

# The Social Costs of Indigenous Unemployment

B.H. Hunter\*

## Abstract

*In a purely economic sense, unemployment in the Australian community is extremely costly. This article analyses evidence from the 1994 National Aboriginal and Torres Strait Islander Survey (NATSIS) to illustrate that social costs of unemployment are potentially very large. The unemployed, especially the long-term unemployed, fared worse than the employed on a range of social indicators. For example, among urban unemployed, the long-term unemployed: are more likely to have been arrested, are more likely to be taken from natural family, are less likely to have voted in a recent election, have lower participation rates in voluntary work, are less likely to be motivated and are more likely to have a long-term health problem. The unprecedented range of social indicators in the NATSIS means that the analysis provides an insight into the likely social costs of unemployment in the population at large, not just those for the Indigenous population.*

## 1. Introduction

In a purely economic sense, unemployment in the Australian community is extremely costly. While the economic costs are enormous, the social costs of unemployment are potentially even greater. Study after study has shown that they are pervasive and overwhelming. The impact of unemployment includes financial hardship and poverty (King 1998), debt, homelessness, family breakdown, social isolation, crime, erosion of well-being, the atro-

---

\* Fellow at the Centre for Aboriginal Economic Policy Research, The Australian National University. The author would like to thank Professor Jon Altman, Mr Bill Arthur and Drs Matthew Gray and Tim Rowse for helpful comments on an earlier draft.

phying of work skills and ill-health (Smith 1987; National Health Strategy 1992). Most of these effects increase with the duration of unemployment (White 1991; Dixon 1992; Economic Planning Advisory Council (EPAC) 1992).

The social costs of unemployment, almost by definition, affect more than the individual involved and can be passed down from generation to generation. Over 700,000 children under 15 years of age live in families with no parent in paid employment (ABS 1997). Such a high level of unemployment amongst Australian families causes immediate distress and potentially causes long-term harm to children's educational, employment and social futures.

As a group, Indigenous people experience significant labour market disadvantage. For example, Indigenous unemployment rates are between two-and-a-half and five times the national average depending upon whether one includes the 'Indigenous work-for-the-dole scheme', the Community Development Employment Projects (CDEP) scheme, as being unemployment (Taylor and Hunter 1998).<sup>1</sup> In 1994, about one-half of Indigenous unemployed had been out of work for at least 12 months (47.9 and 52.4 per cent for males and females respectively). Not only are they much more likely to be unemployed than other Australian citizens, but they are less likely to participate in the labour market.

While the economic costs of Indigenous unemployment have been given considerable attention,<sup>2</sup> there has been few attempts to measure the social costs. The costs of unemployment will be particularly pronounced if the social, psychological and economic impacts are concentrated among long-term unemployed or such effects spill-over onto other family/community members. This article analyses evidence from the 1994 National Aboriginal and Torres Strait Islander Survey (NATSIS) to illustrate that such effects are potentially very large in Indigenous households. In spite of the fact that NATSIS is now somewhat dated, it provides a range of social, cultural and economic data that are unavailable from other sources.<sup>3</sup> This article uses the literature on social exclusion and social capital to analyse and interpret NATSIS data on several social indicators, including: arrest, police harassment and being a victim of assault; being a member of the 'stolen generation'; civic engagement; the loss of motivation; and ill-health. The unprecedented range of social indicators in the NATSIS means that the analysis provides an insight into the likely social costs of unemployment in the population at large, not just for the Indigenous population.

## **2. Social exclusion, social capital and Indigenous Australians**

In broad terms, social exclusion can be defined as ‘multiple deprivations resulting from a lack of personal, social, political or financial opportunities’ (see Social Exclusion Unit’s web site at <http://www.cabinet-office.gov.uk/seu/index.htm>). While the notion of poverty is primarily focused on distributional issues, the notion of social exclusion focuses on inadequate social participation, lack of social integration and lack of power (Room 1995). Note that social exclusion, unlike poverty, is an intrinsically dynamic phenomenon, which develops over time after a prolonged social isolation and deprivation.

Somebody who becomes unemployed necessarily loses some income and may become poor, depending upon the level of entitlements to income support.<sup>4</sup> At the same time, there is a set of related problems that the unemployed tends to experience more often than employed people or other members of the community. For example, the unemployed are more likely to have problems within the family, have less relationship within the family, within the neighbourhood and outside the neighbourhood. It is important to note that while many unemployed may become socially excluded, especially those who have been out of work for a long time, unemployment is not a defining feature of social exclusion.

While the term ‘social exclusion’ is reasonably intuitive and closely related to its literal interpretation, ‘social capital’ needs to be explained more thoroughly. Social capital refers to those stocks of social trust, norms and networks that people can draw upon to solve common problems. Networks of civic engagement, such as neighbourhood associations, sports clubs, and cooperatives, are essential forms of social capital. The more extensive these networks are, the more likely members of a community will cooperate for mutual benefit.

There are several reasons why social capital is probably productive. Social capital can directly make existing physical capital more productive and augment the amount of finance or information available to individuals. For example, two farmers exchanging tools can get more work done with less physical capital; rotating credit associations can generate pools of financial capital for increased entrepreneurial activity; and job searches can be more efficient if information is embedded in social networks.

