

Australian Employment and Unemployment in the 1970s and 1980s

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Jack McDonald opened the screen door on the back porch and wandered down to the garden shed. How many times, in the safe and unused moments of his clerk's job, had he looked forward the ten years to retirement? "No more 9-5 drudge for me - I'll be able to get some good gardening in. Could even take Shirley on a world trip." But the reality was harsh. "Cutting back" the firm said "might be better if you retire early on sickness grounds". Only just fifty - and the unemployment was hitting him much harder than the old (and until recently lived-with) back injury. And the gardening wasn't as good as the promise - your mind kept rebelling against the inactivity, thinking there must be something you can do. Well at least the mortgage was almost paid off ...

Not too far away, Karen Georgiou waited outside the milk bar for her boyfriend. Left school at the end of last year, "hated the place anyway", tried to find a job. No luck. Groping shop keepers who just wanted a screw. Getting up at 6 to find 20 girls ahead of you for the part-time cleaner's job. And that bastard in the CES kept saying "if you really wanted work, if you wore better clothes ...". How'd he buy good clothes on the miserable dole? But her parents were the roughest. Couldn't blame them. "When we got here, things were tough too. Had to take bad jobs." "But there aren't any bloody jobs!" and another slammed front door. Sometimes, she thought, getting pregnant might ...

There are an increasing number of Jack McDonalds and Karen Georgious. The Australian economy is increasingly incapable of providing jobs for all who want them. Buffeted by the storm of recession, suffering the steady rain of international competition; and threatened by the micro-processor cyclone; Australia is making very heavy weather. Indeed, the extent of our unemployment problem has not been fully realised, be it in statistical or the more important human and social terms. The recent riots in Frankston, Melbourne and Newcastle point to a threatening future.

This article presents and discusses material on Australia's employment and unemployment experience in the 1970s and predicts unemployment patterns for the 1980s. The central argument is that, due primarily to the world recession but also to international competition and technological change, Australia's employment patterns have significantly worsened since 1974. With the continuance, and even intensification, of these forces in the 1980s, the prognosis is for worsening unemployment throughout the decade, with predicted unemployment figures of over one million, 14 per cent of the workforce, in 1991.

Employment Figures

Table 1 outlines the recent patterns in labour force and unemployment figures. Up to 1974, at the tail end of the post war boom, the labour force (the total number of people in jobs or wanting jobs) was growing steadily, and there were low levels of unemployment. Although there were variations in the trend, for

Table 1: Australian Labour and Unemployment 1967-79

May	<u>Labour Force</u>		<u>Unemployed</u>		<u>Participation</u>
	'000	Incr. %	'000	%	Rate %
1967	5 006.8		100.3	2.0	60.2
68	5 132.9	2.5	100.3	2.0	60.5
69	5 255.8	2.3	95.9	1.8	60.4
70	5 464.6	4.0	92.9	1.7	61.3
1971	5 634.3	3.1	107.7	1.9	61.8
72	5 701.9	1.2	134.2	2.4	61.1
73	5 852.1	2.6	132.5	2.3	61.5
74	6 041.9	3.2	124.0	2.1	62.2
75	6 139.8	1.6	288.2	4.7	62.0
1976	6 258.2	1.9	275.9	4.4	62.2
77	6 378.0	1.9	353.8	5.5	62.3
78	6 394.0	0.3	395.3	6.2	61.2
79	6 439.9	0.7	396.6	6.2	60.6

Source: The Labour Force Australia, February and May 1979 (ABS 6203.0)

example the 1970 boom or the 1971/2 downturn, the labour force grew at an average 3 per cent a year. This growth, encouraged by the expanding economy, consisted of a growing population, and also a growing percentage in that population who wanted work. This especially came from the increasing numbers of married women entering the workforce through the 1960s and 1970s.¹ In consequence, the participation rate, the number in the labour force as a percentage of the total population aged 15 or over, rose from 60.2 per cent in 1967 to 62.2 per cent in 1974.

In these good economic times, the unemployment rate was low at around 2 per cent. But this was not to last after 1974, and amidst falling living standards, high inflation, and collapsing profits, unemployment climbed steeply to 5 per cent in 1975 and on to 6 per cent in 1978 and 1979. At the same time, the growth in the overall workforce slowed. From 3 per cent in the boom, it was below 2 per cent 1975 to 1977, and with rapidly falling participation rates, about 0.5 per cent since 1977.

It must be noted that the unemployment figures given here significantly understate the real levels of unemployment. They are taken from the Bureau of Statistics surveys of employment, which have been much compared with the Commonwealth Employment Service figures. Generally, the CES figures are higher, though it is acknowledged that the CES both misses some unemployed people entirely and includes some who have actually found jobs but not yet notified the CES.²

The more serious problem with both these statistics is the existence of hidden unemployment, unemployment that does not show up in the figures. One case of this is 'discouraged workers' - people who, unable to find jobs, leave the workforce completely. This is a strong factor in the noted sharp drop in the participation rate from 62.3 per cent in 1977 to 60.6 per cent in 1979.³ Because of this, the workforce has grown very slowly since 1977, and the numbers of unemployed have not increased markedly. If the participation rate were still 62.3 per cent, the total workforce would be 6 620 500, and, with the same number of jobs, there would be 557 000 unemployed, a rate of 8.7 per cent.

Keith Windschuttle has argued,⁴ using an ABS May 1977 survey of people not in the workforce, that another 400 000 people could be added to the potential workforce at that time. These people were not looking for work because they felt it was useless. If they were added to the workforce and unemployed numbers for May 1977, the unemployment rate would rise to 11.3 per cent.

The ABS unemployment statistics for these reasons heavily understate the real level of unemployment in Australia. With this qualification in mind, they are still used in the rest of the article, as a lower bound estimate of unemployment levels.

In addition to these problems of the unemployment figures, questions must be raised of the remainder of the workforce, those who are in jobs. Since 1974, there have been important changes here in the relationship between full-time and part-time (those who work less than 35 hours a week) employment, as is outlined in Table 2.

This table indicates a major shift from full- to part-time work because of the recession, especially for women workers. In 1970, 96.6 per cent of men employed worked full-time - this had been slightly reduced to 94.6 per cent by 1979. For women, the respective figures were 74.4 and 65.2 per cent. The break came in 1974, with the onset of the recession, as is clear from the annual rates of change in the employment figures.

