



Faces of Unemployment

September 2018



Jobs Australia

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Summary

This new report looks behind the headline unemployment statistics to reveal who is affected, why it's no easy matter for most unemployed people to secure a job, and the disturbing growth in long-term unemployment. We also look at the chances people on unemployment payments have of getting a job, and the help they receive from jobactive employment services.

People receiving unemployment payments are not who many people think

The main unemployment payments are Newstart (NSA) and Youth Allowance (YA). In July 2018 there were 827,794 recipients of these payments. They are largely, but not entirely, the same people as the 713,000 the Australian Bureau of Statistics classified in that month as unemployed.

The media presents a stereotypical image of unemployed people (for example, young surfers). The real story is that NSA and YA recipients come from diverse backgrounds and age groups (Figure 1):

- 17% were under 25 years, 38% were aged 25-44, and 43% were over 45 (a growing share of unemployed people are older);
- 13% are principle carers of children (mainly sole parents), many of whom were diverted from Parenting Payment to the lower NSA under "Welfare to Work" policies;
- 24% have disabilities (as more people are diverted from Disability Support Pension to NSA);
- 13% identify with Aboriginal and Torres Strait Islander background;
- 19% had culturally and linguistically diverse backgrounds.

Most of these groups face significant barriers to employment, including disabilities, caring roles, and employer discrimination.

Almost two-thirds of people receiving unemployment payments are long-term recipients

In March 2018, 547,066 people (64% of recipients)

were unemployed long-term - that is, had received unemployment payments for more than a year. This represents a slight increase on the 62% in 2016 and 60% a decade ago (just before the GFC). Of great concern is the 44% who have received unemployment payments for over two years and 15% for more than five years.

This is a serious, and long-standing, policy failure. A majority of unemployed people are systematically excluded from paid employment. As people become unemployed for longer periods, their job prospects sharply diminish. Among recipients of Newstart and Youth Allowances in 2015, the average probability of being off benefits 12 months later (in 2016) was 55% for those unemployed for less than three months, compared with 30% for people unemployed for 12 to 24 months, and 22% for those unemployed over 5 years.

In Figure 2, we also publish for the first time a breakdown of those who receive Newstart and Youth Allowances long-term. They belong to groups who struggle to secure paid work. Among all long-term recipients in September 2017:

- 49% were aged over 45 years;
- 29% had disabilities;
- 16% were principal carers of children, including sole parents;
- 11% identified as being of Aboriginal and Torres Strait Islander background;
- 21% were from culturally and linguistically diverse backgrounds;
- 29% lived outside metropolitan areas.

It isn't easy for people to find employment

Growth in jobs was almost stagnant from the Global Financial Crisis (GFC) in 2008 to 2017, and most of the new jobs created over that period were part-time. Jobs growth picked up during 2017, with an extra 360,000 jobs created over the year, but from the end of last year to May 2018, employment declined by 11,000 jobs.

In May 2018 there were 723,700 people unemployed (5.4% of the labour force). While this is close to the Reserve Bank's estimate of 'full employment', this does not mean it is easy for unemployed people to secure paid work. For instance, another 1,102,700 (8.3% of the labour force) were under-employed (employed part-time and seeking more paid hours).

Altogether, in May 2018, there were eight unemployed or under-employed people for every job vacancy, down from ten a year earlier. When employed people changing jobs are added in, the number applying for each vacancy almost doubles (for example, to 16 in 2016).

Further, the share of the low-skilled jobs which many unemployed people seek is gradually shrinking, and those jobs are increasingly offered on a part-time or casual basis so that more people are cycling between unemployment payments and jobs. In 2017, among low-paid workers (those receiving less than two-thirds of the median hourly wage), 55% were part-time and 63% were casuals.

People out of paid work don't get enough help

The fact that almost two-thirds of people on unemployment payments have received them for over a year underscores the importance of an adequate income for unemployed people, and employment services that help them prepare for a job and support them in paid employment. Yet, as well having the lowest unemployment benefit in the OECD at \$277 per week, Australia spends less than half the OECD average level on employment assistance.

Australia has among the toughest work requirements for unemployed people in the OECD, with most having to search for 20 jobs a month and participate in compulsory 'annual activities' like Work for the Dole for up to six months of each year, in order to receive unemployment payments.

The main employment service program, jobactive, focusses mainly on supervised jobs

search, which on its own won't get many people out of paid work for prolonged periods 'over the line'. Of the help offered to people unemployed long-term, wage subsidies are relatively effective and Work for the Dole is relatively ineffective. Work experience in regular paid employment, together with career advice and training to update skills, are important stepping stones to secure jobs.

In 2016-17, of those engaged in the six months of compulsory 'annual activity', 26% were in part-time employment, 17% were in training, and 48% were in Work for the Dole. A smaller share received a wage subsidy for employers to trial them for 3-6 months. Employment outcomes (the share of participants in paid employment three months later) varied among these programs, from:

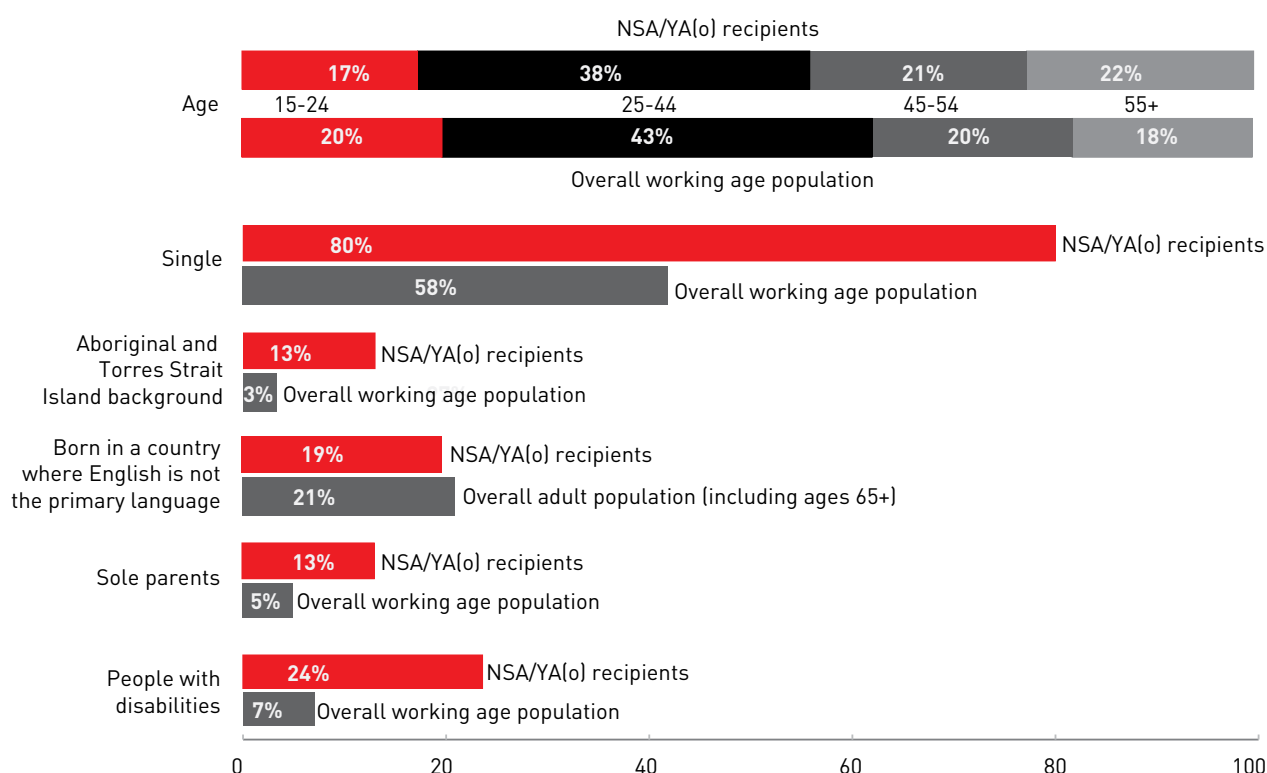
- 36% after vocational training;
- 32% after voluntary work; and
- 27% after Work for the Dole.

During 2016-17, among people unemployed for 12-24 months, 45% were in employment 3 months after participating in jobactive. This was an improvement on the 43% a year earlier. However, consistent with the changes in low-skilled jobs discussed above, 62% of the jobs they obtained in 2016-17 were part-time and 38% were casual.

How to reduce poverty and prolonged unemployment

ACOSS has welcomed the government's major review of employment services, as an opportunity to undertake the fundamental reform in this area that's needed, once jobactive contracts end in July 2020. It's time to raise the single rate of Newstart and Youth Allowances so that people can meet basic living costs and search for employment, and refocus employment services towards intensive help that makes a difference, and away from Work for the Dole and other forms of benefit compliance.

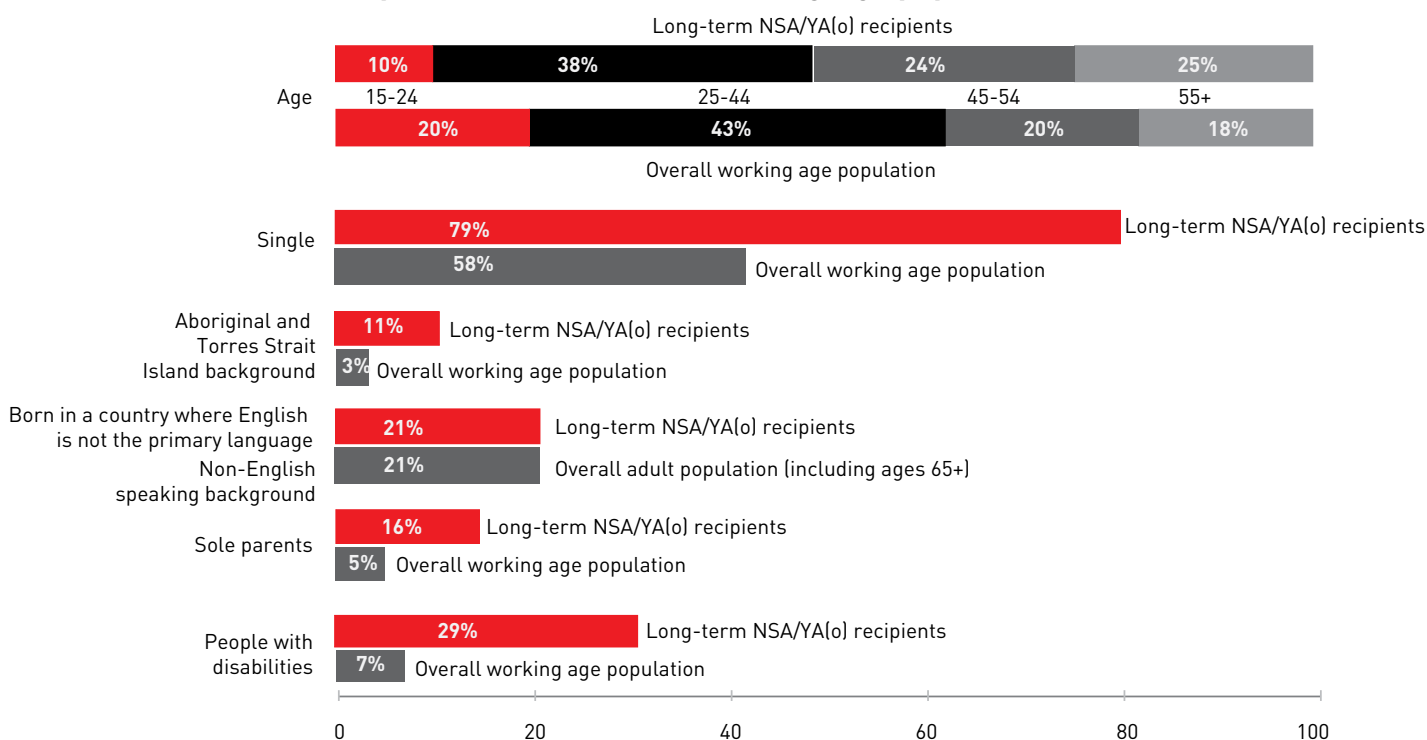
Figure 1: Profile of NSA/YA recipients in March 2018 compared with the overall working-age population, June 2017



Sources: Department of Social Services (2018): *DSS Payment Demographic Data, March 2018*; Australian Bureau of Statistics (2018): *Australian Demographic Statistics, December 2017*

Note: Overall population figures are dated June 2017, except for figures for people born in a country where English is not the primary language, which is based on Census 2016 figures. Figures for people born in a country where English is not the primary language include all adults, not just the working age population.

