

# Jobs Created ... and Destroyed

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The unemployed need jobs. Unfortunately, many people are employed to make sure they are less likely to get them.

**A**S someone who actively works with over 100 small and medium-sized businesses supplying almost all their short- and long-term labour needs, I see all the little processes that lead to both the creation and the loss of jobs. As a result, I tend to have a different perspective from the people who never get close enough to any workplace to see what actually happens but are paid handsomely to pontificate about them. Most of these people are unable to articulate the core of our unemployment problem and its fairly obvious solutions.

Let me first define in its essence what a job really is, then I will suggest how we would really know if anybody was actually employed. The best that can be said of the current official definitions is that they are 'the musing of fools'. For instance, working for the dole: this is where some unfortunate is paid by the Government to fill in time actually avoiding doing anything that in the normal course of events someone else might find useful enough to pay to have done. This is neither working at a job nor employment in any real sense.

A job is simply a set of tasks done by someone that someone else is prepared to pay to have done. How much a person will receive for their labour will depend upon a number of factors. First is the value that the payer can ultimately gain from the consequence of the task's completion. Second is the competition that the worker faces from other workers also wishing to perform those tasks for reward. For instance, former Westpac chief Bob Joss was paid millions each year to fix Westpac's woes. There is probably no more than a handful of people in the world with Joss's skills and accordingly they all charge millions for their services. At the other end of the scale, every business gets dirt on its floors. Although having clean floors is a valuable business asset, having them cleaned is not highly paid work because

literally millions of people can work a broom or a mop.

Next, whether a person's job or jobs can be called 'full employment' depends simply upon whether the job or jobs constitute as many hours of work each week as that worker is satisfied with or in any event pays more than a livable amount—remembering that the dole is deemed to be a livable amount.

Compare these simple definitions of who is really employed or not with the nonsense that our political leaders have been parroting to us—for example, the claims that people on training schemes, and people who do five hours of paid work in a week, are not unemployed.

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What rubbish! By some accounts [Ian Henderson, *The Australian*, 12 February 1999, 'Required urgently: a serious job creation program'] there are 2.5 million Australians who want more jobs, or more paying tasks to do.

Now, by any definition, even a half or a quarter of this state of affairs would be a moral and social outrage. Its consequences are ripping at the very fabric of our egalitarian society yet it seems the current wisdom is that we solve the problem by cooking the country's economic books to fire up the economy to

make what I call the 'business-employment equations' more viable. These types of solutions have been tried repeatedly over the last 20-or-so years and they sometimes generate more jobs in the short-term. When the spending spree is over and businesses cop the consequences of higher taxes and and/or interest rates, however, then the unemployment rates traditionally return to even higher levels than before.

## THE WORK EXISTS

The time has come for some honest action to address the unemployment problem where it actually is and not where our pontifical experts think it might be. There are literally millions of jobs just waiting out there in the workplace. Just ask any small-business proprietor how many things they could have done by someone that would make them money—but only if they could get those things done for the right price. The problem is that a vital ingredient called 'profit' is missing from the equation.

No-one, except governments of course, is going to pay anyone to do anything unless the reward from the work's consequence is greater than the cost of doing it. Of course, the introduction of technology that costs money and is interest-rate dependent can reduce those unit labour costs and make many new tasks profitable. That is why government low-interest-rates policies are far more useful to the employment equation. All those phoney job-creation and training, work-for-the-dole, and—the biggest disgrace of all—recruitment-subsidy schemes which shameless governments promote as employment generation measures, simply waste taxpayers' money.

But technology alone doesn't address the real problem, particularly for the unskilled unemployed who probably represent about 90 per cent of the total.

The biggest problem is that the levels of skill and application of these peo-

ple are such that they are either incapable of performing the tasks that will lead to a profit or, if they are, then the Government specifies that they must be paid more than the market would value their work effort. If markets perceive something is priced above its value, then markets simply don't buy. Ergo, these people don't work.

Make no mistake, the essence of our unemployment problem is a direct consequence of current government policy that forces these poor unfortunates to charge more for their services than they are actually worth. High unemployment isn't something that's slipped through Customs or is a function of some overseas economic 'meltdown'. It's home grown entirely—governments generate the problem. And, to make matters worse, the very policies which have led directly to these disgraceful unemployment levels, particularly for the unskilled, have nearly all been implemented in the name of trying to protect these unfortunate people from—wait for it—exploitation.

