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Newsletter 2.02

16 June 2002

This newsletter is in effect an introduction to the paper which follows - A paper entitled *Employment, Unemployment and Economic Dogma*.

This paper challenges that part of economic dogma which stifles ideas and even debate on what is regarded by many as one of our most pressing and socially divisive problems - high and continuing high unemployment.

In recent times we have witnessed a significant change in the structure of the labour force in Australia. As the Australian Bureau of Statistics (ABS) highlights in their "Australian Social Trends" series, Bulletin 4102, there has been growth in the number of workers classified as part time, and in the number of full time workers working in excess of 45 hours per week, with worrying social consequences. In their 1999 publication, p.105, they state - "These changes have prompted expressions of concern for workers, their families, and social cohesion. There are fears in some sectors of the community that the workforce is polarising into underemployed, low income part timers wanting to work more hours, and overworked full timers suffering ill-health, fatigue, and deteriorating quality of working and family life, who want to work less hours."

There are varying views on the severity of the problem, ranging from the view that our objective should be "work for all" and a return to the days of one per cent unemployment, to the view that some level of unemployment is necessary to ensure competition in the workforce - a level that can be expressed in economic terms. In the existing political climate in Australia it seems that the latter view prevails. The prevailing economic dogma that economic growth will lead to employment growth provides consolation for those who advocate a market-oriented response to the problem, and also a reason for doing nothing except waiting.

Existing unemployment data is based on what is described in the following paper as a statistical roundabout. There are four elements - numbers employed, unemployment rate, participation rate, and the population aged 15+. Alter one of these elements and the others adjust. If the number of employed rises then the unemployment rate falls - the basis of the current economic dogma. Or as we have seen in recent monthly statistics, if employment rises, and the participation rate also rises, then the unemployment rate can remain unchanged. Like double entry book-keeping, there is always a balance.

However, in the real world there is a different picture. Economic growth, or investment, will create work. This is a natural economic outcome. But whether this work is for people or for machines is dependent upon technological change and our ability to utilise this change. One of the direct influences of globalisation is the utilisation of this change.

In the past three decades and more there has been a decided movement of work away from people to machines, and this is a continuing process. There will continue to be a gradual proportionate decrease in the volume of work for people.

How the volume of work for people is translated into jobs then becomes a decision based on social change - how the flexibility of the labour market allows more people to share a diminishing volume of work through increasing part time employment. Without this flexibility, without this growth in part time employment, it is doubtful whether our past economic growth could have been maintained. The ability to utilise a flexible labour force has undoubtedly influenced investment and growth. Recent industrial disputes in the car components industries illustrate how investment, and therefore growth, is influenced by the flexibility of the workforce.

Options for change

In this section we diverge from providing background for the paper following this newsletter, which is intended primarily to challenge existing economic dogma, to further pursue consideration of measures to reduce unemployment and the social implications of further action or inaction.

If our aim is to achieve a socially acceptable level of full employment, or work for all, then there are virtually two

options. The first option is to pursue through legislation a reduction in the working week which will target full time workers, and particularly full time workers working excessive weekly hours. France has opted to take this route, with some limited success.

This is the easy route - legislation to prevent people doing something. This is the route favoured by those who see legislation as the way to achieve change. This is also the route with the minimal impact on the welfare of the unemployed, the underemployed, and the low paid part time workers. This is the route which has the objective of increasing the overall number of people employed without financial or social concern for the low paid part time workers. Strangely this is the same objective as those who believe that economic growth will increase employment.

The second option is that mentioned in the following paper, the provision of suitable income support to ensure that all citizens, including the unemployed, the underemployed and the low paid workers, are able to maintain a socially acceptable standard of living.

