



Faces of Unemployment

2021

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Summary

In the wake of a pandemic and deep recession, this third Faces of Unemployment report examines the profile of people affected by unemployment – those relying on the \$47 a day JobSeeker Payment and even lower Youth Allowance.

It looks behind the headline unemployment statistics to reveal that long-term unemployment - as measured by reliance on unemployment payments for over 12 months - is now entrenched at an economically and socially harmful level. It examines trends in entry-level jobs and ‘mismatch’ in the labour market, showing that it’s no easy matter for people who are unemployed to secure paid work despite growth in job vacancies. We also look at the assistance provided to people by jobactive employment services and what should be done to improve the employment prospects of people unemployed long-term.

Key Findings

Despite labour shortages in some industries coming out of lockdowns, it’s not easy for people who are unemployed to pick up a job

It is no simple matter for people on unemployment payments to find jobs as we emerge from lockdowns and the deepest recession in almost a century:

- In September 2021 with half the country under lock-down, **the effective unemployment rate was 9.5%** (a Treasury measure which takes account of people stood down from their jobs and those who left the labour force in lockdowns), twice the conventional Australian Bureau of Statistics (ABS) measure (4.6%).
- In August 2021 there were **six unemployed or under-employed people for every job vacancy**.

Businesses and jobs do not instantly ‘snap back’ when lockdowns are lifted. The jobs created and restored aren’t always suitable for the people who are searching for employment. They may not live where the jobs are located; they may not have the skills required; and many will be understandably fearful of taking on public-facing jobs due to COVID-19. This ‘mismatch’ problem is worse than usual due to the ‘churn’ in the labour market caused by repeated lockdowns and border closures, which means that vacancies have increased faster than ongoing jobs.

Over 800,000 people unemployed long-term are stuck at the back of the jobs queue on unemployment payments of \$47 a day

As jobs have returned after lockdowns, most have been filled by people who became unemployed relatively recently, leaving those more disadvantaged at the end of a much longer queue. In June 2021 there were 1,109,000 people receiving unemployment payments, 31% more than before the pandemic, of whom:

- **over 897,000 (80%) have been on income support for more than a year, and 547,000 (49%) for more than two years;**
- 483,000 (44%) are aged 45 or more;
- 379,000 (34%) have a disability;
- 141,000 (13%) come from a culturally diverse background;
- 124,000 (11%) are caring for young children, in most cases as sole parents;
- 123,000 (11%) have an Aboriginal or Torres Strait Islander background.

Despite concerns about labour shortages, many employers are still reluctant to employ older people, people with disability and those who haven’t had experience of paid work for a long time.

New data reveals that 184,000 people have been without paid work and receiving income support for over 5 years

The majority of people in this highly disadvantaged group (65% or 119,000 people) have a disability. They are on unemployment payments because successive governments have made it harder to obtain Disability Support Pensions, diverting them instead to unemployment payments which are \$165 per week lower. Yet the employment prospects of this group are clearly very limited.

Also prominent in this highly disadvantaged group are 72,000 people (30%) aged 55 years or over. Successive government policies have shifted older workers onto unemployment payments, especially women aged 60 years or more who previously received the Age Pension. This explains why 55% of those on unemployment payments who have received income support for five years or more are women. These policy changes have been made without effectively tackling age discrimination in the labour market, which remains stubbornly entrenched.

Other groups prominent among those on unemployment payments who have received income support for five years or more are:

- People of Aboriginal and Torres Strait Islander background (12%) and
- Principal carers of young children, who are mainly sole parents (11%).

Secure entry-level jobs are declining

The pandemic accelerated the **long-term decline in entry-level jobs**, which are increasingly offered on a part-time and casual basis only:

- There are **12 people in jobactive employment services** (57% of whom have Year 12 qualifications or less) **for every entry-level job**;
- 43% of entry-level jobs are part-time and most of those are casual positions;
- From August 2019 to August 2021, managerial and professional jobs increased by 405,000, while middle-level positions (such as clerical and trade positions) fell by 69,000 and **entry-level jobs (such as hospitality, personal services, sales and labouring jobs) fell by 148,000**.

While jobs in many of these sectors will increase with the reopening of the economy, many will be filled by people on temporary visas once international borders re-open. Many employers are likely to revert to over-reliance on temporary visa holders to fill positions in hospitality, retail and horticulture, under poorly regulated conditions where under-payment is widespread.

Budget and interest rate policies that give priority to full employment will help, but aren’t enough on their own to reduce prolonged unemployment

The government and Reserve Bank’s shared commitment not to tighten budget and interest rate policies until we reach full employment will help reduce unemployment, provided they target an unemployment rate consistently below 4%.

Yet this will not be enough to reduce long-term unemployment:

- Despite 30 years of recession-free growth before COVID, **the number of people receiving unemployment payments long-term (897,000) is over twice as high (350,000) as the previous peak after the 1991 recession.**
- **People’s chances of securing fulltime employment fall from over 50% when unemployed for less than 3 months to less than 25% once unemployed for over 2 years.**

This stark policy failure is partly due to ‘welfare to work’ policies that shifted people with disabilities, parents and older people onto unemployment payments without investing in the supports they need to secure employment.

Employment services are under-funded and too focused on ‘tick-a-box’ enforcement of mutual obligations

Australia under-invests in effective employment assistance for people unemployed long-term, especially paid work experience in regular jobs, foundational and vocational training, and local partnerships (between employment and community services, training colleges and employers) to prepare and connect them with the right jobs. **Australia spends less than half the OECD average level on employment services, or just \$1,600 per person receiving jobactive services.**

As the government’s Expert Advisory Panel on employment services found, employment services have excessive caseloads (over 140 per consultant) and those very limited resources are mainly devoted to enforcing **‘tick-a-box’ compliance with unrealistic and ineffective ‘mutual obligation’ requirements such as applying for 20 jobs a month and participating in Work for the Dole.**

The resulting rise in semi-automated payment suspensions (**over 750,000 payment suspensions were imposed as mutual obligations were restored in the first three months of 2021**) causes distress and hardship for many. The government’s recent decision to hastily restore full mutual obligations, payment suspensions and penalties as soon as 80% vaccination targets are reached in Sydney, Canberra, Melbourne and elsewhere exacerbates this, putting people’s physical and mental health at risk.

Policies to reduce poverty and long-term unemployment

ACOSS advocates a four-pronged strategy to ease poverty among people who are unemployed and improve the employment prospects of the most disadvantaged:

1. **Lift unemployment payments from \$47 to \$67 a day**, and increase supplements for housing rents, the cost of disability and caring for children alone;
2. Commit to a robust and comprehensive **full employment policy**, targeting an unemployment rate consistently below 4% and entry-level jobs that are secure and properly paid (including effective regulation and support to prevent exploitation of temporary migrant workers).
3. Implement a **flexible jobs and training guarantee for people unemployed long term** – including paid work experience or foundational and vocational training, based on individual needs.
4. **Redesign employment services** from tick-a-box unemployment payment compliance and quick placement in the first available job to patient investment in people disadvantaged in the labour market, and from competition around short term outcome targets towards enduring local partnerships with employers, public and community colleges, and community services.

Part 1: Who receives unemployment payments and how did their profile change in the recession?

The main unemployment payments are JobSeeker Payment (for those over 21 years of age) and Youth Allowance-Other (for young people who are unemployed, as distinct from fulltime students). JobSeeker Payment replaced Newstart Allowance in March 2020.

From March to June 2020, the number of people receiving unemployment payments almost doubled, from 886,000 to 1,614,000. Over a year of quick recovery in employment from June 2020 to June 2021, it fell by 31% to 1,062,000 in September 2021. However, there were still 20% more people on unemployment payments than before the recession.

1.1 Who receives unemployment payments?

Both before and after the recession, the profile of unemployment payments was older, unemployed long-term, or otherwise disadvantaged in the labour market

Figure 1 compares the profile of people on unemployment payments (JobSeeker Payment and Youth Allowance-Other) in March 2020, just before the COVID recession and in June 2021, just before the latest round of lockdowns.

The profiles before the recession and one year after it are similar, except for the duration of income support. From March 2020 to June 2021, the percentage of people on unemployment payments:

- For under a year fell from 28% to 19%;
- For 1-2 years doubled (from 15% to 31%); and
- For 2 years or more fell from 57% to 49%.

As we explain below, these changes reflect the sudden transition to a deep recession, followed by a quick but incomplete recovery in employment.

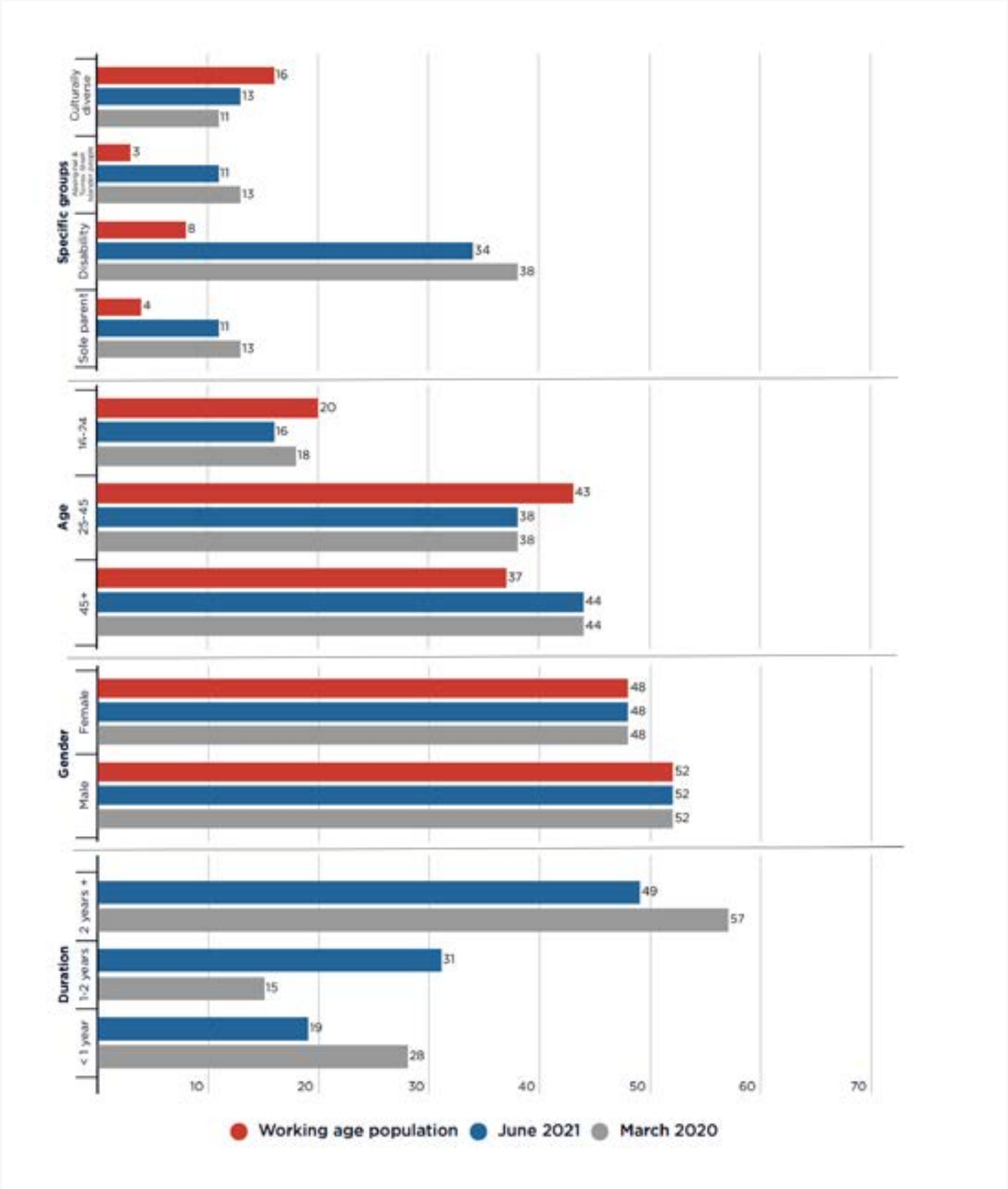
In both March 2020 and June 2021, the following groups were over-represented among people receiving unemployment payments:

- People aged 45-64 years (44% compared with 37% of the wider population aged 16-64 years);
- People with disability (declining slightly from 38% to 34%, compared with 8% in the wider population);
- Aboriginal and Torres Strait Islander people (declining slightly from 13% to 11%, compared with 3% in the wider population);
- Principal carer parents, most of whom are sole parents (also declining slightly from 13% to 11%, compared with 4% in the wider population).

The proportion of people on unemployment payments with culturally diverse backgrounds rose from 11% to 14%, though this was lower than their share of the employed population (16%).

As discussed later, many of these groups face discrimination in the labour market or other employment barriers. ¹

Figure 1



Sources: DSS, Quarterly demographic payment statistics; ABS, 2016 Census Community profiles.
Note: Working age population data are for 2016. Culturally diverse = Born in a country whose main language is not English (in this case, working-age data are for employed people only)

People with disability and older people and women are over-represented among those on unemployment payments for two years or more

In April 2021, there were 429,000 people (36% of those on unemployment payments) who had been receiving income support for two years or more and 184,000 people (16%) for five years or more (Figure 2).

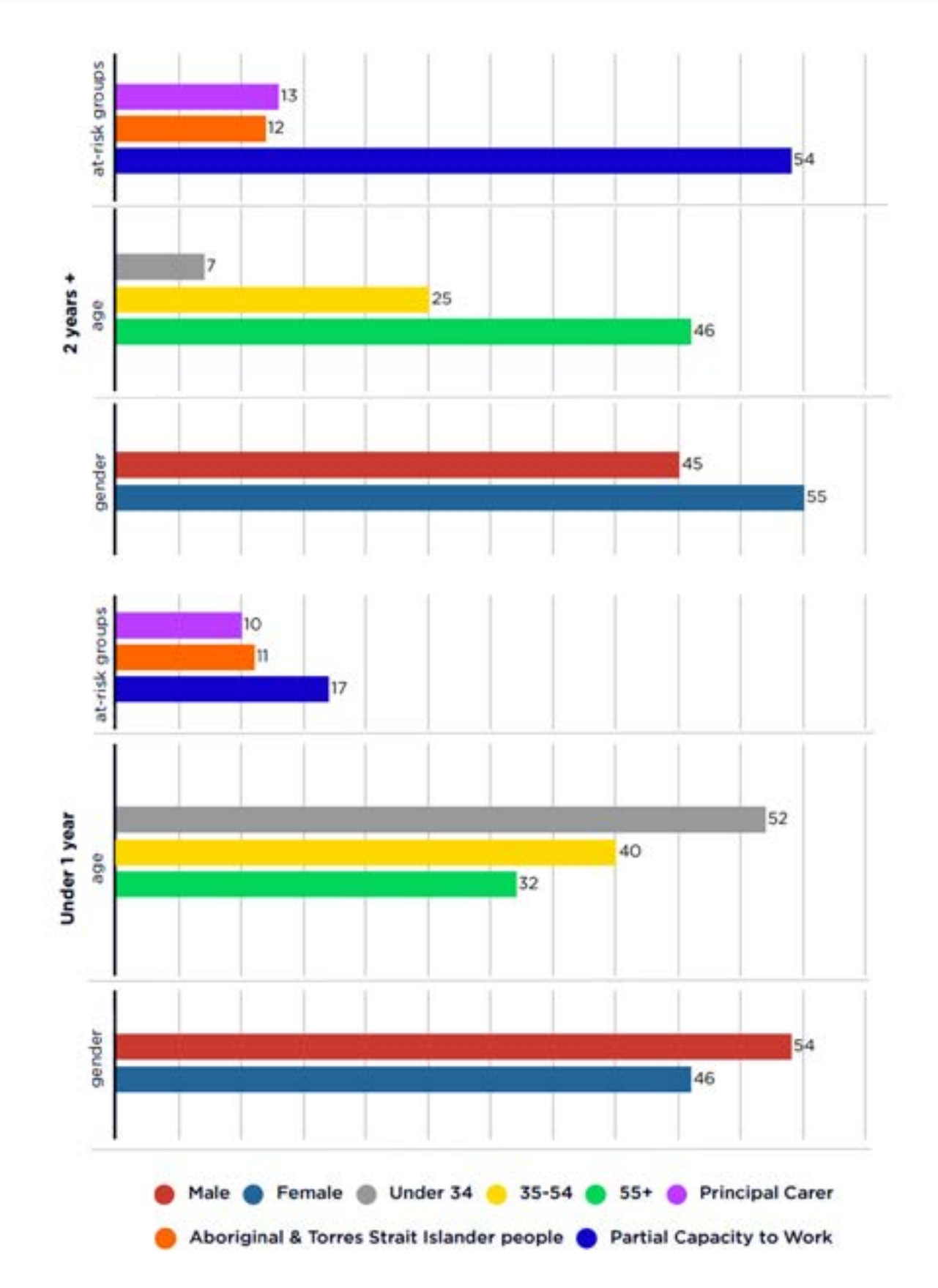
Of the 429,000 people on income support for two years or more:

- 234,000 (54%) had a partial work capacity or assessed capacity to work part-time only (compared with 17% of people unemployed for less than a year);
- 134,000 (31%) were 55 years or older (compared with 16% of people unemployed for less than a year);
- 53,000 (12%) had Aboriginal and/or Torres Strait Island background (compared with 11% of people unemployed for less than a year);
- 57,000 (13%) were the main carers of young children, mainly sole parents (compared with 10% of people unemployed for less than a year);
- 226,000 (53%) were women and 203,000 (47%) were men (compared with 46% and 54% respectively of people unemployed for less than a year).

