

Do NEETs need to be put to work?

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BACK IN 1600s England, they may not have had Xboxes, Holden Barinas and Macca's drive-throughs, but they knew what do with NEETs: put them to work.

A new report from the Organisation of Economic Cooperation and Development (OECD) has revealed that Australia now has 580,000 young people "not in employment, education or training".

Of those, 360,000 "would like to work but can't" and 220,000 are "inactive and unwilling to work". The number of NEETs has increased by 100,000 since the GFC.

Speaking to The Daily Telegraph outside the Centrelink office in Sydney's Mt Druitt on Wednesday, 17-year-old Amy and 21-year-old Ashleigh described how they would rather spend their time "chilling at Macca's" than look for a job.

"I don't want to work my whole life and just die," Ashleigh said, adding that she would "die before I spend my time in an office".

"I want more than that," she said. "I would tell you it's hard to get a job but to be honest I don't even try. Centrelink pays my rent and that's all I need."

Old Queen Lizzie would have had a thing or two to say about that. In 1601, England made its first steps towards a modern welfare system with the passing of the Poor Relief Act, also known as the Old Poor Law. Here are the four key points:

- Those unable to work were to be cared for in an almshouse or a poorhouse.
- Those who could, the "able-bodied poor", were to be set to work in a House of Industry.
- The "idle poor" and vagrants were to be sent to a House of Correction or prison.
- Pauper children would become apprentices.

Okay, so it's an extreme example, but people reading young Amy's comments may have some sympathy for a bit of no-nonsense Elizabethan "welfare".

“They pay you nothing so why would I rock up,” she said on her struggle to hold down a job.

“I call in sick when I’m over it and then they just get rid of me. Not fair really because I just want to have a good time and chill out but I don’t want to be fired.”

Now, obviously the Old Poor Law wouldn’t make sense for Australia in 2016.

For example, the part about “setting to work all such persons married or unmarried, having no means to maintain them, or no ordinary and daily trade of life to get their living by” on a “convenient stock of flax, hemp, wool, thread, iron, and other necessary ware”.

That second bit should read, on “building submarines in Adelaide”.

But assuming we’re not going to bring back manufacturing to Australia by reopening the workhouses, what exactly is the solution to long-term — even multi-generational — welfare dependence?

Economist Dan Mitchell, senior fellow at the Cato Institute, argues there are “very worrisome implications for overall society when people start thinking that they have a ‘right’ to welfare and redistribution”.

“At the risk of sounding like a cranky libertarian, I fear that any nation will face a very grim future once too many people lose the ethic of self-reliance and think it’s morally and ethically acceptable to be moochers,” he writes.

This is hardly a new debate. The “welfare paradox” has been an issue since welfare was created. Mitchell cites Benjamin Franklin, who wrote of England’s welfare system pre-1830s that while he was “for doing good to the poor ... I differ in opinion of the means”.

“I think the best way of doing good to the poor, is not making them easy in poverty, but leading or driving them out of it,” Franklin wrote.

“In my youth I travelled much, and I observed in different countries, that the more public provisions were made for the poor, the less they provided for themselves, and of course became poorer. And, on the contrary, the less was done for them, the more they did for themselves, and became richer.”

On the other side of the fence, many argue against demonising welfare recipients.

“What the OECD report really shows is that a sluggish economy creates what economists call the ‘discouraged worker’ effect,” said Matt Grudnoff, senior economist with the Australia Institute think tank.

“When the economy is slow and unemployment is rising, people don’t feel that they’re likely to get a job, and we see people drop out of the labour market. They’re no longer actively seeking work, not in training — this is a phenomenon that happens all over the world and we’re seeing it in Australia.”

Mr Grudnoff argued the problem wasn't "supply side" lack of workers, but a "demand side" problem in that there are simply not enough jobs to go around.

"The solution is to stimulate the economy," he said, criticising the government's recently announced \$6 billion in cuts to welfare payments as "government policy designed to contract the economy, not expand it".

"Essentially it's cuts to services and the income of low and middle-income households," he said.

"These are households that basically spend all of their income. If you cut \$6 billion from the richest Australians you wouldn't reduce demand by \$6 billion, because richer Aussies save some of their income."

In other words, Mr Grudnoff argues the solution to getting more people off welfare and into work is more welfare, which flows back into the economy in the form of spending, thus creating jobs.

More than that, he says the entire economic system is essentially rigged, as it's based on always having around five per cent unemployment.

If it drops below that five per cent band, as it did before the GFC, wages rise due to worker scarcity, pushing up inflation, which causes the Reserve Bank to tighten interest rates "in order to create more unemployment".

"The RBA policy officially targets inflation, because if the RBA came out and said it was trying to raise unemployment there would be outcry," he said. "That's because there are huge social costs to unemployment."

This is why, Mr Grudnoff argues, we shouldn't be too hard on the long-term unemployed.

"If you have a system where you're always going to have about five per cent of the population unemployed, the most likely people are the children of those who were unemployed," he said.

"The disadvantage will go into those areas and demographics. As a society, you can either victimize them and tell them they're the problem, or we can help them."