LABOUR MARKET RESTRUCTURING AND THE PUBLIC SAFETY NET: CURRENT TRENDS IN THE AUSTRALIAN AND CANADIAN WELFARE STATE

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Introduction

This paper analyses selected outcomes of labour market restructuring in Canada and Australia during the 1980s and early 1990s. Using key concepts such as the declining middle and expanding bottom, it focuses on employment, job creation and income shifts in the 1980s and early 1990s. It foreshadows a continuation of deteriorating living standards for workers in both countries.¹

The paper begins by reviewing the promise and outcome of economic growth in Australia and Canada during the 1980s. This is followed by an examination of three labour market trends that accelerated in these two countries during the recovery of the 1980s. The analysis indicates that old assumptions linking the well-being of workers to economic growth and job creation are suspect. The prosperity witnessed in both countries during this decade also gave rise to marked increases in poverty and worker vulnerability. Many of the income and related opportunities traditionally gained from economic growth and employment did not materialize for the majority of workers.

Why is this the case? What implications do these outcomes have for the 1990s? These questions are examined as the issues they raise are important in terms of current policy debates in these nations. Both Australia and Canada are stuck in economic recessions. Economic growth remains dormant and unemployment is at record high levels. Once again, both countries are putting forth market solutions to increase the rate of economic growth and shake-off the recessions that gripped these economies in the early 1990s. The findings presented indicate that economic growth is not a panacea. The analysis points to a restructuring of labour market demand that will speed up in the 1990s and result in growing social and economic divisions as the pool of underemployed, marginal workers expands and the opportunity for secure, well paid employment diminishes.

The final section of this paper examines some of the consequences and implications of these changes on welfare state policy and practice. These issues are explored by showing how welfare policies in these countries have been influenced, since the early 1980s, by the doctrines of economic rationalization in Australia and privatization in Canada. How these two federal states responded to the growing vulnerability of labour, poverty and unemployment in the 1980s is examined in two ways: first, in terms of the policy prescriptions emanating from the Australian Social Security Review and welfare reform in Canada, second, in terms of the implications these policy prescriptions have had on public safety nets (unemployment and welfare benefits) as expressed by the growth of emergency relief in Australia and food banks in Canada. The paper concludes by considering policy implications of these trends in the 1990s and beyond.

¹. The declining middle refers to a drop in the number of middle income earners while the expanding bottom depicts the growth of low income workers.
Section 1: Canada and Australia: Some Parallel Economic Trends

Over the past decade and a half, Canada and Australia have experienced many similar social and economic changes. Both felt the brunt of the recession of the early 1980s as economic growth sharply declined and official unemployment rates soared to double digit figures (Wong, 1986; Stanaway and Sealey, 1992). By the mid 1980s, under new national governments, both nations were in the midst of strong recoveries with record profit-making, business investment, economic growth and job creation.

These recoveries were managed in Canada by the Conservative Party under Brian Mulroney and in Australia, by the Labor Party under Bob Hawke, though as Pusey (1991) has argued, it was the Treasury mandarins who were in control of the economic rationalist agenda in Australia. While these governments represented two diverse political traditions, they both embraced the goal of promoting economic growth in order to create jobs and cut unemployment. According to Mr. Keating, the Australian Treasurer during these years:

... [H]igh growth ... remains the over-riding objective of this government ... Only through economic growth can [we] cut unemployment ... increase assistance to the needy ... and generate the higher living standards the whole community desires (Keating, 1985:1).

Canada's Finance Minister, Mr. Wilson, advanced this same theme in major policy statements presented in the November 1984 Agenda for Economic Renewal (Department of Finance, 1986a:1) and his Budget Papers of 1985 and 1986. "The goal of this government" as stated by Mr. Wilson, "is to promote economic growth and job creation" in order to "provide a firm foundation for social and economic progress" (Department of Finance, 1986a:1). To accomplish these objectives the Canadian and Australian governments looked to the private sector to lead the way. In both countries social and economic well-being were seen to be contingent upon a private sector led recovery and the prosperity such a recovery is thought to produce. Such a course rests on the assumptions that once profits are secure and predictable, business will spur the recovery through expanding investment that will produce jobs and higher consumer spending that will translate into further investment and more jobs (Department of Finance, 1986b:iii).

Among the pathways followed to boost the prospects for economic growth, deficit control was crucial in both Canada and Australia (Cameron, 1985; Barker, 1983; Department of Finance, 1986b:). According to this recovery solution, deficits add uncertainty to the outcome of business activity. They place upward pressure on interest rates, crowd out private sector investment, dampen the prospect of recovery and lead to higher unemployment. For example, within days of taking office in 1983, the Australian Labour Party (ALP), the party of "vision" and "unshakeable principles of equity," wasted little time in pursuing a policy of restraint (Barker, 1983:13). After discovering the legacy of the government was a $9 billion deficit, Mr Keating warned that without fiscal restraint the deficit would exceed $10 billion and "such an outcome was not on" (McCawley, 1983:10). Canada vigorously followed the same course. To restore business confidence,
investment and job creation, deficit control was established as a top priority during the first days of Conservative Party governance in Canada. Mr. Wilson's central theme was that to spur the private sector to invest and create jobs and economic growth, the deficit must first be brought under control. "If the projected pattern of deficits were [sic] allowed to materialize, confidence would be further depressed, producing adverse effects on investments, growth and jobs" (Department of Finance, 1984:1).