Figure 2: Profile of long-term NSA/YA recipients in September 2017 compared with the overall working-age population, June 2017



Sources: Department of Human Services administrative data (DSS Blue Book dataset), produced in April 2018; Australian Bureau of Statistics (2018): *Australian Demographic Statistics, December 2017*

Note: Overall population figures are dated June 2017, except for figures for people born in a country where English is not the primary language, which is based on Census 2016 figures. Figures for people born in a country where English is not the primary language include all adults, not just the working age population.

Part 1: Who receives unemployment payments?

1.1 What are unemployment payments?

The main unemployment payments are Newstart Allowance or NSA (for those over 21 years of age) and Youth Allowance or YA (for young people who are unemployed, as distinct from fulltime students).

In July 2018 there were 827,794 recipients of these payments. They are largely, but not entirely, the same people as the 713,000 the Australian Bureau of Statistics classified in that month as unemployed.¹

NSA and YA have become the default payments for people of working age (18-64 years) with low incomes, as more people are required to seek paid work as a condition of benefit. Since 2007, a growing number of sole parents with school-age children and people with disabilities, who previously would have received pension payments (Parenting Payment or Disability Support Pension) have been placed on NSA or YA instead. People too ill to seek paid work also receive these payments.

At \$273 a week (\$223 for a young person living away from their parents) these payments are **well below poverty levels**.² A single adult on NSA

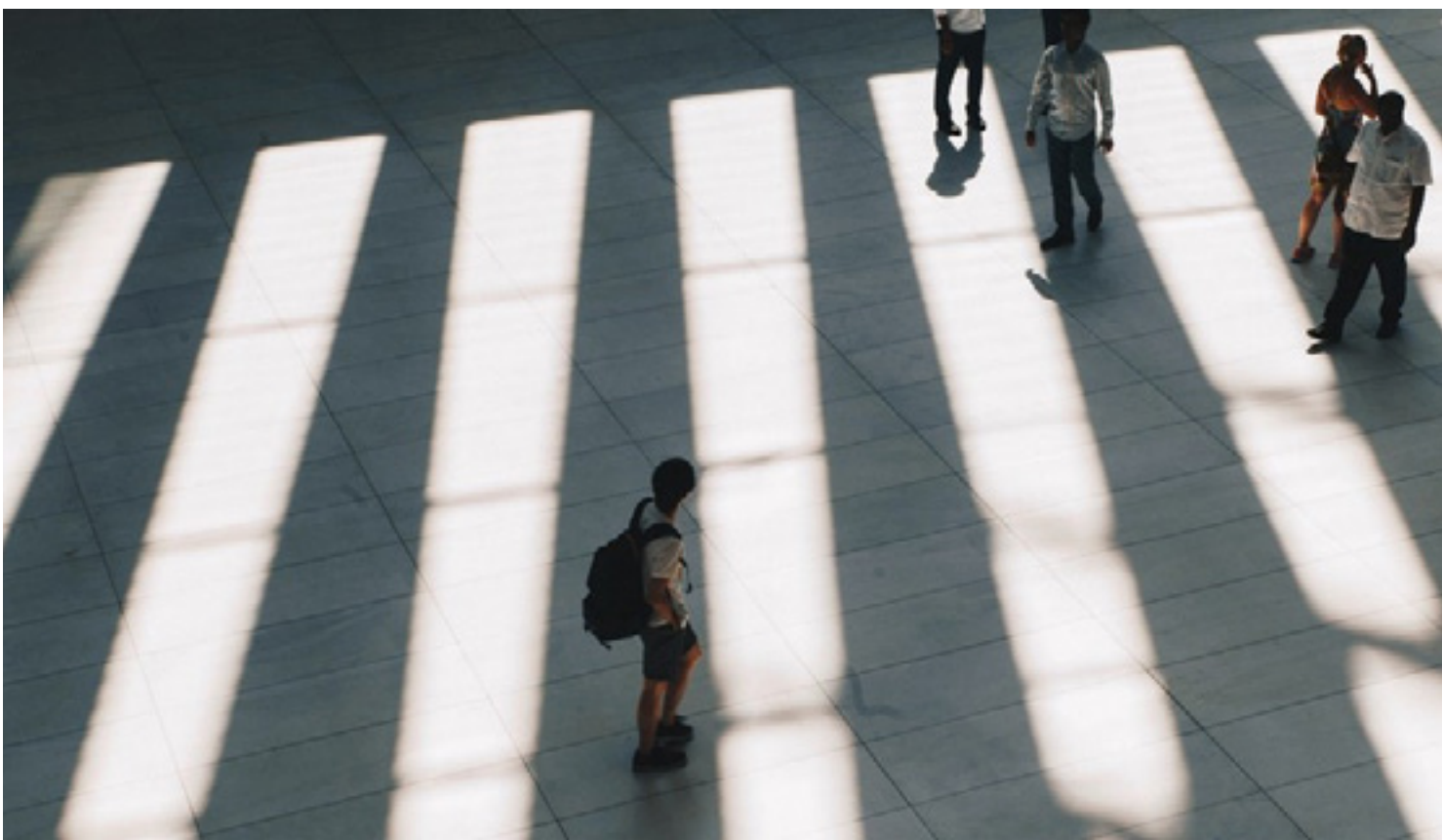
would more than double their disposable income if they found a fulltime job at the minimum wage.³ Out of the overall social security budget, just 8% was spent on unemployment payments in 2017.

1.2 Who receives unemployment payments? It's not who many people think

The media presents a stereotypical image of people receiving these social security payments (for example, young surfers). Here we reveal the true facts.

More unemployed people are **middle to mature aged** (38% of recipients aged 25-44 and 43% over 45) than most people think (Figure 1). Many have dependent children (10% are sole parents still more are partnered with children).

Many find it harder to secure a job because they belong to a group that's often **discriminated against** in employment, including 13% of Aboriginal and Torres Strait Islander background, 18% from culturally and linguistically diverse backgrounds and 22% with a disability (partial work capacity).



Profile of Newstart/Youth Allowance recipients

10%



are sole parents, many of whom were diverted from Parenting Payment to the lower NSA under "Welfare to Work" policies

24%



have disabilities, who were diverted from the Disability Support Pension to NSA

11%



identify as Aboriginal and Torres Strait Islander background

17%



had culturally and linguistically diverse backgrounds

17%

were under 25 years



38%

were aged 25-44



43%

were over 45 (a growing share of unemployed people are older)

The longer people are unemployed, the more their paid work prospects diminish.

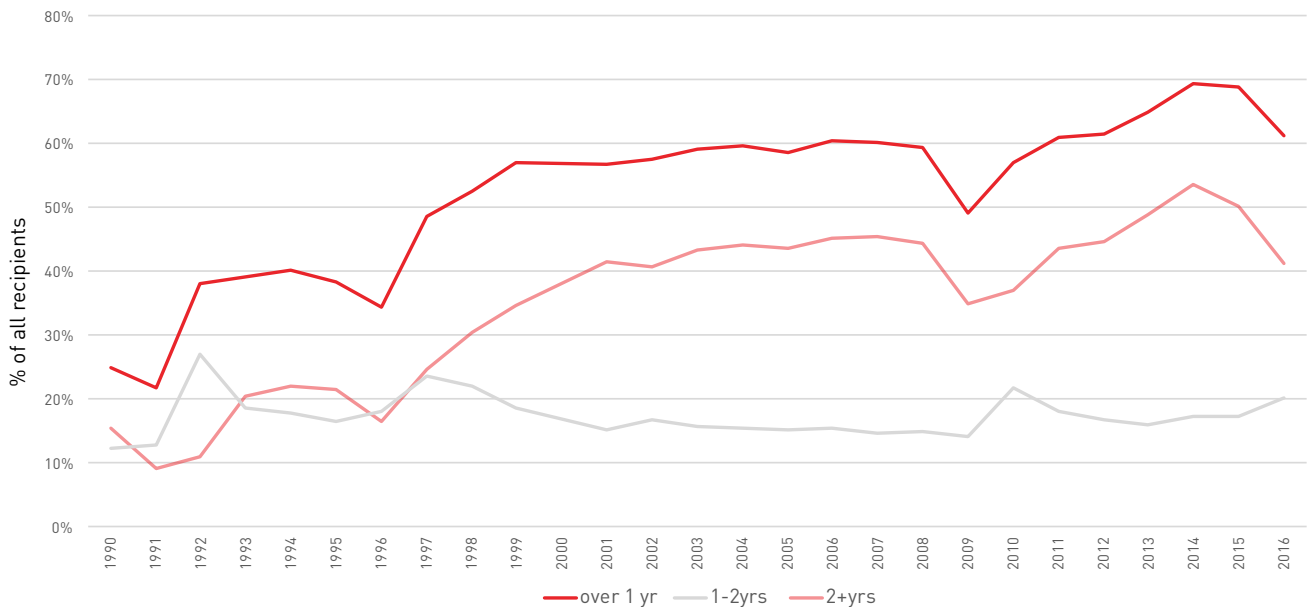
1.3 More than half of people on unemployment payments are unemployed long-term, and their job prospects are not good

High rates of long-term unemployment are becoming entrenched. In March 2018, 547,066 people (64% of recipients) had received unemployment payments for more than a year, similar to the 62% in 2016 but well above the less than 40% rate in the early 1990s (Figure 3). Of deep concern, in March 2018, 44% had received unemployment payments for over two years and 15% for more than five years.

The longer people are unemployed, the more their paid work prospects diminish.

