



## **Times are still tough for young unemployed people**

**August 2010**

Australian  
Council of  
Social Service

### **Summary**

It is only a year since the Global Financial Crisis (GFC) plunged most wealthy nations into recession. Australia escaped a 'technical recession' but unemployment rose by one third. Young people were among the worst affected because employers put new hires on hold, waiting for the economy to improve. This meant that many education leavers could not find work and many young people lost their casual jobs. Many young people who were unable to find a secure job last year are still out of work, because employers are reluctant to hire people who lack recent work experience.

Between May 2008 and May 2009, the overall unemployment rose by one third but the unemployment rate for teenagers (15-19 years) rose by half. The unemployment rate for teenagers is still 18%, three times that of the labour force as a whole (at 5%). For young adults in their early twenties, the unemployment rate is 7%. In May 2010 there were 193,000 unemployed people under 25 on Youth Allowance or Newstart Allowance, of whom 94,000 had been unemployed for over 12 months.

The rise of youth unemployment has affected some regions more than others. In seventeen of the country's 69 'labour market regions' teenage unemployment rose to more than 30% during 2009-10. Those regions include Wollongong (NSW), Northwest Melbourne (VIC), Far North Queensland, Western Adelaide (SA) and Central Perth (WA).

This policy analysis describes the job prospects and financial situation of unemployed young people, and raises policy proposals to improve them. ACOSS members have long experience in this field, both in service delivery and research.<sup>1</sup>

#### **The circumstances of young unemployed people:**

Unlike many fulltime students on Youth Allowance, employed young people on that payment generally come from socially disadvantaged backgrounds. To receive the maximum rate of income support, their parents cannot earn more than \$30,000 to \$40,000. Further, 16% of unemployed people on Youth Allowance have an Indigenous background.

This means that their parents are often unable to supplement the \$189 per week an 18-20 year old receives when living away from home on Youth Allowance or the \$231 per week a young adult receives on Newstart Allowance. In 2007, before the Global

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<sup>1</sup> For more comprehensive research on the views and circumstances of young unemployed people, see for example Mission Australia's 'Youth Employment Strategy' at <http://www.missionaustralia.com.au/downloads/social-policy-reports/233-youth-employment-strategy-yes-2010> and the Salvation Army report: 'You think, your say' (Australian Youth Forum) at [www.youth.gov.au/ayf](http://www.youth.gov.au/ayf).



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Financial Crisis, 37% of young people who were neither employed nor studying lived below the poverty line.

They are likely to have low education levels. In 2009, school leavers who did not complete year 12 were over twice as likely to be unemployed as those who completed year 12 (19% and 8% respectively).

### **Policy solutions:**

#### **Strengthen the Compact with Young Australians**

The Government's main response to higher youth unemployment was its 'Compact with Young Australians' announced in April 2009. Under the new 'learn or earn' rules, employed young people are now required to undertake study or training to raise their qualifications to Year 12 or equivalent vocational credentials. The compact includes a guarantee of a training place in State Government funded programs, and Youth Connections program to link the most disadvantaged young people with training opportunities.

This is a sound strategy to reduce youth unemployment and ACOSS welcomes the Government's commitment to the training guarantee. Training can make the difference between being stuck on a merry go round of casual jobs and income support and landing a secure job.

But young people who struggled at school also struggle with vocational training. There are gaps in the compact, including the need for a guarantee of case management and mentoring for all those with 'learn or earn' requirements to guide them through their training, for training to be in a format suited to disadvantaged young people (preferably linked to paid work), more help with the financial costs of study, and a paid work experience program for long term unemployed people. To make a real difference to their job prospects, work experience should be in regular paid jobs, not unpaid jobs on community projects.

#### **1. The Compact for Young People should be strengthened by:**

- (1) guaranteeing all young unemployed people on income support who have 'learn or earn' requirements access to intensive 'case management' or mentoring to help them successfully complete their training;**
- (2) tailoring education and training to the needs of early school leavers and encouraging cooperation between training providers and Job Services Australia providers to link education and training with job opportunities;**
- (3) covering the training expenses of those with 'learn or earn' requirements**
- (4) introducing a paid work experience program for long term unemployed people assessed by Job Services Australia providers as likely to benefit from it.**



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### **Voluntary relocation assistance**

Another gap in help for young and older unemployed people is relocation assistance so that people can move to areas with better job opportunities. A voluntary relocation scheme should include lining up employment, and help with the move and accommodation and other supports at their new address. To make sure that Government funds are not wasted, assistance should be targeted to people whom their Job Services Australia provider believes is unlikely to get a job without such help. These disadvantaged unemployed people are taking a big risk in moving away from family and other supports, usually to a place where housing costs are much higher. Governments have a duty of care to ensure that no harm comes to them. For these reasons, ACOSS would oppose forced relocation of unemployed people. This is also more likely to result in waste of public funds because the move - and the job - are more likely to fall through.

