WHY A SENSIBLE EMPLOYMENT POLICY IS UNATTAINABLE IN AUSTRALIA

John Tomlinson

I. THE FIRST NATIONAL UNEMPLOYMENT PLAN.

As World War II headed towards a close, Prime Minister John Curtin was concerned that returning soldiers, with memories of the 1930s Depression and the inadequacies of various “Susso” schemes, might decide to use their recently acquired lethal skills and start culling surplus politicians (Kewley 1973, Wilson, Thomson and McMahon 1996, Higgins 1982). H.C. “Nugget” Coombs and other senior public servants were given the task of ensuring full employment in Australia and ensuring that unemployed individuals were paid an unemployment benefit. The 1945 Commonwealth Government’s Full Employment in Australia (“White Paper”) emphasized the importance of finding work for returning service personnel, taking up the slack in production caused by the end of the war and adjusting the economy to peacetime conditions.

Implicit in the 1945 White Paper was the realization that full employment generates a stronger economy. This idea was to find voice again in the 1993 Committee on Employment Opportunities Report entitled Restoring Full Employment. Page one of the Report states: “The loss of production through unemployment is the single greatest source of inefficiency in our economy.” The Keating Government’s White Paper Working Nation (1994) shared similar conclusions. In the same year Langmore and Quiggin (1994) estimated that “national income is around $35 million a year lower than it would be if unemployment were only about three percent.” (p.2, & Chapter 3) Boreham, Dow and Leet (1999) in their text Room to Manoeuvre: Political aspects of full employment are driven by similar preoccupations.

II. WHAT EMPLOYMENT PROMOTING SCHEMES WERE SUGGESTED BETWEEN 1944 AND 1973?

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1 John Tomlinson is a Senior Lecturer at the Queensland University of Technology, Brisbane Australia.
At the end of the war the government established a government-run national employment service designed to identify and fill job vacancies. The Commonwealth Employment Service (CES), however only sent workers to jobs where the award wage was paid. The slogans of the time were, “A fair day’s pay for a fair day’s work,” and, “Any job is better than no job at all.” The employment service had a supplementary role of installing a work test to those who applied for unemployment benefits. Women were pressured to leave their jobs in factories where they had served during the war to make way for unfallen heroes. It was a regime typical of the classical labourist tradition. Keynesian economics was in its ascendancy. The government paid for training for ex-service personnel and increased the number of public service jobs. Nearly every major business employed ex-service personnel who had significant war injuries. Department stores and government departments seemed to have no shortage of one-legged or one-armed lift operators. The Post Master General’s Department ("PMG") became the major trainer of technicians through its telephone service (now the semi-privatised Telstra which hardly trains anyone).

This pattern of job-creation particularly in government and semi-government agencies, a commitment to training young workers in the PMG, and training by railways and other government departments, continued well into the 1970s. Except for in 1961, unemployment seldom rose above 1%. The commitment to full employment was driven by a memory of the horror of the 1930s Depression, a determination to look after those who had defended their country in war, and a sense that unless everyone was somehow assured of a living, communists or trade unionists would destabilize the society. White males were the prime beneficiaries of state sponsored initiatives.

III. MENZIES, WHITLAM AND FRASER.

The Liberal Coalition Government, which came to power in 1949 and remained in control for 23 years, maintained the employment system, social security system and the Keynesian economics of the post-war Labor Government. Then, in 1972, it was time for a change. The incoming Whitlam Labor Government, with Bill Hayden as Minister for Social Security, initially raised the rates of payment for those on social security, abolished the distinction between the youth and adult unemployment benefit rates and struggled to implement a more rights-based approach to social welfare. By 1975, confronted by rising unemployment rates, Government Ministers denigrated unemployed people, referring to some as “work shy lion tamers” and “dole bludgers.” (Windschuttle 1980 Chaps. 8-10). In that year Hayden, by then Treasurer, adopted several economic fundamentalist ideas in his budget - starting the retreat from Keynesian
economics in Australia. Hayden’s budget moved away from counter-cyclical spending designed to boost employment and decreased other social wage spending. The other major change in employment policy introduced in 1974 by Whitlam was the Regional Employment Development (RED) scheme. This program was designed to encourage employers, particularly in the non-profit and local government sectors, to take on subsidised workers in the hope that they would work their way into a standard job.