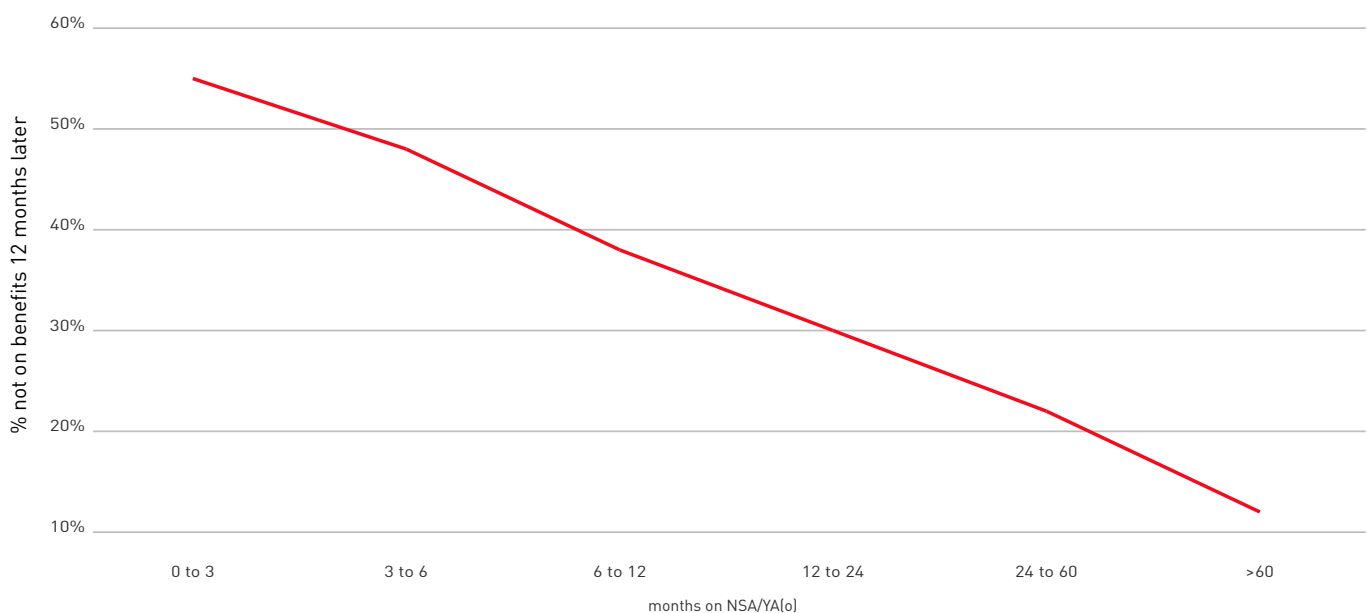
Among recipients of NSA and YA in 2015, the average probability of being off benefits 12 months later (in 2016) was just over 50% for those unemployed for less than 3 months, compared with 30% for those unemployed for 12 to 24 months, and just over 10% for those unemployed for more than 5 years (Figure 4).⁴

Figure 3: Trends in the share of long-term NSA/YA recipients (2007-17)



Source: Department of Family and Community Services (various years): *Statistical profile of social security recipients*; social security statistics at www.data.gov.au

Figure 4: The chances of leaving unemployment payments diminish over time



Source: McGurk E (2016): *Analysis of long-term unemployed income support recipients*, Long-Term Unemployed Conference, Brisbane December 2016.

1.4 Long-term unemployment has many causes

Long-term unemployment (defined as longer than one year unemployed) itself puts people at a disadvantage as they lack recent work experience and references, and employers often use this to screen them out of job interviews⁵.

The reasons for long-term unemployment are diverse. Those affected are also more likely to belong to groups who struggle to secure paid work. Among all long-term unemployment

payment recipients in September 2017:

- 49% were over 45 years;
- 29% had disabilities;
- 16% were principal carers of children, including sole parents;
- 11% identified as being of Aboriginal and Torres Strait Islander background;
- 21% were from culturally and linguistically diverse backgrounds;
- 29% lived outside metropolitan areas.

Profile of long-term unemployed people

49%



were aged over 45 years

29%



had disabilities

16%



were principal carers of children, including sole parents

11%



identified as being of Aboriginal and Torres Strait Islander background

21%



were from culturally and linguistically diverse backgrounds

29%



lived outside metropolitan areas

The profile of recipients of these payments has become much more disadvantaged.

1.5 Australia has failed to make serious inroads into long-term unemployment for three main reasons

There are three main reasons Australia has been unable to reduce long-term reliance on unemployment payments.

First, the profile of recipients of these payments has become more disadvantaged.

One reason for this is as unemployment falls (it is much lower than it was after the recession in 1991), those who are less disadvantaged in the labour market find jobs more quickly, leaving behind the more disadvantaged groups.

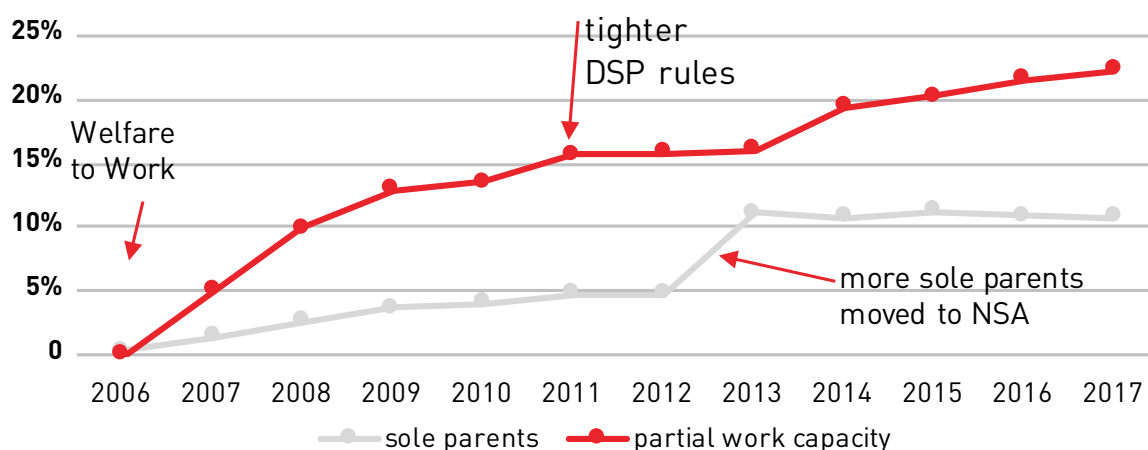
Another reason, as discussed, is the growing share of unemployment payment recipients

who would previously have received pension payments: people with disabilities and sole parents with school age children. The welfare 'reforms' of the mid 2000s and 2010s were designed to boost workforce participation, but in many cases they simply shifted people from higher to lower social security payments (Figure 5).

Second, as discussed later, Australia under-invests in employment services for people who struggle to secure paid employment.

Third, the labour market has changed so that jobs that were previously available to people with similar characteristics to today's recipients of unemployment payment (especially those with lower qualifications and skills) are either harder to get, or harder to keep. We turn to this issue next.⁶

Figure 5: The share of recipients of unemployment payments who are sole parents or people with disabilities has risen, as more were diverted from pension payments



Source: Department of Human Services administrative data (DSS Blue Book dataset), produced in April 2018

Stewart's story

Aged 47, Stewart lives in the northern Melbourne suburb of Epping. Always hardworking, Stewart proudly held a consistent employment record, working within the warehousing sector as a forklift operator.

In mid-2014, in the space of just 24 hours, Stewart found himself unemployed and has been living week to week ever since. Personal issues, including family difficulties, and the side effects of mental health strain had an immense effect on his life.

Although Stewart receives Newstart benefits, this meagre income falls short of providing Stewart and his 5-year-old daughter with even the most basic of human necessities. The inadequacy of Newstart adds extra pressure to an already challenging situation as he continues to navigate his way around managing his own mental health, and his daughter's possible diagnosis for autism.

Not surprisingly, unemployment has taken its toll on Stewart's confidence. He really wants to find work and through Centrelink, Stewart engaged with Ostara Australia, a not-for-profit organisation that specialises in individualised employment services for job seekers facing any mental or emotional challenges.

At Ostara, Stewart meets with his employment coach Rozy twice a week for job search assistance and personalised mentoring. With the right support, Stuart is working hard to reengage with the workforce, and feels that he is more likely get a job in the future, to pay bills and support his family.

Note: Stewart has since secured a job.



Part 2: What jobs are available to unemployed people?

2.1 The roller coaster ride of unemployment and under-employment

In May 2018 there were 723,700 people unemployed (5.4% of the labour force) according to the Australian Bureau of Statistics (ABS). Another 1,102,3700 (8.3% of the labour force) were under-employed, that is, employed part-time and seeking more paid hours.⁷

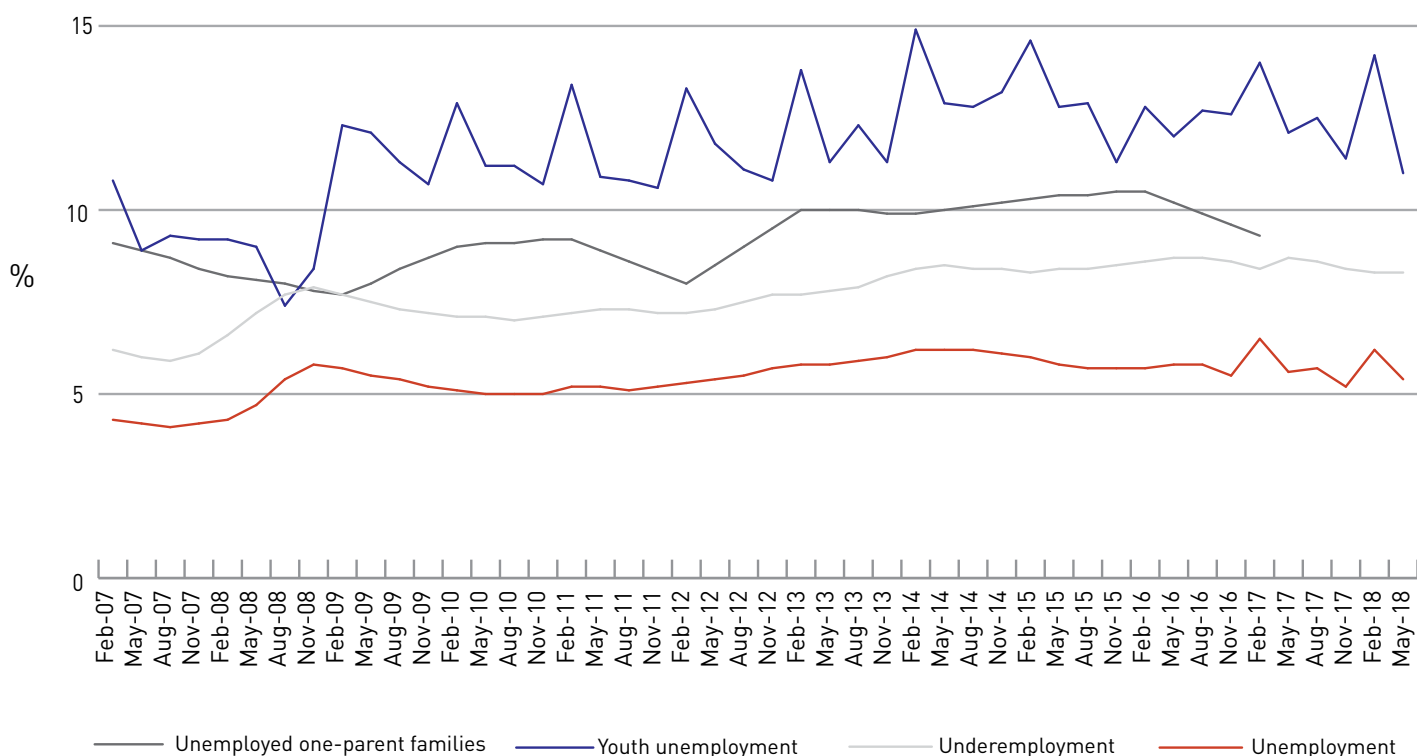
Since the GFC of 2008, unemployment has peaked twice (at 5.8% in 2009 and 6.2% in 2015) and has since gradually declined (Figure 6). In the last economic downturn, many employers held onto existing staff but stopped recruiting, so that young people leaving education and women

returning to paid work after caring fulltime for children (especially sole parents) were particularly affected.