**2. Financial and other assistance should be provided to jobseekers registered with employment service providers to help them to voluntarily relocate from areas of high unemployment. Assistance should be targeted towards jobseekers who are unlikely to obtain employment without such help for at least the next three months, but who are likely to adjust well to the move.**

**Voluntary relocation assistance would include:**

- (1) financial help with travel through the person's original Job Services Australia provider, and to settle in the new area from their new provider**
- (2) job placement and any training required, preferably in advance of moving**
- (3) advice and support with settlement in the new area, including the organisation of accommodation in advance and referrals to local services.**

**3. So that unemployed people aren't forced to move out of areas with good job prospects by skyrocketing housing costs, an Affordable Housing Growth Fund should be established to increase the pace of construction of affordable homes, and the maximum rate of Commonwealth Rent Assistance should be raised by 30%.**

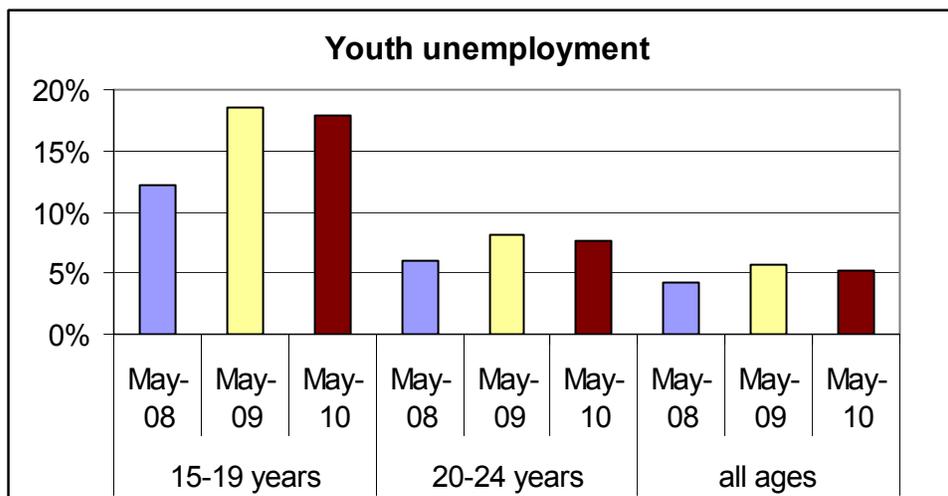
### **Improve income support**

Income support for young unemployed people and their families should be improved. Despite a 30% increase in unemployment and a 50% rise in youth unemployment during last year's economic downturn, unemployed people missed out on the \$32 per week increase in pensions. The gap between Newstart Allowance and the pension, which only provides a frugal living standard, is now \$120 per week. Youth Allowance is \$42 a week less than Newstart Allowance. The basic costs of living are much the same for people of all ages: there are no 'youth discounts' on rents, food or groceries.

**4. The maximum single rate of Newstart Allowance and other 'allowance' payments should be raised by \$45 per week.**

## Youth unemployment remains high

Young people searching for a job were disproportionately affected by the Global Financial Crisis. Between May 2008 and May 2009, the overall unemployment rate rose by one third but the unemployment rate for teenagers (15-19 years) rose by half (see graph). The unemployment rate for teenagers is still 18%, three times that of the labour force as a whole (at 5%). For young adults in their early twenties, the unemployment rate is 7%.



Source: ABS, Australian Labour Market Statistics

In a survey of 1,020 young clients of the Salvation Army and other youth services nationally in mid 2009, 60% of respondents agreed or strongly agreed that the current economic situation had made it harder for them to get a job.<sup>2</sup>

### ***The 17 regions with the highest teenage unemployment***

The rise in youth unemployment has been uneven across the country. For example, teenage unemployment (among 15 to 19 year olds) rose to over 30% in some parts of Australia during 2009-10, while in others it remained below 20%. In all regions, the teenage unemployment rate is much higher than the overall unemployment – partly because most teenagers are in fulltime education. Of the 69 Australian Bureau of Statistics 'labour market regions', 17 had teenage unemployment rates of more than 30% in 2009-10, as shown in the table below. The two largest States – Victoria and New South Wales - had the highest average teenage unemployment rates at 29% and 26% respectively.

<sup>2</sup> The Salvation Army 2009, op cit.

## The 17 labour market regions with the highest teenage unemployment

The 17 highest-youth unemployment regions	Suburbs and towns in these regions	Teenage unemployment (12 months to June 2010)	Overall unemployment rate (March 2010)
<b>New South Wales (overall)</b>		25.5	5.9
1. Eastern Suburbs (Sydney)	Waverley, Randwick, Maroubra	46.5	3.1
2. Inner Sydney	Botany, Glebe, Marrickville, Surry Hills	38.1	3.6
3. Wollongong	Wollongong, Kiama, Shellharbour	35.9	6.4
4. Canterbury-Bankstown	Canterbury, Bankstown, Revesby	33.1	9.2
5. North Western Sydney	Penrith, Blue Mountains, Mt Druit	32.5	6.4
6. Gosford-Wyong	Gosford, Wyong	32.2	6.8
7. South Eastern NSW	Queanbeyan, Snowy, Southern Tablelands	31.5	6.4
<b>Victoria (overall)</b>		29.0	5.7
8. North Western Melbourne	Broadmeadows, Coburg, Sunbury, Mickleham	52.3	8.9
9. Central Highlands-Wimmera	Ballarat, Horsham, Hopetoun	46.4	8.9
10. Loddon-Mallee	Mildura, Bendigo, Swan Hill	42.5	6.6
11. Goulburn-Ovens-Murray	Shepparton, Beechworth, Wodonga	38.7	5.9
12. Outer Western Melbourne	Moonee Pond, Melton, Altona, Wynham Vale	34.4	6.1
13. South Eastern Melbourne	Packenham, Cranbourne, Berwick	31.8	7.7
<b>Queensland (overall)</b>		24.6	6.3
14. Far North	Cairns, Mareeba, Aurukun	39.5	12.4
15. Brisbane City Outer Ring	Sandgate, Salisbury, Inala, Ferny Grove	30.7	5.7