The Fraser Liberal Coalition Government was similarly incapable of solving the problem of an inadequate number of jobs for all people wanting to work. It set out with considerable eagerness to make it harder for unemployed people to remain on benefits, mainly by urging employment officers in the CES to enforce the existing regulations, particularly those in relation to the work test, more stringently. Fraser and his ministers increased the tenor of the vitriol they heaped upon unemployed people (Windschuttle 1980). Economic fundamentalism increased within the treasury and finance departments. In 1977, influenced by Nugget Coombs (Coombs 1994, Chapt. 7), Fraser introduced the Community Development Employment Program (CDEP) on some Indigenous communities, whereby Aboriginal people who were unemployed weren’t paid unemployment benefits, but instead worked on community projects in return for the equivalent of the benefit rate. This scheme has many similarities with John Howard’s “work for the dole” programs and is in many ways a return to the “Susso schemes” of the 1930s when sustenance was provided in return for forced labour (Tomlinson 2003 Chaps. 4 and 6, see also Tomlinson [forthcoming] 2005). But by the time Fraser lost office, in 1983, little had changed in unemployment benefit or CES legislation.

IV. HAWKE AND KEATING.

During the Hawke / Keating Labor years economic fundamentalism became more entrenched (Pusey 1991). The Australian dollar was floated, tariffs were slashed, union power was contained, efficiency became the only game in town, several government corporations were either privatized or corporatized, and contracting out began in earnest. There was an attempt to enshrine a form of corporate governance built on a government, business and union structure – the Accord being the most obvious feature. The unemployment benefit system was more tightly targeted and the social welfare income support system became more selective. In the mid-1980s the Minister for Social Security, Brian Howe, set up a review of social security policies headed by Professor Bettina Cass. Professor Cass argued that there was a need to insist that people receiving social security make some contribution, albeit not necessarily as demanding as that which was required by the work test. She called this an
active society policy (Cass 1988, 1995, see also Pixley 1993, contra Watts 1995 and Tomlinson 1995). The main unemployment initiative between 1983 and 1996 was the guarantee of a job after 18 months of unemployment, announced in Working Nation. This was part of what Labor referred to as a “reciprocal obligation” compact between the unemployed and the government.

A. HOWARD

In 1996 the Liberals returned to power under the leadership of John Howard and began dismantling much of the social infrastructure supporting poor Australians. Howard privatised and then Christianised the CES. First, the CES had many of its job placements and surveillance activities contracted out to either for-profit or non-profit agencies. By 2004, church based agencies held the majority of such contracts. Economic fundamentalism is now the undisputed focus of government and business economic policy. In 1999, Howard set out his socially conservative and economic liberal agenda as well as his plans for a social coalition between the government, business, churches, families and individuals. This social coalition really amounts to a responsibility-shifting exercise from the government to welfare agencies, families and individuals. The post-war idea of governments striving to put a floor beneath the least affluent citizens has receded, leaving in its place an “individualisation of risk” (Lerner, Clark & Needham 1999 p. 11, Beck 1992). As a result, a “do it yourself welfare state” has been created (Klein & Millar cited in Page 1998 p.307). Howard, in a distortion of meaning, calls this social welfare abyss “mutual responsibility.”

B. LATHAM

For years, Labor and the other minor Senate parties held out against the Howard Government’s determination to increase the cost of prescription medicines to patients. In an attempt to establish his economic responsibility credentials in mid-2004, Latham caved in and Labor voted with the Government to raise the charges. It is clear from Latham’s back down on pharmaceutical subsidies and Labor’s preoccupation with balanced budgets (Hayward 2003) that supporters of economic fundamentalist policies can rest easy. Another depressing aspect of a possible Latham Labor Government is Latham’s support for Blair style, “third way” social policies that rely upon forced social engagement in approved programs. I have previously criticized such programs elsewhere (Tomlinson 2004 [a], 1999, see also Reddel, 2004, Scanlon 2004).
Suggested solutions to unemployment since the “Susso?”

Government, through the CES, used to help unemployed individuals locate available work. This service is now privatized. Benefits used to be paid to all unemployed people who could prove they were fit, able and ready for work – now additional requirements have been added making it harder for people to obtain benefits. Last year, a report commissioned by the Brotherhood of St Laurence and St Vincent de Paul found that the Coalition Government’s increasingly stringent “mutual obligation” policy adversely impacts people with multiple disabilities - further marginalizing them. In part, this was due to the increasingly arduous nature of demands placed on applicants and the increased number of activities which applicants had to undertake to maintain their benefit payments. It concluded the “mutual obligation” regime and “is failing the most disadvantaged job seekers. Overall the system operates...not as ‘welfare to work,’ but as ‘welfare as work.’ (Ziguras, Dufty and Considine 2003 p.43).”

Job creation by intentional government effort, which prevailed until the 1970s, is now regarded as interference in the market (Stilwell 2002 Chapt 5, Mendes 2003 Chapt 2 and 3). There are still some training programs and some job subsidization for long-term unemployed people. The CDEP continues to exist and now has over 30,000 participants. All in all, plans put in place to assist unemployed people obtain work since Fraser left office have not been inspiring and are becoming less so.

A sensible blueprint.