By the mid-1980s both governments argued that their policies had proved their worth. In his 1986 Budget Address Mr. Wilson noted that since launching their policies the economy grew "by four and one half percent," business investment "increased vigorously by 6.5 percent," inflation was down, "nearly 600,000 jobs have been created" and "unemployment ha[d] fallen below 10 percent" (Department of Finance, 1986: 2,3). A similar record of the ALP's successes was outlined by Mr. Keating (1985:1):

Under this government over 430,000 more Australians have found jobs, inflation has been cut significantly from the double digit legacy of our predecessors and we have arrested and turned around the blow-out we inherited in the Commonwealth budget deficit.

Whether the economic and job creation successes of the mid to late 1980s are outcomes of these market-based tactics or other factors remains a subject of considerable debate. This paper investigates one aspect of this debate. It asks whether such solutions are appropriate for addressing the record levels of unemployment and stagnant economic growth that once again shape the economies of Canada and Australia during the first few years of the 1990s. As we reach the end of 1993, these nations are struggling to pull themselves out of recessions that began in 1989. Economic growth has fallen and unemployment has re-emerged as the "most pressing" problem in both nations (Stutchbury, 1992a:15; Hiederley, 1992:7). Official jobless rates exceed 11 percent in both countries, with record levels of nearly a million unemployed in Australia and 1.6 million unemployed in Canada (Moore, 1992:11; Statistics Canada, 75-001; 71-220).

To address these unprecedented unemployment rates, governments in Canada and Australia are turning to orthodox, market-driven solutions to bolster conditions for economic growth. To recapture the prosperity and jobs of the 1980s, privatization, deregulation and the dismantling of trade barriers through tariff reduction in Australia and the North American Free Trade Agreement (NAFTA) are seen as necessary first steps (Stutchbury, 1992:15; Baker, 1992:13; Wilson, 1992). As in the 1980s, these strategies require other actions, in particular government spending restraint. The public deficit is still viewed as the 'Achilles heel' (Anderson, 1992:15; Kitney, 1992) of recovery in Australia and the most serious obstacle confronting growth and prosperity in Canada. Indeed, in his latest budget, the Finance Minister of Canada, Don Mazankowski, rejected an increase in public spending to create jobs and 'kick start' the economy. Instead, his budget calls for spending cutbacks and deficit control to nurture a market-led recovery and the creation of 500,000 long term jobs (Freeman, 1992:A1; Winsor, 1992:A1).
Recent research in both Australia and Canada concludes that this coupling of economic growth and job creation with improved social and economic well-being is dubious. Successive Annual Reports of the Economic Council of Canada (1990; 1989: 1988) show that even in the best of economic times during the 1980s, the benefits of this growth did not reach a large number of Canadians. The Council's research points to a drop in the number of middle income earners, an expanding bottom of low paid, underemployed and unemployed marginal workers, and increasing income inequality between the rich and the poor. In Canada, the good economic times of the 1980s gave rise to a "distribution of incomes that is skewed to the upper and lower classes, leaving relatively few workers in the middle" (Economic Council of Canada, 1987:57).

These divisions also took place in Australia during the 1980s. Research by Gregory (1992; also see Stuchbury, 1992b; Colebatch, 1992) points out that the post-recession years in the 1980s witnessed a growing underclass of low wage labour, a disappearing middle class and increased income inequality between an affluent group and an expanding pool of poorly paid workers. Summarizing the implications of Gregory's work, Stuchbury (1992b:67) concludes that in the 1980s, "job growth has become sharply polarized into low and high paying jobs with virtually no middle paying work to be done."

There are other explanations of the growth of low wage work in Australia. One suggests that the labour accord of the 1980s kept wages low and created an "underclass of 'working poor'" (see Higgins, 1992:2). Others, however, argue that the accord had the opposite effect, keeping wages at levels that priced Australian workers and their products out of the international market (Colebatch, 1992; Costigan, 1992). Both explanations require further research. The point to be made, however, is that predicted improvement in economic and social well-being did not materialize for a majority of Australians. Instead, in the midst of an economic recovery, the living standards of many Australians declined. According to Gregory, "Australia has quite clearly moved into a situation where ... there is a substitution of low weekly earnings for middle level jobs" (see Colebatch, 1992:13).

Even in the most robust economic times, and periods of rising employment it appears that in Australia as well as Canada, "the labour market is offering economic security to fewer" workers (Economic Council of Canada; 1990:17). Instead of filtering down to all segments of society, the prosperity of the 1980s led to societies plagued by worker insecurity and economic vulnerability, declining middle incomes, and growing inequality between an affluent few and the majority of workers.

Why has this taken place? What are the forces that have led to the growth of poverty, the collapse of middle incomes, the vulnerability of workers and widening inequality? Why is it that alongside economic growth and abundance one of the fastest growth areas in Canada was the "food bank industry"?

In addressing these questions this paper suggests that much of the poverty and inequality that arose during the 1980s is the outcome of an ongoing economic restructuring geared to reducing labour costs. This restructuring seems to spell the end to
the levels of prosperity and well-being workers used to take for granted in these countries. Among the changes that occurred in labour market demand during the 1980s, three trends in particular accelerated the decline in living standards in Australia and Canada:

1) Not enough jobs were created. Unemployment, underemployment and involuntary part time work became entrenched.

2) The fastest growing jobs were the poorest paid, the most insecure, with few occupation-related benefits.