## The 17 labour market regions with the highest teenage unemployment (cont.)

The 17 highest-youth unemployment regions	Suburbs and towns in these regions	Teenage unemployment (12 months to June 2010)	Overall unemployment rate (March 2010)
<b>South Australia (overall)</b>		23.9	5.3
16. Western Adelaide	Port Adelaide Enfield, West Torrens, Charles Sturt	36.3	4.9
<b>Western Australia (overall)</b>		17.8	5.4
17. Central Metropolitan	Nedlands, Cambridge, Vincent	49.4	6.6
<b>Tasmania (overall)</b>		20.3	5.4
<b>Northern Territory (overall)</b>		15.4	5.4
<b>Australian Capital Territory (overall)</b>		19.6	5.4
Average of all labour market regions		24.3	5.7

Sources: DEEWR, Labour market information portal; DEEWR, Australian regional labour markets (March 2010). The 69 labour market regions are those used by the Australian Bureau of Statistics.

## Reliance on income support

Some young unemployed people can rely on their parents to support them financially. But those whose parents are on low incomes - income support or a low wage - struggle financially, and some young unemployed people are no longer able to live with their parents due to family conflict. Young people with these backgrounds are more vulnerable to unemployment in the first place because they are more likely to have low qualifications and to live in areas where unemployment is high.

For those aged less than 21 years, a Youth Allowance can be paid in these situations. Recipients must either be living independently of their parents or their parents must have household incomes below \$30,000 to \$40,000 before they can get the maximum rate of payment, which is \$189 per week for 18-20 year olds living away from home. Unemployed young adults (over 20 years) may receive Newstart Allowance and the maximum rate is \$231 per week.

After the Global Financial Crisis (GFC), the number of unemployed people on Youth Allowance rose by around 40% - from 63,000 in May 2008 to 88,000 in May 2010. The number of young adults on Newstart Allowance rose by almost 80% from 59,000 to 105,000 (see graph).



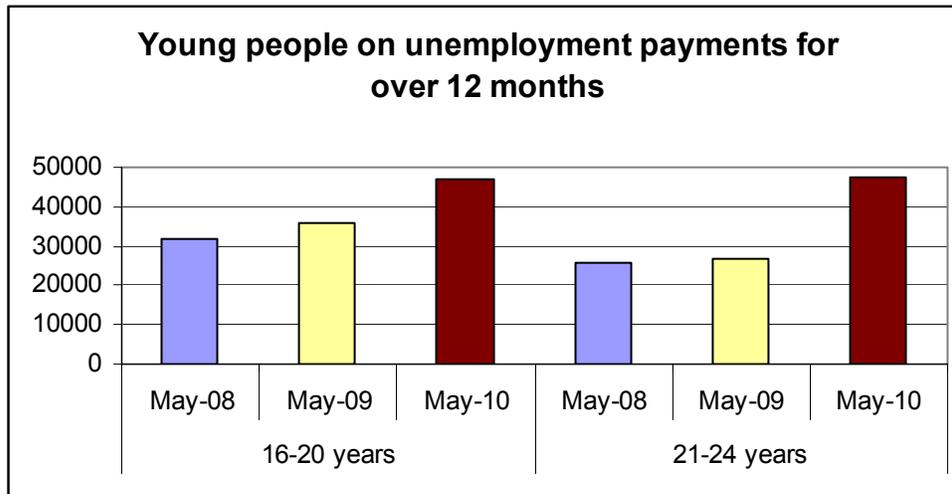
Source: DEEWR Labour market payments

### ***Long term unemployment***

By May of last year, 36% of the 2008 cohort of school leavers failed to transition to either fulltime employment or further study, compared with 27% the year before.<sup>3</sup> As a result many young people – especially those with no history of fulltime work and limited qualifications – became stuck in unemployment. This is because most employers are looking for young people with previous work experience or good qualifications.

This effect typically means that long term unemployment rises about a year after an economic downturn. After this downturn there was a sharp increase in the numbers of young unemployed people receiving income support for more than 12 months (see graph). The number of unemployed people on Youth Allowance for more than 12 months increased by almost 50%, from 32,000 in May 2008 to 47,000 in May 2010, while the number of young adults on Newstart Allowance for over 12 months rose by more than 80% - from 26,000 to 47,000 recipients (see graph).

<sup>3</sup> Foundation for Young Australians 2009, How young people are faring.



