

Just the JOB?

The recession has left one of Labor's proudest claims, job creation, in tatters. But did it have the impact the government claimed? Peter Saunders argues that a new strategy of job creation is needed to attack the new poverty of the 90s.

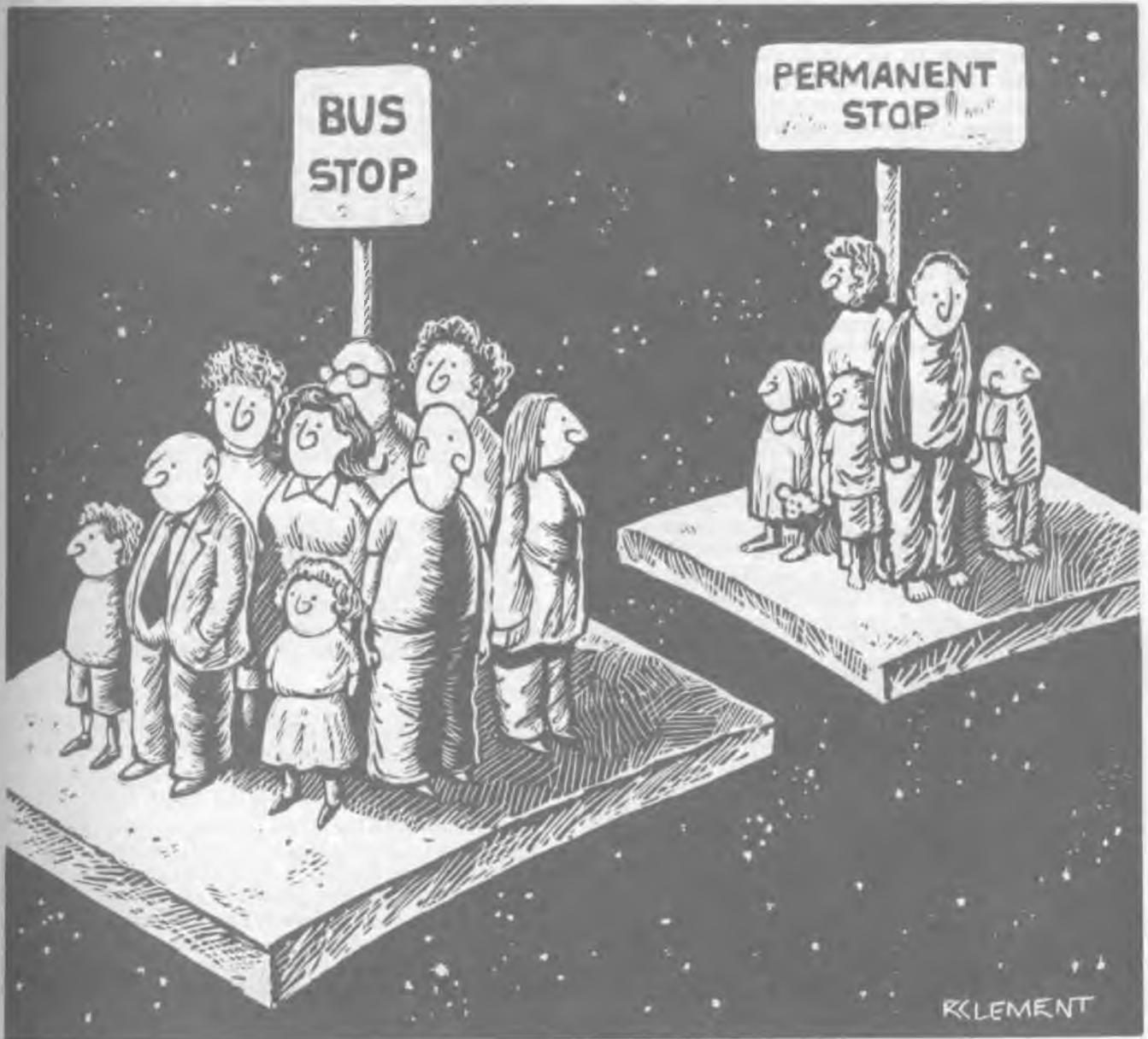
The post-war welfare state was premised on, and for three decades flourished within, an economic context of full employment. The high levels of unemployment that followed the oil shocks of the 70s and continued throughout the 80s put an end to that. Welfare capitalism was in crisis and the power of vested interests portrayed that as a crisis of welfare rather than a crisis of capitalism.

