Unemployment in an Age of Prosperity

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Introduction

The 1990s in Australia was characterised by relatively strong and persistent economic growth. For example, over the 8-year period 1992/93 to 1999/2000 GDP growth averaged 4.2 per cent per annum, well in excess of that experienced in most other Western nations. More importantly, growth in GDP per capita over this same period averaged 3 per cent per annum, not far behind the levels recorded during the 1960s (3.3 per cent over the decade), a period generally described as one when full employment prevailed. Moreover, despite a slowdown in 2000/01, economic growth accelerated again in 2001/02, growing by almost 4 per cent in the 12 months ended June 2002.

As would be expected, these relatively high persistent rates of output growth have translated into relatively high rates of growth in income. Real household disposable income per capita over the 10 years to June 2002 grew by 18 per cent, or an average of 1.6 per cent per annum. While income is not the same as wealth, it nevertheless seems safe to conclude that the average Australian household is far richer today than ever before.

However, while the average Australian household is, in a material sense at least, far better off today than in the past, many Australians would appear not to be sharing in the benefits of this new prosperity. Most obviously, there are still around 600,000 Australians officially recorded as unemployed.[1] Further, there are a large number of other Aus-

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tralians out of work who, while not measured as unemployed, would be in employment if labour market conditions were more favourable.

This juxtaposition of persistent mass unemployment with rising levels of household income and economic growth has generated considerable interest from policy-makers, community and welfare organisations and academic researchers. The subjects of this review represent three recent responses in this vein.

In *The Price of Prosperity* the focus is on identifying the many costs of unemployment, not just for the individuals and families directly affected, but also for the wider community. In *Unemployment: The Tip of the Iceberg* the emphasis shifts to quantifying the extent of unemployment with, as the title suggests, the focus being on providing better estimates of the "true" level of unemployment. More importantly, this work contains a clear policy proposal which the authors claim would effectively end involuntary unemployment. Finally, in *Work Rich, Work Poor*, the focus shifts away from unemployment per se to the broader question of inequality. The central premise in this book is that economic change is responsible for deepening divisions in Australian society.

These three books cover a wide and diverse territory. Moreover, all three are edited collections. This review, therefore, is necessarily selective. Specifically, the focus here is on five main issues: the measurement of unemployment, its costs, solving the unemployment problem, the relationship between unemployment and inequality, and the link between unemployment and the changing nature of jobs.

Measuring Unemployment

As reflected in its title, one of the key themes emphasised in *Unemployment: The Tip of the Iceberg* (edited by William Mitchell and Ellen Carlson) is that official measures of unemployment understate its true level. This has long been recognised and there have been a number of previous attempts in Australia to provide estimates of the extent of hidden unemployment and underemployment (e.g., Stricker and Sheehan 1981, Bosworth and Westaway 1987, Chapman 1990, Wooden 1996). Mitchell and Carlson add to this literature. Specifically, estimates of hidden unemployment are calculated based on the gap between the employment to population ratio and the estimated ratio should full employment prevail. These hidden unemployed are then added to the stock of persons recorded as officially unemployed. Underemployment is then taken into account by deriving an estimate of the difference between hours worked and preferred hours of work among part-time workers and then incorporating this into an hours adjusted measure of the total un-

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derutilisation of labour.

The results of this exercise indicate that:

(i) the 'true' level of underemployment is around double that of official unemployment;

(ii) changes in rates of hidden unemployment have closely mirrored changes in the official rate of unemployment; and

(iiii) headcount measures have tended to understate the rise in the level of underutilisation of labour over the last two decades, mainly as a result of relatively rapid growth in the number of part-time workers who would prefer more hours.