Source: DEEWR Labour market payments

## The circumstances of young unemployed people

### *Who are our young unemployed people?*

Young unemployed people on income support (Youth Allowance or Newstart Allowance) are a different group to the majority of fulltime students on Youth Allowance. They come from more socially disadvantaged backgrounds.

Before they can qualify for Youth Allowance, their parents must have low incomes unless they have 'independent' status. Unemployed young people are less likely to qualify for independent status than fulltime students – many of whom qualified under the previous Youth Allowance rules by working fulltime in a 'gap year' between school and university.

Unlike most tertiary students whose main barrier to employment is a lack of time, most young unemployed people on Youth Allowance and Newstart Allowance are out of work because they don't have the skills and work experience employers want.

Among unemployed young people on Youth Allowance, 16% were from Indigenous backgrounds. Indigenous people are more than twice as likely as other young people to be out of work, and neither studying or training.<sup>4</sup>

Many have a disability that makes it harder for them to find work. In May 2009, 4,200 (5%) of unemployed people on the Youth Allowance recipients had a disability that

<sup>4</sup> ABS 2010, Social Trends (March 2010).



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meant they were only required to seek part time employment, and 3,900 (5%) were not required to look for work due to a temporary illness or incapacity.<sup>5</sup>

They are more likely to live in disadvantaged areas. For example, 29% of young people living in the most disadvantaged 20% of Australian regions were neither employed nor studying fulltime, twice the rate for young people living in other parts of Australia.<sup>6</sup>

### ***What are their job prospects?***

The vast majority of young unemployed people have the same career aspirations as the rest of the community.

*Just a good job, a fulltime, secure good job that I am actually enjoying. A job that I'm good at, a job that I like, a job that I'm happy with, that I'm going to last in. Just a good secure steady job and a steady income. That's what I think the future holds. Of course, a husband and kids, a family. (young unemployed person speaking about her goals in life, Tasmania)<sup>7</sup>*

After the GFC, finding work became much harder for young people, because most employers weren't hiring. In better economic conditions, most young unemployed people obtain employment within six months of starting income support, but many then cycle on and off income support. This is due to the precarious nature of most of the jobs available to young unemployed people with limited qualifications and skills. Also, many education leavers who missed out on a job during the downturn found it harder to obtain work later on when conditions improved because they had no employment record.

*I can't get a job – I've applied everywhere (young unemployed person, Tasmania)<sup>8</sup>*

Low levels of education are a major barrier to work among young unemployed people. In 2009, school leavers who did not complete year 12 were more than twice as likely to be unemployed as those who completed year 12 (19% and 8% respectively), and nearly nine times more likely to not be in the labour force (18% and 2% respectively).<sup>9</sup>

Those young people who are 'disengaged' - neither employed fulltime nor engaged in education or training - are at risk of long term exclusion from the labour market. The proportion of teenagers (15-20 years) who were 'disengaged' rose strongly in 2009 following the GFC, from 13% to 16%, while the proportion of 21-24 year olds rose from 22% to 25%.<sup>10</sup>

<sup>5</sup> DEEWR 2010, Labour market payments.

<sup>6</sup> ABS 2010, op cit.

<sup>7</sup> TASCOS 2009, Just scraping by? Conversations with Tasmanians living on low incomes.

<sup>8</sup> The Salvation Army 2009, op cit.

<sup>9</sup> ABS 2010, op cit.

<sup>10</sup> Australian Youth Foundation 2009, op cit.



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### ***What is their financial situation?***

The maximum rate of Youth Allowance is \$189 per week for 18-20 year olds living away from home or \$124 for those living at home. In order to receive the maximum rate, their parents must have incomes below \$30,000 to \$40,000. This means that parents have very limited capacity to supplement the income support that young unemployed people receive from the Government.

*I don't eat as much as I probably should. Normally I put my other brothers and sisters first. For 2 years there was only bread to have after school. We have Vegemite maybe every once in a while, but normally just margarine. It's not often we have anything else. There's never things like cold sausages from barbeques or anything. Even on Christmas dinners there's never any leftovers. (Young unemployed person, Hobart) <sup>11</sup>*

Unemployed young adults (over 20 years) receive Newstart Allowance and the maximum rate is \$231 per week. If renting privately they may receive up to an extra \$57 per week in Rent Assistance.

These incomes are below the poverty line. In 2007, before the GFC, 37% of young people who were neither employed nor studying lived below the poverty line. This figure includes those living at home with their parents.<sup>12</sup>

It is not possible for most people to meet basic living expenses on these incomes. For many young unemployed people (and their families, if living at home) financial hardship is a part of their daily lives. For example, 43% were unable to pay a utility bill in the last 12 months, and 27% were unable to keep up with the rent. (see graph).

