing the unemployed access to training and support and services. Unions did not generally see themselves as an alternative provider of services which they considered to be the function of government although some unions expressed the belief that they should take more responsibility in these areas.

The way in which unions should translate this perceived need for increased responsibility into action was less clear and unions faced some dilemmas both with respect to the precise nature of their role and with respect to the allocation of resources to that role. The following comment illustrates the problem :

Given difficulties with available resources, unions should pay more attention to their unemployed members, directing them to existing facilities and aiding them in finding jobs. However, Government assistance to the unemployed must increase and Government action both to create more jobs and to produce an economic environment conducive to job creation and placement must be taken.

The financial and manpower resources of unions are often stretched to the limit in carrying out their primary responsibility for wages and working conditions. Moreover, while unions recognised the need to 'pay more attention to their unemployed' the direction this should take was often distorted by the

inadequacy of statutory provisions and a perceived need to shore up government activity.

Thus limited resources were directed by some unions into the development of job registers or manpower planning initiatives which, because of the lack of the necessary and sophisticated back up systems, tended to be unsuccessful and a further source of frustration. This in turn made unions ambivalent about committing themselves to other, and perhaps more effective, forms of assistance.

The final area of action to assist the unemployed which was nominated by the respondent unions was that of campaigning for earlier retirement or for a shorter working week as a means of expanding employment opportunities. This approach was not greatly emphasised by unions as an initiative they should undertake independently and its main support came from unions representing the metal trades. It was, however, seen as an important area of activity for the ACTU to act upon.

Shorter Hours

The following comments give a brief outline of the ACTU position relating to changes in working hours which are generally held to provide increased opportunities for work.

Shorter working week:

The campaign for a shorter working week or, more accurately a 70 hour/9 day fortnight is based on the distribution of productivity gains in particular industries.

The ACTU Wages and Working Conditions policy, adopted at the 1979 Congress :

... regards as fundamental the right for all employees to share in increases in national productivity. This requires the periodic distribution of productivity increases, as measured by the market sector, to ensure that living standards are increased in real terms in line with this increase. In this way the benefits of growth can be shared fairly and reflected in better pay or work conditions.

The benefits accruing from shorter hours are specified as :

- (1) Increased leisure;
- (2) Increased employment opportunities in the industry;

- (3) Increased efficiencies and reduced costs flowing directly from the reduction in hours - in addition to the continuing increases in productivity in the industry. (Negotiating exhibit - Shorter Working Hours. D82-80 ACTU, 1980).

The rationale has, on the whole, to do with relativities and general improvements in working conditions. It is not anticipated that a reduction of hours will lead to a corresponding increase in employment but rather that it will prevent contraction of employment opportunities stemming directly from the continuing growth in productivity. At the same time, restraints on overtime will ensure that reductions in normal working hours do not generate a corresponding increase in actual hours of employment. ACTU policy states that 'unions should seek to restrict overtime by award or agreement prescription and by union action'.

Part-Time Work

Policy on part-time work is as follows :-

Congress believes that there should be four basic principles which underline the operation of part-time work.

They are :

- . Part-time work should not be created at the expense of full-time jobs.
- . Part-time work is not a panacea for overcoming unemployment and its introduction should not be viewed as a substitute for effective economic policies.
- . Part-time work should be voluntary and based on the demands of workers for a more flexible working life.
- . Any change in work hours or mode should be introduced only after consultation and agreement with unions. In this regard, unions negotiating part-time provisions should consult with other unions who have members which may be affected.....

The trade union movement has prepared draft guidelines on part-time work

which take into account such issues as pro-rata entitlements, maximum and minimum hours, span of hours, training, promotion and redundancy and so on.

While recognising that part-time work offers opportunities to some members or potential members of the workforce, the ACTU is conscious of the fact that part-time employment may also be described as part-time unemployment. As such, part-time work is unacceptable as a solution to persistent unemployment. The oft repeated justification that a part-time job is better than no job at all is generally related to statements about the need to develop or maintain work skills or, perhaps more accurately, as one means of keeping the unemployed out of sight and out of mind. Inevitably, part-time work provides low wages and little in the way of skill training or maintenance. It does, however, reduce payments for unemployment benefit.

Tandem work

Job sharing or job pairing again may offer some benefits to some workers. The main difficulty inherent in the concept of tandem work is that its effective application is limited to an extremely narrow range of jobs. For low paid low skilled workers the arrangement of tandem work may be problematic and the effect may simply be low wages. In no sense does the trade union movement accept tandem work as an employer initiative while compulsory job sharing is totally and unequivocally rejected.

Conclusion

The major thrust of trade union activity in relation to unemployment must be viewed within the context of their industrial responsibility to improve wages and working conditions. Thus the emphasis is placed on areas of negotiation within the industrial system. Job and industry protection, manpower planning, redundancy agreements and the shorter hours campaign separately and together provide for the maintenance of existing work, for improved conditions at work and for a measure of increase in labour market opportunities. Obviously these are coupled with a comprehensive economic policy which has not been considered in this paper. The personal services and supports provided by unions for their unemployed members cover a wide range of initiatives, some of which have been described within the paper. It is likely that the persistent nature of unemployment will result in an expansion of these activities and in a refinement of the role of trade unions in this area.