With increased unemployment came increased poverty among working-age families and its derivative, the problem of child poverty. Along with evidence of increasing rates of poverty in the 80s has come renewed doubts about the impact of welfare state programs. The New Right have seized upon those doubts to argue the case for the dismantling of the entire apparatus of the welfare state and for an end to such forms of social engineering. Yet the economic backcloth of the 80s and 90s differs substantially from that of earlier decades.

One aspect which has particular relevance in the current context relates to the changing role and nature of the labour market. The relationship between work and welfare has always been central to the interface between the state and market sectors of the economy. But the implications for welfare of the changing nature and patterns of work have not, until recently, been given much attention by welfare specialists.

This is somewhat surprising, given the one clear finding to emerge from decades of poverty research in Australia and overseas is that joblessness is a major cause of poverty. The preferable way to avoid poverty, or to escape poverty for those affected by it, is through joining the waged labour force. In the absence of any form of guaranteed income arrangement, paid work is the best means by which people can achieve financial independence and adequate living standards.

All of which suggests that the employment record of the Hawke ALP government ought to have made major inroads into poverty in this country. Why is it, then, that



welfare groups and religious leaders have emphasised that poverty has been on the increase in recent years, a perception which, according to a recent opinion poll, appears to be widely shared in the community? If the economic downturn sparked by the oil shocks of the 70s caused poverty to increase through unemployment, how can the 80s have been characterised by both rising employment and rising poverty?

While not actually claiming that poverty has fallen, the government has not been backward in emphasising that the extra jobs created since 1983 have had major positive effects on social justice in general and on poverty in particular. In the 1989 report *Towards a Fairer Australia, Social Justice Measures, Economic Statement*, the government argued that employment growth since 1983 has been "...a major achievement in advancing social justice and removing people and families from poverty". A similar point was

made a year earlier in a report by the Office of EPAC: "Since 1983 over one million new jobs have been generated: employment growth of this order yields major benefits in poverty alleviation."

Certainly, growth in employment under the Hawke government has been impressive, in both historical and international terms. Between August 1983 and August 1990, for example, total employment (full-time and part-time) increased by over 1.5 million or by more than 25%. In proportionate terms, the growth in employment in the seven years since 1983 has been the same as that achieved in the 16 years up to 1983. In fact, there is no seven-year period since 1960 that has produced anything like the rate of job growth experienced in Australia since 1983.

Australia's employment record has also been impressive in international terms. Between 1983 and 1989 - the latest

year for which comparative data are available - employment grew in Australia by 3.4% a year on average. The corresponding figure for all OECD countries was 1.2%, little more than one-third of the Australian growth rate, and only in six countries was average employment growth 2% a year or more. On this dimension at least, Australia tops the OECD league table.

Of the new jobs created in Australia since 1983, around 43% have gone to males and 57% to females. Almost 38% have gone to married women, about which more later. Close to two-thirds (just over one million) of these new jobs have been full-time, with the remaining one-third part-time. There has thus been a continuation of longer-term trends in the structure of the waged labour market—a rise in the importance of female workers in general, of married women in particular, and of part-time as against full-time work.

The relative importance in the waged labour market of full-time male workers has been of declining importance for some time. In the mid-60s, over 67% of all workers fitted this category. By 1983, that percentage had declined to below 60% and by 1990 it was below 54%. Furthermore, while only 760,000 wives were in paid employment in 1966, this figure had doubled by 1983 and then accelerated to approach two million by 1990. Many of these women had husbands who were themselves employed. Characterisations of family working life as comprising a male breadwinner with a financially dependent wife confined to domestic duties are becoming increasingly irrelevant to most couples. Since 1983, the number of families in which two or more members were in paid employment rose by just over half a million. In contrast, the number of families with no member in paid employment also rose, albeit by only 32,000.

