



Introduction

While the official unemployment rate is close to the Reserve Bank's 5% benchmark for 'full employment', the labour market is still very tough for people with limited skills or paid work experience, especially those unemployed long-term.

For every job vacancy there are 17 applicants, including eight people who are unemployed or looking for more paid hours. Among people receiving Newstart Allowance, 30% have a disability, almost 50% are over 45 years of age, and about one in five have children in their care. Two thirds have received unemployment payments for over a year.

Yet our social security and employment services systems are designed on the basis that finding employment is simple for those with the incentive to do so. People on unemployment payments are forced to apply for 20 jobs a month regardless of whether there are enough suitable jobs advertised.

The government spends less than half of the OECD average on jobactive employment services. As a result, the average caseload for employment consultants is 150 people, and the Employment Fund to pay for work experience, training and other support for people disadvantaged in the labour market amounts to just \$850 to \$1,200 over the entire unemployment spell, which in some cases runs for five years or more.

Policy proposals

Committing to full employment and reducing long-term unemployment

The traditional measure of 'full employment' is the lowest rate of unemployment at which price inflation does not increase uncontrollably. Under present conditions of sluggish wage growth, this is likely to be well below the RBA's current estimate of 5% unemployment. The traditional measure should be updated to take better account of under-employment and insecure work, and changes in the relationship between inflation and unemployment.

As well as committing to policies to achieve full employment, the next government should work to reduce the share of people who are unemployed long-term (over one year). Our high rate of long-term unemployment (two thirds of recipients of Newstart and Youth Allowance) is a blight on society and a waste of resources.

Recommendation 1 The next government should commit to full employment - that is, as many people as possible can secure paid employment for the regular paid hours that meet their needs.



Recommendation 2 To ensure that the vast majority of people can secure paid employment for the regular hours they need, the Reserve Bank, Australian and State governments, unions and employers and community organisations should work together to forge a six-pronged reform agenda:

- (1) To the extent that asset price inflation is a risk to the achievement of full employment, tax reform and smarter regulation to contain it;¹
- (2) Workplace relations reforms to improve the adequacy and security of paid working hours;
- (3) To the extent that wage inflation is a risk to the achievement of full employment, take a cooperative approach to containing it, rather than deregulation of wage-setting;
- (4) Improve employment assistance and vocational training to ease skill shortages and reduce prolonged unemployment among those at-risk;
- (5) Take a fresh approach to regional policy (for example, by growing service industries in regional cities and towns and improving transport and other infrastructure, rather than subsidising declining industries) to reduce regional disparities in unemployment;
- (6) Be prepared to stimulate economic and employment growth in the event of an economic downturn.

Recommendation 3 The next government should commit to reduce long-term unemployment, expressed as a share of recipients of unemployment payments, over the next five years.

Employment services that are fit for purpose

The government's review of jobactive and other employment services found that the present employment services system is not fit for purpose, especially for people who are disadvantaged in the labour market.

¹ Especially in housing prices – see our Public Revenue proposals.



The competitive purchasing model for jobactive hampers collaboration among local service providers and partnerships with employers that are needed to assist people who are deeply disadvantaged in employment into paid work. It also discourages a cooperative approach to employment assistance for those who live in regions with high unemployment. Providers need a degree of financial certainty to recruit and hold the best staff, establish relationships with employers and other services, and assist people who are unlikely to find employment quickly.

Recommendation 4 Public investment in employment assistance for people unemployed long-term should be strengthened by:

- (1) An improved Employment Fund for investment in supports such as wage subsidies and training, topped up annually for each unemployed person;
- (2) Replacing Work for the Dole and Youth Jobs Path with a scheme providing appropriately paid work experience and training in regular jobs;
- (3) Lifting restrictions on education and vocational training courses for recipients of unemployment payments and encouraging and supporting employment service providers to invest in training that improves the recipient's chances of employment over the medium term (2-3 years);
- (4) Encouraging and properly resourcing local partnerships among employment services, employers, training organisations, and community and health services, to help the minority of unemployed people facing entrenched labour market disadvantage (including those living in regions with very high unemployment);
- (5) Redesigning the purchasing system for employment services to give providers enough financial stability to hire and retain suitable staff, reduce caseloads, and invest in people who are disadvantaged in the labour market, while ensuring they have the right incentives to achieve suitable results.