Changes in the Labour Market and Social Policy

by Adam Jamrozik

Introduction

The issues I discuss in this paper are related to, and stem from, the changes in the Australian labour market we have identified in our research at the Social Welfare Research Centre.¹

We have defined one area of research as "the welfare of the workforce". The aim of our studies in that area, in broad terms, is to examine the relationship between economic production and social life. As in our society the former is expected to meet the needs and expectations of the latter, we examine the field of work, its structure, the changes in that structure; and then we consider the significance these changes might hold for people's life styles and life chances.

Much of our work in this area is still at an early stage of analysis, and for this reason the conclusions that can be drawn from it need to be qualified accordingly. However, certain changes in the labour market now show a distinct pattern, and it is therefore possible to consider their significance.

In this discussion, I will consider three issues : first, some of the changes in the structure of the labour market, which are likely to have long-term effects for Australian society; second, the changes which appear to be taking place in the attitudes to economic and social conditions and problems; and third, the implications for social policy, and for the society, should the identified changes continue in the direction they seem to follow. Then, I want to add some brief comments on the role of social research in relation to these issues.

The emphasis I wish to give is not so much on the current situation in the labour market but rather on the likely outcome of certain trends which can be identified in that market.

1. Changes in the Structure of the Labour Market

(a) Unemployment

When one mentions the labour market, unemployment immediately comes to mind as the main problem. However, high rates of unemployment have been with us

for many years now, and the issue has become rather boring for some people and non-existent for others. For example, a recently published book on unemployment² by Philippa Smith, attracted a comment from the press that a book on tax cuts rather than on unemployment would be more welcome by the public.³

It seems, we have become immune to the problem of unemployment. Indeed the prevailing attitudes show a lack of concern about unemployment and a degree of fatalistic acceptance of unemployment as an unavoidable condition of contemporary society. As we have done with the poor, we seem to accept the belief that "the unemployed will always be with us". That fatalistic acceptance of unemployment is also evident in the prevailing economic theory which tends to reinforce the belief that unemployment is the necessary price we have to pay (or, rather some people have to pay) for the benefits of modern technology, economic growth, and less inflation. It is a dismal prospect, reinforced by a dismal science.

What, then, is the extent of unemployment, what kind of trends can be discerned in it, and what kind of outcomes are these trends likely to produce?

As at November 1980, the unemployment figures, as recorded by the Australian Bureau of Statistics (ABS) stood at 357 thousand.⁴ Of these, 118.5 thousand (33 per cent) were the unemployed in the age group 15 to 19 years. The unemployment rate for that age group was 15.2 per cent (14.0 per cent for men, and 16.5 per cent for women), as compared to the average rate for all groups (15 - 64 years) of 5.4 per cent (4.4 per cent for men; 7.1 per cent for women). The rate of unemployment showed a sharp decrease beginning with the age group 20 - 24 years, as the rate for that age group was 7.3 per cent (6.3 per cent for men; 8.7 per cent for women). (Table 1).

These distinct differences between the unemployment rates for the youngest groups in the workforce and the other age groups can be interpreted to mean that we have a problem of youth unemployment but the problem is transitory, that is, young people, as it were, grow out of it. However, when we examine the duration of unemployment for men, we see that the older the unemployed age group the longer the period of unemployment, and the greater the difference between the statistical mean and the median, the former being increasingly higher than the latter. Thus, for the age group 15 to 19 years the mean duration of unemployment was 24.0 weeks and the median 12.9 weeks, but for the age group 35 - 54 years the mean was 51.7 weeks and the median was 21.5 weeks. (Table 2). This indicates the growth of what used to be called the

"hard core" unemployed. For women, the differences in the duration of unemployment between the age groups were considerably less pronounced. Another aspect of the labour market which is related to unemployment is the participation rate in the workforce. Between 1970 and 1980, the participation rates for men fell from 83.1 per cent to 78.2 per cent. The decrease was registered in all age groups, beginning with the 20 to 24 year olds, and growing in each subsequent age group, the highest decrease being in the age group 55 to 64 years. Participation rates for women increased in the same period from 39.6 per cent to 45.1 per cent, with increasing rates until the age of 54 years and then decreasing slightly over the next age groups.⁵

Why do men withdraw early from the workforce? In a survey carried out by the ABS in May 1980, it was estimated that at that time there were 295 thousand men who had withdrawn from full-time workforce between the ages 50 to 64 years.⁶ Of those, 24.6 per cent had retired early, either because they did not have financial need to work or had decided not to work any more because they wanted to have more leisure time. A small group (5.7 per cent) had retired because they could not find work, or employers regarded them to be too old to work. Those who had retired for family reasons accounted for 3.1 per cent, and another 3.3 per cent retired for other reasons. But the overwhelming proportion (63.2 per cent) had withdrawn from the workforce because of ill health, and of those who at the time of the survey were in the 50 to 54 age group, 88.3 per cent had withdrawn for that reason. Overall, 186.4 thousand men had retired between the age 50 and 64 years because of ill health.

