Australia:

Harsh new penalties for the young unemployed

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Australian Prime Minister John Howard has begun the year with a frontal attack on welfare and the unemployed. In his first speech for 1999 he has given notice that the government's main priorities will be driving the unemployed off welfare benefits and forcing them into low wage jobs.

Announcing the initial phase in his annual Federation Address last week, Howard declared that all unemployed young people between the ages of 18 and 24, who fail literacy and numeracy skills tests, will be compelled to undertake remedial courses or lose their benefits. "Refusing to read or write," he contemptuously remarked, "will deny young unemployed the full dole."

The penalties have yet to be divulged, but they reportedly range from an eight-week suspension of payments for failing to turn up to a course or poor attendance, to the cutting off of all benefits for repeated infractions.

The effect of this policy will not be to overcome the escalating rate of illiteracy among youth--itself a product of more than a decade of public education cutbacks and the slashing of migrant English services. The government plans to fund a mere 12,000 places in remedial courses over the next year, while the estimated number of unemployed youth who have difficulty in reading and writing is around 100,000.

Nor will it provide jobs for youth. Since the Howard government took office in 1996, the rate of youth unemployment has risen from around 26 percent to 30 percent. More than 200,000 of these youth can read and write, but can't find a job.

On the contrary, the policy's aim is to coerce the unemployed--starting with the youth--into becoming a cheap labour force, with no choice but to accept the most exploitative conditions.

Howard's announcement came amid growing demands in business circles for more aggressive "labour market and welfare reform". Four days after the Federation Address, federal Treasurer Peter Costello, in an interview with the *Sydney Morning Herald*, declared his intention of reducing Australia's unemployment rate from the current 8 percent to between 4 and 5 percent. Achieving such a target would require, he said a "flexible labour market" and ensuring that the welfare system did not "discourage work". "I don't know how long it would take... It depends on the progress we make on reform... We've just got to keep moving towards more flexibility".

The *Financial Review*, the mouthpiece of corporate Australia, was even more explicit. In the first of five days of special reports devoted to strategies for achieving the 5 percent target, economics editor Alan Mitchell declared on Wednesday: "[W]e can have any unemployment rate we choose." The barrier to full employment, he went on, is that "we have chosen not to reform our labour market to the extent necessary to get unemployment down to US levels".

"The crucial but, until recently, almost unmentionable issue in all this labour market reform is that the cost of labour matters. Labour competes with capital... The cost of labour is particularly important for the unemployed, who are mostly unskilled and are in competition with more skilled workers. Basically unskilled workers compete with skilled workers and their machines."

The argument is that those workers who have jobs are responsible for the fact that others don't. "...[W]e, the 90 percent-plus of the labour force who are employed, have chosen to take the benefits of economic growth in the form of higher real wages for ourselves, rather than as extra jobs for the unemployed."

According to Mitchell, "A 2 percent cut in the growth of real wages, for one year, could lead to a permanent reduction of unemployment of about 1 percentage point." He approvingly cited the proposal advanced by five economists last year to freeze wages for four years, which "would be enough to cut the unemployment rate by 1.5 to two percentage points."

Central reference was made by both the Treasurer and the

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Financial Review to the "US model"--the benchmark to which Australia, they argued, should aspire. As an editorial in the *Financial Review* put it last Monday: "Government and business should heed the lessons of the American miracle and import more of the creative and entrepreneurial machoism of the liberated American eagle."

What does this "miracle" consist of? An unprecedented decline in welfare which is "completely without historical precedent," according to Ron Haskins, staff director of the Human Resources Subcommittee of the US House Ways and Means Committee, in an article in January/February issue of the *American Enterprise*, republished in the *Financial Review*.

In his article, entitled "Welfare reform creates work" Haskins explained: "National cash welfare rolls have shrunk by an astonishing 40 percent since their peak in March 1994. The highest previous decline over any period of two or more years was 8 percent.

"It was not until 1994, with the States implementing their own partial welfare reforms under Reagan-Bush waivers from federal rules that the welfare case-load began to decline. Then, after the Republican Congress passed federal reform in 1996, welfare case-loads plummeted. They are now dropping at the rate of nearly 6,000 recipients a day."

The destruction of the right to welfare has forced the poorest and most disadvantaged sections of the American working class into low-paid, temporary and unskilled work. Single mothers have been one of the primary targets. Haskins referred to a recent US Bureau of Labor Statistics report showing that in 1996, the net increase in the number of single mothers with jobs rose to 272,000 from 136,000 in 1995, and to 456,000 in 1997, after every State had implemented the federal welfare reform law.

Another report revealed that the "percentage of never-married mothers holding jobs jumped an unprecedented 32 percent in 1994-8."

But what sort of jobs, and at what social cost to their children? A recent study entitled "The State of Working America 1998-99", revealed, for example, that almost 30 percent of workers do not have regular full-time jobs and the proportion of workers employed through temporary help agencies doubled, between 1989 and 1997.

The Australian government intends, in similar fashion, to end the right to welfare. Additional measures being canvassed include:

• extending the compulsory work-for-the dole scheme which was introduced last year, and which, at the moment, applies only to youth, to all unemployed adults under 40 years of age;

• cutting off unemployment benefits altogether after two years;

• scaling the level of payment to how long the recipient has been in the work force, so that rates will be the lowest for those who have never worked, or worked for only a short time;

• extending the latest scheme regarding literacy and numeracy to adults under 40.

Taken together, these proposals amount to a plan to slash the wages of low paid workers even further, and to force unemployed workers into accepting whatever minimal wages are offered.

But this is, of course, not how they have been presented to the general public. Taking a leaf out of British Labour Prime Minister Tony Blair's book, Howard and the media have couched this agenda in the euphemistic terminology of "mutual obligation". "Mutual obligation" is intended to convey the message that the unemployed, and welfare recipients in general, are to be blamed for their plight, not the banks and major corporations that have eliminated hundreds of thousands of full-time jobs over the past decade, and destroyed thousands of apprenticeships for the youth.

The Labor Party Opposition has not only welcomed the Liberals' proposals, but has hastened to point out that it was Labor who began their implementation.

In the early 1990s, the Keating Labor government introduced the "Jobs Compact" scheme. Severe penalties were imposed against unemployed workers who failed the "jobs search" test. At the same time, dole recipients were obliged to undertake various "training programs", with the promise that these would lead to jobs. But unemployment levels, which reached a post-war high of 11 percent in 1993, remained near the 10 percent level.

The Labor government also imposed restrictions on where the unemployed could live, if they were to continue to receive benefits. Moreover, Labor axed all welfare support, including the dole, for migrants for six months after their arrival, a period that the Liberals have since extended to two years.

All of these measures were carried out in the name of dealing with "dole bludgers" and "welfare rorters", the former term having been first coined by Clyde Cameron, the labour minister in the 1972-75 Whitlam Labor government.

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