

Hidden Unemployment

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(A review of Peter Stricker and Peter Sheehan, Hidden Unemployment: The Australian Experience, Institute of Applied Economic and Social Research, University of Melbourne: Melbourne, 1981)

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Hidden Unemployment is the first book in a series planned by the Institute of Applied Economic and Social Research. The series, Issues in Contemporary Australian Society, aims to "explore some fundamental economic and social issues facing Australia in the 1980s", and intends to "set those issues within the context of the broader social and economic realities of Australian society." (foreword)

At the outset of Hidden Unemployment, the authors provide an overview of hidden unemployment, in which the point is made strongly that the deficiencies and biases of official measures of unemployment disguise the magnitude and severity of total unemployment in Australia. The incidence of 'hidden unemployment', according to the authors, is approximately equal to the already high recorded unemployment rate, the combination of which now (as at August 1979) amounts to approximately 11% of the labour force.

Part I discusses the methodological and economic problems involved in attempting to quantify the incidence and distribution of hidden unemployment. The hidden unemployed are defined as "those persons who are not now in the labour force but who would be in the labour force if the conditions characteristic of full employment existed." (p.3) The authors discuss, and discount, the relevance of factors such as wage and pension rates and educational trends as significantly contributing to hidden unemployment, and conclude that downward trends in labour force participation rates after the post-1973 recession have been largely the response of discouraged workers to a deteriorating labour market. Part II enumerates in considerable detail the distribution of the burden of hidden unemployment, in which it appears that older persons, women migrants and teenagers have borne the brunt of the economic crisis, as expressed in high unemployment rates, in the 1970s. In the remaining few pages, Part III considers the social and economic consequences of the problem, and outlines or foreshadows six policies relevant to both unemployment and its concomitant, poverty.

At its best, Hidden Unemployment represents a well-documented and timely reminder that unemployment is chronic and persistent, notwithstanding recent minor improvements in economic indicators other than employment, and despite the efforts of conservative politicians and economists to obscure and ignore the problem, or attribute it to the poor work characteristics of the unemployed themselves.¹ Hidden Unemployment is therefore both intellectually and politically commendable in its insistence that employment continues to be a severe economic problem, that official records of unemployment

do not reveal the depth and severity of the problem, and that it contributes to and aggravates the already high degree of economic inequality pervading Australian society, along lines of class, sex and race.

The strengths of the book are, unfortunately, marred by several substantial deficiencies, which consist of 'sins' of both commission and omission. Regarding the first, the estimates of hidden unemployment are derived largely from trends in labour force participation rates, which are based on a time-series analysis of the period 1966-1973. Divergences from the trend period, in terms of actual participation rates in the post-1973 years, are alleged to be the product of net withdrawals from the labour market, and represent chiefly the hidden unemployed. Two criticisms may be levelled at this methodology. The first concerns the parameters of the time-series, 1966 and 1973. Although the authors concede that Australia experienced a modest trough in the first year of the series (1966) and ended on a high note at the end (1973), and that, therefore, extrapolation from this trend may be based on an overestimate of underlying movements in participation rates (p.63), trends within this period nevertheless constitute the basis of subsequent estimates of hidden unemployment (that is, deviations from the 1966-73 trend). Yet it is not good enough merely to acknowledge potential biases in the data base, and subsequently to employ that base as the lynchpin of estimates and projections. Additionally, although Part I of Hidden Unemployment undertakes an assessment of the contribution of other factors, besides a deteriorating labour market, to the downward movements in participation rates in the 1970s, it is a cursory and somewhat hasty assessment, and incomplete in its failure to consider certain historically crucial influences on participation rates, particularly among women, for example, demographic variables (changes in the age structure of the population, age at marriage, family size, etc.) The authors have been criticised for making a neat statistical correlation between (declining) participation rates and (increasing) hidden unemployment, and for failing to consider a range of other variables relevant to changing participation rates.²