Of the 184,000 people on income support for five years or more:

- 119,000 (65%) had a partial work capacity or assessed capacity to work part-time only (compared with 17% of people unemployed for less than a year);
- 72,000 (39%) were 55 years or older (compared with 16% of people unemployed for less than a year);
- 21,000 (12%) had Aboriginal and/or Torres Strait Island background (compared with 11% of people unemployed for less than a year);
- 21,000 (11%) were the main carers of young children, mainly sole parents (compared with 10% of people unemployed for less than a year);
- 100,000 (55%) were women and 83,000 (45%) were men (compared with 46% and 54% respectively of people unemployed for less than a year).

Figure 2: Profile of people on unemployment payments by duration on income support (per cent in April 2021)



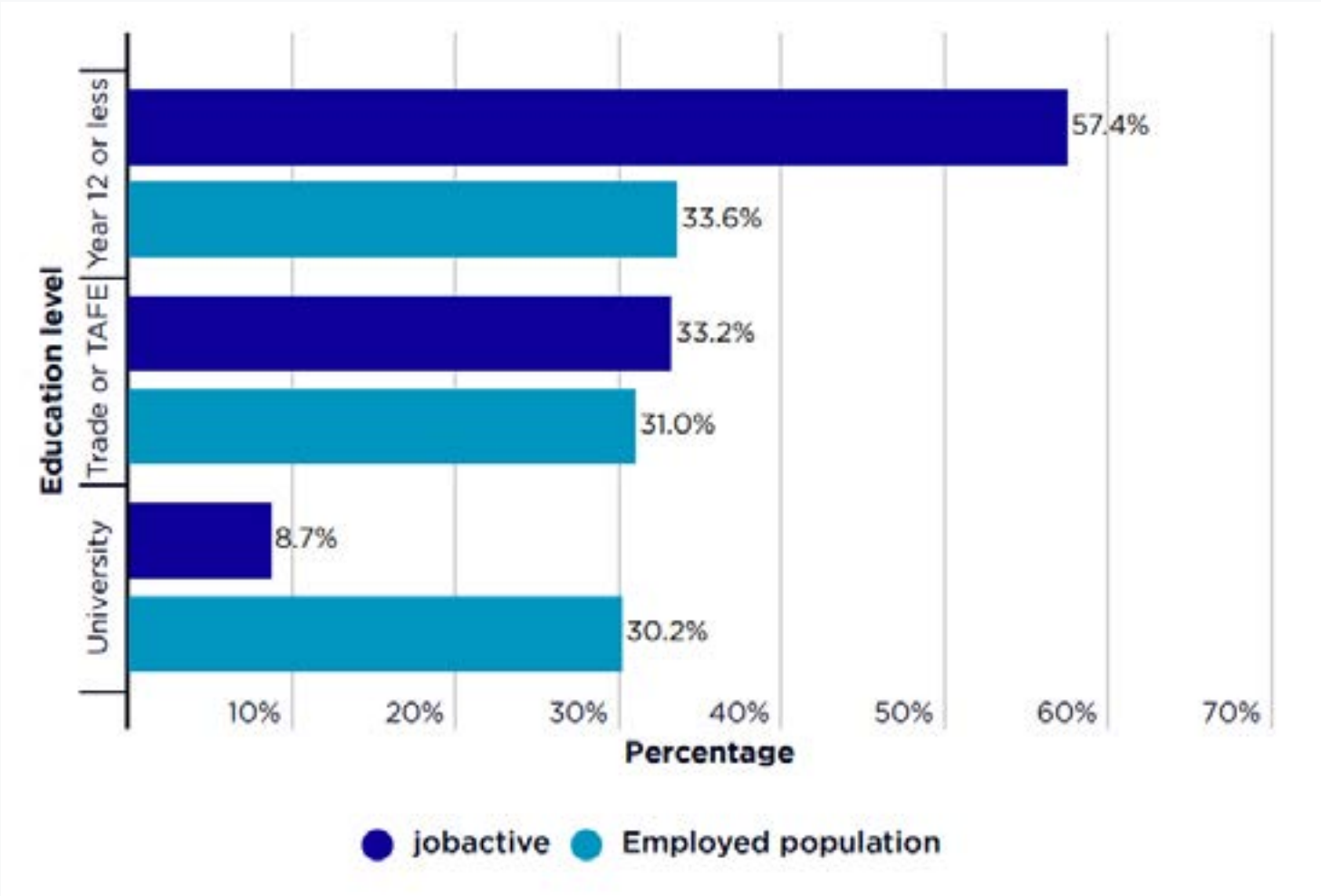
Source: DSS (2021), Response to Senate Estimates question No SQ21-000493
Note: Percentage of people within each duration category (so age and gender breakdowns for each duration category add up to 100%).

On average, people who are unemployed have lower qualifications than those employed

A key barrier to paid employment for many people receiving unemployment payments, which we return to later, is their lower average qualification levels. This means they are more likely to be restricted to applying for entry-level jobs than employed people who are changing jobs.

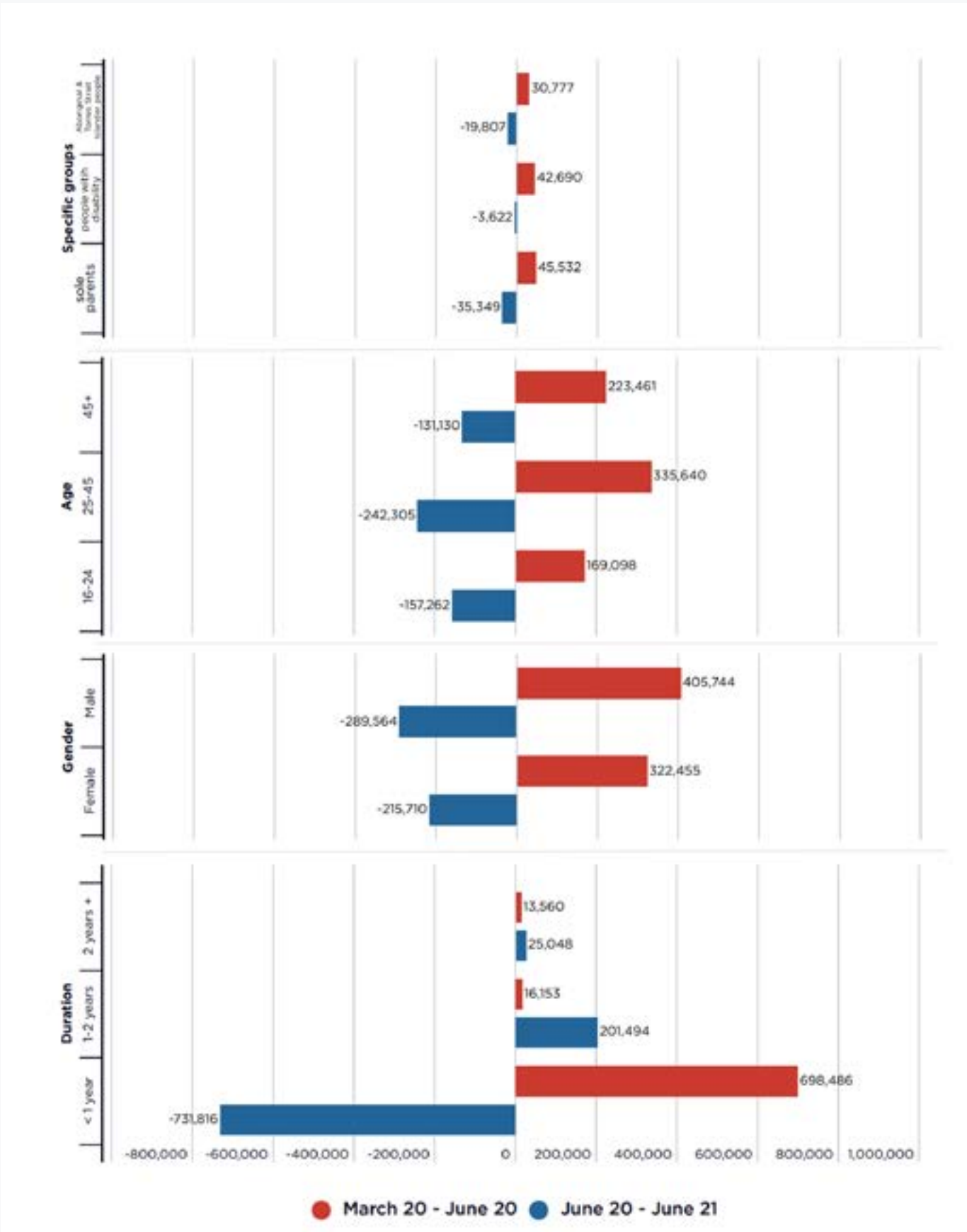
Figure 3 shows that 57% of participants in the jobactive program (the vast majority of whom receive unemployment payments) had Year 12 qualifications or less (note that 25% of participants didn't complete high school), compared with 34% of employed workers. Only 9% of jobactive participants had university qualifications.

Figure 3: Highest qualifications of jobactive participants and all employed workers (%)



Sources: Department of Jobs and Small Business (2020), Occupational Profiles Summary, Australia (2016 census data); Department of Education Skills and Employment (2020), Response to Senate Additional Estimates Question No. SQ21-000023.
Note: 85% of jobactive participants receive unemployment payments. (Department of Education, Skills and Employment (2021), Response to Senate Estimates Question No. SQ21-000857).

Figure 4: Change in number of people on unemployment payments (000s from Mar20-Jun20 and Jun20-Jun21)



Source: DSS quarterly demographic payment statistics.
Note: Blue bars on the right show the increase in unemployment among different groups in the recession from March to June 2020.
Yellow bars (mainly on the left) show the reduction in unemployment in the recovery from June 2020 to June 2021 (just before the latest round of lockdowns). The number of people unemployed for 1-2 years and 2 years or more increased over this period and this is shown on the right side of the graph.

During the recession, the profile of unemployment payments shifted towards younger people and people recently unemployed

Figure 4 shows changes in the number of people receiving unemployment payments in the recession (from March to June 2020) and recovery (from June 2020 to June 2021), broken down by the same characteristics as in Figure 1.²

This shows that the stability of the profile of unemployment payments shown in Figure 1 is the result of major changes in the recession and recovery that largely offset each another. The recession did not have an equal impact on the groups discussed here, but those who fared worst (overall) in the recession fared best in the recovery.

- Compared to the profile of recipients before the recession, the new entrants to unemployment payments (on the right side of Figure 3) were more likely to be:
- By definition, in receipt of income support for less than a year (an increase of 698,000);
 - Younger, due to an increase of 169,000 in the number aged less than 25 years and 336,000 in the number aged 25-44 years;
 - People with culturally diverse backgrounds (an increase of 121,000);
 - Men (an increase of 406,000 compared with 332,000 for women).

The increase in shorter-term reliance on income support was due to the entry of large numbers of people to unemployment payments in the recession.

Recessions usually have a disproportionate impact on young people as many are entering the labour market at a time when few vacancies are available, and employers are trying to keep their existing workforce. The JobKeeper Payment, which was designed to maintain attachment between employers and their existing workforce, reinforced this.

The disproportionate impact of the recession on young people and people with culturally diverse backgrounds was also due to the concentration of job losses in industries such as hospitality and retail. As discussed later, many entry-level jobs in the most affected industries are casual jobs. Workers in casual jobs are more vulnerable to job losses, and they were not eligible for JobKeeper Payment if employed in the position for less than 12 months.

Women were more likely than men to be employed in the worst affected industries and to lose their jobs, but fewer women than men moved onto unemployment payments. The most likely reason is that many women withdrew from the paid workforce as they provided most of care for children who could no longer attend childcare or school.³

In the recovery, recession-induced changes in the profile of unemployment payments were largely reversed

- Figure 3 (above) also shows that reductions in reliance on unemployment payments in the recovery from June 2020 to June 2021, shown on the left side of the graph) mainly occurred among the groups whose numbers increased most in the recession:
- The number of people under 25 years receiving unemployment payments fell by 157,000, almost offsetting the previous increase of 169,000.
 - The number of men receiving unemployment payments fell by 290,000 compared with a fall of 216,000 among women.
 - Declines in the number of people of culturally diverse background (by 78,000), parents (by 35,000) and Aboriginal and Torres Strait Islander people (by 20,000) offset around two thirds of the increases for those groups during the recession (121,000, 46,000 and 31,000 respectively).
 - However, there was only a very small reduction in the number of people with disability on unemployment payments (4,000 compared with an increase of 43,000 in the recession), demonstrating that once people with disability lose employment it is very hard for them to find another job.

In the course of the recession and recovery, the duration of reliance on income support altered dramatically. After rising sharply in the recession by 698,000 people, the number of people receiving unemployment

payments for less than a year fell even more, by 792,000. The main reason for this was that more people left unemployment payments during the recovery than entered them.

Further, people who are newly unemployed are more likely to find employment than those unemployed long-term.

On the other hand, the number of people unemployed for one to two years rose by 201,000, indicating that that around one third of the increase in short-term unemployment in the recession flowed through to long-term unemployment. The number unemployed for over two years did not change much (rising by 14,000 in the recession and falling by 25,000 in the recovery), but this is likely to increase in 2022, two years after the recession.

Nicole's Story

As a sole parent due to sudden death, I have had to navigate the DSS system for some years now. I tried to return to work immediately following my husband's death, and worked for almost one year but then needed to tend to the grief and health needs of my three kids, one of whom became critically ill. I had to turn to government supports after being a decently paid professional for over 20 years.

Putting aside the discrimination/ judgement from so many, it was the traumatising "system" that is the most difficult part of it all. Traumatising with regard to the red tape to gain access to supports, the process is dehumanising at times and traumatising by way of the system errors, lack of person-centred policy, constant changes - and how could we forget issues such as Robodebt?

As a mum with 3 kids, we cannot survive on the parenting payment/ jobseeker or carers payment alone - while yes, it helps and we are lucky there is a social security system in Australia - it is not enough and it is a very very difficult system to navigate when one needs a safety net the most.

I have to navigate the household budget like a big monopoly game - taking from one area, getting bills stalled, asking for supports for my children wherever I can. I am constantly lobbying for supports just to make ends meet and to get them the health and medical care they need. For example, one grief counselling session would be more than 50% of my weekly payment - there was no free counselling back then, so instead I would go without any social interaction and social spending so that my kids can have what they need. Actually, it is exhausting to write this and to relive some

of these times. No one should have to feel like this.

I also feel that there needs to be easier to transition back into paid work. It is not as simple as it seems. The barriers to earning are hard if on income support. I lose a certain amount of the payments per \$1 I earn and the more you work the harder it can be to manage, if working casually, and in my case there is a fear if I fully come off the income supports and my child's health goes downhill then god knows I do not want to go through that trauma to get back into the system. And so, we wait in a holding pattern.

If I were making policy I would make it easier to transition back to work - at this stage I can only earn around \$100 per week without affecting the payment I receive, -which is not enough to live on anyway so we need policy reform now. If it were not for some informal supports and having a house to live in, I would not be in a good place.

The other thing I will add, is how much missing out on the \$200 supplement cost me. I do not know how I will pay the difference in this quarter's electricity gas and food bills (on credit card), that have increased by well over 30% during lockdown. Even after much lobbying my family was not eligible for this payment but still suffered the immense increase in lockdown costs.

I understand why we have tight policy but there needs to be wiggle room given and some incremental policy change to accomodate more difficult circumstances such as our family.

