



# FACES OF UNEMPLOYMENT

2024







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Executive Summary

This *Faces of Unemployment* report examines the profile of people affected by unemployment and receiving income support - people relying on the \$56 a day JobSeeker Payment and even lower Youth Allowance (Other).

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



# Key findings

People without paid work long term have been let down by successive governments, as the profile of people receiving unemployment payments (JobSeeker Payment and Youth Allowance (Other)) has become more disadvantaged in the labour market. Full employment would deliver increased employment chances for people on low incomes – but this opportunity is being placed at risk by high interest rates designed to curb inflation.

People on unemployment payments receive too little help from government. They are forced to rely on punishingly low income support payments, the lowest rate of payment in the OECD. Further, the employment services system – whose main purpose is to support people receiving income support to transition into sustainable employment, is failing those very people through ineffective and unfair policy.

## People receiving unemployment payments are disadvantaged in the labour market

Over 920,000 people are currently in receipt of an unemployment payment, with 557,000 (60%) having received income support for one year or more. The number of people receiving these payments as a share of the labour force fell to a level not seen for a decade in mid-2023- 6.0% of the total labour force. More recently, this trend has reversed, and the rate has risen above the pre-pandemic level, with the risk that this will continue to increase with rising unemployment.

Despite the low in the number of people receiving unemployment payments over the last decade, the number of people receiving unemployment payments for over a year has remained at around 4.0% of the labour force (except during the pandemic). This group has been fundamentally let down by successive governments, through both a failing employment services system and the tightening of eligibility for various payments, particularly the Disability Support Pension (DSP), which many people should receive instead.

- Of people currently receiving unemployment payments:
- 557,000 (60%) have received income support for one year or more
  - 363,000 (40%) have been assessed as unable to work for 30 hours or more a week (having partial capacity to work) due to a disability or health condition.
  - 417,000 (45%) are aged 45-66.
  - 136,500 (15%) are First Nations people.

We know that people with partial work capacity, older people and First Nations people experience significant barriers to paid work. The average length of receipt of unemployment payments is over three years and has risen substantially over the last decade.

Further, of the 678,000 people using the main Workforce Australia program for people who are unemployed, 53% have school level qualifications only.

## The longer people are unemployed, the more difficult it is to transition to employment

People on unemployment payments long term have a different demographic profile to all recipients, with the largest differences being a higher percentage of people with partial capacity to work (11 percentage points higher), women (4 percentage points higher) and people aged over 55 (5 percentage points higher).

One of the biggest changes in the past ten years has been the shift of people with disability or chronic health conditions from the Disability Support Pension (DSP) to unemployment payments. Four in ten people receiving JobSeeker have a partial capacity to work, with many unable to secure sufficient paid work to sustain a living. Approximately 44% of all DSP claims were rejected in 2023/24, with many claimants receiving unemployment payments instead.

The rate of transition out of receiving income support decreases with duration, with only 8% of people who have received income support for over five years and 14% of people receiving it for more a year leaving income support after a further year. This compares with around 32% of people who have been in receipt for less than a year.

## Around one fifth of people on unemployment payments have part-time employment

- Unemployment payments are not restricted to people who are out of paid work. Another purpose of these payments is to encourage part time or casual employment, and people with significant barriers to employment such as disability or other responsibilities, such as a caring role, are only required to seek part time jobs.
- Consequently, 184,000 people (20% of people receiving unemployment payments) report earnings in the last month.

Many others seek full-time unemployment but are unable to secure a full-time job as most entry level positions are part-time or casual.

## Job opportunities are declining

Full employment – where people can secure employment or additional paid hours without searching for too long - would make a big difference to people on low incomes, and especially those on unemployment payments. It means that employers would be more willing to consider people they wouldn’t ordinarily employ, such as people unemployed long-term, older workers, people with disability, parents and carers who need flexible working hours, and First Nations people.

By mid-2022, as the economy recovered strongly from the COVID recession, unemployment and underemployment fell to historically low rates (3.5% and 6.2% of the labour force, respectively). This posed an historic opportunity to restore full employment.

- Since then, excessive official interest rate rises have stymied growth in employment in the market sector of the economy:
- Unemployment has increased by over 100,000 people since mid-2022 with the unemployment rate having risen from 3.5% to 4.1%. The RBA has forecast the unemployment rate will continue to rise to 4.5% by the end of 2025.
  - Annual growth in market sector employment has declined from a high of 7% in mid-2022 to 0.9% in the year up to June 2024.
  - The main reason that the unemployment rate has not risen more dramatically since 2022 is very strong growth in publicly funded jobs such as disability care (currently 6.7% per year). This has generated jobs and improved access to the services people need.

- While unemployment is still lower than it was before COVID, falling employment growth has made it harder for people seeking employment to find suitable work:
- Job vacancies have reduced from a high of 473,000 in mid-2022 to 330,000 at August 2024.
  - In August 2024 there was an average of 4.9 people unemployed or underemployed per job vacancy (compared with 2.9 in mid 2022).
  - The share of employers reporting recruitment difficulties has declined from a high of from 71% in mid-2022 to 43% in October 2024.

## It’s harder for people with low qualifications to find suitable entry level jobs

- Opportunities in the labour market for people with limited post-school qualifications – including a majority of people on unemployment payments as indicated above - have been lessening over time. The share of employment at the lowest two skill levels – generally those with only Year 12 qualifications or less - has reduced from 42% to 38% over the last two decades.
- Further, most entry level jobs (55%) are either part time or casual. This deprives people of opportunities to sustainably increase their income and leave unemployment payments.
  - While part time employment is preferred by many people, its high incidence in relatively low-paid entry level jobs is mainly due to the structure of the economy and demand for labour at lower levels of skill, rather than choices made by workers.



Recent falls in labour demand have been most pronounced for those with the lowest levels of formal education. Job vacancies for roles at the lowest skill level (Level 5) fell by 39% from mid-2022 compared to a 30% decline overall. Employment at this skill level only increased by 1.9% over this period (compared with 7.8% overall) and it has declined over the past year.

