

Jobs forgotten in policy-free campaign

Job growth is under threat but neither side of politics will debate unemployment or job creation, writes Mark Wooden.

In late 2008, in response to what was seen, at the time, as the world's worst economic recession since the 1930s, the Rudd government embarked on a major program of fiscal expansion.

As a proportion of national output, no other Organisation for Economic Co-operation and Development nation increased government spending as rapidly or by as much as Australia did.

As Treasurer Wayne Swan repeatedly reminded us, the rationale for this rapid expansion in public expenditure was the need to support both growth and jobs. Yet little more than 18 months later, we are in the midst of a federal election campaign in which the words "jobs" and "unemployment" are rarely mentioned.

Perhaps the fiscal expansion was so successful that unemployment is no longer an issue worth worrying about? After all, the official unemployment rate is now back to almost 5 per cent. By comparison, many other countries are still struggling with unemployment rates closer to 10 per cent. It is also close to what the Treasury has described as "full employment".

Now let's get some perspective. First, a 5 per cent unemployment rate still translates to about 600,000 Australians looking for work. And close to one in five of these people have been continuously unemployed for more than a year.

Second, there is a much harder to quantify group of people who are not counted in the unemployment statistics because, although they still want work, they have given up looking. The Australian Bureau of Statistics estimated that in September 2009 "discouraged job seekers" numbered about 110,000 — and that is almost certainly a conservative estimate.

Third, ABS estimates also reveal that a little more than 7 per cent of



Standing idly by ... the unemployment rate is as high as 20 per cent in some regions of Australia. Photo: LOUISE KENNERLEY

the employed workforce would prefer to work more hours. This translates to more than 800,000 underemployed people.

In a nutshell, if a 5 per cent unemployment rate is as good as it gets, then Australia has a serious problem. But the size of the problem is not reflected simply in the magnitude of the numbers of people wanting more work, there are also significant differences in how employment opportunities are distributed.

Despite the government's "earn or learn" strategy, the teenage unemployment rate is about 17 per cent — more than three times the rate among adults.

Double-digit unemployment rates are also the norm among migrants from southern Asia (e.g. India) and the Middle-East (e.g. Lebanon).

And there is a regional dimension. Although the measured unemployment rate in some parts of Australia is as low as 2 per cent, in other areas it is as high as 20 per cent (the far west of NSW has the

dubious honour of being the region with the highest jobless rate). There are also large variations within the same city. In the eastern and northern suburbs of Sydney the unemployment rate varies between 2 per cent and 3 per cent, whereas in Canterbury-Bankstown it is 11.3 per cent and in Fairfield-Liverpool 8.5 per cent.

Finally, there is the possibility that the international outlook could again turn sour.

The probability of a double-dip recession in the US seems to have risen. If it eventuated, this would have an unfavourable impact on economic growth in Australia.

With Julia Gillard announcing her intent to shift the focus of the Labor campaign to economic management, perhaps we might now see the question of how to support jobs growth emerge as an election issue?

There are, however, at least three reasons neither Labor nor the Coalition will want a serious discussion about jobs.

First, both parties have made a smaller, sustainable Australia a key feature of their campaigns. This is inconsistent with the high-growth strategies traditionally relied on to maintain high rates of employment growth.

Second, both parties are hamstrung by commitments to return the federal budget to surplus as soon as possible. There are good reasons for getting the budget back into the black but this should not come at the expense of investments in our future. Those investments, especially in public infrastructure, are often good for employment.

Labor has its commitments to a national broadband network and is seeing through the final stages of its schools building program, but there is little else of any significance.

The Coalition is offering even less, scrapping the national broadband network and seemingly content with the odd offer of a new road bypass here and there.

Third, after the resounding rejection of Work Choices at the

ballot box in 2007, neither side has an incentive to debate the merits of Labor's Fair Work legislation.

This legislation is geared to protecting and enhancing worker entitlements and rights, with little consideration given to the extent to which job prospects may have been harmed.

There are many ways in which the new legislation will hurt jobs growth, but most worrying is the impact of award modernisation on labour costs, especially for small businesses.

This modernisation has resulted in major changes to wage structures and penalties, as well as extending award coverage to employees who were previously award free.

Further, the net impact on business costs must be upwards, given the presence of take-home pay orders that ensure that no employee receives a reduction in net pay as a result of the changes.

Any increase in labour costs is, of course, bad news for jobs, especially for those most at risk in the labour market — those with low skill levels.

But do we think Fair Work Australia, the body responsible for this process, cares? It cannot even tell us by how much labour costs will rise. And on top of that, employers have to deal with the recent 4.8 per cent increase in minimum award rates of pay.

The increase in labour costs will also add upward pressures to inflation, though luckily for Gillard these won't be apparent in the data until after the election. This, in turn, makes it even less likely that unemployment can be lowered below 5 per cent without the Reserve Bank's raising interest rates.

Meanwhile, Tony Abbott stands on the sidelines reminding us that "Work Choices is dead, buried and cremated" (sic).

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