

# Recovering jobs

## Policies to restore employment and reduce long-term unemployment after the lockdowns

7 July 2020

### Summary

The unavoidable transition to a stay-at-home economy in just a few short months was the largest restructure of employment outside wartime. As the lockdowns are eased, the labour market will restructure again in the shadow of much higher unemployment.


### Goals and key priorities

Subject to our success in containing the virus, and international economic conditions, we can and should aim to:

- Enter 2021 with unemployment below 10%;
- Reduce the share of people receiving JobSeeker and Youth Allowance Payments who are long-term unemployed below 50%.

We propose a six point plan to achieve these goals and help people manage the transition to a different employment structure once the lockdowns and JobKeeper Payments are phased down.

1. Strengthen employment through **timely economic stimulus**;
2. Forge a **partnership for jobs** between government, industry, unions, community peaks, and employment & training services both nationally and locally;
3. Expand quality **Career Guidance and Support Services** to assist people who are unemployed or entering/re-entering employment;
4. Commit to a **jobs and training guarantee for people unemployed long term**, including young people unemployed for 6 months or more and people 25 years and older for 1-2 years or more;
5. Bring forward **reforms of employment services**, including more help and less compliance, removing automated payment suspensions, and improved

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payments to providers to assist people more disadvantaged in the labour market.

- 6. Support people** unable to obtain paid work to meet their basic needs for as long as needed.

## The jobs challenge

The unavoidable transition to a stay-at-home economy in just a few short months is the largest restructure of employment outside wartime. The ABS estimates that from March to May 2020, employment fell by 6.5% (835,000 jobs) and hours worked by 10.2%. Altogether, in both April and May over 2 million people (20% of people employed) either lost jobs or had their paid hours cut. Most jobs lost were in service industries requiring regular face-to-face contact. Treasury estimated that [unemployment will reach 10% by July](#), with up to another 5% potentially 'hidden' unemployment via the JobKeeper Payment.<sup>1</sup>

As the lockdowns are eased, the labour market will restructure again, but it is unlikely to 'bounce back' to the previous employment structure or unemployment levels.

Recessions strike quickly (especially this one) but it usually takes years for employment to recover. After the last recession, the number of people on unemployment payments fell by half - from a peak of 890,000 people in 1993 to 464,000 14 years later. However, the number of long-term recipients only declined by 20% over the same period - from 348,000 to 276,000.<sup>2</sup>

From March to June, the number of people receiving JobSeeker Payment doubled from 800,000 to 1,600,000. At least four groups are especially vulnerable to prolonged unemployment, on a large scale:

- The 700,000 people who have already received **JobSeeker and Youth Allowance long term** (over 12 months), most of whom are over 40 years old and many of whom have disabilities;
  - Based on past experience, **long-term receipt of these payments (of all ages) is likely to rise to at least one million people next year** and possibly higher the year after that;
- **Young people** entering the paid workforce this year, including 300,000 on JobSeeker and Youth Allowance payments;
- **Women** who have lost their jobs or are re-entering paid work after providing full-time care, including 800,000 relying on Jobseeker and Youth Allowance payments;
- The 400,000 workers who have been **stood down from their jobs**, many of whom will face unemployment once JobKeeper Payment is phased out.<sup>3</sup>

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<sup>1</sup> Australian Bureau of Statistics [ABS] (2020a): [Labour Force, Australia, April 2020](#); ABS (2020b): [Labour Force, Australia, May 2020](#); Frydenberg, J (14 April 2020): [JobKeeper Payment Supporting Millions of Jobs](#).

<sup>2</sup> Department of Social Services (various years), Statistical Profile of of Social Security Payments.

<sup>3</sup> Senate Select Committee on COVID-19 (2020): [Answer to Question on Notice SQ20-000426](#) and [Answer to Question on Notice SQ20-000429](#); ABS (2020b): *op. cit.*

In the short term as lockdowns ease, many unemployed people and employers will struggle to adjust to a rapidly changing employment structure. Many people will have to pursue new skills or even careers, while employers who restructure their services will need people with different skill sets. People entering (or re-entering) paid employment at this time will need career guidance and training, and many are likely to be better off pursuing further education and training rather than applying for jobs right now. An open and transparent labour market is vital, so that we manage major structural changes in employment without leaving people behind.