Employers advertising entry level positions report the greatest reduction in recruitment difficulty since mid-2022 – from 71% to 43% by October 2024.

**Australia provides less help for people facing unemployment than most wealthy nations**

People who are unemployed are poorly served by the lowest unemployment payment in the OECD (currently \$56 a day) and under-investment in employment services and effective labour market programs (ranking below the majority of OECD countries as a share of GDP). The employment services system (Workforce Australia) causes serious harm to people on low incomes through onerous mutual obligations and automated payment suspensions:

- There is an over-emphasis on compliance and monitoring of activity requirements and punitive and ineffective programs like Work for the Dole.
- Over a third of people in Workforce Australia are subject to harmful and unjust automated payment suspensions in any given three-month period.
- From April to June 2024, 300,000 people were threatened with a payment suspension and almost 250,000 had their payments suspended. In many cases they had not actually breached their activity requirements.
- The system does not deliver sustained employment outcomes – only 11% of participants in Workforce Australia make a transition into employment which removes them from income support for half a year or more.

There is established evidence on effective policies to support people who have been without paid work long term, which include well targeted wage subsidies and vocational training. The current system of employment services in Australia under-invests in these programs. Further, the system does not invest sufficiently in local partnerships with employers and other community services to assist people to overcome entrenched barriers to employment.

The 2023 House of Representatives Select Committee into Workforce Australia (the Hill Report) recommended a structural overhaul of employment services in Australia, having found that the current model was not fit for purpose.

Since the release of the Hill Report, the Government has only taken modest steps to improve the system. Some positive measures were announced around compliance (which include a longer delay before income support payments are suspended) but these have not addressed the fundamental problems with automated compliance and the harms it causes nor the critical under-investment in effective programs.

The Government must urgently commit to the large-scale reform that the system needs, including increased resources allocated to effective labour market programs and an end to automated payment suspensions. Otherwise, high levels of prolonged unemployment will become entrenched.

# Policy asks

1. Commit to ambitious full employment targets incorporating unemployment, under-employment and a ratio of job vacancies to people unemployed.
2. Increase JobSeeker, Youth Allowance, Parenting Payment and related payments to at least \$82 a day, in line with pension payments.
3. Publicly commit to the major directions for reform outlined in the Hill Report and set clear goals and principles for reform. Specifically:
  - Establish advisory arrangements to guide the reform effort, which should include employers, service providers, community organisations, and people with lived experience of employment services.
  - Set out a strategic roadmap for the reform agenda, which establishes the sequencing of policy changes.
4. End automated payment suspensions in employment services and introduce a new unemployment payment compliance system informed by a human rights framework and natural justice principles.
5. Lift direct investment in national employment capacity-building programs such as wage subsidies and vocational education and training that underpin Workforce Australia services and make a difference for people unemployed long-term.
6. Establish an independent quality assurance body for employment services.
7. Establish trials for local partnerships between government, employment service providers, employers, training organisations and local community services to assist people and communities facing labour market disadvantage.





## Part 1

Who receives unemployment payments and how has their profile changed?



## 1.1 People on unemployment related payments

Unemployment related payments are defined in this paper as JobSeeker Payment (formerly Newstart Allowance) and Youth Allowance (Other). Both are activity tested, meaning there is a requirement to participate in activities related to the labour market as a condition of receiving the payment.

Single parents with a youngest child aged between 6 and 14 also have activity requirements and may be required to join the Workforce Australia program. In 2023, the government reformed Parenting Payment Single (PPS) eligibility by lifting the age of the youngest child from 8 to 14, which resulted in around 100,000 single parents moving off JobSeeker Payment to PPS.<sup>1</sup> However, this has not affected their mutual obligations under Workforce Australia, which are applied from the point which a parent’s youngest child is aged 6.

The Department of Social Services (DSS) do not currently publish a time series of PPS split by the age of the youngest child or by whether the individual is activity tested. This means that these individuals will not be reflected in data beyond September 2023 when the age of the youngest child was lifted to 14. DSS quarterly data<sup>2</sup> (June 2024) found that the number of people who were activity tested and receiving PPS was 137,000.

### People receiving unemployment related payments are different from those classed by the Australian Bureau of Statistics (ABS) as unemployed

There are several important differences between the population of people receiving unemployment related payments and the broader definition of unemployment used by the Australian Bureau of Statistics (ABS).<sup>3</sup> The definition of unemployment used by the ABS requires that a person has not been working in paid employment in the reference week and that they are both available to start employment immediately and have been actively searching in the previous four weeks.<sup>4</sup> This definition does not reflect large numbers of people receiving unemployment payments, including:

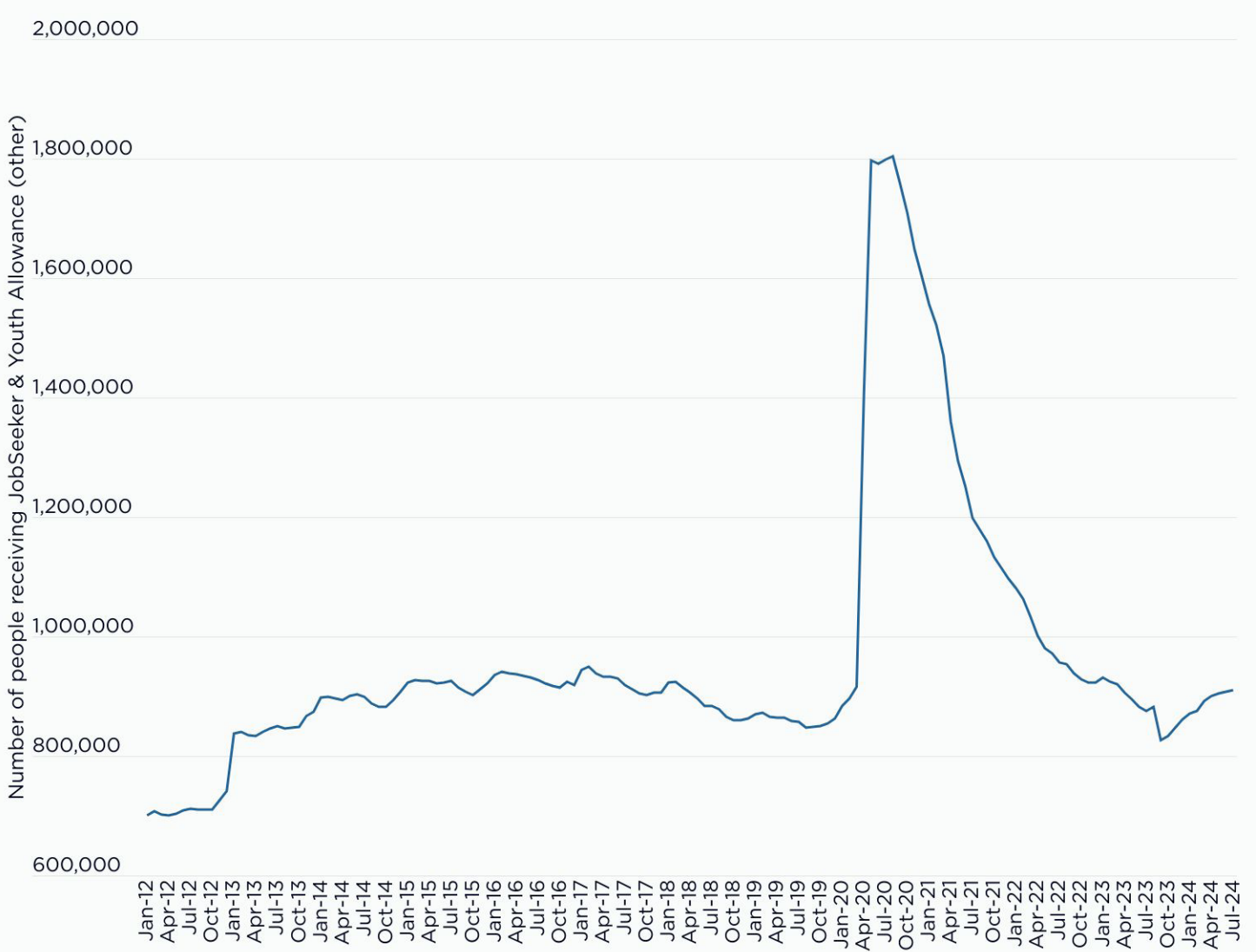
- People employed part time (noting that around one in five people receiving unemployment payments report earnings).
- People who have an illness or disability but do not qualify for DSP.
- People undertaking training or education and are therefore not immediately available for paid work.

1 ACOSS (2024), *Welcome news that Parenting Payment Single expanded to 14* [https://www.acoss.org.au/media\\_release/welcome-news-that-parenting-payment-single-expanded-to-14/](https://www.acoss.org.au/media_release/welcome-news-that-parenting-payment-single-expanded-to-14/)  
2 Department of Social Services (2024), *Benefit and Payment Recipient Demographics - quarterly data* <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details>  
3 Bradbury, B. and Whiteford, P. (2022), *How can more people be on unemployment benefits than before COVID, with fewer unemployed Australians? Here’s how* <https://theconversation.com/how-can-more-people-be-on-unemployment-benefits-than-before-covid-with-fewer-unemployed-australians-heres-how-181733>  
4 Australian Bureau of Statistics, *Definition of Unemployment* <https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/labour-statistics-concepts-sources-and-methods/2021/concepts-and-sources/unemployment#:~:text=Acronyms-,Concepts%20and%20international%20guidelines,employment%20given%20a%20job%20opportunity>

## 1.2 Trends in income support receipt

**The number of people receiving unemployment related payments is rising – after falling to a 10-year low in 2023**

**Figure 1**  
**Number of people receiving JobSeeker and Youth Allowance (Other), 2012 – 2024**



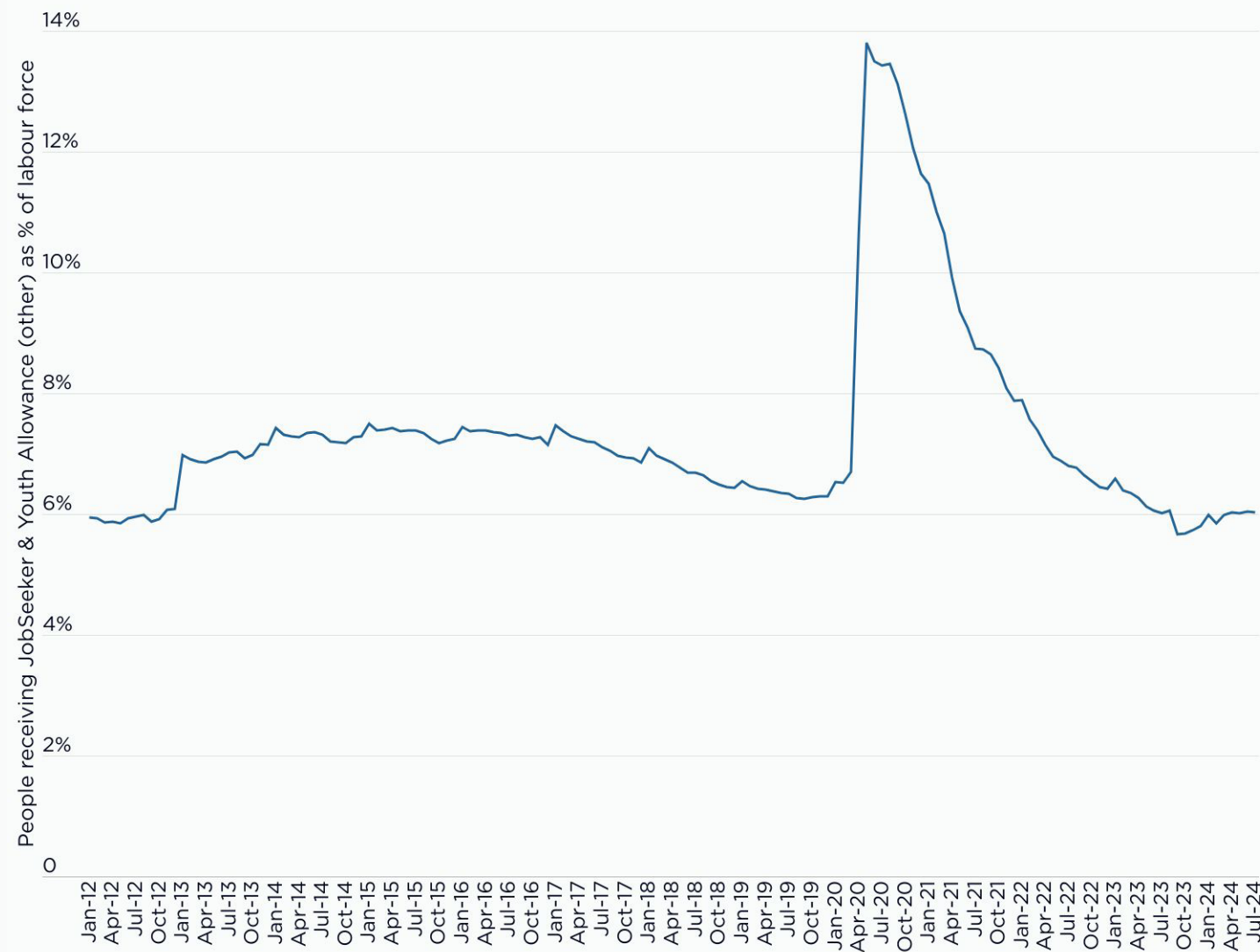
Source: Department of Social Services *Income Support Recipients - Monthly Time Series, JobSeeker and Youth Allowance (Other) Payments*

