



Restoring full employment: Policies for the Jobs and Skills Summit

2022





Contents

About ACOSS	4
Summary	4
Key Priorities	5
Introduction: Make full employment the overarching goal of the Summit and White Paper	10
1. Macroeconomic policy to grow employment and incomes without excessive inflation	18
Policies to reduce inflation without increasing employment	18
Policies to increase productivity	22
2. Supporting workforce participation	24
Reducing long-term unemployment and lifting workforce participation	24
Reforming income support to reduce poverty and support workforce participation and care	38
3. Skills and migration	40
Workforce planning and skills development	40
Immigration	46
4. Wages and job security	48
Wages and workplace regulation	48
5. Development of future industries	54
Quality jobs and services in the care economy	54
Quality jobs and services in community services more broadly	59
Developing industries and services in response to climate change	60
Attachment	62
Ghosts of summits past - a short history of full employment in Australia	62

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metropolitan, regional and remote areas. Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

This paper for the Jobs and Skills Summit outlines a policy agenda to achieve, sustain, and make the most of full employment in Australia.

This has a different meaning today to the early 1970s. Now it is as much about adequate, regular hours of employment and steady growth in real incomes as keeping unemployment low.

At its heart it means that people seeking employment or more paid hours can find them, and the pay and the quality of those jobs improves so that the fruits of economic growth are more fairly shared and no one is left behind.

Once we commit to full employment, a range of policy implications follow. Some policies are needed to achieve and sustain full employment, others are needed to realise the benefits of full employment. We put forward to the Summit the following high-level policy proposals.¹

We also propose new advisory structures to carry the full employment policy agenda forward and promote and sustain cooperation across government and with business, unions and civil society.

The following policy proposals are listed in the likely order of the Summit program.

Reviewing the history of full employment in Australia (see the Attachment), we find

¹ While these proposals are highlighted in the Summary, more are flagged in the body of this statement.

Key Priorities

- A shared commitment to full employment, and fairer ways to deal with inflationary pressures and labour and skills shortages than excessive reliance on higher interest rates or austerity policies, including by lifting productivity.
- A shared commitment to prevent and reduce long-term unemployment, including a flexible Jobs and Training Offer for people on unemployment payments for more than 12 months.
- Reform employment services to move away from the present harmful compliance approach towards genuine practical help to secure employment.
- Raise JobSeeker and related income support payments from \$46 to \$70 a day.
- Strategic workforce planning at national, industry and regional levels led by Jobs and Skills Australia
- Immigration policies that prioritise skilled and permanent migration, and that protect temporary visa holders in entry-level jobs (e.g. students, working holidaymakers, and Pacific Island workers) from exploitation and abuse.
- Restore sustainable growth in real wages by lifting productivity, renewing the links between productivity and pay, and strengthening enterprise bargaining.
- Lift minimum wages and establish a legislative link between growth in wages and Jobseeker Payments.
- Promote pay equity for women through workplace relations legislation and Fair Work Commission test cases.
- Promote a robust care sector with quality jobs and services through adequately funded standards for accredited training and staffing levels, investing in sector-specific skills and training, lifting pay and improving job security.
- Support the community services sector through funding that responds to need, meets the actual costs of quality services, and fair and consistent indexation.
- Invest in job-creating industries that reduce global warming and ease its impacts on people with the least, including clean energy industries in regions reliant on fossil fuel production to ensure a just transition, and retrofitting the homes of people on low incomes to improve their energy efficiency.

1. Macroeconomic policy to grow employment and incomes without excessive inflation

- *Move away from past budget and interest rate policies that kept unemployment high to curb inflation.* Instead, pursue alternative strategies to contain inflation including easing supply bottlenecks, boosting the supply of social and affordable housing, energy market reform, investment in household energy efficiency, mandatory fuel efficiency standards for motor vehicles, reductions in out-of-pocket costs for publicly funded essential services starting with child care, more competition in concentrated markets, cooperation between business, unions, civil society and government to ensure steady and predictable growth in wages and income support, and curbing counterproductive speculation in assets such as housing.
- *Lift productivity* by strengthening the role of Infrastructure Australia in assessing public investment needs and evaluating the cost effectiveness of projects, taxing different forms of investment more consistently to remove distortions favouring speculative investment in assets such as housing, and invest in preventive health programs that extend the healthy working life of the population.

2. Lifting workforce participation to ease labour shortages and include people still excluded from paid employment

- *A shared commitment to prevent and reduce long-term unemployment* (including among older workers, people with disability, parents, and First Nations communities) through better-quality employment services that work with employers to encourage and support them to employ people they haven't previously considered, tackling discrimination, improved access to quality training linked to emerging employment opportunities, and by establishing regional employment development networks.
- To put this commitment into effect, the Australian Government should introduce an annual *Jobs and Training Offer for people unemployed long-term*, consisting of a genuinely negotiated menu of options including subsidised employment, paid work trials, vocational training and other substantial help to overcome each person's barriers to employment. This should replace less effective programs like Work for the Dole and Employability Skills Training. Government procurement policies should preference employment of people unemployed long-term or experiencing disadvantage.
- Ensure that the program replacing the Community Development Program is genuinely co-designed with Aboriginal and Torres Strait Islander-controlled organisations and that it includes a substantial paid employment component through establishment of a *Remote Jobs Investment Fund*.
- Adequate income support for people of working age that enables people to cover the basics and search for employment where that is a viable option for them, starting with an *increase in Jobseeker and related payments from \$46 to \$70 a day*.

In addition to this basic income support floor, ensure that adequate supplementary payments are in place meet specific needs, including Rent Assistance, a Disability and Illness Supplement, and Single Parent Supplement.

Establish a *Social Security Commission* to provide ongoing advice to the Parliament on payment settings including adequacy and task it with a review of the income support payment structure for people of working age to simplify it, ensure that people with similar needs receive similar levels of support, and to ease transitions between unemployment, employment, caring, education and training.

- Review unemployment payment activity requirements and the Targeted Compliance Framework in consultation with people directly affected, peak bodies and experts, to *reorient the system away from the present compliance-heavy and profoundly harmful approach towards practical employment assistance* that connects them with the right job and training suited to their individual circumstances. Employment participation policies should be fair and not onerous or punitive and should take proper account of people's caring roles and barriers to employment.

3. Skills development and migration policies that provide career opportunities for people, ease skills shortages and prevent exploitation

- To ease labour and skills shortages and ensure that training resources are used cost-effectively, introduce *strategic workforce planning at national, industry and regional levels led by Jobs and Skills Australia* to lift paid workforce participation, reduce long-term unemployment and under-employment and ease geographic barriers to employment (including transport and housing).
- This should be backed by *career guidance and support* to assist people facing disadvantage navigate a changing labour market, and substantial investment in vocational training and foundation education. Training and education must be accessible for people with low incomes and barriers to employment, and responsive to the needs of workers and employers.
- Strategic migration policies should *give priority to skilled and permanent migration*, together with well-regulated temporary migration arrangements to meet workforce needs that cannot realistically be met within Australia. Rights to join the regular labour market should be extended to more people already in the country such as refugees, and people whose relationship with their sponsoring employer has ended.
- The temporary migrant workforce for entry-level jobs (such as workers with student, backpacker, and Pacific Australia Labour Mobility program visas employed in agriculture, hospitality, retail and care services) should not be restored to previous levels without first *ensuring that the widespread underpayment and exploitation of those workers is stopped*.

4. Wages and job security payments that are sufficient for people to live decently, and grow alongside improvements in productivity

- *Restore sustainable growth in real wages* by lifting productivity, renewing the links between productivity and pay, and strengthening enterprise bargaining.
- *Lift minimum wages* (together with social security payments) to a level that enables people to achieve a decent standard of living.
- Establish a legislative link between *growth in wages and social security allowance payments* including Jobseeker Payment.
- *Promote pay equity for women*, through workplace relations legislation and test cases that recognise the value of their skills, experience and qualifications, especially in caring roles traditionally undertaken by women.
- As far as possible, employment and *paid working hours should be regular and predictable* so that workers can meet current needs and plan for the future, and employers have the benefit of a committed workforce that is skilled for the job.

5. Growing jobs in industries of the future, including the care economy and clean energy industries

- *Promote development of a robust care sector* and ease chronic labour and skills shortages by developing standards for accredited training and staffing levels that enable good quality care, investing in sector-specific skills and training, lifting pay and improving job security, with government commitments to fund the increases.
- *Benchmark public funding to the actual costs of quality care*, improve transparency around the use of public funds, where this is inadequate, and support care services to develop their core capacities (including the skills of their workforce) rather than merely funding 'episodes of care'. The Australian Government should secure the public revenue required to meet the growing cost of care services through tax reforms, linking those with service guarantees where appropriate.
- *Promote development of a community services sector* that is responsive to community needs and adequately funded to provide quality services, especially for people who are economically or socially vulnerable, through funding that responds to need in the community, meets the actual costs of quality services, and provides fair and timely indexation.
- *Invest in job-creating industries that reduce global warming and ease its impacts on people with the least*, including clean energy industries in regions reliant on fossil fuel production to ensure a just transition and retrofitting the homes of people on low incomes to improve energy efficiency.

- *Establish community-based disaster resilience hubs* to support people affected by fires, drought, floods and other disasters triggered by climate change, and provide employment and training opportunities for people who are unemployed in this work.
- Support *Aboriginal and Torres Strait Islander community-controlled services to close the gap* in health, education and living standards by addressing funding shortfalls identified by the sector and supporting First Nations-led workforce development programs.

Progressing the work of the Summit

- *Establish a standing Advisory Council to the Australian Government* comprising experts from business, unions, civil society and academia to advise on whole-of-government policies to sustain full employment and foster cooperation across the community to that end.
- This should be supported by *time-limited Expert Commissions to advise on policies* to resolve key challenges relating to full employment, such as employment opportunities in a clean energy economy, reducing prolonged unemployment and labour market exclusion, and labour shortages and job quality in care services.

Introduction:
Make full employment the overarching goal of the Summit and White Paper

In our view, the top priority for the Summit is to bring government and community representatives together to work out how we can restore full employment.

The level of unemployment is a policy choice. For thirty years after World War Two, less than 3% of the labour force was unemployed. Much has changed since then. Now it is as much about adequate, regular hours of employment and steady growth in real incomes as keeping unemployment low, and as much about the care economy as the production of goods. It is about jobs for all genders, not just jobs for men.

Full employment is more than a number

Yet at its heart it means the same thing it did in the post war era: that people seeking employment or more paid hours can find them, and the pay and the quality of those jobs improves, so that the fruits of economic growth are more fairly shared and no one is left behind. We are not there yet - and in any event the point is to *sustain* full employment - but we are closer to this goal than we have been for decades.

How full employment was lost

that it was abandoned in the 1970s in response to a particular set of challenges that emerged at the time – a combination of high inflation and high unemployment fuelled by a ‘wage-price spiral’. Economic policy orthodoxy shifted towards a ‘fight inflation first’ approach, eventually settling on the view that the best way to stabilise economic growth (reducing the amplitude of booms and downturns) was to leave that job to the Reserve Bank, guided by an inflation target of 2-3%. The government’s main economic role was not to sustain economic growth (for example by lifting expenditure in recessions), rather to lift the so-called ‘speed limits to growth’ through reforms to boost productivity.²

The result was entrenchment of high levels of unemployment, especially long-term unemployment as a growing number of people were frozen out of paid work (see Graph 1).

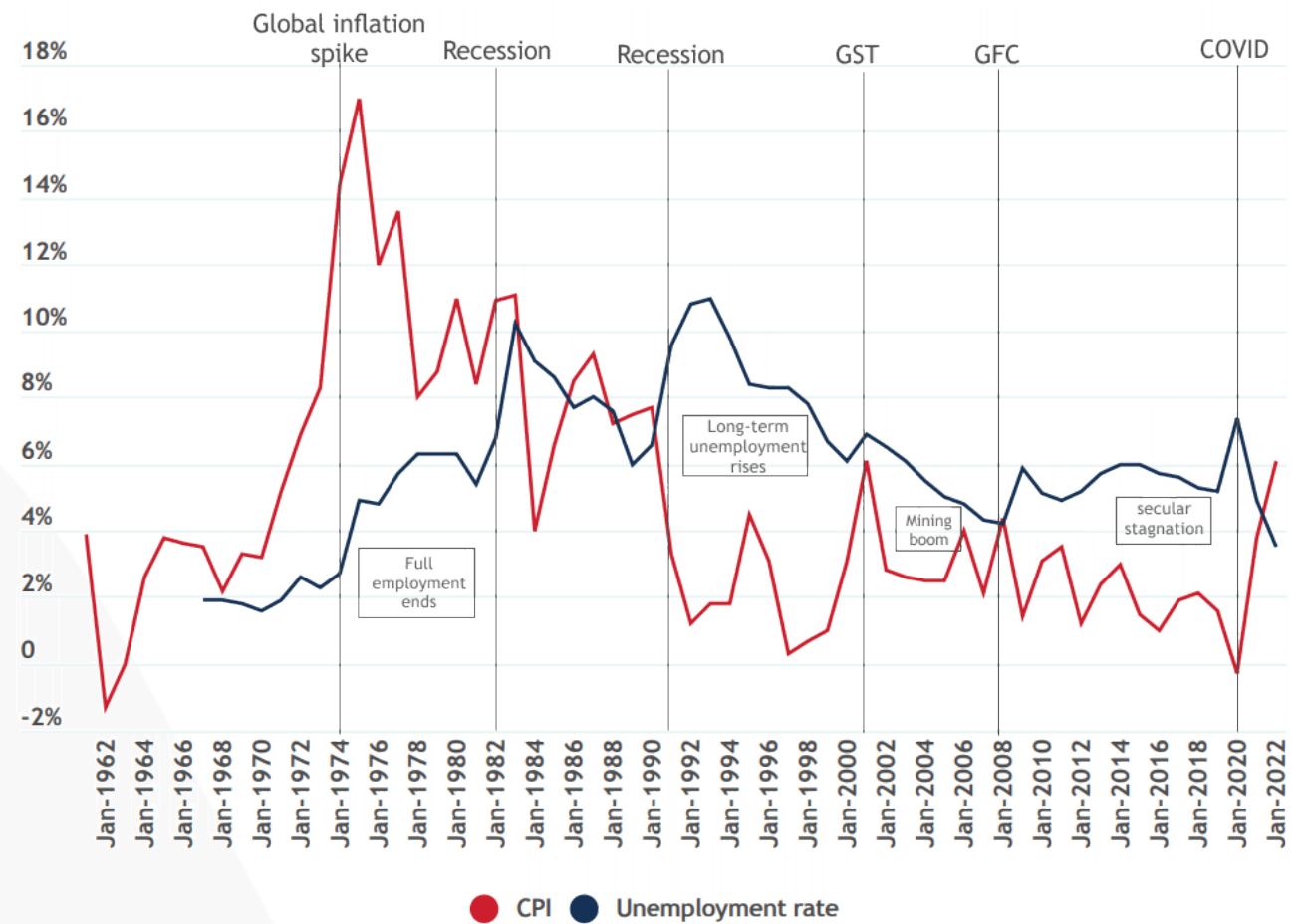
Where we are now

During the decade following the Global Financial Crisis in 2008, the ‘fight inflation first’ approach was widely questioned as a new set of problems emerged. Inflation was contained, but wages and other incomes barely grew above inflation, unemployment and under-employment remained too high, and investment stagnated once the mining boom ended. This new set of economic challenges was referred to as the ‘dog days’ or ‘secular stagnation’.³

² This is desirable in itself to help raise incomes and living standards, though as discussed later, it is only one part of a viable strategy to sustain full employment.
³ Summers (2015), “Demand Side Secular Stagnation.” *American Economic Review: Papers & Proceedings* 2015, 105(5): 60–65; Garnaut (2021), *Reset: Restoring Australia after the Great Crash of 2020*.

The COVID crisis and the extraordinary policy response to shield jobs and incomes from a government-imposed recession restored growth in jobs but brought inflation back to centre stage as a major challenge facing the community. Looking beyond these sudden shifts in jobs, incomes and prices, it is clear we do not face same set of problems that triggered the abandonment of full employment in the 1970s and 1980s. There is no sign today of a wage-price spiral and unemployment has not been rising alongside inflation - unless policy makers decide again to make that happen.⁴

Graph 1 - Inflation and unemployment rate



Source: Australian Bureau of Statistics (various years), Labour Force Australia; Consumer Price Index, Australia

⁴ The latest Wage Price Index data indicates that wages grew by just 2.6% through the year to June 2022, well below inflation of 6.1%. This is despite historically low unemployment and under-employment, and labour and skills shortages.