Tempting as it is to suggest that an employment and income policy should be based on the proposition, “From each according to their ability and to each according to their needs,” the world has moved on since those words were written. A sensible employment policy would, at a minimum, set out to abolish Beveridge’s five giants of “squalor, want, ignorance, disease and idleness” (Timmins, 1995).

Assuming that unemployment is as socially debilitating as many commentators suggest, then a good start might be to have the government directly (or indirectly by subsidizing intently on the non profit sector or industry) accept its responsibility to become an employer of last resort. Such a program could take many forms. The Job Guarantee as proposed by Mitchell, Cowling and Watts (2003) or Mitchell and Watts (2003) are two of many potential alternatives.

It may be that it is not unemployment per se or unemployment alone that creates such socially debilitating outcomes for people who are unable to find work, but rather it could be:
• the social opprobrium which attaches to unemployment,
• the insecurity of income which flows in the wake of being out of a job,
society’s failure to respect the integrity of unemployed people and to allow them to determine their future in a non-pressured manner.

Forcing people to do jobs (or to engage in other activities) that they regard as meaningless can be as demeaning as not having a job.

The blueprint I propose is for individuals to be guaranteed a universal basic income irrespective of their work contribution or any other social status. Additionally the government accepts a responsibility as an employer of last resort and makes every effort to find paid employment for all who seek work. It would be helpful for the government to refrain from denigrating those who choose to use their time out of the workforce to pursue activities, which they or their community value, but which are not valued by the government.

In the last section of this paper I will examine why any likely alternative Australian government is unlikely to accept such a blueprint without a major change occurring in the public’s mind-set. Before doing this, it is necessary to identify the binary divide in ideologies that inform income support policies. This divide can also be seen in the various ideologies that inform alternative employment policies. As Mitchell and Watts (2004) acknowledge “the philosophical notions of citizenship and individual rights that underpin the Basic Income (“BI”) approach are also the pillars of full employment (p. 2).”

The binary divide.

The binary divide in income support and employment policies, is the division between those who want to make income support dependant upon the recipient doing something in return for assistance and those who would rather pay sufficient income to sustain recipients without imposing any obligations to perform labour or rather make any other contribution.

Ever since the first social security legislation in the Australian Federal system passed in 1908 relating to age and invalid pensions, there has always been a requirement that recipients must be of “good moral character” in order to receive payment. This provision existed until Bill Hayden, first Minister of Social Security in the Whitlam Government, abolished it in 1973. Since that time, the stated justification for payment is for one to meet the eligibility criteria and, with the exception of the Blind Pension, that one is also “in need.” Many writers (Boston and St John 1999, Goodin and Le Grand 1987, Watts 1995, Goodin 2001 Castles 2001, Stretton 1996, Tomlinson 1995) have attested, however, that the way in which eligibility criteria are written, the manner of administration, and the existence of bureaucratic “discretion,” continue to add an element of “desert” in all categorical benefit systems. Governments in Australia frequently claim to use the concept of need as the justification for paying benefits. However, they seldom define need and, as a result, the term “being in need” is often not explained or defined. (Tomlinson 1989 Appendix C).
It is the element of “desert,” as expressed in the 1834 Poor Law in England with the concept of “less eligibility,” with its explicit distinction between the “deserving and undeserving poor,” which has been part and parcel of the Australian system of income support since the invasion in 1788. The concept has a long lineage. Joel Handler (2002 footnote 217) has traced “less eligibility” back to the Statute of Labourers (1348) that enshrined the prohibition against giving alms to sturdy beggars.


Just as it is an ongoing responsibility of government to support those in genuine need, so also is it the case that – to the extent that it is within their capacity to do so – those in receipt of such assistance should give something back to society in return, and in the process improve their own prospects for self-reliance. This is the principle that underpins the Work for the Dole Scheme which we have successfully introduced and expanded over recent years (Howard 1999).

Such thinking is present in European participation income schemes (Atkinson 2002) and some Job Guarantee proposals (Mitchell, Cowling & Watts 2003) - to the extent that such schemes would deny payment to those who do not agree to meet their “participation duties.” There are several differences between the Job Guarantee proposals suggested by Australian Job Guarantee academics and European participation schemes such as that of (Atkinson 2002); however, what places them on the same side of this ideological divide is that both types of schemes are designed to make income support dependant upon the recipient doing something in return for the assistance.

On the other side of this binary divide are those who would provide a universal Basic Income to all permanent residents of a country without any requirement to work, search for work, or meet any other imposed obligations (Van Parijs 1992, 1997, 2000, Goodin 2001, Standing 2002. See also the Basic Income Earth Network [BIEN] or Basic Income Guarantee Australia [BIGA] for links to Basic Income web sites worldwide).