Where do the people go, and how do they live, when they are forced to withdraw early from the workforce? What we see here, I suggest, is one of the aspects of modern industrial society, which is little understood because little work appears to have been done to assess its significance. In economic terms, the human factor of production is similar to other factors of production such as plant and machinery : it is used with varied degrees of efficiency and it is discarded and replaced when it is not needed, or when its efficiency is lessened. With plant and machinery, certain accounting procedures have been developed, such as depreciation allowances, which allow for a systematic appropriation of the cost of wear and tear to the cost of production, and thus for the replacement of the equipment. When a human factor of production wears out, it is the society, usually through the institution of the family, that provides the replacement. However, the discarded unit still has to be maintained in society, though it is no longer productive. Hence the provision of such mechanisms as superannuation or old age pensions, or for those discarded

earlier, unemployment benefits, sickness benefits, or invalid pensions. These provisions have been accepted as the necessary costs the community has to incur for the benefits it receives from the modern industrial economy.

It is in the area of the last three provisions that significant changes have occurred in recent years.

As at 30th June 1970, the total number of people who received unemployment benefits, sickness benefits and invalid pensions was 155,506, or 2.9 per cent of the people who were in employment. Ten years later, on 30th June 1979, that number was 564,000, or 3.6 times greater than in 1970, representing 9.2 per cent of the employed persons. Furthermore, new invalid pensions granted in 1970 were 31,002 but in 1979 that number went up to 43,804, a rise of 41.3 per cent. However, for men, new pensions granted in 1970 were 18,672 but in 1980 they rose to 34,265, a rise of 83.5 per cent. More indicative were the numbers of new pensions granted for men in the age group 50 to 69 years; 5,919 in 1970 and 13,363 in 1979, a rise of 125.8 per cent. (Table 3)⁷.

Research is certainly needed to understand the reasons for such great increases in sickness and invalid pensions, but it appears that the following process takes place :

- (1) From the number of the young unemployed, some people find work in due course, but a proportion of them become long-term unemployed. The number of long-term unemployed is augmented by the people in the older age groups who lose jobs through rentrechment, ill health, or other causes.
 - (2) Some people who lose jobs through ill health or accidents receive sickness benefits but if their condition does not improve, they eventually become invalid pensioners.
 - (3) Technological innovation and structural changes in industry accelerate the process of displacement, causing a greater "shedding" of the unwanted human factor of production onto the community, and thus increasing the size of the unwanted residue.
 - (4) The reason why the numbers of women on invalid pensions have been considerably lower than those of men can probably be found in the fact that married women who have to leave work for health reasons are not entitled to those benefits : provided their husbands have an income, they simply "go back home" and appear in the official statistics as "not in the workforce".
-

These explanations are, of course, tentative. However, if there is a relationship between the conditions in the labour market and the number of people who become invalid pensioners at some stage of their working life, then the outcomes of the current high and prolonged unemployment will not be fully experienced until some years hence.

(b) Structural Changes in the Labour Market

Current unemployment in Australia has been caused by many factors, and it is beyond the scope of this paper to examine them all. One factor that I will consider is the structural changes which appear to be taking place in the labour market.

The statistics obtained from the ABS survey carried out in November 1980, show that of the 357 thousand unemployed, 202.9 thousand (56.8 per cent) had worked full-time for two weeks or longer in the preceding two years; 148.0 thousand had never worked full-time for two weeks or more, or had not done so in the preceding two years; 6 thousand had been stood down at the time of the survey. (Table 4). More than half of the people in the first group had worked in manufacturing industries or in wholesale and retail trade (26.2 per cent and 26.6 per cent, respectively). As far as their occupations were concerned, nearly one-half (91.1 thousand, or 46.2 per cent) were tradesmen, production process workers, and labourers). The next two largest occupations were clerical (28.2 thousand, or 14.3 per cent) and sales personnel (24.4 thousand, or 12.4 per cent).

Manufacturing industry and wholesale and retail trade are two largest industries in terms of people employed, but the employment structure in each is considerably different.

- (1) Employment in manufactures has decreased over the last decade by approximately 90,000 jobs, while employment in wholesale and retail trade has grown over the same period by approximately 200,000 jobs.
- (2) Employment in manufactures is mainly full-time (93.8 per cent) but in wholesale and retail trade nearly one quarter of employees (24.0 per cent) work part-time.
- (3) Although employment in manufactures has been decreasing, overtime worked in these industries is considerably higher than in wholesale and retail trade. In October 1980, 27.6 per cent to 44.8 per cent

worked overtime, ranging from 7.0 to 8.2 hours per week; while in wholesale and retail trade only 16.7 per cent of employees worked overtime with an average 4.3 hours per week.⁸

The pattern of employment in these two industries provide an interesting insight into the changes which are taking place in the structure of the labour market. The overtime survey indicates that overtime is worked not in those industries in which employment figures have been rising but rather in those where employment has declined or remained steady. The amount of overtime worked appears to correlate positively with the capital intensity of the industry. This suggests that the more capital intensive an industry becomes, the more likely it is that employment in that industry will be restricted, and overtime work rather than increase in the number of jobs will take place. The growing capital intensity in Australia does not, therefore, augur well for the employment prospect of the workforce.