These figures point to the accelerating growth of the two-income family and also suggest that those who have been excluded from the paid workforce have not enjoyed their share of the fruits of the job expansion since 1983. In fact, despite the increase in employment of 1.58 million between 1983 and 1990, the level of unemployment fell by much less, from 687,000 in August 1983 to 469,000 by August 1989, rising again to 587,000 by August 1990. In broad terms it has thus taken the creation of almost three extra jobs in order to reduce the ranks of the unemployed by one.

The employment record under Hawke has not resulted in significant inroads into the ranks of the unemployed. Instead, the extra job opportunities have attracted new entrants into the labour market and helped to absorb the growth in the population of working age. Far more jobs have gone to workers from families who were already able to rely on a regular wage, than have gone to those whose families were without any wage income. These observations suggest that the impact of employment growth since 1983 on poverty (and other dimensions of economic and social inequality) may well have been far less than has often been claimed by government ministers and bodies like EPAC.

Research I have been undertaking recently tends to confirm this suggestion. Briefly, what that research attempts to do is to estimate the impact of changes in the labour market since 1983 (including the growth in employment) on the number of families in poverty. I took as my measure of poverty the Henderson poverty line developed by the Poverty Commission in the mid-70s and named after its chairperson, Professor Ronald Henderson. A family's poverty status was determined by whether or not its after-tax income was above or below the Henderson poverty line. In order to estimate family incomes in 1982-83 and 1989-90 I relied on the income distribution model developed by my colleagues Bruce Bradbury, Jennifer Doyle and Peter Whiteford (see ALR No. 117). The model, based on the 1986 Income Distribution Survey undertaken by the Australian Bureau of Statistics (ABS) simulates the distribution of income in other years by taking account of the patterns of changing demographic structure and labour market participation, and of changes to income levels (including social security pensions and benefits) and income tax payments.

Results from the model indicate that, when measured using the Henderson poverty line, the overall poverty rate rose from around 10% of families in 1982-83 to almost 13% by 1989-90. The poverty rate among children also increased slightly and was estimated to be over 15% in 1989-90. So much for the 1987 promise to end child poverty by 1990.

But perhaps the more interesting results arise when the model is used to estimate what the poverty rate would have been in 1989-90 if labour market conditions had remained exactly as they were in 1982-83. A comparison of these results with the actual poverty estimates for 1989-90 provides an estimate of the impact of labour market change on poverty over the period. Such a comparison shows that, despite the impressive growth in employment described earlier, the impact on poverty has been small—far smaller, I must admit, than I had expected when I started this work. The results suggested that less than 40,000 working age families have been moved out of poverty purely as a result of labour market changes since 1982-83.

Admittedly, the model and methods used in this research are very much in their infancy. The estimate is thus best seen as no more than that—an estimate. But while, as always, there is uncertainty as to the precise magnitude of the impact, it seems unlikely that the estimate is widely inaccurate. If that is the case, then it seems that the employment record of the Hawke government has indeed had only a marginal impact on poverty among Australian families of working age. And if that is true, it raises a number of interesting issues for the social security system and its interaction with the labour market.

It is useful first to spell out the factors leading to the weak associations between employment and poverty implied by the estimates just described. One matter that needs to be emphasised at the outset is that while labour market status is characteristic of individuals, much of conventional poverty research treats poverty status as a characteristic of families. Issues relating to the distribution of power and

resources within the family are thus ignored in mainstream poverty research—a limitation which feminists have been quick to criticise. While the distinction between individuals and families may be relatively unimportant in a world in which each family has only a single (normally male) labour force participant, it clearly assumes far greater significance when more than one family member becomes attached to the waged labour force. That indeed is what has actually occurred over the last three decades as the number of families with multiple wage earners has increased. Jobs that go to people in families already able to rely on a wage have, in the vast majority of cases, no impact on poverty among families. This phenomenon thus provides one explanation for the weak association between employment and poverty.