Portes (1998) identifies four major negative consequences of social capital: the exclusion of outsiders; excessive claims on group members; restrictions on freedoms of individuals; and, downward levelling of norms. For example, in the Indigenous context, a downward levelling of norms and

expectations about employment prospects may result from a lengthy period of restricted labour market mobility and discrimination. If Indigenous social networks are largely confined to the jobless, then such reductions in expectations can become a self-fulfilling prophecy whereby people fail to see the advantages in gaining further education. This, in turn, diminishes the skill acquisition that facilitates entry into the labour market. This downward levelling of norms is often associated with socially unacceptable codes of conduct (Portes 1998). Hunter (2000) provides a more complete discussion of the social processes behind social capital in Indigenous communities.

Before uncritically importing such terms, it is necessary to analyse how useful these concepts are cross-culturally in understanding the costs of Indigenous unemployment. For example, not having any employment in the Australian labour market may actually empower many traditional Indigenous peoples to hunt, fish, paint and live on the country. Indeed, the extra hours of 'spare' time may facilitate more extensive participation in ceremonial activities, thus increasing what may be loosely defined to as 'social capital'.

In addition to such cross-cultural critiques, some forms of employment actually diminish the extent of shared values and trust referred to above. Work which involves or leads to frequent movement of the workforce, such as some types of casual or seasonal work, could uproot the worker's family and thus lessen their links to the local community. Clearly, the relationship between social capital and unemployment is not simple.

Social exclusion and social capital are by no means mutually exclusive of each other. Indeed many social capital indicators could also be used in multi-dimensional measures of social exclusion. However, the utility of the notion of social capital lies in its flexibility and the consequent ability to explain negative spillovers of certain social relationships. That is, not all social networks are equally useful in progressing the interests of individuals or indeed, the group. For example, even if Indigenous job seekers have well-developed social networks within the Indigenous community, their contacts may be useless in securing work in the mainstream job markets. As indicated above, social networks in Indigenous communities may reinforce individual's motivations and ultimately their aspirations.

Social exclusion and the low levels of social capital may either be a cause or a consequence of ongoing Indigenous unemployment. For example, despite widespread preconceptions about the pernicious effects of unemployment, the high levels of social dislocation among relatively well off Indigenous households mean that unemployment cannot be the sole cause

of the problems of the Indigenous unemployed and their families (Hunter 1999). The following empirical analysis merely provides evidence of the correlations between unemployment and social exclusion/capital in order to further the debate on the social costs of unemployment. The concluding section revisits the issue of causality in the context of possible policy options to address the problems identified.

### **3. Data and method**

#### *NATSIS data*

The NATSIS data provides a unique opportunity to tease out such issues for Indigenous people with an unprecedented range of information across social, cultural and economic domains. The following analysis will be conducted using information on both individual Indigenous respondents and relevant household characteristics. Of the 1,816 non-Indigenous NATSIS respondents excluded from the individual analysis there were 13 people who failed to answer the question on whether or not they were Indigenous. The following descriptive statistics are population weighted, based on a nationally representative sample of 8,833 Indigenous respondents to NATSIS. Typically, NATSIS household data do not report the characteristics of 'special dwellings'. However, since the special dwelling category includes all residents of boarding schools, hostels, convents, old people's homes, and prisons, it would be misleading to exclude such candidates from a measure of the social costs of unemployment.

#### *Proxies for social exclusion and social capital available in the NATSIS data*

There are many proxies for social exclusion and social capital in the NATSIS data, including whether a respondent had:

- been arrested in the previous five years;
- been hassled by the police in the last 5 years;
- been a victim of crime (physically attacked or verbally threatened);
- been taken away from natural family;
- voted in either recent Federal, State or ATSIC election;
- engaged in voluntary work;
- gone to any Indigenous festivals and carnivals in previous year;
- wanted to do further study or training; and
- any health problem for more than 6 months.

The reason for last arrest can also be probed to determine the extent of alcohol-related problems among and around Indigenous unemployed.

The empirical analysis merely presents relevant social indicators and does not attempt to distinguish indicators of social exclusion from those measuring social capital. The reason for the lack of differentiation of between indicators is driven by the under-theorised nature of both concepts (see Winter 2000a). For example, the motivation to maintain one's skill base and long-term health problems could either be: an effect of social exclusion, a negative consequence of social capital or an indication of atrophying of social capital. Note that no attempt is made to capture the multi-dimensional nature of social exclusion because this would greatly increase the complexity of the empirical section, without adding much to the analysis.

Most of the indicators of social exclusion and social capital are self-explanatory. However, before analysing the data it necessary to elaborate on the interpretation of two variables: voluntary work and whether attended Indigenous festivals and carnivals.

Civic engagement is a classic measure of social capital and the variable for voluntary work is an attempt to capture the extent of civic networks. In the NATSIS, voluntary work is defined as unpaid 'community work' primarily conducted within formal organisational contexts and having a wider community benefit. However, the standard definitional approach to voluntary work was broadened to include hunting and gathering activities (Smith and Roach 1996). While subsistence activities are unpaid work (albeit providing products that may be substitutable for market-based goods), it is debateable whether it can validly be called voluntary work in an organisational setting.

