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Centre of Full Employment and Equity

Working Paper No. 02-07

Employment policy and active labour market programs

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August 2002

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1. Introduction

The language of employment policy and active labour market programs is that of a society that has abandoned the goal of full employment and now pursues the diminished goal of full employability. The government no longer ensures that employment growth matches labour force growth but focuses, instead, on getting individuals 'work ready', should there be jobs available (Mitchell and Carlson, 2001). Our major contention is that Australia has jettisoned essential and sustaining conditions for a social democracy and, in doing so, is systematically breaching human rights.[2] Neo-liberal attempts to recast full employment as being consistent with high levels of 'natural rate' unemployment are erroneous and anathema to social democratic ideals.

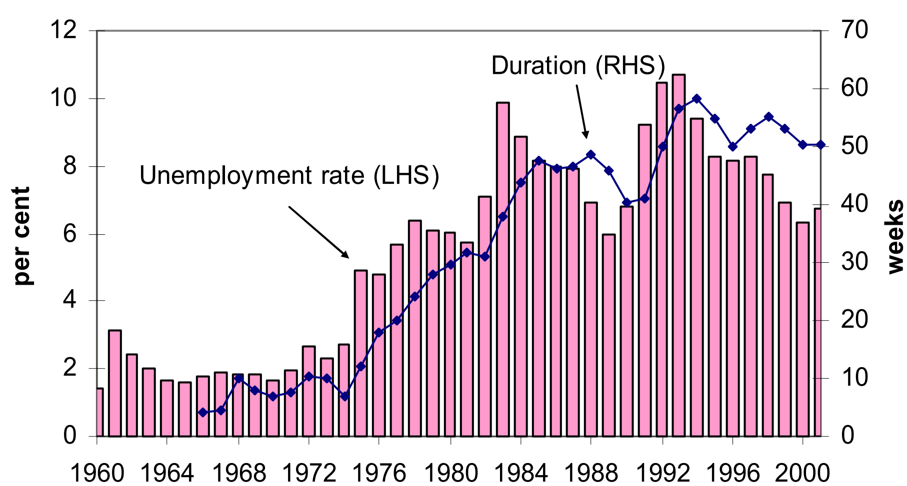
A fully participative social democracy requires that full employment be achieved – meaning that there are enough jobs (and hours of work) to match the aspirations of the labour force. This places requirements on federal government to use fiscal policy to maintain adequate levels of aggregate spending in the economy. This essential fact is the foundation of macroeconomic theory and requires that the federal government understands the power that derives from its currency-monopoly. It has been ignored by neo-liberalism.

Under neo-liberal policies, unemployment rates in almost all OECD economies have risen and persisted at higher levels since the mid-1970s. The prevailing orthodoxy amongst economists and policy makers sources the persistently high unemployment in institutional arrangements in the labour market, like wage setting mechanisms and trade unions, and/or faulty government welfare policies, which have encouraged people to engage in inefficient search or to embrace welfare dependence. Policy now focuses on overcoming these microeconomic constraints. However, after 25 years of harsh cutbacks and structural dislocation, unemployment remains persistently high and the incidence of hidden unemployment and underemployment is rising (Mitchell and Carlson, 2001).

Systemic (macro) failure cannot be speciously ascribed to structural change (in industry employment or labour force composition) or to increased global competition in trade and financial markets. The alleged competitive challenges posed by globalisation have not diminished the power of government to engineer full employment. These claims are made by neo-liberals who are eager to pin the blame for the persistently high unemployment on the attitudes and motivations of the unemployed. However, the blames lies squarely on the conduct of macroeconomic policy, and globalisation, by freeing exchange rates, has enhanced the Federal government's capacity to run independent fiscal policy.