A full employment strategy should also tackle immediate challenges such as inflation, weak growth in incomes and labour and skills shortages

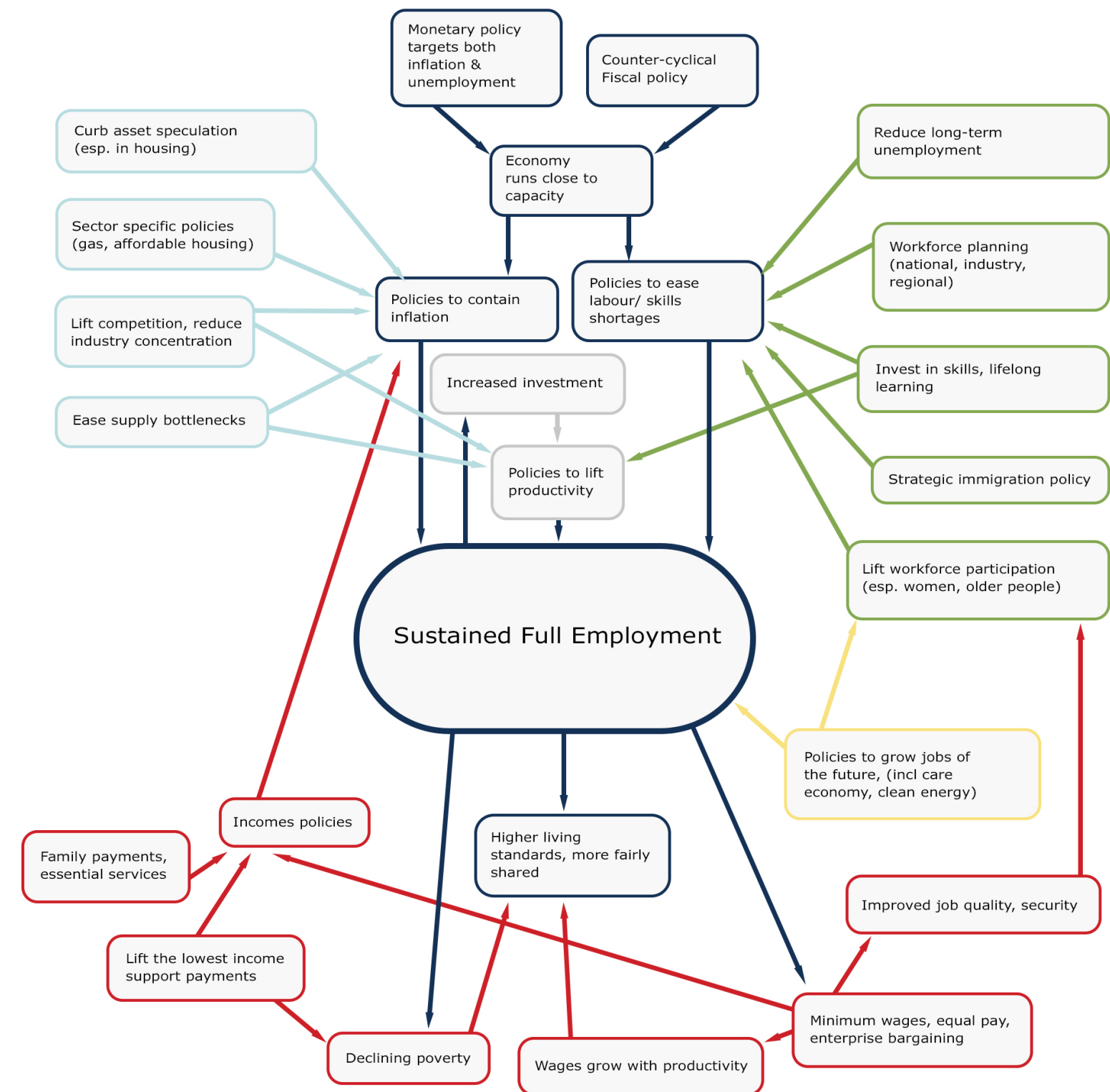
After two years of responding to multiple crises - the pandemic, fires and floods, and the sudden economic adjustments we've had to make - it is harder for us as a community to focus on problems on the horizon. Right now, people are worried about the cost of living, a lack of growth in wages and other incomes, and labour and skills shortages. Yet, as interest rates and government budgets shift from emergency settings, and key trading partners face the prospect of another recession, we will likely be worrying about jobs again in two years' time.⁵

It is now clear that without reforms to wage-setting systems, low unemployment alone does not lead to decent wage growth for most workers. Yet this is even less likely when unemployment is rising.

These immediate challenges are closely connected to the wider one of restoring full employment and laying the foundations for environmentally sustainable growth in jobs and incomes. The flow chart below shows how better policies to control inflation, ease labour and skills shortages, increase productivity, restore growth in incomes, and develop growth industries of the future (to provide quality care for people and aid the transition to a clean energy economy) are all connected to the goal of restoring and sustaining full employment.

We need to move beyond a reactive politics that merely responds to the problems that immediately confront us. We can make real progress on all these challenges, and avoid the mistakes that led to past recessions, if we tackle them together with an eye to the future.

⁵ Increases in interest rates from emergency settings were inevitable and necessary, but we are concerned about the size and pace of recent increases in the official interest rates here and overseas. The RBA has lifted its interest rate target from 0.7% to 1.85% in just six months, despite a lack of evidence that wage increases are large enough to sustain high levels of inflation beyond the end of this year. The RBA already forecasts a rise in unemployment from 3.5% to 4% over this period, equivalent to around 75,000 jobs lost.



Macroeconomic policy
Workforce planning policies
Anti-inflationary policies
Productivity enhancement
Jobs of the future
Incomes policies

Full employment is worth pursuing

Full employment means that the workforce is fully utilised, that is unemployment and under-employment are consistently low. This has also been referred to as a 'high pressure economy'.⁶ Together with the right mix of workforce development, workplace relations, income support and industry development policies, it would bring the following benefits:⁷

- The social harms of high unemployment, which is a major cause of poverty, income inequality, anxiety and depression, and social fragmentation, would be averted. We could finally reduce the unacceptably high level of long-term unemployment. Today there are 760,000 people who have had to rely on unemployment payments as low as \$46 a day for over a year.
- Employers would be more likely to consider people presently excluded from paid employment, such as those unemployed long-term, older workers, parents with young children, First Nations people and people with disability.
- People would be more likely to get the paid working hours they need in more secure jobs.
- Subject to necessary workplace relations reforms, real wages are more likely to rise along with income supports for people at risk of poverty – provided unemployment and related payments are adjusted to grow in line with wage movements as is the case for pensions.
- Work practices and paid working hours are more likely to accommodate caring roles, acknowledging the dual role of workers caring for children or other family members or caring for themselves in the case of people with disability.
- Resources are less likely to be wasted (capacity utilisation would increase), prompting higher levels of investment. If these additional resources are used more productively and Australia transitions to a clean energy economy, the country would be more prosperous.
- Prosperity is likely to be more fairly shared.

Low unemployment and under-employment alone will not guarantee these outcomes – that requires the reforms to income support, workplace relations and productivity-enhancing policies discussed below – but without it they are much less likely to be realised.

So we call on the Australian Government, business, unions and civil society to commit to full employment and to make this the overarching goal of the Summit.

In advocating full employment and supporting people to participate in the paid

⁶ Okun A (1973), *Upward Mobility in a high-pressure economy*. Brookings Institution.

⁷ Bernstein & Bentele (2019), *The Increasing Benefits and Diminished Costs of Running a High-Pressure Labor Market*. Centre for Budget and Policy Priorities.

workforce, we do not assume that paid employment is the only way people find purpose in life or contribute to society. Nor do we see access to employment as the only solution to poverty and inequality in Australia (we reject the simplistic notion that 'the best form of welfare is a job'). Many people contribute to society in other ways such as caring for family members and those contributions should be recognised and supported. Adequate income support should always be available to people who need it, whether or not they are able to search for and secure paid employment.

People should be encouraged and supported to join the paid workforce because it will improve their living standards and those of the community, not because paid work is of value for its own sake regardless of the quality of the job or the challenges many people face to participate in the workforce.⁸ One of the reasons we advocate full employment is to improve the quality of jobs and access for people who are currently locked out of paid work.

Once we commit to full employment, a range of policy implications follow. Some of these policies are needed to achieve and sustain it. Others are needed to ensure that the above benefits are realised.

To achieve full employment, we need sustained cooperation between business, unions, civil society and government

Governments no longer hold the levers they once controlled to manage the economy, such as tight regulation of finance and centralised wage fixation. This makes it even more important that they work with stakeholders outside government to sustain full employment.

We propose that the following bodies be established to progress the work of the Summit and a White Paper on Full Employment:

- A standing Advisory Council to the Australian Government comprising experts from business, unions, civil society and academia to advise on whole-of-government policies to sustain full employment and foster cooperation across the community to that end.
- Time-limited Expert Commissions to advise on policies to resolve key challenges relating to full employment. Their scope and composition would be determined by government following advice from the Advisory Council. They could deal with issues such as employment opportunities in a clean energy economy, reducing prolonged unemployment and labour market exclusion, and labour shortages and job quality in care services.
- Jobs and Skills Australia should have a broad remit to develop national and industry-specific workforce development plans, assess current and future skills requirements, and improve the coordination of resources (including education, training and employment services) across governments to meet workforce and skills needs.

⁸ Research indicates that the quality of a job is at least as important for people's mental health and well-being as whether they have one or not (Butterworth et al (2011), "The psychosocial quality of work determines whether employment has benefits for mental health" *Occupational and Environmental Medicine* · March 2011)

- Locally-led regional employment development networks should be established to promote local employment opportunities and skills development, support the efforts of employment and training services to connect people to the right jobs and training opportunities, and feed back local intelligence on labour markets to Jobs and Skills Australia and other Commonwealth and State authorities.



1. Macroeconomic policy to grow employment and incomes without excessive inflation

Policies to reduce inflation without increasing unemployment

Problems

To avoid a return to secular stagnation, we need to find better ways to contain inflation than excessive reliance on higher interest rates or large cuts in public expenditures (austerity policies).

The inflation challenge, and the tools available to government to meet it, are both different to the 1970s (when unemployment and wages were also rising strongly) and the Accord years of the 1980s (when governments and the Industrial Relations Commission had more powers to regulate wages, prices and finance).

Two of the key drivers of recent increases in the cost of living and the cost of doing business are housing costs and the cost of energy, especially gas.

Unaffordable housing

Over the last 50 years, excessive increases in home prices and rents during economic booms have not only made this essential of life unaffordable for growing numbers of people, they have jeopardised economic stability. Speculative investment in housing when interest rates are low and incomes are already growing strongly lifts home prices. This amplifies the boom through wealth effects (wealthier consumers are likely to spend more, often using their homes as collateral to borrow more) then prolongs the downturn as consumers deal with higher levels of household debt and interest repayments.⁹

The worst social impacts of recent hikes in home prices have come from increases in private rents, which rose by 10% over the past year.¹⁰ Many people on low and modest incomes now face the prospect of homelessness and have to choose between paying higher rents on time and properly feeding themselves and their families.

Rising energy costs

We also face a gas price crisis across Eastern Australia, caused by regulatory failure: the failure to reserve a proportion of gas supplies for domestic use when export licenses were granted to the small number of producers that dominate the market.

People on low incomes face mounting energy costs because they are being left behind as we transition to a clean energy economy. While people with higher incomes can take advantage of current subsidies to install rooftop solar and purchase electric vehicles, those on the lowest incomes either rent their homes or cannot afford to upgrade them to improve their energy efficiency.

Growth in out-of-pocket costs for essential services

Out-of-pocket costs for essential services funded by government such as child care, aged care and education have been rising at a faster pace than the CPI. Along with other wealthy nations, Australia is rightly devoting a higher share of GDP to these

⁹ McFarlane (2003), Macfarlane, I. (2003) "Do Australian Households Borrow Too Much", *Reserve Bank of Australia. Bulletin*, April: 7-16

¹⁰ Corelogic (2022), *Quarterly Rental Review*

services, but governments have shifted more of the cost to service users, adding to inflation.¹¹ Further, poorly designed public subsidies, such as Private Health Insurance Rebates, contribute to the rising cost of services.

Market concentration

A lack of effective competition in concentrated markets, like energy, transport, retail and banking means that a small number of dominant businesses in those sectors can increase prices faster than a competitive market would allow.

"Markets in Australia are generally far from strongly competitive and, instead, are often characterised by considerable concentration and market power. Also, today's inflation owes much to shocks in key sectors, such as gas and electricity. Both these points raise issues for how we should now best respond to Australia's rising inflation." [Rod Simms, Former Chair of the ACCC](#) (SMH 25/7/22)

Wages, labour and skills shortages

Unlike the present situation in the US, there is no sign that high inflation might become entrenched in Australia through a wage-price spiral. Instead, our challenge here is to ensure steady growth in real (after inflation) wages and other incomes. If, in a future full-employment economy, wages grow consistently above inflation and productivity improvements, it would be better to resolve this through cooperation between unions, business and government than by the blunt application of higher interest rates to drive down growth in consumer spending and incomes.

On the other hand, sustained labour and skills shortages are contributing to inflation now by restricting the supply of goods and services.

We address these problems in the next sections of this statement.

Short-term responses

1.1 Reduce prices in sectors that are contributing disproportionately to inflation and where market regulation is not fit for purpose:

- To ease the energy cost crisis for households and industry, reserve a share of east coast gas supplies for domestic use and introduce a temporary tax on the excess profits of gas producers;
- To ease the critical shortage of affordable homes to rent, introduce a temporary cap on increases in residential rents (for example, no greater than CPI), and discourage owners of rental properties from leaving them vacant or using them for holiday rental rather than long-term tenancies.

1.2 Ease supply bottlenecks in transport, wholesale and retail services.

1.3 Increase child care subsidies and ensure that these are used to improve service quality and pay and conditions of staff rather than increasing profits.

¹¹ Russell & Doggett (2019), [A road map for tackling out-of-pocket health care costs](#). Menzies Institute and Centre for Policy Development.



Ongoing reforms

1.1 Boost the supply of social and affordable housing by:

- increasing direct investment in new social housing;
- introducing financial incentives for affordable private rental housing;
- incorporating inclusive zoning into urban planning instruments.

1.2 Improve household energy efficiency for people with low incomes (who are more likely to live in homes that are too hot in summer and too cold in winter) by:

- extending legislated household energy efficiency standards to rental dwellings across Australia as soon as practicable;
- introducing a scheme to assess the energy efficiency of homes and undertake improvements up to the value of \$5,000 per home for 1.8 million low-income homes to cut emissions, energy bills, and create thousands of local jobs.

1.3 Strengthen competition in concentrated markets dominated by a small number of companies such as energy, retail and banking by:

- boosting the powers of the ACCC and directing it to report regularly on markups in sectors where a small number of businesses hold a major share of the market.

1.4 Stem the pace of growth in out-of-pocket costs for publicly funded essential services beyond child care, by benchmarking funding to the actual costs of providing quality services (for example in aged care and GP services) and removing subsidies that fuel inflation (for example Private Health Insurance Rebates and the Extended Medicare Safety Net).

1.5 Introduce new institutional arrangements to support and sustain cooperation between business, unions, civil society and government to ensure steady and predictable growth in wages and income support (see 'Wages and secure work' below).

1.6 Prevent labour and skills shortages through:

- workforce and skills development planning at national, industry and regional levels, lifting workforce participation including among women and older workers, promoting employment of people currently excluded including those unemployed long-term, easing barriers to geographic mobility, and a strategic approach to immigration (see 'Skills and migration' below).

1.7 Curb counter-productive speculation in assets such as housing by:

- taxing different forms of investment more consistently, including by lifting rates of Capital Gains Tax and quarantining deductions for expenses relating to investments such as rental housing to offset tax on income from those investments.¹²

1.8 Reduce carbon pollution and the cost of electric vehicles by:

- Strengthening fuel efficiency standards for motor vehicles, creating a second hand market for more affordable electric vehicles through targeted measures like encouraging fleet purchases in government and community sectors, and providing means tested incentives and no or low-interest loans to support people on lower incomes with costs of electric vehicles.¹³

¹² Daley et al (2016), [Hot property, negative gearing and capital gains tax reform](#) Grattan Institute.

¹³ Quicke (2022), [Fuelling efficiency](#). Australia Institute.

Policies to increase productivity

Problems

After the end of the last mining boom in the mid-2010s, productivity growth declined. One contributing factor was sluggish growth in business investment, which was due in large part to weak demand for goods and services. Restoring full employment and bringing the economy closer to its full capacity would, all things equal, lift investment and productivity.

Conversely, higher productivity – working smarter rather than harder by using labour and capital more efficiently – creates more room for incomes to grow without triggering excessive inflation. If increases in productivity lead to higher wages and other incomes (including income support payments for those with the least), this in turn lifts living standards and promotes more investment through stronger consumer demand for the goods and services provided by businesses.

However, the link between productivity and wages has broken over the last decade, and there is no link between growth in wages and the lowest income support payments such as JobSeeker Payment. As a result, living standards for most people on low and modest incomes stagnated in the years before the pandemic, and people on unemployment and related payments fell further behind community living standards.

