

Inventing Unemployment

*Regulating Joblessness
in Twentieth-Century Australia*

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Introduction

How does unemployment happen? I mean that question in quite a specific way. Not, how does someone lose their job or fail to find to work. But rather, how does the way we regulate work relationships, gather statistics, and administer a social welfare system produce something we call 'unemployment', and how has that changed over time?

Let's take a stylised example. A 20 per cent drop in the demand for labour within an enterprise or industry could conceivably be managed in different ways. Where there is an extensive system of labour contracting with self-employed workers hired for the duration of specific jobs, a drop in available work simply means no new contracts will be made. The self-employed worker, with a portfolio of contracts, is expected to be responsible for regulating their own amount of work and managing any reductions in work. Where an enterprise relies on an extensive casual labour market, then where once 100 workers at the factory gate each morning might have been hired for the day, only 80 will now be chosen. If those 80 are chosen randomly from a pool of 100, over time each worker will average four days of work a week, but he or she will be uncertain from day to day whether there will be work available on that day. Where an enterprise relies on a permanent workforce of, say, 100 employees, the drop in labour demand could be managed in one of two ways: either all workers are put onto a four-day week or the contracts of 20 workers are terminated – and those workers, permanently severed from their former employer, become available for work at alternative enterprises. Of these examples, it is only the last that we would recognise as giving rise to unemployment as we understand it as a contemporary administrative and legal concept.

That particular understanding of unemployment was consolidated in Australia in the period immediately following the Second World War. There emerged a notion of the unemployed person as someone experiencing more or less absolute lack of work while also signalling their availability and willingness to work. That idea was quite distinct from notions of unemployment that prevailed prior to the war. Unemployment according to this new understanding was a condition clearly distinct from employment on the one hand but also from other forms of joblessness such as disability, sickness and strike action on the other. The idea was embodied in the national unemployment benefit scheme which commenced operation in 1945 and which was administered, in part, by a new labour market institution, the Commonwealth Employment Service (CES). It is an understanding of unemployment that in some respects – as regards our national statistics, for example – has proved remarkably resilient, even into the twenty-first century. In other respects – our administration of a system of out-of-work social security benefits,

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for example – it dominated much of the post-war period but in more recent decades this idea of unemployment has been dismantled and radically ‘reinvented’.

So my approach treats unemployment not as a simple economic variable that waxes and wanes according to prevailing economic conditions, but as institutionally constructed, derived from conventions about how to count it, and administrative rules about eligibility for social security benefits¹ – and importantly, from prevailing labour management practices. This is not an entirely novel approach, and I’m indebted to historians who have traced this line of argument with respect to other countries.² But my approach does depart from that of economic historians in Australia, who, rather than exploring how the category of unemployment is constructed over time, have generally been more concerned with examining different historical data sources to find out which give an ‘accurate’ measure of unemployment.³

The way I deal with the category of unemployment differs, too, from the approach taken in much historical sociology of the welfare state. That approach tends to focus on how different social groups mobilise to produce particular policy outcomes.⁴ It presumes a pre-established catalogue of social rights or entitlements, waiting to be claimed depending on the degree of influence that any set of actors can have on government.⁵ Instead, this book attempts to historicise the process of categorisation itself, arguing that the category of ‘unemployment’ has its own genealogy.

In this regard my approach is a species of ‘social constructionism’. Following Ian Hacking’s characterisation of this sort of endeavour, when I talk about the social construction of unemployment, I’m talking about ‘the idea, the individuals falling under the idea, the interaction between the idea and the people, and the manifold of social practices and institutions that these interactions involve’.⁶

¹ P Baxandall, ‘Explaining Differences in the Political Meaning of Unemployment’ (2002) 31 *Journal of Socio-Economics* 469.

² See N Whiteside, *Bad Times: Unemployment in British Social and Political History* (London, Faber, 1991); M Mansfield, ‘Labour Exchanges and the Labour Reserve in Turn of the Century Social Reform’ (1992) 21 *Journal of Social Policy* 435; W Walters, *Unemployment and Government: Genealogies of the Social* (Cambridge, Cambridge University Press, 2000); R Salais, N Bavez and B Reynaud, *L’Invention du Chômage: Histoire et Transformations d’une Catégorie en France des années 1890 aux années 1980* (Paris, Presses Universitaires de France, 1986); P Baxandall, *Constructing Unemployment: The Politics of Joblessness in East and West* (Aldershot, Ashgate, 2004).

³ See, eg, C Forster, ‘Australian Unemployment, 1900–1940’ (1965) 41 *Economic Record* 426. For informative exceptions, see T Endres, ‘Designing Unemployment Statistics in New Zealand: A History Study in Political Arithmetic c1860–1960’ (1982) 22 *Australian Economic History Review* 151; T Endres and M Cook, ‘Concepts in Australian Unemployment Statistics to 1940’ (1983) 22 *Australian Economic Papers* 68.

