



Brotherhood
of St Laurence

Working for an Australia free of poverty

*Values, unemployment and
public policy*

The need for a new direction

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Executive summary

The increasing impact of globalisation, combined with a change in values informing public policy, has resulted in significant change to Australian society over the past two and a half decades. Government protection, in the form of a strong and comprehensive welfare state, has been significantly withdrawn, social responsibility has been pushed from governments back onto individuals and families, and public services have been exposed to market forces and privatisation.

These changes have seen significant economic gains at a national level; however there have also been considerable social cost and a growing polarisation of economic and social opportunities. Australians now face an increasing set of risks and uncertainties arising from changes such as the shift away from universal health care, the growing cost of education, and reduced community services. People report feeling less secure about their jobs, facing more stress and pressure, and having less time to spend with family and friends than they did a decade ago (Sketetee 2000).

Statistics show that that full-time workers in Australia now work some of the longest hours in the OECD (Campbell 2001), and that these have increased over the 1980s and 1990s, while most developed countries have seen a reduction in hours worked (Parham et al. 2000; Campbell 2001). The distribution of income and wealth has also become less equal (Harding and Greenwell 2002), regional disparities have increased (Nevile 2003), and concentrations of high and low wealth and income are emerging in all capital cities (McCarthy and Wicks 2001).

However, perhaps the most damaging change has been the abandonment of full employment as a goal of policy, leading to a staggering 1.3 million Australians being unemployed, underemployed, or only marginally attached to the labour market in September 2002 (ABS 2003a).

Clearly the balance between social well-being and economic efficiency is not being well managed. At a range of levels governments have become increasingly driven by the desire to achieve favourable economic outcomes, rather than implementing policies that promote social well-being and a cohesive society.

Public policy is now informed by a neoliberal philosophy promoting broad market deference, the vigorous promotion of competition, and a non-collectivist social framework (Peck & Tickell 2002) as the key planks to prosperity. This has led to two key shifts in policy development (Centeno 2002). The first is a move from political logic to economic logic in policy decision making, with most decisions starting from the question 'What will be the impact on the economy?' The second, and related, shift is the change in the intended audience of policy making from the domestic to the international; governments are now acutely sensitive to the response to their policy decisions by markets, ratings agencies, and international bodies such as the IMF and OECD.

As part of this outlook, economic growth has become the most sacred policy goal. As recent comments by Peter Reith illustrate, faster economic growth is now seen as the answer to almost all social issues:

If we are to provide the social services we all want; if we are to build new national infrastructure; if we are to better resource our families, our schools, our health system, our law enforcement; if we are to redress disadvantage suffered by indigenous peoples – then we continuously need to build a more (economically) prosperous and competitive Australia (Quoted in Shanahan 2000)

However there is a need to ask why a country as economically rich as Australia, is not able adequately to address these basic issues. Is there any point in time that we will be able to do so, or has the goal of economic growth become the ultimate policy aim in itself?

The BSL believes that a new approach is needed, and that Australia cannot continue to trade off social and environmental well-being in order to achieve economic goals. While a healthy economy is a vital component in building a society that can provide a high quality of life to all citizens, its role should be that of a means, not an end in itself.

To achieve a more balanced perspective, public policy must start from a set of values that extends beyond the concepts of markets, competition, privatisation, and individual responsibility. Social and environmental functions need to be valued beyond their capacity to be exchanged in the market, while economic policy needs to be driven by the contribution it can make to social and environmental outcomes.

The European Union has a clear policy stance on this issue:

Economic growth must go hand in hand with a high level of employment and sustainable development ... People must be able to have a job and enjoy a healthy environment and good quality of life all at the same time (European Commission 1999).

To move in this direction we must begin by addressing the lack of investment in areas of social and environmental value, and the under-utilisation of labour, currently occurring in Australia. Governments must take a more active role in shaping society, ensuring that policy goals extend beyond their present focus on short-term economic outcomes and recognise the mutually reinforcing nature of a strong sustainable economy and a socially cohesive society.

The approach the BSL advocates is centred on government interventions to create employment in areas of social and environmental value. These interventions would not be limited, however, to direct public sector job creation. They would include increased expenditure and employment by government, as well as financial incentives and taxation reform to stimulate employment in the social economy and private sector, and strategic working relationships with community sector organisations and other NGOs.

We are not suggesting job creation for its own sake, nor a return to the era of 1950s and 1960s Keynesianism. Rather, we are calling for targeted interventions that will generate substantial social and environmental benefits, whilst also improving Australia's long-term economic performance and providing a competitive advantage in a high-skill sustainable economy. However to achieve this goal, new jobs must be created across a range of skill levels, with training and opportunities for development, not just as low-skill or entry-level positions.

The ability of such a strategy to deliver significant benefits is enhanced by:

- interventions which meet regional, economic, employment, and environmental circumstances
- incorporating a range of employment arrangements, timeframes, and training schemes
- creating employment opportunities across private enterprise, all levels of government, and the community sector
- linking local job creation initiatives with community capacity building and social enterprises

The focus on interventions to create employment in areas of social value, is also important as it encourages a move away from short-term superficial solutions, towards those providing long-term benefits and breaking cycles of disadvantage. It also encourages the development of an integrated vision of social, economic, and environmental progress and is more conducive to a whole of government approach.

Introduction

Australian society has undergone far-reaching change over the past two and a half decades. The breakdown of the Keynesian system of full employment, and the increasing influence of globalisation, have led to a range of new pressures on society and seen a new set of policy responses from governments. While current evidence indicates that Australia has derived considerable economic gain from this restructuring, equivalent gains do not appear to have been made in the social sphere.