Overall, the general thrust of these results is not surprising and is in line with previous treatments of this issue. Nevertheless, there are reasons to be slightly concerned about the way hidden unemployment is estimated, and in particular the assumption that the full employment rate of unemployment is (and has always been) 2 per cent. Further, it needs to be recognised that while the measures computed by Mitchell and Carlson can reasonably be thought of as alternative measures of unemployment, they do not provide comprehensive measures of the underutilisation of labour. Missing from their calculation is labour hoarding. Labour hoarding arises when employed labour is not being used to its full potential and is reflected in levels of productivity which are below their potential (analogous to the participation gap used in constructing a measure of hidden unemployment). Taking into account this phenomenon would presumably add relatively little to overall underutilisation at the moment, given the sustained high levels of productivity growth during the second half of the 1990s, but would add more substantially to underutilisation in earlier periods (see Bosworth and Westaway 1987, Wooden 1996). In other words, the decline in the total underutilisation of labour since the 1990s recession will be much more marked than suggested by either the trend in the official unemployment rate or in the measures recommended by Mitchell and Carlson.

The Costs of Unemployment

The editors of *Unemployment: The Tip of the Iceberg* take it as a given that unemployment has serious adverse consequences. In contrast, *The Price of Prosperity* (edited by Peter Saunders and Richard Taylor) is almost entirely dedicated to identifying and examining the economic and social costs of unemployment. While there is the obligatory introductory chapter describing the extent of unemployment and the characteristics of the unemployed, most of the contributions focus on the consequences of unemployment. Thus there are chapters that examine the impact of unemployment on: family life; the functioning of communities; poverty, inequality and social exclusion; health; psychological well-being; and crime. There is, however, little in most of these contributions that is new. While Peter Saunders in his introductory chapter describes the collection as representing part of a "new approach", what he is referring to here is the greater emphasis on the social costs of unemployment rather than the narrower focus on the direct monetary costs that has tended to dominate previous Australian research. Most of the contributions (though not all) simply review existing literature, much of which is from overseas. This is not to say that this type of research does not have its place. Bringing together different views on such a broad topic can be extremely valuable, especially when this is a topic of interest to researchers from a wide diversity of fields.

But is there really an audience that needs convincing that unemployment is a serious economic and social problem? While the individual contributions that comprise this work are very scholarly, its central conclusion could just as easily have been obtained through a straw poll of ordinary Australian citizens. Indeed, opinion polls such as that conducted by Roy Morgan Research regularly find that unemployment is frequently mentioned as the main issue governments should be doing something about.[2] While it is obviously true that the costs of unemployment are difficult to quantify, a theme that is at the centre of Tony Eardley's chapter, this is very different to claiming that these costs are "largely invisible" (as claimed in the cover notes). Indeed, many of the contributions, by highlighting the complex nature of what might otherwise appear to be simple relationships, may cause some of us to revise downwards our uninformed and more alarmist assessments of the costs of unemployment.

Don Weatherburn's chapter on crime is an excellent example here. As he observes, there are relatively few of us who would not accept that higher unemployment contributes directly to increased rates of crime. Weatherburn, however, demonstrates that the relationship between these two variables is quite complex and will be mediated by a host of other variables. In a nutshell, most unemployed do not turn to crime.

Similarly, the analysis of Newtown provided in the chapter by Lois Bryson and Ian Winter casts considerable doubt on the more conventional wisdom that high unemployment neighbourhoods are necessarily dysfunctional. For example, Bryson and Winter remark on the strength of the "community fabric" in Newtown, despite rising unemployment and increased economic hardship (p. 169). Indeed, the fact that many members of the local community shared the experience of unemployment may have reinforced social linkages within the community while at the same time providing the unemployed with more complete forms of social support. Such conclusions are consistent with recent longitudinal evidence from overseas indicating that living in areas where the unemployed are concentrated mitigates some of the adverse psychological consequences of unemployment (Clark and Oswald 1994, Shields and Price 2001, Stutzer and Lalive 2001).