Recommendation 5 The employment services system should be redesigned in consultation with service users, providers and advocates, to ensure that services are of good quality and responsive to individual needs, by:

- (1) Developing a 'Charter of Rights and Expectations' for users of employment services, in consultation with service users and providers;
- (2) Involving service users and representative organisations in formal advisory bodies and regular surveys of user expectations and experience;
- (3) Establishing an independent statutory employment services quality agency with power to issue and revoke licenses to practice, and a remit to monitor and improve service standards, respond to user complaints, and encourage and share best practice;
- (4) Introducing minimum qualification standards (incorporating Recognition of Prior Learning) for professional workers in employment services, in consultation with relevant peak bodies, providers and service users (with the quality agency to oversee this requirement);
- (5) Developing, in consultation with service users and other stakeholders, a set of principles to govern the use of digital platforms and data for employment services, including accessibility, privacy protections, and assurances that personal data and artificial intelligence are used to enhance agency and discretionary decision-making, rather than to limit or substitute agency and discretionary decision-making. A dedicated user reference group should have oversight and monitor this process;
- (6) Developing an online employment services platform for people without major barriers to employment, backed up by a network of employment advisors within Centrelink to ensure that all who need it have access to employment services and related practical support (e.g. with costs of transport) in a form that meets their needs;
- (7) Properly resourcing a face-to-face service from non-government providers for people with major barriers to employment (including people unemployed long-term), so that caseloads for this group are greatly reduced;
- (8) Offering a career counselling service (with training and related supports such as child care) for new entrants to the paid workforce, parents and carers returning after a prolonged period outside the paid workforce, and older workers who need to refresh their skills;
- (9) Giving people reasonable time and information to choose providers, more scope to change providers, and to genuinely negotiate employment plans;
- (10) Ensuring that local employment services are culturally appropriate for the populations they serve, including (as far as possible) matching the profile of front-line staff with that of service users;



- (11) Encouraging and supporting locally-based community organisations and specialist services (e.g. for homeless people) to operate as employment service providers;
- (12) Ensuring that employers have confidence that people referred to them by employment service providers have been appropriately screened and prepared for the job, and that they will be supported to provide opportunities to people disadvantaged in the labour market;
- (13) Independently evaluating the effectiveness of employment services in a timely way, including quantitative 'net impact' assessments and feedback from service users regarding service quality, with results published promptly.

Recommendation 6 The employment services and benefits systems should be re-oriented away from its over-emphasis on compliance with activity requirements towards positive help and agency for unemployed people, by:

- (1) Restoring the role of Centrelink in assessing compliance with activity requirements, including the first five 'breaches';
- (2) Restoring discretion for employment services to excuse (not report) breaches, and Centrelink to waive penalties where appropriate;
- (3) Reviewing and monitoring the appropriateness of activity requirements for people with caring roles, disabilities, and other major barriers to employment (for example, referrals to shift-work jobs and appointments on school holidays for sole parents; ParentsNext requirements commencing when the youngest child is only six months old);
- (4) Reducing default job search requirements (below 20 job searches a month) for people facing higher than average barriers to employment (including principal carers, people with partial work capacity, older people, and people in regions with high unemployment);
- (5) Replacing the Community Development Program (CDP) with a new Remote Development and Employment Scheme and ensuring that activity requirements in remote areas (and for Aboriginal and Torres Strait Islander peoples) are no greater than for the general population;
- (6) Removing requirements to work for benefits (Work for the Dole), and social requirements attached to benefits (including children's attendance at playgroups or school, and drug treatment);
- (7) Restoring default hours for compulsory annual activities for unemployed people to 15 hours a week instead of the current 25 hours.



More information on **reform of employment services**, including the case for reform, is provided at:

https://www.acoss.org.au/wp-content/uploads/2018/08/ACOSS_submission-on-future-employment-services_FINAL.pdf

Our opinion piece on **full employment** was published by the Australian Financial Review on 15 November 2018: <https://www.acoss.org.au/full-employment-is-a-fiction-that-doesnt-help-policy/>