3) The composition of the workforce changed. Women entered the paid labour force at a faster rate than men, whose labour force participation rates started to drop in both countries. As a result, the fastest growing workforce in the 1980s was the poorest paid. Both Australia and Canada witnessed a type of labour displacement that resulted in substantial reductions in labour costs to employers but also marginalized and impoverished women workers and the growing number of households dependent on the wages of women.

In the discussion that follows in Section 2 of this paper, these patterns are examined with data from Canada and Australia. The results point to industrial restructuring, worker displacement and changing patterns of employment that will continue to impact on the economic well-being and security of people that live and work in these countries. The evidence implies that we can anticipate an ongoing erosion of living standards as these market-driven employment outcomes become further entrenched in the 1990s.

Section 2:

i) Unemployment and the Collapse of Opportunity

a) Unemployment

One way to trace changes in the opportunity structure is to follow the official rate of unemployment (see Figure 1). Several comments can be made about these changing rates. First, it is clear that in historical terms unemployment remained at its highest levels in the 1980s in Canada. During this period the average rate of unemployment was above 9 percent with peaks and troughs of 11.8 percent and 7.5 percent. In Australia, during the same period, unemployment averaged 7.2 percent with a low of 5.6 percent in 1981 and a high of 9.9 percent in 1983. In August 1992 the unemployment rate stood at 11.0 percent. The evidence is clear. Even in the best of economic times not enough jobs are being created. The structure of opportunity is breaking down. Because of the persistence of high unemployment levels, workers in these countries are unable to attain standards of living taken for granted in the early decades of the post World War II period. The restructuring of labour markets in Canada and Australia has kept the demand for labour substantially beneath the level of labour supply.
Not only do these figures show that unemployment remains high in spite of economic growth, but second, they establish that the rate of unemployment is on the increase. For example, in Canada the average rate in the late 1960s stood at 4.0 percent; this grew to 6.7 percent during the 1970s, and since the 1980s has averaged 9.5 percent. The pattern for Australia is similar with average rates of 1.4 percent in the late 1960s, 3.7 percent in the 1970s, rising to 7.2 percent in the 1980s and still climbing in the 1990s.

There are cyclical reductions in unemployment similar to what has taken place between 1983 and 1989 in Canada. However, it needs to be noted that when unemployment does decline, these rates never fall below their previous low point, the level where unemployment began to rise (Lindsay and McKie, 1986:6). During the 1980s this unemployment floor stood at 7.5 percent in Canada and 5.6 percent in Australia. A major reason for these rising unemployment floors is that after a recessionary period, displaced workers are often not recalled or replaced. This results in "bigger pools of unemployed at the height of each successive period of economic recovery" (Gonick, 1987:364-65). The unemployment trends for Australia and Canada depicted in Figure 1 reveal that with each new period of economic recovery there is a larger pool of unemployed workers no longer required when the economy 'recovers.' This means that at the height of economic growth in the last decade, the labour of some 7.5 percent of the labour force or more than a million Canadian workers was no longer needed. In Australia the size of this disenfranchised workforce stood at 380,000 in 1981 but by the end of the decade was well over half a million.
Joblessness can be thought of in terms of frictional, structural, cyclical or chronic unemployment (see Sherraden, 1985). Frictional unemployment occurs as people move in and out of jobs. It is short term, temporary and the type of unemployment that takes place when an economy is operating at its most efficient level. Structural unemployment represents the mismatch of worker skills and the requirements of available jobs. Theoretically, this structural unemployment will decline with job training. Employment policies in Australia (Kalisch, 1991:7) and national job strategy policies in Canada that suggest training is the key to unemployment assume that when skills are acquired jobs will be found. Here the focus of policy is on the skills and attributes of the labour supply rather than the demand for workers (see Danzer, 1991).

Unemployment caused by a downturn in the business cycle is referred to as cyclical joblessness. The assumption in this theory is that with business expansion, and the growth of profits and investment this expansion supposedly creates, the demand for labour will increase and unemployment will fall. This is a market solution to unemployment. It suggests that much of the unemployment in Canada and Australia is cyclical and can be "mopped up" when the economy expands. However, as noted previously, this did not taken place in the 1980s in Canada and Australia. While a cyclical reduction took place, it was not substantial. Unemployment remained high as these two economies were not able to absorb all the available workers.

The findings in Figure 1 suggest that besides frictional, structural and cyclical unemployment, the major issue of the 1990s is chronic unemployment. It is this rise in chronic unemployment that seriously undermines the 'economic growth-job creation' scenario outlined in the market-driven solutions that once again are high on the agenda of the governments of Canada and Australia.

This increase in chronic unemployment is a serious social, economic and public policy issue often ignored by governments and their advisors. This is borne out in recent policy proposals drafted in Canada. High levels of unemployment are, it seems, quite acceptable to the authors of the Macdonald Royal Commission on Economic Union and the Development Prospect for Canada (Minister of Supply and Services, Volume II, 1985:284-285). Here full employment is redefined in terms of its natural rate or NAIRU (the non-accelerating inflation rate of unemployment) at 6.5 percent to 8.0 percent. In other words, a million or so unemployed is realistic and acceptable within the confines of the market framework put forth by the Commission and embraced by our current political leaders. Consider the following commentary:

Indeed many of today's economic and political decision-makers believe an economy with well over one million unemployed Canadians is a more or less normal state of affairs, something about which little can be done (Cameron, 1988:1).

