

# Symposium on the Costs of Unemployment: Introduction

Peter Kriesler and John Neville\*

The right to work is regarded as one of the most fundamental human and economic rights. Article 23 of the Universal declaration of human rights states “[E]veryone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.” However, over the last 25 years unemployment has been high in most Western countries and there are still over 30 million unemployed in OECD countries. Clearly, other goals have replaced the elimination of unemployment as the major imperative of governments. This situation also applies in Australia. After the longest upswing in economic activity in decades, the unemployment rate is still over 6 per cent. If one adds in the Australian Bureau of Statistics figures for discouraged workers and other hidden unemployed, the figure is doubled. Moreover, to be counted as a part time employed person one only has to work one hour a week. Many who work part time want to work full time or longer hours part time. If the extra hours of work desired are translated into the equivalent of full time jobs the rate of unemployment and under employment combined is about 15 per cent. In Australia today well over a million people are either jobless when they want to work, or only have part time jobs which do not provide the number of hours that they wish to work.

This situation leads many to believe that the goal of reducing unemployment is not given appropriate priority compared with other goals of macro economic policy. In other words the costs of unemployment are not fully

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\* School of Economics, University of New South Wales

understood or given appropriate weight. Unless the extent of these costs is documented, and awareness of them spread throughout the community, attitudes to the unemployed will often be of the inappropriate “blame the victim” variety, and Australia will lack the political will to implement effective policies to restore full employment (since no policies are costless). In July 2000, the Centre for Applied Economic Research held a one day conference on the “Costs of Unemployment”. This symposium is made up of a selection of the papers given at that conference.

The symposium begins with a paper that estimates the measurable costs of unemployment. Watts and Mitchell discuss the social costs that are very difficult to measure, but concentrate on those costs that they can put dollar values on. Not only do they find that the costs of lost output are large, but also the loss in government revenue and the extra expenditure is also large so that the costs to the budget of restoring full employment through an expansion of public sector jobs is less than is often thought. The next three papers consider the cost of unemployment to specific groups in the community. McCelland discusses the effects on families, Hunter the effects on indigenous Australians and Encel those on elderly people. All of these papers consider the costs of unemployment that can not easily be quantified and often do not feature in debates. Two aspects of these types of costs of unemployment that are not considered in any detail in this symposium are the effects on crime, and the increase in health problems associated with unemployment. It is hoped to include articles on these subjects in a future issue of this journal. In the final paper in the symposium, Burgess and de Ruyter confront the question is any job better than no job and, most importantly, is a poor quality casual job likely to lead to a better job. They argue that the systematic decline in job quality is itself a hidden cost of unemployment, since it is made possible by the increase in bargaining power that the existence of unemployment gives to employers. Moreover, casual jobs are unlikely to lead to permanent jobs.

One of the reasons that eradicating unemployment is not a higher priority is a common perception that its costs are mainly borne by the unemployed themselves. In fact, the costs extend beyond those individuals to society as a whole. These wider costs arise from many sources, through the effects on the families, which, in turn, leads to intergenerational effects, through increased crime, through costs imposed on the health system due to the poorer health of the unemployed, and so on.

The final cost of unemployment in our society is that it diminishes us all.