Industries with high labour intensity show a different pattern, relying increasingly on part-time labour. Between 1970 and 1980, part-time employment has grown from 10.5 per cent to 16.7 per cent of the workforce. The industries in which part-time employment has become prominent are : wholesale and retail trade (24.0 per cent in November 1980); community services (25.1 per cent); and recreation and other personal services (40.4 per cent). Employment of women and young people figures prominently in these industries, and young people are particularly prominent in wholesale and retail trade. In November 1980, 37.5 per cent of young people, 15 - 19 years, worked in that field, compared to 20.4 per cent for all workforce; they contributed 19.3 per cent of employment in wholesale and retail trade, although representing only 10.5 per cent of the workforce.⁹

By and large, the increase in part-time employment over the last decade has been greater in the younger age groups than in the older age groups, and in both sexes.¹⁰ Considering that employment of this kind is mainly in industries requiring little skill and offering few opportunities for advancement or security of tenure, the future life chances of the young people who enter this kind of employment will undoubtedly be different from those of the people who are in steady, full-time jobs in which skills can be developed and advancement is more likely.

Again, as with the effects of current unemployment, the full impact of the structural changes in the workforce is not likely to be felt for some time. The characteristic feature of the current trends in the labour market is one

of polarization rather than one of greater differences in incomes earned, although that characteristic is also present. If these trends are to continue in the same direction as in the past decade, the outcome is likely to be not a pluralistic workforce but rather a polarized workforce.

2. Changing Attitudes to Economic and Social Issues

In the context of this discussion it is interesting to consider how with the changes in the labour market the prevailing attitudes to economic and social issues have also changed. When the potential of modern production technology was first envisaged, the future tended to be presented as a pleasant utopia : it was to be a life of leisure for most people, with some interesting work thrown in now and again for good measure. Gradually, however, it dawned on us that life would not be so simple : for what was at first seen as freedom from work began to be seen as scarcity of work. Questions were also raised as to what people would do with their free time, and how would the opportunities be provided for non-productive leisure activities.

Now that the potential of modern production technology has become a reality, the vision of utopia has changed to one of a rather serious problem : for not only do we not know what people can do if they do not have a job, but neither do we know how to provide them with the means of survival at a level of social functioning we expect of them. For example, in the suggested solutions for dealing with the scarcity of work, such as job sharing, the questions on how would the people who shared jobs be provided with sufficient income for living has been rather carefully avoided.

For a while, possible solutions were explored in the concept of zero economic growth and in alternative technology, but these notions have now been discarded, except for a minority of views. The current prevailing and dominant notion is again one of a continuous economic growth. It is also one of bigness, and that bigness is no longer presented in terms of opportunities for employment and a better life for everyone but rather in terms of capital investment. Much is said about the new jobs that capital investment will produce but less is said about the actual number of new jobs so created, and even less about the jobs that might be lost through capital investment. Also, much is said about the income that capital investment will generate but little is said about the way that income is likely to be distributed.

An interesting aspect in the prevailing attitudes to economic and social issues is the reasons upon which the views are expressed and the arguments used to support them are substantiated. Some views are expressed in terms of economic theory, some in terms of social philosophy, and some in a mixture of both. A feature in the prevailing views is the arguments which are put forward, ostensibly on the grounds of economic necessity, but which also serve as moral pressures on certain sections of the community.

The attitudes to unemployment are a case in point. Ever since the unemployment rates began to rise, especially among the young, most explanations of unemployment, and the solutions sought to it, have been directed at the unemployed. Notwithstanding the overwhelming evidence of great disparities between the jobs sought and the vacancies offered, the notion that the cause of unemployment was young people's unwillingness to work has led to practices and programmes aimed almost entirely at the side of the supply of labour rather than at the demand for labour. Attempts have even been made to solve the unemployment problem by re-defining it statistically, or by discontinuing the collection and publication of certain statistics.

Another selective argument concerns the level of wages. It is frequently and repeatedly argued that for the purpose of economic recovery, control of inflation, and reduction of unemployment, the value of real wages must be decreased. Pressures are exerted to keep wages at certain levels, "within indexation guidelines", or below the rises in the cost of living as indicated in the Consumer Price Index. Opinion has even been expressed in the media that keeping the level of wages below the increases in the cost of living is not only necessary but it also can be done because the workers cannot do much about it. For example, in commenting on the January 1981 wage decision of the Arbitration Commission, one commentator wrote :

The latest 3.7 per cent rise is not the commission's worst effort and is 79 per cent indexation through inflation... But something more like half indexation would do the trick... There is not all that much risk of the workforce getting rebellious if this formula was used because the bulk of the workforce has no muscle.¹¹

It is a strange argument, substantiated by the commentator by a view that maintaining the value of wages at the level of rising prices is tantamount to institutionalization of inflation, which penalizes the unemployed, the weak, and the poor in the community.