Notwithstanding such issues, the NATSIS definition provides some information on civic engagement with less than one-third of the Indigenous adult population being engaged in unpaid voluntary work. For the most part this was some form of community-based work, although a significant proportion engaged in hunting, fishing and gathering bush food.

The other potentially problematic measure of social capital was whether a respondent had gone to any Indigenous festivals and carnivals. Peterson (1996) examined cultural issues using NATSIS and has concluded that attendance at Indigenous festivals and carnivals is a reasonable index of cultural maintenance or, indeed, of the cultural activity itself. From a social capital perspective, we are interested in the attendance at Indigenous cultural activities only as a proxy for the extent of networks an individual has in the Indigenous community.

The regional dimension of Indigenous culture and, indeed, of many other aspects of Indigenous society provides sufficient reason in itself for separate analysis for urban and other areas. Another reason for reporting separate results for females and males in urban and other areas is the potential distortions introduced by CDEP scheme. For example, the unique status of the CDEP scheme somewhere between work and welfare is reason enough to separately identify participants from both unemployment and mainstream employment (see Sanders 1997). However, the concentration of CDEP scheme employed in rural and remote areas and the fact that it appears to increase the labour force participation rates in many such areas,<sup>5</sup> means that it is also necessary to distinguish CDEP scheme workers from other Indigenous people.

#### **4. Measuring the social costs of unemployment**

Unemployment may lead to social exclusion by: reducing an individual's freedom; lowering social capital; undermining human relations and family life; inducing psychological harm, reducing an individual's motivation; and increasing health problems. Alternatively, Indigenous unemployment may have a liberating effect, especially for those with access to their traditional lifestyles and land. Tables 1 and 2 examine indicators of social exclusion and social capital by labour force status, including a separate category for CDEP. The social indicators are measured separately for males and females in both urban and non-urban households.

Unemployment is strongly associated with high rates of arrest irrespective of sex and region of residence. For example, unemployed females in urban areas are more than four times more likely to have been arrested in the last five years than analogous females in mainstream (non-CDEP scheme) employment. Even women outside the labour force (Not In the Labour Force, NILF) are less than half as likely to have been arrested as those unemployed. Note that the unemployed were always more likely to have been arrested than workers in mainstream employment.

While the association between arrest and unemployment for males is not as strong as that of females when measured in proportional terms, it is much larger in absolute terms. For example, unemployed males in urban households are only about two-and-a-half times as likely to have been arrested than urban males in mainstream employment but are 30.7 percentage points more likely to have been arrested. In contrast, unemployed females in urban households are 16.7 percentage points more likely to have been arrested than urban females in non-CDEP scheme employment.

Table 1. Social indicators by labour force status, sex and region, 1994

	NILF	Unemployed	CDEP	Employed (Non-CDEP)
Arrested in the last 5 years				
Females in urban households	9.8	21.7	3.6	5.0
Males in urban households	25.9	51.1	36.4	20.4
Females in non-urban households	6.8	8.6	15.9	3.7
Males in non-urban households	23.4	41.1	37.4	20.1
Arrested for drunkenness				
Females in urban households	5.4	8.2	2.2	2.7
Males in urban households	13.2	27.6	18.0	12.7
Females in non-urban households	4.9	6.2	11.0	1.2
Males in non-urban households	15.1	24.8	28.3	16.8
Whether hassled by the police in the last 5 years				
Females in urban households	4.8	10.9	4.1	4.3
Males in urban households	16.0	23.5	21.3	8.7
Females in non-urban households	2.6	5.4	4.8	3.1
Males in non-urban households	11.0	11.8	8.0	7.7
Victim of crime (physically attacked or verbally threatened)				
Females in urban households	10.4	15.7	13.9	15.0
Males in urban households	12.2	19.3	10.5	14.8
Females in non-urban households	9.8	14.4	11.3	15.1
Males in non-urban households	7.1	12.1	12.1	12.3
Whether taken away from natural family				
Females in urban households	9.5	10.0	11.3	7.0
Males in urban households	8.7	6.7	7.6	7.3
Females in non-urban households	5.7	9.4	10.3	4.1
Males in non-urban households	7.2	11.4	6.1	11.3
Number of respondents				
Females in urban households	1,590	593	90	638
Males in urban households	621	737	171	768
Females in non-urban households	1,102	187	332	260
Males in non-urban households	555	297	551	341

Source: Unpublished cross tabulations from NATSIS

The results for CDEP scheme workers are somewhat mixed. While the level of arrest tends to be lower than for unemployed, females in non-urban areas are actually 7.3 percentage points more likely to have been arrested than analogous unemployed females. However, CDEP scheme workers are uniformly more likely to have been arrested than workers in urban and other areas outside the scheme.

The inclusion of the variable that captures whether the most recent arrest was associated with alcohol facilitates the interpretation of the data on arrest. Overall, the pattern of drinking-related is similar to that for the arrest rates. It is probably not surprising that over half of the Indigenous people



reporting having been arrested appear to have been arrested at least once for drunkenness. What is notable is how stable this proportion is, irrespective of labour force status. For example, non-CDEP workers were just as likely to have been arrested on a drinking-related charge as the unemployed if they had been arrested. Excessive drinking is an issue in all strata of Indigenous society.