Symptomatic of the changed conditions now confronting Australian society is the significant rise in unemployment¹, and the relative indifference of government in attempting to find a solution to this problem. Governments seem increasingly driven by the desire to achieve favourable economic outcomes, rather than implementing policies that promote social well-being and a cohesive society.

The Brotherhood of St Laurence believes that this approach is misguided and that we cannot continue to trade social and environmental well-being for faster economic growth. In the 2002 Sambell Oration, the Executive Director, Fr Nic Frances, spoke of the need for a re-thinking of priorities, and a renewed commitment to solving Australia's unemployment problem using a whole of society framework, integrating economic, social, and environmental dimensions (Frances 2002). This position reflects the organisation's mission to work towards an Australia free of poverty, and the belief that shared values should underpin all other aspects of society.

We are advocating a move beyond the present narrow economic focus in public policy toward a positive vision of economic, social and environmental interaction, based on a concept of value that extends beyond simply that which is obtainable in the market. Such a redefinition can then expand the goals of progress and development beyond simply economic growth, to quality of life, inclusiveness, and sustainable development.

However, to bring about such change there is a need to challenge the values and assumptions currently informing public policy.

We begin in section one by examining the divergence between economic growth and quality of life occurring in Australia today, and explore the underlying changed priorities in public policy. In section two we look in more detail at the problem of unemployment, and then in section three we bring these issues together to set a direction for the future.

I. Values and the market

Australia is currently experiencing a period of remarkable economic success. Real per capita incomes have more than doubled since the 1960s (Bell 2000) and economic growth has averaged around 4 per cent over the past decade (OECD 2002), while inflation and interest rates have remained low. The vital signs, we are told, are good. However, substantial evidence now indicates that the current fixation on achieving economic outcomes is leading to a polarisation of social opportunities and creating a divided society.

The post-war social contract has been fundamentally altered, and as Jenson and Saint-Martin (2002, p.5) assert, this alteration has involved a 're-thinking of the blueprints for the very architecture of welfare, that is the respective responsibilities of families, markets and communities as well as states'. Government protection, in the form of a strong and comprehensive welfare state, has been progressively withdrawn. Social responsibility has been 'privatised', and public services increasingly exposed to market forces and privatisation. As a consequence, Australians find

¹ Before the mid-1970s oil shocks, unemployment stood at 1.8%, with an average duration of just 6.3 weeks (ABS 1973)

themselves facing an increasing set of risks and uncertainties arising from changes such as the shift away from universal health care, the growing cost of education², and reduced community services.

Social pressures

Evidence indicates that many Australians now feel more insecure about their jobs and futures and less connected to their communities, and are having to work longer and harder than ever before (Hamilton & Denniss 2000; Eckersley 1999). A recent Newspoll survey (Sketete 2000) found that compared with ten years earlier:

- 80 per cent of people feel less secure in their jobs
- 91 per cent of people say that they face more stress and pressure
- 70 per cent of people feel that they have less time to spend with family and friends.

Statistics show that full-time workers in Australia now work some of the longest working hours in the OECD (Campbell 2001), and that their hours have increased over the 1980s and 1990s³, while most developed countries have seen a reduction in hours worked (ABS 2003b; Parham et al. 2000; Campbell 2001). ABS figures also show a significant increase over the last decade in the proportion of people working very long hours (over 50 and over 60 hours per week) (ABS 2002a).

At the same time, society is also becoming increasingly stratified. Research by the National Centre for Social and Economic Modelling indicates that the distribution of income and wealth has become less equal over the last two decades (Harding & Greenwell 2002); and, that based on current trends, the share of wealth of the 'lower half' of families will continue to decrease until at least 2030 (Kelly 2002). There are growing regional disparities (Neville 2003), and concentrations of high and low wealth and income emerging within all major capital cities⁴ (McCarthy & Wicks 2001).

Clearly, the balance between social well-being and economic efficiency is not being well managed and a substantial gap has emerged between quality of life and the health of the economy (Argy 2003; Hamilton 1998; Edwards 2000; Eckersley 1999; Sketete 2000; Hamilton & Denniss 2000).

Public opinion supports this viewpoint with surveys revealing that 74 per cent of Australians agree with the statement that 'Too much emphasis is being put on improving the economy and too little on creating a better society', while only 8 per cent disagree (Saunders, Thompson & Evans 2001). Moreover, 70 per cent of people say they would prefer 'the gap between rich and poor to get smaller' rather than the 'wealth of Australia to grow as quickly as possible' (Kelly 2000).

This devaluing of 'the social' by policy makers, and increased exposure to risk and uncertainty, are leading to what Krugman (1994, cited in Bell 2000, p.137) has described as the western 'paradox of growing misery in the face of growing wealth'. In the Brotherhood of St Laurence's 1998 Sambell Oration, entitled 'Economic Efficiency and Social Harmony', Fred Argy (1998a) argued that the cause of this social distress is a failure of government policy in three areas:

- a failure to give unemployment the priority it deserves at macro and micro levels
- a failure to give sufficient attention to the distributional and quality of life effects of policy changes
- a failure to invest adequately in community services and a strong public sector.

² This is evident in the federal government's higher education reform proposals, which expand the use of up-front fees and represent a move toward a two-tier educational system.

³ ABS (2003c) figures indicate that there has been a slight reduction in hours worked, from 2000 to 2002.

⁴ There are one hundred regions or postcodes in Australia that experience extremely high levels of disadvantage, double-digit unemployment, poor health, poor education facilities, and higher crime and mortality figures (McCarthy & Wicks 2002).