⁴ See, eg, M Cohen and M Hanagan ‘Politics, Industrialization and Citizenship: Unemployment Policy in England, France and the United States, 1890–1950’ (1995) 40(S3) *International Review of Social History* 91.

⁵ M Gomez Garrido, ‘From the Industrial Reserve Army to the Invention of Unemployment: Between Social History and Historical Ontology’ (2004) European University Institute Working Paper SPS No 2004/18, available at: cadmus.eui.eu/bitstream/handle/1814/2635/sps2004-18.pdf?sequence=1&isAllowed=y15.

⁶ I Hacking, *The Social Construction of What?* (Cambridge, MA, Harvard University Press, 1999) 34.

Hacking in fact identifies six degrees of commitment to constructionism, ranging from the purely historical, through the ‘ironic’, to the ‘rebellious’ and even the ‘revolutionary’. My approach probably approximates what he calls the ‘least demanding’:⁷ the aim is primarily to argue that the category of unemployment has been constructed through various social processes and, rather than the category being an inevitable result of how the world is, it ‘is the contingent upshot of historical events’.⁸ There is little of what Hacking calls a reformist or rebellious motive here; I remain pretty non-committal about whether the idea of unemployment that emerged around the middle of the twentieth century was a good or bad thing.

But I would stress that the history of classifications and categories is not solely the examination of language and discourse. Hacking points out that words such as ‘construction’ and ‘invention’ signify both a product and a process, both the result and the way one gets there.⁹ And the process of inventing unemployment – the emergence, consolidation and reinventing of particular understandings of joblessness – is underpinned by particular *practices*: taking a census, for example, or administering an unemployment benefits scheme, or managing labour in a workplace. Classifications always occur in some sort of matrix: in this instance, legislation, the ‘material infrastructure’ of labour bureaux, census forms and so on.¹⁰ This focus on how social problems become social problems – how a certain professional expertise allows us to think of ‘unemployment’ as a discrete social problem – along with an alertness to the role that mundane administrative practices play in this process also means my approach overlaps with, and draws upon, those scholars who take what’s known as a ‘governmentality’ approach to the regulation of the jobless.¹¹ The shift to privatised or outsourced employment services in particular has also led scholars to more closely examine the role that front-line service provision and discretion play in the administration of the unemployed.¹² However, I’d suggest that an alertness to administrative practice should inform our discussion of earlier regimes of unemployment regulation as well as more recent ones, so the book makes use of departmental office manuals and departmental correspondence from those earlier periods.¹³

⁷ This should come as no surprise to those who know my work habits.

⁸ Hacking, *The Social Construction of What?*, above n 6, 19.

⁹ *ibid* 36.

¹⁰ *ibid* 10.

¹¹ A really good overview of what a ‘governmentality’ approach can offer by way of analysis of unemployment policy can be found in J Grundy, *Bureaucratic Manoeuvres: The Contested Administration of the Unemployed* (Toronto, University of Toronto Press, 2019) 9–10. See also Walters, above n 2, for a pioneering historical study in this vein.

¹² See, eg, E Brodtkin and G Marston (eds), *Work and the Welfare State: Street-Level Organizations and Workfare Politics* (Washington DC, Georgetown University Press, 2013); M Considine et al, *Getting Welfare to Work: Street-Level Governance in Australia, the UK, and the Netherlands* (Oxford, Oxford University Press, 2015); G Marston and C McDonald, ‘The Psychology, Ethics and Social Relations of Unemployment’ (2003) 6 *Australian Journal of Labour Economics* 293.

¹³ For one standout study that has paid attention to this aspect of the post-war unemployment benefits system, see A Law, ‘Idlers, Loafers and Layabouts: An Historical Sociological Study of Welfare Discipline and Unemployment in Australia’ (PhD thesis, University of Alberta, 1993).

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I would emphasise, too, that although the focus of this book is the refinement and dissemination of ideas about unemployment proceeding from bureaucrats, statisticians, social scientists (both amateur and academic), legislative draftsmen and so on, it is clear from other historical studies that the unemployed person was not simply invented 'from above' by a community of experts. The autonomous behaviour of jobless people pressing 'from below' created a reality that experts had to find a language for. The two processes, notes Hacking, tend to occur in conjunction: 'our classification and our classes conspire to emerge hand in hand, each egging the other on.'¹⁴