Table 2: Full- and Part-Time Employment 1970-9 (in '000)

May	<u>Men</u>		<u>Women</u>		<u>Totals</u>		Total
	FT	PT	FT	PT	FT	PT	
1970	3 518	124	1 287	443	4 805	567	5 372
1971	3 581	126	1 348	471	4 929	597	5 527
1972	3 644	113	1 348	464	4 991	576	5 568
1973	3 671	133	1 390	525	5 062	658	5 720
1974	3 758	136	1 441	583	5 199	719	5 918
1975	3 694	146	1 401	612	5 094	758	5 852
1976	3 712	175	1 406	689	5 118	864	5 982
1977	3 705	187	1 420	712	5 125	899	6 024
1978	3 655	205	1 405	727	5 060	932	5 992
1979	3 699	210	1 393	742	5 092	952	6 043

Source: The Labour Force, February and May 1979 (ABS 6203.0)

Note: The Bureau of Statistics has changed its estimation bases at least twice in these years. These figures have been constructed by taking each year's percentage shares of full- and part-time workers and applying these to the revised and consistent total employment series given in the February Labour Force.

Annual Rates of Change in Employment

	<u>Men</u>		<u>Women</u>		<u>Total</u>	
	FT	PT	FT	PT	FT	PT
1970-4	+1.7	+2.3	+2.9	+7.1	+2.0	+6.1
1974-9	-0.3	+9.0	-0.7	+4.9	-0.4	+5.8

For both men and women then, part-time work was growing faster than full-time employment in the early 1970s. Since 1974 this trend has intensified, with a net decrease in full-time jobs. From the beginning of the recession thus, the overall increase in employment has been entirely in part-time jobs, with a decline of 100 000 in the number of full-time jobs 1974-9.

This can be expressed in another way. If we assume that each part-time worker works half the time of a full-time worker, we can assess the number of full-time "equivalents". From Table 2, there were in May 1979 5 568 000 full-time equivalents, which compares with 5 559 000 in May 1974. By adjusting the figures in this way, there has been negligible growth in the workforce since 1974.

This pessimistic conclusion is reinforced and, indeed, worsened, by the Treasury submission to the Myers Commission on technological change.⁵ Instead of using total workforce, the Treasury takes the part-time/full-time distinction a step further by looking at hours worked. This picks up both the trend towards part-time work and the extensive reduction of overtime over the last few years. Between 1973/4 and 1976/7 there was an annual loss of 2.7 per cent in aggregate hours worked. Over these three years employment, as measured by this hours worked criterion, fell by 8.3 per cent.

The conclusion then from this discussion of Tables 1 and 2 is that Australia's employment situation has worsened dramatically since 1974. Even as measured by Table 1, the numbers employed have grown very slowly, and the unemployed figures grown considerably. However, the ABS unemployment figures heavily understate the extent of unemployment in this country, and the total employed hides very significant shifts towards part-time work and towards a reduction in working hours. If at first sight the unemployment situation looks dismal, at closer acquaintance it is indeed depressed.

The Causes of the Crisis

It is clear that Australia is facing a major unemployment problem, one far worse than any seen since the Second World War. Furthermore, the problem has not, as with the less severe post war recessions, been a temporary phenomenon. It has worsened considerably over a five year period. Which leads to a question important both for understanding the 1970s and for forecasting the 1980s. Why? What forces underly this growing level of unemployment?

Opinions on this are widely varied. Many economists in Australia see the 1974 downturn as the result of the coincidence of a number of factors:⁶ the oil crisis; failures in government macroeconomic policy; the fast rise in real wages in 1974. Particularly this last factor is pointed to for reasons why there has not been recovery since 1974.

An international comparison reveals the limitations of such arguments. All capitalist economies went into recession in 1974, and most have not improved much since, so whatever the causes were, they were international. Economists who appreciate this still often put the cause down to a chance coincidence of a number of factors. The most detailed international study of this is the McCracken Report prepared for the OECD.⁷ The report argues that the downswing was due to: a series of "shocks" in the early 1970s (the food and oil price explosions and the breakdown of the fixed exchange rate system); policy errors (particularly very expansionary policies in 1971 and the lead up to an unusually high number of elections in OECD countries in 1972); and "changes in basic relationships endogenous to the economic system" (including changing values and expectations).

This account is stymied also by the lack of economic recovery since 1974 - indeed, the OECD's economic predictions since then have been consistently over-optimistic. Their analyses indicate that most advanced capitalist economies have had very similar experience in the late 1970s - with very slow growth, and high levels of unemployment accompanied by inflation.⁸ The three "core" economies: the U.S., Japan and West Germany, have seen growth 1975-8, but it has not done much to reduce unemployment, and present indications are it was short-lived. In the second rank capitalist economies, like Australia, growth has been much slower and, as we saw above, has been too little to increase employment.

An alternative to these "accident" theorists is found in the writings of Marxist economists. Ernest Mandel is the most notable of these, with Kelvin Rowley developing a similar analysis for Australia.⁹ These writers argue that the 1974 slump, far from being accidental, is the start of a long term recession. They draw on the Kondratieff cycle, a theory which argues that capitalism goes in roughly 50 year cycles, 25 years of boom followed by 25 years of muted growth.

From the beginning of capitalism, Mandel has broadly outlined the cycles:¹⁰

1793-1825	expansion
1826-1847	depression (culminating in the 1840s famines)
1848-1873	expansion ("Great Victorian Boom")
1874-1893	depression ("Long Depression")
1894-1913	expansion
1914-1939	depression (including "Great Depression")
1940/5-1973	expansion ("Long Boom")

(Mandel dates the latest down-turn from 1966, but this is too early. The end of the super-boom in 1973 seems a more likely date to start the new long-term down-swing.)

While there is powerful empirical evidence for the Kondratieff cycle, its explanation is still something of a mystery. Mandel argues that it is bound up with the long run tendency of the rate of profit to fall, but his evidence for this is not convincing. A more reasonable explanation can be drawn out from Rowley's suggestion that the specific "crisis of the 1970s has much to do with the 1944 Bretton Woods agreement",¹¹ by which international currencies were regulated.

This is of course a very specific explanation, but underlying it is a more general pattern. The Bretton Woods agreement of 1944 established the United States dollar as the key international currency. This was wider than just a monetary

arrangement - it meant that the United States was regulating the international capitalist economy. Previous long booms too have generally been associated with strong leadership and regulation of the world capitalist economy by one country. Periods without this, for example the 1919-39 interwar years, have experienced downswings.