At the core of these policy failures, however, is a more fundamental change in public policy, reflecting a reordering of priorities, and a move away from Australia's traditional commitment to an egalitarian society. The United Nations World Summit for Social Development and Beyond's seminar on values and market economies (2000) has identified such a change, and consequent deterioration in the provision of social goods, as part of a move from a 'market economy' to a 'market society'. In a market society, the logics of the market such as competition, privatisation, profit, growth, and commodification, permeate and become normalised across all levels of society, including those that were previously organised along social lines⁵.

How it happened

To understand why the change in policy values has come about it is necessary to look back to the global economic crisis of the 1970s. At that time high unemployment, inflation, and slow productivity growth caused the existing policy paradigm, based on Keynesian economics and a strong post-war social contract, to come increasingly under attack from a new neoliberal policy paradigm. The neoliberal approach involved a central vision based on three components:

- broad market deference
- vigorous promotion of competition
- a non-collectivist social framework (Peck & Tickell 2002).

The policy prescriptions flowing from neoliberal thought are now well known and include the commitment to smaller government, lower social spending, lower and flatter taxes, reduced regulatory protection of employment and minority rights, and deregulation of the labour market. Social investment and redistribution are discouraged on efficiency and ethical grounds (as they are argued to distort the market and impinge on individual freedoms⁶), and the free market is uncritically viewed as the most effective method of allocation.

While it would be misleading to suggest that the neoliberal agenda has achieved an unchallenged dominance in Australian politics, it would be equally imprudent to ignore its prevailing influence on public policy and institutional reform, across all levels of government. Areas such as social services and infrastructure, government administration⁷, welfare delivery, and economic and labour market policy have all been increasingly driven by the core themes of increased exposure to markets and competition, as well as the privatisation of responsibility. Policy initiatives include:

- widespread privatisation of public assets including electricity, gas, water, and public transport
- massive reductions in public sector employment across all levels of government⁸
- extensive moves towards contracting out of government service delivery, for example in the Job Network
- adoption of compulsory competitive tendering
- vigorous pursuance of budget surpluses by state and federal governments
- deregulation of the financial system
- deregulation of the labour market
- reductions in tariffs and trade barriers
- moves toward deregulation of the university system
- introduction of the Private Health Insurance rebate to encourage greater use of the private health system

⁵ In the Australian context Watts (2000a) describes the changes that have taken place as ushering in a new period of 'normal policy' involving the 'economisation of politics'.

⁶ This is in line with the liberalist tradition from which neoliberalism originates.

⁷ See Orchard (1998) for an analysis of neoliberal reform in the Australian public sector.

⁸ Australia was one of only three OECD countries, out of eighteen compared, to experience a decline in public sector employment in the two and a half decades up to the mid-nineties. The other two were the UK and the US (Winter 1997).

- development of the concept of Mutual Obligation and a more punitive attitude towards welfare recipients
- establishment of private prisons and correctional centres
- reduced progressivity of the taxation system.

Overall, the effect of these reforms has been to establish the dominance of market thinking in public administration (Brennan 1998), resulting in a diminished redistributive role for public services and widespread deterioration in service levels (Argy 2003). Indeed as Pusey (1998) asserts, compared with most OECD countries, Australians are now very heavily exposed to market forces.

However it is interesting to note that policy makers' commitment to small government has not affected all areas of policy, or groups within society, equally. Carson (2000) notes that services to industry and police spending have been exempt from the fiscal restraint imposed on hospitals and education, and ACOSS (2003) has documented a range of policies that deliver significant tax breaks and other government assistance to middle and upper income earners⁹.

At the same time, a more interventionist approach to welfare policy has also developed in relation to particular sections of the population. It is apparent in the aggressive attempts to re-regulate those that have been marginalised or dispossessed by the neoliberal reform process (Peck & Tickell 2002), for example in policies such as Mutual Obligation and Work for the Dole¹⁰.

The transformation of values

Of particular concern to the Brotherhood of St Laurence is the impact of the market paradigm on social justice objectives. Public policy now has an increased focus on the 'rational utility maximising individual' as the object of policy decisions, and a tendency to ignore complex social connections¹¹ and the role they play in sustaining social well-being¹² and economic activity.

For example, the neo-classical economic analysis of employment treats work as a 'disutility' in which individuals engage for no other reason than to generate income. The fact that employment has been shown to be a vital source of social interaction, identity in society, and individual self esteem (Winkelmann & Winkelmann 1998) is ignored.

At a macro level two critical shifts in public policy development have occurred (Centeno 2002) which threaten to undermine social objectives. The first involves a move from political logic to economic logic in policy decision making, with macroeconomic goals taking the highest priority on the policy agenda, and most decisions starting from the question 'What will be the impact on the economy?'

The second, and related, shift is the change in the intended audience of policy making from the domestic to the international, where governments are now constantly aware of the response to their policy decisions by markets, ratings agencies, and international bodies such as the IMF and OECD.

⁹ These include the \$2.3b per year private health insurance rebate, cuts to capital gains tax costing \$2b per year, the \$500 million per year baby bonus, and private company and trust loopholes costing \$2b per year. These all deliver disproportionate savings to high-income earners (ACOSS 2003a).

¹⁰ Australian authors such as Fred Argy and Mark Latham have argued for versions of the 'Third Way', with greater social intervention and a 'softer' economic approach, but no decrease in the underlying commitment to the market and forces of competition.

¹¹ As Watts (2000a) points out, the neo-classical economic theory espoused by neoliberal discourse is essentially an asocial model. Markets are viewed as simply the sum of decisions made by individual rational actors, personal relationships are presumed not to exist and interconnections within a complex society are ignored.

¹² It is widely recognised by social psychologists that individual well-being is crucially dependent on social relationships (Antoci et al. 2002), but this is ignored in economic modelling.