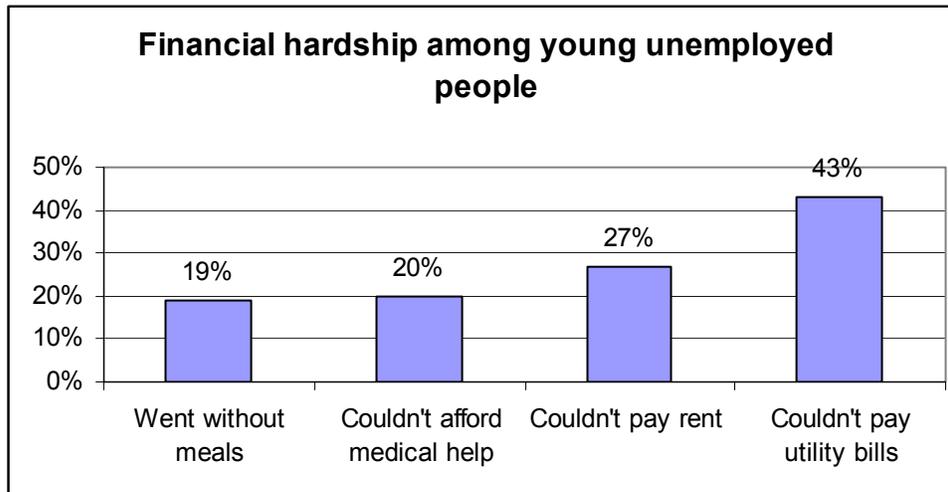
*Well yeah, not being able to – well not like full on go out, but even just to go out with friends, catch up with friends for a coffee or lunch. Sometimes I find myself not even being able to afford to do that. Sometimes you want to go out and just go for dinner or go see a movie. Just once in a while, just to keep you sane.<sup>13</sup>*

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<sup>11</sup> TASCOS 2009, Just scraping by? Conversations with Tasmanians living on low incomes.

<sup>12</sup> Muir et al 2009, State of Australia's young people, Office for Youth, Department of Education Employment and Workplace relations. Research conducted by the Social Policy Research Centre, University of NSW for the Australian Government. The poverty line used is 50% of equivalent household disposable income.

<sup>13</sup> Murphy et al (forthcoming), 'Half a citizen': The stories of 150 welfare recipients in Australia, University of Melbourne (names changed to protect privacy).



Source: Foundation for Young Australians 2009, How young people are faring

## Policies to ease hardship and improve job prospects

The Federal Government has responded to the higher youth unemployment arising from the GFC by introducing new requirements for unemployed young people on income support to study or train, and by working with the State Governments to guarantee them education and training places. It has also provided temporary paid jobs for some through the Jobs Fund, though this program was not targeted to unemployed people. Despite the pension increase, there has been no increase in income support for young unemployed people.

### *Help to train and find work*

The Government's main response to higher youth unemployment was its 'Compact with Young Australians' which was negotiated with State Governments and announced in April 2009. The key goal of the compact is to raise education and skill levels, with a target of 90% of all young people achieving a Year 12 or equivalent level of education. The policy aims to encourage young people to 'learn or earn'.

*You sort of read the jobs and that in the papers and you'll see that experience is necessary. That really drives me crazy, because how can you get the experience if no one will employ you? That really annoys me. But I suppose that's where TAFE becomes involved and unis and stuff. That's where I suppose you get your training from now. (Natalie – a young unemployed person)<sup>14</sup>*

<sup>14</sup> Murphy et al (op cit).



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The Compact has three elements<sup>15</sup>:

*(1) A National Youth Participation Requirement* which requires all young people to participate in schooling (or an approved equivalent) to Year 10, and then participate full-time (at least 25 hours per week) in education, training or employment, or a combination of these activities, until age 17.

*(2) An entitlement to an education or training place* for 15 to 24 year olds in courses leading to Year 12 or equivalent qualifications (Certificate Level II or above). These places are subject to admission requirements and course availability, including fees where these apply. The education/training place entitlement is implemented by State Governments through their school and VET systems.

*(3) New participation requirements for young people on income support:* Young people under the age of 21 on Youth Allowance (Other) or the Family Tax Benefit (Part A) who lack a Year 12 or equivalent qualification have to participate in education and training full-time, or participate in part-time study or training in combination with other approved activities, usually for at least 25 hours per week, until they attain a Year 12 or equivalent qualification. Examples of the types of activities that could be approved, in combination with part time study or training, include part time paid work, voluntary work or a youth transitions program.

ACOSS welcomes the Federal and State Governments' investment in education and training for early school leavers. If they are able to successfully complete Year 12 or equivalent, this should help lift them off the merry-go-round of unemployment and low paid casual jobs.

Yet it is not easy for disadvantaged young people to successfully complete these courses. Evaluations of training programs for young unemployed people here and overseas generally find that they have a low short-term success rate – though they can make a major difference over longer period of time.<sup>16</sup> The reasons for this are the same ones that young people fail to complete school in the first place – such as low academic achievement, problems at home, low aspirations, disabilities and poor health. To overcome these problems, it is not enough to provide a place in a standard classroom-based training course. Many early school leavers need mentoring and guidance to choose the right course and see their training through. They need training in a format that is relevant to their needs – for example in a work setting or with a promise of a job if they successfully complete the training.<sup>17</sup>

<sup>15</sup> DEEWR, Factsheet – Compact with Young Australians, and 'National partnership agreement on youth attainment and transitions', at [www.deewr.gov.au](http://www.deewr.gov.au).

<sup>16</sup> OECD 2005, Employment Outlook; ACOSS 2007, The role of education and training in welfare to work.