In the midst of the on-going debates about labour market deregulation, minimum wages and taxation reform, the most salient, empirically robust fact that has pervaded the last two and a half decades is that actual GDP growth has rarely reached the rate required to achieve and maintain full employment (Mitchell and Carlson, 2001). The low point unemployment rate has steadily ratcheted upwards over successive economic cycles.[3] The history of the rate and average duration of unemployment for Australia is shown in Figure 1. The average duration, which was 3 weeks when data was first collected in 1966, is now around 50 weeks. Despite a sustained period of economic growth since the recession of the early 1990s, the unemployment trend in Australia remains positive.

Figure 1 Unemployment Rate and Average Duration of Unemployment, Australia, 1959-2001



Source: Mitchell and Carlson (2001)

In this chapter we demonstrate that there is no economic basis for restricting net government spending below the level required to generate full employment. The pursuit of budget surpluses, which purports to exemplify fiscal prudence, more accurately reflects an ideological obsession with "small" government. Indulging this obsession imposes disproportionate costs on the most disadvantaged members of our society (Mitchell and Mosler, 2002; Mitchell and Carlson, 2001).

The Chapter is laid out as follows. Section 2 discusses the evolution of neo-liberal policy over the last 25 years and Section 3 critically examines this ‘high unemployment’ paradigm. Section 4 considers the concept of full employability while Section 5 shows how this focus has shifted the burden of responsibility for systemic failure onto the most disadvantaged in our society. Section 6 considers the track record of neo-liberal employment policy and concludes that it has been a failure. Section 7 outlines the case for a return to a full employment via a Job Guarantee. It is argued that this is an essential condition for the maintenance of human rights and a full participative social democracy.

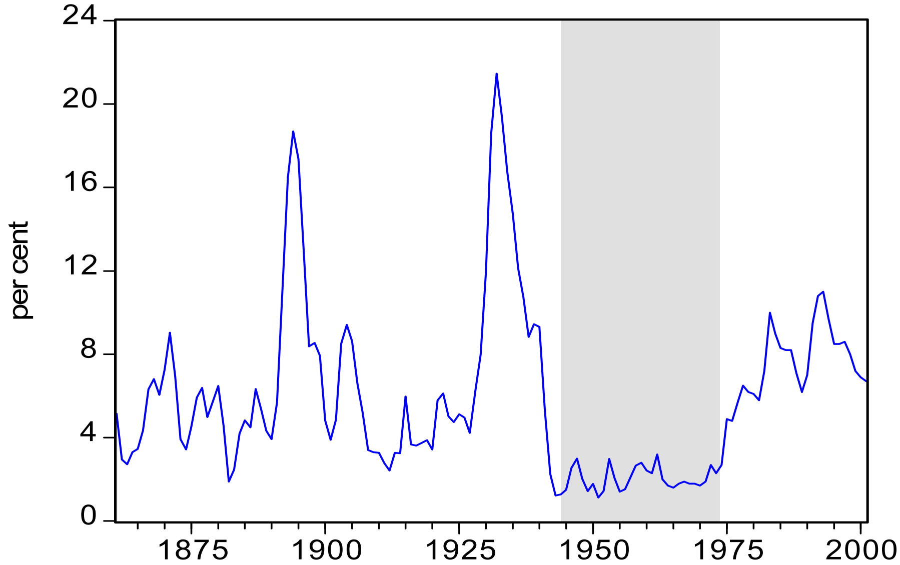
2. The evolution of the neo-liberal economics agenda

The Great Depression taught us that capitalist economies are prone to lengthy periods of unemployment without government intervention. The Second World War experience proved that full employment could be maintained with appropriate use of budget deficits. The orthodox neoclassical remedies tried during the 1930s largely failed. The challenge at War’s end was to translate the full employed war economy, with extensive civil controls and loss of liberty, into a peacetime model. Major policy papers of the time reflected the Keynesian view that unemployment was a systemic failure.

The emphasis of macroeconomic policy became firmly focused on maintaining full employment with inflation control a secondary issue. From 1945 until 1975, governments used fiscal and monetary policy to maintain levels of overall spending sufficient to generate employment growth in line with labour force growth. Public sector job creation was also important not the least because it implicitly played the role of ‘employer of the last resort’ (Mitchell and Carlson, 2001). The economies that avoided high unemployment in the 1970s all maintained a sector of the economy that served as an employer of last resort (Omerod, 1994).