One of the major contributions of those historians who have pursued this type of enquiry in other countries is to point out that the administrative and legal production of the category of 'unemployment' comes about partly through ordering the labour market in a particular way. Taking regulation in its broadest sense – encompassing a range of more or less formalised norms, conventions and customary practices – it is clear from the example I gave at the opening of this chapter that different types of labour market regulation produce different types of shortage of work. My point is that labour market regulation aimed at producing a homogenous, standardised understanding of the employment relationship, based around full-time 'permanent' contracts of employment, will give rise also to a standardised legal and administrative notion of joblessness that we call *unemployment*. The general argument here is that the notion of 'involuntary unemployment' and the eligibility conditions attaching to unemployment benefit are necessarily defined against institutionalised norms about what kinds of work are exemplary while granting other forms of work lesser recognition.¹⁵ So a good part of this book will concentrate on the evolution of the employment relationship in Australia. The consolidation of a relatively homogenous, uniform conception and experience of work is, broadly speaking, the story of labour market regulation in Australia across the first half of the twentieth century; the unravelling of that uniform experience has in turn been the story of the past few decades.

To elaborate on this, the phenomenon of post-war unemployment as an administrative and legal category depended on two conditions. First, that workers were allotted positions within an enterprise through an open-ended or 'permanent' contract of full-time employment. Secondly, that employers adjusted to downturns and depressions through severance of that contract for a given number of positions rather than either absorbing such downturns within the enterprise (through, for example, short-time work) or varying or terminating arms length market transactions in a volatile and dynamic external labour market (characterised by casual labourers gathered at the factory gate each morning, or the use of labour subcontracting and other forms of 'self-employment').

¹⁴ I Hacking, 'Making Up People' in TC Heller, M Sosna and DE Wellbery (eds), *Reconstructing Individualism: Autonomy, Individualism and the Self in Western Thought* (Stanford, CA, Stanford University Press, 1986) 228.

¹⁵ Baxandall, 'Explaining Differences in the Political Meaning of Unemployment', above n 1.

This means I'll be examining a development that is both juridical and socio-economic. The juridical development consisted of bringing different forms of labour hire within a uniform legal conception of the contract of employment, a process that proceeded slowly from the end of the nineteenth century through the early decades of the twentieth.¹⁶ In Australia, this development had a particular impact, not so much because of the emerging common law understanding of the rights and obligations attaching to an employment contract, but because it gradually allowed increasing numbers of wage-dependent workers to be subject to the jurisdiction and determinations of the Commonwealth Court of Conciliation and Arbitration established in 1904. From the 1920s, the Arbitration Court then adopted a policy of stabilising and standardising many of the conditions of the employment relationship, favouring full-time, weekly hiring over casual hire, with accrued entitlements to recreation and sick leave and limitations on employers' right to temporarily stand down workers.

The second aspect is how the temporal and spatial dimensions of work were standardised in practice. Although the decisions of the arbitral tribunals played a vital role in regularising employment, other socio-economic conditions also assured that forms of intermediate labour subcontracting, casual labour and so on, were displaced in favour of bureaucratically controlled, long-term employment relations. With the rise of large, vertically integrated enterprises concerned with the manufacture of standardised, generic products for mass markets, many transactions – including labour allocation – that had been carried out in external markets based on the price mechanism were brought within the firm and subjected to centralised co-ordination and administration. This internalisation of market transactions reduced costs and uncertainties for the firm, particularly in periods of labour shortage. In fact, such 'internal labour markets' ceased to function much like markets at all: unlike subcontracting transactions, they granted the employer an ongoing discretion to direct and control labour within the hierarchy of the firm. The open-ended employment contract proved such a useful legal instrument precisely because it created the space for ongoing co-operation between workers and employers.¹⁷ In Australia, it appears that the type of management practices associated with internalisation – centralised personnel departments, formalised work rules and pay scales, the emergence of a class of professional, salaried

¹⁶ See A Merritt, 'The Historical Role of Law in the Regulation of Employment – Abstentionist or Interventionist?' (1982) 1 *Australian Journal of Law & Society* 56; J Howe and R Mitchell: 'The Evolution of the Contract of Employment in Australia: A Discussion' (1999) 12 *Australian Journal of Labour Law* 113; M Quinlan, 'Australia, 1788–1902: A Workingman's Paradise?' in D Hay and P Craven (eds), *Masters, Servants and Magistrates in Britain and the Empire, 1562–1955* (Chapel Hill, NC, University of North Carolina Press, 2004).

¹⁷ See D Marsden, *A Theory of Employment Systems: Micro-Foundations of Societal Diversity* (Oxford, Oxford University Press, 1999). On the efficiency advantages of internal labour markets and the employment contract, see also RH Coase, 'The Nature of the Firm' (1937) 4 *Economica* 386. Coase and his successors tended to underplay the role of conflict within the authority relation created by employment contracts, but their work offers a useful stylised account of why the employment contract came to dominate working life in the mid-twentieth century.

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managers – did not become generalised until the 1940s, spurred on first by the need to rationalise production and limit absenteeism during the Second World War, then by acute post-war labour shortages.¹⁸ Interestingly for my enquiry, the dominance of this mode of labour management coincided with the establishment of Australia's system of social security payments for the unemployed.