Another feature of this cycle of down-turn and recovery was the rapid growth and slow decline in under-employment (people seeking more paid hours and not being able to find them).

Figure 6 shows the swings and roundabouts of annual growth in unemployment, youth unemployment, and under-employment over the past decade, commencing in 2007, the year before the GFC. While youth unemployment rates are usually higher than adult rates, it is clear that since the GFC, young people and sole parents have fared relatively poorly.⁸

Figure 6: Trends in unemployment, underemployment, youth unemployment (% of labour force, 2007-17)



Source: Australian Bureau of Statistics (2018): 6202.0 - Labour Force, Australia, Mar 2018.

2.2 Employment growth picked up during 2017, but has since flat-lined

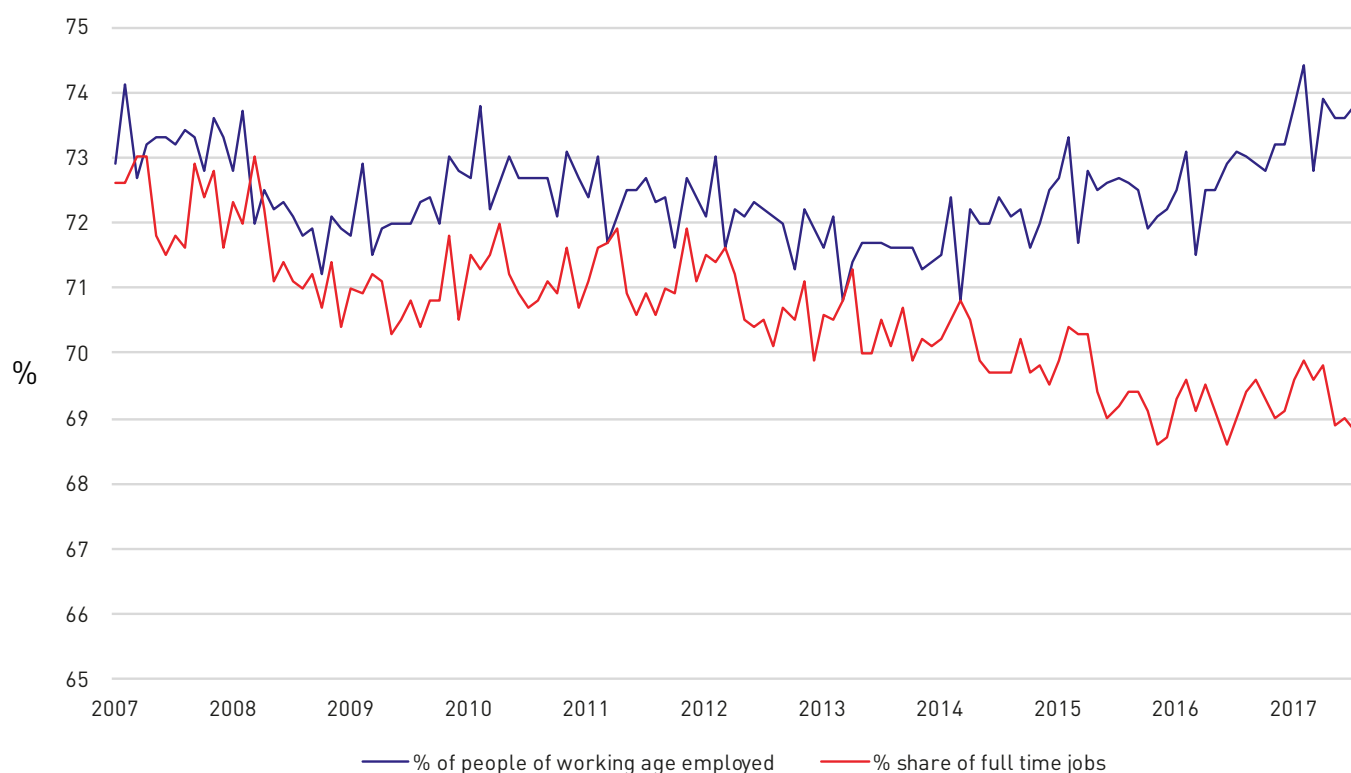
In May 2018, the share of people of working age (15 – 64 years) in jobs (73.8 %) is slightly higher than it was before the GFC (73.1% in November 2007), but the full-time share of jobs has fallen from 72.7% to 68.8%.

Figure 7 shows that after the GFC, from 2008 to 2016, the employment rate hovered around 72% of people of working age, while the share of full-time jobs fell from 71% to 69%. Employment

growth finally took off through 2017, with 365,000 jobs added over the year (a 3% increase), of which 78% were full-time (285,900 full-time and 79,000 part-time). By December 2017, 74.4% of people of working age were employed, (69.9% of them full-time).

From the end of last year to May 2018, employment declined slightly. The total number of jobs fell by 11,000 and the number of full-time jobs fell by 142,000, reducing the full-time share of jobs to 68.8%.

Figure 7: Proportion of the working-age population (15-64 years) employed and share of full-time jobs



Source: Australian Bureau of Statistics (2018): 6202.0 - Labour Force, Australia, May 2018

On the face of it, the labour market looks much healthier than it was a few years ago. The unemployment rate is close to the Reserve Bank's estimated level of 'full employment', currently 5%.⁹ However, the slow growth in wages (forecast in the Federal Budget to be just 2.25% during 2017-18) suggests that it is not as easy as the unemployment figures suggest for people to find paid work, change jobs, or secure promotions.¹⁰

Further, even if more jobs are available, unemployed people are not the only ones searching for them, and not everyone has an equal chance of landing a job. In this report, we focus on those who are being left behind, especially people unemployed long-term (more than 12 months).

Dale's story

Dale lives in Atherton, which is inland from Cairns in North Queensland. Aged in his fifties, he has been unemployed on and off for 10 years.

Dale hates being unemployed and living on Newstart. After paying rent and bills, he's left with only \$100 to get by on each fortnight.

Dale believes there is a lot of prejudice in Atherton against Indigenous people, and it is even harder to find work if you have a criminal record.

'Being unemployed it stinks, especially when you have a good resume. If you have a criminal history it is much harder'.

Dale has worked in the past on farms and as a labourer, and occasionally gets casual work caring for country as a ranger. This involves activities like controlling weeds and feral animals and fire management, which helps to preserve his cultural heritage and homelands for future generations.

Dale also does what he can to find other work, from applying for jobs in business and industrial work around Atherton, to interacting with schools and networking with the community through activities such as a men's group.

He's happy with the support he gets from his jobactive provider. He believes they are always looking for work for him, they take him to information sessions and keep in regular contact.

Dale's dream is to get a job as an Indigenous mentor, 'working with the younger generation to get them motivated and employed'.

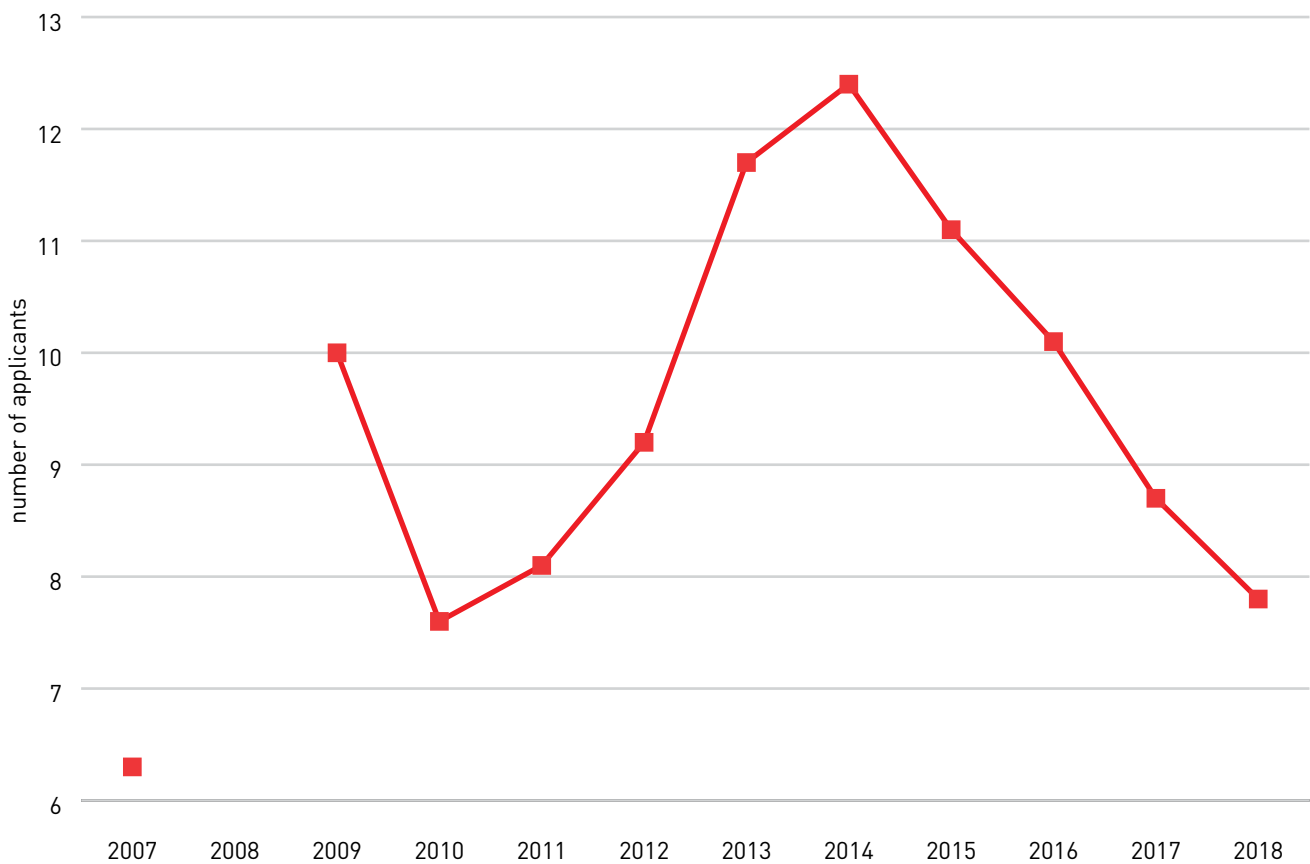


2.3 The number of un- and under-employed people chasing each job vacancy has declined since 2014, but remains higher than the pre-GFC level.

One way to measure how easy or hard it is for people to find a job is to compare the number of people seeking employment with the number

of vacancies advertised. From November 2014 to May 2018, the number of job vacancies rose from 1.2% to 1.7% of the labour force, while unemployment and underemployment together declined from 14.3% to 13.7% of the labour force. As a result, **the number of unemployed and under-employed people per vacancy declined, from a peak of 12.4 to 7.8** (Figure 8).