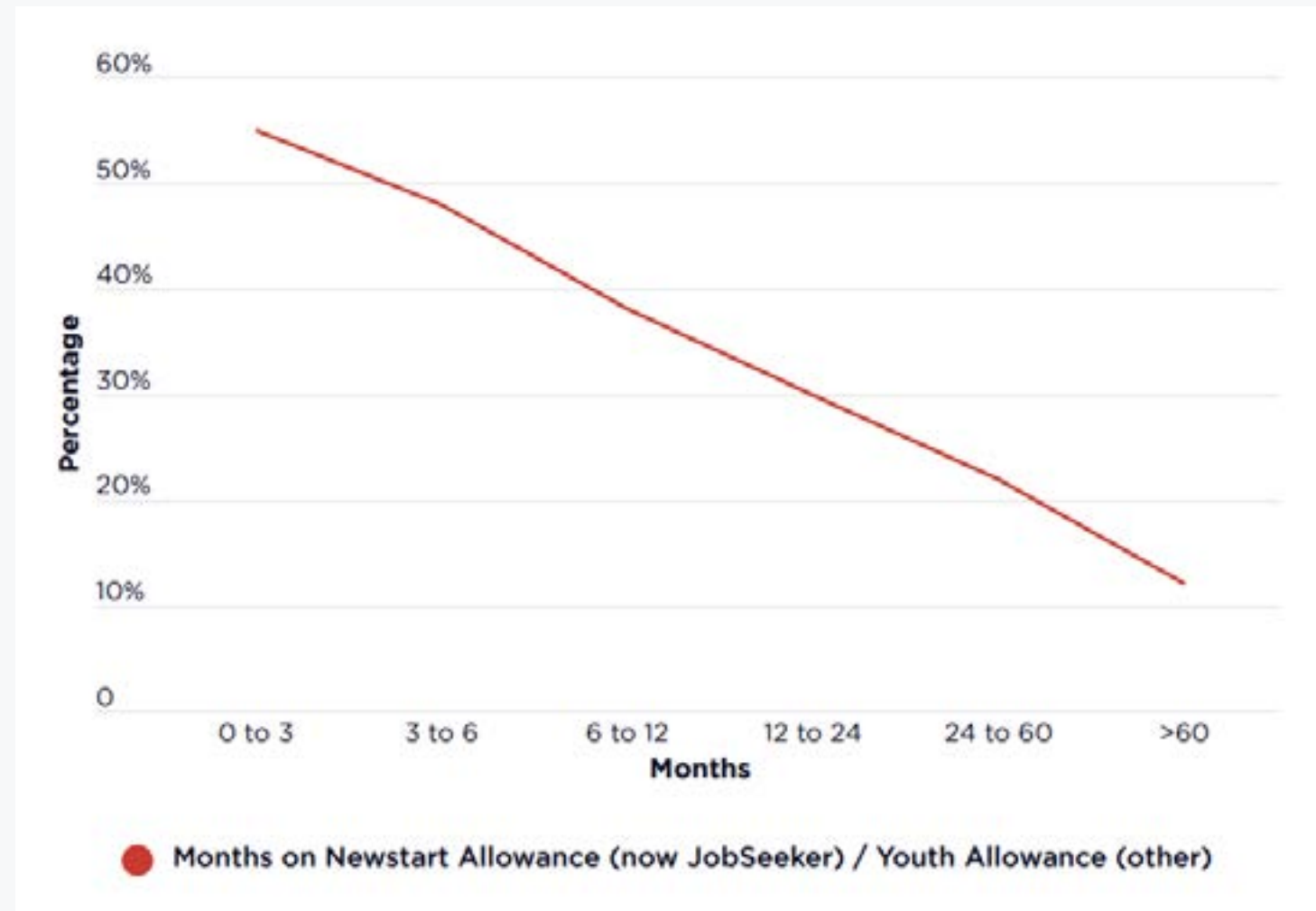
"The process is dehumanising at times and traumatising by way of the system errors, lack of person-centred policy, constant changes - and how could we forget issues such as Robodebt."

1.2 The impact of long-term unemployment on future employment prospects.

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

Among people receiving unemployment payments in 2015, the average probability of not needing those payments 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.⁴ (Figure 5).

Figure 5: 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.

1.3 Trends in long-term unemployment

Australia failed to make serious inroads into long-term unemployment in the long boom after 1990

Figure 6 shows trends on short and longer-term reliance on unemployment payments since the recession in the early 1990s.

This shows that short-term unemployment rises sharply in recessions and declines reasonably quickly in recoveries. As it was induced by government decisions to effectively close down many industries, the COVID recession is notable for a relatively quick reduction in unemployment once restrictions were lifted.

On the other hand, after the COVID recession long-term unemployment (12 months or more) is more than twice as high (897,000 on income support for more than a year in June 2021) than its peak level following the last recession in 1991 (350,000 or 4% of the labour force). That increase in long-term unemployment prompted a major national inquiry and additional investment of over \$1 billion a year in employment assistance.⁵

Moreover, very long-term unemployment (measured here as reliance on income support for two years or more) continued to rise through almost 30 years of employment growth from 1991 to 2020.

All things equal, the profile of people on unemployment payments is likely to become more disadvantaged as unemployment falls, as those who are less disadvantaged in the labour market find jobs more quickly in economic recoveries, leaving behind the more disadvantaged groups.

This does not explain why the absolute number of people relying on unemployment payments continued to rise. The increases occurred in two phases:

- After the 'Job Compact' (which guaranteed employment for people unemployed for more than 18 months) was abandoned and the Job Network was introduced in 1997.

The combination of a decline in shorter-term reliance on unemployment payments and an increase in very long-term reliance at this time suggests that the Job Network was ineffective in assisting people unemployed long-term into employment.

- After 'Welfare to Work' policies introduced in 2007 (and accelerated in 2013) diverted many sole parents and people with disability from pension payments to unemployment payments.

Despite the promise of the Howard and Gillard governments that those affected would be financially better off as they moved off income support into employment, most remained on unemployment payments long-term, at much lower payment rates.⁶

In both phases, the increases in very long-term unemployment were brought about by policy decisions.

Tony's Story

I'm 56 years of age and never had a permanent full-time position. Always worked as either a casual, part-time or contract work in the many different jobs I ever held.

I have studied many courses in-between work, some unfortunately that I had never completed. One of the reasons is that I have a learning disability that is yet to be diagnosed but looks like a form of Dyslexia?

I've been working 12 years for - and still am on - the casual relief list with Wollongong City Council as a Street Cleaner and Indoor Cleaner. Unfortunately I can't seem to get any permanent full-time positions there despite in applying for many internal and external positions. Perhaps this may change once I get diagnosed properly or perhaps just move on elsewhere doing something else outside of council.

I also suffer from various other health problems which require regular visits with my GP and frequent referrals to other specialists. When I do have extra money, which is not often, I see chiropractors and physiotherapists.

I'm currently living in an old house that needs major repairs such as plumbing and electrical repairs done but I haven't had the money to fix anything there. As is with my 1993 year model car that the engine keeps having mechanical problems, just don't have the money to fix it properly or get another vehicle unfortunately. Yet to get another job, I do need a reliable car to get me there and back.

My health is gradually getting worse and not getting better due to ageing. With the health issues I have it becomes problematic to find and maintain regular work, more so now in that I'm getting older. This compounds my problem in that neither Centrelink nor any of the many job providers I came under fail to understand or even acknowledge my health situation, and what my capabilities are to find and keep work.

Earlier this week, my job provider got me a job at a warehouse sorting out and dispatching Christmas cards.

I actually thought I could do it – well, I could've, many years ago. But standing on my feet all day from 8am to 4pm with only half an hour lunch break, lifting heavy boxes above my head from pallets with the manager yelling at me to work faster, I only lasted one day before my back seized up on me and had to give it away.

I got another medical certificate from my G.P. saying that I am only able to do light work but was rejected by Centrelink as they told me that I'm still able to do some work and that my job provider had

changed my agreement with them from doing restricted work to being able to work normally without any problems. I only found in the change to my contact with my job provider through that Centrelink staff member. So, as my job keeper are also a disability employment agency, it was up to them and myself to sort it out, he told me.

That was my first medical certificate to Centrelink that got rejected after many more I'd sent over the years. The one before this one that I had handed in the Centrelink staff member said, we will accept this one but you can't keep giving us medical certificates with exemptions in not to work.

I had twice applied and got rejected in receiving the Disability Pension despite my G.P. of 20 years and a solicitor from Legal Aid agreeing that I'm entitled to it.

My Centrelink benefits have been axed on 3 separate occasions due to my job providers telling Centrelink that I had rejected job offers that they had given me.

One job provider had offered me to work as a cleaner at a construction site in West Sydney and I live in the Illawarra region. So I said no, as it would be too physically demanding on my body and also the guy who owned the company called me in the late afternoon wanting me to start working there next day without an induction on site, no paperwork filled out or information on pay.

When I found out I'd been cancelled in getting Centrelink benefits I then called Centrelink and they agreed with me and reinstated my payments and I changed job providers and put in a complaint against them.

Another time with a different job provider I was asked to attend an information session from a company coming down from Sydney for several jobs in the Sydney region construction industry. When I filled out their paperwork and wrote down in all my medical conditions I was rejected by the recruitment company. In turn then that job provider cancelled my Centrelink benefits.

So I did exactly the same thing with the previous time it happened to me, again Centrelink agreed with me, I put in a complaint against that job provider and changed job providers.

And again similar thing happened to me with a different job provider for a third time about 4 years ago.

Except for the last job I had, never ever have I gotten any paid work through a job provider, its been always me who gotten new jobs but they seem

to claim credit for it somehow.

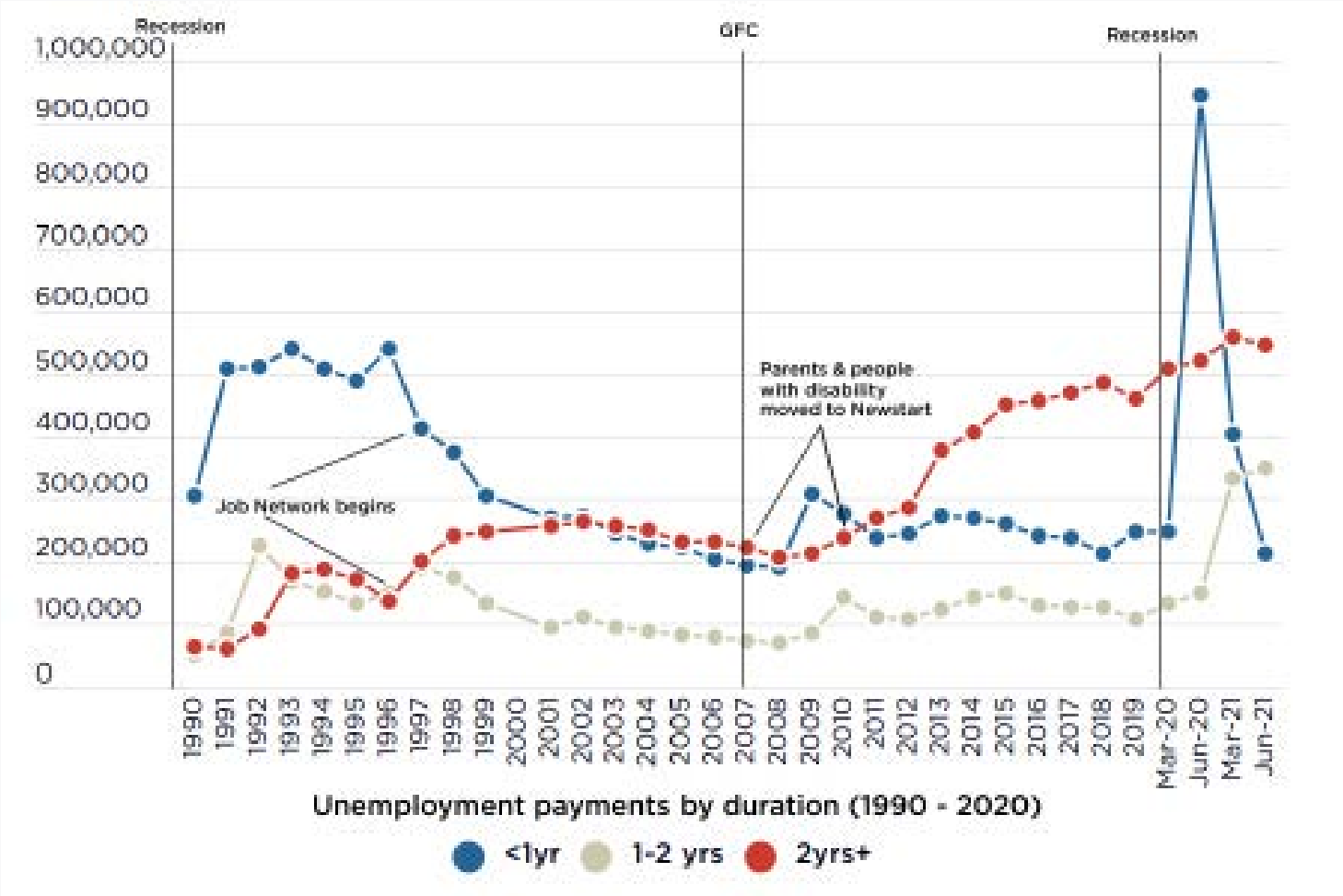
Then there's the volunteering work or work for the dole that they send me too. Even though I'm involved in several community groups they never allowed me to do my hours with them but instead sending me off to volunteer elsewhere like volunteering at a rubbish depot or at a food charity that suddenly had to close down due to the management taking most of the money away instead of helping the charity they belonged to. They do send you to some really dodgy places to do your work for the dole hours.

In summary things are getting more harder than easier with the conditions that the federal government puts people like myself under. Not only recognition is lacking in the situation I'm in but they've even stopped listening now. With the increasing day to day living expenses, I am grateful that I do not have a family to support and live on my own. I already had to deter some of my bill payments and have even asked several organisations to pay bills on my behalf like my car insurance, energy and phone bills.

No wonder that people like myself go through depression.

“When I do have extra money, which is not often, I see chiropractors and physiotherapists.”

Figure 6: Trends in shorter and longer-term reliance on unemployment payments



Sources: DSS, Statistical summary of social security payments; DSS, Quarterly demographic payment statistics.
Note: This shows duration on income support for people currently receiving unemployment payments. For example, where people transferred directly from Parenting Payment to Newstart Allowance or JobSeeker Payment, 'duration' includes periods of reliance on both payments.

Another cause of increasing long-term reliance on unemployment payments is changes in the labour market that made jobs that were previously available to people who were unemployed harder to get and harder to keep. We turn to this issue next.



Part 2: What jobs are available to unemployed people?

We begin to answer this question by outlining the extraordinary impact of the deepest recession in almost a century on employment, the rapid restoration of jobs as restrictions were eased, and the mismatch between jobs available and people seeking employment.

We then turn to longer-term trends in the labour market that impact on employment opportunities for people who are unemployed, especially those with limited formal qualifications.

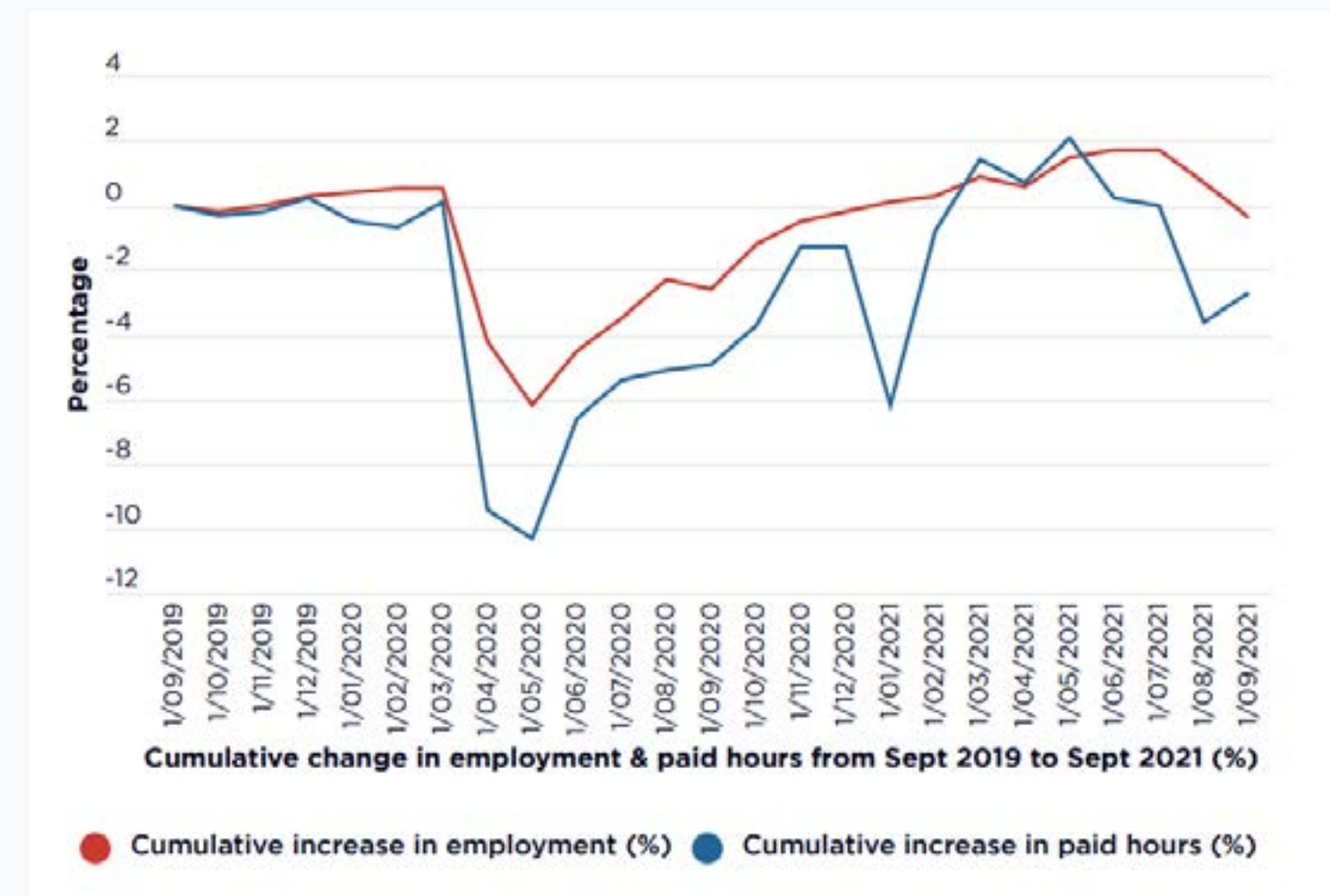
2.1 Jobs lost and gained in the pandemic

The overall number of jobs fell by 7% in the recession, was restored by May 2021, but fell again when lockdowns were imposed in the two largest states

Restrictions imposed nationally in March 2020 to prevent the spread of COVID-19, including international border closures and 'lockdowns', triggered the deepest recession in almost a century. Employment and paid working hours recovered to above pre-recession levels by May 2021, but fell back again when lockdowns were reintroduced in the two largest states in July (Figure 7):

- The reduction in employment from March to April 2020 (by 872,000 or 7%) was the largest recorded by the ABS, while the reduction in paid working hours was even greater (10%) since many employers kept workers employed on reduced hours;
- In the recovery from May 2020 to May 2020, employment grew by 1,000,000 or 8% and paid working hours rose by 12%.