So in effect, what I'm calling the invention of unemployment is really the invention of a binary opposition: the creation of both employment *and* unemployment as distinct and relatively homogenous labour market statuses, one the obverse of the other. As William Walters puts it:

A condition of employment could only be delineated from one of unemployment once work came to be concentrated in the socio-spatial form of the factory or office, compressed into a normal working week, and set within a modern bureaucratic system of employment relations.¹⁹

There is, then, a complex and interactive relationship between the formation of ideas about *employment* and those concerning *unemployment*. Administrators, social investigators and regulators in one field tended to pursue their own lines of enquiry with their own set of concerns, but often were working in a context provided, at least in part, by developments in the other. So, if in the past the regulation of employment and unemployment have been treated as relatively distinct fields of enquiry, I want to approach them as ineluctably intertwined and better understood as carrying on a regulatory conversation with each other.

And then there's the sub-plot. In developing my argument I devote particular attention to the role of the labour exchange, a state-run bureau for matching jobseekers with potential employers. The labour exchange or labour bureau represented one clear instance where the discourses of employment and unemployment came together in a very real way. The labour exchange was conceived as an administrative technology both for the governance and relief of unemployment on the one hand and for the organisation of employment and the labour market on the other. The labour exchange wasn't something that merely became possible after the unemployment was 'invented' as a distinct labour market status. On the contrary, from the early twentieth century exchanges were seen as a useful technology for ordering the labour market in the first instance, and hence for generating 'real' unemployment. The labour exchange could be used to create a 'diagram' of the labour market as a whole.²⁰ A national labour exchange helped us to conceive a single, national pool of labour where the worker displaced from one enterprise could look for and find a new job in another. It allowed bureaucrats and administrators to think in terms of the formal severance of one contract and availability for rehiring at another enterprise, rather than there being pools of

¹⁸ C Wright, *The Management of Labour: A History of Australian Employers* (Melbourne, Oxford University Press, 1995).

¹⁹ Walters, above n 2, 19. A similar point is made in S Deakin and F Wilkinson, *The Law of the Labour Market: Industrialization, Employment, and Legal Evolution* (Oxford, Oxford University Press, 2005) 149.

²⁰ Walters, above n 2, 47.

casual labour within specific trades or localities or workers maintaining connection with an enterprise during downturns through short-time working and underemployment. Where local and industry practices did not actually correspond to this model, the labour exchange was seen as a useful tool for imposing such a reality and hence organising the labour market around the norm of regular, full-time employment.²¹ Labour exchanges rendered unemployment visible in other ways, too. Most importantly in the context of unemployment assistance, exchanges administered the 'work test' that tested claimants' job search by providing constantly updated information on vacancies and bringing this to bear on the case of each individual jobseeker. In this way, the genuinely 'unemployed', temporarily and involuntarily out of work, could be distinguished from the 'malingerer'. So the emergence of the CES in Australia offers a valuable insight into the construction of unemployment. Similarly, the dismantling of the CES over the past few decades is emblematic of changes to the regulation of joblessness.

Despite its subtitle, this book actually ranges from the late nineteenth century to the present and, while the focus is on Australia, it also deals with developments in Britain. Fashions in social policy have become increasingly international, but even as a colonial outpost Australia could not help but be influenced by British ideas while also charting its own distinct course. Particularly influential was the work of what one commentator has called a 'group of intellectual hybrids ... concerned partly with general economic hypotheses, partly with sociological investigation, and partly with administrative reform.'²² It was this group, including Charles Booth and William Beveridge, along with Sidney and Beatrice Webb, that first began to define unemployment as a social and administrative problem related to labour market organisation and separate from the prevailing cultural or moral interpretations associated with poverty or pauperism. So the first four chapters tic-tac between Britain and Australia, examining ideas of unemployment that prevailed prior to the Second World War, the range of labour management practices and evolving understandings of the employment relationship across that period, and the development of labour exchanges in both Britain and Australia as one particular response to the question of both labour market organisation and the governance of the unemployed.

From chapter five onwards, the book is more directly focused on Australian developments, in particular the administration of a national unemployment benefit scheme, and the role the CES played in this, but also having regard to shifts in how we defined and measured unemployment, and how all this interacted with changing labour market regulation and practice. The global still inevitably intrudes: Australia fell into line as regards international statistical practice regarding the measurement of the unemployed; later, the need to 'activate' them; and more recently we enthusiastically adopted the new international orthodoxy regarding services for the unemployed.

²¹ See Mansfield, above n 2, 435.

²² J Harris, *Unemployment and Politics: A Study in English Social Policy, 1886-1914* (Cambridge, Cambridge University Press, 1972) 11.