Productivity-enhancing reforms are unlikely to ease inflation and boost growth in jobs and incomes in the short term. Interest rate and government budget settings will have a greater impact, for better or worse. Nevertheless, well-crafted reforms to lift productivity are needed to lift living standards over the longer term and make room for growth in jobs and incomes without excessive inflation.

These reforms should be designed to reduce inequality and generate employment, not to cut costs at the expense of those with the least resources and bargaining power. Along with traditional approaches such as public infrastructure investment (such as railways), many of the most effective reforms today are in the realm of social policy, including education, training and health services. For example, well-targeted investment in preventive health programs would extend the healthy working lives of older workers.

Ongoing reforms

1.9 *Strengthen the role of Infrastructure Australia* in charting future public investment needs and assessing the cost effectiveness of projects considered by government.¹⁴

1.10 *Tax different forms of investment more consistently* to remove distortions favouring speculative investment in assets such as housing and support more productive investments.¹⁵

1.11 *Governments should commit to spend 5% of total health expenditure on health promotion and prevention by 2025, in advance of the current 2030 commitment in the National Preventative Health Strategy.*¹⁶

¹⁴ Terrill (2022), [How the new PM can get better bank for its transport bucks](#). Grattan Institute.

¹⁵ ACOSS (2022), *Budget priorities submission*; Australia's Future Tax System (2009), *Report to the Treasurer*.

¹⁶ Productivity Commission (2017) *Shifting the dial: 5 year productivity review*. Canberra.

2. Supporting workforce participation

Reducing long-term unemployment and lifting workforce participation

Problems

Failure to reduce long-term unemployment

Despite strong employment growth over the last two years, low unemployment, and historically high job vacancies, 760,000 people have had to rely on unemployment payments for more than a year and over 610,000 for more than two years (82% and 65% of the total number of people on those payments in March 2022, respectively).¹⁷

As unemployment falls, the share of people unemployed long-term generally rises. As the unemployment queue shortens, those people employers perceive to be most suitable are recruited more quickly, leaving behind those they perceive to be less suitable.

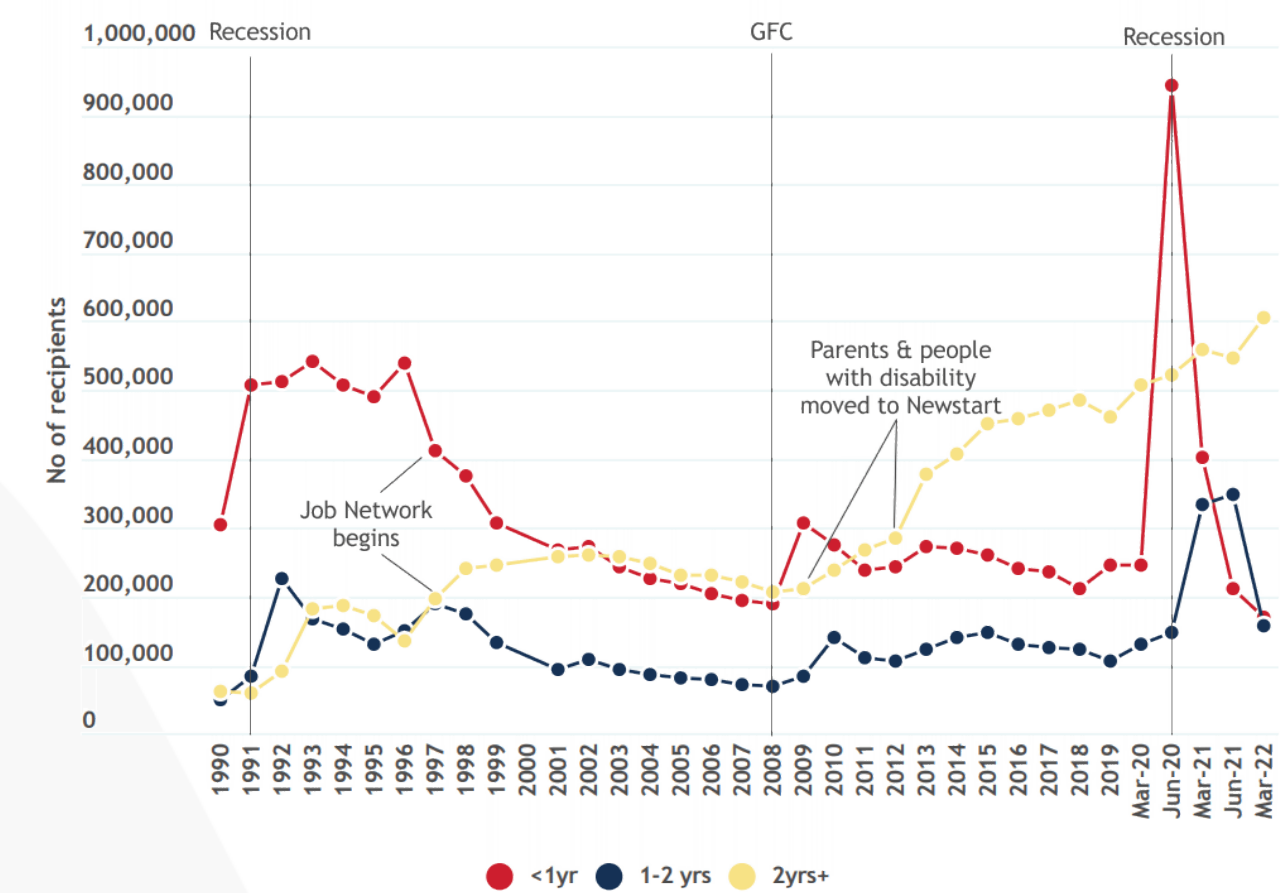
Consequently, entrenched long-term unemployment is one the biggest roadblocks on the path to full employment. With fewer applicants to choose from, employers may consider people they overlooked in the past, when unemployment was higher. If this does not happen, hundreds of thousands of people will remain on unemployment payments and vacancies will go unfilled. Entrenchment of long-term unemployment is one of the main reasons that it usually takes many years to reduce unemployment after a recession – why unemployment ‘goes up the escalator and comes down the stairs’.

When we examine the profile of people on unemployment payments more closely, the reasons for prolonged unemployment become clearer. Of the 930,000 people on unemployment payments in March 2022, many belonged to groups affected by discrimination, or otherwise perceived by employers to be risky to employ:

- 40% had a ‘partial work capacity’ or disability, mainly relating to a mental illness or ‘musculo-skeletal’ condition;
- 47% were 45 years or over;
- 13% were First Nations people;
- 12% were the main carers of young children (mainly sole parents).

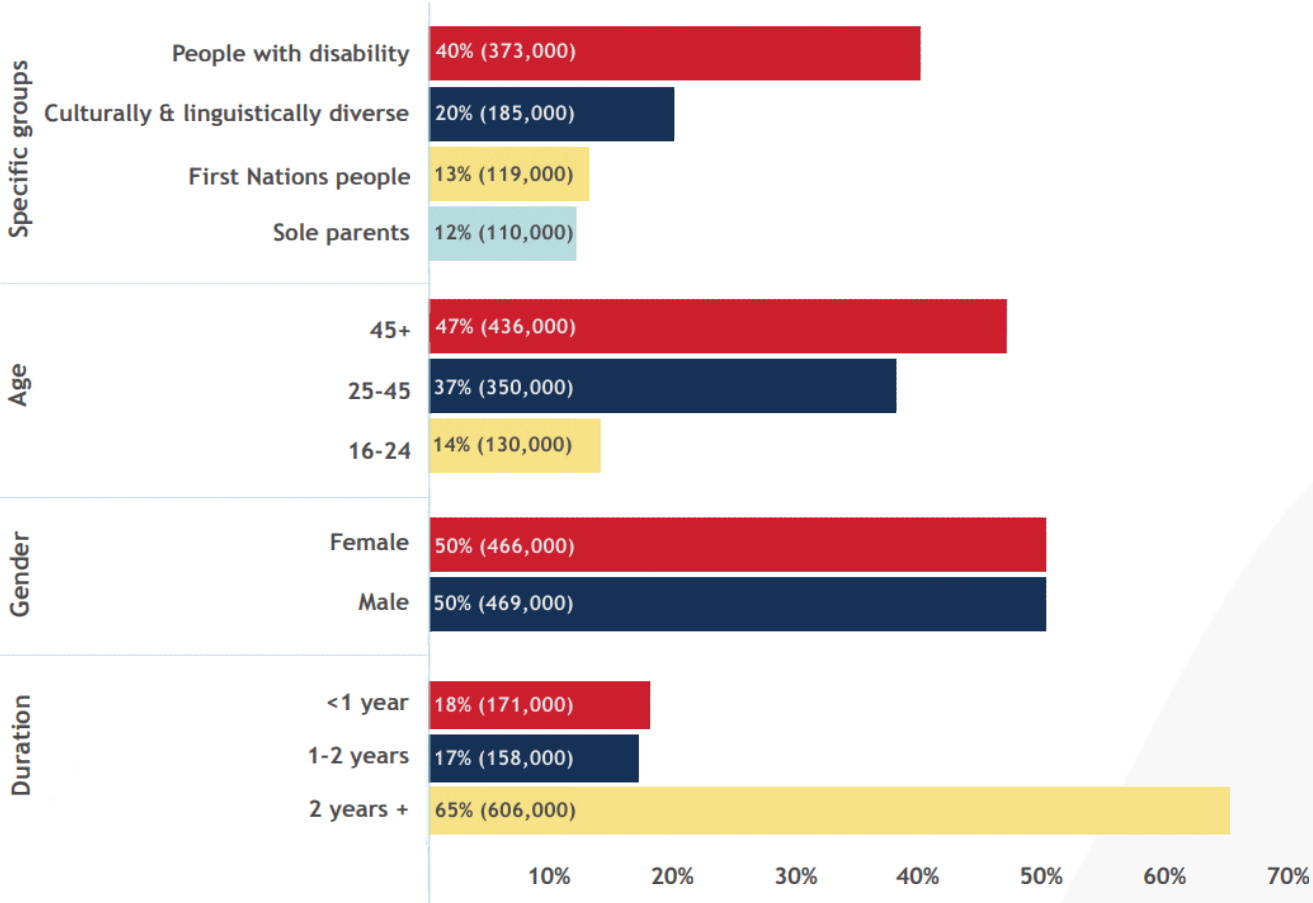
¹⁷ This is a different statistic, and a different group, to the people classified as unemployed long-term by the ABS, who must be actively seeking and available for employment and cannot be employed for more than a few days over the previous year. While we do not share the view that ABS unemployment statistics are misleading because they treat people as employed if they had an hour’s paid work in the last week (this is factually correct), there is no equivalent ILO convention for measuring long-term unemployment. The stringent definition of long-term unemployment excludes many people on unemployment payments because they often have health problems, disabilities and other barriers to employment and cannot sustain active job search throughout the year for those reasons. Others are participating in training and other programs which reduce their availability for employment. The ABS definition of long-term unemployment does not take account of the realities of prolonged unemployment.

Graph 2 - Unemployment Payments



Source: Department of Social Services (various years), *Social security payment data*

Graph 3 - Profile of people receiving unemployment payments



Note: Percentage of 935,283 JobSeeker and Youth Allowance (other) recipients as at March 2022
Source: Department of Social Services (2022), [DSS payment demographic data](#) March 2022

Employment services are not fit for purpose

Until July this year, jobactive was the main employment service for people who are unemployed. It has now been replaced by a new system called Workforce Australia. There are also specialised Commonwealth-funded services for people with disability (Disability Employment Services), parents with preschool age children (ParentsNext), young people (Transition to Work) and First Nations people (Community Development program), and a set of complementary programs offering specific supports such as wage subsidies, training and career advice.

The jobactive program was widely criticised for its over-emphasis on enforcing compliance with rigid and unrealistic activity requirements (such as applying for 20 jobs a month), lack of personalised support for people disadvantaged in the labour market, and limited engagement with employers. Consultants typically had caseloads of more than 150 people and regular compulsory meetings with people who were unemployed were largely ‘tick-a-box’ compliance exercises lasting much less than 30 minutes.

Jobactive was designed a decade ago on the assumption that people’s main barrier to employment was a lack of motivation and commitment rather than a labour market in which long-term unemployment is entrenched and those affected are set aside by employers. As a result, people affected by prolonged unemployment faced a harsh compliance regime including automated payment suspensions for non-attendance at provider appointments (regardless of whether the person affected was at fault). This has grave impacts on people’s mental health and undermines their confidence and their own independent efforts to secure employment.¹⁸

‘I have an appointment every fortnight and I get asked the same basic questions every time. The appointments provide me with nothing of any real value to assist me with job searches.’

‘I didn’t need to be told about appropriate clothing and hygiene, or how to write a job letter or resume. I needed to find a job that would fit with the fact that I’m a single parent with sole custody, and assistance with the exorbitant cost of childcare.’
Jobactive participants, [ACOSS survey](#) (2021)

Changes introduced under Workforce Australia were intended to reduce the burden of compliance and offer a more personalised service to people unemployed long-term. However, the system is still far too heavy on compliance and far too light on practical support for people that makes a difference, such as wage subsidies so that employers can trial them in regular employment and training that is relevant to their career aspirations and employment opportunities. There is little investment in effective ‘demand-led’ programs such as ‘Launch into Work’ that connect people with employers with specific workforce needs (such as aged care workers) and work backwards from that starting point to train, prepare and trial them for those jobs.

¹⁸ ACOSS (2022), [Voices 2: Survey of people using jobactive services](#).

Although the shift to online (digital) services for people without substantial barriers to employment will be more convenient for many, experience with the 'Robodebt' scheme shows that online servicing (especially automated decision-making) carries significant risks for people who rely on public income support.

Too much of the limited resources devoted to employment services in Australia (less than half the OECD average expenditure as a share of GDP) are earmarked for ineffective 'training for training's sake' such as Employability Skills Training and punitive 'make work' schemes such as Work for the Dole.

The ParentsNext pre-employment program for parents of pre-school age children as young as six months has a paternalistic character. It combines career advice and training (potentially beneficial for sole parents who don't have infant children to care for) with requirements relating to the care of their children (such as participation in playgroups). These requirements carry the false and demeaning implication that sole parents receiving income support are not 'good parents'.¹⁹

Exclusion of people with disability

In 2018, unemployment among people with a severe or profound disability was almost three times higher (13%) than for people without disability (5%). Among young people with disability, 25% were unemployed.²⁰

To a large extent, unemployment among people with disability is due to employers' hesitation to hire them for reasons such as perceived (but largely unfounded) worker's compensation risk and concerns that they are less productive at work. While many employers may need to make supports and adjustments to provide an accessible workplace, if they do so and give people the chance, they generally find that people with disability are valuable, capable workers. The biggest hurdle is to get the opportunity in the first place.

On the other hand, due to increasingly stringent and unrealistic requirements for access to the Disability Support Pension over the past decade an unknown proportion of people on unemployment payments today are unlikely to secure employment regardless of the supports available to them.²¹ They include many older people with severe and chronic illness, in some cases terminal illness.

'It hasn't helped me get a job, it's a waste of time and resources, and just increases my stress and anxiety. Going on 8 years now, no job. I know why, it's obvious, but the system doesn't seem able to understand the simple concept that I have a chronic pain issue.' Jobactive participant, ACOSS survey (2021)

¹⁹ ACOSS (2019), [Submission to Senate Inquiry on ParentsNext](#).

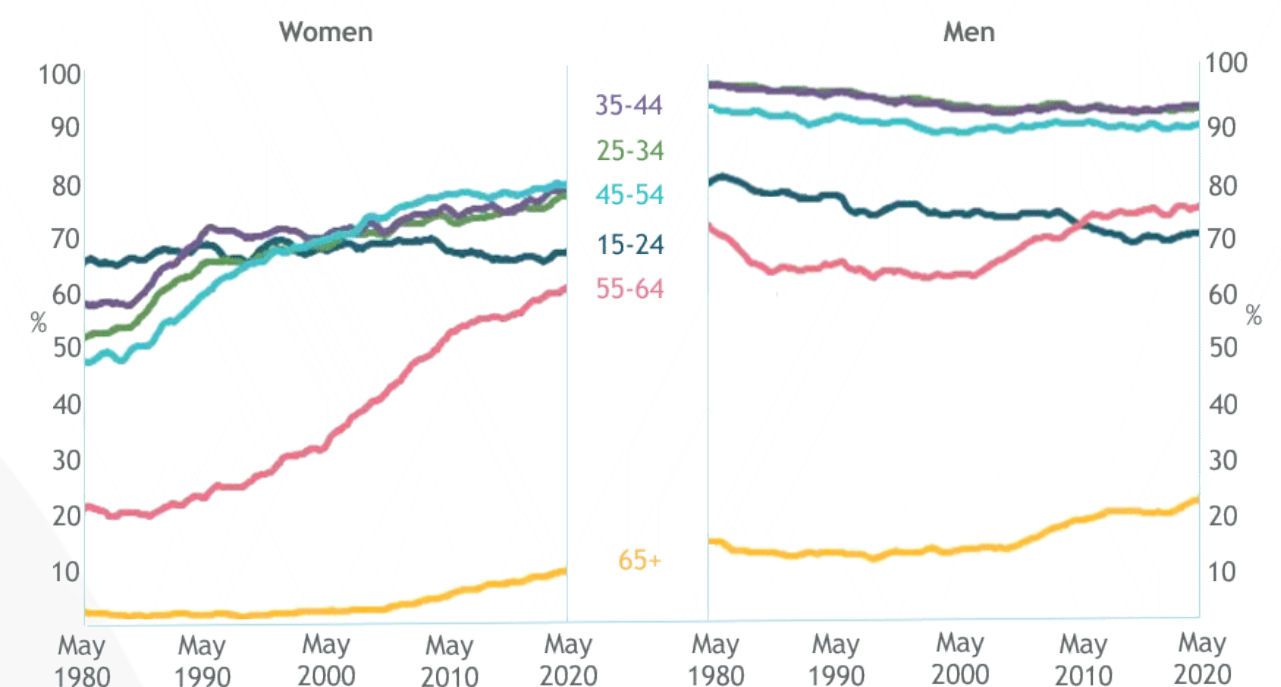
²⁰ AIHW (2020), [People with disability](#). Lower unemployment rates among older (compared to younger) people with disability are due more to their withdrawal from the paid workforce rather than higher employment rates. These figures do not include people with disability who are outside the labour force.