Figure 7: Change in total employment and paid working hours throughout the pandemic



Source: ABS, Labour Force, Australia.

Note: Changes in total employment and monthly working hours since September 2019.

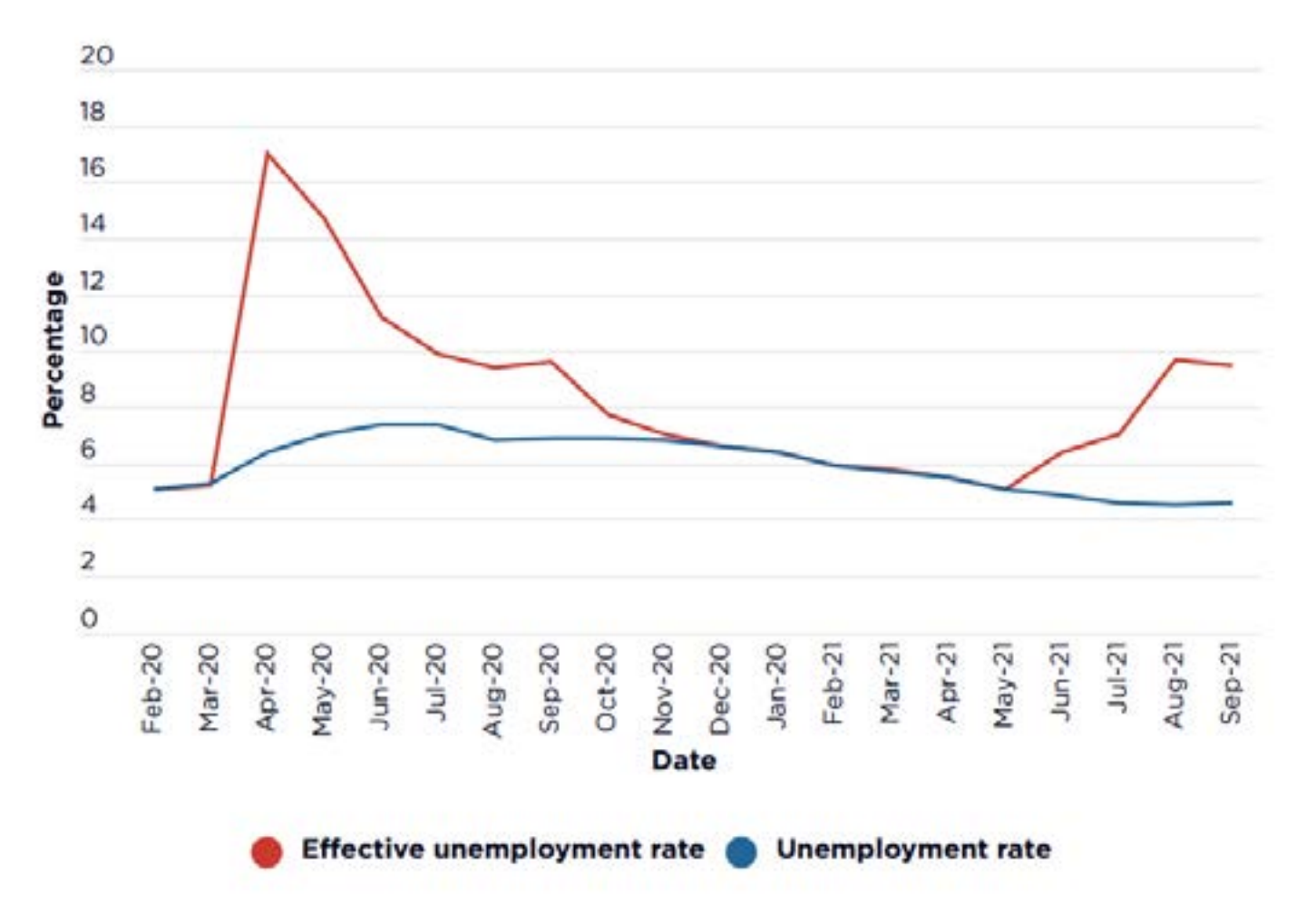
During and after lockdowns, ‘effective unemployment’ is much higher than the conventional measure

The conventional unemployment measure rose much less than expected in last year’s recession. To explain the unusual impact of COVID restrictions and public income support such as JobKeeper Payment on people’s access to employment, the Treasury developed a measure of ‘effective unemployment’. In addition to unemployment as defined by the ABS, this included the number of people stood down from their jobs for economic reasons (mainly men on JobKeeper Payment) and the number of people who left the paid workforce because few jobs were available or to care for children during school closures (mainly women with younger children).

Figure 8 compares trends in the conventional and effective unemployment rates following the national lockdown in March 2020 and the wave of lockdowns across half the country from July 2021, showing that:

- Effective unemployment was around twice conventional unemployment at the peak of lockdowns and the gap between them closed as lockdowns were eased;
- The effective unemployment rate now (9.5%) is as high as it was in the early stages of the recovery from last year’s recession, in November 2020.

Figure 8: Unemployment rate and effective unemployment rate (% of labour force)



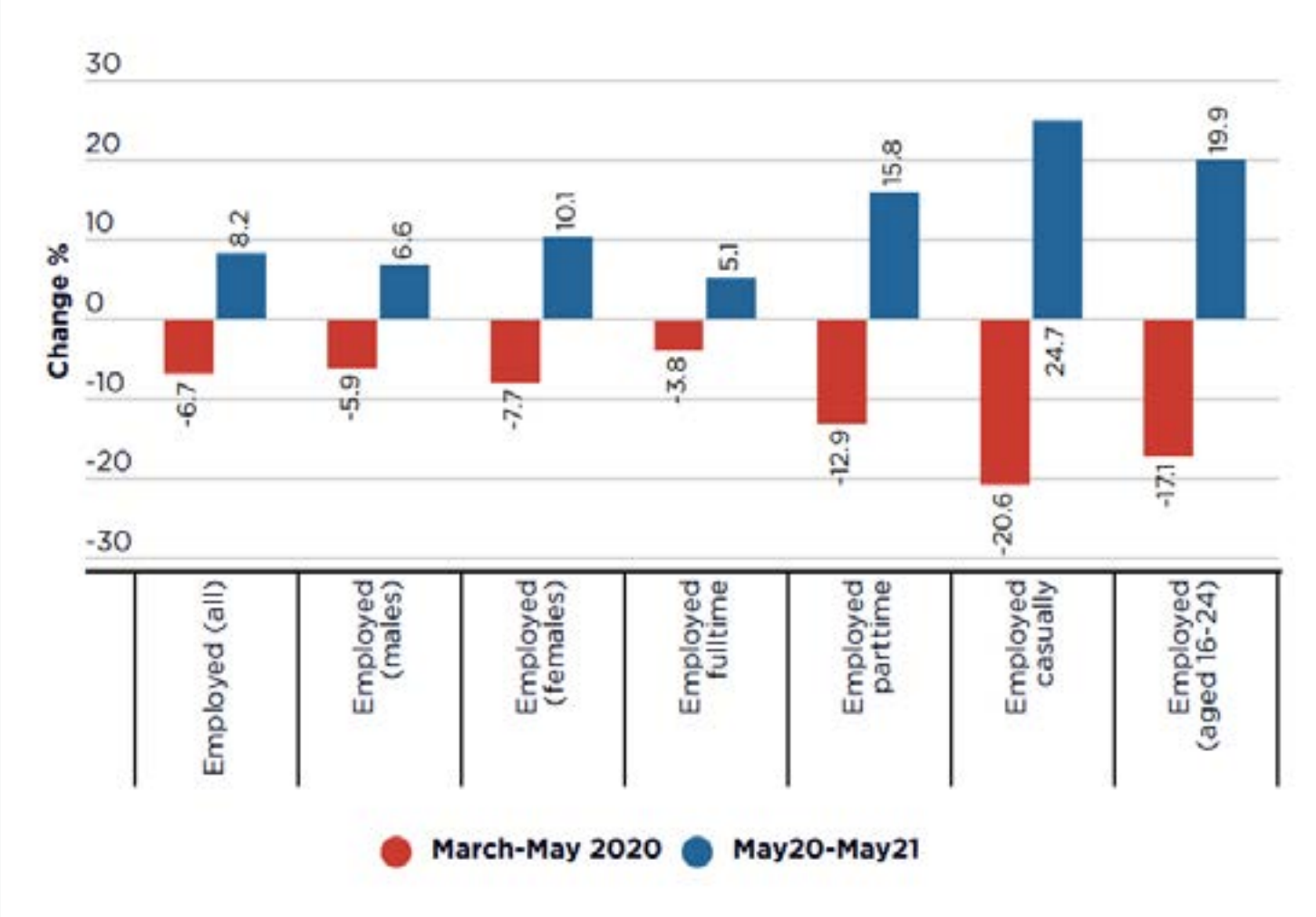
Source: ABS, Labour Force, Australia (detailed); ABS Insight into hours worked, October 2021.
Note: Effective unemployment = unemployed + increase in people stood down for economic or ‘other’ reasons + reduction in labour force compared to pre-lockdown levels (February 2020 and May 2021).

Women, young people, and people in part-time and casual jobs were disproportionately impacted

The COVID recession disproportionately affected services such as tourism, hospitality and retail where a high proportion of jobs are casual and part-time, and held by women and young people. Figure 9 shows that employment declined faster among all of these groups, but their employment levels recovered more quickly as restrictions were eased. Over the period from March 2020 to May 2021:

- Overall employment fell by 6.7% in the recession and grew back by 8.2% in the recovery.
- Female employment fell by 7.7% in the recession compared with 5.9% for males and grew by 10.1% in the recovery compared with 6.6% for males.
- Employment among young people fell by 17.1% and grew back by 19.1%.
- Part time jobs declined by 12.9% compared with 3.8% for fulltime positions and grew back by 15.8% compared with 5.1% for fulltime jobs.
- Casual jobs declined by 20.6% and grew back by 24.7%.

Figure 9: Changes in employment (% increase from March to May 2020 and May 2020 to May 2021)



Source: ABS, Labour Force, Australia and ABS, Status in employment.
Note: The first period includes the recession, and the second period is the recovery prior to the latest round of lockdowns. The decline in casual employment is measured from February to May 2020.

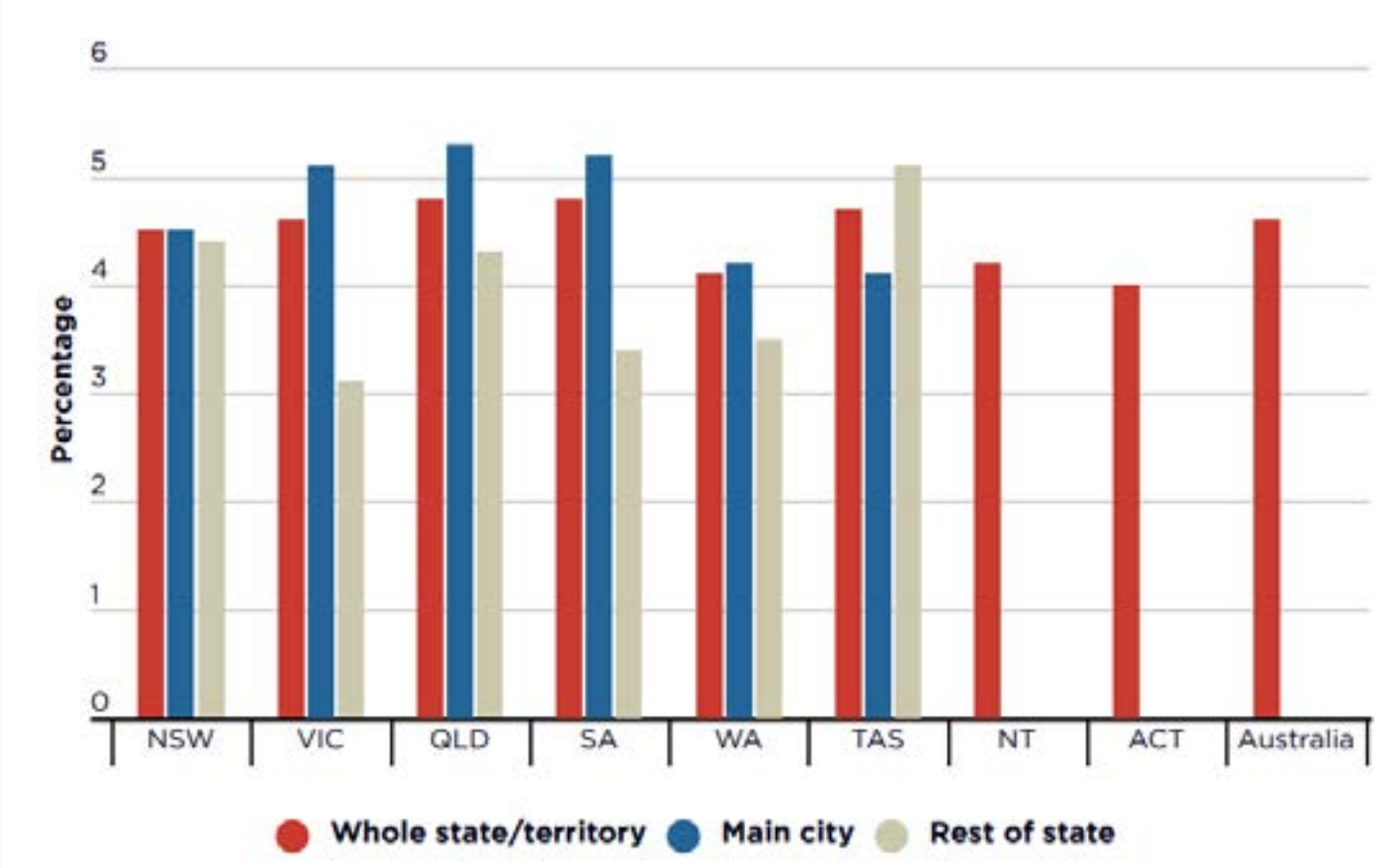
Unemployment is now higher in the major cities than in regional areas.

Since the longest lockdowns occurred in capital cities (especially Sydney and Melbourne), unemployment is now higher in cities than in the country (reversing past trends), while some States avoided long lockdowns by closing their borders (Figure 10). [i] In September 2021:

- The unemployment rate is 3.1% in regional Victoria, 3.5% in regional Western Australia and 4.4% in regional New South Wales, compared with 5.1%, 4.2% and 4.5% in their respective capital cities.
- Western Australia (4.1%) and the Northern Territory (4.2%) have relatively low unemployment as employment there was less impacted by lockdowns.
- However, border closures affected Queensland’s large tourist industry, where the unemployment rate is 4.8%.