This is a route which raises mixed signals within the community. It requires legislation to give rather than to prevent. The aim is to provide all citizens with greater financial security, which can be seen by some as an extension of the welfare state (and without proper understanding it can be seen as an expensive extension), and which can be seen by others as an affordable move towards greater social cohesion and citizen responsibility embracing the concept of all citizens being shareholders in the nation. It can be seen by some as providing a disincentive to work by paying people not to work, and it can be seen by others as a means of providing people with an incentive to work and as a means of removing existing disincentives to work in our existing social security system.

It can also be seen by some as removing the incentive to save for retirement, and by others as a means of ensuring an income for life, leaving it to individuals to determine how much they wish to supplement this income. It can be seen by supporters of occupational superannuation as a threat to that system which offers taxation assistance proportionate to the level of saving, whereby the state provides assistance to help people maintain their pre-retirement standard of living. On the other hand it can be seen by others as reflecting what they consider to be the proper role of the state; to ensure all citizens have an income sufficient to provide a socially acceptable standard of living throughout their lifetime.

Occupational superannuation in itself is a divisive issue, strongly favoured by those who benefit most, and strangely also strongly favoured by those responsible for the introduction of the scheme despite it being of little or no value to those who are their traditional and potential members and supporters. The scheme was introduced at a time when deregulation of the labour market was growing in intensity and was being supported by those advocating the introduction of work place agreements and flexible working hours. Yet the indications were there at that time that increasing labour market flexibility would lead to increasing numbers of low paid part time workers. Perhaps it is now time to review the policy and to assess the extent to which occupational superannuation is contributing to financial inequality.

Discussion of this nature inevitably leads to political considerations, and how they have influenced, and will continue to influence the development of our welfare state. How, for example, those measures with greatest benefit for the poor and the disadvantaged, the unemployed and the underemployed, such as unemployment benefits and disability allowances, are under attack, whereas those measures with greatest benefit for the rich and the well off, the full time workers, the independent retirees, such as occupational superannuation, health insurance premium subsidies, and private education assistance, are politically protected.

OASIS-Australia is non-political, and the national dividend it is promoting is not seen as a welfare state measure, but as a dividend paid to all citizens related to our economic performance. It is not a redistribution of income but a basis for greater individual security and enterprise. Although the introduction of such a system will go a long way towards achieving social objectives such as work for all and financial security for all it will not provide a complete answer to our social problems and divisions. However, debate on the topic will help direct attention to many of these problems and divisions, and perhaps help to highlight how some of our existing social and welfare state policies are helping to divide rather than unite the community.

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February 21-23, 2003, the Crowne Plaza Manhattan Hotel,
1605 Broadway between 48th and 49th Streets in New York City

The U.S. Basic Income Guarantee Network will hold its 2003 meeting in conjunction with the Eastern Economics Association meeting in Manhattan on February 21-23. Scholars, activists, and others are invited to attend, to submit papers, and to organize panels in any discipline. Paper submissions are welcome on topics relating to the Basic Income Guarantee or to the state of poverty and inequality. Suggested topics include the political economy of BIG; the history of BIG; gender, family, and labor market issues and BIG; and empirical issues of BIG and of poverty. The purpose of the conference is discussion, and all points of view are welcome.

This meeting will be an opportunity to interact with economists who have been surprisingly receptive to BIG over the years, but it will not limit the range of topics discussed at the USBIG meeting. The EEA will handle registration and logistics, and anyone attending the USBIG conference is welcome to attend any of the EEA sessions, but the USBIG meeting is entirely autonomous in content and will maintain its interdisciplinary character.

To present a paper, send a proposal including the following information to Karl@Widerquist.com

1. Name
2. Title (if applicable)
3. Affiliation (if applicable)
4. Address including City, State, Zip Code (Postal Code), and Country
5. Telephone number
6. FAX (if available)
7. Email Address
8. Paper Title
9. Abstract (of 50 to 200 words)

The Deadline for submissions is Oct. 8, 2002.

For further information, contact Karl Widerquist at the above address, or check out the USBIG website at: www.usbig.net

Allan McDonald

For OASIS-Australia

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