

# Slave Labour

BOB DAY

If we are so concerned about youth unemployment, why do we impose it?

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness... it was the spring of hope, it was the winter of despair... We had everything before us, we had nothing before us.

Charles Dickens,  
*A Tale of Two Cities*

**T**HE paradoxes in this passage from Dickens capture the predicament of young people entering the labour market today. They've been born into one of the most affluent eras in human history—with access to better medical care and longer life span than any previous generation. As well, rapid progress on the medical, scientific and technological fronts will continue to transform their lives. In many respects, we can confidently say there's never been a better time to be alive.

But the mechanisms for dealing with such remarkable change have seldom, if ever, been so ill-matched for the task. The lack of flexibility in the youth labour market means that appallingly high percentages of young people are excluded from the world of work. The tragically high incidence of youth suicide is one direct result. Another is drug addiction and related crimes—which account for more than half the prison population—along with youth alcoholism, homelessness, alienation, poor health, the collapse of family life ... the list is all too familiar. And, whilst it is commonplace to suggest that there are no simple solutions, there is something close to a panacea for these ills—a job.

It has been suggested that the concept of 'competency' can replace junior wage rates. This notion appeals to many in the union movement and elsewhere because it is marginally more defensible on the basis of equity than the present archaic arrangement—although the proposed mechanism for calculating such competencies is totally implausible.

There is an alternative to both: that the only relevant consideration should

be the value of the labour itself to the person hiring it.

If all youth employment in Australia today was provided by firms with the resources and staffing policies of BHP in the 1960s, we wouldn't have a problem. Such companies would be able to amortize, over time, the cost of subsidizing junior wages considerably in excess of the value of the work being done. Unfortunately, the bulk of prospective employers of young people are in the trades or small to medium-sized businesses which simply do not have the margins to afford such luxuries.

Under the present arrangements, such prospective employers are precluded from providing gainful employment and on-the-job training to young people who are desperately looking to get a foot on the employment ladder. Employees who want to sell their services to an employer at a price the em-

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ployer can afford are likewise prevented from doing so. Yet there are perfectly sound reasons why prospective employees might want to reach an arrangement outside an award—a greater degree of independence, a contribution to their own keep, job satisfaction and, of course, the incentive of future opportunities are among the more common motives.

Australia's 'rear-view mirror' of industrial relations is still based on the theory of conflicting interests com-

pletely at odds with the realities of the modern workplace. The notion of voluntary acceptance of a wage unrelated to an award seems to offend those who see it only as 'exploitation'. But this view is demeaning to the common sense of those it purports to protect as well as the decency of most employers and, as far as the small business sector is concerned, it is a ham-fisted intervention in the relationship between employee and employer.

The only sensible and intellectually consistent position is for junior wage rates to be based on the value of the work to the person purchasing it and set by agreement between the employers and the employees. It is, practically speaking, impossible for third parties—except, perhaps, for the parents of a junior employee—to understand or make judgements about what is, or is not, in the employee's best interests. Those to whom such a prospect is anathema simply have not confronted the fact that, as they presently stand nearly all junior wage rates are set at levels which make them uncompetitive in the job market. They do not appear to have applied the traditional test of *cui bono*—'who benefits', in whose interests are such arrangements? Certainly not those of the young unemployed.

A regulatory system that excludes so many from employment and prevents employers from giving them work must eventually be exposed for the scandal that it is. To those most directly affected by the intransigence of the process, it is increasingly plain that it has less to do with concerns about social justice and a lot to do with the highly politicized role of trade unions and the tribunals themselves. Politics—rather than economic or social considerations—blocks our young jobless from access to the world of work.

The falling rate of participation in the union movement among those who have jobs is partly attributable to the perception that unions are more concerned with protecting their own interests than those of their members. The rhetoric of equity in income dis-

tribution pales even more quickly for those who have no job and have been priced out of the market thanks to a centrally determined award wage. The young, who are generally well aware of their need to acquire skills if they are to become productive employees, will not thank those who have precluded them from on-the-job training. Over-regulated wage-fixing systems, by contributing to the destruction of jobs, add to the inequity they profess to correct.

