

Introduction: Unemployment and its consequences

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Research on unemployment in New Zealand is not as widespread as in most affluent economies, no doubt partly reflecting that for the post-war period up to the late 1960s unemployment, however measured, and the social problems arising from it were small. In the 1970s, unemployment began to increase sharply, reflecting difficulties in economic performance, and its social consequences became a matter of public concern.

It would be fair to say that this change left social scientists a little stranded. There were two strategies open for overcoming this lack of research. One was to adopt overseas research, preferably in a critical way. The other was to bring together whatever New Zealand material was available. Both strategies are evident in the papers of this symposium; together with the evidence of the beginnings of a systematic research programme on unemployment. Obviously this symposium has not provided a comprehensive account of all research on unemployment available in New Zealand but, with one exception, the collection reflects the contemporary state of the research.

That exception is the debate, of sorts, about the determinants of unemployment. The caveat, "of sorts", is necessary because while economists are taking distinct positions on the issue, there is not yet a dialogue between the various positions. There are two particularly influential views. One argues that the price of labour (i.e. wage cost to the employer) relative to domestic costs is too high. (Reserve Bank, 1982) At the other "extreme" it is argued that there is a structural imbalance between the external sector and the internal sector, which results in unemployment arising as a means of conserving foreign exchange (Philpott and Stroombergen, 1980). Perhaps the two positions could be reconciled if each were to pay more attention to the price of labour relative to external costs with the implication that producers are substituting imports for domestic labour (Easton, 1982).

Part of the stand-off in the dialogue arises because of the data problems. In the late 1970s, difficulties in measuring employment meant that for almost four years there were no up-to-date, authoritative employment statistics, and the problems of agreeing on, and measuring unemployment, have been even more acute.

Defining Unemployment

The international definition of (involuntary) unemployment can be summarised as a person is unemployed if they are actively seeking work and unable to find it (Easton, 1980, pp.44-46). Except for the quinquennial census we do not have measures corresponding to such a definition.

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Even so, the census definition has its difficulties. Its expression "unemployed and actively seeking work" is not further defined; there is an ambiguity in response since it would be perfectly reasonable for many women to respond to either "household duties unpaid" or "unemployed", for many over-sixties to respond to either "retired" or "unemployed", and for many beneficiaries to respond to "other" or "unemployed" since in each case the categories are not mutually exclusive.

Alternately we use as a measure "registered unemployed", which are those who are unemployed using the international definition *and who also* register with the Department of Labour as unemployed.

For reasons which have nothing to do with statistics or economics, but appear to be political, it has been common practice to classify workers on government sponsored temporary employment and special work schemes as unemployed. Using the international definition such workers are employed, and certainly there is no evidence that those on the schemes work less hard than, say, economists, journalists, or politicians — although they may have less job security. Combining the unemployed with those on work schemes lowers the status of these work schemes. Given that there is no legitimate reason for doing so, this practice should be discontinued.

Discussion on employment and unemployment is complicated by two further factors. First, members of the peripheral labour force may appear as employed, unemployed and actively seeking work or not in employment and not seeking work. (Easton, 1980; Bowie, 1982) The peripheral labour force is the group who do not work full time for a full year. Typically, they may work seasonally, part-time, or for part of the year. In total they appear to make up roughly 400,000 New Zealanders, around only half of whom are in the labour force at any one time. In social terms the peripheral labour force includes housewives, the retired, beneficiaries, and students. Within each of these social groups, there typically exists an element of "discouraged unemployment" — those who are not actively seeking work but would if labour market conditions were closer to full employment.

An economist may best treat the peripheral labour force as one of the buffers which adapt the supply of labour to the demand for labour without necessarily causing unemployment. Clearly, it would be wrong, and confusing to an understanding of the underlying processes, to classify all of the non employed members of the peripheral labour force as unemployed although there is inevitably a fuzzy line between the members of the peripheral labour force who may not be actively seeking work and the unemployed who are. However, in social terms the social needs of the not-seeking-work subgroup are similar to those who are employed or unemployed (and seeking work).