So to return to the original question – who is the intended audience for this work? The tone of Peter Saunder's introduction suggests that it is policy-makers and more, particularly politicians who need to pay attention. He, for example, refers to "the emergence of a new language that denies the significance of the problem" (p. 3). Personally, I think politicians are not all that different from the rest of us. They too are very much aware that the experience of unemployment is generally a very unpleasant one. Nevertheless, the unemployed still do not figure as much in policy debates as they should. The reason I think is obvious – just like we academics the politicians don't know what to do about unemployment. Most so-called solutions have either been found wanting in the past, take too long to deliver significant gains or are seen as unpalatable by large sections of the populace. That said, there is at least one group of policy-makers – the members of the Board of the Reserve Bank of Australia – who are in a position to influence aggregate unemployment but perhaps do not attach enough weight to its costs (at least, not relative to the weight they appear to give to the costs of inflation).

Solving Unemployment

The key question facing researchers today therefore has changed little – what should policy-makers be doing to reduce unemployment? While I characterised academics as collectively not knowing how to solve unemployment, many do have strong views and have articulated policy prescriptions that it is claimed will at least significantly reduce the problem. Two of the three books under review here contain such prescriptions.

John Nevile and the Balanced Budget Multiplier

While *The Price of Prosperity* is mainly concerned with emphasising the extent and range of costs that unemployment gives rise to, in the final chapter, by John Nevile, a plan is put forward that is argued will help reduce unemployment. The central feature of this plan is hardly novel –

government expenditure (on public infrastructure and social services) needs to be expanded. Nevile also argues that fiscal responsibility means that the expansion should be funded through taxation increases. Nevile goes further and nominates the size of the increase in government revenue that he believes is necessary to support the level of expansion in expenditure required as 4 percentage points. Current government revenue would thus have to rise from around 34% of GDP to around 38%.

But will a tax-funded increase in government expenditure actually produce many more jobs? The extra taxation will reduce household disposable income and thus reduce consumption. Moreover, with marginal propensities to consume currently around 90%, the initial fiscal stimulus is almost certainly not large. Nevertheless, there is growing recognition that there are complementarities between private sector investment and public infrastructure (see Kenyon 1997), and hence to the extent the increased government expenditure is directed towards new infrastructure, there may be significant second round effects for private investment. That said, the relationships here are far from straightforward. As Kenyon (1997, p. 427) notes, the additional spending cannot be for 'just any old infrastructure'. Further, there is the danger that increased government expenditure could produce other damaging effects. Further expansion of public infrastructure in inland Australia, justified on regional development and revitalisation grounds, for example, may only serve to further exacerbate problems with dryland salinity and water quality from which much of inland Australia currently suffers.

In any case, even if it is accepted that this type of approach could provide a significant boost to economic growth, can it be reasonably expected that any government would actually implement such a plan? Nevile himself appears to believe this is unlikely. To quote him:

> It is political will, backed by the belief of politicians that the majority of Australians are unwilling to pay significantly more in taxes, that is preventing us from substantially reducing the costs of unemployment. (p. 269)

Presumably Nevile's complaint here is with the politicians. In contrast, I think the difficulty lies with taxpayers. Governments have consistently demonstrated a willingness to raise revenues through whatever means they can, provided it is not portrayed as a new tax or a rise in the rate of tax. Perhaps the clearest evidence of this is the unwillingness of any federal government to do anything about the impact of bracket creep on income tax revenue. On the other hand, survey evidence reveals that taxpayers, while generally agreeing that government needs to spend more on services, typically support the principle of keeping taxes as low as possible.[3] I strongly suspect the internal polling of political parties lead to the same conclusions. After all, what political party would turn down the opportunity to raise taxes and win votes at the same time?

I thus agree with Nevile when he argues that the political will to address the unemployment problem through expenditures funded by tax increases is absent. However, in my opinion this view is entirely understandable – any political party that advocates a rise in tax revenues can expect an immediate opportunistic reaction from its political opponents and ultimately a heavy defeat at the ballot box.