²¹ ACOSS (2020), [Faces of unemployment](#).

Exclusion of older workers

A three percentage-point increase in workforce participation among people aged 55 and over today would boost GDP by 1.6% a year, or \$33 billion in current dollars.²² By 2050, almost one third of Australia's population will be over 60, and on average they will be healthier than previous cohorts, so lifting workforce participation among older people is a priority.²³ Fortunately, it has already risen strongly (especially among older women) over the last two decades (Graph 4).

Graph 4 - Workforce participation rate



Source: Australian Treasury (2020), *Retirement Income Review Report* Canberra

One of the main barriers to employment for older workers is age discrimination, especially in relatively 'young' industries such as information technology. A survey of employers in 2017 found that one in five (20%) would not be willing to employ a person aged 50 years or over.²⁴

Other major barriers include disability or chronic illness (especially among men) and caring roles (especially among women). These reflect a class divide since workers on

²² Deloitte Access Economics (2012), [Increasing participation among older workers: The grey army advances](#) Canberra

²³ CEPAR 2019, *Maximising Potential: Findings from the Mature Workers in Organisations Survey*. UNSW Sydney.

²⁴ Australian Human Rights Commission and Australian Human Resources Institute (2018), *Employing older workers - research report*. Sydney.

lower lifetime incomes employed in strenuous or hazardous jobs are more likely to experience poor health as they approach retirement age.²⁵

Another factor that is often emphasised, but which we believe is less important, is financial disincentives in the pension system. Only a small minority of people on the Age Pension is employed and it is unlikely that many who are out of paid work would be employed today if the income test was eased. To lift employment among older workers, the best place to start is to improve opportunities for the 436,000 people on unemployment payments who are over 45 years of age.

Exclusion of First Nations people

In 2018, just under half (49%) of First Nations people of working age were employed compared with 76% among non-Indigenous people. The Australian Government, together with peak Aboriginal and Torres Strait Islander organisations, have committed to lifting employment and education participation as part of the Closing the Gap strategy.²⁶

Discrimination is a major reason for low employment levels among First Nations people. Other factors include low educational qualifications, geographic location (especially in remote communities where access to paid employment is very limited), disability and ill health (especially among older people).

Since the Northern Territory Intervention in 2007, government policies to lift employment among First Nations people have had a punitive and paternalistic character. The Community Development Program (CDP) requires many First Nations people in remote communities to undertake 25 hours a week of approved 'work-like activity' through most of the year on pain of suspension of their income support payments. These 'activities' rarely lead to ongoing paid employment. The scheme ignores the main challenge for remote First Nations communities, which is to generate more paid employment opportunities on country. In 2017, just 35% of First Nations people aged 15 to 64 years in 'very remote' communities were employed. Compulsory participation in the CDP has been suspended while the program is reviewed.

First Nations people in other parts of the country who were in the mainstream jobactive program were twice as likely to have their payments suspended for claimed non-compliance with activity requirements.²⁷

²⁵ Doan & Strazdins (2022), *Older Australians' Workforce Participation, Health and Wealth Inequality*. Aus-taxpolicy, 11 July 2022.

²⁶ National Agreement on Closing the Gap employment-related targets:

Target 7: By 2031, increase the proportion of Aboriginal and Torres Strait Islander youth (15–24 years) who are in employment, education or training to 67 per cent compared with a 2016 baseline level of 57%.

Target 8: By 2031, increase the proportion of Aboriginal and Torres Strait Islander people aged 25–64 who are employed to 62 per cent compared with a 2016 baseline level of 51%. AIHW, Indigenous employment snapshot, September 2021.

²⁷ In September 2021, 24% of payment suspensions impacted First Nations people who comprised 11% of people using jobactive services. (ACOSS (2022), *Mutual obligation snapshots*.)

Broken employment and career pathways for young people

As new entrants to the labour market, young people are often among the first affected by recessions, though they are often the first to secure jobs when the economy recovers – if they can sustain confidence, skills, and workforce participation while out of paid work.

This was the case in the COVID recession. From March to May 2020, employment among people aged 16 to 24 years fell by 17% compared with a decline of 7% in overall employment. From May 2020 to June 2021, overall job losses for young people were restored as employment among young people rose by 20%.

One reason for the high sensitivity of youth employment rates to the business cycle is that young people are more likely to work in entry-level jobs where job security and career advancement are limited and turnover is high – for example in hospitality, which was heavily impacted by COVID lockdowns.

In periods of weak employment growth such as the decade after the GFC, many young people struggle to establish careers after obtaining their first entry-level job.²⁸

While unemployment among young people has declined to an historically low level of 7%, many have not secured jobs despite the labour market recovery. First Nations people and people in regions affected by entrenched, long-term unemployment are especially impacted. The experience of social isolation, unemployment and poverty during the pandemic has severely impacted the mental health of many young people. Those who are unemployed will need a great deal more support – and less reliance on punitive unemployment payment rules and penalties – than our income support and employment services systems are offering now.

Women suspended between care and careers

Along with young people, women were disproportionately impacted by the COVID recession. From March to May 2020, employment among women fell by 8% compared with 6% for men. A year later female employment had risen by 10% compared with 7% for male employment.

Women are also over-represented in insecure entry-level jobs. Since unpaid caring roles fall mainly on them rather than men, they generally leave the paid workforce early in their careers to care for children. Many then find themselves in a similar position to young people when they attempt to return: quarantined in low paid, entry-level jobs or under-employed because they are not offered the additional hours they seek or cannot work additional hours because of a lack of affordable and available childcare. Women caring for young children often prefer part-time employment, but for many women from low-income backgrounds and sole parents it is the only option available. Women from low-income backgrounds, those without tertiary qualifications, and those caring for a child alone are more likely to face these barriers to career progression.

²⁸ Borland & Coelli (2021), *Is it 'dog days' for the young in the Australian labour market?* Melbourne Institute Working Paper 05/21.

Despite the narrative around flexibility and choice for women combining paid and unpaid work, employment pathways for many women in low-income families are largely predetermined by the way that entry-level jobs are structured. Women are disproportionately employed in care and personal service roles which have similar characteristics to their unpaid caring roles: they are over-worked and under-valued.

These and other factors diminish women’s workforce participation and entrench the gender pay gap. The difference between average male and female full-time earnings is currently 14%, but if account is taken of the fact that most women in paid work are employed part-time we estimate it would be 26%.²⁹ Graph 5 shows that 20% of women in paid employment work for less than 20 hours a week in their main job and 27% are employed for 20-35 hours a week, while just 53% are employed full-time compared with 81% for men. Part-time employment rates are higher among mothers with preschool and school age children. We discuss the employment of women in care services later.

Harassment at work harms people and diminishes their careers and contribution to the workplace

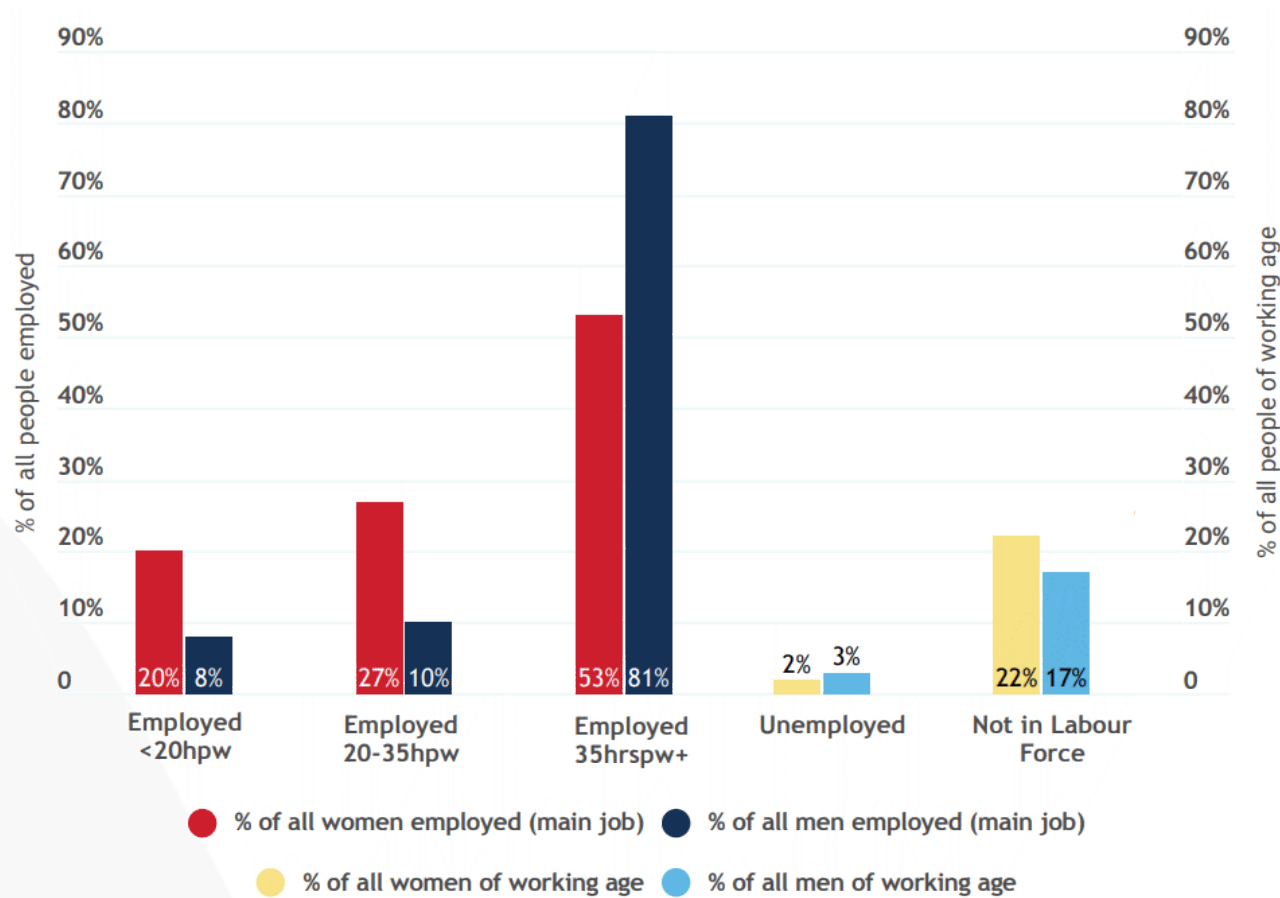
A more pervasive barrier to workforce participation and advancement is treatment of women in interpersonal relations at work, which ranges from failure to recognise women’s skills and contributions through to bullying, sexual harassment and assault.

The Human Right’s Commission’s *Respect@Work* report identifies other workers at risk of harassment at work including young workers, lesbian, gay, bisexual, transgender, queer or intersex workers, Aboriginal or Torres Strait Islander workers, workers with disability and workers from culturally and linguistically diverse backgrounds.³⁰ It identified the following workplaces as high-risk: those with a high proportion of male workers, those with an over-representation of men in senior leadership roles and ‘non-traditional’ workplaces for women.

Women affected by domestic violence should receive support at work where they seek it, including through domestic violence leave entitlements.

²⁹ Workplace Gender Equality Agency, *Gender Pay Gap Data*. The median wage for women (in all jobs they hold, including part-time positions) is \$1,018 a week compared with \$1,380 for men.
³⁰ Human Rights Commission (2020), [Respect@work: Sexual Harassment National inquiry Report](#)

Graph 5 - Employment status of women and men



Source: Australian Bureau of Statistics (2022), *Labour Force Australia (detailed)*; *Characteristics of employment*.

People cannot afford to live near, or travel to, the jobs they seek

As discussed earlier, the housing affordability crisis is contributing to high levels of inflation and financial stress for people on low and modest incomes. It also makes it harder for people to live near the jobs they want.³¹ This is contributing greatly to jobs and skills shortages.

Historically, this was mainly a problem for people seeking employment (and their prospective employers) in our largest cities, especially in inner urban areas. This problem continues and will likely worsen as immigration levels are restored unless governments move quickly to expand the supply of social and affordable housing in those areas.

In addition, the pandemic and subsequent growth in employment, along with bushfires and floods, have triggered acute shortages of affordable rental housing across regional Australia. The smaller scale of housing supply and the workforce in regional towns means that housing and labour shortages are more acutely felt. Employers have resorted to renting out their own accommodation for prospective employees.³²

A recently released report shows how the housing availability and affordability crisis in regional areas is impacting on the labour market.³³ For example, over the last two years, the number of people experiencing severe rental stress has increased by 15 percentage points to 39% on the Sunshine Coast (Queensland) and by 20 percentage points to 38% in Fleurier Peninsula (South Australia). The lack of affordable homes on the ability of regional employers to fill job vacancies is estimated to cost \$786 million a year on the Sunshine Coast and \$201 million a year in Fleurier Peninsula. Similarly in Western Australia, a shortage of affordable housing has been identified as a key missing piece in addressing the state's labour shortages.³⁴

At the same time, inadequate public transport in outer urban areas and regional cities and towns constrains people's ability to take up job opportunities in inner city areas, undertake seasonal work on farms and in the tourist industry.

³¹ Productivity Commission (2014), [Geographic Labour Market Mobility: Research Report](#)

³² Pawson et al (2022), *COVID-19: Rental housing and homelessness impacts in Australia*. ACOSS UNSW Poverty and Inequality Partnership Report, Sydney.

³³ Impact Economics and Policy (2022), *Housing Critical: The role of housing in solving critical skill shortages across the regions*. Everybody's Home Campaign.

³⁴ WACOSS (2022), [Submission on Delivering a Skilled Workforce for Western Australia](#)

Short-term responses

2.1 Shift resources in the new Workforce Australia program from time-wasting compulsory 'activities' to investments that improve people's employment prospects by:

- removing the 'six-month activity requirement', and default settings in subsequent mutual obligation periods (reducing reliance on Work for the Dole and Employability Skills Training) and investing the savings in wage subsidies and demand-led employment preparation and training schemes that link people to available jobs.

2.2 Codify and consolidate adjustments to unemployment payment activity requirements for people using employment services who face widely recognised barriers to employment (such as living in a region with few job openings or caring for a young child) so that they are applied consistently without the need for people to request them.

2.3 Take urgent administrative action to reduce the number of payment suspensions applied automatically to participants in employment programs.

2.4 Establish mechanisms to discourage owners of rental properties from leaving them *vacant* or using them for holiday rental rather than long-term tenancies (see 1.1 above)

Ongoing reforms

2.1 *Identify the key gaps in workforce participation and the intensity of workforce participation (under-employment) among different groups in the community and adopt policies and business practices to close them, including:*

- access to quality, affordable childcare and family-friendly jobs and support for parents to share care of children, to lift employment participation among carers of children and other family members; and
- tackling all forms of discrimination and sexual harassment in employment.

2.2 *Ease geographic barriers to employment by:*

- Boosting the supply of social and affordable housing (see 1.1 above); and
- Investing in public transport in urban and regional areas, giving priority to improving connections between locations where people on low and modest incomes are housed and those where their best job opportunities lie.

2.3 *As part of a shared commitment to reduce harassment in the workplace, employers should establish policies and procedures to prevent harassment of women, young workers, lesbian, gay, bisexual, transgender, queer or intersex workers, Aboriginal or Torres Strait Islander workers, workers with disability and workers from culturally and linguistically diverse (CALD) backgrounds in the workplace and support those affected:*

- Governments should reinforce this through regulatory reform, public education and support services.