No doubt, maintaining wage relativities at the level of rising prices is a factor in the complex process through which inflation is sustained, but it is only one of many. Other factors, such as the levels of profits, interest rates, capital gains, as well as salaries and other benefits paid to the executives in the private sector are rarely mentioned or systematically analyzed. On the contrary, business profits are regarded as "good" for the economy and for society, however large these profits might be; and there is no longer any attempt to offer apologetic explanations about the size of profits or be shy about them. Similarly, the salaries paid to the top executives and managers have been rising faster than the overall levels of wages,¹² and there are no formal restraints imposed upon them.

Another view which has recently acquired currency is the "user pays" principle. Although at first applied in relation to health services, it is now extended to higher education as well. Predictably, the acceptance of this principle to social provisions which are essential for adequate social functioning must lead to qualitatively different access to those provisions and to unequal levels of usage.

The common factor in these arguments is not only that they advocate a society of growing economic and therefore social inequalities but they are also socially divisive. In relation to wages, it must be now painfully clear that with the rising prices and interest rates, earnings at the lower end of the wage scale are insufficient to meet the cost of the commodities which are essential for the maintenance of a family unit at a satisfactory level of social functioning. And the acceptance of the "user pays" principle means extending the inequalities of market forces into the areas of social provisions which had been previously instituted for the purpose of counter-acting the inequalities of the market.

3. Implications for Society and for Social Policy

What kind of society are we, then, likely to have if the current trends in the labour market continue in the same direction? If unemployment and the trend towards part-time work continue, the full effect of these two factors will not be seen until some years hence, because the people affected by them are mainly young people. Apart from experiencing high rates of unemployment, young people are also disproportionately represented in those industries where part-time work, irregular and unusual hours, and the absence of career structures are prominent. Further, because employment in those industries does not call for

a high level of skill, the jobs are not well paid and the market is competitive. And while these industries are labour intensive, the workforce in them is not organized; therefore, it cannot make successful demands for higher wages, better working conditions, or security of tenure.

We witness, therefore, a growing polarization of the workforce : first, between those who have a job and those who have not; and, second, between those who have good incomes and security of tenure and those who might have a job but little income and no security of tenure. Predictably, the polarization of the workforce must lead to a gradual polarization of society that will become evident in two distinct life styles, distinct patterns of economic and social consumption, and two distinct levels of social functioning.

However, the polarization within the workforce is not as big a problem as the different attitudes to labour and capital and the distinction that is made between what is seen as income and what is not, and consequently, what is, or is not, subject to State tax. With the growing significance of capital, the definition of what is "income" for the purpose of raising State revenue needs a thorough re-conceptualization, for if the present definition continues unaltered the effects of it will be fully seen only in some years hence when the present young generation reaches maturity. Carried into the next generation, the wealth structure and therefore the opportunity structure of the society will then have become more unequal; as some people will inherit greater wealth, others will inherit greater poverty.

In considering the implications of the changing trends in the labour market, the significance of the capital-intensive economy must be considered; for it is the changing relationship between capital and labour that raises important issues for the future structure of the society as a whole. The greater the capital intensity of the economy the weaker the position of the workforce. Unlike labour, capital can be accumulated, stored, transferred from one form to another and from one kind of activity to another; also from person to person, even across generations. The labour skill dies with the worker; the capital holder transfers the capital to his or her descendants. So, labour has to renew itself with each generation, while capital continues and grows - at present, at the rate of 12 to 15 per cent a year. Yet, the growth of capital is not currently taxed by the State while the return on labour is. Neither is capital subjected to the same laws that apply to labour. For example, unlike a withdrawal of labour, a withdrawal of capital is not considered to be a "strike".

It is these differences between capital and labour, reinforced by the traditional concepts of what constitutes income for the purpose of raising State revenue, that have implications for social policy. As more income is generated by means which are not subject to tax, the base for raising State revenue is "shrinking". Hence we witness a curious situation in which, on the one hand, we experience a boom in capital investment while, on the other hand, the State apparently cannot afford to provide the community with the level of social provisions which it was able to afford at times of lesser prosperity.

One of the big problems in modern industrial societies is the cost of the infrastructure that is necessary to maintain a capital intensive economy. It is a "hidden" cost, because it does not appear in the operational accounts and balance sheets of private corporations. The infrastructure is provided by the State. It has been recently reported, for example, that the public borrowing programme already approved for the provision of the infrastructure for the industry in Australia during the 1980s amounts to more than \$4 billion, and additional States' proposals would almost double that amount.¹³ This is investment to be provided by the States, which is necessary to make the private investment operative, such as power and water supply, roads and harbour facilities.

It is relevant to consider here the questions : who will benefit from, and who will bear the cost, of this investment? In the number of jobs created the prospects do not show much promise, for some of the big projects are estimated to create one permanent job for \$1 million of private investment, and some of them even a higher amount.¹⁴ Public investment in the infrastructure is not included in these estimates. Considering that the cost of raising the capital for the infrastructure is charged against the whole community through taxation, and the number of jobs created will be rather small, appropriation of rewards along the existing concepts will predictably lead to a greater inequality in society.