The importance of social exclusion is emphasised when we examine variables that are largely dependent upon other's behaviour: the incidence of police harassment and whether a person was physically attacked or verbally threatened. The unemployed are more likely to be hassled by the police in the last five years than either category of workers or those outside the labour force. For example, the unemployed in urban areas are more than twice as likely to have been hassled than urban persons in mainstream employment. Not only does the pattern of police harassment closely follow that of arrest, but unemployed females are more likely to be hassled by police than CDEP workers, even where the scheme participants are more likely to be arrested (for example, females in rural /remote households).

The unemployed also tend to be more likely to have been physically attacked or verbally threatened than other residents in urban areas. The differential is less systematic in non-urban areas with unemployed being just as likely (or marginally more likely) to have been a victim of such crimes as those in mainstream employment.

The final variable in this table was the one used by this government to deny that the stolen generation was in fact a generation because only 10 per cent of Indigenous people were taken away from their family. No more needs to be said about this assertion but it is important to understand why people were taken away. Older generations were probably taken away as part of the concerted policy of assimilation. The later generations of children were, more than likely, taken away because the welfare agency assessed the children were at risk, largely due to factors associated with poverty/unemployment. Therefore, while the variable captures long-run factors associated with cultural dispossession and inter-generational transmission of disadvantage, it does not measure the direct effect of a contemporaneous spell of unemployment.

Indeed, the ambiguity in the interpretation of this variable is the reason why it has been included in the analysis. Much of the social exclusion of the unemployed documented above, and the social capital deficits identified in the following tables, can be attributed to the history of Indigenous dispossession and long-run factors including the transmission of disadvantage across generations. If we think of these issues in terms of causality,

then unemployment may be partially caused by social exclusion borne of the historical fact of dispossession and induced disadvantage. That is, by using this information to proxy the impact of dispossession it may be possible to partially distinguish such issues from the effect of recent spell(s) of unemployment.

On average, unemployed are more likely to have been taken away from their natural family than the employed. However, the difference is not as large as one might expect.<sup>6</sup> For example, in urban areas, the incidence of being taken among unemployed males is even lower than that among males outside the labour force. Given that the stolen generation phenomenon is prominent even among well-off employed Indigenous Australians, one should not over-emphasise the role of reverse causation from social exclusion to unemployment, although it remains an important qualification to the overall analysis.

Table 2 documents the variation of other relevant social indicators. Voting patterns provide a primary indication of social exclusion and the first four rows indicate whether a person voted in either recent Federal, State or ATSI election. This first line shows that unemployed urban females were about 20 percentage points less likely to have voted than workers in either CDEP scheme or mainstream employment. Unemployed females in such areas are even 4.5 percentage points less likely to vote than females outside the labour force (the NILF category). This pattern of voting is generally replicated for males in urban areas and both males and females in rural and remote areas. To the extent that voting in a recent election is an indicator of civic engagement, and hence social capital, Indigenous unemployed do not appear to be involved in the networks (both Indigenous and non-Indigenous) which may augment individual's access to important economic resources (such as information about job opportunities).

The classic social capital variable, à la Putnam (1993), is the level of civic engagement, captured here by whether a person does voluntary work. The unemployed are consistently less likely to do voluntary work than the employed, irrespective of whether they were engaged in a CDEP scheme. In non-urban areas, this measure of social capital appears to be inversely related to attachment to the labour force with people outside the labour force being even less likely to do voluntary work than the unemployed.

So far the analysis has pointed more or less unambiguously, towards the existence of substantial social costs from unemployment. The last three variables in this table provide rather mixed messages.

Table 2. Social indicators by labour force status, sex and region, 1994

	NILF	Unemployed	CDEP	Employed (Non-CDEP)
Voted in a recent election				
Females in urban households	77.7	73.2	94.3	89.4
Males in urban households	74.9	62.1	67.8	82.4
Females in non-urban households	81.7	72.2	86.3	91.4
Males in non-urban households	80.0	66.7	84.6	82.3
Whether does voluntary work				
Females in urban households	22.2	20.5	39.0	33.8
Males in urban households	26.4	21.1	21.8	28.7
Females in non-urban households	27.7	32.2	31.2	43.8
Males in non-urban households	28.6	31.4	40.3	35.2
Whether have gone to any Indigenous festivals and carnivals				
Females in urban households	33.5	45.1	44.2	48.5
Males in urban households	39.8	39.8	56.9	40.0
Females in non-urban households	44.0	47.0	63.4	43.6
Males in non-urban households	50.2	45.3	58.6	39.6
Whether wants to do further study or training				
Females in urban households	42.1	71.4	37.4	58.3
Males in urban households	34.9	56.7	33.9	51.7
Females in non-urban households	26.3	52.5	33.3	52.7
Males in non-urban households	18.4	44.5	37.7	40.9
Has a long term health problem				
Females in urban households	48.2	39.9	45.3	39.6
Males in urban households	52.9	35.6	27.7	36.3
Females in non-urban households	39.7	29.6	29.3	38.8
Males in non-urban households	36.4	23.8	19.3	28.2

Source: Unpublished cross tabulations from NATSIS

If we focus on that attendance at Indigenous festivals and carnivals as a index of cultural activity, unemployed tend to have lower levels of cultural activity than participants in the workforce (with the exception of males employed outside the CDEP scheme in non-urban areas). While urban residents in the NILF category attend fewer festivals than the analogous unemployed, this pattern appears to be reversed for residents of other areas.