The shaded area in Figure 2 shows that throughout this period unemployment rates rarely rose above 2 per cent (Mitchell, 2001). Prior to, and after, this period the Australian economy rarely achieved unemployment rates below 5 per cent.

Figure 2 An historical view of the unemployment rate in Australia, 1861-2001.



Source: Mitchell and Carlson (2001).

By the 1950s, the positive focus on jobs gave way to 'full employment' being seen in terms of unemployment and inflation. The Phillips curve, which proposed a formal relationship between unemployment and inflation, swept to centre stage (Mitchell, 2001). Policy-makers were now supposed to choose between alternative mixes of unemployment and inflation and the focus on a required number of jobs was lost.

The economic dislocation following the oil price rises in 1974 provided the conditions necessary for the paradigm shift in macroeconomics toward neo-liberalism. Governments reacted to accelerating inflation with contractionary policies designed to quell rising prices, and unemployment rose. The Keynesian notion of full employment was finally abandoned as policy makers adopted the natural rate hypothesis (NRH) advocated by Milton Friedman. This approach, now referred to as the NAIRU paradigm[4], redefines full employment in terms of a unique unemployment rate (the NAIRU) where inflation is stable. The NAIRU is determined by supply forces and is invariant to Keynesian demand-side policies. Keynesian remedies proposed to reduce unemployment are now met with derision from the majority of economists who have embraced the anti-Keynesian NAIRU concept. They claim expansionary fiscal and monetary policy designed to drive unemployment below the NAIRU only generates inflation. In the 1980s, the Australian NAIRU was estimated to be around 8 per cent and its proponents argued that microeconomic reform only could reduce it, if it was considered to be too high (Mitchell, 2001). Accordingly, the policy focus shifted to the labour market and related institutional arenas like welfare, education and training systems. Meanwhile, the NAIRU escaped accurate measurement and its proponents failed to explain why, for example, unemployment in the USA in the1990s systematically fell below the NAIRU estimates, yet inflation also declined.

The Reserve Bank of Australia (RBA) also has been captured by the NAIRU paradigm. The RBA was legally established to ensure, among other goals, that full employment was maintained. Its 1996 *Statement on the Conduct of Monetary Policy* argues that its priority on inflation control is consistent with full employment (defined as the NAIRU). The Statement also emphasised the need to target inflation and inflationary expectations and the complementary role that "disciplined fiscal policy" had to play. In the Reserve’s view, the growth performance of the economy is ultimately determined by the economy's innate productive capacity. It cannot be permanently altered by expansionary policy and any attempt to do so would create rising inflation. The RBA is silent, however, about the persistent unemployment that their “inflation-first” policies have created. Under current policy, unemployment is explicitly used to control inflation. It is clear that the economy has not provided enough jobs since the mid-1970s and the conduct of monetary policy has contributed to the malaise. The RBA has forced the unemployed to engage in an involuntary fight against inflation and the fiscal authorities have further worsened the situation with complementary austerity.

3. False attacks on macroeconomic activism

The neo-liberal paradigm, and the attacks it has made on active macro policy, has consistently failed to address the basic issue: Why does mass unemployment of the type we have seen over the last 25 years occur? From introductory macroeconomics, we learn that if aggregate spending is not sufficient to purchase the total supply of goods and services, there will be an unplanned increase in inventories leading to a rise in unemployment and/or underemployment. To avoid this situation, net government spending (the budget deficit) must fill the spending gap. Thus, mass unemployment reflects a choice made by government to provide lower net government spending and accept higher unemployment (this section is based on Mitchell and Mosler, 2002).

When involuntary unemployment exists, nominal (or real) wage cuts cannot 'clear' the labour market unless they somehow eliminate the desire of the private sector to net save, and thereby increase spending. Nor can individual search endeavour eliminate the macroeconomic constraint imposed on the labour market. The unemployed cannot search for jobs that are not there. Extending the model to include the foreign sector makes no fundamental difference to the analysis. Private domestic and foreign sectors can be consolidated into the non-government sector without loss of analytical insight.