Queensland (4.8%) and South Australia (4.8%) have the highest unemployment rate using the conventional measure, though it is likely that effective unemployment is greater in New South Wales and Victoria due to recent prolonged lockdowns.

Figure 10: Unemployment by state/territory, capital cities and regions (September 2021)



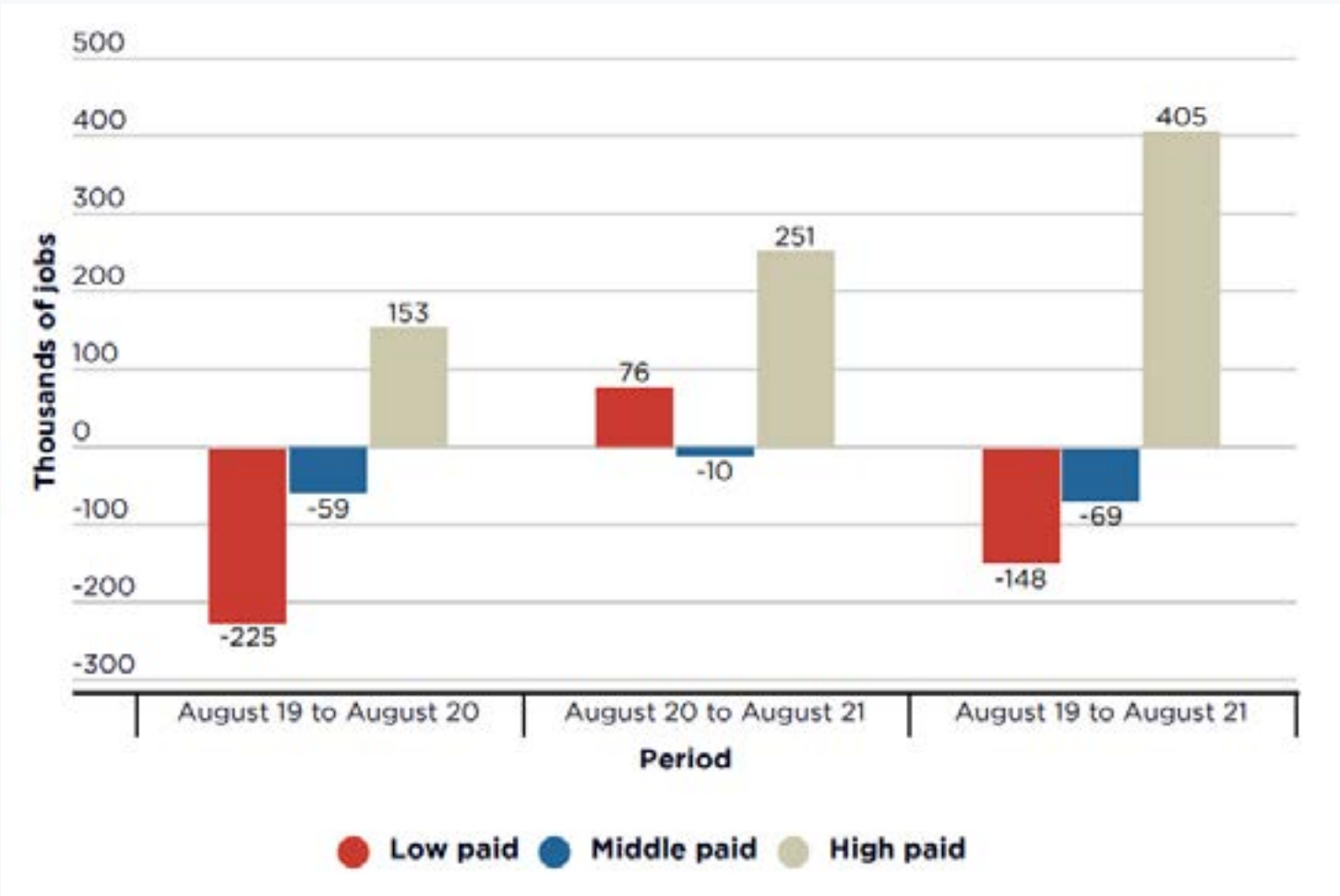
Source: ABS, Labour Force Australia (detailed, original).

The recession accelerated a long-term decline in entry-level jobs

Figure 11 shows how low-paid, middle paid and higher-paid employment fared in recession and recovery.

Overall, from August 2019 (before the pandemic) to August 2021, lower paid positions declined by 148,000, middle-paid jobs declined by 69,000 while higher paid positions (managers and professionals) rose by 405,000. Given the link between qualifications and higher-paid jobs, this implies reduced employment prospects for the majority of people on unemployment payments.

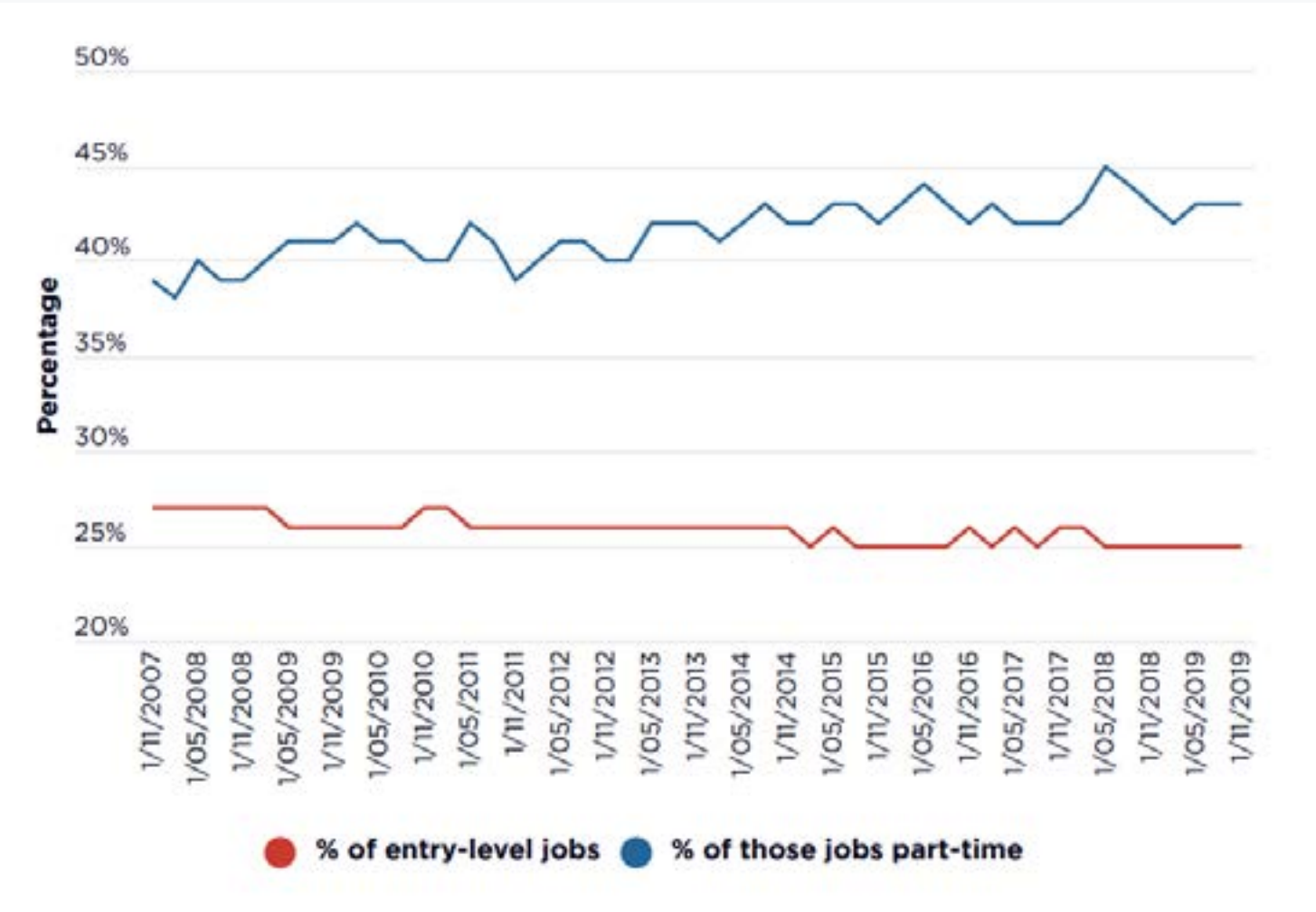
Figure 11: Changes in employment by weekly pay level from August 2019 to August 2021 (000s of jobs)



Source: ABS Labour Force Australia (detailed), August 2021.
Note: Major ANZSCO occupation groups are divided into three categories according to average weekly pay levels (in main job) for each group.

This continues a long-term trend away from entry-level employment, from 27% of all employment in 2007 (before the Global Financial Crisis) to 25% in 2021 (Figure 12).⁷

Figure 12: Trends in the share of all jobs, and part-time employment, at the lowest two skill levels (2007-19)



Source: ABS, Characteristics of employment.
Note: Entry-level jobs = ASCO skill levels 4 and 5 including Labourers and Related Workers, Elementary Clerical, Sales and Service Workers, Intermediate Clerical, Sales and Service Workers, and Intermediate Production and Transport Workers.

Entry level jobs are increasingly part-time and casual

In addition to the decline in the number of entry level jobs, the hours worked in these jobs are falling as fulltime positions are divided into smaller parcels of work offered on a part-time basis when needed.⁸ This means people remain on unemployment payments longer (on income-tested part-rate payments) and that they return to them more frequently after obtaining employment.

Australia has the fourth-highest rate of part-time employment (30% of jobs) and the second highest rate of casual employment in the OECD (25% of jobs).⁹

Figure 12 (above) showed that the proportion of entry level jobs that are part-time rose from 39% in 2007 to 43% in 2021.

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.¹⁰ Among part-time workers; men, blue-collar workers, migrants, people in entry-level occupations, casual workers, and people who were previously unemployed are more likely to be under-employed.¹¹

Most casual employees are entry-level workers who have been in the same job for over a year.¹² As discussed (see Figure 8), the pandemic recession highlighted the precariousness of casual employment.

2.2 Why are there labour shortages when effective unemployment is still high?

One of the puzzles of the recovery from this recession is the combination of high effective unemployment rates and employer reports of labour shortages (unfilled vacancies), including for entry level positions, as employment recovered in early 2021. Those concerns were most often raised in industries such as horticulture, hospitality and tourism in regional areas, and hospitality and personal care services in capital cities, which had stood down or retrenched large numbers of workers during lockdowns.

As lockdowns are easing in the two largest States, we are hearing those concerns again.¹³

Increases in income support in the pandemic did not stop people from applying for jobs

Some argued that the combination of labour shortages in some industries and high unemployment demonstrated that higher income support introduced during the pandemic (Coronavirus Supplement and JobKeeper payment) was too generous, discouraging people from applying for jobs when lockdowns eased. Careful research by labour market economist Professor Jeff Borland disproved this. He found that financial incentives to seek fulltime or part-time employment remained strong and there was no reduction in flows from unemployment to employment after income support was increased.¹⁴

A major reason for labour shortages is that COVID restrictions increased ‘churn’ in the labour market

A more credible explanation for labour shortages is that the sudden imposition and lifting of COVID restrictions (including closures of international and State borders) led to unusually high turbulence or ‘churn’ in the labour market.¹⁵ Employers who stood down or retrenched workers during lockdowns or whose workers left the paid workforce at this time, suddenly had to reconnect with those workers or find new people when the lockdowns ended. Many had already moved on to other jobs, left the country (in the case of temporary migrant workers) or were still out of the labour force caring for children or relatives with a chronic illness:

‘The rapid increases in labour demand that have occurred as COVID-19 has been brought under control and restrictions on economic activity relaxed, and the extent of structural change occurring in labour demand and supply due to COVID-19, make it almost inevitable that there will be some sectors where adjustment takes longer than usual - regardless of the COVID-19 Supplement.’ (Borland J 2020, op cit).

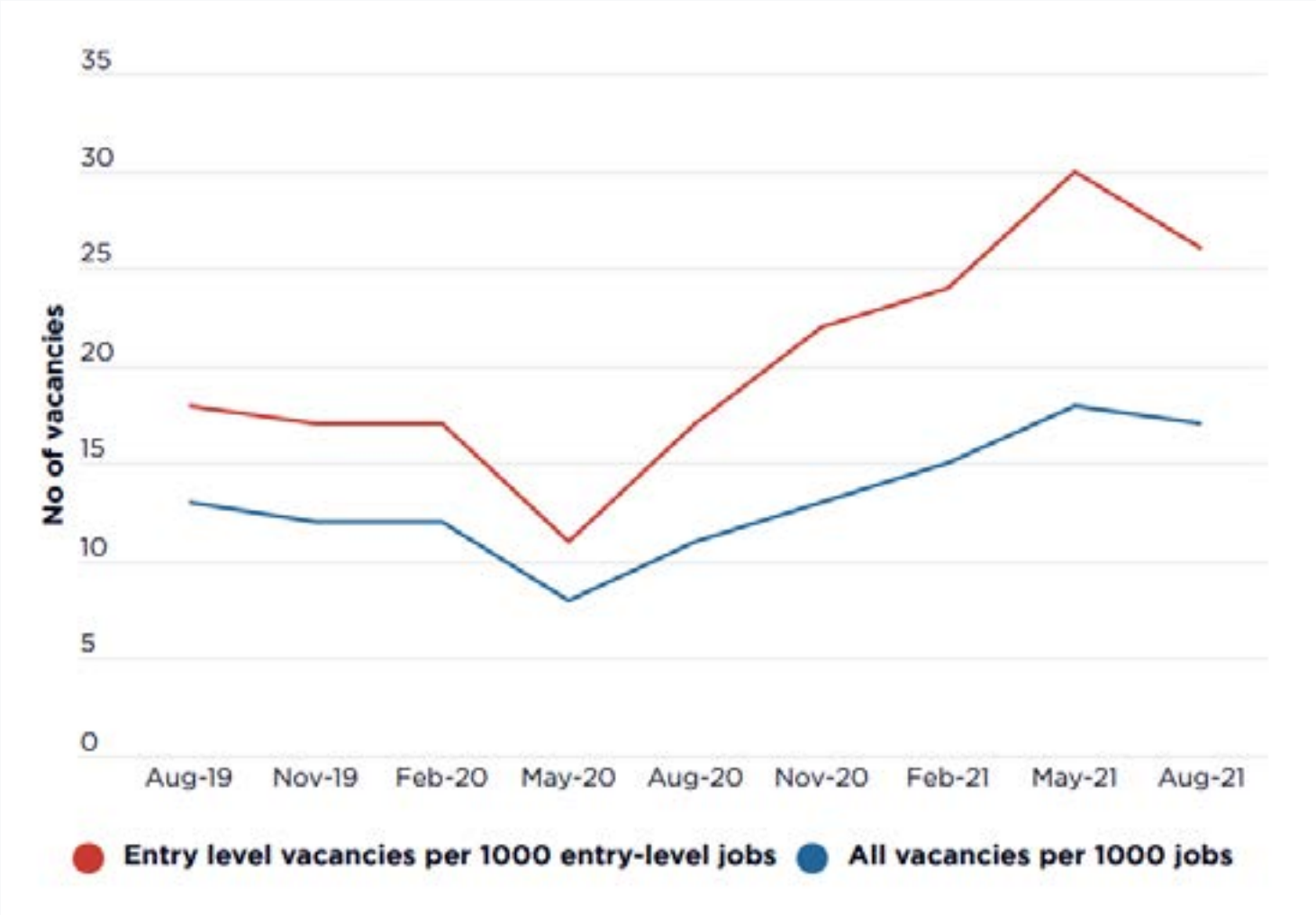
While the JobKeeper Payment succeeded in keeping many workers connected with their employers, this was much less likely for workers in industries such as hospitality that rely on short-term casual employment and temporary migrants (both groups were excluded from JobKeeper in any event).¹⁶

One indicator of labour market churn is the ‘vacancy rate’ (the ratio of vacant jobs to overall employment).

- Figure 13 tracks the vacancy rate separately for all jobs and for entry-level jobs:
- The vacancy rate declined from 12 to 8 vacancies per thousand jobs in the recession, then rose persistently to 18 just before the latest round of lockdowns in July 2021.
 - The vacancy rate was consistently higher for entry level jobs, rising from 11 to 30 vacancies per thousand jobs during the recovery.

Two reasons for higher vacancy rates in entry-level jobs have already been discussed: those jobs were disproportionately impacted by the recession and a high proportion of them were casual positions.¹⁷

Figure 13: Job vacancies per thousand jobs



Sources: ABS, Labour Force, Australia; National Skills Commission, Internet vacancy data.
Note: The number of vacancies per 1,000 jobs is a measure of labour turnover.