As P.P. McGuinness recently observed in the context of unskilled workers, 'it makes sense not to compel employers to pay such a high minimum wage, but instead to preserve living standards thought socially appropriate through the tax and social security system. If, for some reason, you want employers to pay more, this is best achieved through the tax system'.<sup>1</sup>

The same applies to youth wages. The burden of supplementing the value of the labour to the employer so as to achieve the unrelated goal of a minimum wage ought to be met by the community at large. The community is, after all, like the individual youth, getting considerable benefit from the fact that they are employed. According to a National Youth Affairs Research Scheme Study (*The Price We Pay*, 1997), youth unemployment already costs the Australian community more than \$2 billion a year. It is simply inequitable to expect small business and tradesmen to foot the entire bill and unrealistic to pretend that they can afford to do so and still remain competitive. Yet it is widely acknowledged that small business is the sector which has the greatest potential for generating new jobs. In the Prime Minister's own words, 'The way to solve youth unemployment is to liberate the small business sector'.<sup>2</sup>

It is one of the long-term consequences of the Federation settlement that we have developed a selective blindness about economic fundamentals. 'Historically, Australia developed a centralised wage-fixing system as a result of the political consensus which also gave us tariff protection. It's safe to say that, without the one we would have never had the other. High tariff walls led to what's been called "the cost-plus mentality". Whatever goods cost to manufacture—including the cost of labour—the manufacturer would simply add his margin to arrive at a price'.<sup>3</sup>

But, at some point, we have to stop deluding ourselves that we can increase

the price of goods or services—like labour—without it resulting in a decrease in demand for those goods and services. Price does matter. And 'pricing young people out of the job market' is not just employer rhetoric but a harsh reality over which they have no control.

The laws of supply and demand are immutable and they apply as much in the workplace as in any other market. When there are external distortions,

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it is the weakest who suffer most. It was once the case that bricklayers employed lads to carry their bricks, as plumbers employed someone younger to dig trenches for them. In exchange, the lads were taught a trade. Until the cost became prohibitive, as a direct result of centralized wage-fixing, this arrangement suited all parties and was well-understood by all.

Historically, the collapse of that employment-generating system is well documented. In 1951, a first-year apprentice was approximately 7.5 per cent of a tradesman's wage and there were virtually no unemployed teenagers. By the mid-1970s, the wage rate had doubled to 15 per cent and the term 'youth unemployment' began to have some currency. The wage rate is now 40 per cent and youth unemployment is now regarded as the 'single most important social problem of our time'.<sup>4</sup>

In the Sexton Report, 70 per cent of respondents, unprompted, characterized the issue in those terms. Approximately 70 per cent of respondents also said they 'would support the introduction of a youth wage equivalent to the dole or Austudy in return for full-time apprenticeship employment or training'. Among respondents, as an indication of the gravity and familiarity of

the issue, 'youth unemployment is a problem which has directly affected 4 out of every 10 households having 16–24 year old family members in the last 5 years'.

Among the survey target group—people living in the northern and north-eastern suburbs of Adelaide—acquaintance with the realities of our Proportional Rate System was more than merely theoretical. Respondents were well aware that a scheme that locks adult rates and junior rates together is incapable of adapting to contemporary conditions. In the 1970s, for example, an inexperienced school-leaver or job seeker was typically only 16 years of age. Today, that same inexperienced person is more likely to be 18 years old, and the relevant rate is much higher than the rate for a 16-year-old. It is absurd.

Another anomaly inherent in centralized wage-fixing is the preoccupation with ascertaining what constitutes a 'living wage'—a rhetorical construct which ought to be recognized as such. Variations in the cost of living across Australia make it virtually impossible to determine what an appropriate living wage might be. A young person living on a farm in the mid-North of South Australia clearly has a completely different set of circumstances to deal with—and thus different criteria in deciding on what constitutes an adequate income—compared with young people living on their own in the inner-western suburbs of Sydney. That people in different situations need differing amounts of money has nothing intrinsically to do with the employer-employee arrangement. Cost of living adjustments ought to be made through the welfare system—not through an award system.

It is very clear to most of the people who are directly involved that the intangible benefits an employer confers by taking on a young employee are as significant—and probably more profound in their consequences—than the wage transaction itself. Anyone who doubts this greatly underestimates the capacity of young people to understand where their own best interests lie. They can see the benefits of starting on a low wage to learn a trade and there is increasing evidence of their wholly justified resentment of paternalistic state interference which prevents them from receiving those benefits.