Mitchell and Mosler and the Job Guarantee

In contrast to Nevile, William Mitchell and Warren Mosler, in Chapter 11 of *Unemployment: The Tip of the Iceberg*, put forward a scheme that requires no additional taxation revenues. Like Nevile, they too believe in the efficacy of government spending, but unlike Nevile they advocate the use of deficit financing. Moreover, in their proposal the increased spending is directed specifically to the provision of public sector jobs for the unemployed. In other words, everyone able and willing to work would be guaranteed a full-time job paying at least the federal minimum wage. They call this their Job Guarantee (JG) scheme.

This scheme has already generated a number of spirited critiques (see Aspromourgos 2002, Chapman and Kenyon 2002, Junankar 2002), with much of the attention focused on the issue of how the scheme is paid for. In essence, Mitchell and Mosler seem to be saying that governments can solve unemployment by either printing more money or borrowing it, and more importantly, it's not going to cost anyone anything! Well if this is so, what I don't understand is why governments all around the world are not queuing up for this medicine. After all, what politician does not like promising voters something for nothing? But that's just it, you cannot get something for nothing.

Mitchell and Mosler refute the view that money growth inevitably leads to inflation, at least 'within relevant capacity utilisation ranges' (p. 226). In other words, the money supply can be expanded indefinitely while unemployed resources exist. But as Junankar (2002) notes, money is not just a medium of exchange. Increasing the supply of money effectively makes money less valuable. In the case of debt issue, interest rates will need to rise to induce the private sector to hold the increased supply of government securities, while in the case of monetisation, pressures on prices will tend to mount. Mitchell and Mosler argue that price pressures are avoided since offsetting output responses will be forthcoming. Such arguments presumably involve the unrealistic assumption that there is no mismatch between demand and supply within different sectors of the economy. Further, it must also be assumed that the additional employment is just as productive as other labour, which brings me to my real objection to their proposal!

While the financing implications of the JG scheme are sufficiently serious for the proposal to be rejected, this is not, in my opinion, its most serious flaw. Rather the major problem is with the idea that a permanent public sector job creation program – which is all the Job Guarantee is – can actually reduce unemployment (let alone return us to full employment).

If employment is guaranteed, why would low-wage workers have any incentive to actually contribute any effort? That is, once handed a shovel why would the worker actually do anything with it (other than perhaps lean on it)? There thus needs to be some mechanism for providing workers with an incentive to work. The Soviet Union found the answer in extended visits to 'holiday camps' in Siberia. In Western societies the usual mechanism is the threat of firing, but such threats are meaningless if employment is guaranteed. Mitchell and Mosler might respond by arguing that workers who actually refuse to contribute any effort on the job are not actually 'willing' to work and therefore would not be entitled to a job under their JG program (though we then head down the thorny path of what constitutes an appropriate job and whether the unemployed would need to accept the first job offered). However, even if we assume that all persons employed in JG jobs can actually be persuaded to put in at least some effort, there nevertheless is still very little incentive to devote more than the minimal level of effort required to avoid dismissal. Workers in JG jobs will thus be much less productive than comparable workers on the same wage in non-JG jobs. The latter group, however, now has an incentive to quit their current job so that they can take one of the JG jobs given they involve the same pay but less effort. The JG sector will thus gradually expand at the expense of the private sector, but with the highly undesirable consequence that labour becomes increasingly less productive. In other words, as noted earlier, the output response to the increased government expenditure is indeed very unlikely to be sufficient to offset the increased pressure on prices from consumer demand.

The adverse consequences of falling productivity on output will be further compounded by the increased wage pressures this scheme will give rise to. Faced with an exodus of its low-wage workers, private sector employers will be forced to increase wages sufficiently above the public sector rate to retain some of its low-wage employees. This, in turn, gives rise to further wage increases as workers further up the wage distribution seek to restore relativities. The rises in real wages, of course, give rise to further employment losses and place further pressures on monetary policy.

In short, any gains to employment will be at the expense of large falls in national incomes and wealth. Price and wage pressures will be stimulated which will not be matched by an offsetting output response. Under the JG scheme, output per worker will fall, and inflation and interest rates will gradually accelerate to the sorts of levels normally associated with Latin America. Ultimately, far from being a panacea for our economic ills, the Job Guarantee is a surefire route to 'basket economy' status.