Only government deficit spending can accommodate any net desire to save by the non-government sector and eliminate unemployment. In contradiction to mainstream rhetoric, the systematic pursuit of government budget surpluses must be manifested as systematic declines in private sector savings.

Mass unemployment thus arises because the budget deficit is too small. The non-government sector depends on government to provide funds for both its desired net savings and payment of taxes. To acquire the currency it needs, the private sector offers real goods and services for sale. Unemployment therefore occurs when net government spending is too low to accommodate the need to pay taxes and the desire to net save. In general, given that the non-government sector desires to hold currency, deficit spending is necessary to ensure high levels of employment.

Contrary to the neo-liberal myth there are no financial constraints on federal government spending. The myth starts with a false analogy between household and government budgets. It misunderstands that a household, the user of currency, must finance its spending before the spending occurs, whereas the government, the issuer of the currency, spends first and never has to worry about financing. In pursuing the myth, orthodox economists use the Government Budget Constraint (GBC) framework to outline three sources of government "finance": (1) taxation; (2) selling interest-bearing government bonds to the private sector; and (3) printing money. A budget deficit (government spending above tax revenue) must therefore be "financed" by a combination of (2) and (3). Various scenarios are constructed to show that deficits are either inflationary, if financed by printing money, or crowd-out private sector spending by pushing up interest rates, if financed by debt.

A summary of the critique offered by Mitchell and Mosler (2002) starts by noting that Federal government spending provides the private sector with the currency they need to discharge their tax liabilities and to net save. This spending precedes the tax payments and logically cannot be financed by the same. If the private sector desires to net save then total government spending must exceed taxation; there must be a budget deficit. Budget surpluses thus squeeze the desires of the private sector to hold financial assets, net save and pay taxes. Ultimately, they must lead to mass unemployment.

The GBC approach then argues that deficits have to be financed by debt, which place upward pressure on interest rates by increasing demand for private funds. Yet, this fundamentally misconstrues the way the banking system operates. The RBA conducts monetary policy by setting and maintaining a target short-term interest rate (the cash rate), which conditions the overall structure of interest rates. A budget deficit provides a net injection of cash into the system which creates a system-wide excess in the reserve accounts that commercial banks hold with the RBA (exchange settlement accounts). These accounts are central to the settlements system where the multitude of transactions between individuals and banks are resolved. Banks eschew excess reserves in these accounts because in Australia they earn 25 basis points below the cash rate. Thus, system-wide cash surpluses place downward pressure on the cash rate as banks try to lend out the excess reserves. The RBA must 'drain' these excess reserves from the system if it wants to meet its interest rate target. They do this by issuing government debt. The private sector purchases the debt to earn a market yield on their excess reserve holdings. So, far from pushing interest rates up, debt issues maintain existing rates, which would otherwise fall. If no debt was issued, the RBA would lose control of monetary policy (cash rate) but this would not constrain government spending. The impact would be on asset returns available to the private sector. In circumstances where the private sector cannot find suitable interest-bearing assets to absorb their cash surplus, the sector can increase its consumption. This would mean that the private spending gap would decline and require lower net government spending to maintain full employment and avoid an overheated economy.

Other arguments have been raised in the last 20 years to repel Keynesian macroeconomic activism. The “twin deficits” argument alleged that a budget deficit translates dollar-for-dollar into the current account deficit, with inflation the consequence as rising international debt levels (to fund the current account) force exchange rate depreciation. The empirical and causal reality is different and this view is now discredited (see Mitchell, 2001). More recently, neo-liberals claim that national macroeconomic policy has lost its independence because of the damaging impacts of speculative financial flows which can shatter a non-compliant nation's exchange rate almost overnight. Further, the standards of living supported under full employment and augmented by the welfare state are no longer possible because of competition from emerging industrial nations. But the essential point is that the government, as the issuer of money, cannot be financially constrained and has an obligation to ensure that its net spending is sufficient to maintain full employment. The international investment community is ultimately interested in yields and a strong stable economy with full employment provides an attractive long-term source of profitability. Any “package” that justifies its position on the basis of perceived government financial constraints rests on false foundations. In that context, the emphasis on active labour market programs, which we now examine in detail, is difficult to justify.