On the scale of current priorities, public investment in the infrastructure of social provisions, such as health, education, housing and welfare, comes last. As Scotton and Ferber have documented, real capital expenditures on these provisions have fallen significantly in recent years, particularly the expenditures of the Commonwealth Government.¹⁵

Back in 1958, Wilensky and Lebeaux formulated two conceptions of Social Welfare : the residual and the institutional "The first {they said} holds that social welfare institutions should come into play only when the normal

structures of supply, the family and the market, break down. The second, in contrast, sees the welfare services as normal "first line" functions of modern industrial society".¹⁶

The analysis of the American society at the time had led them to the prediction that institutional social welfare would become the feature characteristic of modern industrial societies. They said :

As the residual conception becomes weaker, as we believe it will, and the institutional conception increasingly dominant, it seems likely that distinctions between welfare and other types of social institutions will become more and more blurred. Under continuing industrialization all institutions will be oriented toward and evaluated in terms of social welfare aims. The "welfare state" will become the "welfare society", and both will be more reality than epithet".¹⁷

How wrong can one's predictions be! For in a period of less than twenty years, what had appeared to be a dawn of welfare society had turned into residualism : a new social philosophy, consistent with the now prevailing economic theory, and evident in the changing attitudes to social issues.

Residualism is different from the conceptions of social welfare in the 1950s and 1960s. In those years the residual social welfare services were being gradually extended, and some characteristics of institutional social welfare were becoming apparent. Now the trend is in the opposite direction, although it is defined in such terms as "selective services" or "special group targetted services".

In their application and effect, welfare services provided under the concept of the new residualism acquire the characteristics of the Poor Law of 1835, except that the names of the recipients have been changed from "less eligible" to "disadvantaged". The recipients live on welfare incomes, have access to welfare health services, travel as welfare passengers on public transport, and live in welfare houses in welfare suburbs. Their welfare status is re-affirmed each time they need, or want, to receive the services. It is through the process of re-affirmation that the "disadvantaged" are taught to accept their inferior position in society as "normal" for them. It is also through this process that the society as a whole comes to accept the presence of the disadvantaged groups as a necessary and unfortunately unavoidable condition of modern industrial economy.

Residualism in welfare services does not alleviate the inequalities inherent in the forces of the market. On the contrary, it fits into the dominant market order, as did the Poor Law in the last century, reinforces it, and makes it legitimate. Instead of countervailing that order, residual welfare services become subordinate to it. To be a recipient, one has to acknowledge one's inferior ability to participate effectively within the prevailing economic and social order. Hence residual welfare services are socially divisive. As Graham Room has stated :

... these measures foster lines of perennial social conflict. For it is par excellence in the achieving society, where financial self-sufficiency is taken as a measure of individual dignity, that means-testing is socially divisive. To make individuals' achieved status - in this case as measured by financial means - the criterion of their treatment by the wider society is essentially corrosive of any collective obligation that this society may claim to exercise towards its members by virtue of their ascribed status as citizens.¹⁸

During the operation of the Poor Law, men and women in the workhouses were physically separated. While some vestiges of this rule still hang about in the administration of certain welfare services, the separation of the disadvantaged now takes place on a larger scale : into certain localities, certain suburbs. Economic and social exclusion is thus reinforced by geographic exclusion, determined by the market forces in such areas as the cost of housing.

(In considering this issue some weeks ago, it had occurred to me that the vast differences in housing costs, now clearly identified by geographic areas, would in due course lead to laws and regulations which will prevent the poorer sections of the population to enter the localities inhabited by the rich. I dismissed that notion as somewhat far-fetched. Then on reading a weekend paper, a small article attracted my attention. It was about the real estate development at Noosa Heads, and the title was, "Noosa becoming 'elite only' area, despite long fight". The article described the multi-million developments and mentioned the protests of the local population at the changing character of their locality. The article read :

Locals have vehemently condemned every multi-million project that has been constructed...

The small coastal resort was further shocked late in 1979 when a team of visiting American travel consultants recommended that visitors to the township be restricted to the wealthy - "in order to preserve Noosa's charm and environment".¹⁹

Clearly, the environmentalists have been wrong. It is not the chemical industries but the poor who pollute the earth!)

The outcome of residualism is legitimation of disadvantage, legitimation of inequality, legitimation of exclusion of the industrial human residue from the mainstream of social life. Residualism in social welfare is thus congruent with the currently prevailing economic theory, as is unemployment, the argument for the decrease in the value of real wages, and the moral acceptance of unlimited profits and wealth. The social theory which is congruent with the current economic theory is Social Darwinism.