What this means is the structure of opportunity, as measured by the freedom and opportunity to work, has collapsed for the million or so unemployed.
b) Long Term Joblessness and Underemployment

Other aspects of unemployment and employment that need to be considered when examining changes in the structure of opportunity are long term unemployment and involuntary part time work (see Table 1). In Canada the 1980s witnessed a "dramatic growth" in those without jobs for 6 months or longer (Parliament, 1987:14). At the height of the recession in 1983 the percentage of the unemployed facing long term unemployment went up by 28 percent. By the end of the 1980s more than 18 percent of the unemployed were without jobs for more than six months. While this rate represents a decline since 1983, it continues to exceed the level of long term unemployment recorded at the start of the 1980s. By the end of the decade more than 200,000 Canadian workers remained jobless for more than six months.

In Australia the picture seems to be more bleak than in Canada. Whilst the data presented here define long term unemployment as being out of work for six months or longer, in Australia long term unemployment refers to being jobless for twelve months or more. At the height of the recession in 1983 more than a quarter of the 686,600 unemployed had been without work for more than a year. This proportion declined to 21.6 percent by 1990 but by 1991 had increased to around 25 percent or over 201,000 workers.

Recent Canadian research by Parliament (1987) indicates that a growing portion of these long term unemployed consists of older men who have trouble finding work once they have lost their jobs. For example, in 1983, before the recovery in employment began in Canada, 38.9 percent of unemployed men between 45 and 54 years of age were unemployed more than six months. Nearly 15 percent were jobless over a year. Despite the recovery and the creation of more than 400,000 jobs between 1983 and 1985, the long term unemployment rate for these 'older' male workers continues to go up. By the end of 1985 close to 40 percent were unemployed for more than six months and 20.3 percent were without work for over a year. For men older than 55 years of age, around 50 percent were unemployed for six months or longer (see Parliament, 1987). There are a number of reasons for the persistence of unemployment among older men (see Ternowetsky and Thorn, 1991:24). These unemployed comprise a category of downwardly mobile "skidders" (Leckie, 1988) that add to the expanding bottom of low incomes.

There are two income security implications of long term joblessness: first, workers get by on less money for longer periods of time; and second, people drop out of the workforce and move to still lower levels of income such as social assistance. Both these factors may help explain the decline in middle incomes and the widening bottom of low income earners in Australia and Canada during the 1980s. The fact people drop out of the workforce may also partly account for the reduction in long term unemployment noted for Canada at the start of the 1990s. What this suggests is that workers become discouraged and no longer actively seek employment. However, once they stop looking for work they are no longer counted in official Canadian unemployment figures. Clearly, these people are still unemployed even though they have stopped looking for work and are not counted as officially unemployed.
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<th>Year</th>
<th>Australia</th>
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<td>1991</td>
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Source: Various data from the Australian Bureau of Statistics.
The 1980s also witnessed considerable growth in part-time employment (defined as less than 30 hours per week in Canada and less than 35 hours per week in Australia). While there are workers who prefer part-time work, there are also part-timers who want full-time work but can not find full-time jobs. While these people are employed, they are underemployed. The figures in Table 1 show that the rate of underemployment accelerated in the 1980s and in Canada remains substantially higher than it was at the start of the decade. The Economic Council of Canada refers to this underemployment as "disguised unemployment." According to this definition, more than a quarter of all part-time workers are the disguised unemployed in Canada in 1991 (see Table 1). In Australia between 1981 and 1991 full-time employment grew by 20 percent and part-time employment by 63 percent, accounting for 22.5 percent of all employment by the end of the decade. Over three quarters of the 1,726,000 part-time workers were women. In 1991 422,500 part-time workers preferred to work full-time. While the data for Australia are not complete in this table, the 1991 figures indicate that the pattern of underemployment in Australia matches that experienced in Canada.

Indeed, this part-time, involuntary underemployment is another measure of the deteriorating structure of opportunity. This trend is likely to continue as industry shores up its profits and the public sector reduces expenditures by lowering the cost of labour and "substituting part-time for full-time employment" (Ternowetsky and Thorn, 1991; Osberg, 1988:14).²

Unemployment and underemployment in the 1980s affected a large number of workers in Canada and Australia. As unemployment grows, economic stability and worker security dissipates. Incomes become less certain and as the duration of unemployment increases, workers continue to face uncertain futures. In Canada, the likelihood of moving to unemployment insurance and social assistance and in Australia to unemployment benefits (now renamed Job Search and New Start Allowances) and to emergency relief, with a further drop in status and economic well-being, increases as jobs become harder to find.

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² It needs to be emphasized that the official rates of unemployment and underemployment looked at here underestimate the real rate of joblessness or "labour market" and "economic distress" experienced by workers. Official statistics in Canada exclude the "hidden unemployed" and "discouraged workers" who have stopped looking for work because they believe there is no work available. In Canada official unemployment figures also ignore Registered Indians living on reserves, inmates of correctional institutions and residents of the Yukon and Northwest Territories (For a full discussion of the shortcomings of official unemployment statistics see Ternowetsky and Thorn, 1991:21-23). Besides part time work there are other forms of 'non-standard' or 'atypical' work that have increased in the 1980s (see Cordova, 1986). This includes short-term work, self-employment, temporary help agency work and 'clandestine work'. Most of this non-standard work is lower paying and lacks the security and coverage of jobs in the primary labour market. Non-standard jobs force workers to accept unstable employment, low pay, and minimal opportunities for training" (Economic Council of Canada, 1990:13).
ii) Industrial Restructuring and the Collapse of Opportunity

In addition to the downward pressure unemployment puts on wages and living standards, in the 1980s the pay and quality of new job creation "deteriorated" and further precipitated a decline in middle incomes (Lerman and Salzman, 1988:61).