Figure 8: Number of unemployed + underemployed people per job vacancy (2007-18)



Source: Australian Bureau of Statistics (2018): 6202.0 - Labour Force, Australia, May 2018; Australian Bureau of Statistics (2018): 6354.0 - Job Vacancies, Australia, May 2018

That's not the whole story: other groups competing for those vacancies include people already employed who want to change jobs, and new entrants to the workforce such as education leavers and new migrants. Based on an employer survey, the Department of Employment estimated that in 2016 there were an average of **14 applicants for every job**.¹¹ Competition is tougher for low-skilled jobs. In 2015, the Department estimated that on average there were 43 applicants for every entry-level job in retail, hospitality and construction.¹² In 2016-17, there was **an average of 19 applicants per low-skilled job** (including those with lower job turnover than the three industries above).

Existing workers usually stand a better chance of winning a job vacancy than unemployed people.

So it's harder for unemployed people to get a job than the headline unemployment and job vacancy figures suggest.¹³

Another factor to consider is growth in the number of new entrants to the paid workforce, such as school leavers and migrants. Recent years have seen very strong growth in **temporary migration**, especially among international students and working holiday-makers (back-packers), who typically work in low skilled jobs in industries such as hospitality, retail and agriculture. In December 2016, 393,000 students and working holiday-makers had visas with employment rights (3% of the labour force).¹⁴ Over the decade of the 2000s, growth in these visa-holders (most of whom are young) comprised half the overall growth in the youth labour force.

On the whole, new migrants contribute positively to growth in living standards and the diversity of the Australian community, and have little impact (positive or negative) on employment and wages among the resident population.¹⁶ However, when the Productivity Commission examined this issue in 2016 it was unable to draw firm conclusions on the specific impact of temporary migration on the availability of jobs or rates of pay at the low-skilled end of the labour market. In the wake of the 7:11 and Caltex scandals, concerns have been raised about the under-payment of temporary visa holders and their vulnerability to exploitation.¹⁷ It is likely that such strong growth in the low-skilled labour force has had an impact on pay and employment opportunities in that segment of the labour market, and this should be properly evaluated.

2.4 What kinds of jobs are available? The options are narrowing for people with low qualifications

Unemployed people have lower skills than the broader workforce.

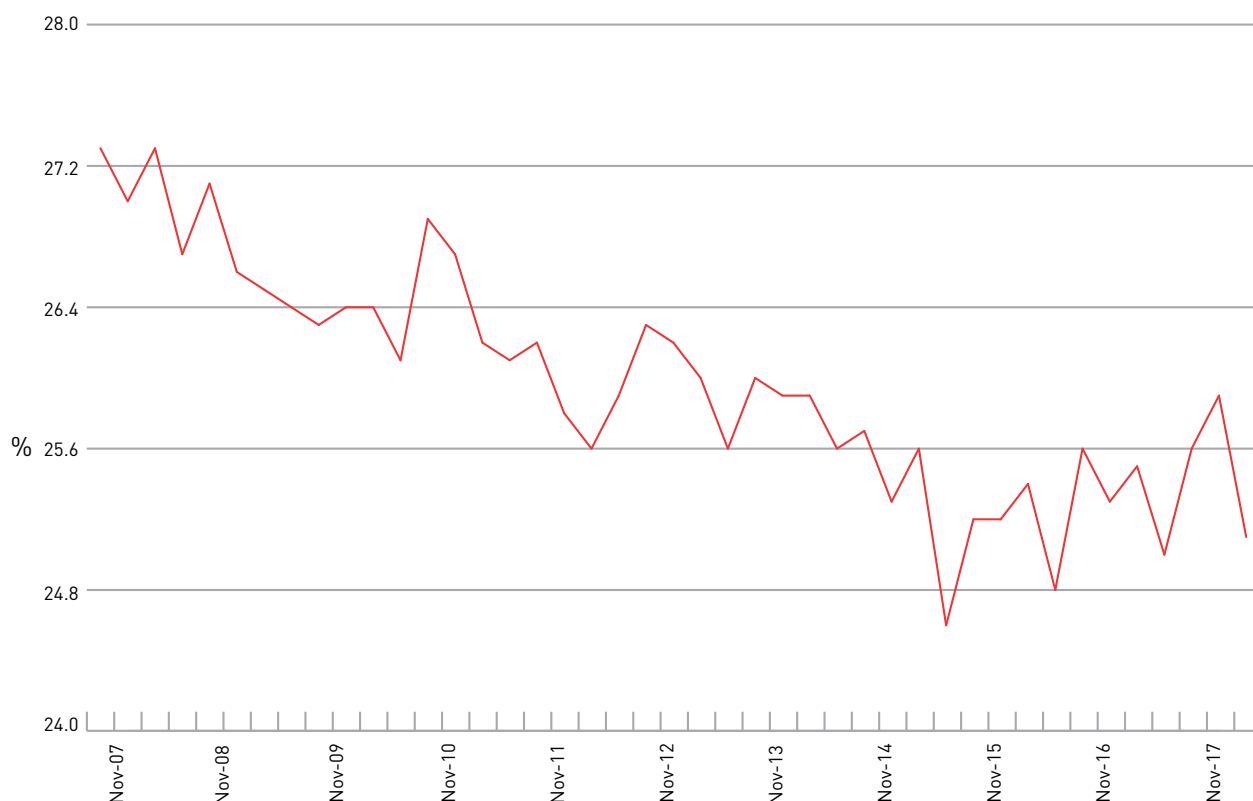
Unemployed people are twice as likely **not to have completed high school** than the broader labour force. Among unemployed people in November 2017, 24% had less than Year 12 qualifications, compared with 12% of the overall labour force.¹⁸

The share of low-skilled jobs is shrinking:

People who left school early and lack post-school qualifications are falling behind in the race for jobs.

In November 2017, 25.6% of all jobs were in the lowest three skill levels (labourer/sales/machinery operators and drivers), up from 25.2% in 2015 but down from 27.3% a decade ago (Figure 4).¹⁹

Figure 9: Share of jobs in lowest three skill levels (2007-18)



Source: Australian Bureau of Statistics (2018): 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Feb 2018

Note: Refers to labourers, sales workers, and machinery operators and drivers.

Note: Lowest skill levels are the lowest three skill levels (labourer/sales/machinery operators and drivers), according to the Australian Standard Classification of Occupations (ASCO).



The share of low-skilled jobs is expected to **shrink further in future**. Projections of future growth in jobs by skill level from Shah and Dixon indicate that from 2017 to 2024, the share of sales jobs is expected to fall from 9.4% of all jobs to 8.9%, for machinery operators and drivers from 6.4% to 6.2%, and for labourers from 9.5% to 9.3%.²⁰

People in low-skilled jobs are worst affected by under-employment and precarious employment.

In 2017, among low-paid workers (those receiving less than two-thirds of the median hourly wage), 55% were part-time and 63% were casuals.²¹

*Many low skilled workers (especially men) are stuck in a low pay-unemployment cycle.*²²

Unemployed people receiving Newstart and Youth Allowances are more likely to obtain part-time or casual jobs than full-time permanent jobs. While part time and casual jobs suit many people, they often fail to lift people out of income support in a sustained way.

During 2016-17, 49% of unemployed people who participated in jobactive employment services obtained employment (on average) three months later. **Of those who found jobs, 53% obtained part-time work and 54% obtained casual jobs.**²³ Among those with part-time jobs, 65% were underemployed (still seeking more hours).

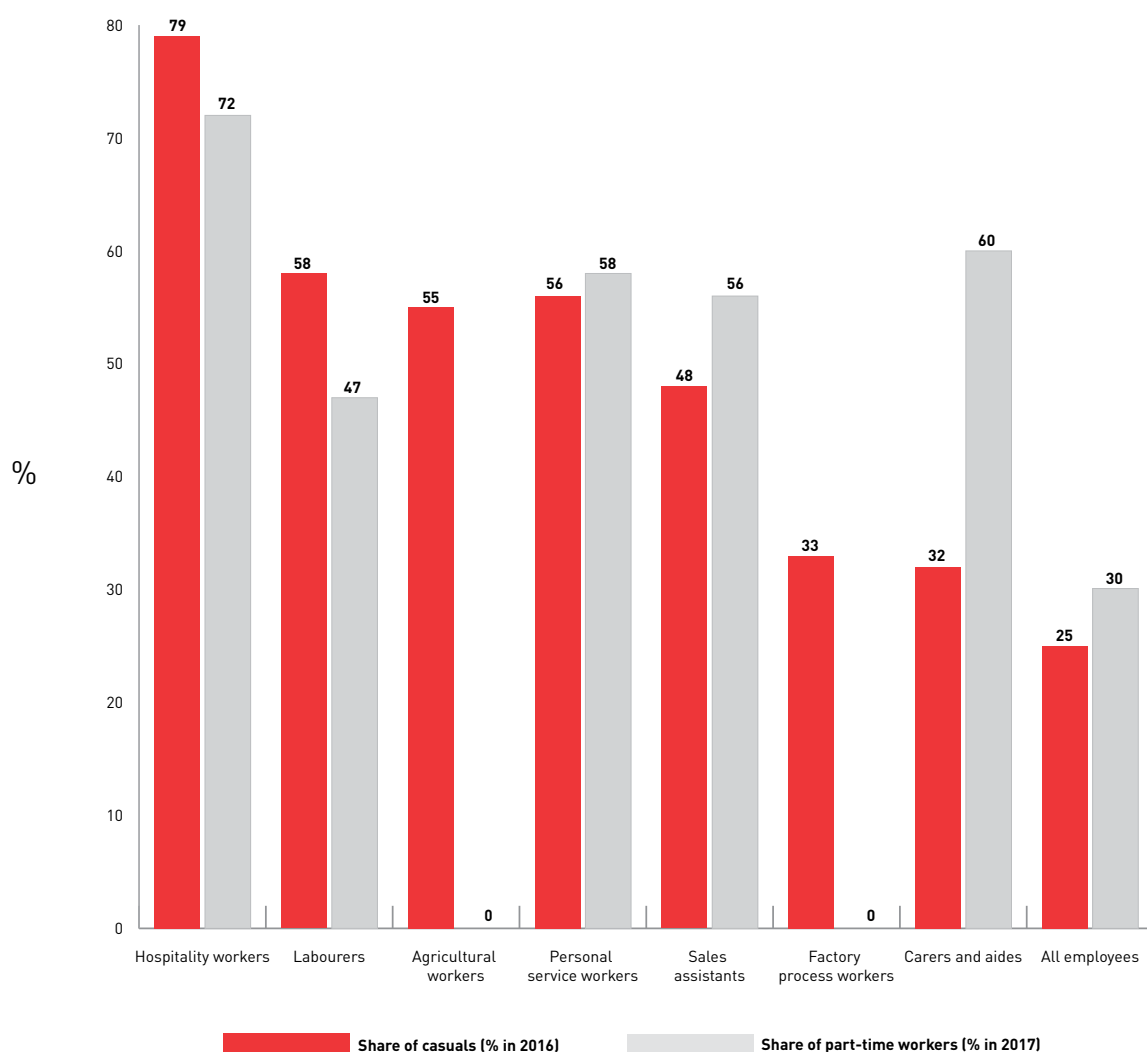
A major reason for this bias towards part-time and casual jobs for unemployed people is long-term changes in the structure of low-skilled jobs, as employers have divided such jobs into smaller parcels of work offered on a part-time basis when needed.²⁴ This is common practice, for example, in supermarkets. In November 2017, **of all low-skilled jobs 42.3% were part-time and most of these were casual jobs.**²⁵

Casual hire is a common feature of low-skilled jobs

Australia has the second highest rate of casual employment (daily hire) in the OECD at 25% in 2016 (27% of female employees and 23% of males).²⁶ A significant feature of casual employment in Australia (unlike most countries) is the pay 'loading' (often 25%) to compensate for lack of leave entitlements. Of all casual employees, 42% are married, 19% are dependent students living with their parents, and 15% are living alone or sharing housing outside the family.