These actors now expect, and attempt to enforce, a range of policy measures believed to be in their interests (Argy 2003; Hamilton 1997; Nevile & Kreisler 2000), with no regard for distributional or quality of life issues unless they impinge on economic outcomes. As John Quiggin (2003, p.1) notes, ‘policies that specifically improve the position of government debt will be viewed favourably by credit agencies, even if they are harmful to society as a whole’.

A further consequence of the market-driven reform agenda has been a valuing of those things that are exchangeable in the market above all else. As Hamilton and Denniss (2000) observe:

Contributions to our well-being only count if they are transferred from the household sector to the market sector; and the ‘side effects’ of the market that diminish our well-being are sent back to the social and environmental sectors where they no longer count¹³.

Even when social and environmental functions are recognised as useful—for example the carbon sequestration and environmental protection functions of forests—there is usually no measure to assign an exchange value, so these functions are likely to lose out to economic priorities in policy making. As Pearce (1996, p.1) points out, ‘Many (valued) functions have no market. If markets are missing, then the implicit price ruling is zero. Non-market functionings count for nothing’¹⁴. In this way economic analysis treats family, community, and the natural environment as irrelevant (and value-less) because they stand outside the market¹⁵.

Can market economics deliver?

The dominant view among policy makers is that the market paradigm will in the long-run lead to a more prosperous society for all. They assert that increased economic efficiency will flow through to greater business profits and higher levels of investment. The poor and less well-off are assumed to benefit through a trickle-down effect.

Organisations such as the IMF argue that growth is the most potent weapon against poverty ever invented, and governments around the world, including Australia, continually treat the maximisation of GDP growth as the most sacred of policy goals. As recent comments by Peter Reith illustrate, faster economic growth is now seen as the answer to almost all social problems:

If we are to provide the social services we all want; if we are to build new national infrastructure; if we are to better resource our families, our schools, our health system, our law enforcement; if we are to redress disadvantage suffered by indigenous peoples – then we continuously need to build a more (economically) prosperous and competitive Australia (Quoted in Shanahan 2000,)

However there is a need to ask why a country as economically rich as Australia, is not able to effectively address these basic issues. Is there any point in time that we will be able to do so, or has the goal of economic growth become the ultimate policy aim in itself? Some argue that growth is not necessarily an answer:

If growth does not provide properly for the well-being of all Australians, if it does not contribute to the solution of existing social, cultural and environmental problems, if it increases disadvantage, produces new inequities, and further despoils the environment, then it not only causes pain and hardship to those affected but also undermines the fabric of

¹³ In economics the impact of market activities on social and biophysical resources is termed an externality—that is, external to the market and economic models of abstraction, and therefore worthy of peripheral attention only (Daly and Cobb 1989).

¹⁴ Economic models of forest rotation in Victoria omit non-market values despite the fact that these aspects of forest value have been shown in surveys to be most valued by Victorians. Preservation of the forest for its plants and animals is ranked highest, followed by preservation for future generations, for visitation, and to know the forest exists. Timber production and employment is ranked lowest. (Alouze 2001)

¹⁵ Fasenfest et al. (1996, p.9) comment: ‘Because it is taken for granted that money prices are the only possible measure of value, policy formation faces intractable difficulties dealing with objectives that have value but no price’.

society and the future potential of the economy. Much more attention needs to be paid to these problems. (Australian Collaboration 2001, p.6)

A reassessment is needed to determine whether economic growth—and more specifically, GDP growth—is actually delivering outcomes that are valued and desired by the Australian public.

Return to values

The Brotherhood of St Laurence recognises that a healthy economy is a vital component in building a society that can provide a high quality of life to all citizens; however, its role should be that of a means, not an end in itself. In many cases market-based resource allocation may lead to the greatest social, environmental and economic benefits. However, there are many other instances when this will not occur and governments must take an active role in providing guidance to market mechanisms or implementing alternative systems.

To achieve a more balanced perspective, public policy must start from a concept of value that extends beyond exchange value in the market. The ‘soft’ liberalism of the Third Way in Britain and Australia will fail in this regard because they still view the market as the ultimate organising principle across all areas of society, and as Hamilton (1998a, p.411) explains:

Beginning with the market is not neutral. If one begins with the market ... then one has already adopted a very peculiar political and philosophical standpoint. One has already made a set of assumptions about the sources of well-being, individual motivation, the structure of society, the place of government, and social change.

The need for a broader definition of progress is acknowledged by some renowned economists such as the Nobel Prize winner and former World Bank Chief Economist¹⁶, Joseph Stiglitz. Stiglitz argues that markets will not always achieve outcomes that are either efficient or socially acceptable. He suggests that the goals of policy need to be broadened beyond increases in GDP to include sustainable development, egalitarian development, and democratic development (Stiglitz 1998).

Governments have an essential role to play in providing adequate regulation, social protection, and welfare, as well as investing in the social and human capital of the nation.

In Australia, governments must show a stronger and more enlightened leadership in building a society that will provide a better quality of life for all Australians. Social and environmental functions need to be valued beyond their capacity to be exchanged in the market, and economic policy needs to be driven by the contribution it can make to social and environmental outcomes.

Employment and social investment

The Brotherhood of St Laurence is committed to working towards such a balance in our work, as well as engaging government and community in a broader debate. At a local level we are working with communities such as the Atherton Gardens housing estate residents in Fitzroy, to identify community-based employment opportunities for long-term unemployed people, and to have social outcomes stipulated in government tendering arrangements. At the macro level however, we believe that there must be a renewed commitment to full employment from government, and the creation of work opportunities in areas of social value such as education, health and community services, and the environment.