So far, labour shortages haven’t forced employers to lift wages

Despite these concerns about labour shortages, the Reserve Bank has indicated it won’t begin to lift its target interest rate until its favoured measure of labour market ‘tightness’ – wages growth – recovers to a level well above the historically-low increases (2-3% a year) recorded before the pandemic:

‘Many firms are relying on non-wage strategies to retain and attract staff. Some are also adopting a ‘wait and ration’ approach: wait until labour market conditions ease, perhaps when the borders reopen, and until then, ration output. By waiting and rationing, firms can avoid entrenching a higher cost structure in response to a problem that might be only temporary.’ (Lowe, 2021).¹⁸

Figure 14 shows that as employment recovered in the first half of 2021 employers were not offering much higher wages in response to labour shortages.¹⁹

Figure 14: Quarterly increase in wage price index (%)



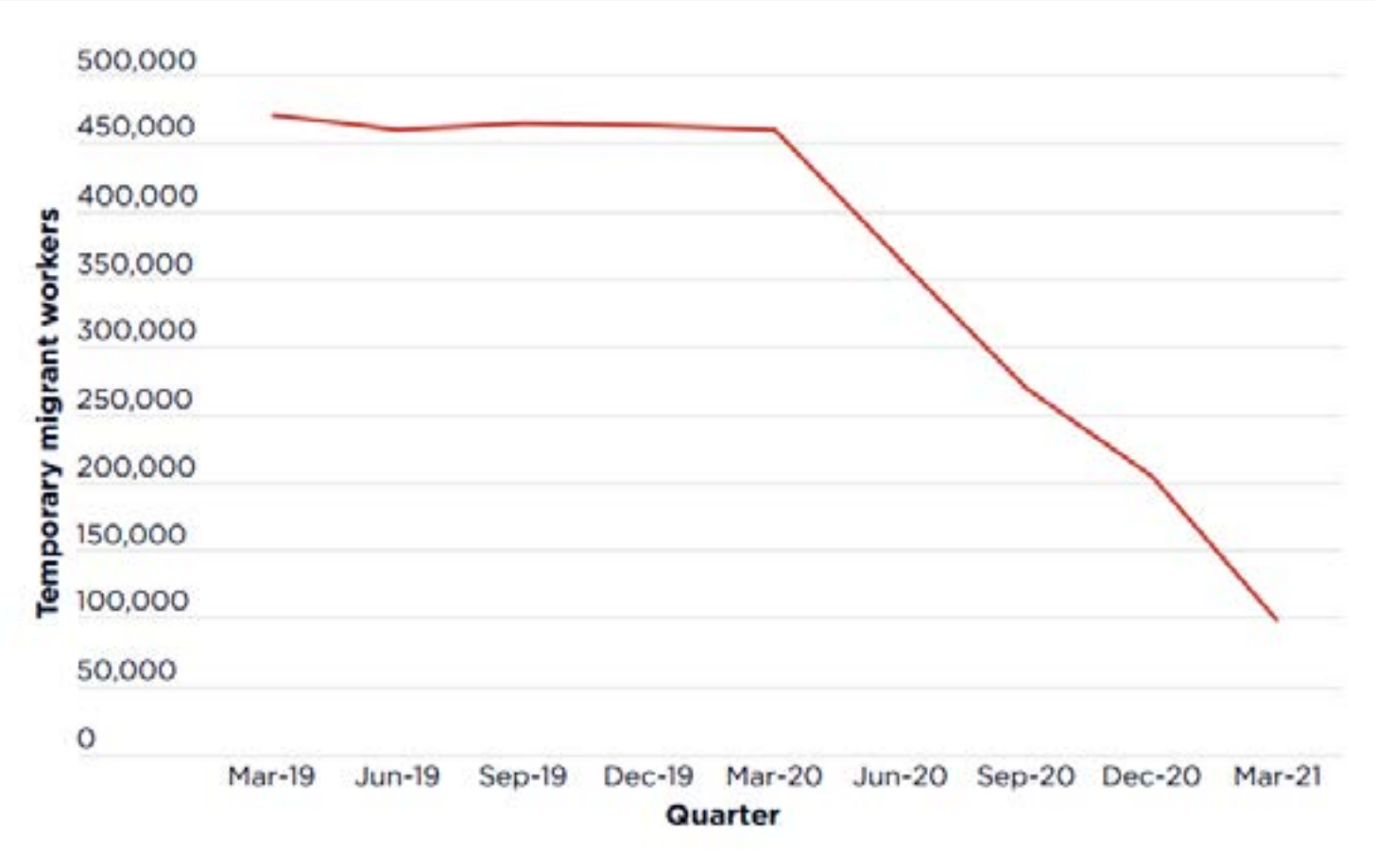
Source: Australian Bureau of Statistics, Wage Price Index, Australia June 2021
Note: Excluding impacts of changes in workforce composition due to the recession and recovery.

One reason for labour shortages in some industries is over-reliance on temporary migrant workers

Temporary migration has grown very strongly in recent years, especially among international students and working holidaymakers (back-packers) who typically work in entry-level jobs in industries such as hospitality, retail, personal services and agriculture. Over the decade of the 2000s, employment of temporary visa-holders comprised half the overall growth in the youth labour force.²⁰ This is a profound shift from our traditional emphasis on permanent, skilled migration.

Figure 15 shows that just before the recession there were around half a million workers on temporary visas (other than the special visas for New Zealand residents which allow people to live in Australia long-term). This dropped to between 100,000 and 200,000 by March 2021 as our international border was closed and temporary migrants already in Australia were denied income support and encouraged to ‘go home’, a policy that was widely opposed.²¹

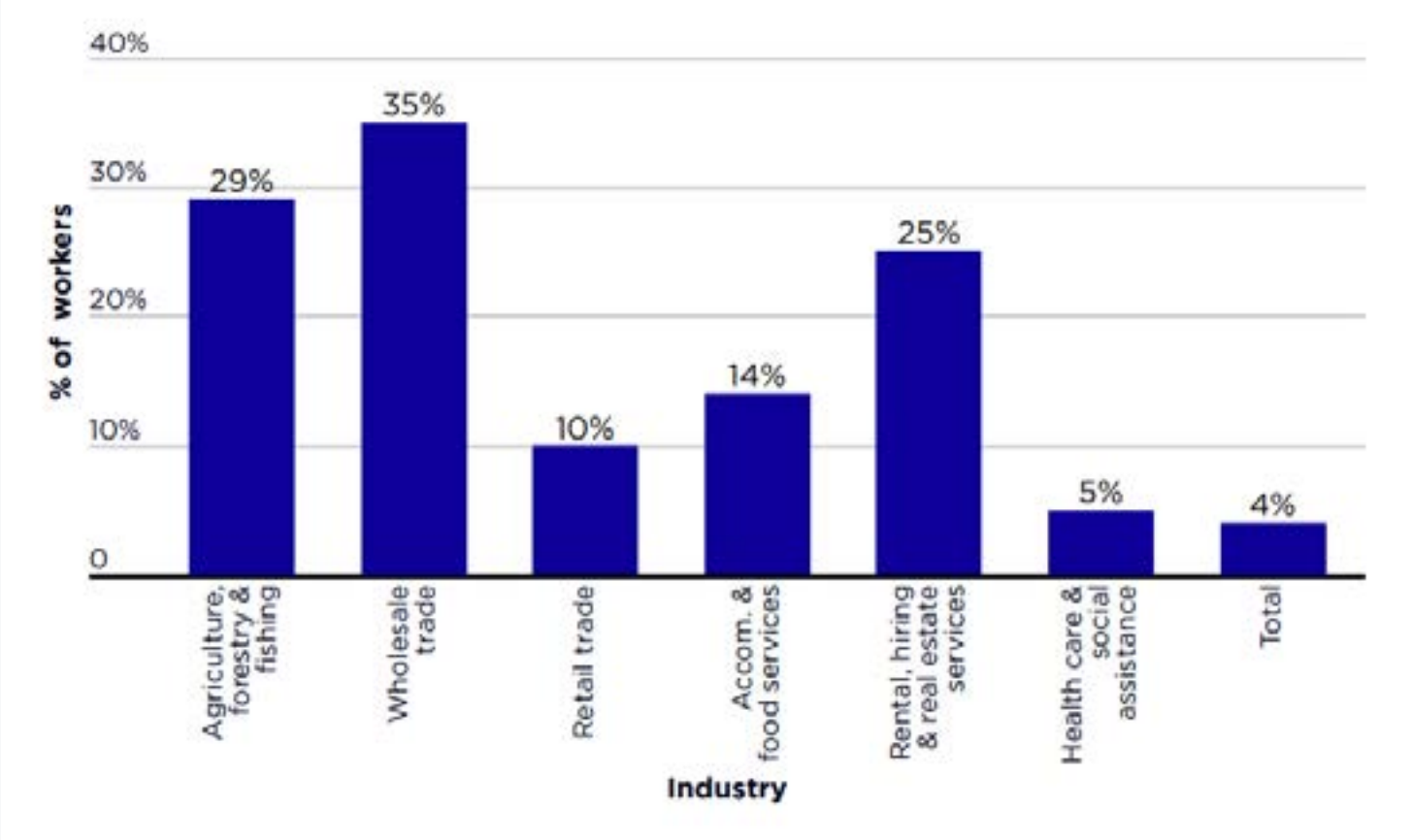
Figure 15: Temporary migrant workers



Sources: ABS, Labour Account Australia March 2021 and ABS Labour Force Australia - seasonally adjusted.
Note: Workers on temporary visas, excluding New Zealand residents, based on the difference between ABS Labour Account data (which includes them) and Labour Force data (which does not), minus Australian Defence Force employees.

Figure 16 gives an indication of industries that rely heavily on temporary migrant workers including agriculture (29%), rental hiring and real estate (25%), accommodation and food services (14%), retail (10%) and health care and social assistance (5%). Employers in these industries often report labour shortages in entry-level positions, though a fall in their temporary migrant workforce is unlikely to be the only reason.²²

Figure 15: Temporary migrant workers



Sources: ABS, Labour Account Australia March 2021 and ABS Labour Force Australia - seasonally adjusted.
Note: These estimates should be interpreted with caution as a comparison of these two data sources is less robust at the industry level.

Migration has made a vital and positive contribution to the living standards and the diversity of the Australian community, and migration levels generally have little impact (positive or negative) on employment and wages among the resident population.²³ 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 employment or rates of pay in entry-level jobs.

The Reserve Bank recently raised concerns that high levels of temporary migration to fill entry-level positions could suppress wages for those jobs.²⁴

In the wake of the 7:11 and Caltex scandals and widespread reports of under-payment of horticultural workers, concerns have been raised about the vulnerability of temporary visa holders to exploitation.²⁵

These regulatory issues should be resolved before large-scale employment of workers with temporary visas in entry-level jobs resumes. Successful programs such as the Seasonal Worker Program provide a model for effective support of temporary migrant workers and their employers, and this model should be adopted for the recently-announced Australian Agriculture Visa.

2.3 What the labour market looks like from the standpoint of people on unemployment payments

To understand why the number of people on unemployment payments is still 25% higher than before the pandemic, we need to view the labour market from their standpoint.

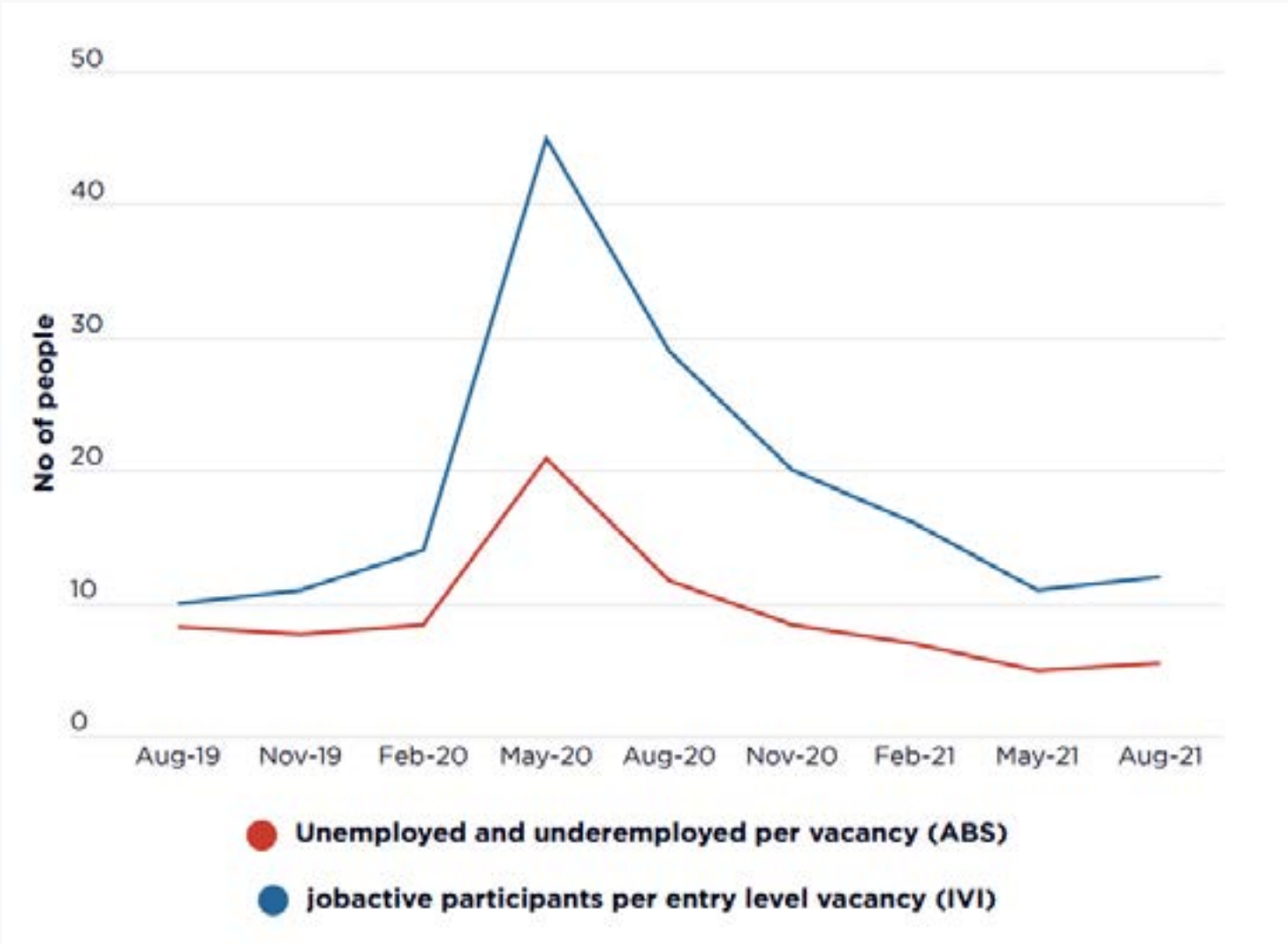
There are still six people unemployed-or under-employed chasing each job vacancy.

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.

This rose sharply from 8 people before the recession to a peak of 21 during the recession, then gradually declined during the recovery to 6 in August 2021 (Figure 17).

This is not the whole story. There are many others competing for jobs, including people aiming 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, Skills, Small and Family Business estimated that in 2018 there were an average of 19 applicants for every job.²⁶

Figure 17: Number of unemployed + underemployed people per job vacancy (2007-19)



Sources: ABS, Job Vacancies and Labour Force, Australia; National Skills Commission Internet Vacancy Index (IVI).
Note: Bottom line – number of people who are unemployed or underemployed for each job vacancy (ABS)
Top line – number of jobactive participants per position at ANZSCO skill levels 4 & 5.

There are 12 jobactive program participants for every entry-level job vacancy.

Recalling that most jobactive participants have only Year 12 qualifications or less, Figure 17 (above) also compares the number applying for each entry-level job. This is double the above estimate for all unemployed and under-employed people: 12 jobactive participants for every entry-level job in August 2021.²⁷

It’s unrealistic to expect unemployed people to fill job vacancies the moment COVID restrictions are eased.

The government announced that COVID Disaster Payments will be removed and ‘mutual obligations (including requirements to apply for 20 jobs a month) will be restored as soon as 80% of people over 16 in a State are double-vaccinated. This implies that jobs will be quickly restored when lockdowns end, and people who are unemployed will be able to fill them immediately.²⁸

It’s no surprise that the efficient matching of unemployed workers to jobs failed to ‘snap back’ the instant COVID restrictions are eased.