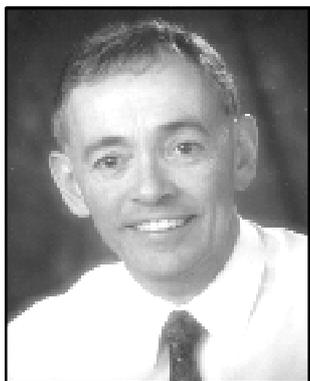
From a young person's perspective, there must be something especially galling and hypocritical about society's

double standards regarding employment. One the one hand, we praise young people who undertake volunteer work. On the other hand, we hold in high regard those who have found employment. Yet woe betide anyone who offers or accepts any arrangement in between. It is a 'no-go' area—although it is self-evidently a fertile field for mutually acceptable and agreeable arrangements between the parties.

It is inconceivable that the present system, with all its inflexibilities, will be allowed to continue indefinitely to exclude so many of our young people from the world of work. Not even the most relentless demonization of the motives of small business employers could achieve that end. The struggle for liberalization of the existing wage regime has echoes of the campaign against slavery, invoking Ernst Howe's description of it as a 'bitter conflict with contemporary sentiment and the interests of gigantic power'. Liberty. Freedom. The long struggle to break the shackles of workplace regulation goes on.

#### NOTES

- 1 *Sydney Morning Herald*, 'So, Back to the Quack Remedies for Jobs', page 15, 29 October 1998.
- 2 *The 7.30 Report*, 28 February 1997.
- 3 *Checkpoint Charlie*, a submission to the House of Representatives Standing Committee on Youth Unemployment, 1997.
- 4 *Sexton Report*, 1997.



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I P A

# Opinion Polls and Baseball Bats

## What Really Went on in the Queensland State Election

CHRIS MITCHELL

**I**T should tell astute observers much about the divided nature of modern Australia that most of the commentaries about the rise of One Nation and, indeed, almost all the latest tome on the subject (*Two Nations*) have been written by people outside of Queensland—the birthplace of One Nation.

Apart from Nick Rothwell and a couple of other grown-ups, the commentators have almost all got it wrong.

Conservative protest politics has a long history in Queensland. Remember the Labor Split, the Confederate Action Party, the CEC? The interaction of such politics plus an optional preferential voting system with an electorate just as disenchanted with John Howard as it was with Paul Keating, which still had (to quote Wayne Goss) its baseball bat in hand and which saw the 'unread head' Mrs Hanson as an underdog, was always bound to deliver a large amount of support to One Nation, even though most people knew they were voting out of protest.

But what really sealed the June 13 Queensland State election were the campaigns of the governing Coalition parties and the Labor opposition.

The entire thrust of the Government's campaign was negative, with a plea for One Nation preferences. The Borbidge National/Liberal Coalition Government had already accepted—because of its own internal research and the feedback from the wiser heads in the Government—that One Nation had been on a roll since the previous October.

In private conversations, with people as high up as Premier Borbidge himself, many in the Coalition expressed concern at the negativity of the Coali-

tion's campaigning. They felt that theirs had been a service delivery government, with a good record on hospitals and road building and that those messages had been lost in the campaign. They felt the campaign was giving their own base voters permission to lodge a protest so long as they channelled their vote back to the conservatives via their optional second preferences. And once the Liberal Party opted to preference One Nation, small-'l' Libs in Brisbane were always going to repeat their 1989 desertion of the conservatives.

For its part, Labor focused almost entirely on the one line—it was either a stable Beattie government or a rag-tag Coalition government relying on One Nation support. Mr Beattie was on-message throughout the campaign. He spoke of a five per cent unemployment target—which was an intentional dry run for Kim Beazley's subsequent five per cent campaign—and constantly referred to the 'rag-tag Coalition'. Observers of politics in Brisbane will have heard this phrase thousands of times in the two months leading up to the election.

But, beyond that, both sides of politics had internal polling several months ahead of the election showing One Nation at near 30 per cent throughout Central Queensland.

After Premier Borbidge sacked Trevor Perrett—his then Minister for Resources and Primary Industry—for his admission to *The Courier-Mail* that he had carried on a relationship with a murdered prostitute, *The Courier-Mail* polled his seat of Barambah four-and-a-half months before the State election. That poll showed One Nation's Dorothy Pratt at 28 per cent. *The Cou-*

REVIEW