The problem of international definitions of unemployment have been neatly avoided in Hicks and Brosnan's paper by choosing comparisons with countries which also have data based on a registration procedure comparable to New Zealand's. The greatest care has to be taken in interpreting their data because institutional factors may still be important. Nevertheless, their paper extends our knowledge past identifying the main groups of unemployed as being the young, the unskilled, the handicapped, racial minorities, and women, plus, possibly, members of the peripheral work force such as the retired, housewives, beneficiaries, and students, depending on one's conceptual framework. (Easton, 1980) They conclude that, while

the global measures of unemployment for New Zealand suggest that this country has suffered less than most, the disaggregated unemployment data . . . (suggests that) . . . the distribution of unemployment is more inequitable than in other countries used for comparison.

Thus, while this confirms that unemployment remains low by international standards (for census measures see Easton, 1981), the groups that suffer the most in New Zealand are relatively worse off than many of their foreign counterparts. Why this should be so is a puzzle which, as a result of the Hicks-Brosnan contribution, has no doubt joined the research programme.

The Psychological Effects of Unemployment

While economists focus upon the economic functions of work — pay and conditions — there are wider implications. Social psychologist Marie Jahoda (1979) has suggested there exist latent social functions of work.

First among them is the fact that employment *imposes a time structure* on the working day. Secondly, employment implies *regularly shared experiences and contacts* with people outside the nuclear family. Thirdly, employment *links an individual to goals and purposes* which transcend his or her own. Finally, *employment enforces activity*. (p.313)

In the light of these functions, it is not surprising when asked “do you enjoy the work you do a lot, a little, or not at all?” one British survey found 75 per cent of employed persons said “a lot”. (Barker, 1978)

Two papers examine psychological impacts. Macky and Haines present a survey of the literature, particularly placing the New Zealand research in the international context, and commenting on research directions. They conclude that the studies “provide evidence that unemployment has serious consequences for mental and physical health, but many are characterized by methodological deficiencies”. Nevertheless the connection is dramatic with unemployment being associated with higher suicide rates, psychiatric distress, a higher rate of delinquency, depression, decay of self esteem and morale, decreased attendance of clubs and voluntary organisations, reduction in use of free libraries and reading habits, a disintegration in their senses of time, and (particularly surprising in terms of the narrowly focussed, rational economic man) personal budgeting being progressively abandoned.

Jahoda (1979) argues that the notion of workshyness is not particularly relevant to the unemployed. Undoubtedly there are those who suffer from a degree of workshyness, but for the vast majority the phenomenon is more correctly identified as depression and the decay of self esteem and morale.

New research, based on a sample of the unemployed by Hesketh and Shouksmith, suggests a mechanism by which this apathy occurs. Success by the unemployed in finding jobs is partly dependent upon active job search strategy. But failure produces feelings of low well-being. The apathy which avoids the threat of exposing oneself to failure becomes a rational psychological (and economic) strategy in the short run. Nevertheless, in the longer run, the sense of failure cannot be denied.

The Social Implications of Unemployment

On the social implications of unemployment, tentative suggestions for a research programme might involve the following four areas:

- (a) *Self esteem*: The latent social functions of employment, and the consequences of not working on the individual's self esteem and ability to function as social being, were mentioned in the introduction.
- (b) *Social status*: Of course not only does work status affect self esteem it also affects others' perception of the individual and hence the individual's social status. In the situation where a social group has a perceived high rate of unemployment their social status is correspondingly lowered.
- (c) *Transition*: A number of the groups are in transition from one life-state to another: the adolescent approaching adulthood, the housewife whose children are growing up, the disabled being rehabilitated. In each case, employment has a major role assisting the transition. Conversely, unemployment will add to the social difficulties involved in the life transition.

- (d) *Income consequences:* While we tend to see income as an economic phenomenon, it also has social consequences. In particular, a depressed labour market will tend to reduce the opportunities for a family to earn extra income to sustain itself through difficult financial periods. This may be through the wife being unable to take a part-time job, or the husband being unable to obtain overtime or a second job.

Mary Hancock's case studies of workers made redundant provide the raw material for such a programme.

