

## ON THE DRYSIDE WHAT IS UNEMPLOYMENT? John Hyde

In spite of 9% unemployed, most employers have stories of how hard it is to fill jobs requiring little skill. Half a million unemployed are not beating down their doors. In 1961, when unemployment briefly peaked at 3%, the unemployed were visible. They were on the roads looking for lifts and work; some would 'phone our farm for tractor driving.

It is not that way today. While we have always managed to find the farmhands we needed---mostly New Zealanders---it is several years since a stranger canvassed us for work. The Community Youth Support Scheme office in my old electorate offered training and found jobs; I thought it well run; but it was not overrun by jobless youths. My three daughters have had choice of work in their chosen vocations and when students they found casual table waiting and house cleaning for pocket money.

Anecdotes are not proof, but surely there is something amiss with the way we interpret official unemployment data.

Judith Sloan, published in the December 1985 issue of the 'Australian Bulletin of Labour' asked, 'How close are we to full employment?' She cited 'mounting evidence to suggest that the labour market is extremely tight.'

'Does this mean that we are close to full employment, even though there are still over half a million who fit the Australian Bureau of Statistics (ABS) definition of being unemployed? rate of unemployment has increased over time.'

The 'natural rate of unemployment' is a off-beam term coined by Milton Friedman. In the forthcoming AIPF publication 'Mandate to Govern' John Nurick has this to say about it: 'There is no simple formula for the natural rate of unemployment. One can look at labour market conditions and make an informed guess. The principle of the guesswork is that if inflation is more or less steady and employers have difficulty filling vacancies in more than a few occupations, then the measured rate is probably close to the natural rate. This means that if the government wants to reduce unemployment it cannot do so by macro-economic manipulation.'

It is a poor term because the 'naturally unemployed' include those who are kept out of the workforce, as most countries define it, by two unnatural features of labour markets---artificially high employment costs imposed by governments and monopoly unions, and unemployment benefits which keep the costs of not working artificially low.

The underlying concept is 'the workforce', put at 7.59 million by the ABS. A potted version of the long definition might be: 'those people 15 years and over who are paid in cash or kind for work done, those who would work for payment if they could, and those in businesses who try to make profits.' There are two

obvious omissions---people working for rewards, such as meals, consumed directly by themselves or their immediate families, and people working for no reward save that of knowing that what they do is valuable. A person who is not at least hoping for payment is not 'working'. Tell that to your wife if you dare, but, with due respect to women's activists, there is no injustice in being left out of a statistic; it just a different statistic from one which includes you.

Those not in the workforce and those in the workforce but unemployed do not spend their entire day in pursuit of unalloyed pleasure. They work at several of the many things not included in the ABS definition of work---they wash the baby, prepare the meals, make the clothes, grow the vegies, repair the house.

In many, perhaps most, families 'unpaid' work occupies more time than the 'ordinary' nine to five job. Since---the Gods be praised!---most people still have the choice, the last hour of paid work and the last hour of unpaid work must be of approximately equal worth to them. However as paid work is taxed and unpaid work is subsidised the government has distorted the choice.

Since those not in the workforce could not enjoy a very high living standard if they were to depend on their own skills alone, they buy some things with money got from savings, parents, friends, spouses, or government benefits. All people need some cash but at the margin most are indifferent as between workforce work and out-of-the-workforce work.

Of course if some people were to do things they do not admit to an interviewer---moonlighting or tending the marijuana---this would further confound the statistics.

The ABS data can be interpreted this way: those who are not in the workforce are doing an unpaid-in-cash job which they prefer to a workforce job; those in the workforce but unemployed are doing work they would like to change for work within the ABS definition of workforce. In plain language, not only are they not 'unemployed' but, as they are prevented from making the change by government and union rules, their condition is not 'natural'.

It is easy to envisage people who suffer great disadvantages---now or cumulatively over the rest of their lives---by being excluded from formal employment entirely. Indeed I think I know such people. Because they are young or because that is the way they are, they cannot be employed profitably at award rates and under award conditions. More skilful people, kept out of jobs requiring more skill, have moved down the market pushing them off the bottom of the employment ladder. These are the 'unemployed' who deserve consideration. But, as they are not evidently beating down employers' doors, they must be few, utterly discouraged, or not too unhappy in the unpaid but

nonetheless rewarding activity they have.

If many of the recorded unemployed have but a weak preference for employment as defined, 'half a million unemployed' has a different meaning from the one associated with bread lines. If attitudes to declaring that one is unemployed are changing, as they certainly have among women, or taxes and welfare payments have changed the relative rewards of paid and unpaid work the situations in 1961 and 1986 are serious in quite different ways. It remains probable that some unemployed are worse off than nearly all employed people; but how many?

'Unemployment' is no longer a good proxy for economic distress which must be identified more directly.