The U.S. dominance of world capitalism began to fade in the late 1960s, with the stresses put on the U.S. economy by the Vietnam War, and also the growing strength of the Japanese and West German economies. The immediate index of these forces was the collapse of Bretton Woods and the devaluation of the dollar in 1971. In monetary terms, this led to a rapid expansion of liquidity and consequent international inflation. More generally, it preceded a violent short-lived boom in 1972/3 and the severe crash we have been discussing.

From the evidence of the Kondratieff cycle, and the continued existence of the international instability that is a key factor in it, the prospects for growth in the world capitalist economy in the next decade are grim. In that context, the prospects for growth in Australia are doubtful as well, as will be argued later in this article.

Restructuring and Technological Change

Along with the depressed economy, two other factors are contributing to Australia's employment woes. These are: the restructuring of world capitalism; and the impact of technological change.

The restructuring of world capitalism involves greater interdependence between the different national economies. This in particular threatens parts of Australian manufacturing industry. Since 1945, because of tariff barriers and distance from competition, small scale Australian capitalists had little incentive in innovation or new investment. In consequence, Australian capital equipment is much older than that of other OECD countries, as is shown in these figures:

Machine Tools in Industrial Plant less than 10 years old:

Japan	62%	United Kingdom	38%
West Germany	56%	Australia	25%
United States	39%		

Source: Bruce Hartnett "Education in Australia - the Economic Context", Western Teacher 16/2/79, p. 11, citing Heavy Engineering Manufacturers' Report, 1976.

It follows from these figures that Australian industry is often internationally inefficient. On the other hand, Australian wages are high by international standards, and much higher than the wages third world countries pay their disorganised and repressed labour forces.

The restructuring of world capitalism then, tying the national economies closer together, poses threats to Australia both from the high-technology side (for example in motor cars) and the low wage side (for example in textiles). The Crawford Commission, in its report on structural adjustment, made a study of those industries threatened by international competition.¹² They suggested that the complete demise of these highly-protected industries would result in the following loss of jobs from 1974/5:

	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Textiles, Clothing and Footwear	102 000	35 000	137 000
Motor Vehicles	89 000	47 000	136 000
Other highly protected	147 000	95 000	244 000
	<u>338 000</u>	<u>179 000</u>	<u>517 000</u>

As the Report notes, it is unlikely these industries would cease production completely, and some have already lost considerable employment since 1974/5. But this does indicate a major problem for Australian manufacturing that 500 000 workers, 40 per cent of the manufacturing workforce, are threatened by overseas competition.

For the present, although as is indicated in Table 4 below, there have been some falls in employment in these industries since 1974/5, the loss in jobs has been restricted by the maintenance, even strengthening in some cases, of tariffs since the beginning of the recession. In this period, technological change has had more significant effects on employment than imports. As Carey reports, "For manufacturing, while import substitution reduced jobs by 1.5% and in clothing and footwear by 3.1% from 1968/9 to 1975/6, technical change had abolished jobs at the rates of 4.5% and 8% respectively."¹³

The threat from technological changes goes beyond manufacturing; and especially affects the tertiary sector of the economy. The recent topical example is the struggle between the ATEA and Telecom over the introduction of new telecommunications equipment,¹⁴ but the impact of the microprocessor revolution will be the most severe. Minute silicon chips promise to dramatically increase productivity and reduce jobs in banking, retailing, typing and other areas of computing.¹⁵

These are then the economic forces: the world recession; international competition; and technological change. But the actual effect these have depends on a number of economic and political struggles. Unions battle with employers over the ways and means of introducing new technology. Manufacturers can pressure the government to increase tariff protection. Third World countries can attract international capital, and then pressure countries like Australia to import the products. In other words, the effects of these economic forces outlined here will differ depending on the economic and political struggles over them. So far in Australia, while the international recession has hit hard, unions have been reasonably successful in maintaining members' employment against new technology, and manufacturers have kept the tariffs, cutting down the extent of restructuring.

Employment in Different Industries

In this context, it is instructive to consider Table 3. This indicates that the total labour force¹⁶ grew 6.3 per cent from November 1973 to November 1977. The patterns are very different between the industries though:

agriculture, forestry, etc. manufacturing, and construction all saw declines in their numbers employed (and given the method of constructing this table, these declines are understated), due to the recession and some technical change (manufacturing is studied in greater detail below);

Table 3: Civilian Labour Force 1973-7 (in '000)

	Nov. '73	Nov. '74	Nov. '75	Nov. '76	Nov. '77	% change 1973-77
Agriculture	391.5	386.7	384.1	379.2	385.5	- 1.5
Forestry, fishing hunting	28.2	26.5	21.7	20.0	26.5	- 6.0
Mining	65.2	83.8	88.8	78.0	83.2	+27.6
Manufacturing	1 415.1	1 405.2	1 341.7	1 344.7	1 318.1	- 6.9
Construction	522.3	521.8	540.1	532.1	509.7	- 2.4
Wholesale & retail trade	1 251.3	1 220.4	1 240.4	1 239.4	1 254.4	+ 0.2
Transport & storage	318.0	339.2	352.2	328.7	340.7	+ 7.1
Finance, business services	415.0	436.3	459.1	470.5	477.0	+14.9
Community services	718.2	794.0	855.3	887.6	940.5	+31.0
Entertainment, hotels, etc.	366.1	387.0	414.9	399.4	397.7	+ 8.6
Other industries*	453.1	500.0	518.8	517.5	510.8	+12.7
Looking for first job	24.9	28.4	37.7	39.5	98.2	+294.4
<u>TOTAL</u>	5 968.9	6 129.3	6 254.9	6 236.5	6 342.2	+ 6.3

* Other industries include: electricity, gas and water; communication; public administration and defence.

Source: Labour Statistics 1975-7 (ABS 6101.0)

Note: There was a change of definitions in 1977, and the ABS has revised the series back to 1975. The 1973 and 1974 figures have been estimated by assuming that the year-to-year changes in the new series are the same as those of the old series.

wholesale and retail trade, transport and storage and entertainment, hotels, etc. had small growth in employment - probably retarded in wholesale and retail trades' case by the introduction of the new technology in check outs, handling and so on;

finance and business services, and other industries had moderate growth figures;

mining and community services had rapid growth, due to the mining boom in the first case and the expansion of the government sector in the second.