Figure 1 shows the number of people receiving Jobseeker and Youth Allowance (Other) since 2012. This number of people rose sharply in 2013 as people were diverted from pension payments (DSP or Parenting Payment) to unemployment payments. The number of people on unemployment payments continued to rise from 2013 onwards, reaching 950,000 in 2017 and then fell in the period prior to the pandemic as the ABS unemployment rate fell from 6.4% at the end of 2014 to 5% at the start of 2019.

The number of people receiving these payments stood at 917,000 in March 2020 and reached 1.8 million people at its pandemic peak in August 2020. It declined quickly to 880,000 people due to strong jobs growth over the next two years, when unemployment as measured by the ABS fell to a low of 3.5%. The increase in the ABS unemployment rate since that low has led to a rise in the numbers of people receiving income support. There was a fall in the number of people receiving unemployment payments in September 2023, when single parents with a youngest child above the age of 6 were transferred to PPS, but it has since grown by nearly 100,000 and currently stands at 920,000.



**Figure 2:**  
**People receiving JobSeeker and Youth Allowance (Other) as a percentage of total labour force, 2012 – 2024**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*; Australian Bureau of Statistics (2024), *Labour Force (NSA), September 2024*

Figure 2 shows the same group as a percentage of the total labour force, a measure which takes account of growth in the total workforce. This shows that by this measure, the percentage of people in receipt of income support was flat over the period from 2013 onwards and started to decline from 2017 onwards due a falling ABS unemployment rate. The size of the group was 6.7% of the labour force in March 2020 and quickly spiked during the pandemic to peak at 13.8% by May 2020. In the latter half of 2023, the percentage of people on unemployment payments declined to below pre-COVID levels but has recently begun rising again due to the rise in unemployment. Since September 2023, it has risen by 0.4 percentage points and currently stands at 6.1% of the labour force.

Significantly, in the middle of 2023 (before the artificial reduction from removing people receiving PPS) the percentage of people receiving income support as a proportion of the working-age population reached a low of 6%, a level which had not been reached for over a decade. The year from mid-2022 to mid-2023 was characterised by an average unemployment rate of 3.6%. This demonstrates the power of a lower unemployment rate, which leads to employers considering employing those they otherwise might not and increases the opportunities for many people receiving income support.

The most recent data shows an uptick in the rate of people receiving payments for less than a year, with the rate having risen by 0.5 percentage points. This lines up closely with the rise in the ABS unemployment rate in the same period, which has also risen by around 0.5 percentage points.

**By demographics**

**Most people receiving unemployment related payments have done so for over a year**

Three fifths of people in receipt of unemployment payments have received income support for over a year (as of September 2024). Of all people receiving unemployment payments in September 2024:

- **60% (557,000)** had received income support for one year or more,
- **43% (398,000)** for two years or more, and
- **21% (190,000)** for five years or more