Research in this area in both Canada and Australia links the drop in middle incomes and the expansion of lower incomes to the industrial restructuring of the last fifty years. The impact of industrial restructuring on the quality and pay of jobs is best represented in the historical shift in employment from the goods producing sector to the service sector. At the start of the 1950s 47 percent of Canadian workers were employed in the service industry. This reached 65 percent in 1981. Today, more than 70 percent of the workforce is employed in services, a "pace" that "accelerated in the 80s" (Economic Council of Canada, 1988:34-35) (see Table 2). A similar pattern of industrial restructuring took place in Australia during the 1980s (see Table 3). At the beginning of the decade 65.1 percent of employed persons worked in the service sector. By 1989 this had risen to 69.6 percent, a proportion likely to climb following the decline of Australia's manufacturing industry in the early 1990s.

There are several ways that the shift to the service sector in Australia and Canada contributes to a decline in middle incomes and the growth of low paying, insecure jobs. Looking first at Canada it is clear that jobs in the service sector pay, on average, considerably less than jobs in the goods producing sector (see Figure 2a). In 1990 average weekly earnings in the service sector were $426 compared to $627 in the goods sector. In addition, this wage gap increased during the decade from $98 in 1983 to $151 in 1990. The pattern of weekly earnings for the goods and service sectors are the same in Australia (see Figure 2b). At the start of the 1990s average weekly earnings for jobs in goods producing industries were $652, $166 a week more than average service sector earnings. Between these same years weekly earnings in the goods sector also grew at a faster rate than service sector wages and, as is the case in Canada, the size of this wage gap went up. In 1983 it was $110 and increased to $166 by the start of the 1990s. What this means is that over the last several years the fastest growing jobs in both countries have been the poorest paying.

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3. The economy can be divided into two main areas; the service sector and the goods producing sector. The service sector refers to industries where labour does not result in an actual commodity. This sector includes jobs in transportation, public administration, communication, utilities, insurance, real estate and services. Jobs in the goods producing sector refers to labour in which an actual product or good is produced. This sector includes jobs in agriculture, primary industries, manufacturing and construction.

4. The breakdown of service and goods producing jobs and wages found in Table 3 and Figure 2b are based on the following classification of jobs. The goods sector includes agriculture, mining, manufacturing and construction. Jobs in electricity, gas and water industries are treated as they are in Canada, as service jobs that are a part of the industries included in Transportation, Communication and Other Utilities. The data received from Australia appeared to include electricity, gas and water within the goods sector. Placing these industries within services makes Canadian and Australian jobs more comparable and does not detract from the argument that service jobs are both the fastest growing and the poorest paying.
Figure 2a: Average Weekly Earnings in Goods and Services Industries, Canada 1983-1990

Average Weekly Earnings (Current $'s)

Source: Statistics Canada, 72-002, Employment Earnings

Figure 2b: Average Weekly Earning in Goods and Service Industries: Australia 1983 - 1990

Average Weekly Earnings (Current $'s)

Source: ABS Catalogue No. 6304.0, Footnote 3 details the industrial sectors included in Goods and Services
TABLE 2: Employed by Industry and Gender - Canada 1981 - 1991

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Table 3: Employment Persons by Industry (000) - Australia 1861 - 1998.
Commenting on the influence of growth in services and on income distribution, the Economic Council of Canada (1989:37) reports: "Workers in the middle-income range accounted for 21.5 percent of the workforce in 1986, down from 27.4 percent in 1967. Over the same period, the share of workers in both upper and lower earnings categories increased." In Australia this same shift is depicted in research that evaluates employment growth in terms of remuneration levels. This is done by dividing wages of full-time employees into quintile levels that range from the bottom 20 percent of income earners to the top 20 percent (See Figure 3). It is clear that most new jobs pay wages at the lower end of the scale (71.2 percent) and that the growth of middle income employment has all but disappeared. There is also some job growth at the top of the wage and salary hierarchy.

![Figure 3: Growth in All Australian Jobs: 1976-1990](image)

Quintiles are defined in relation to the real level of wages in 1976. The Figure indicates that 983,000 new jobs between 1976 and 1990 paid a real wage equivalent to that received by the bottom 20 per cent of workers in 1976.

Colebatch 1992:13, Looking Through The haze At A Jobs Mirage, Reports on Research Undertaken by Prof. B. Gregory

What are the features of service sector employment (the area where future employment will continue to grow most rapidly) that both depress wages and also widen the gap in earnings? The theory of the 'dual labour market' (Bafioie-Bonnie, 1989; Smith, 1984) outlines the characteristics of service sector employment that create the outcomes noted above. In this model, employment is divided into primary and secondary job sectors. Primary jobs are "characterized by ... good negotiated wages, benefits and working conditions, employment stability and job security" (Saldov and Thompson, 1989:37). The opposite is true of jobs in the secondary labour market. These offer "low,
often minimum wages, poor, often unsafe working conditions and few benefits, frequently seasonal, part-time or temporary employment ... [with] ... few prospects for training ... or on the job advancement" (Saldov and Thompson, 1989:37). Myles' (1987) study on industrial restructuring in Canada notes that new service sector jobs are generally of two types, those with good pay and working conditions and those with poor pay and insecure conditions. As the service sector grows, jobs at the extremes of the pay ladder increase while middle income employment falls, a pattern that fits into the dual labour market theory.