The extent of cultural participation among Indigenous unemployed probably does indicate that they have adequate access to Indigenous networks. However, as the discussion about the negative consequences of social capital pointed out not, all networks yield positive outcomes for their members. For example, membership of groups or networks of similarly disadvantaged individuals can lower aspirations through a process of 'downward levelling of norms' (see Portes 1998).

The somewhat mixed evidence from the variable measuring participation in Indigenous culture becomes even more complicated when data on motivation and health are examined. Indigenous unemployed tended to be more motivated, at least in terms of their plans for future study, than almost all of the categories. The plans of the unemployed for future study may not be a good indication of motivation in the NATSIS because many unemployed were assigned to training programs under the *Working Nation* initiative which was in full flight in 1994. Another factor mitigating the link between plans and motivation is that many people make plans, but never take any action to fulfil those plans. Notwithstanding such problems, the extent of plans for future study among Indigenous unemployed provides some evidence that the current spell of unemployment does not seriously affect motivation.

Similarly, long-term health problems are less apparent among Indigenous unemployed, at least according to NATSIS data. Indeed, the unemployed males and females in non-urban households are between 9.2 and 4.4 percentage points less likely to have a long-term health condition than workers in mainstream employment. However, in urban households, there is no significant difference between the health outcomes of unemployed and non-CDEP workers. This is consistent with the existing studies, which show that Indigenous labour force status appears to be largely unrelated to health outcomes (Hunter and Gray 1999). The only group that consistently has poorer health than the unemployed is the NILF category, many of whom may not be participating in the labour force because of a health condition.

The results are consistent with the literature on the health effects of unemployment (Feather and Davenport 1981; Warr, Banks and Ullah 1985; Warr and Jackson 1987). The international literature appears to indicate that many marginalised groups may respond realistically to their disadvantaged labour market position and experience lower levels of anxiety, financial strain, or concern over being unemployed than the employed.<sup>7</sup>

In summary, the unemployed fared worse than the non-CDEP employed on a range of social indicators. CDEP scheme workers sometimes fared better and sometimes worse than the unemployed on the same indicators, but generally fared worse than the non-CDEP employed. The NILF category were in between the non-CDEP employed and the unemployed. This is probably because the NILF are a very diverse group comprising, amongst others, discouraged job seekers (that is, those who want a job but have given up looking for one — for further details, see Hunter 1999), students, persons with family responsibilities and retired persons.

## 5. The effect of long-term unemployment

As noted earlier, the costs of unemployment become worse for those who have been unemployed for prolonged periods. For the purposes of this article, long-term unemployment is identified by whether a person had been unemployed for 12 or more months. Table 3 presents the variables reported in Tables 1 and 2 in one table. Given the small numbers of long-term unemployed in certain areas, it was not possible to disaggregate this table by sex, although separate descriptive statistics are reported for urban and non-urban areas.

**Table 3.** Social indicators by unemployment duration

	Urban areas		Non-urban areas	
	Short-term unemployed	Unemployed for more than 12 months	Short-term unemployed	Unemployed for more than 12 months
Arrested in the last 5 years	36.6	42.0	27.4	42.2
Arrested for drunkenness	21.4	25.1	17.7	25.4
Whether hassled by the police in the last 5 years	20.2	17.1	10.2	10.9
Victim of crime (physically attacked or verbally threatened)	18.3	18.1	15.6	13.9
Whether taken away from natural family	6.9	8.0	12.7	12.4
Voted in a recent election	70.9	62.7	75.9	59.0
Whether does voluntary work	23.9	21.4	30.2	41.7
Whether have gone to any Indigenous festivals and carnivals	50.4	35.7	54.8	40.6
Whether wants to do further study or training	63.8	60.1	57.2	46.8
Has a long term health problem	34.7	36.6	26.7	30.7
Number of respondents	519	426	189	136

Source: Unpublished cross tabulations from NATSIS

Among urban unemployed, the long-term unemployed: are more likely to have been arrested, are more likely to be taken from natural family, are less likely to have voted in a recent election, have lower participation rates in voluntary work, are less likely to gone to any Indigenous festivals and carnivals, are less likely to be motivated (in terms of future study plans) and are more likely to have a long-term health problem. For example, long term unemployed in such areas were 14.7 percentage points less likely to go to any Indigenous festivals and carnivals than other unemployed. However, hypothesis of social exclusion among long-term unemployed males is contradicted, or rather not supported, by the fact that long-term unemployed in urban areas were less likely to experience police harassment than other

unemployed and that there were no significant differences between different categories of unemployed in whether they were physically attacked/verbally threatened.