<sup>17</sup> ACOSS 2009, Submission to DEEWR on the design of the Productivity Places program; Barnett & Spoehr 2008, Complex not simple - the vocational education and training pathway from welfare to work, NCVET .



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In recognition of these problems, the Compact for Young People includes a new 'Youth Connections' program to mentor and support young people having difficulties at school. However, there is no guarantee that all disadvantaged young people on income support who need the intensive mentoring and support this program offers will have access to it, or that Youth Connections or similar programs will continue once the program is handed over to the States. Anecdotally, the Youth Connections program is full in some States and it is difficult to get a referral. Job Services Australia (JSA) providers are not properly funded to offer this kind of help unless the young person has severe social barriers to work (such as a mental health problem) and is placed in 'stream four' of Job Services Australia assistance. For example, the funding available to JSA providers to help overcome barriers to employment for participants in the 'work experience phase' of the program (mainly long term unemployed people) is an average of just \$500 per unemployed person.

Also, if a young person chooses to meet the 'learn or earn' requirements by studying fulltime, they may lose contact with their Job Services Australian provider and there is no guarantee that another service (such as Youth Connections) will offer them support and guidance to complete the course. There is a risk these young people will fall through the cracks in the social support system. By contrast, the Danish Government guarantees all early school leavers in that country personal mentoring and support for a period after they leave school. This is one of the reasons that a much smaller proportion of people in that country fail to complete Year 12 or its equivalent.<sup>18</sup>

Another barrier to further education and training for unemployed people is the cost of participation. The Compact does not guarantee early school leavers on income support a free place in a course. They have to negotiate the standard application process that applies in each State, which may involve up-front fees. They also face costs such as books and equipment. There is a small training supplement of \$21 per week to help with these costs but this will end after June 2011.

*Well, education. I think for me to get where I want to go, I have to go back and do a course or something like that, yeah. And then money, of course, comes into that because if you can't afford to pay for the courses. (Justine – an unemployed young person)<sup>19</sup>*

Further, the guarantee of education or training places, which is administered by State Governments, is not tailored to the needs of young unemployed people as described here. There are innovative programs in each State that attempt to do this – for example by offering training in a work setting, with mentoring - but few mainstream vocational education and training programs 'go the extra mile' for students from disadvantaged backgrounds.

<sup>18</sup> OECD 2009, Jobs for Youth, Australia.

<sup>19</sup> Murphy et al (op cit).



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The biggest gap in the Compact for Young People is the lack of a paid work experience program. Young people who have no work experience, or have been out of work for a long time, need experience of regular paid employment to strengthen work based skills and their attractiveness to employers. Also, training in a regular work setting is more likely to improve their job prospects than qualifications alone. Unpaid work experience such as work for the dole schemes does not meet this need, and participation in these schemes does not substantially improve future job prospects. It is time in a regular paid job that makes the difference.<sup>20</sup>

Some young unemployed people obtained temporary paid work through the Government's Jobs Fund or through Job Services Australia providers, but most have missed out. By contrast, the former British Government committed to a guarantee of six months' paid employment for young people unemployed for more than six months, as part of its response to the GFC.<sup>21</sup>

### Policy proposals:

#### **1. The Compact for Young People should be strengthened by:**

- (1) guaranteeing all young unemployed people on income support who have 'learn or earn' requirements access to intensive 'case management' or mentoring to help them successfully complete their training;**
- (2) tailoring education and training to the needs of early school leavers and encouraging cooperation between training providers and Job Services Australia providers to link education and training with job opportunities;**
- (3) covering the training expenses of those with 'learn or earn' requirements**
- (4) introducing a paid work experience program for long term unemployed people assessed by Job Services Australia providers as likely to benefit from it.**

### ***Help to move to and live in areas where there are better job opportunities***

One of the reasons that youth unemployment remains high after the GFC is that there is a spatial mismatch between jobs and the places where unemployed people live. A major reason for this is that the cost of housing is prohibitive in areas with the best job prospects. This is a serious problem for unemployed people of all ages. Over the past decade many income support recipients have had to move out of our capital cities to places that are too far away to commute to work in the city. In the Salvation Army survey referred to previously, 84% of young people said that affordable and suitable accommodation was a big issue for young people trying to live independently.<sup>22</sup>

<sup>20</sup> ACOSS 2007, Employment participation policies – an international comparison.

<sup>21</sup> OECD 2009, op cit.

<sup>22</sup> Murphy et al 2003, Welfare outcomes of migration of low income earners from metropolitan to nonmetropolitan Australia, Australian Housing and Urban Research Institute, Positioning Paper No. 34. The Salvation Army 2009, op cit.



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One option to ease this problem is to offer unemployed people of all ages financial assistance to move to a place where there are better job opportunities for them. This was trialled in 2006-07. Up to \$5000 was provided for unemployed people in NSW who volunteered to move to Western Australia (where skilled labour shortages were acute). This was a small pilot scheme administered by coordinators within Government with assistance from local Job Network providers and Centrelink. Unemployed people were matched to jobs in the West.<sup>23</sup>

Most participants were young men. Many did move and obtain jobs, but despite the severe labour shortages that existed at that time the coordinators had difficulty enrolling employers, who usually wanted skilled workers. Also, since the scheme wasn't targeted to disadvantaged job seekers (only to disadvantaged regions), it may have had a high 'deadweight' cost. That is, many of those who were assisted to move may have obtained jobs without moving.