Most casual employees are low-skilled workers who have been in the same job for over a year.²⁷ Figure 10 shows that share of casual jobs is much higher than average among low-skilled occupations, including hospitality workers (79%), labourers (58%), farm workers (55%), cleaners (45%), sales assistants (48%) and factory process workers (33%).²⁸

Figure 10: Share of casual and part-time jobs in low-skilled occupations (2016 and 2017)



Sources: ABS (2017): *Characteristics of Employment*; Dept. of Jobs & Small Business (2018): *Australian Jobs 2018*.

Low-skilled workers are more likely to be under-employed

Australia has the third-highest rate of part-time employment in the OECD. In December 2017, 30.1% of all jobs were part time (29.1% of jobs held by women and 70.9% for men)²⁹. Part-time employment is concentrated among younger and older workers. In December 2017, 46.5% of all jobs for young people (aged between 15 and 24 years) were part-time compared with 23.4% for those aged 25 to 44 and 28.2% for those aged 45 to 64 years.

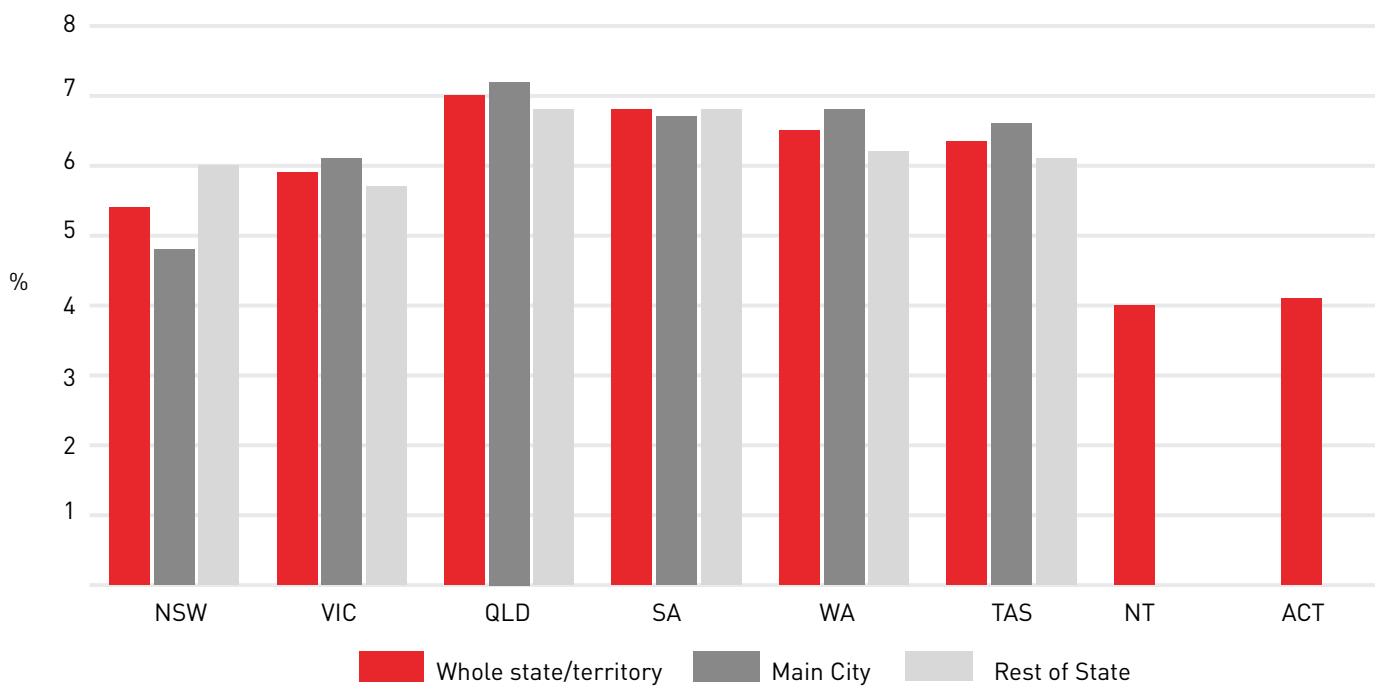
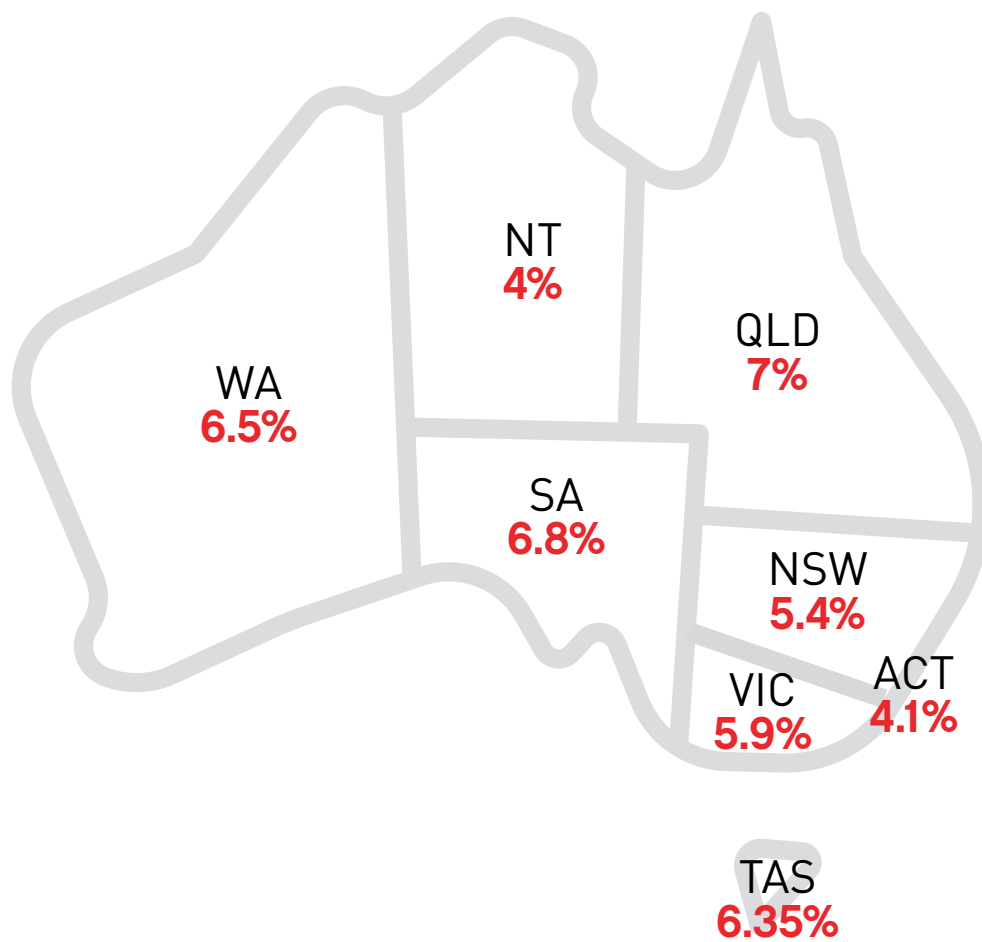
Many people prefer part-time jobs so that they can combine paid work with care or study. However, one third of part-time workers want more paid hours.³⁰ Among part-time workers,

men, blue-collar workers, migrants, people in low-skilled occupations, casual workers, and people who were previously unemployed are more likely to be under-employed.

People's chances of landing a job also depend on where they live.

The employment situation varies between states, territories and between regions (Figure 11). Queensland (7%) and South Australia (6.8%) had the highest unemployment rates in February 2018 and the ACT (4.1%) and NT (4%) had the lowest. Unemployment rates vary between state/territory capitals and non-metropolitan regions. For example it is higher in regional areas in NSW (6% compared with 4.8%), but lower in regional areas in QLD (6.8% compared with 7.2%).

Figure 11: Unemployment by State, capital cities and regions (February 2018)



Part 3: What help do they get from government?

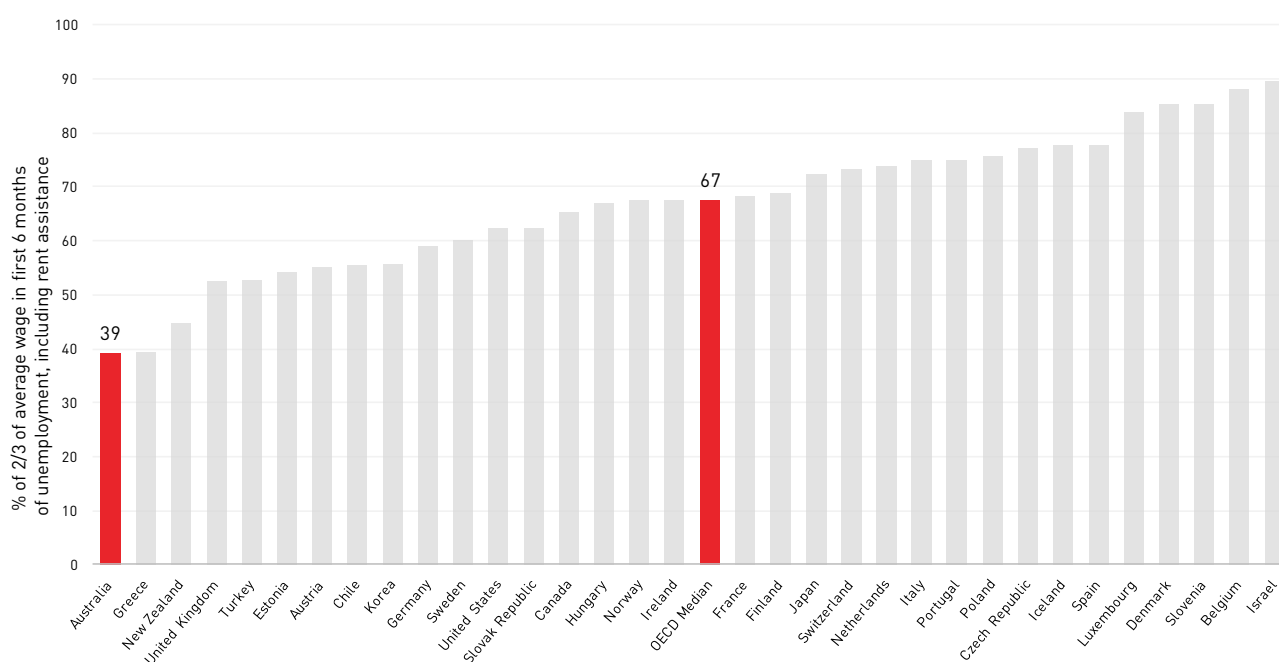
3.1 Are unemployment payments enough to live on and search for jobs?