Such strategies are based on a recognition of the crucial role that employment plays in providing meaning in people’s lives and supporting their ability to fully participate in society, as well as of the extensive benefits that can flow to the wider community from investment in these areas.

¹⁶ Stiglitz was forced to resign from the World Bank in 1999 after publicly criticising the bank’s hardline economic policies advocating small governments, eliminating budget deficits, privatising public assets, and minimising inflation.

In addressing unemployment, there is a need to move beyond the deregulatory approach, to a positive vision of the labour market based on good jobs with fair wages and conditions. This will promote social harmony on one hand, and economic efficiency through the development of a high-skill, high-productivity workforce, on the other. A fundamental problem is that there are presently not enough jobs, and the government must recognise that the ‘growth first’ approach is not working. It must take a leadership role in both economic and social spheres to ensure that this situation is improved¹⁷.

2. Unemployment

Employment policy is perhaps the foremost example of how social goals have been subordinated to economic goals, and social responsibility has been pushed from government back onto individuals and families, over the past 25 years. Until the mid-1970s, full employment was viewed as a cornerstone of stable society, and the right to work was seen as a basic human right¹⁸, as affirmed in the Universal Declaration of Human Rights. Full employment was specified as one of three objectives of the Reserve Bank of Australia, along with: the stability of the currency and the economic prosperity of the country.

However, from the early 1980s, the goal of full employment progressively lost ground to the desire to control inflation, and in 1996 a joint statement was issued by the Treasurer and the Reserve Bank formally recognising the control of inflation as the primary goal of macroeconomic policy (RBA 1996). By 2003, full employment has been abandoned as a policy goal, and employment policy focuses instead on full employability and supply-side measures such as labour market deregulation, and increasingly punitive labour market programs.

In addition to this change in policy priorities, the government has also shifted the responsibility for unemployment onto individual job seekers through the use of a deficit model (Watts 2000). This blames the victims of the government’s constrictive ‘inflation first’ economic policy¹⁹, by emphasising individuals’ lack of skills and motivation. This is despite the fact that the Australian economy has simply not been generating enough jobs to meet the needs and capacity of the workforce (Carlson and Mitchell 2001). ABS job vacancy figures in show that in November 2002 there was only one job available for every six officially unemployed people (ABS 2003c), and this figure would be significantly worse if hidden unemployment was taken into account.

As a consequence, in September 2002, 1.32 million Australians were either unemployed (628,500), underemployed (574,300), or looking for work but not in the labour force (121,900) (ABS 2003a). The average duration of unemployment was 44.9 weeks in February 2003 (ABS 2003a)—compared with 6.3 weeks in the mid-70s (ABS 1973), and in December 2002 there were 393,000 job seekers who had been on benefits for more than a year (ACOSS 2003b)²⁰.

Deteriorating labour market conditions have adversely affected families, young people, older people, and job seekers in rural and regional areas, as shown in Table 1.

¹⁷ That is not sufficient, however, as many people who have been excluded from the labour force will require extensive support to be successfully reintegrated into the workforce and society.

¹⁸ As Nevile & Kriesler (2000) point out, the right to work also directly impacts on other human rights such as the right to live in a safe environment, and the right to high levels of mental and physical health. A breach of the right to work (unemployment) is likely to adversely impact on both of these closely related rights.

¹⁹ Mitchell et al. (2003) note that the current economic policy paradigm has led to governments deliberately and persistently deflating their economies in a bid to control inflation.

²⁰ The more restrictive ABS estimate of long-term unemployment was 146,000 in February 2003 (ABS 2003a).

Table 1 Unemployment data and selected vulnerable groups

Families	Unemployment is the single most important cause of poverty in Australian families (Saunders 2002b).
	17.9% of Australian children are growing up in jobless households (ABS 2003a), the third highest percentage in the OECD (Nevile 2003).
Young people	Large numbers of young people, particularly those that have left school early, are unable to find work and are disengaging from the labour market (DSF 2002).
	The unemployment rate for 15 to 19-year-olds is 24.4% or 74,400 (ABS 2003a)
	In addition to the officially unemployed, 54,000 young people are not in full-time education or in the labour force, and a further 96,000 are working part-time but not in full-time education (DSF 2002).
Older people	The employment rate for 45–65 year old males has fallen from almost 100% during the 1950s, 1960s and 1970s to around 50% in 2000 (Kerr et al. 2002).
	Older workers record an average duration of unemployment significantly longer than other groups (Kerr et al 2002), and are more vulnerable to very long-term (over two years) unemployment (Encel 2000).
	Many people who lose their jobs in their fifties will have difficulty ever gaining paid employment again (Encel 2000).
Job seekers in rural and regional areas	Capital city employment growth has outperformed regional areas in all states of Australia other than Queensland, over the past 25 years (Mitchell & Cowling 2003).
	There are growing regional disparities in employment opportunities (Nevile 2003).
	All states in Australia have regions experiencing very high unemployment rates of 15–20% (ABS 2003b).
	One hundred areas within Australia have been identified as suffering from very high (over 10%) unemployment, as well as significant social problems (McCarthy & Wicks 2002)

Changes in the structure of employment and an increase in temporary, part-time, and casual work have introduced additional risks. Low-skilled and disadvantaged job seekers who do find work are increasingly vulnerable to being trapped in a secondary labour market, generally offering low wages and poor benefits and conditions. Hence, the problem for many unemployed people is not only that it may take them a considerable period of time to find a job, but the jobs they find are often of short duration and poor quality.

Costs of unemployment

Sustained unemployment results in sizeable and far-reaching economic, personal and social costs. However the current focus on short-term economic outcomes results in social and indirect economic costs going unacknowledged, and therefore not affecting decision making.