Recessions strike quickly (especially this one) but it usually takes years for employment to recover. Over the next two years, as many people transition into long-term unemployment, a cyclical problem will become a structural one as more people are locked out of paid work. We must learn the lesson from the last recession (after which high levels of long-term receipt of unemployment payments became entrenched) and guarantee them the help they need to return to employment.

## A plan for a jobs-rich recovery with no one left behind

We propose a six-point plan:

### 1. Strengthen employment through timely economic stimulus

This should include public infrastructure investment (such as social housing and household energy efficiency), closing gaps in care services and a permanent increase in JobSeeker Payment, as JobKeeper Payment and other public supports are gradually and cautiously phased down. For more details see our [COVID-19 Economic Recovery](#), [JobKeeper Payment Transitions](#), and [COVID-19 Community Sector Issues](#) briefing papers.

### 2. Forge a partnership for jobs

A partnership should be forged between governments, industry, unions, community organisations, and employment and training providers both nationally and locally, to reduce unemployment and facilitate the labour market adjustment as lockdowns are lifted in the face of much higher unemployment:

- These partners should be brought together in standing national and regional bodies, or at the least regular dialogue, to assist in the development and implementation of a national jobs recovery strategy (just as the National Skills Commission has been established to reform the training system);

- The partnership should be based on a shared public commitment to work towards full employment, to contain and reduce long-term unemployment, and to an open, transparent labour market where no one is left behind;
- It should gather and share real-time intelligence on the labour market and skills (through the [National Careers Institute](#) and platforms such as [Jobs Hub](#) and [Burning Glass](#)) and use this to improve the coordination of job matching and training. At the same time, **local employment and skills development partnerships and plans** should be established, led from the ground up by employers, community services, unions, and people who are unemployed in cooperation with employment and training providers to:
  - Devise local plans to reduce unemployment, support employers to meet their workforce needs, and improve the skills and employment prospects of people disadvantaged in the labour market;
  - Improve coordination among employers, unemployed people and employment and training services, and the sharing of intelligence on current and future job openings, skills requirements, resources and gaps;
  - Provide feedback to policymakers on the state of local labour markets and skills and effectiveness of employment and training programs and recommendations for improvement.

### 3. Expand quality career guidance and support services and mobilise training resources

An expansion of career guidance and support services and mobilization of training resources would help people who are unemployed or entering/re-entering employment identify their career goals, navigate an uncertain jobs market, and connect them with training and work experience opportunities and employment supports, including:

- An **Education to Work Transition Service** for young people with Year 12 qualifications or less, at risk in the transition from education to employment, building on the [Transition to Work](#) program;
- Career guidance and support services for **parents and carers** returning to paid work, replacing the ParentsNext program;
- Career guidance and support services for **older workers** who need to adjust their careers, building on the Career Transition Assistance program;
- A career guidance component of jobactive services for **people recently retrenched** from their employment;
- Targeting (but not confined to) unemployed people receiving income support;

- Quality, affordable education and training for those who need it.

People will need guidance to find their way in a rapidly changing jobs market, and those at risk of being left behind will need the foundational and vocational skills that enable them to transition out of unemployment or a succession of jobs with uncertain and inadequate paid hours.

The coming restructure of employment, together with a likely reduction in migration levels and the long-term decline in secure entry-level jobs, calls for a new approach to employment assistance that moves:

- From **insecure to secure entry-level jobs**;
- From exclusively **'work-first'** approaches to a greater emphasis on **career guidance and training** for new entrants and people who are unemployed;
- From a **fragmented VET system** that is under-resourced, of varying quality (especially among for-profit providers) and not attuned to the needs of people seeking jobs or employers to one that **targets training resources to the needs** of unemployed and other workers at risk of labour market exclusion and employers navigating a restructured labour market:
  - Including foundational skills, noting that [44% of adults lack the literacy skills required in everyday life](#) and a substantial share of those who have lost jobs recently do not have English as a first language;
  - Provided by panels of TAFE and community colleges selected on the basis of demonstrated quality and expertise rather than open tender.