In view of the discussion centred on Table 2 of full- and part-time work, it is useful to cover briefly the increase in part-time work in these industries.¹⁷ Between May 1974 and May 1978, the percentage of part-time workers increased:

Trade	up 4.7 to 20.9%	Community	up 3.0 to 24.2%
Entertainment	4.5 39.5	Transport	1.6 7.8
Finance	4.1 15.2	Others	0.4 5.2
Agriculture	3.5 14.8	Manufacturing	0.2 5.8
Construction	3.2 8.2	Total	3.1 15.2

In general, the higher the percentage of part-time workers, the more was the increase in part-time employment. Also, in community services, finance, etc. other industries and transport, which were all strongly growing industries, full-time employment expanded. In the remaining categories it fell.

The differential effects of the recession can be seen clearly in the patterns in manufacturing industry as well (Table 4). This table shows the steady increases of employment up to 1973, and substantial falls after then. Manufacturing employment fell 15 per cent, and all industries saw falls, but again there were significant variations:

those industries facing foreign competition fell the most (and much of this fall took place in 1973-4 with the revaluation of the Australian dollar and tariff cuts): textiles - 33%; clothing and footwear - 26%; appliances and electrical - 27%. Transport equipment fell 14%, which is less than one would expect. This indicates the success of vehicle builders' lobbying in Canberra.

many industries fell about the average of 15%, indicating both the recession and some effects of technological change: wood and furniture - 14%; non metallic minerals - 17%; fabricated metals - 14%; industrial and scientific - 13%; and miscellaneous - 15%.

the last group had minor falls. Food, beverages and tobacco, and paper and printing (both - 9%) are both involved in supplying growing domestic markets and possibly saw little technological change; while chemicals, petroleum and coal - 7% and basic metals - 6%, are both still growing industries.

The variations in employment rates, both across the economy in general and in the different manufacturing industries, can thus be explained by the respective positions in the changing patterns of Australian capitalism. They also indicate the areas we could possibly look to for future increases in employment.

Table 4: Employment in Australian Manufacturing Industry 1971 - 1978

	1971	1972	1973	1974	1975	1976	1977	1978
Manufacturing	1288.2	1280.8	1324.5	1239.4	1201.9	1180.8	1136.3	1127.3
Food, beverages & tobacco	192.5	198.4	199.5	193.9	191.3	187.0	186.4	181.8
Textiles	54.8	52.9	54.1	40.9	45.1	40.1	37.2	36.2
Clothing & footwear	111.5	109.1	109.5	89.4	91.5	84.9	79.6	80.6
Wood & furniture	76.6	78.2	80.8	76.6	77.2	76.7	73.0	69.4
Paper & printing	104.5	103.9	106.5	103.5	97.5	96.5	96.6	96.7
Chemicals, petroleum & coal	65.5	65.3	67.2	66.4	62.6	62.3	61.9	62.3
Non metallic minerals	51.7	51.4	53.5	50.2	48.6	48.3	46.1	44.6
Basic metals	94.1	93.7	95.1	96.3	89.6	90.0	88.3	89.6
Fabricated metals	116.3	113.2	120.2	113.0	108.1	106.8	104.4	103.6
Transport equipment	158.9	158.6	165.3	152.6	148.1	150.2	141.3	141.6
Appliances & electrical	104.5	100.5	108.6	99.5	91.9	85.4	80.0	79.5
Industrial & scientific	87.3	84.6	88.8	88.9	82.6	81.7	77.5	77.3
Miscellaneous	70.0	70.9	75.4	68.3	67.8	66.6	64.0	64.1

Employment in '000, December each year.

Sources: 1971-74 Employed Wage and Salary Earners June 1971 to June 1975 (ABS, Canberra 1976 ref. 6.23)

1975-77 Employment and Unemployment (ABS 6.4)

1978 Civilian Employees (ABS 6.4).

A useful guide in this sort of projections into the future is Table 5. For most of 1978, and the beginning of 1979, the Australian economy had its most optimistic year since 1974. Overall GDP growth was 5.4 per cent,¹⁸ heavily based on agriculture and mining. While undoubtedly many areas of the economy are operating well below capacity¹⁹ - and could hence increase production without creating many new jobs, the experience of this year gives an interesting guide to where extra jobs may be introduced.

There was an overall 1.5 per cent growth in jobs, with the growth half and half in full- and part-time jobs, though of course this doesn't apply to every industry. For entertainment (-2%) and wholesale and retail trades (+2%) many existing full time jobs were probably reduced to part-time, whilst much of the increase in finance and business services (+6%) and community services (+4%) will have been part-timers.

Full-time work numbers would probably have increased in agriculture (+2%) and forestry etc. (+8%) following the growth in those, and in transport and storage (+6%) due to the booms in agriculture and mining. Revealingly, the mining boom was made with 1% fewer workers over the year. Construction and other industries expanded about the economy average - possibly with expansion of part-time workers here too.

From this experience, predicting areas where jobs may develop in the future is certainly no easy task. If the economy expands overall, then some linkage effects would be expected to most industries. However, these linkage effects are probably weakest in the areas most likely to expand - agriculture and especially mining. There will probably be bright futures for both transport and business services stemming from these.

Predicting Future Unemployment

It is difficult to specify exactly where the future workforce will be located,²⁰ but it is possible to discuss the overall aggregate performance of the economy. The key variables in this are: the growth in real GDP; the growth in productivity; and the growth in employment. These three are related. If there is 3.0 per cent growth in GDP with no increase in productivity, then there will be a 3.0 per cent increase in the number of jobs. However, if, with the same GDP growth, productivity grows by 2.5 per cent, there will only be 0.5 per cent expansion in jobs.

Movements in these figures are very much dependent on the way they are measured - especially the way employment is measured. It was noted above that there are different ways of looking at employment figures since 1974. If the number of jobs is used, there has been an annual rate of employment growth of 0.5 per cent. If adjustments are made for the full-time/part-time distinction, there has been negligible growth. If hours worked are considered as well, at least for 1974-77, there was an annual decline of 2.7 per cent. With the annual growth in GDP of 1.4 per cent in the three years 1974-77, these different measurements of employment affect the productivity increases. The three respective annual productivity figures are: 0.9 per cent; 1.4 per cent; and 4.1 per cent.