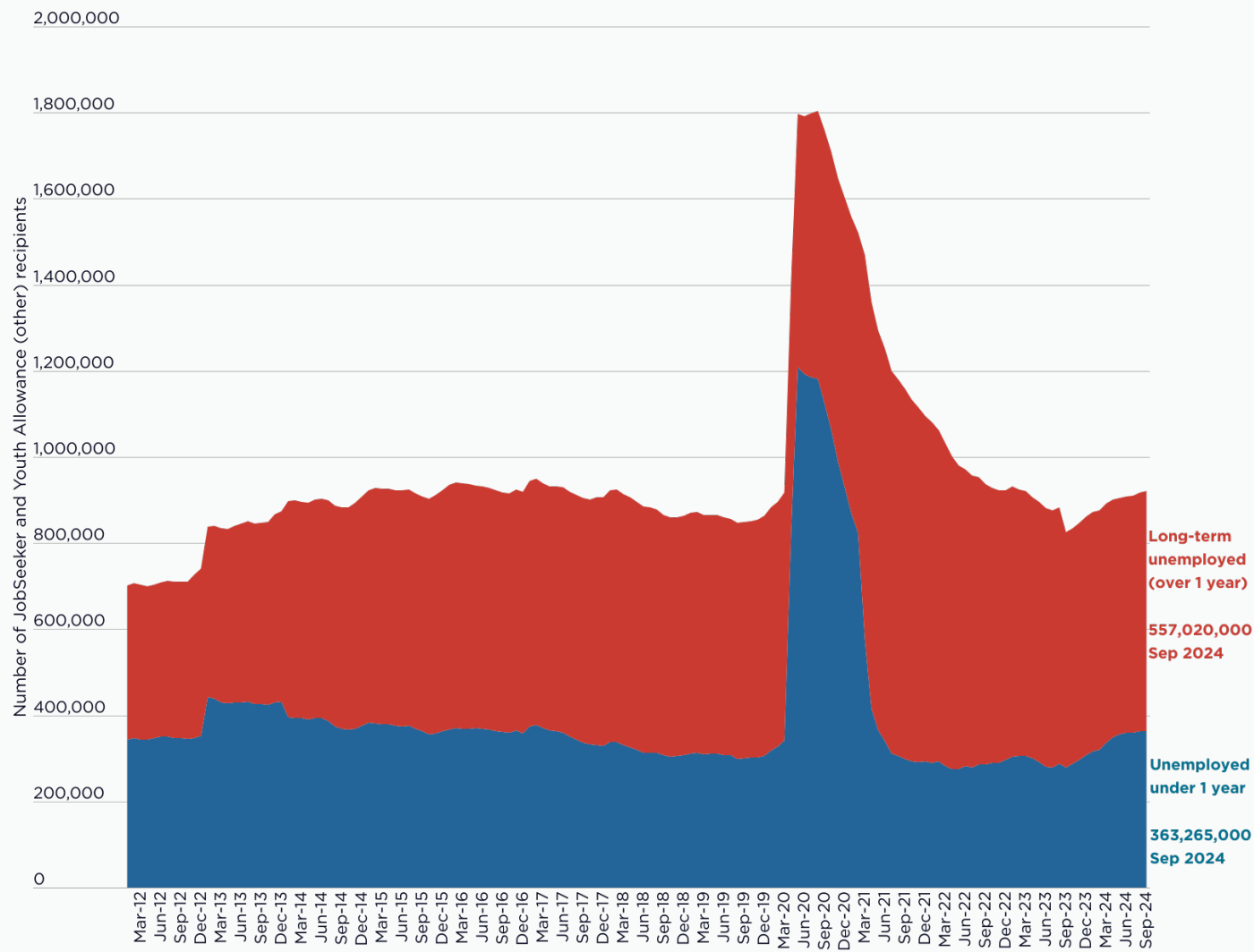
From 2012 to 2020, as more people with barriers to employment were diverted from pensions to unemployment payments and the overall rate of unemployment declined, the percentage of people on an unemployment payment for over a year rose substantially - from 51% of all people in receipt in January 2012 to 63% in March 2020. By December 2020, in the immediate aftermath of the pandemic lockdowns in 2020, the percentage of people on income support long-term fell to 42% due to the large increase in the number of people newly unemployed.

As employment growth recovered during 2020 and 2021, the number of people on unemployment payments for less than a year fell sharply, so the share of people on income support for over 12 months rose to 73% at the start of 2022. As unemployment rose again through 2024 and more people claimed unemployment payments, it settled back to its present level of 60%.

Overall, since 2012, the proportion of people receiving unemployment payments long-term has increased by around 10 percentage points.