As Mitchell et al. (2003, p.24) assert, this does not even make economic sense:

Given that economic policy should be concerned with the efficient use of resources, it is paramount that we address the macro inefficiency associated with unemployment. The gravity of the problem posed by labour underutilisation, and its attendant economic and social costs, are being overlooked by policy makers in almost all OECD economies.

Attempts to estimate the full impact of unemployment have included the following components (Sen 1997b, Junankar and Kapuscinski 1992, McClelland 1999, Eardley 2002):

- loss of productive output
- fiscal costs to government of social transfers to support unemployed people and their families
- tax and social insurance foregone

- personal income losses for unemployed individuals and their families
- social exclusion and the loss of freedom
- skill loss
- psychological harm
- ill health and reduced life expectancy
- loss of motivation
- criminal behaviour
- undermining of human relations and family life
- racial and gender inequality
- loss of social values and responsibility.

Unemployment has also been linked with a broad range of other adverse social outcomes for individuals and families; causality is not always clear, but is often likely to run in both directions. Eardley (2002) found unemployment to be associated with poverty; suicide; and loss of human capital. McClelland (2002) found links between unemployment and homelessness and housing stress, boredom, alienation, shame and stigma, increased social isolation and erosion of confidence and self esteem.

There is also significant evidence of a causal link between unemployment and negative psychological states such as reduced life satisfaction, anxiety and depression (Headey 2002), as well as separation, divorce and family conflict (Feather 1997).

The negative effects of unemployment are further compounded by long average duration, with greater strains on individuals and families, and four out of every five long-term unemployed persons shown to be living in poverty (Gregory & Sheehan 1998). Moreover, once the negative effects of unemployment take hold:

they become increasingly difficult to eradicate. Because they tend to feed off each other, their consequences are reinforced, making it harder to reverse the pattern of events that originally gave rise to them. Thus, unemployment adversely affects morale and health, making the prospect of re-employment less likely, whilst simultaneously leading to attitudes that reinforce isolation from the world of work that shape[s] people's lives. (Saunders 2002a, p.20)

Although difficult to quantify, the indirect costs of unemployment are clearly substantial and are likely to be far greater than the direct costs. Hamilton and Denniss (2000) estimated that the financial value of the psychological costs of unemployment (defined as: increasing family breakdown; psychological impacts on the families of the unemployed; and trauma, stress, and loss of self esteem associated with being unemployed) was around \$11.3 billion in 2000.

The Centre for Full Employment and Equity estimated the cost of unemployment in 2002, in terms of lost output, at around \$39 billion, which equates to 6 per cent of GDP or \$143 per week per Australian family (Mitchell et al. 2003, p.24).

Labour market policy

In addition to unemployment itself, the broader labour market policy being pursued in Australia is also likely to result in significant social cost and reduce the long-term competitiveness of the Australian economy. Research both here and overseas indicates that employment policy based on labour market deregulation is likely to result in:

- increased inequality (Dowrick & Quiggin 2003)
- lower wages and reduced conditions for low skilled and disadvantaged workers (Preston 2001)

- growth in low-pay, low-productivity industries (Watson 2001)
- polarisation of income and employment outcomes, and greater numbers of working poor (Borland, Gregory & Sheehan 2001)
- increased incidence of poverty (Cantillon 2002)

In a survey of UK firms, Michie and Sheehan (2003) found that the employment practices encouraged by deregulation are likely to ‘support a race to the bottom’ by encouraging a low-skill, low-cost strategy of competition and being negatively associated with innovation. Chowdhury (1999, p.72) supports this finding and argues that ‘the flexibility of wages at the bottom end of the labour market can generate only bad jobs and create an under-class of people with socially unacceptable living standards’

This policy direction has the potential to cause long-term damage to Australia’s capacity to build a harmonious society, and it is completely at odds with the government’s stated desire to compete in the ‘knowledge economy’, through the development of a highly skilled, innovative workforce (Commonwealth of Australia 2001)²¹.

3. New directions in social investment

The alternative proposed by the Brotherhood of St Laurence aims to address the lack of adequate investment in areas of social and environmental value (described in section one), and the under-utilisation of labour (described in section two). We believe that this approach can achieve what is known as a ‘double dividend’—substantial benefits arising from both an increase in employment and improved social and environmental outcomes.

We are not advocating job creation for its own sake, nor a return to the era of 1950s and 1960s Keynesianism. Rather, we are suggesting targeted interventions that will generate substantial social and environmental benefits, whilst improving Australia’s long-term economic performance and providing a competitive advantage in a high-skill sustainable economy²².

Australian lags significantly behind other countries in the development of such ‘whole of society’ approaches. European Union policy directives already specify the objectives of ‘balanced and sustainable development’ and ‘high levels of employment’, with explicit obligations to integrate both environmental and employment considerations into all other policies (European Commission 1997):

Over the past years there has been growing recognition that our future can not be safeguarded by economic growth alone. Economic growth must go hand in hand with a high level of employment and sustainable development ... People must be able to have a job and enjoy a healthy environment and good quality of life all at the same time (European Commission 1999).

We believe that Australian policy must move in a similar direction. Government interventions to create jobs in areas of social value are an important step, and will deliver significant benefits in terms of increased employment, a healthier environment, and an improved quality of life. This is especially true since market-driven investment will be less than optimal in these areas because of:

- the inability of market mechanisms to ‘price’ environmental and social functions at a level which reflects their true economic and social value
- the fact that many of these functions have an intrinsic value in sustaining well-being and quality of life that cannot be reflected in market prices.

²¹ Arulampalam and Booth (1997) have argued that the neoliberal approach to labour market flexibility and the promotion of a learning society are fundamentally incompatible.