The more basic methodological weakness of Hidden Unemployment resides in its excessive attention to empirical descriptive detail, which is repeated (and duplicated) for each successive disadvantaged group. Chapters on older persons, women, migrants and teenagers all contain a myriad of statistical detail, expressed as isolated, discrete items. Serious consideration is given neither to the structure, functioning nor causality of a severely stratified and segmented labour market; indeed the whole is submerged within a welter of empirical particulars, which tend ultimately to obscure and mystify the underlying dynamics and causal mechanisms of the labour market. Empirical economic analysis becomes, in this case, mystifying empiricism rather than, as it should, a solid foundation on which more substantial theories and analyses may be built. The authors ultimately fail to achieve their primary objective, that of both documentation and analysis of hidden unemployment (p.209), as statistical narrative takes precedence over more thoughtful and critical analysis.

It may be considered unfair to criticise Hidden Unemployment on account of its sins of omission, that is for failing to achieve what it does not aspire to. It nevertheless strikes this writer that it is both disconcerting and saddening to read a work emanating from the Institute of Applied Economic and Social Research, birthplace of the Commission of Inquiry into Poverty³ and of a considerable amount of economic and social analysis directed at reforming Australian society, that a scant three pages (of a 212 page text) is devoted to policy issues and reform measures, which themselves read as a tacked-on appendix to a largely statistical document. The effect of this is to leave the reader rather bewildered, if not anaesthetized, by a

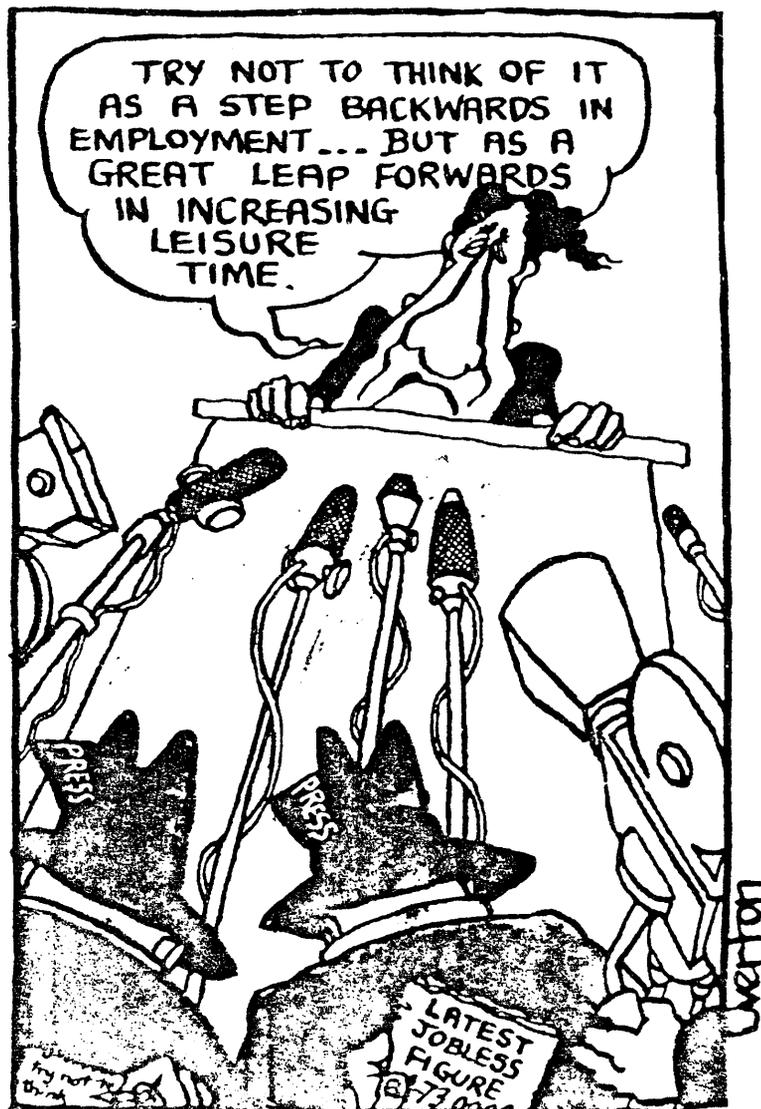
mass of statistics pertaining to the problem, yet left feeling somewhat powerless, and certainly without policies aimed at redressing the situation. Like the authors of the Poverty Report in the mid-1970s,⁴ Stricker and Sheehan regard a solution to the problems posed by hidden and high unemployment as "a top national priority". (p.210) Yet, perhaps in recognition of the changing economic and political climate, there is no sustained effort made or guideline provided for social and welfare economics to influence national economic policy, as occurred in the 1960s and early 1970s. It is as if the Institute of Applied Economic and Social Research recognises the current political inhospitability towards 'social economics' and has accordingly made the task of conservative Governments easier by vacating the arena of social and economic reform. In consequence, "specification of the content of policies to achieve this goal (the abolition of unemployment) is beyond the scope of this book." (p.210) In a similar vein a year earlier, one of the authors published a book on the crisis in the Australian economy, and although addressing himself to policy issues in this earlier work, explicitly avoided coming to grips with the political questions and issues involved in implementing social and economic reform.⁵ The Institute of Applied Economic and Social Research appears to have lost its reformist zeal and fervour; in substituting a battery of statistical exercises on "fundamental economic and social issues" for a sustained and coherent commitment to and programme for reform, it has facilitated the efforts of conservative politicians and economists to consign it to political oblivion.