**Figure 3:**  
**People receiving JobSeeker and Youth Allowance (Other) payment by duration**

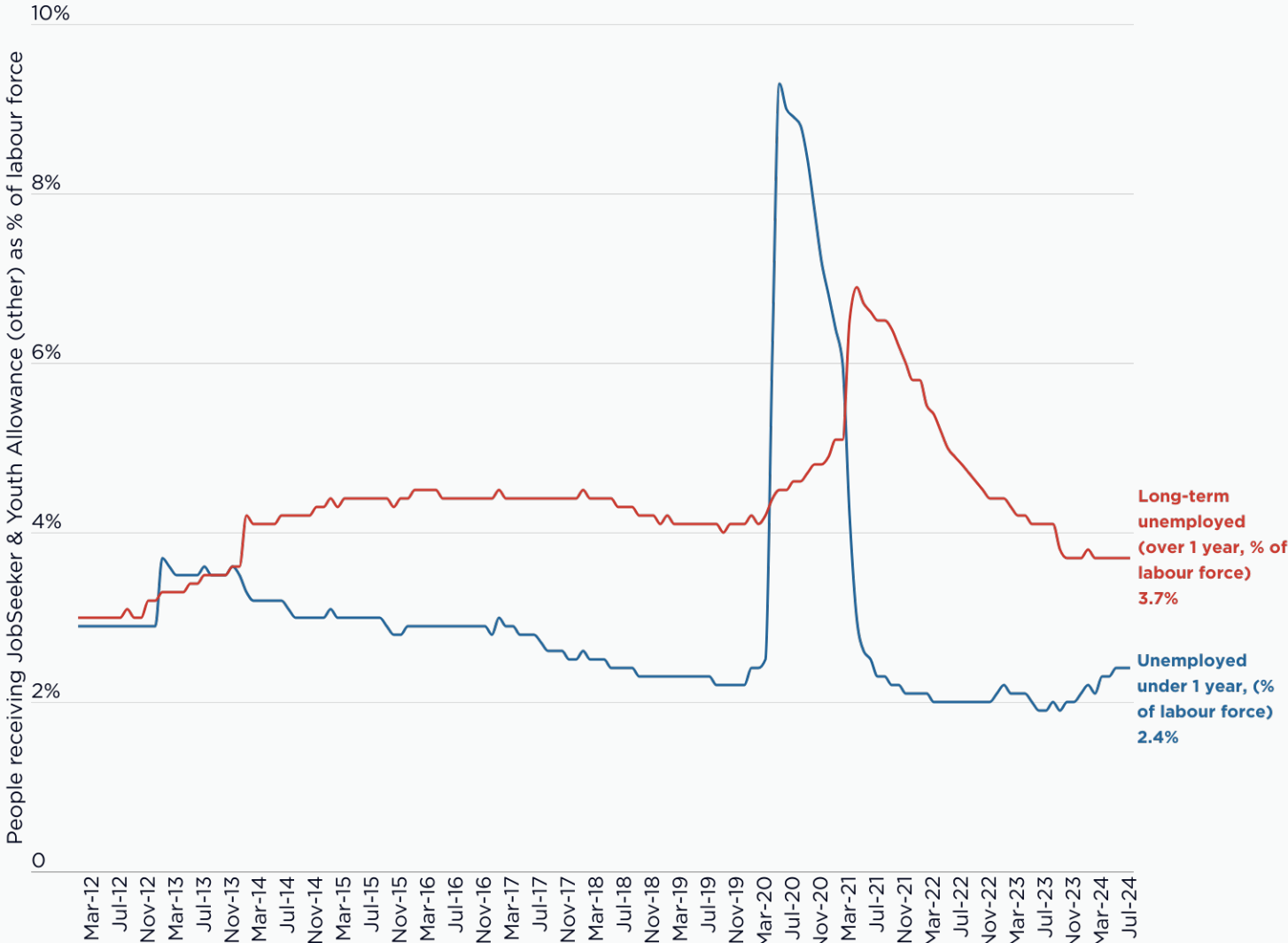


Note: Long-term is defined as having been receiving a single unemployment related payment for a year or more  
Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

**The number of people in long-term receipt of employment payments has not substantially reduced for a decade**

There is a substantial difference in the trends for people receiving unemployment payments for less than a year and those who have been receiving them for over a year. A striking observation is that whilst the rate of people receiving unemployment payments for less than a year fell over the period from 2013 to the start of the pandemic, the rate of long-term receipt was largely unchanged throughout the whole period (outside of the pandemic). This largely held after the end of the pandemic, with the rate returning to its previous level of around 4% (prior to the artificial drop from the PPS change) and having remained flat over the last year.

**Figure 4:**  
**Unemployment by duration**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*; Australian Bureau of Statistics (2024), *Labour Force (NSA), September 2024*

A major reason the rate of long-term unemployment payment receipt has not reduced is that many people in this group have been placed there inappropriately. Policies designed to force more people into these payments have meant that increasing numbers of people with long-term health conditions have been included within this group (the increases in 2013/14). Many of these people with health conditions should be receiving DSP.

Another clear reason is the lack of an effective employment services system for people who have been in receipt of unemployment payments for over a year, with a severe lack of resources devoted to effective programs (which we turn to in detail later).



# David's story

Every morning, I wake up before 5:00AM and scan through job websites—Seek, Indeed, LinkedIn—hoping today might be different. Applying for jobs has become a routine: crafting cover letters, sending applications, and then... silence. The lack of response is just how it is.

The biggest hurdle isn't just finding a job - it can also be getting to one. Transport is a massive challenge that most people take for granted. Imagine a job that starts at 5 AM, or in an area with no public transport. For someone without a car, these opportunities might as well be on another planet. An Uber ride could easily eat up an entire morning's wages, creating an impossible cycle. At 60, I'm acutely aware that the job market isn't kind to older workers. I enjoy studying short courses in AI, data analysis, and other interests, trying to stay relevant. It seems that employers prefer younger graduates. I try to emphasise 'soft skills' such as reliability, responsibility and maturity in my cover letters. I know I'll turn up on time, keep coming back each day and not do stupid stuff.

jobactive providers often seem more interested in ticking boxes than helping me find meaningful work. It's a system that treats unemployed people like numbers, not individuals with unique skills and aspirations.

The financial strain is relentless. When you're surviving on government payments, every decision becomes a calculation. Do I buy medication or groceries? Can I afford a doctor's visit? The constant stress chips away at your self-esteem. You start to feel invisible, forgotten by a system that claims to support you. I haven't given up hope. But the journey can be tough at times. The longer I remain unemployed, the more ingrained the problems become. When you drop down a whole level, it is hard to get back up to that previous position.

If the cost to repair your car is unaffordable, you then become 'suburb bound' - limited by the available bus routes and timetables, there is a rewritten definition of 'suitable' when looking at vacancies.

Unemployed people genuinely want to work. We are not looking for charity; we're looking for opportunity. A chance to contribute, to feel valued, to be part of something meaningful and to create a future for ourselves. Some of us dread where we may end up when we reach retirement age - no super, no savings, failing health.