As mentioned in the earlier part of this paper, there appears to be a relationship between certain trends in the labour market and the increasing numbers of people who become the recipients of certain benefits or pensions. The growing capital intensity of the economy suggests that the human residue of the industrial process is likely to grow, thus increasing the number of people whose livelihood will depend on income maintenance measures provided by the State. Hence, there will be a need for raising higher public revenue to meet the cost of income maintenance provisions, and there will be corresponding attempts to apply more vigorous means-testing so that the cost of these provisions can be controlled. In sum, there is likely to be a trend towards a greater residualism in social policy and social welfare services. Such selectively provided services may appear to be an efficient means of using public funds for the benefit of those who really need them, but with the decrease of capital investment in the infrastructure of public provisions, such as health, education, welfare and housing, the social functioning of the people who cannot afford to buy these services in the market will suffer.

Any economy which is operated without adequate investment in the infrastructure - both material and human - eventually must run itself into a state of entropy. The neglect of social investment at times of high industrial investment does not only lead to unequal, divided society, but in due course is likely to lead to diminishing returns in the productive capacity as well.

The choices for social policy are not necessarily choices between a big and a small government. Such perspective is rather simplistic, for social investment does not necessarily imply large bureaucracies. What needs to be acknowledged is the fact that investment in material and human infrastructure is a necessary social investment without which private capital investment cannot produce goods and services; unless one is prepared to sacrifice the well-being of a section of the population for the benefit of another section.

4. Issues for Social Research

The issues which have been raised in this paper pose certain questions for social research. In recent years, we have witnessed the growth of applied research which is expected to provide some answers to the problems encountered in the economic and social spheres. However, research cannot produce practical solutions : it can identify the nature of social conditions, and perhaps it can also identify the potential outcomes of these conditions. Research can identify what is technically feasible, but what might be technically feasible is not necessarily politically acceptable. The solutions to the problems currently experienced in the economy lie not so much in technical feasibility as in social organization. For example, if unemployment were to disappear, or at least significantly diminish, this will not happen by theoretical analysis alone : it will happen by political will.

The methodological issues in social research today concern the parameters, or the boundaries within which the research is conducted, and the methods of empirical investigation. With regard to the parameters, there seems to be a tendency in some research to work within the premises of the prevailing policies, as if those policies and the theories underlying them had the qualities of scientific axioms. Yet, many aspects of the current economic and social policies in Australia as well as in Great Britain and the United States signal an endeavour to return to the policies which had been prominent some time ago, e.g., in the 1920s, and had been found wanting. Thus, by following the prevailing policies rather than examine them critically, social research is likely to produce little that can be of value to society.

In methods of investigation there appears to be a growing reliance on "data", and this usually means quantifiable information presented in the form of statistical tables. But empirical method does not consist only of collecting statistics and arranging them in neat columns and rows; it also means ascertaining the objective, and subjective, reality of certain conditions in the everyday exigencies of social life. These are not easily quantifiable phenomena.

In relation to the issues discussed in this paper, the following areas may be suggested for research : some of these areas concern social welfare issues, and we attempt to examine them at the Social Welfare Research Centre; others call for research by other disciplines, such as economics.

- (1) Studies aimed to identify the economic, social and human costs incurred in, or related to, private sector of the economy, which

at present are met by the State and by the community.

- (2) A re-assessment of the existing accounting convention which excludes a variety of income-generating processes from the definition of income; e.g., business amalgamations and takeovers, bonus share issues, other forms of capital gains, and non-wage benefits attached to executive and managerial positions.
- (3) Comparative studies of social welfare policy based on residualism and welfare policy based on institutional philosophy, so as to ascertain the comparative costs and effects.
- (4) Exploratory studies of alternative systems of income maintenance provisions, based on capitalization of benefits and pensions.
- (5) Systematic studies of all sections of the population, including the "rich" sections, rather than concentrating solely on the "disadvantaged" groups. For unless we are able to understand fully the processes through which wealth is generated, we cannot arrive at satisfactory explanations of why some people are poor.

These are some of the areas of social research which might provide information that may be useful for the determination of choices in social policy. However, if such studies were carried out, this would not necessarily mean that the findings would be accepted by the decision makers, irrespective of the degree of validity of such findings. For, as Gouldner had observed some years ago, "governments expect that social sciences will help solve ramifying practical problems. In particular, it is expected that the social sciences will help administrators to design and operate national policies, welfare apparatus, urban settlements, and even industrial establishments", but governments also would like social researchers to be interested only in those social problems with which the governments are ready to deal.²⁰ The late Stanislaw Ossowski had stated this issue more succinctly by saying that the holders of political power tended to utilize knowledge from research as a drunken person utilizes a street lamp post : to lean on it rather than to seek light.

Thus the task for social research is to discern between research that is of social value, and research which merely serves the function of political convenience.

TABLE 1 Unemployment Rates, November, 1980.
(per cent)

| <u>Age Group (Years)</u> | <u>Men</u> | <u>Women</u> | <u>Persons</u> |
|--------------------------|------------|--------------|----------------|
| 15 - 19 | 14.0 | 16.5 | 15.2 |
| 20 - 24 | 6.3 | 8.7 | 7.3 |
| 25 - 34 | 3.6 | 6.2 | 4.5 |
| 35 - 44 | 2.0 | 3.6 | 2.6 |
| 45 - 54 | 2.6 | 3.4 | 2.9 |
| All groups (15 - 64) | 4.4 | 7.1 | 5.4 |

Source: The Labour Force Australia, November 1980; ABS Cat. No. 6203.0,
Table 25.