The opposition

Objections are often raised in connection with the untrusting suggestion that people would leave work in droves if they could obtain income without working. This suggestion is not addressed here as I have previously answered it elsewhere (Tomlinson 2003). It has been argued in Australia and overseas that any non-presumptuous minimum income
guarantee is economically unaffordable. Perhaps the clearest and most succinct refutation of the suggestion that Basic Income is unaffordable was put forward by Jose Iglesias Fernandez (2002). He argued for a Basic Income for Catalonia at a rate of half of the per capita income of this region of Spain. He claims that since the wealth needed already exits, the question is not affordability but willingness to redistribute that income. Economic historian, Keith Rankin (1998), has demonstrated that a Basic Income is affordable in New Zealand and the Irish Government has come to similar conclusions in their country (Healy and Reynolds 2002).

Two questions face Basic Income advocates in Australia. The first question revolves around the level of income which should be provided by a Basic Income. My heart would prefer an income more in keeping with that of Jose Iglesias Fernandez (2002) but given the history of income support in this country, my head tells me that the best possible income which is likely in Australia’s foreseeable future is a rate of assistance equal to the single age pension. In the short term the level might need to be in line with the Henderson poverty-line.

The second question revolves around the philosophical justifications for choosing a Basic Income over justifications which support either the existing income support system or the Job Guarantee system. At last years National Conference on Unemployment, Simon Schooneveldt (2003) considered the first part of this question (See also Tomlinson, Harrington, and Schooneveldt 2004). At the last BIEN Conference Guy Standing (2004) considered the second part of this question concluding that a Basic Income was necessary if one wanted to introduce a Job Guarantee (contra Watts and Mitchell 2004).

**Ethics or a lack there of.**

The other justification for not adopting my suggested blueprint is that of “desert.” Sometimes this concept is expressed in the terms of “need,” or lack thereof. At its most vicious, it is expressed in terms of paternalism, whether that be Lawrence Mead’s (1986, 1997) “tough love,” or McClure’s (2000) and Howard’s (1999, 2000) ending “welfare dependency,” or Tony Blair’s third way called forced “social inclusion” which the French, in a far more phallic interpretation, call “social insertion.” Standing (2002), Goodin (2001) and Van Parijs (2000, 1997, 1992) provide compatible yet differing ethical critiques of such paternalism. In an article entitled “The real moral jeopardy of ‘Welfare Dependency,’” Tomlinson (2004[b]) asserts that to suggest that such paternalistic policies assist low income earners avoid “welfare dependency” disguises the fact that the rich are the main beneficiaries of such dependency rhetoric.

When John Howard (1999) says it is only right that people (who in the absence of any viable alternative) must give something back to the community if they are paid social security, he is giving the concept of justice a particular meaning. It is certainly not the concept of justice as
understood by Van Parijs (1997, 2000), Standing (2002) or Goodin (2001). Howard is asserting that it is acceptable for the power of the State to be used to impose a contractual obligation upon some of the most powerless people in our land. Goodin (2001) describes such an imposition as the morality of the highwayman. He says: “The proposition that the welfare worker is putting to her putative ‘client’ is ‘Agree or starve.’ That is the same, in all essentials, to the proposition the highwayman puts to his victim: ‘Agree or die’ (p.191).” Kinnear (2000) accuses the Government of taking without giving. Standing (2002) and Van Parijs (1997) have provided fully elaborated ethically just alternatives to Howard’s pre-Hobbsian contractual arrangements. Both base their ethics upon a more trusting view of their fellow human beings (Sztompka 1999, Tomlinson 2003, Chapt 8).

The degree of resistance to the introduction of more liberating unemployment policies.

Due to space limitations I will provide just one example of the level of resistance to adopting policies in line with my suggested blueprint. I have chosen not to concentrate on the Howard Government nor its Hawke/Keating Labor predecessor but to return to the Fraser years, before economic fundamentalism became the hegemonic driving force in the governmental ranks, leading to massive cutbacks in welfare spending. In July 1977 as the Myers report was handed to the Government and as Harding (1985, p.233) noted:

Myers suggested that the work test should be abolished for most unemployment benefit recipients, that school leavers should be treated in the same manner as other new workforce entrants, that benefits should be given to working wives who lost their jobs, and that the seven day waiting period for unemployment benefits be abolished. He also said that he had found little evidence of dole bludging, and that “most people wanted work.” The Government scrapped the major recommendations of the Myers report within a week, on the grounds that an additional $300 million expenditure on unemployment benefits could not be entertained (my italics).

V. CONCLUSION

In Australia there is a long way to go before the nation can claim to have sensible employment and income policies. The alternative governments of this country are committed to welfare policies whose ideological base derives from fourteenth century England. Until the public’s mind-set changes it is unlikely that either a basic income or a jobs guarantee will be implemented.

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