#### 4. A jobs and training guarantee for people unemployed long term

A jobs and training guarantee for people who are unemployed long term should be created, including young people unemployed for 6 months or more and people 25 years and older for 1-2 years or more. The guarantee would comprise subsidised paid work experience, vocational and foundational education and training, connecting people to employers likely to take them on, and other support based on their needs and those of employers that:

- Is offered in each year of (long-term) unemployment, so those unemployed for a long time are not abandoned;
- Is negotiated between program participants and **skilled employment consultants** who have time to properly assess their needs and assemble a suitable package of support;
- Builds on and improves national programs already in place, with guidance from **local employment and skills partnerships**;

- Includes access to jobs generated through public procurement (by setting targets for employment of people unemployed long term in tenders for public investments in social housing and other infrastructure).

To secure employment, most people who are already long-term unemployed need more than job search assistance. Depending on circumstances they may also need:

- Paid work experience in regular jobs (building on the JobKeeper wage subsidies and wage subsidy schemes for unemployed people);
- Vocational or foundational training;
- Connection with a local employer willing to give them a chance to fill a vacancy (demand-led approaches), and/or
- Support with other barriers to employment including connecting them with local health and community services (for people with major social barriers to employment such as mental illness or chronic homelessness, ACOSS [has proposed](#) commissioning of employment assistance combined with other supports from local consortia of employment, health and community services).

Ideally employment services would have the resources and incentives to provide whatever cost-effective support each person needs. However, overreliance on performance-based contracting and payment-for-outcomes can discourage the patient investment in people disadvantaged in the labour market that is needed. Further, when long-term unemployment is high, it is necessary to quickly scale-up employment assistance and training that extends beyond job search assistance. This requires national coordination and guidance, without sacrificing local flexibility.

## 5. Bring forward elements of the Employment Services Expert Panel recommendations to improve employment services

In consultation with service providers and users, peak bodies and experts, **elements of the new employment services model** should be advanced in response to the more challenging labour market conditions we now face, including:

- A **shift from excessive compliance and penalties** to personal agency, including simple and flexible activity requirements that take account of local and personal circumstances, and the removal of automated payment suspensions;
- **Two streams of service**, a digital service (with personal support as needed) for people less disadvantaged in the labour market and a more intensive face-to-face service for people long-term unemployed and those at risk;

- **Purchasing arrangements** that provide more funding in advance, facilitate specialist and locally-based providers, and greatly reduce caseloads;
- **An enhanced Employment Fund** to assist with investments to overcome barriers to employment.

In 2018 the [Employment Services Expert Panel](#) undertook a major review of Department of Employment programs, after collecting substantial evidence from service providers and users, peak bodies and labour market experts. Its report recommends major changes to jobactive and other services when the current funding round ends in 2020. In the interim, the [New Employment Services Trials](#) are under way to test the effectiveness of a new model of employment assistance.

The bushfires, and now COVID-19 lockdowns and much higher unemployment, disrupted these plans, but also underscore the need for major reform of employment services along the lines proposed.

## 6. Support people affected by unemployment to meet their basic needs

ACOSS has separately advocated for a range of measures that are needed to fix Australia's social protection system, including the payments that are intended to support people affected by unemployment.

Many of these measures have now been adopted by the Federal Government on a temporary basis and these decisions were widely welcomed. Major gaps remain.

The Federal Government now needs to:

- **Lock in a permanent increase to Jobseeker** and related payments to provide security and ensure people will be supported to meet their basic needs until they secure adequate employment in future;
- **Index income support payments to wages**, abolish barriers such as the liquid assets test and other waiting periods, and remove harsh and wasteful compliance requirements; and
- **Extend Jobseeker and Medicare** to all people residing in Australia who meet relevant income tests.

Working through the National Cabinet, governments also needs to fix the large gaps that still exist in our social safety net by:

- **Boosting the stock of secure, safe, affordable housing** for people most at risk and protection against unsafe evictions; and
- **Improving access to affordable and accessible digital access** throughout the crisis and beyond including access to reliable internet and devices, and accessible websites, information and resources