As for unemployed in non-urban areas, the evidence for the social costs of unemployment being exacerbated by duration of unemployment is strong, but not necessarily conclusive. For example, the long-term unemployed in non-urban areas were significantly more likely to have been arrested, less likely to have voted, were much less likely to have attended Indigenous festivals and carnivals, less likely to be motivated for further study than other unemployed. While the other social indicators did not support the hypothesis, differences in these indicators were generally rather small. The only exception was that long-term unemployed in non-urban areas were 11.5 percentage points more likely to have participated in voluntary work as other out-of-work residents. Given that hunting, fishing and gathering was classified as voluntary work in the NATSIS, this may partially reflect the greater opportunity for such activities in remote Australia. That is, since long-term unemployment tends to be concentrated in areas with depressed labour markets, the correlation between voluntary work and duration of unemployment is merely an artefact of the idiosyncratic nature of the NATSIS definition of voluntary work.

Notwithstanding the apparently weak relationship between unemployment duration and health, the result is worthy of further discussion. Length of time out of work is frequently found to be unrelated to effective well-being and employment commitment, but job-search attitudes remain significantly less positive among people who have been unemployed for prolonged periods (Warr, Banks and Ullah 1985). The explanation sometimes provided for this observation is that health improves after a person accepts their circumstances, in particular that the possibility of getting a job is small. In the context of the social capital literature, this could be interpreted as a positive consequence of the 'downward levelling of norms'. One consequence of these subtle psychological phenomena is that it is not possible to easily identify the social costs of unemployment arising from unemployment duration. Notwithstanding any positive side effects, these fatalistic attitudes and other adaptive behaviours are themselves an elusive costs and an impediment to enhancing job search intensity and, ultimately, Indigenous employment outcomes. If it were possible to control for this 'downward levelling of norms' (or psychological adaptation), the health impact of being unemployed for more than 12 months would be larger.

## 6. Concluding remarks

The main result of the above analysis is that the unemployed, especially the long-term unemployed, fared worse than the employed on a range of social indicators. Among Indigenous people, being unemployed is often associated with:

- Social exclusion in the form of the high rates of arrest and police harassment;
- Low levels of social capital and civic engagement;
- While Indigenous cultural activities are prominent among the unemployed, the extent of drinking related offences may be an indication of a loss of traditional social values;
- Motivation, as measured by plans for future study, appears to be relatively high among unemployed; and
- There is little or no relationship apparent between ill-health and labour force status.

Furthermore, these social costs of unemployment appear to spill-over onto other members of a household and are exacerbated by living with several unemployed persons (see Hunter 2000). That is, the experience of unemployment not only affects the welfare of individuals, but also adversely affects that of other residents in the households.

The above evidence on adaptive behaviour, especially among long-term unemployed, whereby Indigenous unemployed become resigned to their circumstance points to the possibility that the social costs identified above are conservative. The social costs of unemployment are less tangible because they are inherently difficult to measure. The sense of fatalism cultivated by prolonged unemployment is itself a major impediment to the efficacy of any policy proposal.

The above analysis provides evidence of the need to engage Indigenous people in the debate about their future involvement in the economy. As a recent paper by Dudgeon et al. (1998) points out:

Social capital is an important notion which helps open up a vision of Australian society in which Indigenous people actively participate. Yet any vision of what an 'ideal' society might look like in the future is usually constructed by theorists with little or no dialogue and negotiation with Indigenous Australians ... The reality is a social and political vision which can inadvertently perpetuate the marginalisation of Indigenous Australians unless they assimilate on white terms (Dudgeon et al. 1998).

Before this article is uncharitably characterised as inadvertently advocating some form of assimilation, it is worth pointing out that Indigenous people are actually more likely than other Australians to indicate they want to work (Hunter and Gray 1999). Given the lack of employment opportunities in Indigenous businesses, Indigenous people have revealed themselves to be willing participants in the non-Indigenous economy. The outstanding question is what is preventing Indigenous people from realising their aspiration?

It is also worth restating the problem of identifying the direction of causality. The inter-generational transmission of social pathologies from Indigenous unemployment are almost impossible to separate from the effects of dispossession. While the use of a stolen generation proxy may partially capture the effect of both, it is not possible to discount either when trying to capture the influence of recent spells of unemployment. For example, almost one half of Indigenous male youths have been arrested before they even enter the labour force. In such circumstances, historical factors and the family's socioeconomic circumstances dominate the effect of an individual's current unemployment status

Notwithstanding the considerable evidence pointing to significant 'spill-overs' from Indigenous unemployment, the results may be partially explained by Australia's history of appropriation of Indigenous peoples' lands, property and traditional lifestyles. The long-term nature of their disadvantage and the endemic social dislocation, even among relatively well-off Indigenous families, point to the importance of such historical factors (Hunter 1999). An emphasis on the role of social alienation in maintaining the relative disadvantage of Indigenous people may seem vague and abstract. But the fact that social factors, such as arrest and household composition, have been statistically demonstrated to be more important determinants of economic status means that the broad social environment cannot be ignored (Hunter and Schwab 1998; Borland and Hunter 2000). It is not simply a matter of building schools and providing books.

This article was motivated in terms of the less tangible costs of Indigenous unemployment. Indigenous unemployed are certainly more likely to be socially excluded and this exclusion appears to spill over onto other household residents. These spill-over effects are particularly concerning since other residents will have little control over what their unemployed co-residents do to find work. That is, irrespective of whether one believes unemployment is caused by individual choice, the low local demand for workers or some combination of the two, there is a strong argument for



government intervention and a redoubling of effort to address Indigenous unemployment.