5. Getting personal

A commitment to full employment is a defining feature of the social democratic welfare state, defined by Mishra (1999: 322), as one that seeks to provide universal and comprehensive services based on a notion of social solidarity and the rights and entitlements of citizenship. The existence of persistent unemployment or disadvantage is the anathema of this conception.

While full employability has replaced full employment as the lodestar of labour market policy, reciprocity has replaced rights as the guiding principle of welfare reform. As policy analogues, they consolidate a supply-side orthodoxy in which both unemployment and welfare dependency are due to the deficiencies of “dependent” individuals. Any discussion about the system-wide deficiency in aggregate spending has been subjugated by personalised arguments about the deficiency of skills, attitudes and values of the unemployed.

In this model, passive welfare measures such as spending on income support are seen as supporting dependency, eroding the work ethic and undermining our moral fibre. Unconditional benefits promote inactivity among the unemployed. Active measures to improve the 'employability' of the unemployed are needed to avoid the atrophy of skills, motivation and work habits.

The Federal Minister for Employment, Tony Abbott summarises this view:

> In the absence of rigorous work tests, welfare benefits pitched close to the level of minimum wages eventually create a glass floor below which unemployment cannot fall. Why do some people not work? Because they don't have to … The role of the welfare system in creating and sustaining unemployment has been one of the great unmentionables of Australian public policy debate … Tackling unemployment today is not just a matter of creating more jobs or training-up skilled workers. It requires powerful incentives for long-term job seekers to take the jobs that are there as well as new types of work for people who can't readily find paid employment. (Abbott, 2000)

A concern with employability demarcates active from passive labour market measures (OECD, 1994). Active measures comprise policies and programs that are targeted to the unemployed or jobless with the aim of enhancing their employability and participation in the world of work.

The OECD Jobs Study (OECD, 1994) Jobs Study epitomised the full employability concept and has been an important driver of labour market reform. The report argues that persistent unemployment in member countries results from labour market rigidities which are exacerbated by social protection programs. Its recommends increased labour market flexibility, increased education and training, more stringent benefit regimes and active measures to get the unemployed back to work.

In theory, active labour market programs can include demand-side measures such as job creation schemes and subsidised employment. In practice, the objectives of active labour market programs have evolved, from the creation to the redistribution of jobs, to skill and human capital acquisition and to engendering attitudinal change. Programs are increasingly centred on 'soft' supply side measures such as counselling, advice, job-search support, and "individual action plans" for the unemployed (Lönnroth, 2000: 175-78).

Critics argue that the Jobs Study pays little attention to the scope for expansionary fiscal and monetary policy to improve outcomes. Its emphasis on fiscal austerity and inflation control has led to poor results. We now consider the extent to which the supply-side agenda has underpinned Australian ‘employment policy’ since the early 1980s?

6. Embracing employability - from reciprocal to mutual obligation

The employability agenda has reshaped Australia’s welfare state with reforms over the past fifteen years being characterised by greater targeting and conditionality of benefits and more attention to imposing and policing compliance. The adoption of OECD’s ‘active society’ concept and the associated shift to an employment-centred social policy began under the Hawke Labor government in the mid 1980s. An activity test replaced the work test and required an unemployed person to actively look for work with society accepting a reciprocal obligation to pay income support (Cass, 1988: 143). This was formalised in the 1994 White Paper, *Working Nation*, which introduced a range of new labour market programs; individualised case management of the unemployed; direct job creation through New Work Opportunities, and a Job Compact providing a conditional guarantee of paid employment for the long-term unemployed. Yet, penalties for breaching job search requirements, or failing to accept a reasonable job offer, were increased.[5]