²² We are not intending to dismiss the importance of a range other policy measures (such as effective labour market programs) in reducing unemployment, and improving the balance between economic, social and environmental outcomes.

In the present policy making environment, direct economic costs and benefits (as well as short-term political concerns) are the primary influence on policy decisions. However, this position fails to recognise that the economic sphere is embedded within society, and that a relationship of mutual dependency exists between them. Investment in areas of social and environmental value will also produce significant economic benefits.

We use the categories of direct-economic benefits, indirect-economic benefits, and non-economic benefits²³ in developing an alternative framework for social investment. Direct economic benefits and non-economic benefits are similar to the categories of monetised and non-monetised value described by Fasenfest et al. (1996). However the additional category of indirect-economic benefits is an attempt to recognise the range of positive outcomes which may accrue indirectly or over a longer timeframe and have a positive economic (monetised) impact, but be outside the scope of current policy analysis. It can be seen as a path by which non-economic outcomes contribute to economic outcomes.

For example, the improved health outcomes associated with reducing unemployment should be recognised as inherently valuable because of their non-economic quality of life and well-being benefits, however they will also result in indirect-economic benefits such as reduced health care costs and improved productivity.

Table 2 shows a range of benefits to society likely to be associated with a reduction in unemployment. The indirect and non-economic benefits of reducing unemployment (shaded grey in the table) are clearly substantial, but remain largely invisible in the present market-driven policy environment. Investment in other areas of social or environmental value will also produce similar significant indirect and non-economic benefits.

Table 2 Benefits to society of reducing unemployment

Direct economic benefits	Reduced benefit payments Increased tax revenue Increased individual income
Indirect economic benefits	Improved fiscal position Improved efficiency and productivity Reduced criminal activity / policing costs Reduced costs of mental and physical health services Reduced costs of support services
Non-economic benefits	Reduced intergenerational disadvantage Improved community life Improved physical and psychological wellbeing Reduced inequality Improved family cohesion Reduced alienation / isolation Improved life opportunities Reduced poverty

This framework involves an extension of policy goals beyond the immediate, direct economic returns, and recognises the mutually reinforcing nature of a strong sustainable economy and a socially cohesive society.

The focus on interventions to create employment in areas of social value, rather than social need, provides a number of additional benefits:

- It recognises the social sphere as a valid area for investment in building a cohesive and productive society.

²³ While indirect-economic benefits are measurable but more difficult to capture, non-economic benefits are not quantifiable or tradeable in the market and will be extremely difficult to meaningfully measure.

- It encourages a move away from funding short-term superficial solutions.²⁴
- It encourages investment which has the capacity to provide long-term benefits and break cycles of disadvantage.
- It encourages an integrated positive vision of social, economic, and environmental progress.
- It is more conducive to a whole of government approach.

Investment in areas of high disadvantage, where ‘need’ is greatest, will also be encouraged because of the greater benefits that can be achieved in these areas.

Environmental jobs

Australia has a long way to go in developing excellence in environmental management. Energy consumption per capita is the third highest of all OECD countries, the quantity of municipal waste produced per person is the second highest of all OECD countries, and we have made little headway in the development of renewable energy sources (Newton 2001). Australia has been described as having a hot, heavy and wet economy—one that uses large amounts of energy, materials and water per unit of GDP. In addition, we are facing severe environmental problems such as widespread salinity, soil erosion, and the loss of biodiversity.

In this context, there is a major opportunity for green job creation that can provide significant social and economic benefits²⁵. However, there is a need to ensure that initiatives are not limited to low-skilled jobs working on ‘end-of-pipe’ solutions that will produce much smaller efficiency and productivity gains. Instead initiatives should move toward a more sustainable economy.

Overseas evidence suggests that job creation potential in green industries is huge. Over 3.5 million people are employed in jobs related to the environment in Europe and efforts continue to increase this number (European Commission 1997).

As well as encouraging future-oriented industries utilising clean technologies, and more efficient agricultural and industrial sectors, environmental job creation can provide a range of additional benefits. These include:

- responsiveness to regional, economic, employment, and environmental needs
- new employment opportunities across a wide range of sectors and skill levels, from entry level to high skill positions
- diverse employment arrangements, timeframes, and training schemes
- new employment opportunities across private enterprise, local government, state government and the community sectors
- local environmental job creation initiatives, and potential links to community capacity building and social enterprise initiatives

Investment in green jobs will also enhance Australia’s ability to compete in the lucrative global environmental market. A recent report commissioned by the UK Department of Trade and Industry, estimated that this market will be worth \$688 billion by 2010—equivalent in size to the pharmaceutical or aerospace industries (EMR 2002).

Although Australian researchers have been leaders in this field, the corporate sector has been slow in commercialising research successes and consequently failed to exploit the potential of this market (Krockenberger et al 2000). Given this scientific base, however, Australia is well placed to

²⁴ This is not to deny the importance of immediate or short-term assistance for individuals or groups in particular circumstances.

²⁵ Numerous studies in the UK have reported positive employment effects in the move towards greater renewable energy use and improved energy efficiency (Hewitt & Folley 2000)

take advantage of the growing market for green products and services²⁶. The following industries are particularly relevant:

- energy efficiency and renewable energy
- waste management and clean production
- recycling
- eco-tourism
- waste and waste water
- nature conservation
- urban and rural regeneration (Green Jobs Unit 1998).