2.4 *Government, business, unions and community organisations should make a shared commitment to reduce long-term unemployment through:*

- quality employment services that work with employers to encourage and support them to employ people they haven't previously considered;
- tackling discrimination;
- better access to quality training linked to emerging employment opportunities;
- expanded non-compulsory volunteering opportunities that meet community needs and improve people's access to paid employment; and
- establishing networks for local cooperation among employers, unions, employment services, public and community training providers and other services to connect the right people to the right jobs and training opportunities (see below).

2.5 *To put this commitment into effect, the Australian Government should introduce an annual Jobs and Training Offer for people unemployed long-term, consisting of a genuinely negotiated menu of options beyond job search assistance to help overcome barriers to employment, including:*

- placement in suitable paid employment (with mentoring and training as needed);
- subsidised job trials in regular employment, with normal rates of pay and industrial protections;
- 'demand-led' programs which connect people with employers with specific workforce needs (such as aged care workers) and work backwards from there to train, prepare and trial them for those jobs;
- career guidance, vocational training, or foundation skills training; and/or
- assistance with health and social barriers to employment.

The *Offer* would replace Work for the Dole, the Youth Jobs PaTH program, and Employability Skills Training.

2.6 *Review unemployment payment activity requirements and the Targeted Compliance Framework in consultation with people directly affected, peak bodies and experts, to reorient the system away from the present compliance-heavy and profoundly harmful approach towards practical employment assistance that connects them with the right job and training suited to their individual circumstances. The Review should:*

- follow the principle that employment participation policies are fair and not onerous or punitive and should take proper account of people's caring roles and barriers to employment;
- formulate a plan to remove automated payment suspensions for breaches of activity requirements as soon as possible, so that decisions that adversely affect payments are made by authorised delegates from Services Australia.
- adjust the points model for the Points Based Activation System so that activities and tasks are credited with appropriate values that reflect the contribution of the activity (e.g. securing employment or training) to people's employment prospects, and that reporting on activities is not onerous.

2.7 *Government procurement policies should preference employment of people unemployed long-term or experiencing disadvantage.*³⁵

2.8 *The Australian Government should ensure that the Disability Employment Service review is not rushed, that the new program supports people with disability in employment as well as those seeking it, and that organisational systems, practices and performance indicators prioritise the long-term wellbeing of each person with disability using the service.*³⁶

2.9 *The program replacing the Community Development Program should be genuinely co-designed with Aboriginal and Torres Strait Islander-controlled organisations and must include a substantial paid employment component. This should be underpinned by local employment development plans co-designed with remote communities, so that people can secure employment while living on or near country:*

- The Australian Government should commit to a *Remote Jobs Investment Fund* that creates real jobs (with regular wages and entitlements) for Aboriginal people in remote communities as part of its commitment to replace the CDP with a "new program with real jobs, proper wages and decent conditions – developed in partnership with First Nations People."³⁷

³⁵ The Victorian government's [Social-Procurement-Framework](#) shows how governments can use their purchasing to increase job opportunities for people facing disadvantage.

³⁶ Brotherhood of St Laurence (2021), [Expert views on effective disability employment interventions](#).

³⁷ This fund must be of sufficient scale to make a substantial difference to closing the employment gap. APO NT's Fair Work and Strong Communities proposal (endorsed by ACOSS and 30 other Aboriginal and non-Aboriginal organisations nationally), recommends that it fully funds 10,500 new part-time jobs nationally.

Reforming income support to reduce poverty and support workforce participation and care

Problems

JobSeeker and related payments push people into poverty and make it harder for them to seek employment

People who have to rely on the lowest income support payments including JobSeeker and Youth payments are unable to cover the basics such as food, housing, utilities, and healthcare, let alone to seek and secure employment. This 'brutal 'hunger games' approach – keeping payments low to pressure people to search harder for jobs – will not work because poverty saps people's energy and confidence and narrows their horizons to paying for the next meal and keeping a roof over their heads rather than finding the right job.

JobSeeker payments of \$46 a day consign people to poverty and fall below accepted community standards of adequacy. When this and related allowances were almost doubled during the lockdowns in 2020 many people could afford to keep their rent and energy bill payments up to date, feed themselves and their children properly and reduce their debts for the first time since they lost employment. The \$25 a week increase to the lowest income support payments in 2021 (when COVID income supports were removed) barely scratched the surface of the minimum required to ensure that over one and a half million people receiving those payments can cover their basic costs.³⁸

Before the COVID pandemic, unemployment payments had not increased above inflation for two and a half decades. The living standards of people who were unemployed were frozen to a point in time when the internet was in its infancy and mobile phones were rarely used. This occurred because those payments – unlike pensions – were not indexed to movements in wages as well as inflation.

JobSeeker payment can be lifted substantially without discouraging employment

Australia's unemployment payments are the lowest among wealthy OECD nations. There is room to lift them substantially while still rewarding transitions to paid work since they are currently less than half the full-time minimum wage (after tax).

A complex payment structure blocks transitions to employment and discourages lifelong learning³⁹

The present complex and unfair income support payment structure for people of working age is not fit for purpose to prevent poverty, bring more people into the paid workforce and support lifelong learning to strengthen skills. People are shifted from higher to lower income support payments for no good reason if they:

- are a sole parent whose youngest child reaches eight years (when they are moved from Parenting Payment to JobSeeker Payment);
- are on the Disability Support Pension, secure full-time employment, then lose that job and re-apply for income support (moving to JobSeeker Payment);

³⁸ ACOSS (2022), *How to address cost of living for people on the lowest incomes in this budget*.

³⁹ Borland (2020), 'Would a rise in JobSeeker affect incentives for paid work?' *Labour market snapshot #71* November 2020. Department of Economics, University of Melbourne

- are an unemployed adult who enrolls in full-time study to improve their employment and career prospects (who moves from JobSeeker Payment to the lower Austudy Payment).⁴⁰

A social security system in which rates of payment are based on essential living costs rather than people's workforce status (whether they deemed 'able to work' or 'unable to work') would be simpler and fairer. It would remove the anomalies described above. It would also facilitate movements in and out of the paid workforce and between job search, education and training.

Employed or not, people on low and modest incomes need more help with the rapidly growing costs of housing and raising children

The system should not entrench artificial divides between 'workers' and 'people on welfare'. Appropriately targeted supplementary payments such as Rent Assistance and Family Tax Benefit have a dual role, to reduce poverty among people out of paid work to support workforce participation and to lift the incomes of people already in paid employment. Since those payments are only indexed to the Consumer Price Index and not rents or wage movements, they have also fallen well behind increases in the living costs they are meant to address: the cost of housing and the cost of raising children.

Short-term responses

2.6 Increase the maximum rates of unemployment and related income support payments from \$46 to at least \$70 a day (the same level as the pension plus pension supplement) and indexing them to wages as well as prices.

Ongoing reforms

2.9 Ensure supplementary payments meet specific needs, including lifting Commonwealth Rent Assistance by 50%, providing a Disability and Illness Supplement of at least \$50 a week as well as a Single Parent Supplement that recognises the costs of single parenthood.

2.10 Establish a Social Security Commission to provide ongoing advice to the Parliament on payment settings including adequacy (see also 4.2 below):

- This should be tasked with a review of the income support payment structure for people of working age to simplify it, ensure that people with similar needs receive similar levels of support, and to ease transitions between unemployment, employment, caring, education and training.

⁴⁰ There is a strong case to retain separate payment categories such as JobSeeker and Parenting Payments but the rates of those payments should be the same.

3. Skills and migration

In the post-war era of full employment, national systems of workforce planning (then called 'Manpower Planning') were promoted by the OECD to anticipate and ease labour and skills shortages in economies running close to full capacity.⁴¹ Labour market authorities worked with employers, unions, sub-national governments, the public employment service and education and training providers to match supply and demand for labour, support industry restructuring and adjustment, and allocate resources to training or 'labour market' programs. When unemployment increased across wealthy nations in the 1970s and 1980s, similar strategies were used to reintegrate unemployed people – especially those unemployed long-term, into employment.

In the era of high unemployment these labour market interventions and programs were of uneven quality. The best programs were only moderately effective in reducing unemployment because macroeconomic policy ('fight inflation first') settings worked against them. Although the tools available to governments in the 2020s are different to those used in the post war period, workforce development planning can help grow jobs, incomes and industries while keeping unemployment and inflation low.

Workforce planning and skills development

Problems

Future employment growth is concentrated in professional and care roles

Skills shortages are acute across many industries and occupations now, due to the disruption of the labour market by the pandemic, recent curbs on immigration, and long-standing under-investment in education and training for occupations in high demand. We focus here on occupations where large scale skills shortages are likely to persist regardless of the business cycle.

Over the five years from 2021 to 2026, the National Skills Commission estimates that 42% of the additional 1.2 million jobs created will be in professional roles and 12% will be in care and support roles in the health and welfare sectors.⁴² Managerial positions are also projected to contribute strongly, representing 14% of additional jobs.

Conversely, other occupations that have grown strongly in the past are expected to yield limited growth in jobs: only around 11% of extra employment is expected to come from clerical, hospitality and sales occupations (combined), technical and trades occupations contribute 9% and entry-level manual occupations (machinery operators, drivers and labourers) contribute 10% between them.⁴³

⁴¹ OECD (1964), *The workings of an active manpower policy*, OECD Observer, February 1964.

⁴² National Skills Commission (2022), [Employment Projections](#). Around half the projected growth in professional occupations is in the main human services sectors – health, education, community and welfare services. We discuss the future of employment and skills in care and other community services in the final section.

⁴³ On the other hand, if policy makers and employers prioritise growth in clean energy, digital economy and advanced manufacturing to diversify our industry base and respond to climate change, large scale skills shortages could emerge in those sectors as well. There is already a severe shortage of information technology professionals.

As a result, employment growth across the five major skill levels is heavily concentrated at Skill level 1 (Bachelor degree or higher, with 53% of additional jobs) and Skill level 4 (Certificate II or III, with 21% of additional jobs – mainly in care services).

People competing for entry-level jobs will struggle as employment shifts to higher skilled jobs

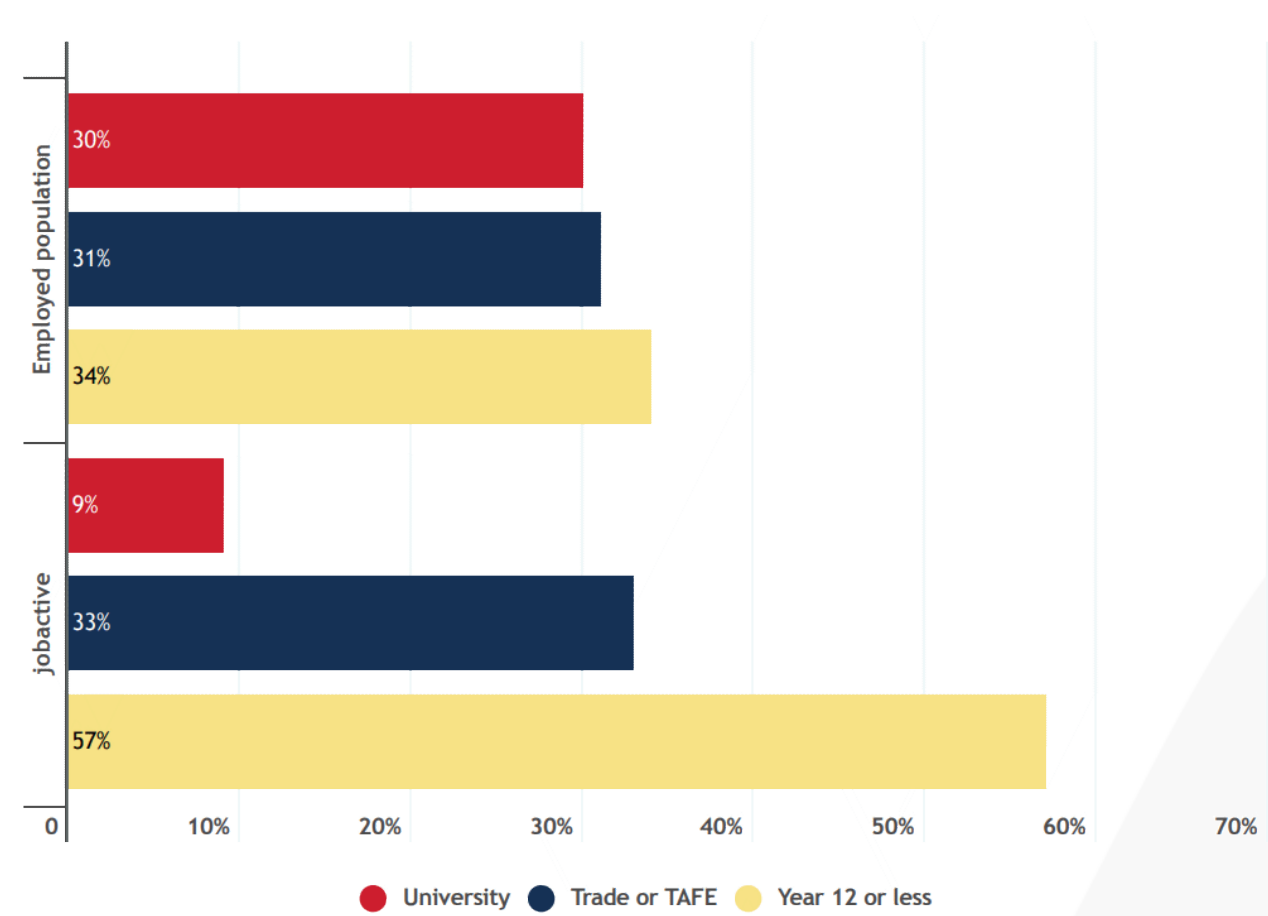
People with low educational attainments – who comprised 57% of people using jobactive employment services – are likely to fare badly unless their foundation education is strengthened or more entry-level and middle level jobs are created (Graph 6).⁴⁴

The decline in jobs at the lowest skill level is longstanding.⁴⁵ In addition, paid hours in occupations such as hospitality, personal care and labourers are increasingly 'rationed' by employers to lift output for every hour worked and call people in on an as-needed basis to meet fluctuating workforce needs in service industries. As a result, under-employment (and as discussed in the next section, labour turnover) is highest in entry-level occupations (Graph 7).

⁴⁴ Autor & Reynolds (2020), *The Nature of Work after the COVID Crisis: Too Few Low-Wage Jobs*. Brookings Institution. Since this was written, employment in entry-level jobs has grown strongly off the back of very large economic stimulus programs. However, employment growth is likely to decline sharply in the US over the next few years and the authors also had in mind the longer-term trends.

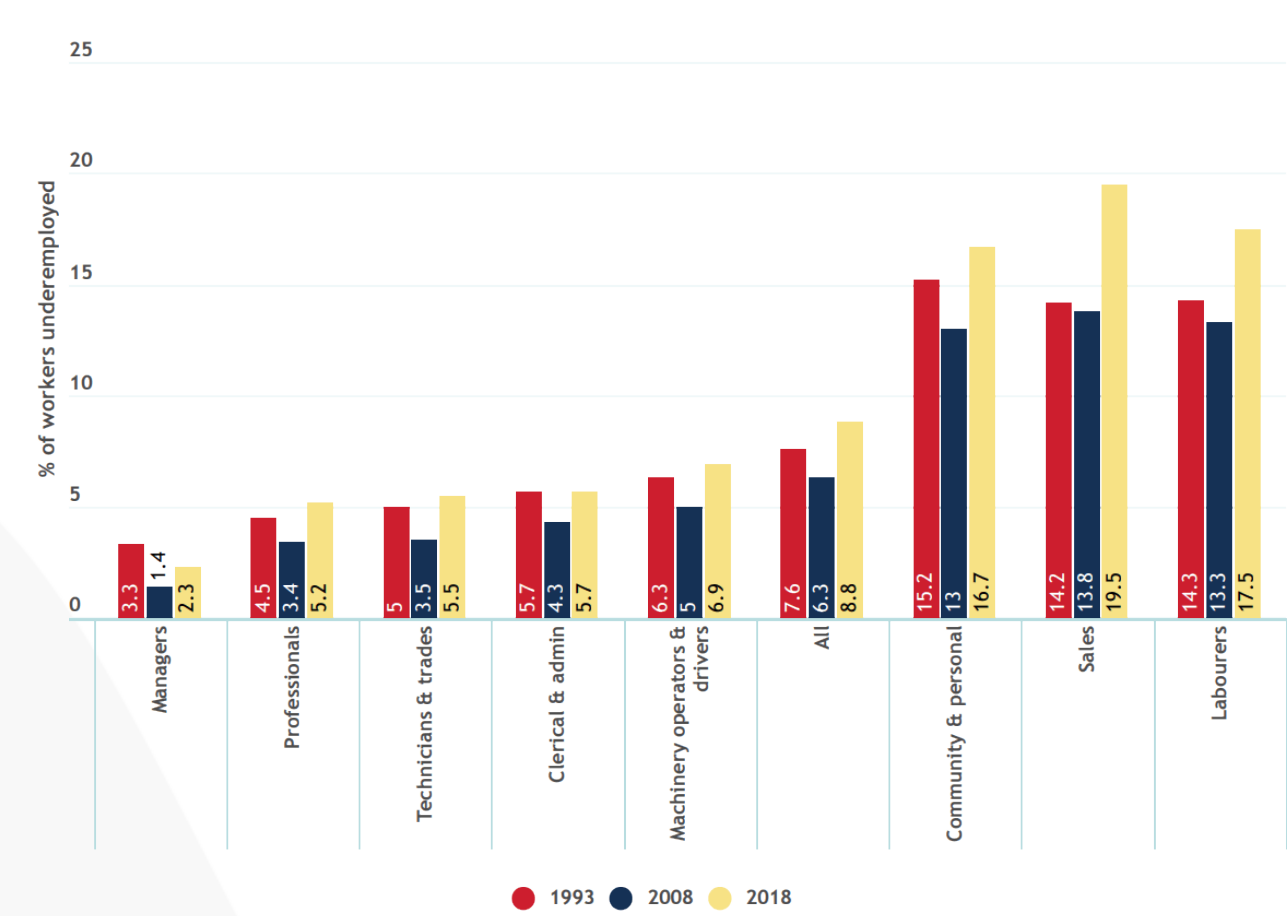
⁴⁵ National Skills Commission (2021), *The state of Australia's skills 2021*.