Unemployment and Inequality

Clearly the most obvious and immediate impact of unemployment is on income. As noted by Peter Saunders in Chapter 9 in *The Price of Prosperity*, income from employment is the principal source of income for the large majority of Australian families. It thus follows that unemployment must be one of the most important sources (if not the most important) of both income inequality and poverty in this country. Saunders' review of recent data supports this position. For example, he reported data indicating that in two-adult income units where both adults were employed, the poverty rate in 1997/98 (using current income measures) was just 6 per cent.[4] In contrast, where neither was employed the rate was 65 per cent. Similar, though less stark, differences were also apparent when data on the distribution of income were examined, leading Saunders to conclude that "unemployment and lack of work are the main factors causing inequality at the bottom of the income distribution" (p. 186). Such conclusions are supported by recent research undertaken at the Melbourne Institute, which quantifies the effect of changes in different household characteristics on the distribution of private incomes (Johnson and Wilkins 2002). The results of this research reveal that changes in the distribution of labour status explain around 60 per cent of the growth in the inequality of private weekly incomes

Inequality is also central to the third of the three books at the centre of this review – *Work Rich, Work Poor* (edited by Jeff Borland, Bob Gregory and Peter Sheehan). *Work Rich, Work Poor*, however, is primarily about people with jobs and hence it does not fall neatly within the scope of this review given the focus here on unemployment. Indeed, perhaps the most serious weakness of this work is that the role of unemployment, while not ignored, is much understated. Further, a number of the contributions appear to be overly concerned with emphasising the central thesis of the book – that the growing gap between the working rich and working poor is among the most serious economic and social problems confronting contemporary Australia.

Nick Pappas, in his chapter on family inequality, for example, concentrates on income units without children, where growth in wage inequality has been most pronounced. In contrast, among couples with children, wage inequality has actually been falling over time. Pappas justifies the omission of income units with children from his analysis by arguing that labour supply responses are offsetting the impact of rising wage inequality. But so what? It seems to me that if it is family income that is of interest (which the title of Pappas' chapter suggest it is), then it is a bit weird to exclude families from your analysis!

Pappas' chapter also sits uncomfortably with the later chapter by Andrew Burbridge and Peter Sheehan, which focuses on the growing divergence between the number of households with two wage earners and those with no wage earners. In stark contrast to Pappas, they actually emphasise families with dependent children. This is hardly surprising, with recent research by Dawkins, Gregg and Scutella (2002) showing that the increased polarisation in employment across households is most pronounced in couple households with children. Moreover, while Burbridge and Sheehan do not explicitly quantify the effect of the growing divergence between job rich and jobless households on income inequality, it is clear that their presentation is consistent with the claim that joblessness is a major contributor to inequality. Unfortunately, much of the data presented in their chapter is about individuals rather than households or income units, and hence the forcefulness of their key message does get lost.

Unemployment and the Changing Nature of Jobs

Another theme that pervades both the *Tip of the Iceberg* and *Work Rich, Work Poor* is the association between joblessness and the changing nature of employment.

Earlier the problems associated with relying on official measures of unemployment as a measure of labour underutilisation were discussed. The *Tip of the Iceberg*, and especially Chapter 8 by John Burgess, highlights a further potential difficulty with relying on measures of unemployment – that many of the jobs that are being generated in the 'new economy' are inadequate, especially in terms of the amount of income they provide and the extent to which they both make use of a worker's skills set and enhance that skill set (thus enhancing long-term employability). Burgess thus equates the rise in non-standard employment arrangements (especially part-time and casual employment) with rises in

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both underemployment and disguised unemployment. The upward trend in underemployment resulting from growth in the number of part-time workers who desire more hours was discussed earlier. Burgess, however, goes further, arguing that even where working hours may be in line with preferences, these types of jobs still represent a form of disguised unemployment since they are often not the preferred option for jobseekers given the absence of non-wage benefits, the lack of employment protection and the generally greater levels of insecurity, and the unpredictable and irregular nature of hours worked. While he stops short of attempting to estimate the extent of this disguised unemployment (claiming it is not possible), he does conclude that existing employment arrangements are sub-optimal for many who are employed and that the incidence has clearly been rising with the growth in non-standard employment (pp. 169-170).