Interventions to facilitate investment and employment in these areas will need to be multifaceted and part of a broader integrated strategy²⁷. Overseas evidence has shown that the free market will not achieve optimal levels of investment, or employment, and that government support is a crucial factor in fully developing these opportunities (European Commission 1999). In Australia, interventions could take a variety of forms, including:

- economic incentives for organisations implementing more sustainable and energy-efficient production methods
- tax incentives for start-up businesses in environmental industries judged to offer the greatest opportunity for Australian business
- environmental tax reform such as a carbon tax
- redeveloped labour market programs coordinated with sustainable industry and regional development
- new environmental traineeship programs across a range of green industries
- increased funding for environmental management and conservation
- improved information, education, and advice to industry on the benefits of green industries
- integration with a 'Job Guarantee' model (as is being developed by the Centre of Full Employment and Equity)

The European experience suggests that economic instruments will generally be more effective, less costly, and offer greater flexibility, than detailed technical regulation. They will also provide permanent incentives for investment and innovation (European Commission 1997).

Environmental tax reform has significant potential and is already used widely across Europe²⁸, yet remains almost completely unexploited by Australian governments. Economic models have indicated that the benefits of environmental tax reform can be extensive, and include increased employment, reduced pollution, and increased GDP²⁹. (Krockenberger et al. 2000; Heady et al. 2000)

To maximise the social and economic returns from these initiatives it is critical that government play a central coordinating role, as well as making funding available for specific initiatives and pursuing opportunities for legislative and taxation reforms.

²⁶ It is estimated that if just 2 per cent of the worldwide pollution control market could be captured 150,000 jobs could be created and business worth \$8 billion would be generated (Krockenberger et al 2000).

²⁷ Organisations such as the Australian Conservation Foundation and the Australia Institute have already done considerable work towards such a strategy.

²⁸ The UK, Netherlands, Belgium, Finland, Sweden, Norway, Denmark, Slovenia, Austria, Switzerland, Italy, France, and Germany have all undertaken some form of environmental tax reform (Krockenberger et al 2000).

²⁹ Australian modelling suggests that a recycled carbon tax could increase employment by over 50,000, and boost GDP by 0.2% (Krockenberger et al 2000).

Social and community service jobs

Large cuts in government funding have led to serious shortfalls in the provision of many social and community services (ACOSS 2001). However, as with environmental policy, this deficit provides considerable scope for government interventions to create jobs, improve social outcomes and quality of life, as well as contributing to the long-term competitiveness of the Australian economy.

This strategy would provide long-term economic and social benefits by improving social services such as health, education, accommodation and support, community-based mental health, and aged care. However it would also provide additional benefits through the strengthening of social networks and the building of capacity amongst local communities. This could improve social and economic outcomes through:

- an improved ability of communities to adapt to economic change
- improved health outcomes
- increased levels of subjective well-being³⁰ (Helliwell 2001)

As well as providing greater returns in the form of indirect and non-economic benefits than investment in other areas of the economy, Australian research has shown that increased expenditure on social and community services has greater income and employment multiplier effects than virtually all other industries. An average of 30 jobs will be created for every million dollars invested, compared with 18 jobs per million dollars in the rest of the economy (Carman 1999). Increased investment in social and community services has the added benefit of being easily targeted to regions of high disadvantage and providing substantial benefits over the short, medium and long term.

In contrast to interventions to create green jobs, the creation of employment opportunities in social and community services would involve significant increases in public sector employment. However, government should also examine new alliances and delivery mechanisms that include the community sector and private enterprise.

Again it is vital that interventions create employment that can provide significant social and economic benefits, and not be concentrated on menial low-skill jobs. For example interventions to create employment in education could include remedial teachers, transition workers, teachers aides, homework centre tutors, primary and secondary teachers, and adult education workers.

An overall strategy for social and community sector employment creation should include the following components:

- a significant permanent increase in government investment in social and community services
- strategic working relationships with community sector organisations to develop and deliver innovative community based programs
- linking of local job creation to community capacity building and social enterprise initiatives
- creation of employment opportunities across a range of skill levels, with appropriate training and development
- new social and community sector traineeships
- integration with a 'Job Guarantee' model (as is being developed by the Centre of Full Employment and Equity).

³⁰ It is interesting to note that higher levels of education and community involvement have been shown to lead to an increase in well-being amongst the broader community. However higher incomes for some only lead to a reduction in well-being for the broader community, due to the importance of relative income on well-being (Helliwell 2001). Hence increasing inequality has a negative impact on societal well-being.

Conclusion

Public policy in Australia is presently driven by a market-based reform agenda that emphasises economic outcomes over social, private goods over public, and individual responsibility over social. The result of this is a narrow notion of progress that is undermining social cohesiveness and inflicting significant damage on individuals, families and communities.

As we have shown, this approach is unable to effectively balance and integrate economic, social and environmental goals and will have an increasingly negative impact on Australian society over the medium to long term. Poverty and disadvantage will become further entrenched, environmental degradation will continue, and the economic competitiveness of the nation will be eroded.

Already we see the vast number of people who are unable to find sufficient paid work to support themselves or their families, and the massive social and economic costs that result. The government, for its part, displays an unwillingness to act or even acknowledge the gravity of this situation.

A new direction is needed to bring about change and restore balance.

In achieving this change, groups concerned about social justice and quality of life outcomes must look beyond economic arguments or reactive advocacy solutions and begin to challenge the values driving public policy. A new framework for social investment should be developed that embraces a holistic notion of progress and development, and a commitment to values which promote an inclusive and compassionate society.

Such an approach would recognise the mutually reinforcing nature of social, environmental and economic outcomes, and understand that the economic sphere is embedded in, and dependent on, the social sphere.

We believe that government interventions to create employment in areas of social and environmental value should form a key component of such a framework. These would have the potential to alleviate the severe hardship and disadvantage being suffered by large numbers of unemployed and underemployed Australians, as well as strengthening communities, reducing regional disparities, and developing a more inclusive, skill-based and sustainable economy.

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