TABLE 2 Duration of Unemployment (in weeks).

| <u>Age Group</u> <u>(Years)</u> | <u>Men</u> | | <u>Women</u> | | <u>Persons</u> | |
|------------------------------------|-------------|---------------|--------------|---------------|----------------|---------------|
| | <u>Mean</u> | <u>Median</u> | <u>Mean</u> | <u>Median</u> | <u>Mean</u> | <u>Median</u> |
| 15 - 19 | 24.0 | 12.9 | 28.8 | 17.7 | 26.5 | 15.5 |
| 20 - 24 | 36.2 | 18.3 | 33.4 | 15.6 | 34.8 | 16.8 |
| 25 - 34 | 37.8 | 16.5 | 22.4 | 10.1 | 30.3 | 12.1 |
| 35 - 54 | 51.7 | 21.5 | 35.2 | 13.4 | 44.1 | 18.7 |
| <u>Total</u> | <u>37.8</u> | <u>17.8</u> | <u>30.9</u> | <u>14.4</u> | <u>34.4</u> | <u>16.1</u> |

Source: The Labour Force Australia, November 1980; ABS Cat. No. 6203.0,
Table 27.

TABLE 3 Benefits and Pensions : 1970 and 1979

| <u>Pension or Benefit</u> (as at 30th June) | <u>1970</u> | <u>1979</u> | <u>Change 1970 -</u> <u>1979</u> |
|--|----------------|----------------|-------------------------------------|
| Persons on Unemployment Benefits | 13,043 | 312,000 | |
| Persons on Sickness Benefits | 8,813 | 32,400 | |
| Persons on Invalid Pensions - Men | 74,640 | 149,760 | |
| Persons on Invalid Pensions - Women | <u>59,110</u> | <u>70,070</u> | |
| <u>TOTAL</u> | <u>155,606</u> | <u>564,230</u> | +408,624 |
| Employed Persons | 5,396,000 | 6,151,000 | +755,000 |
| Persons on Pensions or Benefits as per cent of employed persons | 2.9 | 9.2 | + 217.2 |
| New Invalid Pensions for the year : | | | |
| Men | 18,672 | 34,265 | + 15,593 |
| Men 50 - 59 years | 5,919 | 13,363 | + 7,444 |
| Women | 12,330 | 9,539 | - 2,791 |
| All New Invalid Pensions | 31,002 | 43,804 | + 12,802 |

Source: Ten Year Statistical Summary, 1970-1979, Department of Social Security, Canberra ACT, March 1980.

TABLE 4 Unemployed Persons, by Industry and Occupation
of Last Full-Time Job, November 1980.
('000)

| | | |
|---|------|----------------------|
| Total No. of Unemployed | | <u>357.0</u> (100%) |
| Had worked for two weeks or more in a full-time job in the last two years | | 202.9 (56.8%) |
| <u>Industry:</u> | | |
| Manufacturing | 53.2 | |
| Construction | 21.3 | |
| Wholesale and retail trade | 53.9 | |
| Finance, property & business services | 9.8 | |
| Community services | 18.3 | |
| Recreation, personal & other services | 17.9 | |
| Other industries | 28.6 | |
| <u>Others:</u> (a) | | 154.0 (43.4%) |
| Looking for first job | 64.3 | |
| Other | 83.7 | |
| Stood down | 6.0 | |
| <u>Occupations:</u> | | 197.1 ^(b) |
| Professional, technical, etc. | 11.3 | |
| Clerical | 28.2 | |
| Sales | 24.4 | |
| Farmers, fishermen, etc. | 10.4 | |
| Transport and communication | 8.8 | |
| Tradesmen, production workers, labourers | 91.1 | |
| Service, sport and recreation | 22.9 | |

(a) Had never worked for two weeks or more in a full-time job or had not done so in the last two years.

(b) Excludes administrative, executive and managerial workers; and miners, quarrymen and related workers.

Source: The Labour Force Australia, November 1980, ABS Cat. No. 6203.0, Table 28.

Footnotes

1. See SWRC Reports and Proceedings; No. 7, Unemployment and the Family; The Social Impact of the Restructuring of the Australian Labour Market, by Bettina Cass; and No. 8, Workforce in Transition : Implications for Welfare, by Adam Jamrozik and Marilyn Hoey.
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5. see Workforce in Transition : Implications for Welfare, cit.
6. Social Indicators, No. 3, 1980; ABS Cat. No. 4101.0, Table 5.4.
7. Ten Year Statistical Summary, 1970-1979; Department of Social Security, Canberra, March 1980.
8. Overtime Australia, October 1980; ABS Cat. No. 6330.0, 17-11-80.
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10. see Appendix Table B, Workforce in Transition, cit.
11. Des Keegan, "Wage decision ignores economy", The Financial Australian, 10-1-1981.
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