Perhaps the greatest 'sin of omission' in Hidden Unemployment is not its lack of policy content, or lack of moral and political commitment to reform, but its complete absence of any class awareness or analysis, not only of unemployment but of the economic crisis itself. In consequence, older people, women, migrants and teenagers are treated as little more than disadvantaged out-groups, for incomprehensible reasons, in a system which is otherwise reasonable and rational. There is no consideration given to the nature and causes of a severely stratified labour market which produces such disadvantaged groups and classes. The question is not therefore asked whether chronic unemployment and periodic 'crises' may well be an inherent feature of capitalist commodity production. Nor does Hidden Unemployment engage in a political-economic analysis of unemployment, as a deliberately fostered creation of ruling classes in order to dampen industrial militancy and class conflict. Accordingly, the authors do not entertain the possibility that unemployment may indeed be the preferred policy option of current conservative Governments. In their efforts to avoid entering the arena of political commitment and social and economic reform, the authors of Hidden Unemployment leave the reader bemused at the apparent irrationality and anarchy of an economic system which generates such problems, and little enlightened as to the causes of the problems or the solutions to them.

In sum, the intention of the series planned by the Institute of Applied Economic and Social Research is to set "fundamental economic and social issues ...within the context of the broader social and economic realities of Australian society". Hidden Unemployment has failed to fulfil this aim, and can, therefore, rightly be criticised for its limited scope and perspective. One can only hope that the Institute ensures that future publications in the series redress the imbalance inherent in the first publication by addressing the broader realities of Australian society, including the political realities. Unfortunately, Hidden Unemployment suggests that social democrats and 'Keynesian' economists (such as the authors) have little to offer in the way of a coherent critique of the current economic crisis, and even less in the way of policies and strategies to change that system.

FOOTNOTES

1. Ironically, at the very launching of the book, the Victorian (Liberal) Minister for Employment and Training attempted to denigrate its findings, the authors, and the Institute itself two weeks earlier. Mr Dixon attacked the "arbitrary and quite simplistic" procedures involved in the book's estimates of hidden unemployment, and the authors' 'naive' assumptions; The Age, 8 December 1981.
2. Eg. S. Bonnell, P. Dixon, 'The Impact of Structural Change on Employment of Migrants in Australia during the Seventies', Paper presented at the Conference on the Economics of Immigration, Sydney University, February 1982, p.21.
3. Australian Government Publishing Service, Australia, 1975.
4. ibid.
5. P. Sheehan, Crisis in Abundance, Penguin, Australia, 1980, p.8. The political shortcomings of this work have been reviewed in an earlier edition of this journal; see G. Elliot in The Journal of Australian Political Economy, no. 10, June 1981, pp 82-83.



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