The feedback between social exclusion and unemployment means that Indigenous unemployment is likely to be particularly intractable (see Borland and Hunter 2000 for a concrete examples of how arrest reduces Indigenous employment prospects). The case for policy intervention dealing directly with social exclusion, and the low levels of social capital, revolves around the point that unless Indigenous people are included in the social and economic processes of Australian society, it becomes increasingly hard to break the vicious cycle of welfare dependency and unemployment. Indigenous unemployment cannot be addressed by relying solely on the economists usual toolkit (for example, increasing the number of suitable jobs available in the local area or sending the unemployed back to school). Innovative policies must be found to directly deal with the root cause of social exclusion.

Policies which seek to augment social capital of a socially excluded group need to recognise that networks need to be established that extend into mainstream society. Inwardly focussed policies are unlikely to improve employment outcomes, especially given that unemployed appear to participate fully in Indigenous cultural activities. However, endorsing policies aimed at fostering networks into non-Indigenous community may be characterised, at best, as working against Indigenous self-determination and, at worst, as being a new form of assimilation. Notwithstanding, it is difficult to imagine how Pearson's (2000) call for increased Indigenous involvement with the 'real economy' could be achieved without extensive networks into mainstream Australian society.

A further question needs to be asked in the context of Indigenous policy: what is the appropriate definition of economic development to use? If development is defined from an Indigenous perspective, then extending networks into non-Indigenous community may act against cultural maintenance. Given that all taxpayers finance welfare payments, the non-Indigenous community may expect a commitment to actively engage in the Australian economy, as evidenced by the recent rhetoric about 'mutual obligation'.

Indigenous people pioneered the first practical expression of mutual obligation in Australia with establishment of the Indigenous work-for-the-dole scheme, the CDEP scheme, in 1977. Ulrich Beck argues for 'citizenship work', not unlike the CDEP schemes, which covers a broad range of voluntary and community work, from working with homeless people or refugees, to environmental projects.<sup>8</sup> Beck argues that recognising work

like this as a valuable contribution to society, and as an expression of people's citizenship, can include them in ways that low-wage and low-status paid work cannot. Of course, in disadvantaged areas where there is no work available, there may be no alternative to citizenship work. While CDEP scheme work might extend some Indigenous people's sense of citizenship at the margin, major impediments to Indigenous participation in society are reconciliation and discrimination. Focusing solely on Indigenous attitudes and social networks is obviously inadequate and one sided. Given that Indigenous people want to work as much as other Australians, policy should not focus solely on either job search or other labour supply decisions of the Indigenous unemployed.

## Notes

- 1 Under the CDEP scheme, Indigenous communities get a grant of a similar magnitude to their collective unemployment benefit entitlement to undertake community defined 'work'. Benefit recipients are then expected to work part-time for their entitlements. Historically, the CDEP scheme was available on a one-in/all-in basis for each community. The current CDEP policy, which evolved gradually during the 1990s, means that when the scheme is provided in a community, the unemployed have some choice as to whether or not they participate. Note that unlike other 'work-for-the-dole schemes', the CDEP scheme is based around communities rather than provided to particular individuals.
- 2 Taylor and Hunter (1998) estimate the fiscal costs to government and many studies point to the connection between poverty and unemployment (for the latter, see Altman and Hunter 1998). The large number of Indigenous Australians who would like to have a job but feel that it is hopeless searching for one (the so-called 'hidden unemployed' or discouraged workers), is prima facie evidence of the effect of ongoing labour market disadvantage (Hunter and Gray 1999).
- 3 The main problem for other surveys of the Australian populace is that the incidence of arrest and crime tend to be rather rare in the general population and, therefore, it is quite difficult to construct valid statistics. As a result, the general social surveys leave out crime statistics, which are dealt with in specific, purpose-built, surveys.
- 4 This may not be true if the expect wage is so low that their income support entitlements are actually higher – which is all too true for many Indigenous people see Daly and Hunter 1999.
- 5 For example, the Cooktown Region in the 1996 Census has the highest Indigenous male labour force participation rate of any ATSI region, presumably because of the relatively large numbers of CDEP scheme participants in the area. The Cooktown rates can be contrast to those in Cairns which, despite a larger and more bouyant labour market, has substantially lower Indigenous labour force participation rates at the last census.
- 6 The differences are, in reality driven by complex relationships between social and economic factors. The may be two forces acting in opposite directions. In this

chapter, the effect of being taken from one's natural family is seen as driving social problems (such as arrest) that may increase future unemployment. An alternative hypothesis is that being taken increases educational opportunities and networks with connections to the work force and thereby reducing unemployment. Empirical evidence from Borland and Hunter (2000) and Hunter and Schwab (1998) appears to reject this alternative hypothesis.

- 7 In the USA, Warr, Banks and Ullah (1985) found that unemployed Black respondents exhibited significantly lower levels of distress and depression than did Whites. However, no differences were recorded between Black and White respondents in anxiety, financial strain, or concern over being unemployed. Commitment to the labour market was significantly greater among White males than Black males, perhaps because the latter responded realistically to their disadvantaged labour-market position. However, ethnic differences in commitment were generally absent in females.
- 8 Beck quoted in the Australian Broadcasting Commission's Background Briefing on 7 February 1999. People doing citizenship work would get a citizenship payment financed by the State.