The Coalition Government’s 1996 election saw *Working Nation* abandoned, on cost and efficiency grounds, and substantial cuts made to labour market programs. Since then, activity tests applying to unemployment benefits have become increasingly onerous and sanctions for non-compliance harsher. The public policy focus, and the politics of welfare, has been squarely on the attitudes of the unemployed. Indeed, the Department of Employment and Workplace Relations now has an ‘attitudinal segmentation model’, which classifies job seekers as ‘drivers’, ‘drifters’, ‘cruisers’ and ‘selectives’, according to their different levels of motivation and receptiveness to opportunities. The research underpinning the model gives no consideration to whether ‘cruising’ or ‘drifting’ may be rational responses to the loss of confidence and self-control associated with prolonged joblessness.

Castles (2001: 55) notes the increasingly explicit moral justification, under the rubric of ‘mutual obligation’, that recipients must return something to society in return for their benefit. The principle of mutual obligation underpinned the 1997 introduction of the Work for the Dole program but has quickly become the modus operandi for the full body of programs and payments designed to assist the unemployed.

Many of these programs are now delivered through a privatised employment service after the Coalition Government dismantled the Commonwealth Employment Service (CES) and replaced it with Centrelink (a one-stop shop for government income support) and the Job Network (allegedly, a fully contestable market for government-funded employment services). The Job Network comprises a network of private and community providers of placement and case management employment services. The government rewards providers for job, education and training outcomes according to a hierarchy of outcome payments and positive performance assessment (Productivity Commission, 2002: Chapter 10).

Abbott (2001:2) uses moral and anti-bureaucratic terms to justify the changes:

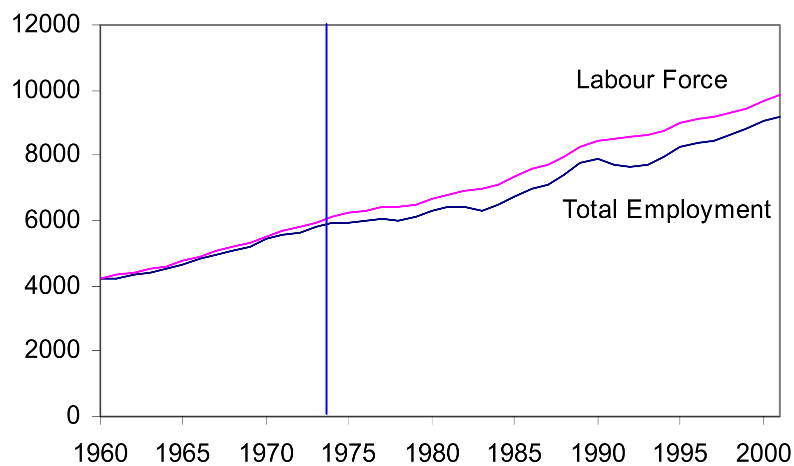
> It's not easy to work with vulnerable and demoralised people. Job Network staff, no less than CES officers, have finite reserves of patience and wisdom. But they aren’t governed by a public sector rule book or a closed shop mentality. They are not compelled by an institutional culture to be detached and non-judgmental. They are not separated from job seekers by the perceptual gulf derived from living in a world of officialdom and exercising the power of government (2001: 2).

The Job Network has effectively made the major charities the agents of employment policy delivery in Australia. This has created an organisational schizophrenia for many of them. First, non-profit organisations who implement state welfare programs for commercial gain become co-opted (lose their independence) and may undergo fundamental internal changes. Job Network regulations require all agencies to report job seekers who fail to comply with job search requirements. Subsequent breach penalties impose harsh income losses on individuals already experiencing financial hardship. For many charitable agencies, their tacit support for the current penalty regime is in contradiction to their long-standing welfare mission and is seen as counter-productive to the aim of assisting the unemployed to find work. The charities are now breaching their Job Network clients who then are forced to turn to them for emergency relief. Some charities have also made it more difficult to access emergency relief as they fervently pursue commercial opportunities provided by the Job Network. Second, it is unclear how adopting corporate aims to guide social spending advances social justice, which requires that resources are allocated according to an ordering of societal needs, determined in the public domain, rather than by corporations. Recently, Mission Australia, one of the largest Job Network providers, has used publicly-provided, Job Network payments intended to assist the long-term unemployed, to fund a reward scheme for employers who take on their clients. Attractive items like golf clubs are on offer as a scheme to increase Mission Australia's market share and to improve its chances of getting future Job Network contracts.