But it is not the only one. At least two other factors are worth noting. The first is the continued growth of part-time work, which may have resulted in families who have to rely on a single part-time wage income not having sufficient resources to leap the poverty threshold. The second factor is the existence of low wages themselves which again, particularly for larger families, may mean that wage incomes remain below poverty levels. Both explanations are disturbing, in that they suggest that an increasing number of families may be moving from a life of poverty while out of work and receiving social security to a life of poverty while in work and receiving low wages.

It is also worth noting that the weakening association between employment and poverty will operate in both directions. Just as a high rate of employment growth will have a relatively small impact on unemployment and hence on poverty, so too will a far lower rate of employment creation. Some workers who lose their jobs as employment falls will belong to families containing workers who will continue to remain in paid work. The impact of the current recession on poverty may thus be less severe than is implied by previous recessionary experiences.

The problem of the working poor—the group, incidentally, at whom the family assistance improvements introduced by Brian Howe in 1987 were mainly directed—may thus be increasing rather than declining. Indeed, some have argued that the increase in family allowance supplement (FAS) payments in the last few years has allowed employers to cut wages to the low paid and has thus contributed both to more inequality and to increased poverty. That may be true, but such evidence as we have indicates that the take-up rate of FAS is quite low, with perhaps as few as one-third of eligible families actually receiving their FAS entitlements. This in turn suggests that any major impact of FAS on the level of wages seems unlikely, although there is a need for further research in this area.

To argue that the increased waged labour of married women has weakened the association between employment and poverty is, of course, not to take any normative position on the desirability of this development. I am certainly not suggesting that this trend is undesirable, far from it. Indeed, we know from the research of feminists like

Jane Millar that were it not for the wages earned by married women, poverty among families would be considerably greater than it actually is. The argument is rather that the kinds of reasoning and policy design that might have made some sense in an essentially patriarchal labour market have little relevance in today's labour market conditions in which two-income couples are increasingly common. In such a world, previously established links between employment and unemployment and hence, recalling that unemployment remains a major cause of poverty for working age families, between employment and poverty, may simply no longer hold.

To illustrate some of the consequences for social security policy of these developments, I will consider two examples. The first relates to the increased prevalence of

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part-time work, the second to the labour force behaviour of the wives of unemployed men. The general trend towards part-time work has already been noted. Between 1966 and 1990, the proportion of all jobs that were part-time increased from 10% to over 21%. In proportionate terms, part-time work among males increased faster than among females, although part-time work is still dominated by female labour with females accounting for almost 80% of all part-time workers, well over half of them being married women. The latest ABS Labour Force Survey also indicates that the vast majority of part-time workers actually prefer part-time to full-time work, with less than 28% of males and 16% of female part-time workers indicating that they would prefer to work more hours if they could. It would, however, be of interest to know how many of those currently working part-time are doing so through financial necessity rather than as a matter of choice. This would require information on whether part-time workers would prefer (or could afford) not to work at all.

Our tax system still tends to encourage part-time work, primarily because the progressivity of the rate structure means that a lower proportion of income is paid in tax at lower income levels. For single people, it is mainly the tax threshold which provides such encouragement, this becoming of increasing relative importance as taxable income declines. For couples, the tax system still provides a slight financial incentive for both to engage in part-time work as opposed to having one full-time worker. This now also results primarily from the progressivity of the rate scale and not from the tax threshold, because the gain arising from having access to a second tax threshold in two-income

families is virtually offset by the loss of the dependent spouse rebate. Overall, however, the tax system certainly does not discourage part-time work, and may encourage it in the case of couples who wish to share domestic tasks and responsibilities.