The Industrial Implications of Unemployment

The existence of unemployment must affect those who are employed and their employers. Roberta Hill's study applies the model of the "reserve army of labour" to a group of employed women who are particularly vulnerable to unemployment. Their firms were experiencing declining profitability due to overall economic stagnation and for reasons special to the clothing industry. Her study shows, how managers, using the threat of unemployment from this stagnation, were able to manipulate their female work force to counter the industry's specific pressures.

Unfortunately, we have insufficient research in order to draw wide conclusions. It is to be hoped that we shall see further studies on workers who are in the core rather than the peripheral labour force, and studies of firms which are expanding despite overall stagnation. It is to be regretted that we do not have similar studies made when unemployment levels were lower.

The Political Consequences of Unemployment

Given all the above implications of unemployment it is evidence that unemployment is also a political phenomenon. Murray Pereira's paper relates one strange political outburst over the National Research Advisory Council's Committee's report on youth unemployment. Undoubtedly, a legitimate criticism of the report was its inadequate economic analysis of unemployment, but as pointed out earlier, such analysis is not readily available, so the criticism reflects more upon the economics profession than the committee whose brief was to report on the state of research. A second problem was the diversity of disciplinary backgrounds within the committee which resulted in a report which was difficult for a critic from a narrowly based discipline to respond to. (One of the functions of symposiums such as this is to widen the experiences of narrowly based disciplines.) Despite these caveats, the wider political response to the report was remarkable, which Pereira records without drawing wider conclusions.

That ringing eleventh thesis from Feuerbach, "the philosophers have only interpreted the world in various ways; the point is, to change it". Rob Campbell presents a vigorous account of the trade union view on unemployment and redundancy. If we may offer a couple of cautions to the account. First, it is vital that "unemployment" be distinguished from "redeployment". Policies to prevent or make costly redundancy of individual workers may cause the industrial stagnation which will generate widespread unemployment. Second, to repeat an earlier theme, the trade union perspective of the causes of unemployment presented here is far from sophisticated. Once more the lack of an adequate account by economists is inhibiting the effectiveness of others.

Conclusion

Drawing general conclusions from the above is not easy, except to say that a research effort on unemployment must be a high priority. To this plea we might add the following three points:

First, increases in unemployment generally increase the demand for government services. While the direct expenditure on unemployment benefits and employment creation is fairly

obvious, there are pressures for additional expenditure in the Education, Health and Justice votes as well as other areas of the Labour and Social Welfare votes. Ironically, this is occurring while the tax base is contracting. If the government deficit before borrowing is constrained by the balance of payments and/or for inflation reasons, the government may be wanting to cut expenditure in unemployment related areas just as demands are rising.

Second, the social consequences of unemployment are such that unemployment could well be explicitly incorporated in any social objective function. What is the appropriate measure for the unemployment variable is less obvious. An aggregate level of unemployment such as registered unemployment as a percentage of the work force may be readily available but does not closely correspond to a variable which indicates social implications. Two additional but not so readily available measures might be:

- (a) the average period of unemployment, recognizing that a dynamic economy may experience involuntary unemployment through redundancy and restructuring but whose unemployed are typically only in that state for short periods.
- (b) the concentration of unemployment in various social groups recognizing that unemployment may be less serious if it is shared throughout the community rather than in particular social groups, identified by age, location, sex, race or class.

These lead to the third conclusion that current measures of unemployment may be poor proxies for the concepts they are being used for. Undoubtedly unemployment is related to the under-utilization of industrial capacity and to excess supply in the labour market. That the latter are distinct concepts indicates the problems of using unemployment to proxy for both. Similarly, unemployment is related to social distress and social tensions but again the correlation is far from perfect.

This is not to rule out (as absolutely irrelevant) the present unemployment measures that are available. In particular, for international comparisons we should use international definitions. Neither is it to suggest that the measures have not indicated the general direction of movement. Under-utilization of industrial capacity, excess supply of labour, and social distress have all increased markedly in the last decade. Rather it is to argue that the peripheral labour force, the employment buffers, the disguised and discouraged unemployed, and similar phenomena, point to a much more complex labour market than is implied by the traditional categorization of employment, unemployment, and not in the labour force.

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