People who are unemployed and live in a low-income household receive two main unemployment benefits: Newstart Allowance and Youth Allowance (unemployed).³¹ In August

2018, the maximum rate for a single adult was \$272.90 per week, plus an Energy Supplement of \$4.40 per week.³²

Our unemployment payments are the lowest in the OECD, at least for individuals who recently became unemployed (Figure 12).

Figure 12: Australia has the lowest unemployment payments in the OECD



Source: OECD (2015): *Benefits and wages database*, www.oecd.org/els/benefits-and-wages-statistics.htm Accessed on 26 April 2018.

Note: For a single person without children, recently unemployed, includes Rent Assistance

Recent research by the Social Policy Research Centre estimates that the average minimum cost of basic essentials in Australia in 2016 for a single unemployed person was \$433 per week, which was \$96 per week more than Newstart Allowance plus Rent Assistance for a single adult.³³ It is not possible for unemployed people to meet basic living expenses and the extra costs for job search (such as transport fares, phone calls, appropriate clothing, and internet subscriptions) on unemployment payments.

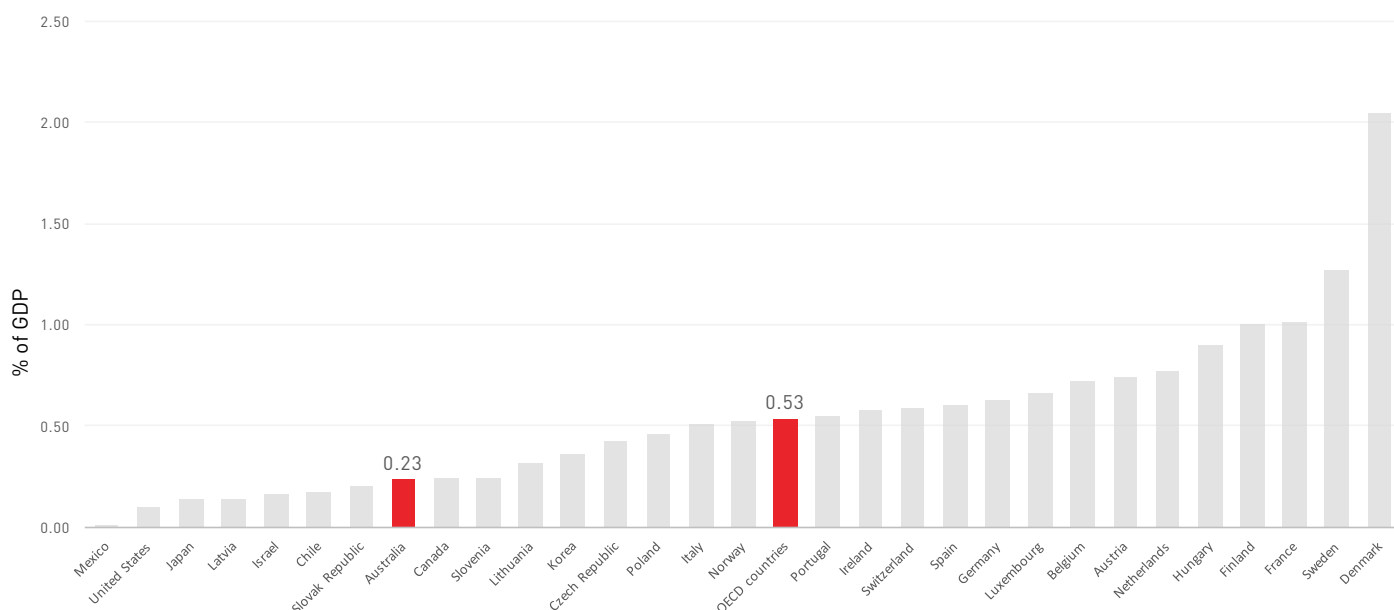
3.2 What is jobactive, and how do Australian employment services compare internationally?

Jobactive is the government's main employment service for unemployed people. It comprises a network of 42 for profit and not for profit service providers across Australia.³⁴ They are funded by the Department of Jobs and Small Business to provide employment counselling, job referrals, and training and work experience opportunities for unemployed people. Service providers are

paid by the Department according to the number of people they assist, how disadvantaged they are in the labour market, and whether they obtain jobs lasting at least 3 months. They also have access to a modest Employment Fund to invest in help to overcome barriers to employment (such as short training courses and help with travel costs).³⁵

The government spends \$1.3 billion annually on jobactive services, which averages just \$1,000-\$2,000 per person assisted. In 2015, overall spending on employment services and programs for unemployed people in Australia was **less than half the OECD average level**, and the eighth-lowest of 30 OECD countries (Figure 13).

Figure 13: Australia spends less than half the OECD average on employment assistance (2015)



Source: OECD Social expenditure data base.

3.2 What are unemployed people required to do to receive benefits?

Activity requirements for unemployed people in Australia are **among the strictest in the OECD**.³⁶ They must typically agree to a Job Plan, attend regular appointments with their jobactive service, apply for 20 jobs each month, and for six months of each year of unemployment participate in Work for the Dole (working for their benefits for 15 to 25 hours a week) or other compulsory 'Annual Activities' such as part-time work, part-time study, voluntary work, or a wage subsidy scheme.

If they do not fully comply, their benefits can be suspended, and if they repeatedly miss employment service appointments or breach other requirements, they may lose four weeks' payments.

3.3 Who receives jobactive services?

In May 2018, 674,000 people were in jobactive services, of whom 65% were long-term unemployed. Most participants in jobactive received NSA or YA.³⁷

3.4 What help do long-term unemployed people get, and what are their employment outcomes?

The main service provided in most cases in interviews with employment consultants, which are about compliance with activity requirements as much as help to find jobs

Generally, they are interviewed every few months by their jobactive provider to check they are searching for jobs, assess whether their needs have changed, and offer assistance such as help

with a resume, fares, and (in a minority of cases) a job referral or short training course.

The Annual Activity is the most intensive form of assistance received, but this is also about compliance with benefit requirements

In 2016-17, of those engaged in the six months of compulsory 'annual activity' described above, 26% were in part-time employment, 17% were in training, and 48% were in Work for the Dole. A smaller share received a wage subsidy.³⁸

3.5 Employment outcomes vary among different programs and for different groups

During 2016-17, among long-term unemployed people, **45% were in paid employment 3 months after participating in jobactive** (42% of people unemployed for over two years).³⁹ This was an improvement on the 43% a year earlier. However, consistent with the changes in low-skilled jobs discussed above, **62% of these jobs obtained in 2016-17 were part time and 38% were casual**.⁴⁰

The proportion of people in paid employment three months after Annual Activities varies:

- 36% after vocational training;
- 32% after voluntary work;
- 27% after Work for the Dole.⁴¹

Wage subsidies are more effective than Work for the Dole

Although the above figures are often described as the employment 'outcomes' of different programs, many of these jobs would have been secured without the program. To work out the impact of a program on people's employment prospects, we need to compare employment among program participants and a similar group (called a 'control group') who did not join the program. Evidence from the Department of Jobs and Small Business indicates that:

- **Wage subsidies are relatively effective**, lifting the chances of leaving income support 12 months after a job placement by an average of 14 percentage points⁴²;
- **Work for the Dole is relatively ineffective**, increasing the chances of employment by an average of just 2 percentage points.⁴³

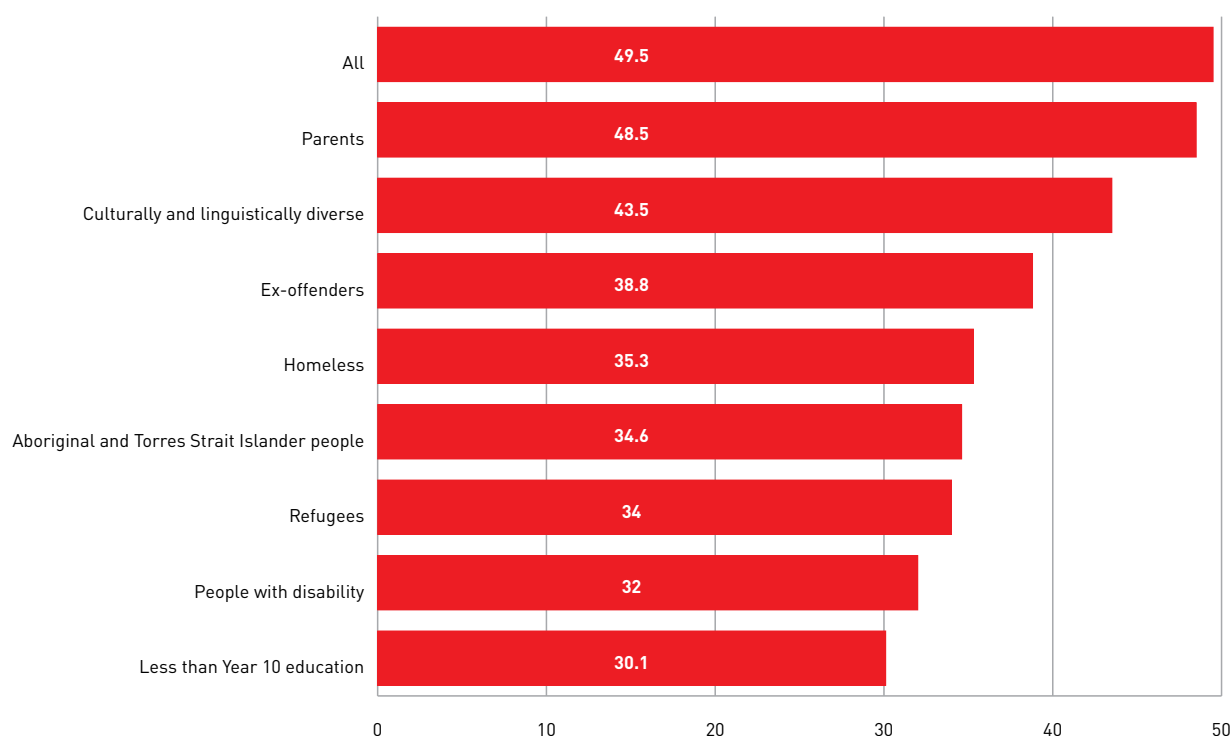
The main reason that wage subsidies are more effective is that people receive direct experience in a regular paid job, and are often kept on after the subsidy ends. Work for the Dole activities are further removed from regular employment.

Employment outcomes are lower for people facing labour market disadvantage

Employment outcomes also vary among different groups with labour market disadvantage (Figure 14).



Figure 14: Proportion of people employed 3 months after participating in jobactive during 2017



Source: Department of Jobs and Small Business (2018): *op cit*

3.6 What help do people unemployed long-term need?

Evidence from evaluations of employment programs internationally suggests the most

effective programs for people disadvantaged in the labour market include wage subsidies, vocational training, and employment counselling and job matching services (Table 1).