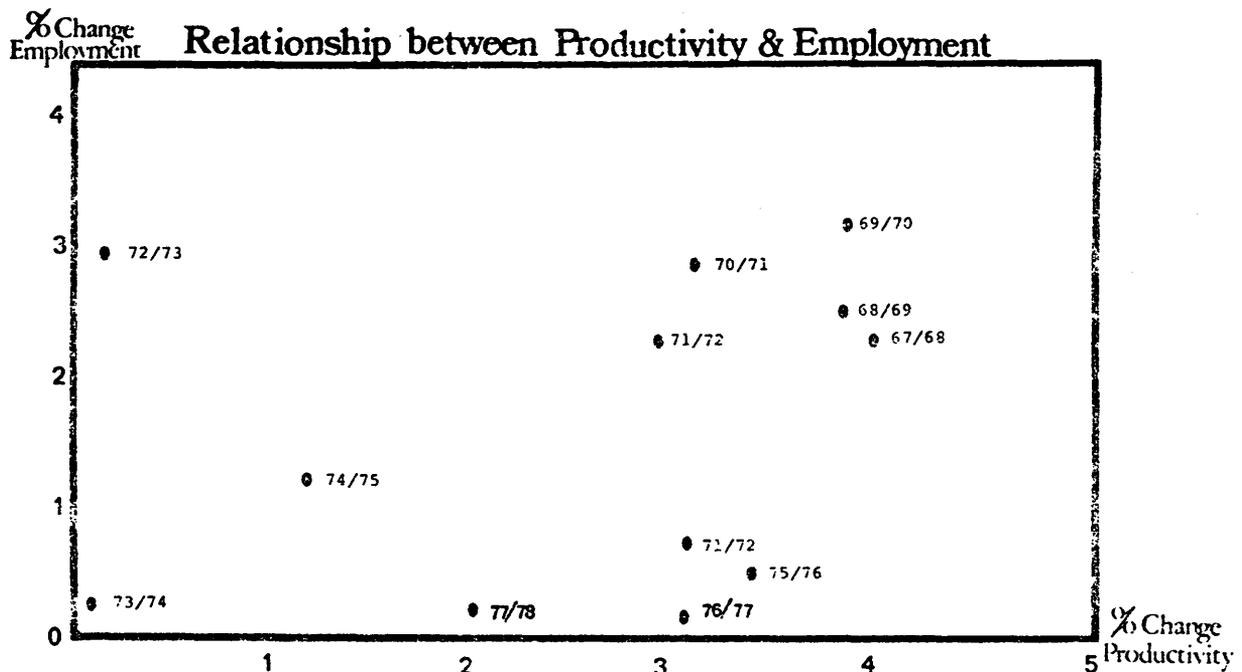
Most discussions of the future of the economy have used the raw number of jobs method of measuring employment. This article also uses that approach, but in approaching these figures it must be remembered that most of the increase in

Table 5: Labour Force February 1978-79 (in '000)

	February 1978	February 1979	% change
Agriculture	358.6	366.7	+ 2.3
Forestry, fishing hunting	26.3	28.5	+ 8.4
Mining	85.7	84.9	- 0.9
Manufacturing	1 226.7	1 194.5	- 2.6
Construction	472.5	479.7	+ 1.5
Wholesale & retail trade	1 200.0	1 220.0	+ 1.7
Transport & storage	317.0	335.0	+ 5.7
Finance, business services	465.7	494.8	+ 6.2
Community Services	890.3	923.5	+ 3.7
Entertainment, hotels, etc.	375.3	369.2	- 1.6
Other Industries	514.2	522.2	+ 1.5
Total employed	5 932.3	6 018.9	+ 1.5
Unemployed	477.0	454.0	- 4.8
Labour Force	6 409.3	6 472.9	+ 1.0

Source: Labour Force Australia, February 1978, 1979 (ABS 6203.0)

Note: It is clear that these statistics are gathered on a different basis from those given in the Civilian Labour Force table.



Source: AIDA, Understanding Unemployment (Melbourne 1978) p. 25.

jobs will be in part-time workers, and consequently the figures overstate the improvement in employment.

In looking at the prospects for unemployment, it is useful to compare growth experience before and after 1974. This is done in Diagram 1, drawn from AIDA work, which indicates a significant shift. Between 1967/8 and 1971/2 productivity grew annually between 3 and 4 per cent, and employment grew between 2 and 3 per cent. However in the 1975/6 to 1977/8 period, the productivity range is 2 to 3.5 per cent, whilst employment growth is 0 to 0.5 per cent. On average, comparing the boom 1960s with the recessed late 1970s, from 1975/6 to 1978/9, annual growth figures were:

1960s: GDP 5.5 per cent; productivity 2.5; employment 3.0,
 late 1970s: GDP 2.9 per cent; productivity 2.6; employment 0.3.

On average then, the rate of productivity growth has not changed significantly in the recession,²¹ with the halving of the growth rate producing a dramatic fall in the growth of employment. The situation of the late 1970s is likely to improve only very slowly, if we consider the underlying forces that were discussed above: international competition; technological change; and the general depressed world capitalist economy.

The restructuring of world capitalism is proceeding apace. Third World ruling classes are worried about massive unemployment, and are doubtless scared of the spectres of Iran and Nicaragua. They are consequently putting more and more pressure on advanced capitalist countries to lower tariffs and accept more imports. Both the economic force of restructuring and the political pressure will expand in the 1980s.

Technological change too will continue. Certainly the more objectional aspects (worsening conditions of work for example) can be changed, but in the longer term microprocessors will undoubtedly have major effects. To the extent that Australian manufacturing reorganises and reinvests to face the foreign threats, this too will create technological change and increases in productivity.

And this is all taking place in a world capitalist economy which shows no signs of recovery from the Kondratieff downswing. Indeed, at the time of writing (October 1979) the signs are all gloomy as the United States appears to be accelerating into another recession, possibly even worse than 1974.

The effects of these forces on the Australian economy will continue to make themselves felt throughout the 1980s. Growth will perhaps improve from the very slow rates seen recently, but it is unlikely to move out of the 3.5 to 4.0 per cent range. Productivity on the other hand, with the increasing introduction of microprocessors, would well be greater than our immediate past experience. The range 2.5 to 3.0 per cent is safest here. In comparing these two projections, the increase in the number of jobs lies in the 0.5 to 1.5 per cent per annum range, and probably closer to the lower end of this range.

Using these estimates of the growth in jobs, and it should be stressed again that many of these new jobs will be part-time jobs, it is possible to predict the numbers of jobs into the 1980s and beyond. These can then be compared with the numbers of people looking for jobs, the number in the workforce. As the estimation of future workforce trends becomes rather technical, it is more fully discussed in the Appendix.