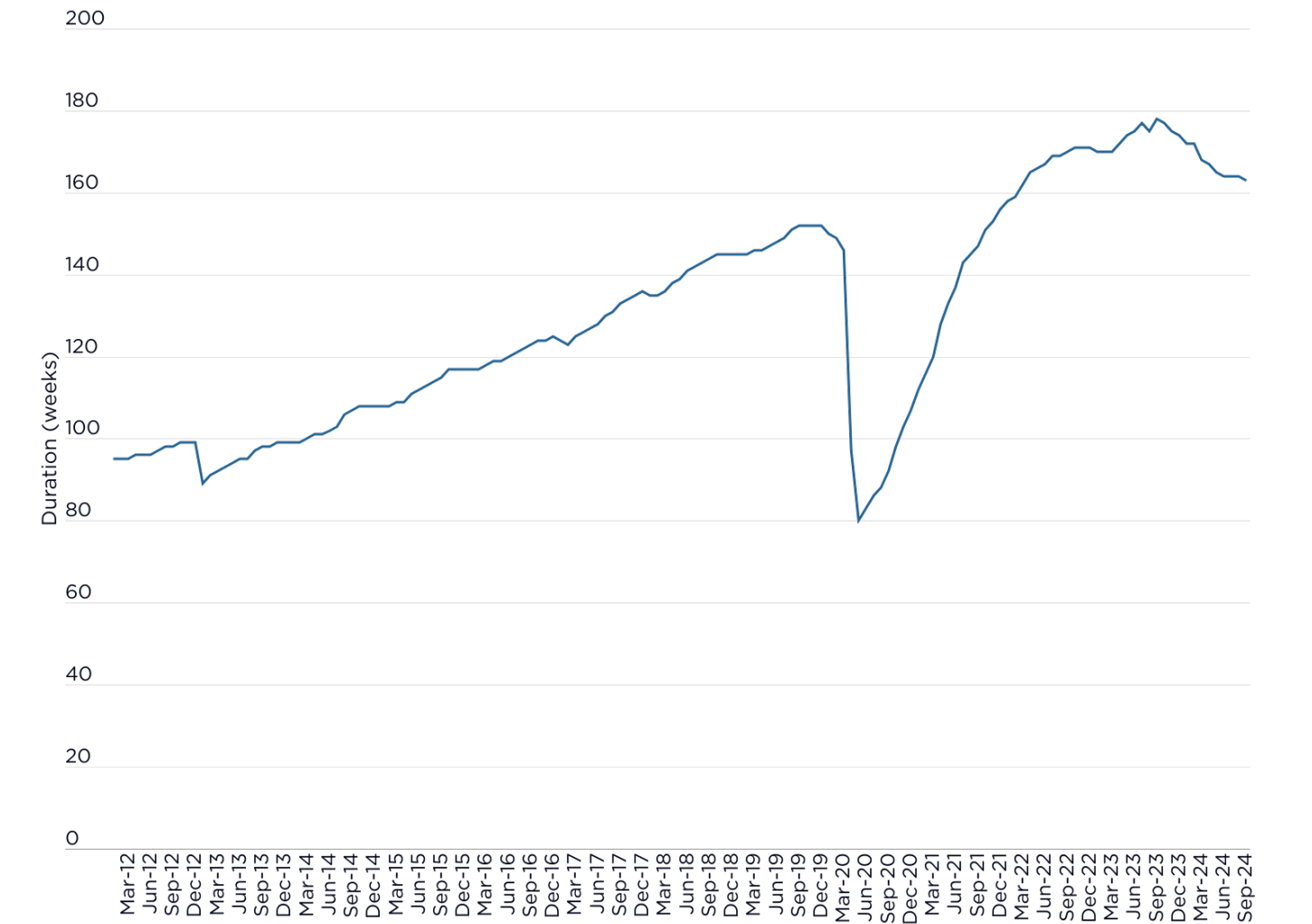




The average length of receipt is over three years

The average duration on income support amongst people receiving unemployment payments is just over 3 years,<sup>5</sup> which demonstrates the rising share of this population who require significant support to secure paid work. This had been consistently increasing from 2012 onwards, when the average duration increased from a low of 90 weeks in 2013 to a pre-pandemic high of 152 weeks at the end of 2019 – an increase in average duration of over a year. After a rapid fall and similarly rapid growth in the pandemic period, the average duration reached its high of 178 weeks in September 2023. This has been falling since that point, driven by increasing numbers of newly unemployed people transferring onto income support payments and the PPS policy change, which will have moved a significant number of long-term recipients away from these payments.

Figure 5:  
Average duration for people receiving unemployment-related income support payments (weeks)



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

The number of older people receiving unemployment payments has increased in the last decade

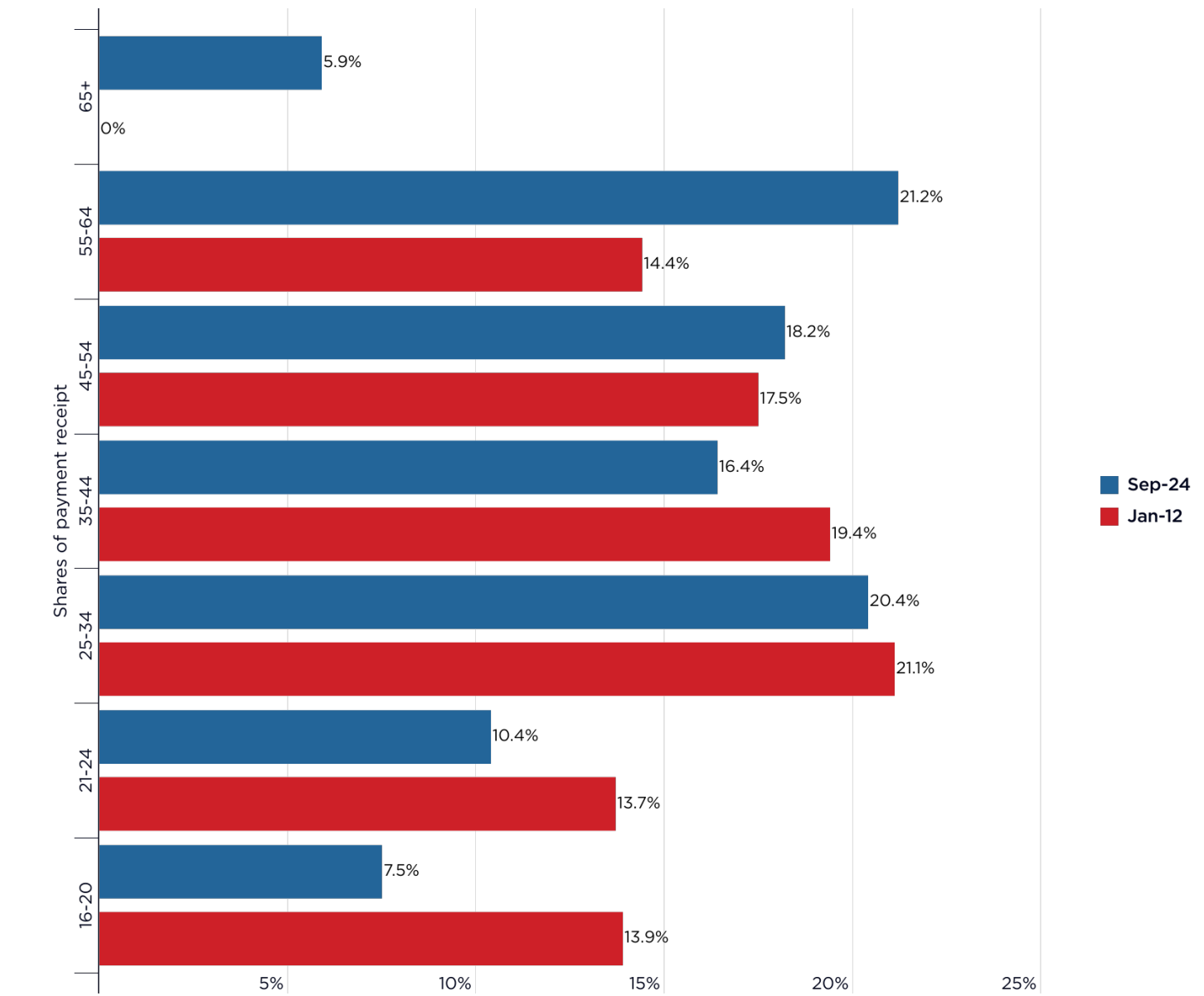
People aged 45 years and over comprise 45% of all people on unemployment payments in September 2024. This reflects a large shift over the last decade, which has seen a growing share of older people receiving unemployment related payments.