7. The report card

In terms of the Keynesian full employment benchmark, the neo-liberal policy agenda has been a stark failure with a persistent employment gap (fewer jobs than available workers) evident since 1974 (see Figure 3). On average there have been 11.1 unemployed persons per unfilled vacancy since June 1974 (Mitchell and Carlson, 2001)

Figure 3 The employment gap in Australia, 1960-2001



Source: ABS, The Labour Force, Australia, 6203.0, various issues.

The poor employment outcomes for participants in labour market programs documented in Table 1 point to the futility of training the unemployed for jobs that are not there.

Three months after completing Intensive Assistance (B), just 11.3 per cent of individuals were in full-time work while 63.3 per cent remained in unemployment or had left the labour force. Half of the individuals who commenced Intensive Assistance in this period had participated in the program at least once before (Senate Employment, Workplace Relations and Education Committee, 2002: 136). In addition, the Productivity Commission (2002: Chapter 9) found that the payments structure to Job Network providers has led to a substantial proportion of Intensive Assistance clients being 'parked' while providers concentrate their efforts on job seekers who are easier to place in employment.

Table 1 Post assistance labour market outcomes, Year ending September 2001

Labour Market Program	Employed			Unemployed	Not in the Labour Force	Education Outcomes
	F/T	P/T	Total			
	(%)	(%)	(%)	(%)	(%)	(%)
Work for the Dole	11.8	12.8	24.6	44.0	8.3	11.6
Job Matching	38.2	28.0	66.2	28.8	5.0	12.0
Job Search Training	20.6	20.8	41.4	46.3	5.2	12.9
Intensive Assistance A	18.4	25.5	43.8	36.0	12.5	8.3
Intensive Assistance B[2]	11.3	17.8	29.1	45.5	17.8	7.5

Source: The DEWR Post Program Monitoring Survey conducted three months after job seekers cease assistance.

1. Post assistance outcomes are measured three months after the job seeker ceases assistance and relate to job seekers who commenced a labour market program between 1 July 2000 and 30 June 2001 and outcomes achieved by 30 September 2001. Positive and employment outcomes exclude indigenous job seekers who return to Community Development Employment Projects (CDEP) after leaving labour market assistance.
2. The funding level A or B refers to the level of disadvantage as defined by the Job Seeker Classification Instrument (JSCI) with B being the most disadvantaged.

Outcomes for the Work for the Dole program are similarly poor. Three months after completing the program just 11.8 per cent of participants were in full-time work and less than one quarter were in any form of employment. Additional data obtained from the Department of Employment and Workplace Relations highlights the precarious nature of any work attained with 65 per cent of employment exits from Work for the Dole between

1 July 2000 and 30 June 2001 going into temporary, casual and seasonal work (Senate Employment, Workplace Relations and Education Committee, 2002, Question 71).

The poor results for labour market programs beg the question as to why should we expect anything better in the absence of policy measures designed to address the quantum of jobs and issues of job security? Improving employability does not increase the level of aggregate labour demand.

In isolation, supply side measures merely shuffle the jobless queue. The clear danger of this kind of zero-sum redistribution is that policies achieve tentative reattachments to the labour force at the expense of deepening employment insecurity. Labour-market instability, poverty and indeed welfare dependency are not solved by such measures; they are simply redistributed amongst the same at risk groups (Peck and Theodore, 1999: 14).