Table 6: Unemployment Forecasts 1981-2001

Year	Job growth p.a.	Total jobs '000	Workforce '000	Unemployment '000	Unemployment %
1981	0.5	6 103.9	6 763.1	659.2	9.7
	1.0	6 164.8		598.3	8.8
	1.5	6 226.0		537.1	7.9
1991	0.5	6 416.0	7 911.0	1 495.0	18.9
	1.0	6 809.7		1 101.3	13.9
	1.5	7 225.4		685.6	8.6
2001	0.5	6 744.1	8 833.1	2 089.0	23.6
	1.0	7 552.1		1 311.0	14.8
	1.5	8 385.3		447.8	5.1

Source: Appendix and text.

Note: Pushing the forecast through as far as 2001 gives very wide margins of error indeed. Still, the results are interesting for long-term prospects.

Table 6 brings these two projections together, the number of jobs and the number of people looking for jobs. Looking particularly at the figures for 1991, it can be seen that even the optimistic assumption of 1.5 per cent annual growth in jobs still produces a rising unemployment rate throughout the 1980s, reaching almost 9 per cent at the turn of the decade. The more likely figures of 1.0 and 0.5 per cent job growth produce 14 and 19 per cent unemployment, rates twice to three times what we are experiencing at the moment. Not only are the raw statistics dramatically worse, but the cost in suffering, and the social tensions and conflict that arises from that, will be very much higher.

Grim prospects then face the Australian economy from these projections. Unfortunately for any optimists, the gloom presented here is reinforced by two other recent studies. Brain and Gray of the Melbourne Institute of Applied Social and Economic Research²² forecast the economy to 1984/5. They forecast: 1.4 per cent employment growth per annum; 2.6 per cent productivity growth; and 3.8 per cent GDP growth. This 3.8 per cent GDP growth is however inconsistent with their employment and productivity projections. 4.0 per cent would be the estimated growth rate, or else the employment growth would have to be reduced to 1.2 per cent.

Their conclusion "... the unemployment rate is likely to increase, and, depending on participation rate movements, this scenario implies unemployment to levels of 650 000 to 900 000 persons by 1984/5, and the demand-supply gap is likely to widen further".²³ Their "most likely" participation rates give 10.1% unemployment in June 1985.

Secondly, a recent leaked report prepared by the Department of Employment in July this year gives predictions to 1983. Summarising the Department's forecasts, Hywood writes:²⁴ "... 60 000 annual increase in employment over the next few years would be a good result. A 60 000 annual increase would on the labour force projections produce a 50 000 a year shortfall. This would result in 700 000 unemployed by 1983 - more than 10 per cent of the estimated workforce". (There are slight problems with these figures - reworking them gives 640 000 unemployed in 1983 or 9.2 per cent. By 1985 the unemployment rate would be 10.1 per cent - and extending the figures to 1991 gives 12.1 per cent.)

Conclusion

Detailed studies of Australia's employment prospects in the next few years are agreed on higher levels of unemployment and a depressed economy. These unemployment figures, once again, are subject to the qualifications argued above. They significantly understate the real levels of unemployment, as indicated by the "discouraged worker" effect, and by dealing with numbers of jobs without considering the full-time/part-time or hours worked processes, overstate the improvement in employment. Disturbing as these unemployment projections are, they are but an indicator of a far more serious situation.

It is apparent too that present social and political trends are worsening the effects of unemployment. As with any depression, the working class is the hardest hit. The poor get poorer, and the rich, while they may not be getting that much richer, are still in a very comfortable situation. Safe middle class incomes, if reduced slightly by indexation, have suffered little in the recession. This is the basis for the growth of right wing individualist attitudes seen in California's Proposition 13 cutting property taxes or the "dole bludger" campaign here to blame the unemployed for their own plight.²⁵ With such attitudes, the

prospects for concern, let alone action, over employment are thin.

Well, in way of conclusion, can measures be taken to improve the unemployment prospects? As evident from the analysis, there is no hope at all in the proposals of reducing inflation, cutting government expenditure and slashing workers' wages so that the capitalists can get on with the job. Firstly, because these "remedies" do nothing to affect the major structural forces underlying the Australian economy. Secondly because capitalists have never shown they are particularly interested in looking after the unemployed unless there's a profit in it for them. The present welfare state, inadequate as it is, is the result of years of political and economic struggle - there's no going back on that.

Present labour movement strategies, while certainly improving the situation a bit, also don't seem to affect the long term forces. Expanding government works, or delaying new technology are important but against the size and force of the underlying trends their significance dwindles.

But really getting to grips with the mounting problems of the Australian economy requires more radical moves than these. Two possible ways forward, even if (paraphrasing Roger McGough) the distance towards them is the distance between Newcastle and Adelaide measured in empty beer cans and discarded election policies, are:

1. There is nothing wrong with technology in itself. It is the type of technology developed and control over that technology that is crucial. Properly developed and coordinated, new technology can definitely increase all our living standards and make work easier. This requires two things however: a much greater research and development effort from Australia (our R & D expenditure at present is both miniscule and subservient to foreign technologies); and an **ability** to control and plan the economy, which implies increased **state control**.
2. Even with reasoned and democratic planning, there is no guarantee that there will be jobs for everyone in the 1991 workforce. Nor need this be so - people have struggled for centuries to reduce workloads. But general social advance must not be paid for by the poverty of unemployed workers. What is needed is a new system of distribution of social wealth, to ensure everyone, working or not, has a decent standard of living. When Marx and the early socialist movement raised the slogan "From each according to ability to each according to needs" it was an ideal and a political rallying point. If we are to see social justice in Australia, it may soon also be a technological necessity.

APPENDIX : Predicting the Future Workforce

The analysis of future levels of unemployment above rested on predictions of what the workforce will be in future years. This appendix explains those predictions in more detail, looking at the two determinants of the workforce:

- the numbers of people in the working ages, split up into specific age-groups; and
- the participation rates for each age group.

The Bureau of Statistics has recently published Projections of the Population of Australia: 1979 to 2011 (ABS 3204.0), which cover the first part of the problem. Table 5 of that publication (p. 11-12) gives projections for each five year period from June 1981, assuming a net migration inflow of 50 000 per year.

Table A1: Projected Australian Population (in '000).