Burgess, however, actually presents very little convincing evidence in support of this hypothesis, and seemingly expects the reader to accept at face value the obvious wisdom in the assumption that full-time 'permanent' jobs are preferable to less standard arrangements.[5] However, we already know that among part-time workers, most are not underemployed. That is, while the incidence of underemployment may have risen over time, the large majority of part-time workers (73% in August 2002) still prefer not to work any more hours. Furthermore, survey data from the 1995 Australian Workplace Industrial Relations Survey suggest that far from being dissatisfied with their jobs, workers in non-standard employment arrangements (defined to include permanent part-time employment, casual employment, and fixed-term contract employment) are generally more satisfied than workers in permanent jobs working full-time hours (see Wooden 2001). Moreover, and despite the concern with the growth in the number of jobs at the lower end of the pay distribution, workers in non-standard jobs were, on average, no more likely to describe the pay they received as unfair. Indeed, dissatisfaction with pay was most pronounced among full-time workers, and especially those working the very long hours.

Preliminary analyses from the more recent Household, Income and Labour Dynamics in Australia Survey (HILDA) Survey, conducted in 2001, also appear to cast doubt on the hypothesis that non-standard work arrangements are necessarily inferior, with workers on fixed-term contracts and in permanent part-time jobs being most likely to express satisfaction with their jobs. Casual work, on the other hand, was found to be associated with the greatest level of dissatisfaction, but even this found was found to be contingent on hours worked – part-time casuals were, on average, no less satisfied than non-casuals.[6]

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It is also not obvious that trends in employment arrangements have contributed to a growing underutilisation of skills. While it is almost certainly true that non-standard employment, and especially casual work, is associated with work involving limited skills, it does not follow that changing employment trends are responsible for a growth in skills mismatch. Indeed, it seems more likely that any growth in skills mismatch is a result of the growth in participation in higher education not being matched by the expansion in high skill jobs.

Perhaps the characteristic of the new non-standard jobs that has attracted most comment is their presumed insecurity. Jeff Borland, in Chapter 8 of *Work Rich, Work Poor*, however, reports evidence which is inconsistent with the hypothesis that the growth in non-standard forms of employment has led to a rise in job insecurity. He analyses time-series data on both rates of retrenchments and on perceived job security and can find little evidence of a trend decline in job security once cyclical factors are accounted for. In other words, perceptions of job insecurity are largely driven by variations in the availability of jobs. Borland, however, does report evidence of a trend decline in a more broadly defined measure of the security and predictability of an individual's future at work. That is, it is not fear of job loss that is rising but uncertainty about the type of work to be done. Growth in non-standard employment may be implicated given that many of these jobs involve irregular and uncertain working hours. On the other hand, if this insecurity has more to do with uncertainty about the type of work done (e.g., as a result of the greater emphasis on training / re-training and multi-skilling), then it is not obvious why workers in non-standard jobs would be most likely to exhibit such fears. Casual workers, for example, are much more likely to be concentrated in low skill jobs where there is less uncertainty about tasks and the required skills and hence where training needs are relatively low (Baker and Wooden 1992).