Firstly, many people out of paid work were wary of catching COVID when lockdowns were eased last year (before they were vaccinated) and many still are now (since they know COVID is likely to spread widely once lockdowns are eased):

- Vaccination rates among people with low incomes are much lower than the general population, due to poor access to medical services and tardy efforts by governments to encourage and support vaccination among Aboriginal and Torres Strait Islander people, people with disability, and poorer regional areas. People with low incomes were four times as likely to die from COVID19 than the rest of the community.²⁹

Secondly, many people who are unemployed don’t live in places where labour shortages are most acute, such as horticultural and tourist regions. It is not realistic to expect large numbers of people on very low incomes to jeopardise their tenancies in the city to move to regional areas with high rents for temporary jobs that often pay below minimum wages, as is all too often the case with horticultural jobs:

- Median rents in regional Australia rose by 17% over the past year and less than one in five regional areas (compared to more than half seven years ago) have median rents that are affordable by households with the lowest 20% of incomes.³⁰

Thirdly, as discussed there is a mismatch between the skills and capacities of people who are unemployed and those required in the jobs available. For example:

- Only a quarter (24%) of vacancies outside major cities are for entry-level positions.³¹
- 44% of people on unemployment payments are 45 years or over and 34% have a disability, which may limit the range of jobs they can undertake (for example, fruit-picking).

Fourth, many employers are still reluctant to recruit people receiving unemployment payments.

‘‘At age 24, the Mackay job seeker is desperately applying for jobs without success, as one of about 6000 people in the Mackay region living below the poverty line, contrary to the situation Mackay Region Chamber of Commerce president Geoff O’Connor describes as an ‘employee’s market’... ‘I can guarantee that I’ve probably applied for every job that involves hospitality in this entire town,’ the former kitchen-hand and dishie said. ...I’ve done a trial, never had a call back, I’ve been refused an interview, I’ve gone to a lot of places.’ (Petith H, Why Vinnies says JobSeeker increase will keep families from homelessness, Cairns Post 21/10/21).

Maria’s Story

Maria is in her late 20s and has successfully completed many years of higher education and hundreds of hours of work experience and placement. Despite that, Maria has had to rely on JobSeeker and Youth Allowance payments between paid work, that required participating in Work for the Dole (WFD). She is undergoing a Masters in Social Policy, and her story illustrates how people with qualifications can get stuck for years on poverty level payments without adequate support from job service providers. Maria is now in paid employment.

“My experiences with job service providers and Work for the Dole has been mostly terrible. I had to work for a NFP gardening business where the supervisor made inappropriate stories of his mate’s girlfriends that very misogynistic and sexist while also telling racist and homophobic jokes to the rest of everyone there. I called the jobs service provider to report all this behaviour and say that I feel really unsafe there. The lady on the other end of the phone listened to what I had to say and told me “Well, have you spoken to your supervisor about what you are feeling? He and the other guys sound like they don’t realise what they are saying sounds offensive to you.” After that, I hanged up in disbelief; I had felt like I had been knocked back when I needed help and I had no idea who to turn to then.

Another WFD experience was in a plastic recycle plant that melted down plastic bottle caps to make plastic wire to sell for 3D printing. I remember looking around and feeling sad for myself. 12 months after graduating a university course with flying colours and I was back to square one. But feeling sadder for the other people who were there. There were people there that had limited English speaking skills, which I thought that it was so unfair because because I reckon that the option of free English classes for unemployed non-English speaking people should be available and accessible as an alternative to WFD, but even incentives where work options in their own language is offered too, instead of being made to do this work. There were people who were 50+ and unwanted because of their age and I thought that they should be left alone or given an incentive geared towards having a positive discrimination for older workers being employed. Then there were young people like I was back in 2015; they did a course in something that has no jobs or just fell through the cracks. They were good people but needed directions and help.

I managed to get into uni in 2016. I applied for full time study so I could get Youth Allowance again. The rate for Youth Allowance was much lower than Newstart but it meant the freedom of not dealing with a job service provider again and not being in Work for the Dole. I had one of the best years of my life then, I met fantastic lecturers that helped

me, a careers advisor that actually sat me down and taught me how to apply for work in ways that the job service provider had failed to do so. I reckon the careers advisors in universities do a better job than job active which says a lot about how things should be structured; their workers are not told to exploit customers so they can keep using the government as a cash cow.

No experience with a job service provider got me paid work but the State of Victoria’s Working for Victoria program gave me two jobs almost back-to-back. I wish that, instead of paying millions of dollars to jobactive providers, the Government would set up a national jobs guarantee, that would support people to work in jobs that help the environment or help build our communities.”

“ I had felt like I had been knocked back when I needed help and I had no idea who to turn to then. ”



Part 3: What help do unemployed people get from government?

3.1 How does Australia compare internationally in its support for people who are unemployed?

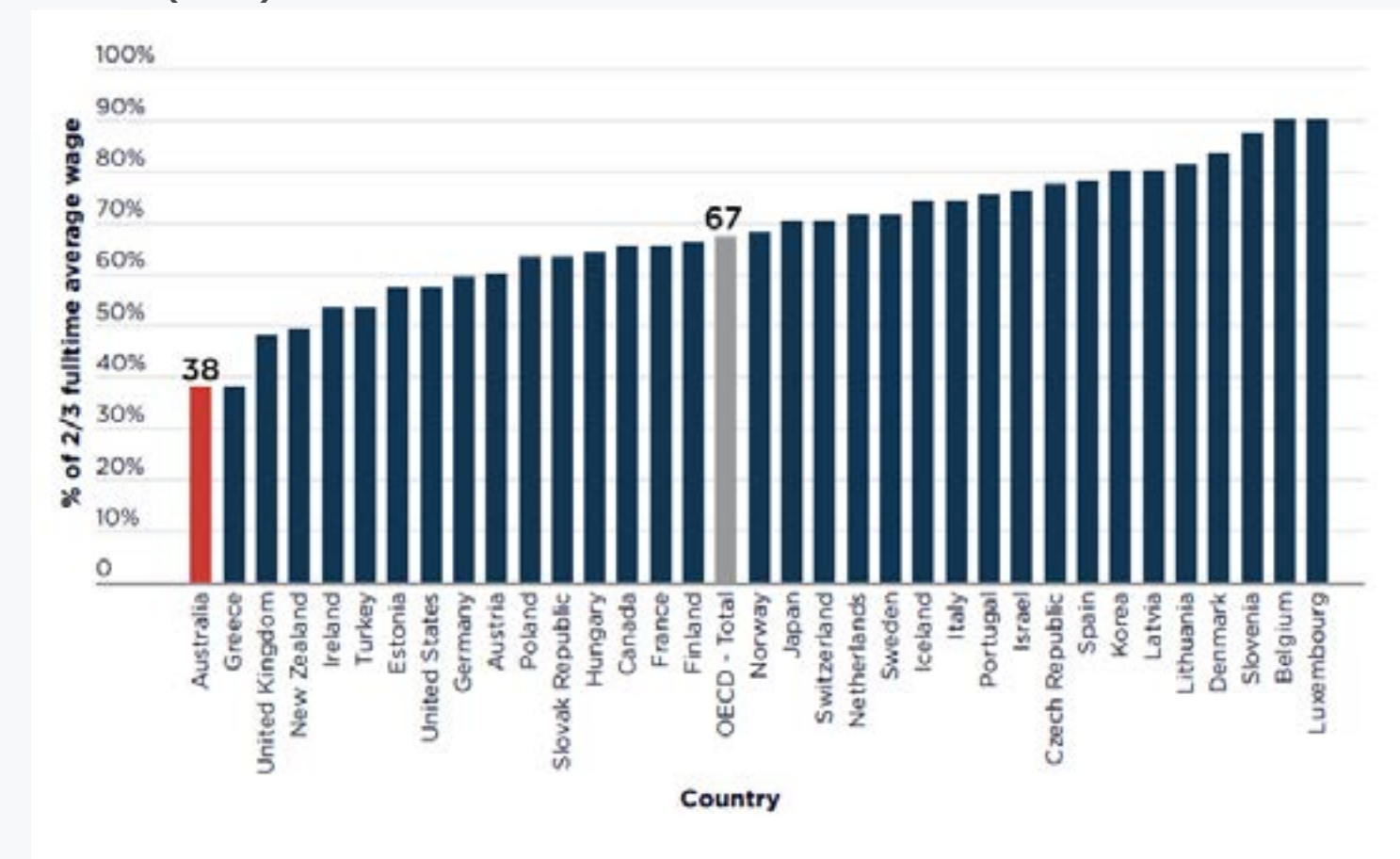
Compared with other wealthy nations, Australia is parsimonious in its support for people who are unemployed.

Unemployment and Parenting payments are too low to live decently and search for jobs

People who are unemployed and live in a low-income household receive two main unemployment benefits: JobSeeker Payment (\$391pw including Rent Assistance for a single adult) and Youth Allowance, unemployed (\$331pw).³²

These unemployment payments are the lowest in the OECD for individuals who recently became unemployed (Figure 18).

Figure 18: Unemployment benefits as a % of 2/3 fulltime wage, after tax & housing benefits (2019)



Source: OECD, Benefits and wages data base, www.oecd.org/els/benefits-and-wages-statistics.htm

Note: For a single person without children, 1 month unemployed, previously on two-thirds of the average fulltime wage, includes Rent Assistance.

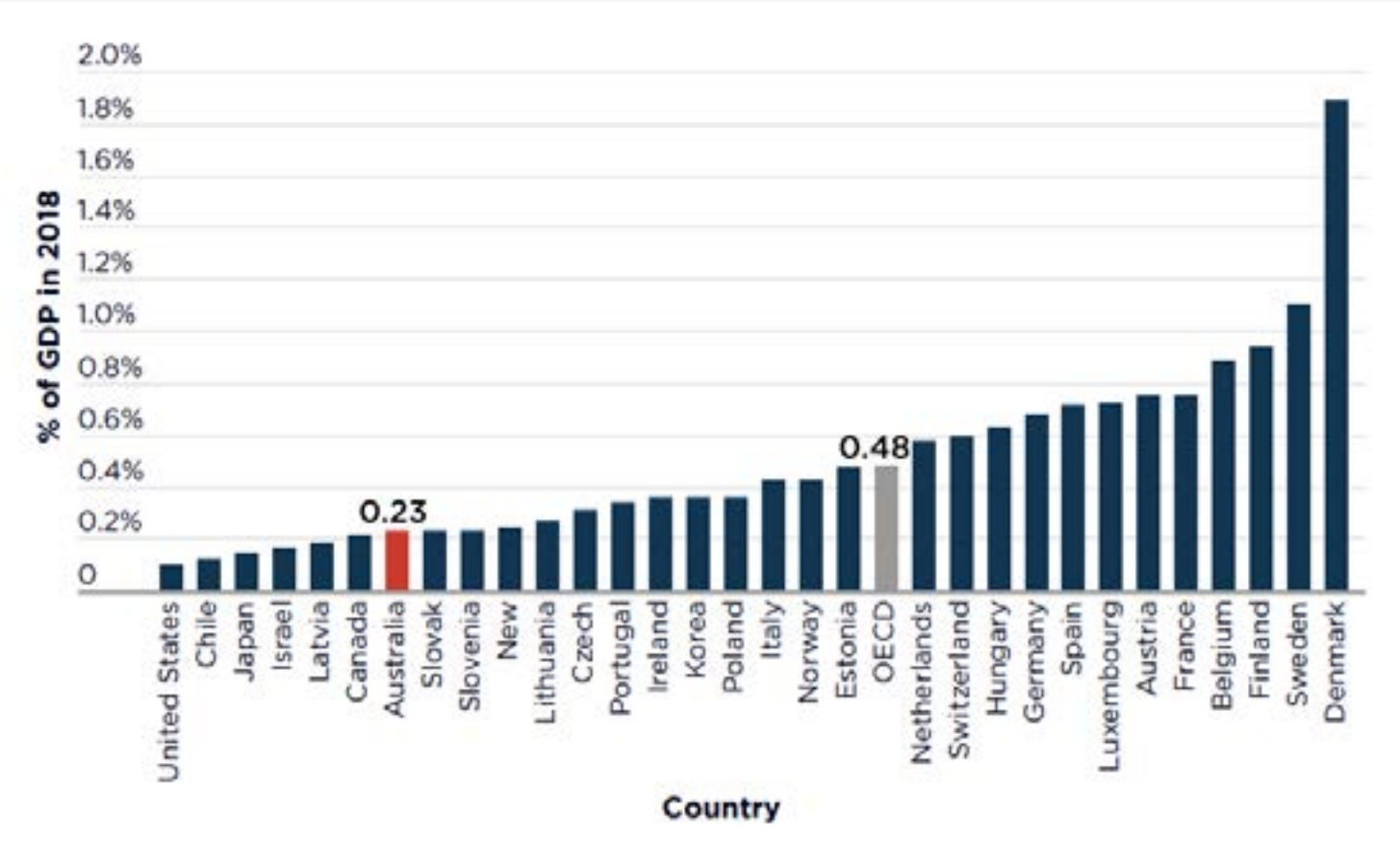
Recent research by the ACOSS-UNSW (Sydney) research partnership found that, despite a \$25pw increase in JobSeeker Payment in April 2021, the value of unemployment payments has fallen substantially compared with community living standards over the last two decades. From 2000 to 2021:³³

- Median household income grew by 45% in real terms, the minimum wage rose by 24% and the Age Pension rose by 52%;
- JobSeeker Payment for a single adult rose by just 12%;
- Income support for sole parents with a child under eight years rose by 27% but by just 8% for those with children over eight years.

Australia spends less than half the wealthy-nation average on employment assistance

The government spends \$1.3 billion annually on jobactive services, an average of around \$1,600 per participant (or \$2,200 for each person unemployed for 2 years or more).³⁴ In 2017, overall spending on employment services and programs for unemployed people in Australia (at 0.23% of GDP) was less than half the OECD average level (0.48%), (Figure 19).³⁵

Figure 19: Public expenditure on employment programs (% of GDP in 2018)



Source: OECD (2021), Employment Outlook.

3.2 What are unemployed people required to do to receive income support?

Activity requirements (called ‘mutual obligations’) for people on unemployment payments 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 up to 20 jobs each month, and for three to 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 employment, part-time study or vocational training, or employability training.³⁷

If they do not fully comply, their benefits are suspended on two days’ notice until they meet the requirement. If they repeatedly miss employment service appointments or don’t report the required number of monthly job applications, they may lose up to four weeks’ payments.

Between December 2020 and April 2021, an average of 167,000 payment suspensions were imposed each month across the jobactive and Parents Next programs.³⁸

3.3 What help do they receive from employment services?

Jobactive is the government’s main employment service. It comprises a network of 42 for profit and not for profit service providers across Australia.³⁹ They are funded by the Department of Education Skills and Employment to provide employment counselling, job referrals, and training and work experience opportunities for unemployed people. Service providers are paid 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).⁴⁰

In the September quarter 2021, there were an average of 923,000 people in jobactive services (a much larger number were assisted through the year), most of whom received JobSeeker or Youth Allowance.⁴¹

Most people receive very limited assistance to prepare for or find employment

The main service provided in most cases is short interviews every few months with employment consultants, which are as much about compliance with activity requirements as help to find employment. While practical help is provided with resumes or short training courses, it is mainly left to each participant in the program to find their own employment.

With caseloads averaging at least 140 people, it is not possible for employment consultants to offer much more help than this for most people.⁴²

The government’s Employment Services Expert Advisory Panel recommended far-reaching changes

An Expert Advisory Panel appointed by the government to review employment services reported in 2019 that services were insufficient for people unemployed long-term, and too compliance focussed.⁴³ It recommended that:

- Those assessed with fewer barriers to employment should be assisted by an online platform backed by a call centre, and those unemployed long-term should be referred to ‘enhanced services’ providers.
- Budget savings from online services should be redirected to enhanced services to improve service quality.
- People should have greater control over their employment plans in a less punitive and compliance oriented system.
- Local partnerships with employers and community services should be encouraged.

- A licensing system should be introduced to improve service standards and allocate program places to competing providers.
- Provider diversity should be encouraged and supported.

The government subsequently trialled a New Employment Services Model in two employment regions and announced that a model along these lines would replace jobactive from July 2022.⁴⁴

In two significant policy announcements during 2021, the government backed away from key Expert Panel recommendations:

- As mutual obligations were restored after national lockdowns, they were tightened through stricter monitoring of provider’s supervision of job search and other requirements and the introduction of an employer reporting line.⁴⁵
- In its 2021-22 Budget, the government banked projected savings of \$660 million over three years from online services, rather than reinvesting them in enhanced services.⁴⁶

Around half of participants in employment assistance received online services during the pandemic

From March to September 2020, mutual obligations were suspended due to COVID lockdowns. They were gradually reintroduced from September 2020 to April 2021. People who were newly unemployed and assessed with fewer barriers to employment were referred to an online service (backed by a call centre run by the Department of Education Skills and Employment) rather than jobactive providers. In March 2021, 917,000 people were assisted by jobactive providers and 306,000 received online services.⁴⁷

The compulsory ‘Annual Activity’ is often the most intensive form of employment assistance, but few received substantial help

To assess the intensity of assistance provided to people unemployed long-term in jobactive, we examine the assistance they received during 2019 when undertaking their ‘Annual Activity Requirement’, a compulsory activity which people engaged in for up to six months of every year of unemployment.⁴⁸

Table 2 shows that in August 2019, of the 88,600 people engaged in an Annual Activity:

- 36% were in part-time employment (which they usually found themselves);
- 22% were in vocational training (costing an average of \$969 from the jobactive Employment Fund);
- 16% were in Work for the Dole (costing an average of \$917);
- 3% received a wage subsidy for employers to employ them for a 3-6 month trial period (costing \$3,453 on average), and
- 1% were in voluntary work (which they usually found themselves).