8. Restoring social democracy – a return to full employment

The costs of unemployment are significant and include not only income and output loss, but the deleterious effects on self-confidence, competence, social integration and harmony, and the appreciation and use of individual freedom and responsibility. A participatory social democracy must therefore protect the right to work. This means that all persons over a certain age should be able to obtain paid full-time employment or fractional employment by choice. The State should uphold this guarantee, as a legally enforceable right. It should require that minimum adult rates of pay exist and that all jobs are accorded the same (or pro rata) rights and conditions associated with full-time market employment. Guaranteed public sector jobs should endure and form temporary steps towards higher paid employment in the market sector.

A renewed commitment to full employment requires government to abandon its obsession with budget surpluses. The Federal government must increase its levels of net government spending to fill the expenditure gap left by the private sector. The long-term unemployed will benefit from long periods of demand expansion as firms lower their hiring standards and absorb training costs rather than leave positions vacant.

Further, the government must increase its own employment and resume a role as an employer of the last resort. During the 1950s and 1960s, the public sector played this role in Australia. Labour intensive opportunities were always available for low skill workers when private sector demand was slack. For teenagers, public sector apprenticeships were a significant source of employment. In 1973, the public employment share was around 3 per cent higher than it is now. That amounts to more than 500,000 jobs being lost today.

While a vibrant private sector is essential for a healthy economy it will never provide enough work for those who want it. Public sector job creation is the only way we will return to full employment and reduce economic inequality. Mitchell and Carlson (2001) contain many contributions supporting the introduction of a Job Guarantee as essential to the maintenance of human rights and the restoration of social democracy (see Mitchell, 2001, for a detailed analysis of the Job Guarantee proposal). The additional costs associated with paying the unemployed a safety-net wage are not high and currently wasted labour could be provided with paid employment opportunities in areas like caring work, educational, cultural and community services and environmental restoration. Given the scale of unmet community needs these jobs will have a positive impact on our social well being. The gains to the unemployed in terms of greater self-esteem and independence would alone be worth the change.

9. Conclusion

Neo-liberals have been successful in making inflation appear to be a worse bogey person than unemployment. However, the political importance of inflation has been blown out of all proportion to its economic significance. In neglecting the right to work, errant macroeconomic policy created persistently high levels of unemployment. The OECD supply side approach was held out as an answer to mass unemployment in industrially advanced economies, yet excluded any consideration of a right to work and the generation of sufficient jobs. Sadly, Australia bought the rhetoric of full employability, and has pursued it relentlessly, abandoning full employment as a consequence.

A right to work is the precondition for eliminating unemployment and its enormous costs and consequences. If this right were enshrined in Australian law, it would require active macroeconomic policy to return to centre stage in the fight against unemployment. It would also require a Job Guarantee be introduced. The era of active labour market programs would be over and a return to social democracy made possible.

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Notes

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[2] The Universal Declaration of Human Rights includes the right to work, the right to food and the right to social security, while the 1946 International Labour Organisation Declaration of Philadelphia asserts full employment as a national and international goal (Siegel, 1994: 60).

[3] In the last four economic cycles the low point (seasonally adjusted) unemployment rates have been 4.6 per cent (June 1976), 5.5 per cent (June 1981), 5.6 per cent (November 1989) and 6.0 percent in September 2000 (Mitchell and Carlson, 2001).

[4] NAIRU is an acronym referring to the Non-Accelerating Inflation Rate of Unemployment. There is a growing literature outlining fatal flaws in the NAIRU approach, which render it unsuitable as a policy framework (see Mitchell, 2001).

[5] Penalties range from a deduction of 16 per cent of the job seeker's allowance for 13 weeks for an administrative breach to the cancellation of the job seeker's allowance for 8 weeks for a third activity test breach. Unpublished data provided by Centrelink shows that in 2000-01, 294,747 activity test breaches and 92,199 administrative breach penalties were imposed. Between June 1998 and February 2001, activity test breaches increased by 310 per cent (ACOSS, 2001).