Assistance should not be limited to financial help to make the move: to make such a scheme work, people must be helped to obtain a suitable job (preferably in advance), secure accommodation, and access to the advice and supports they need to settle in the new location (especially in the case of young people or families with children).

Moving house is a big risk for people to take, especially young people leaving their family and other supports behind. Moving to a city or region with better job opportunities can also be costly – especially given the high costs of housing in these areas. If they do not get a job or they lose their job later on, there is a risk that young people would be stranded in a place where they have no supports and high living costs.

When helping people to move, Governments have a duty of care to ensure that only those likely to benefit make the move, that they are assisted to settle, and that people who are vulnerable (for example, those most likely to experience health problems or become homeless as a result of moving) are not moved. In many rural areas with high unemployment there is also a high level of suicide among young people. Moving vulnerable young people away from their family and other supports could potentially increase the risk where young people are overwhelmed by social isolation.

On the other hand, if only the least disadvantaged unemployed people are moved, there is a risk that the Government will waste resources because most would have obtained a job anyway, without moving.

For these and other reasons - including the prospect that public funds will be wasted if the wrong people are sent to the wrong places - ACOSS would oppose a compulsory scheme. It is also possible that a scheme that forces citizens to move to obtain employment is unconstitutional on the grounds that it is a form of civil conscription.

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<sup>23</sup> House of Representatives Employment and workplace relations committee 2010, Inquiry into regional skills relocation.



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Relocation assistance is only part of the solution to the regional mis-match between jobs and unemployed people. It would be pointless to invest substantial public money in helping unemployed to move out of areas with high unemployment if an equal or greater number of unemployed people are forced to move into them due to the high cost of housing in areas where there are jobs. One way to assist unemployed people to live in areas where they have good job prospects is to invest in social housing. In addition, more income support recipients could be helped to live where job opportunities exist by increasing private Rent Assistance.

### **Policy proposals:**

**2. Financial and other assistance should be provided to jobseekers registered with employment service providers to help them to voluntarily relocate from areas of high unemployment. Assistance should be targeted towards jobseekers who are unlikely to obtain employment without such help for at least the next three months, but who are likely to adjust well to the move.**

**Relocation assistance would include:**

- (4) financial help with travel through the person's original Job Services Australia provider, and to settle in the new area from their new provider**
- (5) job placement and any training required, preferably in advance of moving**
- (6) advice and support with settlement in the new area, including the organisation of accommodation in advance and referrals to local services.**

**3. So that unemployed people aren't forced to move out of areas with good job prospects by skyrocketing housing costs, an Affordable Housing Growth Fund should be established to increase the pace of construction of affordable homes, and the maximum rate of Commonwealth Rent Assistance should be raised by 30%.**

### ***Adequate income support for young people unable to find work***

Last year the Government increased pensions for single people by \$32 per week above the normal indexation. This was in response to public concern and research findings that the pension level for single people was inadequate. The age pension is now \$351 per week. Yet unemployed people missed out on this increase. The Newstart Allowance for a single person is now \$120 per week less than the pension and the Youth Allowance is \$162 per week less.

*Yes like I think I don't ever eat the best that I can eat, I could do with more nutritious (food), because I can't always afford to buy things. I've done the whole 'I'm not eating very much or eating a pack of noodles a day, because I don't have any food' kind of thing. It's not very nice, but I'm still pretty good with that, because I know a lot about nutrition and stuff and I go to the markets and get food out of bins if I need to... and go*



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*to places and agencies where people provide food for free on certain days. I think it's pretty bad that there's a cost on people's lives and there's a certain amount of money that keeps you to be healthy. I reckon it's pretty disgusting. Basic things like food and shelter and stuff that people should be provided with. Like stuff that people really can't live without. We've been applying for houses and I'm pretty sure that because I'm unemployed that I'm not getting a house. Situation (is) it looks like I'm not getting a house until I get a job, so that's another reason my employment is pretty important, because a house and a job goes hand in hand for me. (Taylah – a young unemployed person<sup>24</sup>)*

The pension only allows people to live a very frugal life even if they own their home outright. Most unemployed people rent and have to live on much lower payments (see table below). Rent assistance for a single person is up to \$57 per week, a fraction of the rents in most parts of Australia today.

### Social security payments for single people (August 2010)

Payment type	Maximum weekly payment	Gap between payment level and the pension rate
Pension	\$351	\$0
Newstart Allowance	\$231	-\$120
Youth Allowance (away from home)	\$189	-\$162
Youth Allowance (at home)	\$124	-\$227

Over time, the social security system should be reformed so that the distinction between payments for more and less 'deserving' jobless people (pensions and allowances) is removed and payments are based on the minimum costs of living in Australia today. Increasing unemployment payments would not undermine work incentives because these payments are low by international standards. A typical single unemployed adult would almost double their disposable income if they obtained a fulltime job at the minimum wage.