Another important question is whether or not casual and part-time jobs are a route out of unemployment. Burgess argues on the basis of extremely limited evidence from the Survey of Employment and Unemployment Patterns (SEUP), a longitudinal survey that interviewed sample members each year for four years, that for the unemployed, the rates of transition out of part-time and temporary employment are low and "successful transition to a full-time job is the exception, not the rule" (p. 169). Yvonne Dunlop, in Chapter 6 of *Work Rich, Work Poor* presents far more extensive evidence on this point. She again turns to data from the SEUP and examines transitions between different employment states, but with a particular focus on the low-paid (defined as earning less than $10 per hour in 1994 prices). At first glance her results appear

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to support the argument of Burgess. In particular, she reports that the majority of workers in low-paid casual and part-time jobs in September 1995 have, two years on, either returned to joblessness or remain in low-paid jobs. The proportion of cases making the transition to high-paid jobs, however, is not insubstantial – 42 to 44 per cent. Further, it is not that much lower than the transition rate for low-paid workers in full-time permanent jobs – about 55 per cent. More importantly, it is not true that most casual and part-time employees fall into Dunlop's low-paid group. Based on figures reported by Dunlop, it appears that just over 50 per cent of all casual employees and almost two-thirds of part-time employees are in the high-paid group, and within this group, the likelihood of remaining in the higher-paid group is much greater – 63 to 65 per cent remain in this group. Overall, while Dunlop's results confirm that casual and part-time job holders have a greater likelihood of experiencing joblessness in the future than other workers, her results are not consistent with claim that such employment necessarily traps workers into insecure, intermittent types of employment. Indeed, other research using these same data (Chalmers and Kalb 2001) suggests that, on average, casual employment accelerates the transition from unemployment to non-casual employment.

Sally Weller and Michael Webber, who have similar chapters in both *Work Rich, Work Poor* and *The Price of Prosperity*, also push the line that the changing nature of jobs has adversely affected employment and wider life opportunities for many Australians. They describe the subsequent labour market experiences of workers retrenched from the textiles, clothing and footwear (TCF) industry in the early 1990s and emphasise the change in nature of employment following retrenchment. To quote:

> In general, retrenched TCF workers exchange secure full-time semi-skilled factory employment for a multitude of insecure, low-paid jobs in a range of occupations. Very few made the transition to new, secure, and full-time employment outside the TCF sector. (*Work Rich, Work Poor*, p. 192)

Weller and Webber, however, fail to address the critical question – would outcomes have been any different if the labour market was structured differently? The first point that needs to be made clear is that retrenchments are an inevitable consequence of economic growth and the changing product cycle it gives rise to.

Second, as indicated by data presented in the chapter by Jeff Borland, rates of retrenchment have not been trending upwards over time in Australia. Indeed, data for the most recent year available – the year ended February 2002 – show retrenchment rates at their lowest level (3.9 per cent) since the series began in 1975 (despite 2001 being the year of Ansett's collapse).

Third, studies into the experiences of retrenched workers are nothing new, dating back to at least the 1930s, and they give rise to much the same conclusion – retrenched workers have difficulty finding alternative employment, especially in labour markets where there already are many other unemployed workers, and those who secure new employment typically experience earnings losses and occupational downgrading (see Wooden 1988). Thus, with one exception, it is not obvious that the experiences of their sample of TCF workers are distinctive. The one exception is that many of the TCF workers found their way into casual jobs following retrenchment. However, what Weller and Webber fail to consider is whether the availability of casual jobs actually assisted reemployment. That is, if the casual employment option were not a possibility, would as many have found a job as quickly as they did?

Finally, Weller and Webber can be accused of exaggerating the impact of the retrenchment experience on workers. Most obviously, when asked to rate satisfaction with their retrenchment job and then subsequently with their post-retrenchment job, the distribution of worker responses were very similar. Weller and Webber thus choose to emphasise other evidence based on direct comparisons of the two jobs, presumably collected many years after retrenchment, which is more supportive of their priors. No mention, however, is made of the possibility of biases arising from recall or contamination from subsequent events. Relatedly, when examining earnings they take no account of hours worked, claiming that members of their sample had no choice over the hours worked. But earlier, on p. 168, it is reported that most women, but not men, indicated being satisfied with the hours worked! In general there are good reasons for expecting that the types of jobs that are lost when businesses and establishments shutdown will often be low quality jobs (even if they are reasonably well paid). It is, for example, well recognised that plant closures tend to be concentrated in declining industries, often in old firms employing outdated techniques and work practices, where physical working conditions are relatively poor and jobs are not very satisfying. Thus the main problem for workers is the loss of income that retrenchment imposes rather than the loss of the work role. The data Weller and Webber report in Table 9.12 appear to be entirely consistent with this expectation.

