

## **A Comprehensive and Realistic Strategy for More and Better Jobs**

**By Jim Stanford**

**May 23, 2018**

For several years now, Australia's labour market has been suffering from a dual crisis: a chronic shortage in the quantity of work available, and a noted decline in the quality of jobs. The quantitative problem is evidenced by continuing underutilisation of labour, in the form of unemployment and especially underemployment, and below-potential participation in the labour market by larger numbers of Australians. The qualitative problem is visible in data on a whole range of job quality indicators, which have deteriorated notably since the peak of the mining investment boom in 2012. Part-time work, casual employment, insecure forms of self-employment, and work that is compensated under the minimum terms of awards have all become more commonplace – largely because of the desperation of people seeking employment, and the willingness of too many employers to take advantage of this situation to reduce compensation and job security. Today less than half of employed Australians fill what was once a “standard” job: full-time, permanent paid work with normal employment entitlements (such as paid leave). This persistent, two-fold weakness in labour markets helps to account for the unprecedented stagnation in wages and salaries, widening inequality between households, and a pronounced shift in the distribution of national income away from labour and toward businesses and financial investors.

Traditional employment statistics do not adequately describe this lasting structural weakness in labour markets, and hence some observers seem “puzzled” by the weakness of wage growth and other distributional outcomes (despite official unemployment and job-creation statistics that seem, on the surface, encouraging). The official unemployment rate is moderate by historical standards; in fact, it is barely above the “natural” or NAIRU rate (5 percent) which many Australian policy-makers still believe constitutes full employment. Job-creation in 2017 was relatively strong (although it has cooled considerably so far in 2018). From this perspective, there might seem little need for concern: Australians need only wait patiently until natural market forces, operating through the apparent tightening of supply and demand balances, push wage growth and job quality indicators back toward traditional levels.

This faith in the self-adjusting nature of the labour market is misplaced. It goes against the long Australian tradition of working actively to lift wages and minimum employment standards, share the benefits of economic growth broadly across the population, and give every willing Australian a “fair go” at prosperity. It also denies the accumulating empirical and qualitative evidence that there has been a fundamental shift in the balance of power in Australia’s labour market. For many reasons – including technology, new business models, global and competitive pressures, and the relative passivity of Australian labour regulators in the face of widespread labour abuses – employers have clearly gained the upper hand in the ongoing negotiations and relationships that determine work and wages. Until that structural imbalance is addressed with comprehensive measures that stimulate the creation of high-quality jobs (more work), and empower workers to demand and win better wages and conditions (better work), the polarization of income and stagnation of mass living standards that has occurred in recent years will certainly continue.

It is against this backdrop that the Australian Council of Trade Unions is launching its ambitious new jobs program, *Jobs You Can Count On*. This document is comprehensive, credible, and timely. It presents a whole catalogue of promising policy responses to both dimensions of the crisis in the world of work: the shortage of work, and the declining quality of work. In particular, it effectively integrates an expansive macroeconomic vision based on vibrant purchasing power and job-creation (activating all channels of aggregate demand, including personal consumption, government programs, capital investment, and exports) with an equally ambitious strategy to lift the quality of work (by repairing and modernising Australia’s inadequate labour market rules and practices, including minimum wages, the awards system, national employment standards, and collective bargaining). The ACTU jobs policy also recognises that a rising tide does not lift all boats. Instead, the labour market needs focused and pro-active efforts to ensure that all sectors of society (including Aboriginal and Torres Strait Islander workers, women, people with disability, and youth) have access to a fair share of the decent work that the plan aims to create.

I am especially struck by the ACTU paper’s description of a multi-dimensional and internally consistent strategy to get all cylinders in the economy’s job-creation engine pulling in the same direction. There is no “magic bullet” for solving the deep structural weaknesses in Australia’s labour market today: instead, any credible jobs strategy must invoke the whole range of policy levers available to government, aligning them in a mutually reinforcing dynamic that generates a lot more jobs, and better jobs. To this end, *Jobs You Can Count On* marshals the job-creation potential of all major sectors in the economy, including high-technology tradable sectors, domestic private services, the public sector, innovative environmental industries, and more. The paper recognises the need for active labour market policies – including high-quality vocational training, higher education, mobility and adjustment programs, and a modern labour market information system – in order to match workers with jobs as the labour market tightens. Similarly, the strategy consistently invokes the full spate of expenditure levers in the economy (fiscal policy, investment policy, trade policy, and a plan to boost

household incomes and hence consumer spending) to underpin the jobs plan with a robust, expanding base of aggregate demand. At the same time, by achieving ambitious job-creation goals and accelerating income growth, this strategy would generate vastly improved fiscal benefits for government, validating (and helping pay for) the expanded public outlays that form an important part of the strategy.

In my judgment, a multi-faceted and expansive jobs strategy of the sort outlined in the ACTU's document, if sustained over a period of several years, could fundamentally transform Australia's labour market and open up impressive opportunities for all those being marginalised or exploited by the current state of affairs. In particular, after five years of the expansionary measures contemplated in *Jobs You Can Count On*, I would reasonably expect:

- The unemployment rate to fall to 4 percent or lower.
- The share of full-time work in employment to rebound back toward 75 percent (since employers will be pressured by falling unemployment to create full-time jobs).
- The underemployment rate to fall to 5 percent or lower.
- The incidence of casual work to decline below 20 percent.
- Labour force participation to rise by at least 2 percentage points, especially among young workers.
- Nominal wage growth to rebound to traditional rates of 4 percent per year.

While all of those outcomes seem "optimistic" by the standards of today's grim, underutilised labour market, they were once considered normal outcomes in a healthy economy. They can be achieved again, so long as government puts top policy priority on the creation of more decent jobs, and lifting the quality of work (in large part by empowering workers to demand more from their jobs, instead of accepting any work available out of sheer desperation). The ACTU's document, *Jobs You Can Count On*, provides an encouraging vision of how government could do exactly that. It will make an important contribution to a badly-needed policy dialogue on the future of work in our society.

**Dr. Jim Stanford**

**Economist and Director, Centre for Future Work at the Australia Institute  
Harold Innis Industry Professor of Economics, McMaster University, Canada  
Honorary Professor of Political Economy, University of Sydney**