

How to reduce long-term unemployment

Speech by Dr Peter Davidson (ACOSS) at the Jobs and Skills Summit, Canberra

2 September 2022

The last government to commit to restore full employment was the Keating government in 1993. The unemployment rate was 12% and there were 350,000 people on unemployment payments for more than a year. Reducing long-term unemployment was the centrepiece of that government's Working Nation statement.

There are two big differences between then and now.

First the good news. With unemployment at 3.4%, full employment is within reach. We can't be complacent about this, but as there's no sign of a wage price spiral, we have more room to deal with inflation and labour and skills shortages without repeating the tragic errors of the past and sacrificing more people to unemployment.

The bad news is that, because we tolerated high unemployment for too long, and changes to income support rules brought many new people into the labour market – older women, people with disability, and sole parents - without providing the support they need to succeed, there are now 760,000 people on unemployment payments who've received income support for more than a year.

Something's clearly not working in the labour market and with our employment services when employers are crying out for workers, but three quarters of a million people can't secure a job.

Of all people on unemployment payments, 57% are 45 years or more, 40% have a disability, 20% have culturally and linguistically diverse backgrounds, 13% are First Nations people and 12% are sole parents (who of course are mainly women).

At a time when the share of entry level jobs is diminishing, almost 60% have Year 12 qualifications or less.

These are the people who always stood at the end of the unemployment queue, and they're still there now.

There's another, deeper problem with the way our labour market functions at entry level: even where there's no overall shortage of jobs, there's a shortage of adequate, regular paid hours. Women and young people are the worst affected – they may be able to get entry level jobs in hospitality, retail or care services, but turnover in those jobs is huge because they don't offer job security and regular hours at times that suit the workers.

We can and must do better. We now have a unique opportunity to bring those who've been left out into mainstream employment.

That requires three things:

1. employers willing to consider people they have overlooked in the past;
2. job applicants who have the energy, self confidence and skills to put themselves in front of employers and perform in the job;
3. and employment and training services to connect the right person to the right training and the right job.

I'm going to zero in on the vital role of employment services. I was on the previous government's Employment Services Expert Advisory Panel which reported that the system had not been working for a long time.

Despite the reforms proposed by the Panel, in my view the new system called Workforce Australia is still burdened with four key problems that weighed down the previous scheme called jobactive.

1. Jobactive was more of unemployment payment compliance system than an employment service.

It sent people out into the labour market and when they didn't find jobs, told them to search harder. People were told it's not our role to find you a job.

2. Instead of a clear pathway to employment, the system locked people into an endless cycle of make-busy activities like Work for the Dole and poor-quality training courses.
3. It reached less than 10% of employers and offered them little assistance. People unemployed long-term were rarely referred to jobs and as often as not they were not properly screened, trained and prepared for the job.
4. The system followed a 'work first' logic – that people must take the first available job and not invest too much time training for a career.

Most of the jobs obtained by jobactive participants in 2019 were casual positions, meaning many returned to income support within a year or so later. Most are part time, which meant that many were under-employed.

There are seven solutions to these problems:

1. The vast majority of people don't need to be pressured to seek employment. Replacing the heavy-handed compliance system with a lighter touch would improve people's self-esteem and mental health no end, and free up resources to invest in an employment **service** that makes a difference.
2. Work more closely with employers. Some of the most effective programs are demand led, that is they start with the job and work backwards to find the right person among people unemployed long-term, offer accredited training and properly paid work trials, with a guarantee of employment if they succeed.
3. Replace ineffective make-busy programs like Work for the Dole and Employability Skills Training with programs that have proven effective in evaluations here and overseas including well targeted wage subsidies, combinations of paid employment experience and training, accredited vocational training for jobs in demand and foundation education for those who need it.
4. Support, and don't obstruct, people who want to pursue higher qualifications to improve their future career prospects. If a sole parent on income support wants to train as a nurse, encourage them – don't force them onto a lower student payment if they undertake more than 12 months of fulltime study. We need more nurses, and they'll have much better employment prospects if they complete the course.
5. Provide support with health and other barriers to employment such as housing and mental health issues, but don't pigeonhole people as 'deeply disadvantaged' or 'welfare dependent'. Often the best solution is to find people a job and support them to keep it.
6. Don't just design the system from the top down. Build local employment development networks of employers, public and community training providers, employment services, unions, and community services from the ground up. In the end it's those local connections that make a difference.
7. Finally, if people are going to repeatedly put themselves in front of employers, and perform in job interviews and jobs, they have to be confident in themselves and confident that they have enough income to put food on the table and pay the rent. This is supposed be an employment services system, not the hunger games.

1.

At \$46 a day, Australia has the lowest unemployment payment in the OECD. It should be increased to \$70.

So here are my challenges to all of you:

- To employers, consider people who may have set aside in the past, and consciously recruit for diversity. You'll be rewarded with a reliable

workforce that works in innovative ways.

- To unions, support diversity in employment and new transitional pathways for people at the end of the unemployment queue, as long as workplace relations standards are not undermined.
- To government, be prepared to change the way employment services and training systems work and invest in them. Don't sacrifice people to the gods of inflation control and then punish them with poverty and meaningless compliance activities.

Contact

Dr Peter Davidson
Principal Advisor
[peter@acoss.org.au]

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metropolitan, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.