## References

- Altman, J.C. and Hunter, B. (1998) 'Indigenous Poverty'. in R. Fincher and J. Nieuwenhuysen (ed.) *Australian Poverty: Then and Now*, Melbourne University Press, Melbourne.
- Australian Bureau of Statistics (ABS) (1997) *Labour Status and Other Characteristics of Families*, Cat. no. 6224.0, Canberra.
- Borland, J. and Hunter, B.H. (2000) 'Does crime affect employment status? – the case of Indigenous Australians', *Economica*, 67 (1): 123–44.
- Daly, A.E. and Hunter, B.H. (1999) 'Incentives to work: replacement ratios and the cost of job loss among unemployed Indigenous Australians', *Australian Economic Review*, 32 (3): 219–36.
- Dixon, D. (1992) 'Unemployment: The Economic and Social Costs', 2nd Edition, Research for Action No. 1, Brotherhood of St Laurence, Melbourne.
- Dudgeon, P., Abdullah, J., Humphries, R. and Walker, R. (1998) *Social Capital and Increasing Aboriginal Participation in Mainstream Courses: Weaving the Threads of the Social Fabric or Spinning Another Yam?*, Centre for Aboriginal Studies, Curtin University of Technology, Perth.
- Economic Planning Advisory Council (EPAC) (1992) 'Unemployment in Australia', Council Paper No. 51, Australian Government Printing Service, Canberra.
- Feather, N.T. and Davenport, P.R. (1981) 'Unemployment and depressive affect: A motivational and attributional analysis', *Journal of Social Psychology*, 41 (3): 422–436.
- Hunter, B.H. (1999) 'Three nations, not one: Indigenous and other Australian poverty', *CAEPR Working Paper No. 1*, Centre for Aboriginal Economic and Policy Research, The Australian National University, Canberra, available on the WWW at <http://charlotte.anu.edu.au/caepr/>
- Hunter, B.H. (2000) 'Social exclusion, social capital and Indigenous Australians: measuring the social costs of unemployment', *CAEPR Discussion Paper No. 205*,

- Centre for Aboriginal Economic and Policy Research, The Australian National University, Canberra.
- Hunter, B.H. and Gray, M.C. (1999) 'Further investigations into Indigenous labour supply: what discourages discouraged workers?', *CAEPR Working Paper No. 2*, Centre for Aboriginal Economic and Policy Research, The Australian National University, Canberra, available on the WWW at <http://charlotte.anu.edu.au/caepr/>.
- Hunter, B.H. and Schwab, R.G. (1998) 'The determinants of Indigenous educational outcomes', *CAEPR Discussion Paper No. 160*, Centre for Aboriginal Economic and Policy Research, The Australian National University, Canberra.
- King, A. (1998) 'Income Poverty since the early 1970s', in R.N. Fincher, J. Nieuwenhuysen (ed) *Australian Poverty: Then and Now*, Melbourne University Press, Melbourne.
- National Health Strategy (1992) 'Enough to Make you Sick: How Income and Environment Affect Health', National Health Strategy Research Paper No.12, Melbourne.
- Pearson, N. (2000) *Our right to take responsibility*, Noel Pearson and Associates, Cairns.
- Peterson, N. (1996) 'Cultural issues' in J.C. Altman and J. Taylor (ed) *Research Monograph No. 11, The 1994 National Aboriginal and Torres Strait Islander Survey: Findings and Future Prospects*, Centre for Aboriginal Economic Policy Research, Canberra.
- Putnam, R. (1993) *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton University Press, Princeton, New Jersey.
- Room, G. (1995) *'New Poverty' in the European Community*, Macmillan, London.
- Sanders, W. (1997) 'How does (and should) DSS treat CDEP participants? (What are these allegations of racial discrimination?)', *CAEPR Discussion Paper No. 149*, Centre for Aboriginal Economic Policy Research, The Australian National University, Canberra.
- Smith, D.E. and Roach, L.M. (1996) *Indigenous voluntary work: NATSIS empirical evidence, policy relevance and future data issues*, The 1994 National Aboriginal and Torres Strait Islander Survey: Findings and Future Prospects, Centre for Aboriginal Economic Policy Research, Canberra.
- Smith, R. (1987) *Unemployment and Health: A Disaster and a Challenge*, Oxford University Press, London.
- Taylor, J. and Hunter, B. (1998) *The Job Still Ahead: Economic Costs of Continuing Indigenous Employment Disparity*, Office of Public Affairs, Aboriginal and Torres Strait Islander Commission, Canberra.
- Warr, P., Banks, M. and Ullah, P. (1985) 'The experience of unemployment among Black and White urban teenagers', *British Journal of Psychology*, 76 (1): 75-87.
- Warr, P. and Jackson, P. (1987) 'Adapting to the unemployed role: A longitudinal investigation', *Social Science and Medicine*, 25 (11): 1219-1224.
- White, M. (1991) *Against Unemployment*, Policy Studies Institute, London.
- Winter, I. (2000a) 'Towards a theorised understanding of family life and social capital', *Working Paper No. 21, Australian Institute of Family Studies, Melbourne*.