The same cannot be said for the social security system. Hence the existence of poverty traps tends to discourage part-time work relative to full-time work. Benefits are withdrawn dollar-for-dollar over a large range of income, which means that extra earnings have no effect whatever on total income and may, in some instances, actually reduce it once account is taken of taxation and the loss of fringe benefits. It seems that the advantages that many couples have of being able to choose packages of paid work and domestic work arrangements which suit them best are denied those who are forced through joblessness onto the social security system.

The second issue relates to the incentives influencing the paid-work decisions of the wives of unemployed men. Despite the trend towards increased participation of married women described earlier, the participation rates of the wives of unemployed men are well below those of the wives of employed men. The latest ABS figures, for June 1990, indicate that over 64% of the wives of employed men are themselves employed, while only 21% of the wives of unemployed men are in employment. The unemployment rates of the two groups of wives are also vastly different, at 2% and almost 17% respectively. One does not have to search far to discover that the culprit is again the structure of income support for the unemployed, specifically the operation of the income test.

The way in which the income test on unemployment benefit discriminates against couples was brought out in a paper by Jocelyn Pech presented to last year's Family Research Conference at Ballarat. She argued that:

A couple who are both looking for work are offered no tangible encouragement by the social security system to do so. They are paid no more in benefit than a couple with only one jobseeker and are subject to the same income test. Their benefit entitlements are structured according to the model of a sole breadwinner with dependent spouse, although such a structure now reflects the reality of only a minority of couples' working lives. They are treated as a single labour market entity, when most couples demonstrably do not operate as a single entity in the labour market.

Even more worrying than this is the fact that often when the husband becomes unemployed, the wife also leaves the labour market, in part because the income test causes their combined income to fall only slightly as a consequence. But that in turn makes the prospect of the husband finding a job which is sufficiently well paid to compensate both for his loss of benefit and the loss of the wife's earnings even more unlikely. What starts as a temporary setback for one partner can thus become a permanent financial disaster for both members of the couple. A cycle of deprivation is established and becomes extremely difficult to break out of.

It is certainly true that the Social Security Review has succeeded in some areas in providing the basis for reforms which have improved the integration of the social security system into the labour market. The examples just discussed illustrate, however, that there is more to be done in this area if our social security system is to better reflect changing social values and patterns of labour market behaviour. To overcome the kinds of problems just discussed will, of course, cost money. In the current climate of continued fiscal crisis and impending economic recession, they seem an unlikely prospect. But even if that were not the case, such examples raise fundamental questions relating to the underlying assumptions about financial dependencies and the efficacy of increasingly income-tested payments which strike at the heart of the principles on which our social security system is based.

The estimates described earlier suggest that general employment growth has not proved to be a very effective strategy for targeting employment opportunities to the poor and jobless. For a government in which targeting has been the driving force behind social security reforms designed to trim the welfare budget, there is a need to face the contradictions between the rationale for these reforms and the apparently poor targeting achieved by its job growth record. But the issues raised by these contradictions go deeper than that. They raise fundamental questions about how the changing nature and role of paid work should be reflected in the provision of support for the jobless, as well as for the role of labour market policies in the fight against poverty.

None of this is to deny that labour market programs designed specifically for the unemployed, the disadvantaged and other marginalised groups might not meet with more success. Indeed, the consensus from overseas research on specific labour market programs is that they can work and, in the right circumstances, that they do work. But those circumstances require a commitment of effort and resources necessary for success. They also require acceptance of the view that such interventions are necessary and rejection of the view that the market will resolve such matters automatically. Without these, labour market programs will continue to serve at best as a palliative rather than a cure of the underlying problems associated with joblessness and marginalisation.

Most important of all, if labour market programs are to succeed they need to be consistent with contemporary social values and work practices, not based on out-dated conceptions of what constitutes work or dependence. Employment growth since 1983 has not made a major inroad into the size of the reserve army of poor working age families, the need to introduce new labour market initiatives designed specifically for the jobless is all the more urgent. Paid employment may be the ultimate solution for these people, but many seem to have missed out on the extra jobs generated since 1983.

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