Age Groups	June 1981	June 1991	June 2001
<u>Men</u>			
15 - 19	655.2	661.0	687.0
20 - 24	650.7	678.8	620.8
25 - 34	1 201.5	1 357.4	1 390.8
35 - 44	942.3	1 218.5	1 371.6
45 - 54	774.3	913.9	1 176.5
55 - 59	367.1	349.3	459.0
60 - 64	291.9	335.9	352.6
65 +	591.0	720.4	782.2
Total 15 +	5 474.1	6 235.4	6 840.5
<u>Women</u>			
15 - 19	621.0	632.6	655.7
20 - 24	627.8	655.8	600.0
25 - 34	1 180.0	1 318.0	1 357.3
35 - 44	893.2	1 204.5	1 340.9
45 - 54	736.5	883.8	1 186.4
55 - 59	367.3	350.7	463.7
60 - 64	313.3	349.5	376.0
65 +	821.5	1 008.1	1 109.0
Total 15 +	5 560.8	6 403.1	7 089.0
Overall Total			
15 +	11 034.9	12 638.5	13 929.5

Note: This table assumes annual net migration at 50 000 inflow per annum.

Source: Projections of the Population of Australia 1978 to 2001, (ABS 1978 32040) p. 11-12.

The estimates are given for five year age-groups, which have been reworked to give Table A1: Projected Australian Population. Aside from the general increases in the total, this table also indicates the increasing average age of the population. For both men and women, the over 35 year old group grows faster than those under that age - in fact, there is only a very small increase in the 15-19 age group. This is a the result of the declining birth rate from the early 1960s, producing absolutely fewer births from 1970 on (and consequently fewer 15 year olds from 1985 on).

Any projections of population into the future have margins of error. They are sensitive, both to changes in the birth rate and to changes in migration flow. These do not affect these projections much though. The great majority of the workforce we are concerned with has already been born. So there are few problems estimating these numbers. As for the migrant flow, even in the worst years of recession, Australia still averaged an annual inflow of around 50 000, and present Government policies suggest an increase of this figure into the 1980s.

While these population projections will be fairly accurate (or slightly on the low side) then, projecting participation rates is more difficult. This is especially so as participation rates are sensitive to the general economic conditions. This is evident from Table 1 above (Australian Labour and Unemployment 1967-79), which shows the gross participation rate* rising strongly in the good economic times of the late 1960s and early 1970s to 62.3 per cent in May 1977. From here however it has tumbled back to 60.6 per cent.

The drop in the participation rates has been unevenly spread across the workforce, as can be seen from Table A2: Projected Participation Rates, comparing the figures for May 1977 with May 1979. In general, the figures show declines. For men, the 25-44 age group has fallen slightly, whilst for women there has still been growth, but fairly muted, for this age group. For both sexes, the under 25s have increased their participation rates, which seems to be largely due to people not normally in the workforce (students, and perhaps young mothers) needing part-time jobs.

Apart from the general fall in participation rates in the recession (and it is interesting to note that married women have not been pushed out of the workforce to a marked degree), the most striking feature is the substantial fall in the over 45 rates. Both men and women have seen significant falls, with men 55-64 declining the most dramatically. One can speculate that many of these are early retirements, perhaps (and, in equity, hopefully) on sickness benefits or other pension provision. Certainly, the figures indicate a substantial change in employment patterns for this age group that so far has escaped public attention.

It is clear from the 1977-79 experience that participation rates are sensitive to economic conditions. However, many if not most of those leaving the workforce are "discouraged workers", people who would like to work but, unable to find jobs, leave the workforce. In projecting participation rates into the future, it is not so much these essentially short term swings that should be looked at, but the underlying social trends.

The underlying social trends, which are used to construct the future participation rates in Table 2, were discussed extensively by the Borrie Commission

* The participation rate is the number of people in the workforce (ie. looking for work) as a percentage of the total number of people over 15.

Table A2: Projected Participation Rates

Age Groups	May 1977	May 1979	June 1981	June 1991	June 2001
<u>Men</u>		(Actual)			
15 - 19	62.7	63.6	63.0	62.0	61.0
20 - 24	90.7	91.1	91.5	92.0	92.0
25 - 34	97.1	96.2	96.5	97.0	97.0
35 - 44	97.0	96.0	96.5	97.0	97.0
45 - 54	93.9	91.8	92.0	93.0	93.5
55 - 59	86.7	81.3	81.0	81.5	82.0
60 - 64	65.7	54.3	55.0	56.0	57.0
65 +	14.0	11.5	12.0	13.0	14.0
<u>Women</u>					
15 - 19	56.5	57.9	58.5	59.0	59.5
20 - 24	68.0	69.1	70.0	70.5	71.0
25 - 34	48.6	50.4	52.0	57.0	60.0
35 - 44	55.5	57.6	58.5	61.5	63.5
45 - 54	48.2	45.5	46.0	50.5	55.0
55 - 59	31.5	27.5	28.0	30.0	32.0
60 - 64	15.4	13.5	14.0	15.0	16.0
65 +	3.2	2.0	2.5	3.0	3.0

Source: Labour Force Australia, May 1977, May 1979, and projections as in text.

Note: The 1977 figures were collected on a slightly different basis from the 1979 data. Consequently the 1977 figures are lower than they would be if reworked on the 1979 basis.

(National Population Inquiry, First Report [Canberra 1975] Vol. 1, Ch. VIII). These are that male participation rates will stay fairly constant, recovering a little from the 1977-79 slump, and that female participation rates will continue to rise, although at a slower rate than in the 1960s.

With Australia's economic prospects continuing to be depressed, many more discouraged workers will leave the workforce, and these projections will over-estimate actual participation rates. Most of these discouraged workers should still be regarded as part of the workforce however. Therefore, even if the precise figures do not follow these patterns, there is ample justification for looking at the underlying trends rather than just the short-run movements.

From the two Tables A1 and A2 it is a simple matter to work out Table A3, which gives the projected workforce in each age group for June 1981, 1991 and 2001. The numbers in each age group from A1 are multiplied by that age group's participation rate from A2 to give these workforce figures.

Summarising the results of this table gives:

<u>Date</u>	<u>Labour Force</u> '000	<u>Increase p.a.</u>	<u>Participation</u> <u>Rate</u>
May 1979	6 439.9		60.6
June 1981	6 763.1	2.5	61.3
June 1991	7 911.0	1.6	62.6
June 2001	8 833.1	1.1	63.4

As a final check on the workforce numbers estimated here, it is possible to drop the assumption of an increasing participation rate, and use some simple sensitivity analysis. For 1991, if the participation rate was not 62.6 per cent but the 60.6 per cent of 1979, the total numbers in the workforce would drop from 7 911 000 to 7 657 000. If we further assume, from Table 6 in the text above, that the number of jobs is 6 810 000 in 1991 (ie. using the 1 per cent job growth projection), then the unemployment rate drops, from 13.9 per cent to 11.1 per cent. In summary, changes to the participation rates do make a difference to the results discussed above and in the text, but not a major difference. 11.1 per cent, while not as high as 13.9, is still a very high level of unemployment.