A Final Assessment

Collectively the three works reviewed here are rather disappointing. The most impressive is *The Price of Prosperity*. Like the other works reviewed here, it is an edited collection, but by and large, the different contributions hang together extremely well. Moreover, the various chapters are well researched, well written and highly accessible. That said, I would also argue that of the three, *The Price of Prosperity* set itself the least challenging task.

The other two works are more ambitious, but less successful, and hence it is not surprising that unlike *The Price of Prosperity,* these works are in-house publications. *Unemployment: The Tip of the Iceberg* does hang together very well, which should not be altogether surprising given 7 of the 12 chapters were written or co-written by Bill Mitchell. The main problem with this work, however, is that as the analysis proceeds from diagnosing the problem to devising a cure, the economics increasingly goes awry. Mitchell and his colleagues are clearly not enamored of orthodox economic approaches. However, in their zeal to promote a more heterodox approach they have 'thrown out the baby with the bathwater'. Money does matter, even in an economy with unemployment. Further, real job creation involves much more than simply adding the unemployed to the public sector payroll.

But perhaps most disappointing of all is *Work Rich, Work Poor*. This book is edited by three of Australia's leading labour economists and hence my expectations were high. The book failed to meet my expectations by a wide margin. First, unlike the other two works reviewed, the different contributions are highly eclectic. The two chapters on immigrant experiences, for example, while extremely useful and scholarly additions to the literature on the labour market achievement of immigrants, do not really sit well with the other contributions. Given *Work Rich, Work Poor* is mainly about growing inequality, we might have expected some discussion of the extent to which immigration has contributed to rising inequality and whether this provides a case for reducing immigration. There is none. Indeed, the introductory chapter by the editors does not include a single reference to immigrants. Second, some of the other chapters seem overly concerned with ensuring the evidence they presents suits the central theme of the book – that economic change has obviously been bad for Australians. However, we only have to read the chapter by Jeff Borland on job security to see just how difficult it is to find clear unequivocal evidence of the evils of change. Unfortunately, not all of the other authors have followed Jeff's lead. Finally, some of the chapters are difficult to follow, with too much emphasis on presenting yet another statistic rather than ensuring the key arguments being presented are well understood.

Notes

1 During 2002 there was only one month when, after seasonal adjustment, the number of persons recorded as unemployed fell below 600,000.

2 See for example, 'The Mood of the People and the Election – Listen Carefully', Morgan Poll Finding No. 3121, Roy Morgan Research Centre, September 1998 [www.roymorgan.com.au/polls].

3 Researchers at the ANU conducted a survey in the year 2000 into attitudes towards tax, the tax system and the Australian Tax Office. Involving a sample of just over 2000 eligible voters, 31 per cent of their sample indicated that keeping taxes as low as possible was of utmost importance, 29 per cent thought it was very important and 27 per cent thought it was important (Braithwaite et al. 2001).

4 Saunders also reports poverty rates using a measure of annual income. These data, however, are more difficult to interpret given employment status was based on current activity, whereas annual income depends on activities undertaken during the entire financial year.

5 Burgess refers to an ACTU Survey that reported that 60 per cent of casual employees surveyed would prefer regular or permanent employment. That survey, however, was restricted to trade union members among whom rates of casualisation are very low. More importantly, since trade unions have long been openly hostile to casual employment, it would be expected that the small numbers of members in casual jobs would report preferences for 'permanent' jobs. Indeed, what is most surprising is that such a high proportion – 40% – of these unionised casuals actually indicated a preference to remain a casual.

6 This summary is based on the report provided in the *Household, Income and Labour Dynamics in Australia (HILDA) Survey: Annual Report 2002*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, p. 17.

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