Under the Government's skewed definition, a worker who regularly works, say, 50 hours a week, for less than what they would receive if they were receiving all the supposed employee benefits of overtime, penalty rates, etc., etc. would be regarded as being exploited—even though that person regarded himself or herself lucky to be earning so much.

A worker unable to secure employment because the added cost of government-mandated entitlements to a potential employer prices that worker's limited skills out of the market is, however, not exploited.

As Dame—or is it now just Mrs?—Edna Everidge would say, 'Spooky'.

But here is the truth. The vast majority of industrial relations paraphernalia is ostensibly designed to protect the weak and less-skilled workers from the risk of what is 'spookily' defined as exploitation—that is, a job paying them what they are worth in terms of their limited skills. Most of it has precisely the opposite effect to that allegedly intended. It is these supposed 'protections' which, ironically, are at the core of our unemployment problem. The fact that these workers might learn something from a work experience is tacitly acknowledged as the rationale of these innumerable and useless government job-and-training schemes. Apparently, if the taxpayer is paying and the worker is not actually doing anything of value to a business then it's OK. If they are

doing something that a business values enough to pay for, but it's less than some government-mandated minimum, then it is bad. Again 'spooky'.

It's the added cost of these supposed worker protections that a potential employer must factor into the employment equation.

It's the extra cost of penalty rates and overtime mandated for the times that the worker's labour might actually be needed. It's the cost of regularly paying a 'permanent' employee during scheduled hours for time when there is no

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productive work to do. It's the cost of increased liability for actions that should be the responsibility of workers. It's the inflated costs of workers' compensation to fund malingeringers and workplace-safety bureaucracies. It's the utterly indeterminably high potential future cost of an 'unfair dismissal'—more likely in the case of unskilled workers—which has to be factored into the employment equation. It's a bunch of other things that in practice don't deliver a tangible benefit to anyone in the workplace but which all cost money.

These things don't enter into the decision to employ a Bob Joss, but the further down the ladder you go, the more significant these extra costs become. The bottom 10 or 15 per cent of our workforce in terms of skills is simply priced out of the market as a direct result of them.

I have no doubt what the answer would be if we asked every single one of the unskilled unemployed this question: 'would you rather have a job with none of the entitlements and protections, or would you rather stay on the dole so that the people in work can enjoy them?'

As a matter of equity, that alone should be reasoning enough to abandon most, if not all, of the ideological non-

sense which embuggers the employment equations. Commonsense indicates, however, that at the least we should be focusing our energies at what is causing the problem at the business level and not just at the macroeconomic level.

### **EXPERIENCE SPEAKS**

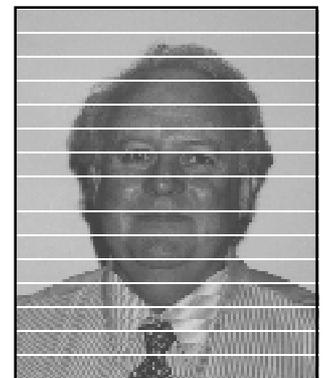
My company's experience with contract labour and the simple elimination of penalty rates, overtime rates, minimum and maximum work times and inflated workers' compensation premiums proves that you can dramatically change the employment equations where it counts at the enterprise level. You don't have to pay people less than the officially mandated minimums to make labour costing viable and to generate real jobs that give people the dignity of continuous full-time work. If this is exploitation, it's a sobriquet I'll proudly wear.

There is a current view that government economic actions—other than for policies that lead to reductions in interest rates—can help unemployment. They won't. There is also a current view that government-mandated minimum work conditions and entitlements, which raise labour costs, don't impact negatively on job creation. I'm sorry, they do.

Unless we extirpate these heresies then we are doomed to nurturing an underclass who by their very existence demean our claim to be proud of our country and its traditions of fair play.

Those unemployed people are Australians too and they deserve a fair go. They deserve an opportunity of a real job.

What they don't deserve is the current government employment policies that deny them that.



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