The historical shift from goods to service sector employment may have initiated income divisions associated with the decline in middle incomes and the growth of low wage labour. This momentum, however, is now maintained by the segmentation of job creation taking place within the service sector in which jobs are characterized by their diverse skill content, conditions of work and pay. There are a lot of poor jobs, a number of jobs requiring a high level of skills and a decreasing number in between. Research in both Australia and Canada points out that this type of employment growth has increased worker insecurity and income inequality. For example, in Australia between 1976 and 1990 1.4 million jobs were created. These jobs, however, are impoverishing a larger number of Australian workers. Gregory's research shows that:

Of 1.4 million new employee jobs created since 1976, 71 per cent paid wages which in real terms were equivalent to those of the bottom 20 per cent of full-time male workers in 1976. Another 18 per cent matched the real wages paid to the top 20% in 1976 - but only 11 per cent of new jobs paid wages matching those of the middle 60 per cent of jobs in 1976 (Colebatch, 1992:13).

In Canada the Economic Council notes that while most new jobs between 1962-1987 were in the lowest paying industries of food and accommodation, retail trade and personal services, there was also job growth in good paying positions in the non-market services of public administration and market services that include positions in finance, insurance and business (Economic Council of Canada, 1990:3-6; 1988:34). The Council (1990:17) concludes:

We have ... found evidence of segmentation in terms of earnings, skill content, job stability, and the location of employment. Two quite distinct 'growth poles' account for virtually all of the employment expansion in the 1980s: one includes highly skilled, well-compensated, stable jobs, while the other consists of nonstandard jobs with relatively low levels of compensation and stability.
iii) The Changing Gender Composition of The Workforce

Along with the persistence of unemployment and the growth of low paying jobs, the increased labour force participation of women (and the relative decline in male participation) has hastened the drop in living standards and worker security in the 1980s. This has taken place because women continue to earn substantially less than men, the result being that the fastest growing segment of the workforce is the poorest paid.

Empirical support for these assertions is found in Table 1 and Table 4. First, the data show that the number of employed men has declined relative to the number of employed women. In Canada the number of males in the paid labour force stands at 6,751,000 or 54.1 percent of all employees, down from a 59 percent share in 1981. This represents an 195,000 increase in male labour force participation between 1981 and 1991. In contrast, women now comprise over 46 percent of the paid labour force, up from 40 percent in 1981. The number of women in the paid labour force has increased substantially during the 1980s. It has increased by 1,144,000, or over 25 percent during this decade.

The pattern in Australia is similar. Gregory's (1992) figures show that in the years 1976 to 1990 the number of women working full-time in the paid labour force more than doubled in relation to the number of men entering the full-time jobs in this period. The Australian data in Table 1 also indicate that between 1981 and 1991 the proportion of employed Australian women rose from 36.5 percent to 42 percent of the paid labour force, an increase of 889,700 compared to an increase of 440,249 males over the same period.

The pay difference between men and women workers underscores the importance of this gender change in the make-up of the Australian and Canadian workforce (see Table 4). In both societies women earn less than men. By 1990 the average wages of Canadian women working full-time, full-year were about 67 percent of the earnings of men. The pattern of pay discrimination based on gender in Australia is the same. In 1981 women earned 65.9 percent of average male earnings. By the end of the decade, their earnings represented 65.3 percent of mens' average earnings.

A further point is that women form the largest sector of the 'contingent' part-time labour force that has grown most rapidly in the 1980s. In Australia more than 76 percent of part-time workers are women and in Canada just under three quarters of part-time workers are women. Including part-timers in the wage gap equation shows that average and median earnings of women are from 56 percent to 59 percent of the earnings of men in Canada. It is precisely these earning discrepancies that prompted the Canadian Advisory Council on the Status of Women to conclude that the poverty of women is a product of labour market dynamics of inadequate wages and the poor jobs obtained by women as a group (Gunderson et al., 1990:9). Indeed, the increase of women concentrated in poor paying, insecure and part-time work explains much of the expanding bottom phenomenon.
### Table 4: Average Earnings of Men and Women: Canada and Australia 1981-1990

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<tbody>
<tr>
<td>Men</td>
<td>10.36</td>
<td>11.05</td>
<td>11.54</td>
<td>12.03</td>
<td>12.52</td>
<td>13.01</td>
<td>13.50</td>
<td>14.00</td>
<td>14.49</td>
<td>14.98</td>
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<tr>
<td>Women</td>
<td>5.78</td>
<td>6.32</td>
<td>6.86</td>
<td>7.40</td>
<td>7.94</td>
<td>8.48</td>
<td>9.02</td>
<td>9.56</td>
<td>10.10</td>
<td>10.64</td>
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Pat and Hugh Armstrong (1990:75) argue that the increased labour force participation of women represents a 'household strategy survival.' Moore's (1989) Canadian research on dual income families concludes economic insecurity pushes many wives into the workforce. It is a strategy households turn to in response to the emerging low wage service economy and the insecurity of employment generally.