Graph 6 - Educational attainment of unemployed workers and all workers



Source: Department of Education, Employment and Workplace Relations (2020), *Employment services outcome report, 2019*.

Graph 7 - Under-employment by occupation



Source: Fair Work Commission (2019), *Insights into under-employment*

People with low educational attainment typically need their education and training delivered in different ways

Most jobs obtained by jobactive participants in recent years were part-time (often casual) entry-level positions where labour turnover is high.⁴⁶ As the skills profile of jobs rises, policy settings around employment services must shift from the present 'work first' mindset (pushing people into the first available job) towards an investment approach that maps a path to longer-lasting jobs and careers.⁴⁷

For many years now, governments at both levels have under-invested in education and training, especially for learners from low-income backgrounds and with low educational attainments. Despite repeated calls to remove inequities in schools funding, and to support lifelong learning for people disadvantaged in the labour market, the necessary investments have not been made. The shift in vocational education and training (VET) to competitive funding models, has prompted strong growth in the share of for-profit providers, and weakened support for public and community-based providers who do most of the heavy lifting in support for disadvantaged learners.

VET courses are not well adapted to the needs of learners and the labour market. Less than 50% of learners in VET complete their training and only half of learners undertaking apprenticeships and traineeships complete their training. For 40% of learners who complete training, it does not help them get a job or improve their job conditions, and less than half of people who complete an apprenticeship are employed in the same occupation after training.⁴⁸

More public investment in public schools and further education and training is needed, along with universities. People disadvantaged in the labour market also need their training delivered in different ways to those who have access to trade and professional careers, to reduce high levels of attrition especially in VET courses. They are more likely to benefit from:

- Training offered in conjunction with a regular job (either in apprenticeship or traineeship-style programs or the demand-led employment programs discussed earlier);
- Foundation education (literacy, numeracy and digital skills);
- Outreach programs offering a range of other supports, in some cases working with families rather than individuals; and/or
- Less formal teaching modes than the traditional classroom approach.⁴⁹

⁴⁶ In 2019, over half of all jobs obtained by jobactive participants were casual and over half were part-time (not mutually exclusive). DESE (2020), *Employment services outcome report, Jan-Dec 2019*.

⁴⁷ People on unemployment payments can generally only pursue full-time courses lasting less than 12 months, and then only with the approval of their provider. They may be required to seek and accept employment, including casual jobs, part way through the course (though that policy was recently eased). Training for unemployed people is all too often of poor quality, including many of the short Employability Skills Training courses which are often confined to very basic personal and workplace skills.

⁴⁸ Price Waterhouse Coopers (2017), *Career and Skills Pathways*. Report for Commonwealth Department of Education and Training.

⁴⁹ Adult Learning Australia (2021), *Submission to House of Representatives Inquiry into adult literacy, numeracy and problem-solving skills*; Davies M et al (2011), *Strategic Review of Effective Re-Engagement Models for Disengaged Learners*. Victorian Department of Education and Early Childhood Development

Many people using employment services would benefit from professional career guidance

Among people on unemployment payments, young people entering the workforce without high school qualifications, parents re-entering it after caring for young children, and older workers needing to reboot their careers would especially benefit from professional career guidance and support. This would help them map a pathway to decent jobs, breaking the cycle of unemployment and insecure part-time jobs, and reduce wastage of education and training resources ('training for training's sake').

Short-term responses

3.1 Lift payments for full-time adult students (Austudy and Abstudy payments) to the same level as JobSeeker Payment and index them six-monthly instead of annually. (See 2.6 above regarding rates of JobSeeker Payment.)

Ongoing reforms

3.2 *Establish workforce planning systems (national, industry and regional) led by Jobs and Skills Australia to ease labour and skills shortages, meet emerging workforce needs and ensure that training resources are used cost-effectively:*

- A reformed Local Jobs Program could provide a platform for devolved and locally-led regional employment development networks of employers, unions, employment and training services and community services that work together to meet emerging workforce needs and connect people to the right jobs and training opportunities. Working with employment services and training providers, these networks should promote employment-based training opportunities that are co-designed with local employers.

3.3 *Consolidate and improve professional career guidance and training programs* for people on unemployment payments to assist young people transitioning into the workforce and parents, carers and older workers reconnecting with it.

- Replace the ParentsNext program with a career guidance and support scheme that is available to all parents on income support.

3.4 *Remove barriers to education and training in the income support and employment services systems* and replace the 'work first' approach that requires people to accept the first available job with an investment approach that charts a work experience and training pathway to secure the right job.

3.5 *Invest in vocational training and foundation education that is accessible for people with low incomes and barriers to employment, and responsive to the needs of workers and employers:*

- connect school students who are not pursuing an academic path with local workplace learning and vocational training opportunities; and
- strengthen core funding for public and community-based training providers, to provide second-chance employment and training free of charge for those most disadvantaged in the labour market in a flexible format suited to their needs and learning patterns

(for example, flexible hours and supports for students with disability), including pre-apprenticeship and traineeship courses.

3.6 *Evaluate the reasons for non-completion of VET courses by disadvantaged learners* and make adjustments to ensure training is relevant to their needs and emerging workforce demand and opportunities.

3.7 *Introduce or expand programs that offer training in conjunction with work placement in regular paid employment as part of the Jobs and Training Offer for people unemployed long-term (see 2.5):*

- These programs would typically incorporate wage subsidies, employer commitments to employ people during and after successful completion of training, and pre-accredited training.

Immigration

Problems

Immigration has played a positive and fundamental role in Australia's economic and social development. To build a diverse and prosperous Australia, ease labour and skills shortages, and provide security and opportunity for people who come to our country, we should progressively lift immigration levels (consistent with the ability of the environment and public infrastructure to sustain it) and shift the balance away from temporary visas to fill entry-level jobs towards permanent skilled migration.

At the same time, there is a place for Australia to assist our near neighbours in the Pacific Islands and Timor Leste by providing decent temporary employment in Australia that facilitates remittances to reduce poverty in those countries and build stronger links between people from the Pacific Islands and Australians.

Exploitation of temporary migrants working in entry-level jobs

As migration levels increase, it is vital that we avoid a return to Australia's over-reliance on poorly regulated temporary migration schemes to fill entry-level jobs and to provide a (highly unstable) funding stream for universities.

There is consistent evidence of widespread underpayment and abuse of temporary migrants in entry-level jobs in sectors such as horticulture, hospitality and retail.⁵⁰ Weaknesses in the regulation and governance arrangements around student, working holiday-maker and other temporary visas and enforcement of workplace relations laws generally, must be addressed before immigration under these visas returns to previous levels.

⁵⁰ Boucher Breunig & Karmel (2020), "A Preliminary Literature Review on the Effect of Immigration On Australian Domestic Employment and Wages", *Australian Economic Review*, March 2021; Clibborn & Wright (2022), *The Efficiencies and Inequities of Australia's Temporary Labour Migration Regime*, March 2022; Berg et al (2017), *Wage theft in Australia Findings of the National Temporary Migrant Work Survey*, UNSW and UTS Sydney.

Make more effective use of the skills and capacities of new migrants

Most discussion of migration as a response to labour and skills shortages has focussed on policies to increase the number of migrants coming into the country. Yet many migrants who are already here lack work rights, and many others are working in positions well below their skill level.

Short-term responses

3.2 To give more migrants already in the country immediate access to regular paid employment, *extend employment rights to more refugees and people whose relationship with their sponsoring employer has ended.*

Ongoing reforms

3.8 *To end exploitation and under-payment of people on temporary visas in entry-level jobs* (mainly students and working holidaymakers, and to a lesser extent, participants in the Pacific Australia Labour Mobility scheme), the Australian Government should work with unions, employers and community organisations to lock in the following protections for these workers before restoring the number of these visas to pre-pandemic levels:

- Extend registration of employers (in place for the Pacific Australia Labour Mobility (PALM) scheme but not students or working holidaymakers) and improve monitoring of compliance with workplace laws and standards. This could also be piloted to improve employment outcomes for refugees;
- Progressively replace incentives for working holidaymakers to work on farms with an expanded PALM scheme;
- Improve access for temporary migrants to union representation, affordable housing in regional areas, and health and social supports that are as far as practicable independent of their employer;
- Proceed with a national labour hire licensing scheme; and
- Provide more opportunities for people to transition from temporary to permanent residency whether they are sponsored by an employer or not, while continuing temporary migration through the PALM scheme (since longer absences from Pacific Island countries are likely to be socially harmful).

3.9 To improve employment and career opportunities for migrants with permanent residency:

- Streamline the recognition of overseas qualifications and access to training to meet Australian licensing and accreditation requirements; and
- Renew the Adult Migrant English Program (AMEP) curriculum to meet individual needs, interests and aspirations, including learning English through employment programs or on-the-job training, and more accessible class times.

4. Wages and job security

Wages and workplace regulation

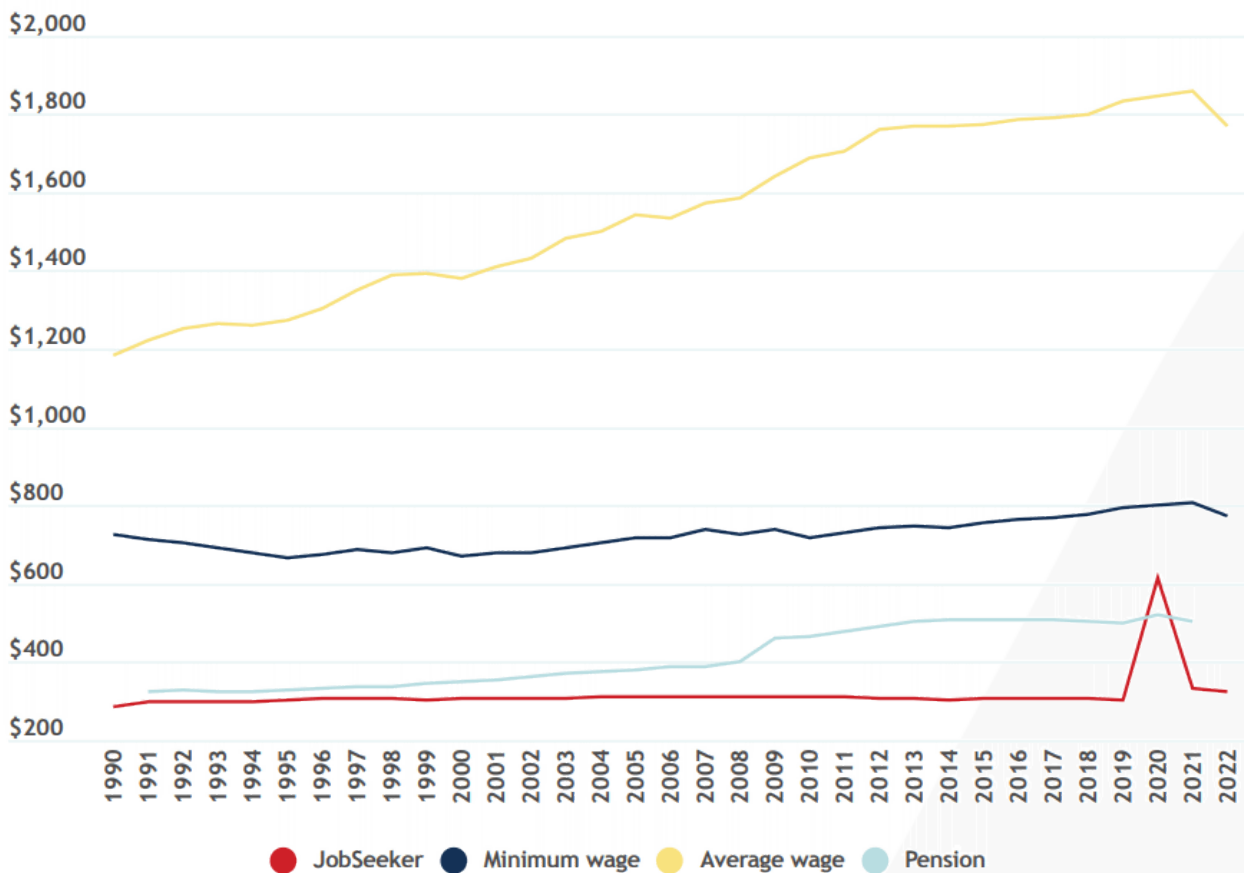
Problems

Weak growth in real wages and other incomes

Growth in real wages has been very weak for the past decade. This has undermined growth in living standards, especially this year. Through the year to June 2022 the Wage Price Index grew by just 2.6% while annual inflation sits at 6.1%.

Sluggish growth in wages can also increase income inequality, especially when investment incomes are growing strongly (Graph 8).⁵¹ Moreover, pensions are tied to movements in male total average weekly earnings but to our knowledge there has been no upward adjustment to pensions for wage increases for the past nine years (regular increases have instead been linked to increases in the relevant consumer price index).⁵²

Graph 8 - Growth in real wages and income support payments



Sources: Fair Work Commission; ABS (various years) *Survey of Employee Earnings and Hours*; Department of Social Services, *Social security guide*.

⁵¹ ACOSS 2020, *Inequality in Australia*.

⁵² The Pensioner and Beneficiary Living Cost Index.

As discussed, a lack of decent, consistent growth in wages and social security incomes dampens consumption of goods and services, contributing to the secular stagnation episode in Australia and other countries before the pandemic.

To get real wages growing again at a decent pace without giving rise to inflationary pressures in future (though there is no sign of a wage-price spiral now), two things must occur together: productivity must improve steadily and the link between growth in productivity and wages must be renewed.

To ensure that everyone benefits from future growth in productivity, a formal link must be established between wages growth and the lowest social security payments including JobSeeker Payment (as is the case with pensions), and not solely to the consumer price index. The experience of the last 30 years demonstrates that people on those payments cannot rely on the vagaries of the annual budget process to lift them out of poverty.