Major national employment programs

Table 1 shows estimated budget costs and participants in major employment programs in 2021-22 and 2022-23, before and after the introduction of the New Employment Services Model.

Table 1: Major Department of Education Skills and Employment programs – estimated average number of participants and costs

Program	Description	2021-22		2022-23	
		Participants	Cost (\$m)	Participants	Cost (\$m)
Jobactive/New Employment Services: online services	Basic online core employment service for less disadvantaged	202,000	2,004	696,000	1,467
Jobactive/New Employment Services: Provider services	Face-to-face core employment service for more disadvantaged	1,086,000		589,000	
Work for the Dole	3-6 months of unpaid work for benefits	54,000	73	68,000	84
Youth Jobs Path	Employability training, internships & wage subsidies	43,000	239	60,000	195
Transition to Work	Career guidance training & support for young people with labour market disadvantage		256	41,000	310
Parents Next	Career guidance, training & parenting activities for parents with a preschool age child	85,000	107	84,000	114

Department of Education Skills and Employment (2020), *Responses to Senate Questions No. SQ21-000015, SQ21-000501 and SQ20-001836 and Q21-000854*; Department of Education Skills and Employment (2021), *Portfolio Budget Estimates*. Costings for New Employment Services include elements of programs such as Work for the Dole.

Note: These estimates are approximate as estimates of participants and expenditures changed considerably through 2020-21 under the unusual conditions of lockdowns, recession and recovery, and data at this level of detail are not publicly available consistently over time.

jobactive, and ParentsNext estimates are average caseloads per year.

New Employment Services, Work for the Dole and Youth Jobs PaTH estimates are forecast participants (including commencements) through each year.

Although the New Employment Services are expected to cost around \$1.5 million a year altogether, the average cost *per participant* is very modest:

- \$371 for each participant in online services;
- \$4,802 for Enhanced (provider-run) services, which is estimated to be sufficient to reduce average caseloads to around 80 people, still a high level to assist people unemployed long-term.⁴⁹

Table 2: Participation and employment outcomes from jobactive and ‘annual activities’ (2018-19)

	Participated in activity (% of all participants)	Cost per participant (\$)	Employed 3 months later (% of participants in activity)
Part-time employment	36%	n.a.	
Wage subsidy	3%	\$3,453	87%
Vocational training	22%	\$969	30%
Work for the Dole	16%	\$917	23%
Voluntary work	1%	n.a.	20%
Other activity	22%		
All participants in annual activity	88,623		45% (24% part-time, 20% fulltime)

Sources: Senate Standing Committee on Education and Employment (2020): Questions on Notice, Supplementary Budget Estimates 2019-2020: Dept of Employment, Skills, Small and Family Business Question No. EMSQ19-001227; Department of Employment, Skills, Small and Family Business (2019): Employment Services Outcomes Report (jobactive), detailed outcome tables for activities undertaken between January and December 2019.

Note: ‘Annual activity’ refers to compulsory activities required in each year of unemployment after the first year. ‘Employment outcomes three months later’ refers to the proportion employed after each type of activity, whether conducted in the annual activity period or not, and whether or not the activity contributed to that outcome. Outcomes for wage subsidies refer to employment status three months after commencement of a subsidised job. n.a. = not applicable, since people usually secured their own part-time employment or voluntary work.

Around 40-50% of jobactive participants were employed three months later but many of the jobs were not sustained

Among all jobactive participants during 2019, 46% obtained employment three months later, and of those jobs 46% were fulltime and 54% part-time. Among those who obtained employment, 54% were in casual positions and 47% were underemployed (seeking more paid hours).⁵⁰

This supports our earlier assessment that entry-level jobs are increasingly offered on a part-time and casual basis. Further, many job placements for jobactive participants are with labour hire firms, who are less likely to offer permanent employment.⁵¹

Table 2 (above) shows that in 2019, 40-50% of participants in compulsory annual activities were in employment three months later, but does not reveal whether the job was sustained. The level of employment outcomes for which providers received outcome payments (which require employment to be sustained for 3- 6 months) was significantly lower:

- In 2018-19, 1,102,000 people participated in jobactive, of whom 167,000 (just 15%) sustained employment for at least three months (attracting an employment outcome payment for their provider. These ‘paid outcomes’ were lower for people unemployed long-term.⁵²

Wage subsidies and training had better outcomes than Work for the Dole

Table 2 (above) tells us that during 2019, of the 89,000 people (mostly unemployed long-term) who participated in a jobactive annual activity, 45% were employed three months later. Employment outcomes varied for different activities:

- 87% of people with a wage subsidy were employed three months after the placement, compared with
- 30% for vocational training;
- 23% for Work for the Dole; and
- 20% for voluntary work.

These results suggest that wage subsidies and vocational training had greater impact on people’s employment prospects than Work for the Dole or voluntary work. However, they do not take account of other factors that may contribute to those outcomes (for example more older workers may undertake voluntary work). To work out the ‘net 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 points;⁵³
- Work for the Dole is relatively ineffective, increasing the chances of employment by an average of just 2 percentage points.⁵⁴

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.

3.4 What does the international evidence about programs to reduce long-term unemployment?

Evidence from evaluations of employment programs internationally suggests the most effective programs for people disadvantaged in the labour market include wage subsidies and vocational training (Table 3). Job search assistance makes a difference, but on its own it is not enough to improve the prospects of most people unemployed long-term. People need to apply for jobs in order to get one, but simply applying for more won’t make a difference if employers are reluctant to engage them.

Recent experience in regular employment (not ‘make work’ schemes like Work for the Dole), training that improves skills, and engagement with employers to encourage them to consider people they wouldn’t otherwise, are more likely to have an impact. Which of these options works best will vary from person to person, from industry to industry, and from region to region.

Table 3: 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%) Stronger in long term, but with uncertain selection effects.
Public sector wage subsidies	6-24 months' fully subsidised employment in 'additional' jobs	Low to negative (-0.2%) Stronger in long term
Vocational training	6-24 months' training in and college or work setting	Medium (9.7%) Stronger in long term Wide variation in impacts

Sources: 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.
Department of Employment (2015) Work for the Dole evaluation.
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.

In view of these findings, the low level of participation in more effective programs and activities in Australia, especially wage subsidies and vocational training, is of concern.⁵⁵ Under-investment in these more effective interventions is false economy.

Job placement and training for people disadvantaged in the labour market: The Brotherhood of St Laurence's 'Given a Chance' program

Effective employment programs for people unemployed long term often combine sustained relationships with employers, then working backwards from the requirements of the job to design a package of supports for unemployed people including training, trial placements (often with effective wage subsidies) and mentoring.

Given the Chance has worked with multiple disadvantaged jobseeker groups including refugees, young people, mature aged, Aboriginal and Torres Strait Islander people, people with disability and those who are unemployed long-term.

The Brotherhood's Group Training Organisation provides high-support labour hire services. The Brotherhood acts as the initial employer supporting fixed term paid placements with host businesses, including via traineeships and apprenticeships. This encourages businesses which might not otherwise do so to open up opportunities: it reduces the risks of direct employment; provides flexibility; and enables them to trial recruits before hiring them. In addition, their employment can be counted towards meeting targets laid out by the Victorian Government's Social Procurement Framework, and the program is backed by its Jobs Victoria Network.

Given the Chance establishes a host hire agreement with partner employers and charges an hourly oncost rate for participants hired by BSL who are placed in jobs at the partner's worksites, based on the Award.

- The following elements of the program were keys to its success:
- A relationship manager to support employers, answer questions and provide further support and services where needed throughout the contract.
 - Assistance to structure positions suitable for entry level workers or disadvantaged jobseekers or make reasonable adjustments.
 - Job preparation support through one-on-one assistance to navigate the recruitment process, complete any necessary screening, such as medical and police checks, as well as prepare CVs and gain interviewing skills;
 - Field support to help navigate the transition to employment.

In the last two financial years, the program placed over 300 people with 43 host employers. Around half of the placements are in apprenticeships and traineeships and half in fixed term labour hire (minimum three months). Programs like Given a Chance are not the answer for everyone who is unemployed long-term, but they are likely to make a real difference. The biggest employer in the program (ANZ) achieved remarkable postplacement employment outcomes: 80% of participants have gone on to other roles within the bank, or to other employment once their original placement concluded.

By investing in the main 'building blocks' of successful programs such as this (including wage subsidies and training for people unemployed long-term and local partnerships between employment services, employers, and public and community colleges), governments can help scale up this and similar programs across the country.

Endnotes

1 In 2019, 46% of people using jobactive services were employed three months later compared with 38% for those aged 50 years or more. Similarly, only 29% of people with disability, 31% of Aboriginal and Torres Strait Islander people and 42% of people with culturally diverse backgrounds found employment after participating in the program. (Department of Education Skills and Employment 2020, Employment Services Outcome Report, January to December 2019).

2 There is no single definition of a recession that is generally accepted among economists. Here we refer to the sharp and substantial decline in employment (the largest measured by the ABS in a single quarter) in the June quarter of 2020. (ABS Labour Force Australia June 2020). Employment recovered quickly over the next two quarters to the end of 2020.

3 In May 2020, 50% of women who lost their jobs were caring for children at home (Biddle n et al 2020, Changes in paid and unpaid activities during the COVID-19 pandemic. ANU Centre for Social Research and Methods.

New income support arrangements introduced in response to the recession also affected transitions to unemployment payments among different groups at this time:

- The JobKeeper Payment reduced reliance on unemployment payments by keeping people attached to their employer (who paid it as a wage to workers stood down in the recession).
- A Coronavirus Supplement almost doubled maximum rates of unemployment payments, encouraging more people to apply.
- Eligibility conditions and income tests for unemployment payments were eased (especially for married couples), extending them to people who were previously ineligible.

Unlike the above changes in the labour market, it is harder to disentangle the impacts of these changes on reliance on unemployment payments among different groups.

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 Australian government (1993), Working Nation – policies and programs.

6 ACOSS (2007), The impact of Welfare to Work on sole parents and people with disabilities. The drop in payments when people move from pensions to unemployment payments is typically \$100 to \$180 a week.

7 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.

8 Cassidy N & Parsons S (2017), The rising share of part-time employment, Reserve Bank Bulletin September 2017.

9 OECD (2020): Part-time employment rate (indicator). doi: 10.1787/f2ad596c-en (Accessed on 09 March 2020). The Netherlands has the highest rate of part-time employment. 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.

10 In January 2020, 31% of part-time workers were under-employed. Source: ABS (2020), Labour Force, Australia, Detailed, Quarterly, 6291.0.55.00

11 Shah, C & Dixon, J (2018), Future job openings for new entrants by industry and occupation, NCVER, Adelaide.

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

13 Mizen R, Companies brace for fierce battle to attract workers, AFR Oct 21, 2021

14 Borland J (2020), Would a rise in JobSeeker affect incentives for paid work? Labour market snapshot #71 November (19) 2020, Department of Economics, University of Melbourne.

15 Borland J (2021), Employment growth prospects for the next 6 months: Full steam ahead or looming roadblocks? Labour market snapshot #80, July (8) 2021, Department of Economics, University of Melbourne.

16 Treasury (2021), Insights from the first six months of JobKeeper.

17 Employee turnover in retail sales jobs is more than 40% greater than average, and that for labouring jobs

is more than 20% greater (Shah, C & Dixon, J 2018, op cit). The higher level of ‘churn’ in casual entry-level jobs increases the number vacancies without increasing the number of jobs.

18 Lowe P (2021), op cit..

19 The highest annual pay increases in 2020-21 were in industries with relatively highly-paid skilled workers such as professional and scientific and technical services (2.5%) and construction (2.2%). Annual pay rises were much less in industries with more entry-level jobs such as retail (1.6%), and accommodation and food services (1.7%). and health care and social assistance (1.8%).

20 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.

21 ACOSS (2020), Who misses out on access to Australia’s safety net under Covid19?

22 Borland J (2021), op cit.

23 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.

24 Lowe P (2021), The Labour Market and Monetary Policy. Speech to Economic Society of Queensland, 8 July 2021. Reserve Bank of Australia.

25 See for example, Senate Select Committee on Temporary Migration (2021), Report. National Agricultural Labour Advisory Committee (2020), National Agricultural Workforce Strategy. The Fair Work Ombudsman states in its latest annual report that: ‘Migrant workers continue to be over-represented in the FWO’s work, due to their limited knowledge about Australia’s workplace rights and entitlements, and language and cultural barriers. While they make up only 4% of the Australian workforce, they accounted for:

- 19% of disputes completed
- 20% of anonymous reports received
- 32% of litigations initiated. (Fair Work Ombudsman 2021, Annual Report 2020-21.)

26 Department of Employment, Skills, Small and Family Business (2018): Survey of Employers’ Recruitment Experiences: 2018 Data Report

27 Anglicare Australia publishes a regular Jobs availability snapshot. This is a different measure, in that they compare the number of highly-disadvantaged jobactive participants (Stream C) with the number of ANZSCO Level 5 positions, which was 8 people per job in July 2021.

28 ACOSS (2021a), A new post-lockdown health hazard: Sudden reintroduction of unrealistic job search requirements and penalties.

29 ACOSS (2021b), ACOSS backs call for vaccination gap for people with disability to be closed before easing COVID restrictions, as well as for other high risk groups. Media Release 27/9/21.

30 Corelogic (2021) Quarterly rent review, September 2021; Reserve Bank of Australia (2021), Submission to the Inquiry into Housing Affordability and Supply in Australia. In this research, an area was deemed affordable if the annual median rent was less than 30% of household disposable income.

31 Regional Australia Institute estimates derived from National Skills Commission data.

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

33 Bradbury B & Hill P (2021), Australian income support since 2000: Those left behind. ACOSS/UNSW Sydney Poverty and Inequality Partnership, Build Back Fairer Series, Report No. 2, Sydney.

34 Senate Standing Committee on Education and Employment (2020), Response to Senate Estimates question No. EMSQ19-001229.

35 OECD (2020), Public expenditure data base at <https://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP#>

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 ACOSS (2021b), op cit.

38 Department of Education, Skills and Employment (2021), Response to Question No. SQ21-000491 from

Senate Committee on Education and Employment, Budget Estimates 2021 – 2022.

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

40 Jobactive quarterly caseload data: <https://lmip.gov.au/default.aspx?LMIP/Downloads/EmploymentRegion>; Department of Education Skills and Employment (2021), Response to Senate Estimates Question No. SQ21-000023.

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).

41 ACOSS (2019), Voices of unemployment.

42 Department of jobs, skills and small and family business (2018), The next generation of employment services discussion paper, Appendices.

43 Employment Services Expert Advisory Panel (2019), I want to work.

44 Department of Education Skills and Employment (2020), New Employment Services Model Factsheet.

45 Morrison S (2021), Morrison Government Commits Record \$9B to Social Security Safety Net. Media Release, 23 February 2021, Canberra.

46 Department of Education, Skills and Employment (2021), Response to Senate Estimates Question No. SQ21-000836.

47 Department of Education, Skills and Employment (2021), Response to Senate Estimates Question No. SQ21-000836.

48 Disruption of employment services by the pandemic means that annual activities in 2020 and 2021 are likely to be atypical. Indeed, for much of this period face to face activities were suspended.

49 Department of Education, Skills and Employment (2021), Response to Senate Estimates Question No. SQ21-000840; Department of Education, Skills and Employment (2021) New Employment Services Model Financial Viability Analyses—Summary of Findings.; Department of Education, Skills and Employment (2020), NESM Enhanced services payments.

50 Department of Employment, Skills, Small and Family Business (2019): Employment Services Outcomes Report - January and December 2019.

51 Department of jobs skills and small and family business (2018), op cit.

52 Department of Employment, Skills, Small and Family Business (2019), Responses to Senate Estimates Questions EMSQ19-001224 and EMSQ19-001227.

53 Department of Education Employment and Workplace Relations (2012), Employment Pathway Fund Wage Subsidies Evaluation Paper.

54 Department of Employment (2016), Work for the Dole 2014-15 Pilot Evaluation.

55 The Government recently increased its expenditure on vocational education and training through the Jobtrainer program. This \$500 million investment (matched by State governments) is expected to fund around 460,000 additional training places up to December 2022 in free or low-fee courses in areas of identified skills need such as health, aged and disability care, IT and trades. The program is open to unemployed people as well as school-leavers. Unfortunately, detailed data on participation in the program among people on unemployment payments is not available.