Table 1: Average impacts of different programs internationally on the employment prospects of unemployed people

Program	Description	Typical employment impacts (%) ¹
Compulsory, assisted job search	Monitored job search and job search training; often an entry point to other programs	Low (3.8%) Stronger in short term
Wage subsidies in private sector	6-12 months' partly-subsidised employment in regular jobs	High (21.2%) Strong in long term, but with uncertain selection effects
Public sector wage subsidies	6-12 months' fully-subsidised employment in 'additional' jobs	Low to negative (-0.2%) Stronger in long term
Vocational training	6-24 months' training in a college or work setting	Medium (9.7%) Stronger in long term Wide variation in impacts

Source: Card D, Kluve J, Webber A (2015): What works? A meta-analysis of recent active labour market program evaluations NBER Working Paper 21431, Cambridge MA, tables 3a and 8

¹ Estimated average increase in the probability of employment after program commencement, divided by the standard deviation of the employment rate of the comparison group. 'Short term' = < 1 year; 'Medium term' = 1-2 years; 'Long term' = >2 years
Selection effects refers to bias in the selection of participants in the program (in favour of those who are more job-ready) by employment service providers or employers.

Despite the higher short-term cost, employment outcomes for people disadvantaged in the labour market could be improved, with flow-on benefits for public finances and personal and community

well-being, if governments invested more in programs such as wage subsidies and training for people unemployed long-term.⁴⁴

¹ The main reason there were more NSA/YA recipients than unemployed people was that 325,000 Newstart recipients were either not actively seeking employment (mainly due to training commitments or disabilities) or were already employed part-time (Department of Social Services 2018, Labour market and related payments, March 2018). On the other hand, many unemployed people are not eligible for benefits due to the income of their immediate family (See also ABS Labour Force, March 2018).

² ACOSS (2018): [Budget Priorities Statement: Federal Budget 2018-19](#).

³ In 2016, the single Newstart rate (including the \$4 a week Energy Supplement) was just 43% of the minimum fulltime wage, after tax (Fair Work Australia: *Statistical summary*).

⁴ People can continue to receive unemployment payments while in low paid part time jobs, and for up to three months (at a zero rate) while in a fulltime job. The main reason they left benefits was that they obtained fulltime employment.

⁵ For a good summary of long-term unemployment in Australia see Fowkes L (2011): [Long term unemployment in Australia](#)

⁶ Since 2006, the Howard Government's 'Welfare to Work' policy diverted around 20,000 sole parents and people with disabilities each year from pension to unemployment payments. Existing recipients of DSP and Parenting Payment Single were 'grandfathered' (kept their pension entitlements) but in 2013 the Gillard Government removed this protection from sole parents who were receiving Parenting Payment Single when the Welfare to Work changes were first introduced, shifting 80,000 Sole parents to Newstart and Youth Allowances. The drop in payments when people move from pensions to unemployment payments is \$100 to \$180 a week.

⁷ Unemployment (those lacking paid employment who are actively seeking and available for employment) is the main, but not the only measure of those people who are unable to find the paid working hours they want. The other key measures are under-employment (being employed but lacking the paid hours they seek and are available for), and 'marginally attached' workers (those not employed but wanting paid work who are either not actively seeking it or not currently available, often for child care reasons). Marginally attached workers are not included in this report since data are only available annually and most are not active participants in the labour market. These definitions are provided in: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/55425CB0D72D145ECA257810001134AE?opendocument>

⁸ Youth unemployment rates are higher because more young people (than adults) are out of the paid workforce due to study commitments. Since unemployment is measured in proportion to the labour force, the 'denominator' in this calculation is smaller for young people, so unemployment rates are higher. However, since the GFC growth in youth unemployment has exceeded growth in adult unemployment.

⁹ The measure used by the RBA is the 'Non Accelerating-Inflation Rate of Unemployment' or NAIRU, which is defined as the level of unemployment below which inflation is likely to accelerate (and the RBA is likely to raise interest rates to prevent this from happening). See Cusbert (2017): 'Estimating the NAIRU and the Unemployment Gap.' *Reserve Bank Bulletin* December 2017.

However, wage growth has been very slow despite an unemployment rate slightly above the NAIRU, which has led experts to question whether estimates of the NAIRU here and in other wealthy countries are too high. If so, unemployment could be reduced well below 5% in Australia without risking inflation above the RBAs target range of 2-3% per year. See for example Blanchard O (2017), 'Should We Reject the Natural Rate Hypothesis?', Peterson Institute for International Economics Working paper 17-14, Washington.

¹⁰ Australian Government (2018): [Budget Overview](#).

¹¹ Department of Employment (2016): *Survey of Employers who have Recently Advertised*.

¹² Department of Employment (2015): [Entry level jobs – opportunities and barriers June 2015](#)

¹³ For a detailed analysis of trends in vacancies by skill level, see: Anglicare Australia (2016): *Evidence base for State of the Family 2016: The lived experience of jobseekers* Anglicare Australia, Canberra.

¹⁴ Department of Immigration and Border Protection (2017): *Temporary entrants in Australia in December 2016*; Australian Bureau of Statistics (2017): [6202.0 - Labour Force, December 2016](#).

¹⁵ Productivity Commission (2016): *Migrant Intake into Australia*. The Commission notes (at p201) that temporary visa grants among international students, working holiday-makers and temporary graduate visa categories, measured as a proportion of Australia's youth labour force increased from 14 per cent in 2004-05 to 27 per cent in 2013-14, and that these temporary migrants comprised over 13 per cent of total employment of those aged 15 to 24 years in September 2015.

¹⁶ Productivity Commission (2016) *op cit*; Breunig R et al (2016): *The relationship between immigration to Australia and the labour market outcomes of Australian workers. Technical Supplement A* to Productivity Commission (2016) *ibid*. Note that Breunig et al did not specifically examine the impact of temporary migration on the labour market, due to data limitations. Regarding concerns about exploitation, see Senate Education and Employment References Committee (2016): *A National Disgrace: The Exploitation of Temporary Work Visa Holders*.

¹⁷ These franchises frequently under-paid temporary visa holders. See Ferguson, A and Danckert, S (2015): [Revealed: How 7-eleven is ripping off its workers](#) *Sydney Morning Herald* and Ferguson, A (2018): [Fair Work Ombudsman report on Caltex is a shocker](#) *Australian Financial Review*

¹⁸ ABS (2018): [Labour Force, Australia, Detailed, Quarterly, 6291.0.55.00](#)

¹⁹ 'Low skilled' refers here to positions at skill levels 4 and 5. Occupations at Skill Level 4 have a level of skill commensurate with Certificate II or III. At least one year of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience may be required in addition to the formal qualification. Occupations at Skill Level 5 have a level of skill commensurate with Certificate I or compulsory secondary education. For some occupations a short period of on-the-job training may be required in addition to or instead of the formal qualification. In others, no formal qualification or on-the-job training may be required. It is worth noting that the definition of 'low-skilled' is contested. In particular, many caring jobs usually

performed by women have been historically under-valued as 'unskilled'.

²⁰ Since turnover for retail jobs is more than 40% greater than average, and for labourers more than 20% greater, growth in overall vacancies for these jobs will be higher than indicated here, but this means that the risk of losing those jobs is also greater since more people are moving in and out of these jobs. Source: Shah, C & Dixon, J (2018): [Future job openings for new entrants by industry and occupation](#) NCVER, Adelaide.

²¹ Source: Australian Government submission to the Fair Work Commission Annual Wage Review 2018 and Melbourne Institute HILDA survey. Low hourly pay rates are a proxy for low skills.

²² A low paid job increases the chances of higher-skilled employment for women, but not for low-skilled men. Fok Y, Scutella R, & Wilkins R (2015): [The Low-Pay No-Pay Cycle: Are there systematic differences across demographic groups?](#) *Oxford Bulletin of Economics and Statistics*, 77, 6 (2015) 0305–9049.

²³ The part-time and casual jobs were not mutually exclusive. It is likely that most of the part-time jobs obtained were casual and vice versa. Most participants in jobactive received either Newstart or Youth Allowance. Department of Jobs and Small Business (2018): [Employment Services Outcomes Report \(2016–17\)](#).

²⁴ Cassidy N & Parsons S (2017): [The rising share of part-time employment](#) *Reserve Bank Bulletin* September 2017.

²⁵ Cassidy N & Parsons S (2017) *ibid*. In 2013, 53% of part-time employees were casuals (Kler P et al (2017): [Underemployment in Australia: a panel investigation](#) *Applied Economics Letters*, 25:1, pp 24–28).

²⁶ Gilfillan G (2018): [Characteristics and use of casual employees in Australia](#) Parliamentary Library; Kler P et al (2017) *op cit*; OECD *Labour Market Statistics*. Spain has the highest share of casual jobs. The share of casual jobs grew strongly in the 1980s and 90s and more gradually since then (from 24% in 1994 to 25% in 2016, excluding owner-managers).

²⁷ Of all casual employees, 81% expected to be in the same job in 12 months' time, and 36% wanted more paid hours.

²⁸ Source: Gilfillan G (2018) *op cit*

²⁹ OECD *Labour Market Statistics*. The Netherlands has the highest share of part time jobs.

³⁰ In 2013, 34% of part-time workers were under-employed. Source: Kler, P et al (2017) *op cit*

³¹ Note that Youth Allowance is also received by full-time students (not included in the data in this report).

³² Rent Assistance and Family Tax Benefits are also available, but recipients of these payments also have much higher living expenses. See www.acoss.org.au/raisetherate/

³³ Saunders P & Bedford M (2017): [New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians](#). Social Policy Research Centre, UNSW Australia.

³⁴ For details of the program, see: <https://www.jobs.gov.au/jobactive>

³⁵ Other employment programs funded by the Australian Government include Disability Employment Services, Community Development Program (for remote Aboriginal and Torres Strait Islander communities), wage subsidies, ParentsNext (for parents with preschool age children), Transition to Work (for young early school-leavers), and Youth Jobs PaTH (for young unemployed people).

³⁶ Langenbucher K (2015): [How demanding are eligibility criteria for unemployment benefits: quantitative indicators for OECD and EU countries](#) OECD Social, Employment and Migration Working Paper No. 166, Paris.

³⁷ Department of Jobs and Small Business (2018): [The next generation of employment services](#), Appendices.

³⁸ During 2016–17, 38,500 wage subsidies were agreed with employers, compared with 83,000 Work for the Dole places. Wage subsidy places have since increased: from April 2017 to March 2018, a total of 48,000 wage subsidies were agreed with employers. However, unlike Work for the Dole, many wage subsidies are offered outside the annual activity period for people unemployed long-term.

³⁹ This figure is slightly higher (49.5%) for the 2017 calendar year, reflecting stronger jobs growth in that year.

⁴⁰ The part-time and casual jobs were not mutually exclusive. It is likely that most of the part-time jobs obtained were casual and vice versa. Department of Jobs and Small Business (2018), *Employment Services Outcomes Report, 2016–17 and 2015–16*.

⁴¹ Unfortunately, no data are published on the share of those undertaking part-time paid employment or wage subsidies who are employed three months later. Since in both cases they already have a paid job, average employment outcomes are likely to be much higher than for the other programs.

⁴² Department of Education Employment and Workplace Relations (2012): [Employment Pathway Fund Wage Subsidies Evaluation Paper](#).

⁴³ Department of Employment (2016): [Work for the Dole 2014–15 Pilot Evaluation](#).

⁴⁴ A comparative study of the impact of employment programs in different European countries found that: 'Active labour market program measures can have a potentially large effect going beyond the facilitation of job matching by tackling the underlying causes of long-term unemployment' (See introduction, Fertig M & Csillag M (2015): [Cost-benefit analysis of remedial interventions for the long-term unemployed](#) Directorate-General for Employment, Social Affairs and Inclusion, European Commission).