Table A3: Projected Australian Workforce (in '000)

<u>Age Groups</u>	<u>June 1981</u>	<u>June 1991</u>	<u>June 2001</u>
<u>Men</u>			
15 - 19	412.8	409.8	419.1
20 - 24	595.4	624.5	571.1
25 - 34	1 159.4	1 316.7	1 349.1
35 - 44	909.3	1 181.9	1 330.5
45 - 54	712.4	849.9	1 100.0
55 - 59	297.4	284.7	376.4
59 - 60	160.5	188.1	201.0
65 +	70.9	93.7	109.5
Total 15 +	4 318.1	4 949.3	5 456.7
<u>Women</u>			
15 - 19	363.3	373.2	390.1
20 - 24	439.5	462.3	426.0
25 - 34	613.7	751.3	814.4
35 - 44	522.5	740.8	851.5
45 - 54	338.8	446.3	652.5
55 - 59	102.8	105.2	148.4
60 - 64	43.9	52.4	60.2
65 +	20.5	30.2	33.3
Total 15 +	2 445.0	2 961.7	3 376.4
Total Workforce	6 763.1	7 911.0	8 833.1

Source: Tables A1 and A2 (see text).

FOOTNOTES

- 1 In the 1961 Census, 17 per cent of married women were in the workforce; by 1971 the figure was 34 per cent. Details are given in Treasury Economic Paper No. 4 "Job markets" (AGPS 1979) pp. 9-12.
- 2 Discussion of these two unemployment surveys is given in ibid., pp. 78-87. A detailed analysis of recent debate on these figures is given by Keith Windschuttle Unemployment (Ringwood, 1979) pp. 199-205: "It is clear that the whole debate over unemployment statistics in Australia has been a sham and that the truth has been manipulated with quite open cynicism by Liberal politicians" (p. 205). Windschuttle's book is an excellent survey of both the patterns of unemployment in Australia and their social consequences.
- 3 This fall, and the different patterns in participation rates for different ages and sexes, is outlined more fully in the Appendix.
- 4 Windschuttle, op.cit., pp. 16-17.
- 5 Reported by Kenneth Davidson "Boost Output Growth to Create More Jobs" The Age 8/10/79, p. 17.
- 6 One good example of these arguments is P.P. McGuiness, the Economics writer for The National Times.
- 7 McCracken Committee, Towards Full Employment and Price Stability (OECD, 1977).
- 8 OECD Main Economic Indicators, various.
- 9 Ernest Mandel Late Capitalism (London 1975) and The Second Slump (London 1978); Kelvin Rowley "The End of the Long Boom" Intervention No. 6 (July 1976) pp. 36-79; cf also Mike Breznik and Jock Collins "The Australian Crisis: from Boom to Bust" Journal of Australian Political Economy, No. 1 (October 1977) pp. 4-33, and my "New Zealand and the End of the Long Boom" (unpublished paper, 1978). A detailed examination of the Kondratieff cycle is given by Mandel, op.cit., and David M. Gordon "Up and Down the Long Roller Coaster" in U.S. Capitalism in Crisis (Union for Radical Political Economics, 1978) pp. 22-34.
- 10 Mandel, Late Capitalism, ch. 5, esp. p. 175.
- 11 Rowley, loc.cit., pp. 58-62.
- 12 Crawford Commission (Study Group on Structural Adjustment) Report Volume 2 (AGPS 1979) Appendix 4.
- 13 Brian Carey "Technical Change, The Extent of Job Abolition and the Productivity Overhand" paper to 1979 Economists Conference, p. 16. Carey is citing work by R. Gregory "Structural Change, Prices, Employment and Imports in Australian Manufacturing Industry", a paper to the 1978 Economists Conference.
- 14 Len Cooper "New Technology - Meeting the Challenge", Paper to Labour Resource Centre Conference "Employment in the 1980s" May 1978, and the Transnational Cooperative pamphlet "The Job Killers" (Sydney, 1978).

- 15 Peter Robson "Technological Change and Employment in the 1980s" Journal of Australian Political Economy, No. 5 (July 1979) pp. 58-69.
- 16 For some reason best known to the ABS, these statistics include most unemployed people in the industry in which they last worked. Consequently the employment totals are higher than those given in other tables in this article, but the movements are still worth noting.
- 17 Figures from Treasury Paper 4, loc.cit., p. 105.
- 18 Based on real total GDP, comparing the September, December and March quarters 1978/9 with those for the previous year. Non-farm GDP grew by 3.2 per cent in this period, indicating the strength of the farming boom. Cf Quarterly Estimates of National Income and Expenditure March 1979 (ABS 5206.0).
- 19 Robson, loc.cit., p. 64.
- 20 A sophisticated attempt at this has been provided by P.B. Dixon and D.P. Vincent for 1990/1 in "The Snapshot Model: Underlying Theory and an Application to the Study of the Implications of Technological Change in Australia to 1900" (Paper for the IMPACT project, presented to the 1979 Economists' Conference). Dixon and Vincent outline where they expect employment to be concentrated, and in percentage terms their results support an extrapolation of the trends discussed in this paper. Their assumptions of aggregate patterns are however suspect. They work on the basis of 2.0 per cent productivity growth per annum, and although they are not specifically concerned with employment, they do assume full employment in 1990/1. The implicit assumptions are: 2.3 per cent employment growth per annum; 2.0 per cent productivity growth; and consequently 4.3 per cent GDP growth. Compared to the detailed discussion below, their productivity assumption is fairly low, and their GDP growth rate too high. Their consequent optimistic employment growth rate is not justified.
- 21 The Treasury report cited above (Davidson, loc.cit.), using the hours worked criterion, argues that the productivity rate has increased slightly, from 3.8 to 4.1 per cent per annum.
- 22 P.J. Brain and B.S. Gray "The Medium Term Prospects for the Australian Economy, 1978 to 1985" Australian Economic Review (3rd Quarter, 1978) pp. 24-45.
- 23 ibid., p. 45.
- 24 Greg Hywood "Jobless up 50 000 a Year", Australian Financial Review, 19/9/79, pp. 1-2.
- 25 cf Windschuttle, op.cit., ch. 8.

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