Poor quality and insecure entry-level jobs

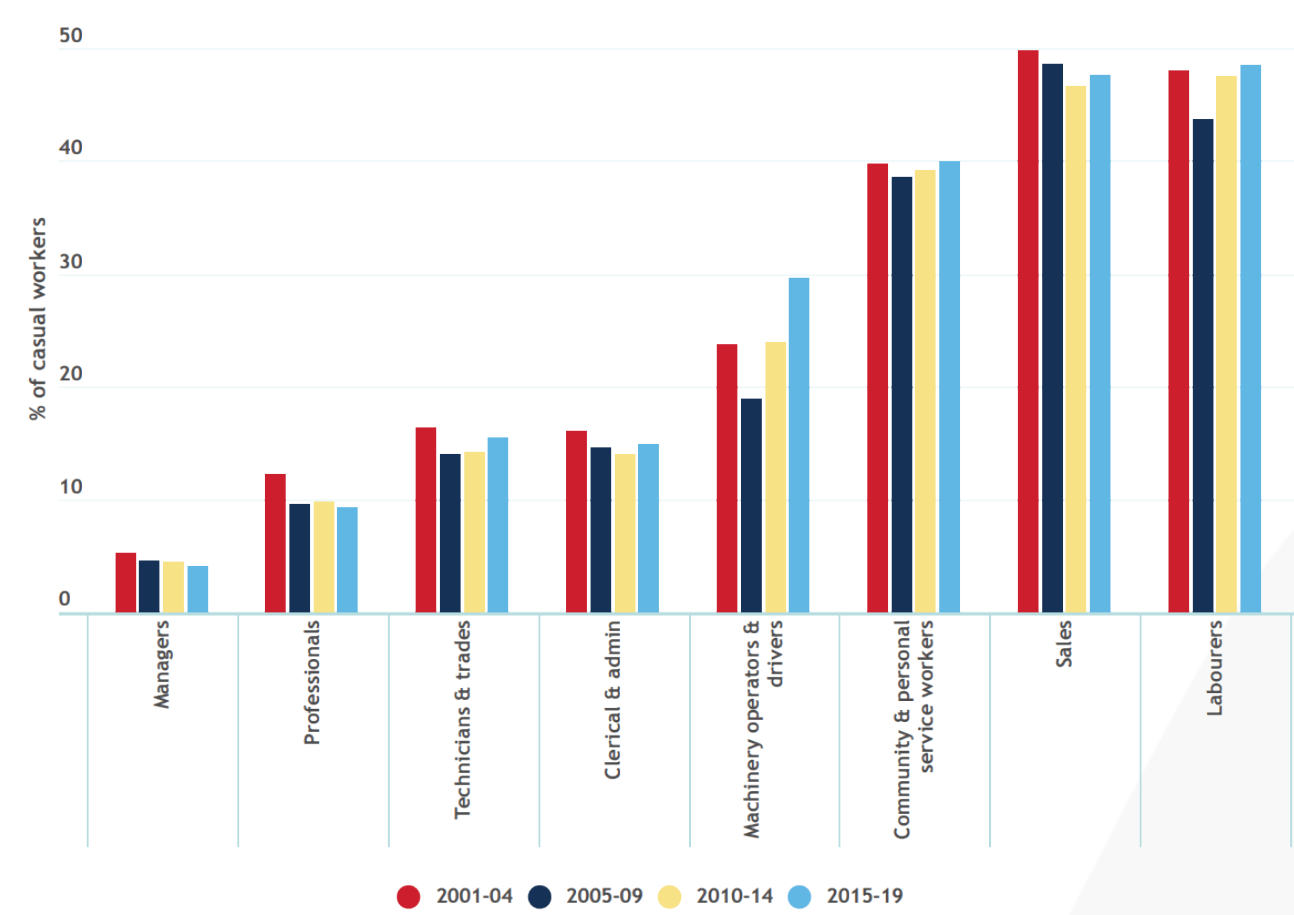
As discussed, many entry-level jobs in services such as retail, hospitality and community services and low-paid manual occupations such as labourers, do not offer sufficient regular hours to meet people's needs. Although the overall incidence of casual employment as defined by the ABS has not increased much over the last 20 years, it was already high by international standards.⁵³ Of concern, casual employment is heavily concentrated in entry-level jobs where hourly rates of pay are low and under-employment is a common experience. In the community and personal services, sales, and labourer occupational categories, 40% or more of workers are employed on a casual basis (Graph 9).

A noteworthy effect of the poor quality of many entry-level jobs is high labour turnover (Graph 10). Half or more of the job vacancies in occupations such as sales assistants, hospitality workers, food preparation assistants and cleaners are to replace a worker who has left, rather than to expand the business or service.

This means that expanding labour supply, for example through temporary migration, is far from the whole solution to labour shortages in these entry-level occupations. The other side of the problem – poor job quality and wages and breaches of workplace laws – must be addressed, or the next worker hired will follow their predecessor out the door.

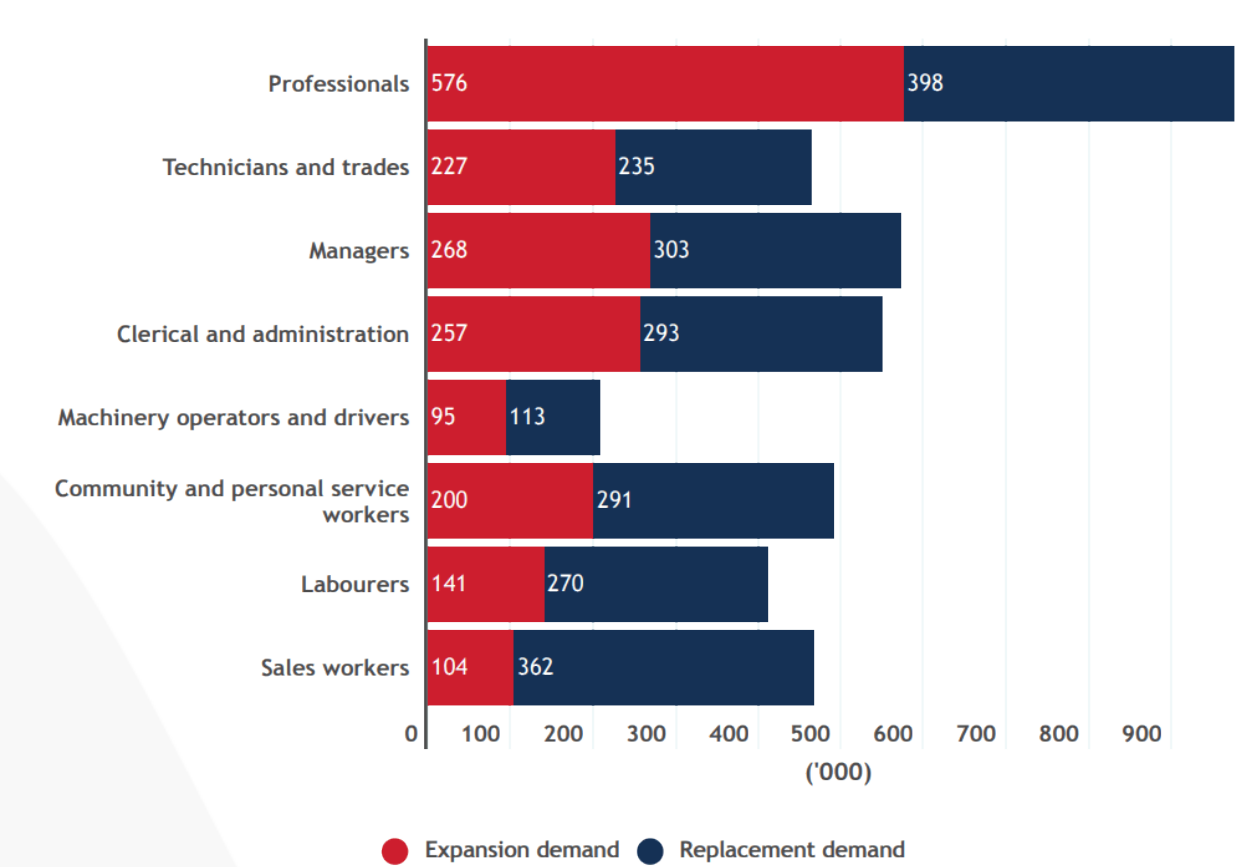
⁵³ There are different kinds of casual work: in some cases people remain with the same employer and work the same hours for years (so called 'permanent casual employment') while in others their shifts vary from week to week. In either case, they are not securely employed and have difficulty managing life transitions such as home purchase (Peetz & May (2021), "Casual truths: What do the data on casual employment really mean?" *Journal of Industrial Relations* 2021, 1–25).

Graph 9 - Casual employment by occupation



Source: Melbourne Institute (2021), *HILDA Statistical report*

Graph 10 - Projected annual job openings: job expansion vs job turnover



Source: Shah & Dixon (2018), *Future job openings for new entrants by industry and occupation*. NCVER.

Note: The National Skills Commission provides more up-to-date projections, but this research is useful because it breaks down future job openings into those caused by expansion of employment and those caused by turnover, which is higher in many entry-level positions.

Ongoing reforms

4.1 Restore sustainable growth in real wages by lifting productivity and renewing the links between productivity and pay, especially by strengthening enterprise bargaining.

4.2 This incomes policy should be supplemented by improvements in the 'social wage' including income support for people who are out of paid work, family payments, and essential services that are affordable and of good quality:

- A legislative link should be established between growth in wages and social security allowance payments including JobSeeker Payment (see 2.9 above); and
- The legislative link between wage movements and maximum rates of Family Tax Benefits should be restored.

4.3 Lift minimum wages to a level that (together with social security payments) enables people in paid employment to achieve a decent standard of living.

4.4 Promote pay equity for women through:

- workplace relations legislation and test cases in Fair Work Australia that recognise the value of their skills, experience and qualifications, especially in female dominated care sectors;
- improvements in paid parental leave;
- reform of the taxation of superannuation contributions so that people with low incomes (mainly women) receive the same tax benefit per dollar invested as those on higher incomes (mainly men), to reduce the gender gap in superannuation.

4.5 Ensure that people with disability enjoy equal remuneration for work of equal value and not suffer wage discrimination due to a perceived reduced capacity for work.

4.6 As far as possible, the working hours of employees should be regular and predictable, so that they can meet their current needs and plan for the future and employers have a committed workforce that is skilled for the job:

- At the same time, to attract and keep workers with caring responsibilities or disabilities and people who are close to retirement, there should be scope for employers, unions and employees to negotiate adjustments to workplace practices and hours to meet their changing needs and preferences.
- The practice of 'permanent casual' employment should be discouraged by giving long-standing casual employees a genuine choice to convert to regular employment with rights to paid leave and other entitlements.



5. Development of future industries

We focus here on two opportunities to grow quality jobs and meet the community's most pressing needs:

- the expansion of community and care services or the 'care economy'; and
- our response to climate change – the transition to a clean energy economy and our adjustment to the elevated risks of natural disasters such as fires, droughts and floods.

Quality jobs and services in the care economy

We have noted the strong and sustained growth in employment in community and care services.⁵⁴ The NDIS alone was expected to require 83,000 more workers (an increase of almost one third) over just four years from 2020 to 2024.⁵⁵ The expansion of public investment in care services as the population ages is a major contributor to today's low unemployment levels.

Expansion of the care economy brings many social and economic benefits. It enables people to age in place, extends healthy life, eases the unpaid care burden for women, lifts workforce participation, and generates hundreds of thousands of purposeful jobs. Countries that under-invest in care services and require women to provide all or most of the care for children and family members with disability or chronic ill health in the home have lower birth rates, rapidly ageing populations, limited employment opportunities for women, and slower growth in incomes.

Problems

The development of quality care services is hampered by chronic labour and skill shortages that are endemic to this sector (not confined to periods of low unemployment). The poor quality of some jobs and services (such as the problems in residential aged care identified by the recent Royal Commission), and the high turnover of care workers, are vestiges of a labour market and a society in which the paid and unpaid care provided by women is under-valued.⁵⁶

Under-investment by governments

In large part, these problems reflect chronic under-investment by the Commonwealth, State and Territory governments. Care services are labour intensive and it is hard to lower their cost without reducing the quality of care. For example, the Aged Care Royal Commission recommended that a minimum number of hours be allocated each week to ensure a minimum standard of care for each resident. In goods-producing industries, labour can be 'saved' by investing in machinery (for example, earth-moving equipment for roadbuilding) but human interaction is the essence of care services.

⁵⁴ 'Care services' as the term is used here refers to services such as child care, aged care and disability support services. 'Community services' refers to a wide range of non-government local community and social support services including community legal services, homelessness services, Aboriginal and Torres Strait Islander community controlled services, family support and child protection services, emergency relief and financial counselling, advocacy for people facing disadvantage, employment services, and neighbourhood centres.

⁵⁵ DSS (2020), *NDIS Workforce Interim Report*.

⁵⁶ WACOSS (2022), [Submission on Delivering a Skilled Workforce for Western Australia](#)

As the need for care services has grown along with their cost, governments have either delayed providing the necessary level of service and rationed access to care (for example, disability services before the NDIS and home care services today), failed to ensure services are of good quality (residential aged care), or shifted responsibilities to other levels of government (health services) or to 'pseudo markets' of competing community based and for-profit providers. Where public funding does not cover the full cost of an essential care service, this is generally shifted to service users. This is, of course, a deliberate feature of many programs including childcare and aged care, and out-of-pocket costs have grown strongly.

Fragmentation of funding and service quality

As a general principle, essential care services should be universally available and public funding should be benchmarked to a decent standard of care.⁵⁷ Excessive reliance on user charges, together with the use of 'pseudo markets' and involvement of for-profit providers, leads to a two-tier system of services, with one tier of higher-quality services targeted towards people with higher incomes (or other means such as private insurance) to pay for them, and another lower quality 'residual' tier for those who rely on fully publicly-funded services. Means tests do not resolve these inequities, and governments often subsidise the higher stream of services indirectly, for example in health services through Private Health Insurance Rebates.

Public funding of care services is fragmented in another way: there is a growing tendency to fund episodes of care rather than the whole service. Individual entitlements to specified funding for care are widely used, for example in childcare and NDIS. In theory they have major advantages over traditional grants schemes in which organisations were funded to provide services for a certain number of people needing care. Those potential advantages include a guarantee of funding that is equitably distributed and greater autonomy and choice for service users. These principles are championed by disability advocates.

Personalised funding (including 'voucher' schemes) can also have drawbacks, if it is not supplemented by other forms of governance, regulation and financial support beyond the operation of pseudo-markets. Responsibility for coordination of services and the associated risks may be shifted to service users or individual care workers, providers may over-charge or under-serve people (or offer no service at all to the most vulnerable), and importantly, the necessary investment in the care workforce may not be made. These problems cannot be overcome merely by superimposing a quality assurance agency on top of a poorly designed system of care, or simply by increasing funding (since they also undermine cost-effectiveness).

⁵⁷ ACOSS and State and Territory Councils of Social Service (2015), *Fit for purpose: a federation that guarantees the services people need: A framework for reform*.

The poor quality of care jobs

The above problems – under-funding, fragmentation of services and their funding, weak accountability, and funding limited to episodes of care – are revealed in the poor quality of care jobs. Too many care workers are underpaid, over-stretched, under-valued and lack security of employment or sufficient paid hours and security of employment in their main job. These factors contribute to high staff turnover and undermine service standards.

Caring is ‘emotional labour’ – workers typically invest part of themselves in the job and their relationships with service users. If their work is valued and supported and workloads are realistic, they are more likely to ‘go the extra mile’ for the people they are caring for. If those conditions are absent, or they are treated unfairly by management or colleagues, the result will be high levels of personal stress and burnout and they will probably leave the job.

The pandemic has imposed severe pressures on the care services and their workers, through personal illness, staff absences, a higher burden of illness and anxiety among service users, and the extra work associated with protective measures.

Low pay in care work is a major problem, and we welcome the Australian Government’s decision to fully fund the pay increase for aged care workers arising from the current Fair Work Commission hearings. This problem must be addressed uniformly across different care services, otherwise the lowest paying sectors will lose staff to those with better pay or conditions.

The ‘gig economy’ model of employment is another major barrier to quality jobs and care, especially in home care and NDIS settings.⁵⁸ Too many care workers in those sectors must manage a number of separate jobs (in which they are paid by a provider or by service users directly), which may leave them with too much work in one week and too little in the next. Even when employed by a single employer, they may not be guaranteed regular hours of paid work. Many leave the sector for this reason.

Finally, in sectors where pseudo markets operate and funding is strictly tied to episodes of care (such as childcare and NDIS), service providers (especially smaller organisations) lack the capacity to prepare for and invest in the quality of future services, including effective recruitment, supervision and training of their workforce.

⁵⁸ We use this term to describe more than hiring of people on online platforms. Here it refers more broadly to the hiring of workers to provide episodes of care, with no guarantee of employment or income beyond the next one.

Survey of NDIS workers

Overview:
‘I love my job, think the NDIS is a great concept but so difficult to implement successfully and fairly.’

Pay:
37% of respondents were satisfied, 39% dissatisfied with take-home pay.

‘I will have to get a second job as my pay has decreased by hundreds of dollars since losing NDIS clients.’

Only 25% paid for travel time between clients; Private vehicle use is a ‘huge issue’.

Working hours and job security:
45% had unpredictable working hours; 54% worried about job security

‘I expect to work up to 3 separate runs per day, work can be added or removed at any time without notice or explanation.’

Unpredictable & split shifts cause stress and makes the work/family life hard to balance.

Job and service quality:
58% worked with the same clients each week, 41% only sometimes or rarely

Supervision and support:
36% get the time they need with their supervisor; **42% do not.**

‘There is minimal supervision, and I have constant trouble contacting management when needing support, [meaning I] need to make own judgement calls.’

Training and career development:
31% say they have good career prospects, **40% do not.**
58% had less than 3 days training last year.

‘Training is not encouraged much for casuals.’

Cortis & Toorn (2020), *Working in new disability markets: A survey of Australia’s disability workforce*, Social Policy Research Centre, UNSW Sydney.

Short-term responses

5.1 When the Fair Work Commission hands down its decision on pay for aged care workers, the Australian Government should quickly fund the increases in full in accordance with its commitment, and at the same time introduce mechanisms to improve transparency of reporting in regard to the expenditure of public aged care funds.