The persistence of ascriptive sex role differences and the assumption that women are "supported by men" continues, however, to keep the wages of women below those of men. The wage gap reflects a "societal division of labour ... that relegates women and men into specific areas of work" with wage levels that continue to reinforce inequalities in gender earnings (Kitchen, 1990:145,151). Even with substantial rises in the number of working women, many of whom are heads of families, women as a group are perceived and rewarded as "temporary or secondary income earners." Women represent a "flexible" or "floating" reserve of labour. They represent a vulnerable and easily exploitable "cheap source" of labour for both public and private firms (Armstrong and Armstrong, 1990:85-86).

The low wages paid to women not only points to the issue of gender inequality, but raises the issue of the extent to which pay differences based on gender work their way through the whole economy, and thereby depress wages in general. Have we witnessed in the 1980s a type of labour displacement that results in substantial reductions in labour costs to employers but marginalizes more workers and continues to impoverish women and their families? According to one Canadian study this is the case. Pat and Hugh Armstrong (1990:84) note that women are increasingly being used to replace men "whose labour is more costly." They also point out that "women's low wages put ... downward pressure on men's wages."

To conclude, it is important to recognize that the convergent trends of growing unemployment and underemployment accompanied by the increase in low paying jobs and the changing gender composition of the paid labour force have consolidated and will continue to shape labour market dynamics. This means economic destitution for a growing number of people in both Canada and Australia.

Section 3: The Collapse of the Public Safety Net

The labour market restructuring of the 1980s increased the demand for state assistance. This took place in a period of shrinking revenues and/or increased pressure on governments to reduce deficits by lowering or controlling social spending. Governments in Canada and Australia also sought, for ideological reasons informed by the neo-conservative principles of privatization and economic rationalism, to reform the welfare system. These changes and their impact are considered in this section. The evidence indicates that these 'reforms' resulted in a restructuring of welfare benefits and entitlements

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5. This section draws on a recent paper presented at the AASWWE Conference held Oct 6. 1992 at the University of Sydney in Sydney Australia.
that worsened the economic circumstances of an increasing number of Australian and Canadian citizens. The social welfare policy and practice implications that stem from this labour market restructuring are also examined. Policies arising from the Australian Social Security Review and welfare reform in Canada are evaluated in terms of the erosion of state benefits and the emergence of food banks in Canada and emergency relief in Australia as an institutionalized form of support for displaced workers and those outside the labour force. In the conclusion specific social welfare policy and practice implications will be identified.

As in Australia during the 1980s, so in Canada, reform of the welfare system (particularly as it related to labour market issues) was a key part of federal, state and provincial privatization agenda. Despite the fact the welfare states in these two countries have different historical origins and have developed along different tracks, the Canadian system being more universalist than the selectivist Australian welfare state, social security reform in both nations had key elements in common. In both nations it has been characterized by increased targeting and selectivity, greater use of the tax system, adjustments at the margins (increases and decreases) and an attempt to integrate welfare and labour market reform (Cass 1989; Forget 1986; Nielsen 1986; Stretton and Chapman 1990; Wiseman 1991).

While the Australian Social Security Review appears to have had a direct concern with the adequacy of benefits (Cass 1989:142), the same can not be said of Canadian reforms, particularly in relation to children's allowances, old age pensions, unemployment and social assistance benefits. The inadequacy of benefits in relation to poverty lines, average earnings, benefit reductions, de-indexation and the regressive redistribution of the tax burden, which has favoured the well-off and corporations, have all been issues receiving critical analysis (Battle, 1990:272, 1992; Riches, 1989:35-37). Even the federally appointed National Council of Welfare reported in 1992:

... the income provided by most provincial and territorial welfare programs is grossly inadequate for the vast majority of recipients. Most welfare incomes are far below the poverty line. Although welfare recipients are among the poorest of the poor in our society, they rarely get any guaranteed protection from increases in the cost of living. Between 1986 and 1991 some recipients actually became poorer......the only guarantee that welfare offers consistently is poverty (NWC 1992:33-34).

The National Council of Welfare reported five years earlier that social assistance benefits in Canada were thousands of dollars below official poverty lines (NWC, 1987: 66-69). Joint federal-provincial initiatives have been designed to curb public dependency, reduce welfare expenditures, reassert traditional work incentives and return social assistance and unemployment insurance beneficiaries more rapidly to the labour market. In 1985 the Canadian Jobs Strategy replaced the National Training Program (Danzer, 1990:66), major reviews were undertaken of the Canada Assistance Plan, provincial social assistance programs (Nielson Report:1985) and the federal Unemployment Insurance Program (Forget Report: 1986).
The reforms which followed fit a neo-conservative agenda: they tightened eligibility criteria; they placed renewed emphasis upon work and training tests; they required unemployed employable claimants to participate in job training and short-term subsidized work; and benefits were reduced or held down. In provinces such as Alberta and Saskatchewan compulsory workfare programs were introduced even though it contravened federal legislation.

Recent changes to child benefits in Canada further demonstrate the trend of linking benefits to labour force participation. One of the major changes is the introduction of an earned income supplement up to a maximum of $500 a year for families with an employed head. This earned supplement is not, however, available to families on welfare or unemployment insurance. While it is important to assist the working poor, this policy does nothing to help welfare families. Figure 4a shows that families on welfare will receive no extra benefit. A further point illustrated in Figure 4b is that because these benefits are not fully indexed to inflation, by the year 2000, all families in need that receive child benefits will be worse off than in 1993.