As a first step towards closing the gap between pension and allowance payments, Newstart and Youth Allowance rates for single people should be raised. As recommended by the Henry Review of taxes and transfers, the increase in Newstart Allowance could be based on the same principle that was applied to pensioners last year: that the single rate of payment should equal two thirds of that for a couple.<sup>25</sup>

#### Policy proposal:

**4. The maximum single rate of Newstart Allowance and other 'allowance' payments should be raised by \$45 per week.**

<sup>24</sup> Murphy et al, op cit.

<sup>25</sup> Australia's future tax system 2009, Report to the Treasurer. Australian Government

## Attachment

### *Teenage unemployment rates by ABS Labour Market Region<sup>26</sup> (2009-10)*

	teenage unemployment rate (12 months to June 10)	overall unemployment rate (Mar10)
<b>New South Wales</b>	<b>25.5</b>	<b>5.9</b>
Eastern Suburbs	46.5	3.1
Inner Sydney	38.1	3.6
Wollongong	35.9	6.4
Canterbury-Bankstown	33.1	9.2
North Western Sydney	32.5	6.4
Gosford-Wyong	32.2	6.8
South Eastern NSW	31.5	6.4
Inner Sydney and Inner Western Sydney	26.9	4.0
Richmond-Tweed/ Mid-North Coast	26.7	7.9
Northern/Western NSW	26.5	6.9
Newcastle	25.9	6.0
St George-Sutherland	23.8	6.5
Outer South Western Sydney	22.1	5.7
Fairfield-Liverpool	22.1	6.4
Murray-Murrumbidgee	20.9	5.9
Hunter	20.5	5.5
Illawarra	20.4	6.3
Outer South Western Sydney	19.3	4.9
Central Western Sydney	18.4	8.5
Inner Western Sydney	16.7	4.9
Central Northern Sydney	16.0	3.6
Lower Northern Sydney	14.2	4.3
Northern Beaches	5.0	4.9

<sup>26</sup> Maps of the labour market regions can be viewed here:  
[http://acoss.org.au/images/uploads/Labour\\_force\\_region\\_maps.pdf](http://acoss.org.au/images/uploads/Labour_force_region_maps.pdf)



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<b>Victoria</b>	<b>29.0</b>	<b>5.7</b>
North Western Melbourne	52.3	5.9
Central Highlands-Wimmera	46.4	5.2
Loddon-Mallee	42.5	6.4
Goulburn-Ovens-Murray	38.7	6.6
Outer Western Melbourne	34.4	5.6
South Eastern Melbourne	31.8	4.1
Barwon-Western District	24.3	5.0
Outer Eastern Melbourne	23.5	4.9
North Eastern Melbourne	23.1	4.5
Inner Melbourne	21.9	5.5
Mornington Peninsula	18.2	5.2
Gippsland	16.3	3.1
Southern Melbourne	14.0	2.9
Inner Eastern Melbourne	13.0	2.3
North Western Melbourne	52.3	5.9
Central Highlands-Wimmera	46.4	5.2
<b>Queensland</b>	<b>24.6</b>	<b>6.3</b>
Far North	39.5	3.2
Brisbane City Outer Ring	30.7	5.4
Gold Coast	29.0	4.0
South and East Brisbane Balance	26.4	3.2
North Brisbane Balance	24.1	4.6
Northern-North West	22.7	3.6
Ipswich City	22.2	5.6
Sunshine Coast	20.7	3.3
Brisbane City Inner Ring	19.9	4.3
West Moreton	19.9	6.0
Darling Downs-South West	19.3	4.5
Wide Bay-Burnett	17.3	2.9
Mackay-Fitzroy-Central West	17.0	3.0
Far North	39.5	3.2
Brisbane City Outer Ring	30.7	5.4



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<b>South Australia</b>	<b>23.9</b>	<b>5.3</b>
Western Adelaide	36.3	7.4
Northern Adelaide	27.7	3.8
Southern Adelaide	23.7	4.2
Northern and Western SA	20.8	4.6
Eastern Adelaide	20.6	5.0
Southern and Eastern SA	18.5	4.6
Western Adelaide	36.3	7.4
Northern Adelaide	27.7	3.8
<b>Western Australia</b>	<b>17.8</b>	<b>5.4</b>
Central Metropolitan	49.4	7.5
South West Metropolitan	24.8	4.0
South East Metropolitan	18.0	3.7
East Metropolitan	16.1	2.8
Remainder-Balance WA	15.7	2.8
Lower Western WA	14.6	2.9
North Metropolitan	12.2	2.5
Central Metropolitan	49.4	7.5
<b>Tasmania</b>	<b>20.3</b>	<b>6.1</b>
Greater Hobart-Southern	23.9	4.4
Mersey-Lyell	22.7	2.8
Northern	12.6	2.2
<b>Northern Territory</b>	<b>15.4</b>	<b>4.0</b>
<b>Australian Capital Territory</b>	<b>19.6</b>	<b>4.0</b>
<b>Average of all regions</b>	<b>24.3</b>	<b>5.7</b>

Sources: DEEWR, Labour market information portal; DEEWR, Australian regional labour markets (March 2010). The 69 labour market regions are those used by the Australian Bureau of Statistics.