5.2 Accelerate programs that lift the supply of the skilled workers needed for care services, including the 'demand led' employment services referred to in 2.1

Ongoing reforms

5.1 *Promote the development of decent jobs in quality care services by:*

- putting service users and their families at the centre when designing models of care;
- developing standards for accredited training and staffing levels to underpin good quality care in each sector, in consultation with service users, providers and unions;
- investing in sector-specific skills and training that takes account of the circulation of care workers between different types of services (e.g. aged care, hospitals and NDIS);
- lifting pay and improving job security through the workplace relations reforms proposed above, (4.3, 4.4 and 4.6);
- government support for work value 'test cases' in care services including commitments to fully fund the resulting pay increases and ensure that the funds are used for that purpose; and
- promoting a shift from precarious 'gig economy' forms of employment towards jobs that offer decent pay and adequate, regular paid working hours suited to individual circumstances.

5.2 *Reform public funding for care services by:*

- benchmarking funding levels to the actual costs of providing quality care (including adequate staffing levels and hours of care) to meet population need backed by independent monitoring of the expenditure of public funds for that purpose and of the quality of services (including regular feedback from users and their families);
- supporting services to develop their core capacities (including the skills of their workforce) rather than merely funding 'episodes of care'; and
- reducing reliance on for-profit service providers in favour of community-based services.

5.3 *The Australian Government should secure the public revenue required to meet the growing cost of care services through fair tax reforms, including:*

- a 15% levy on superannuation fund earnings after retirement, in return for a guarantee of universal access to quality aged care services.

Quality jobs and services in community services more broadly

Problems

Many of the problems identified in care services also impact the broader non-government community services sector, including underinvestment by governments, growth in user charges in some cases, fragmentation of funding, and the use of pseudo markets to provide services (especially in employment services, discussed previously).

Major problems that are more specific to the funding arrangements for community sector services beyond care services include:

- funding uncertainty, including annual contracts that may or may not be renewed;
- inconsistent, inadequate and often opaque indexation of funding;
- funding that fails to cover the core costs of the service provided, or management and administrative costs; and
- reliance on multiple funding programs, each with its own set of key performance indicators, accountability and reporting requirements.

Short-term responses

5.3 Review all Commonwealth community sector funding agreements to ensure that funding is increased with indexation of at least 5.5% from 1 July 2022 for the current financial year.

5.4 Create a Community Sector Enabling Fund as a first step to build back sectoral capability after years of disruption and disaster.

Ongoing reforms

5.4 *Ensure a robust community services sector that is responsive to community needs and adequately funded to provide quality services, especially for people who are economically or socially vulnerable through:*

- a comprehensive service needs analysis and demand mapping exercise, conducted in partnership with the community sector and communities to inform funding arrangements;
- funding tied to the actual costs of quality services;
- fair, transparent and consistent indexation;
- co-design of services with users (including opportunities to take on leadership roles, for example in services for people with disability); and
- working with the community sector to forge workforce development plans to overcome labour and skills shortages.

5.5 *Support First Nations-community-controlled services to close the gap in health, education and living standards by:*

- addressing funding shortfalls identified by the sector (including restoration of past budget cuts);⁵⁹
- supporting First Nations-led workforce development programs, including those designed to train Aboriginal and Torres Strait Islander people to provide services to their own communities.

⁵⁹ NACCHO (2022), [Measuring the Gap in Health Expenditure: Aboriginal and Torres Strait Islander Australians](#)

Developing industries and services in response to climate change

A fast, fair and inclusive plan to address climate change can improve the lives of people experiencing disadvantage, from the cities to remote Australia. It would create opportunities for more affordable, healthier, and reliable energy, housing and transport suited to a changing environment and create jobs in the new energy economy.

Policies should prioritise people with the least resources, affected workers and communities hardest hit by climate change.

Problems

People on the lowest incomes usually live in most energy inefficient homes

People on low and modest incomes are more likely to rent their homes, and those who own their homes often lack the resources to maintain and upgrade them. So they are more likely to live in homes that are hot in summer and cold in winter and to struggle with high energy bills.

Communities relying on extracting or burning fossil fuels will need support as we transition to a clean energy economy

Some workers and communities could experience negative effects from our response to climate change, such as people working in industries that depend heavily on burning or extracting fossil fuels. However, if we have a planned and well managed transition co-designed with workers and the local community, we can appropriately support affected workers, create thousands of new jobs, and revive and transform regional towns.

Creating jobs will not be enough to ensure that all affected workers and communities are benefitting from the transition. A broader energy transition plan is needed, which should be overseen by a dedicated authority.

We must be better prepared to manage disasters such as fires, floods and drought that follow in the wake of climate change

The unprecedented 2019-20 bushfires and subsequent floods had significant economic, health and social impacts on thousands of people. Recovery will take years for those severely affected and some people may never fully recover.

The needs and strengths of communities must be at the heart of extreme weather preparedness, response, and recovery. All government initiatives must support and empower communities to build their resilience and recovery efforts on their terms.

Genuine community partnership, including with First Nations People, communities, and organisations is essential to improve the nation's preparedness, responsiveness, and recovery efforts.

Ongoing reforms

5.6 Invest up to \$5,000 in *energy efficiency improvements* per dwelling for 1.8 million low-income homes to cut emissions, energy bills, and create thousands of local jobs.⁶⁰

5.7 Establish an *Accelerate First Nations Clean Energy Strategy* by establishing a First Nations Communities Clean Energy Fund to invest in clean energy and energy efficiency for rural and remote communities.

5.8 Establish and adequately fund an Energy Transition Authority to oversee a fair and inclusive transition for fossil fuel dependent workers and communities.

5.9 Establish and adequately fund community-led disaster resilience hubs to help local communities plan for, respond to and recover from fires, drought, floods and other disasters associated with climate change.

5.10 Provide employment and training opportunities for local people who are unemployed in these emerging sectors (consistent with 2.5 above).

⁶⁰ Modelling by Deloitte Access Economics found that the National Low-income Energy Productivity Program proposed by ACOSS would generate more than 23,800 jobs nationwide, adding \$4.9 billion to our economy. Deloitte Access Economics (2021) [The economic impacts of the low-income national energy productivity program](#).

Attachment

Ghosts of summits past - a short history of full employment in Australia

Full employment was a central plank of post-war economic and social policy. However, we have not had full employment for the past 50 years because it was abandoned in order to control inflation. In effect, decades of public policy deprived millions of people of employment and many more of the extra paid hours and job security they need, to keep inflation under control.

Post-war full employment policy

"Governments should accept the responsibility to stimulate spending on goods and services to the extent necessary to sustain full employment. To prevent the waste of resources which results from unemployment is the first and greatest step to high living standards. But if our living standards are to increase to the greatest extent possible, we must produce more efficiently." Full Employment in Australia ('White Paper', 1945).

Following the Great Depression of the 1930s and World War Two, the Curtin and Chifley governments committed to a 'full employment' policy to keep the economy running close to its full capacity and unemployment low. Public investment and other expenditure and taxation policies, together with interest rate settings, were deployed to keep demand for goods and services sufficiently strong to achieve full employment without triggering excessive inflation. As a result, unemployment remained below 3% and inflation remained below 5% for most of the next 30 years.⁶¹

1970s-1990s: "Fight Inflation First"

In the 1970s to the 1990s, full employment was abandoned in favour of a "Fight Inflation First" strategy.

After the Nixon administration devalued the American Dollar (in effect, to meet rising expenditure on the war in Vietnam), and the OPEC cartel increased oil prices sharply, economic policy makers around the world were confronted with the unusual combination of higher inflation (well over 10% in Australia) and higher unemployment (now above 5%). Wages rose sharply in response to price increases, creating a so-called 'wage price spiral'.⁶²

Interest rates were increased aggressively in the US in the early 1980s, and Australia followed suit. These interest rate hikes triggered a recession in 1982 and unemployment rose above 10%.

The 1980s: The Hawke Government's Accord with the ACTU

The Hawke Government's Accord with the ACTU, and its National Economic Summit were essentially about restoring full employment. The basic idea was to use a combination of prices and incomes policies to curb inflation without relying on the

⁶¹ Interest rates were increased in response to a spike in inflation in 1951-52 due to the Korean War. Unemployment remained low and inflation soon returned to its previous level.

⁶² ACOSS (1978), *Whatever happened to full employment?*

blunt instrument of higher interest rates. Unions accepted restraint in wage increases (which were held to the inflation rate for a number of years by a system of centralised wage fixation overseen by the then Conciliation and Arbitration Commission, now Fair Work Australia) in return for commitments from the Australian Government to reduce unemployment and improve 'social wage' benefits such as universal health insurance (Medibank) and improvements in Unemployment Benefits and Family Allowances.

"Sustained economic recovery sufficient to restore and maintain a situation even remotely resembling full employment is not possible whilst reliance is placed-solely on conventional economic weapons of fiscal, monetary and exchange rate policy, however varied and applied."

This is because economic recovery will soon lead to increased inflation, thus forcing the Australian Government to adopt contractionary anti-inflation policies which will truncate the recovery and prevent any restoration of full, or even near-full employment.

The continuance of widespread unemployment is abhorrent, and economic policies which rely on unemployment to control inflation are completely rejected. [emphasis added]. ALP-ACTU (1982), Prices and Incomes Accord.

"While Mr Keating will outline the serious and complex nature of the problems, there can be no doubt that they are encapsulated in the question of unemployment, and the need for a restoration of sustained economic growth which avoids a new bout of destructive inflation."

The first problem is how to arrest the explosion in the unemployment level and then move towards its steady reduction, with the ultimate goal of genuine full employment as fundamental national economic policy the bipartisan goal adopted for the first three decades of the post-war era." (Prime Minister Hawke, Speech to National Economic Summit, 1983)

The Accord policies reduced unemployment to 6% by the end of the 1980s, while inflation sat at around 8%.

The 1991 recession and the return of 'Fight Inflation First' policies

In the late 1980s, the Australian economy was experiencing boom conditions. A combination of lower interest rates, removal of restrictions on credit for housing and the restoration of 'negative gearing' fuelled speculative investment in housing and home prices rose sharply. Imports of goods and services surged, along with interest payments on overseas debt, raising concerns about Australia's current account deficit (this was mainly private debt – the Australian Government's budget was in surplus at this time). In response to these factors, and out of concern that another wage-price spiral *may* emerge, the Reserve Bank increased interest rates aggressively (home loan interest rates rose to 17%).

When another recession followed in 1991, the Reserve Bank and the Australian Government's delayed action to stimulate growth to drive inflation lower; the opposite

approach to that advocated in the Accord. By this stage, economic orthodoxy had swung around to the view that it was the Reserve Bank's role to stabilise growth in the economy, while governments should focus on lifting speed limits to growth through microeconomic reforms to boost productivity.

While inflation fell from 8% to 3%, this came at a high social and economic cost. Unemployment reached a post-war high of 12%. By 1993, 350,000 people were unemployed long-term (over 12 months). Under-employment (where people who are already employed seek more paid hours but can't secure them) also rose sharply at this time, especially among young people.

1994: Keating Government employment white paper

The Keating Government committed to restore full employment in a White Paper issued in 1994. It's 'Working Nation' policy offered people on unemployment payments for 18 months or more temporary paid employment in a subsidised job to help them transition back to employment.⁶³

"The loss of production through unemployment is the single greatest source of inefficiency in our economy. Unemployment is also the most important cause of inequality and alienation for individuals, families and communities.

We need to maximise sustainable economic growth and take specific action to reduce long-term unemployment. These two policy directions are complementary and mutually reinforcing" Committee on Employment Opportunities (1993), Restoring full Employment, Discussion Paper.

1996-2007 The Howard Government introduces inflation targeting

In 1996, when there were 400,000 people on unemployment payments for more than a year, the incoming Howard Government halved investment in the Keating Government's employment programs.

At the same time, the priority now given by the Reserve Bank to curbing inflation was enshrined in an agreement with the Treasurer that set a target for inflation at 2-3%. No such target was set to reduce unemployment, although the Reserve Bank Act still listed this as one of the Bank's core objectives. Through the 2000s, inflation was generally held within the target range, but unemployment for the most part remained above 5%.

An informal target was set for unemployment, but this was a floor or minimum rate, above which it was assumed inflation would accelerate – the Non Accelerating Inflation Rate of Unemployment (NAIRU). This was generally held to be around 5-6%. This gave rise to a bias to fiscal and monetary policies against any reduction in unemployment below that level.⁶⁴ The Accord policies were now turned on their head.

⁶³ In retrospect, offering all people unemployed long-term a temporary job was not the most effective way to reduce long-term unemployment. Less than a third of those offered temporary jobs secured ongoing employment. However, the same investment, adjusted to individual needs and local labour markets, would have had a substantial impact on long-term unemployment.

⁶⁴ See for example, Gruen & Pagan (1999), The Phillips curve in Australia, RBA. The NAIRU was not an absolute barrier to lowering unemployment, as its value depended on the functioning of labour and other markets (including the level of long-term unemployment, which was viewed as a barrier to reducing

Post-GFC secular stagnation

When the Global Financial Crisis struck in 2008, the Rudd Government broke with the (now) orthodox view of its role in managing the economy. It acted quickly and effectively to prevent another recession, using a combination of direct payments to households and infrastructure investment. Nevertheless, unemployment rose from 4% to 6%.

After the GFC (and the end of the mining boom) we were confronted with a new set of problems: inflation was tamed but growth in jobs, real wages and investment was weak. The latter half of the 2010s has been referred to as the 'dog days' or a period of 'secular stagnation'.⁶⁵

At this time, policy makers and experts began to question the priority given to keeping inflation very low and the idea that unemployment could not be reduced below 5-6%. They argued that the problems had changed and so should the solutions.⁶⁶ An emerging problem for policy makers was that while interest rates had to be sustainably reduced to restore growth, the Reserve Bank's cash rate target was approaching its 'zero lower bound'. This meant they would have to rely more on government action to stimulate growth in the next recession.

COVID recession and response

After it imposed the first COVID lockdowns in 2020, the Morrison government moved quickly to keep people connected to their jobs and sustain incomes, mainly through a doubling of unemployment payments and the large-scale wage subsidy scheme urged by unions and employers (JobKeeper). The RBA reduced its cash rate target close to zero and purchased government bonds on the market, supporting the borrowing required to fund those payments. An immediate benefit of these policies was a sharp reduction in poverty, which fell from 12% to 10% despite a recession.⁶⁷ This was largely due to the increase in unemployment payments, which before then had not risen in real terms for almost two decades. Regrettably, they were cut back to around \$45 a day a year later.

The 'effective unemployment rate' (which included workers stood down due to COVID restrictions) rose to 12% during 2020 before falling to 5% a year later. Due in large part to the economic stimulus provided at this time, and the role of wage subsidies in keeping people connected with their employers during the COVID recession, unemployment now sits at 3.5% and under-employment at 6% of the labour force. Both are at historically low levels.

unemployment without triggering higher inflation. However, it cannot be measured directly and policy-makers were slow to adjust their estimates downwards despite major structural changes in the labour market and economy including the ending of centralised wage fixation. For a critique of the concept see Richardson (2019), The Contradictions of NAIRU Policy-Making in Australia. Australia Institute. ⁶⁵ Summers (2015), "Demand Side Secular Stagnation". *American Economic Review: Papers & Proceedings* 2015, 105(5): 60-65; Garnaut (2021), *Reset: Restoring Australia after the Great Crash of 2020*.

⁶⁶ The RBA lowered its estimate of the NAIRU to 4.5% in 2019, just before the pandemic, and encouraged employers to lift wages.

⁶⁷ ACOSS-UNSW Sydney, [A tale of two pandemics, COVID, income inequality and poverty](#).

However, 760,000 people on unemployment payments have had to rely on income support for more than a year – twice the number that prompted the Keating Government's Working Nation policy response in the 1990s. This is a legacy of an employment services system that overinvests in compliance and underinvests in programs that make a difference, and past government decisions to chase short-term savings by shifting people with disabilities and sole parents from pensions onto the lower unemployment payments.

Where to next?

Our experience with the GFC and the COVID recession demonstrates that fiscal and monetary policies can work together to reduce unemployment. The challenge now is to sustain low unemployment in the face of inflation brought about by a combination of disruptions of international supply chains due to COVID and the war in Ukraine, a sudden shift from spending on services to spending on goods while people remained in their homes, and elevated consumer demand due to COVID stimulus measures. In addition, we need to find ways to ease labour and skills shortages without reducing the overall number of jobs.

The sources of the latest inflationary pressures are different to the 1970s episode which inspired the shift to 'fight inflation first' policies. This time, unemployment is falling not rising, and there is no sign of a wage-price spiral.

In 1983 and 1993, Prime Ministers Hawke and Keating committed to full employment when the unemployment rate was over 10% and reducing it was the top priority for policy makers and the public. In contrast, Prime Minister Albanese committed to a [full employment summit](#) and White Paper at a time when that goal is already within reach.⁶⁸

It would be a sad indictment of our public policies and institutions if, having come so close to achieving full employment, we abandoned it again because unemployment was no longer viewed as a problem deserving our full collective attention and effort.

⁶⁸ ALP (2022), Webpage: [Full employment](#)



Acknowledgements

ACOSS prepared this submission in consultation with its members.

Contact

Dr Peter Davidson
Principal Advisor
peter@acoss.org.au