The exclusion of welfare families from the earned income supplement takes place in a time when it is increasingly difficult to find work. The new package of child benefits ignores the reality of unemployment brought on by a restructuring of labour market demand and the reduced need for labour. In short, such welfare and labour market policy prescriptions are inadequate to the task of addressing the economic and labour market restructuring of the 1990s (Ternowetsky, 1992).

![Figure 4a: Child Benefits, Two Earner Couple with Two Children: Old and New System Canada, 1993](image)

A similar story has been unfolding in Australia. Here the emphasis is on the Organization for Economic Co-operation and Development (OECD) driven concept of the Active Society (Kalisch, 1991:4). An Active Society according to Kalisch is "one where persons are able to participate in both economic and non-economic facets of community life to the extent they desire and to the extent which is sanctioned by the society" (see Gass, 1988 and OECD, 1988b, 1989). What this means in practice in the context of unemployment is that active policies refer to strategies and programs of education and training and work subsidies designed to return the unemployed, particularly the young, long-term unemployed in Australia, to the job market. Passive policies refer to programs such as unemployment benefits or the "dole" which simply provide income support but in essence require no endeavor by the recipient to find or train for work. Australia, with its reform of Unemployment Benefits and their replacement by Job Search and New Start Allowances for those unemployed for twelve months or longer, has pursued this strategy since 1991. The receipt of benefits is now conditional upon participation in job search and training schemes. Indeed the Federal Opposition in its FightBack package plans to eliminate recipients' unemployment benefits after nine months, thereby firmly blaming the victim for her or his joblessness. It should perhaps be noted that the Federal Government has more recently, in its 1992 Budget, embarked on a strategy of major public infrastructure investment. The problem remains that official unemployment is above 10 percent and the demand for emergency relief grows.
As with welfare reform in Canada, the 'Achilles heel' of such Australian active employment policies remains: unless a sufficient supply of permanent and well paid jobs is created, such policies, despite their noble objectives, amount to little more than increased frustration and vulnerability for hundreds of thousands of Australian and Canadian workers and their families.

i) Food Banks and the Collapse of the Public Safety Net

The first food bank was established in Edmonton in 1981 and others quickly sprang up across the country in response to the recession of the early 1980s. By 1984 there were 75 and by 1981 there were 292 (Oderkirk, 1992; Riches, 1986). There are twice as many foodbank outlets in Canada as there are Macdonalds franchises (Jack, 1991:5). They have been referred to as "Canada's leading growth industry." In light of the growing debate about the role of charitable organisations in meeting the needs of hungry people, there are two aspects of the Canadian food bank phenomenon which should be commented upon.

First, they are concrete evidence of the collapse of the public safety net in Canada, that is, the failure of both unemployment insurance and social assistance to respond adequately to the rights of unemployed and destitute people (Riches 1985; ECC, 1992). As noted previously, provincial social assistance benefits are thousands of dollars below official poverty lines and hundreds of thousands of Canadians do not have sufficient money with which to support themselves or their families for lengthy periods each month. Of course it is argued that unemployment insurance and social assistance programs are only designed to respond to short term needs. If that is the case, the point must be made that the idea of the public safety net being the welfare program of last resort is untrue. Public welfare has shown itself in Canada to be incapable, if not unwilling, to respond to the needs of its poorest citizens.

Charity, with all that it means in terms of undermining the social rights of citizenship, has been allowed by the state to play an increasingly significant role (but by no means a successful one) in attempting to shore up the lapsed public welfare responsibilities of Canadian governments. The real success of food banks, as in the United States where they have their modern origins, rests in their deflection of public and political attention away from the legal and social responsibilities of governments to provide adequate assistance to all citizens. In so doing food banks have helped depoliticise hunger as a major consequence of unemployment in Canadian society.

Food banks became the social welfare phenomenon of the 1980s in Canada. Most are charitable agencies which collect, store and distribute food to hungry and needy people. To many older Canadians they bring back memories of the 1930s. In 1980 they did not exist. Yet in 1991, it is estimated that 2 million Canadians (7.5 percent of the population including 700,000 children under age 18) will use a food bank or soup kitchen some time during the year (Statistics Canada, 1992). The majority of their users are welfare recipients, the unemployed and their dependents. Women and children are major
clients. Food banks bear cruel testimony to the impact of the recession and economic restructuring upon the lives of increasing numbers of Canadians during the 1980s.

Given that the trends in Australian unemployment, underemployment and income polarization seem to be mirroring those in Canada, the question must be posed whether Australia's public welfare programs will be able to accommodate the increasing precariousness faced by workers and their families. The signs are not good. The Australian Council of Social Services (ACOSS) as well as the Catholic and Anglican Bishops and the Brotherhood of St Laurence are repeatedly calling for more adequate benefits and increased federal support for emergency relief. Meanwhile industrial restructuring is being introduced in the state of Victoria by a newly elected administration that has already pledged itself to cut the size of its civil service by 7,000.

**Conclusion**

The prospects for social welfare are not good, though the implications in relation to unemployment are at least clear. If social welfare and social work are not themselves to be made redundant in the 1990s and beyond, they must address the issue of working with increasing numbers of jobless, underemployed and inadequately paid people permanently excluded from fully participating in society. The question of the appropriate roles to be played by the state and by charity in responding to the growing vulnerability of people in Canada and Australia will be an issue requiring serious attention.
Bibliography