5 Department of Social Services (2024), *DSS Income Support Recipients – Monthly Time Series* <https://data.gov.au/data/dataset/dss-income-support-recipients-monthly-time-series>

The largest increase for any age group is that of those aged 55-64 which has increased by around 100,000 people since 2012 and is now the largest age group amongst the population at 195,000 people. There has also been a significant and rapid increase amongst people over 65 since 2017 due to policy change (delayed access to Age Pension),<sup>6</sup> and this group now stands at 54,000.

The recent increase in the overall number of people receiving unemployment payments since late 2023 (after the decline due to transfers to PPS) has mostly been among younger age groups up to 35 years. The most pronounced increases have been amongst people in the 16-24 age bracket, reflecting the relatively larger increases in the youth unemployment rate during this period.

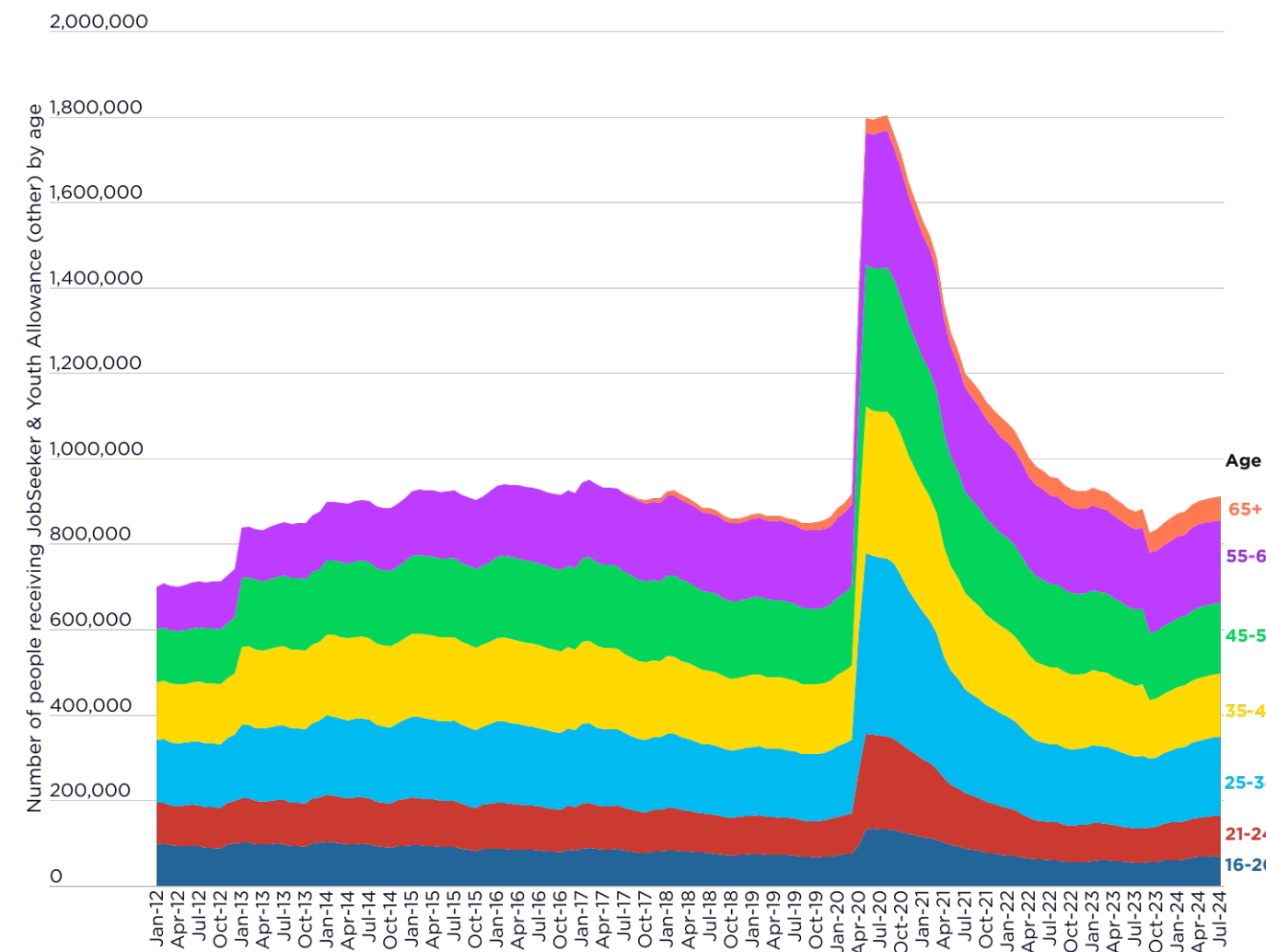
Figure 6:  
Share of people receiving JobSeeker and Youth Allowance (other) by age groups, June 2012 and September 2024



Note: Small numbers of people under 16 are included in the 16-20 age group.  
Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

6 Department of Social Services (2023), *Age Pension* <https://www.dss.gov.au/seniors/benefits-payments/age-pension>

**Figure 7:**  
**Number of people receiving JobSeeker and Youth Allowance (other) by age groups, 2012-2024**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

**An increasing proportion of people receiving unemployment payments have a health condition or disability**

There has also been a major shift in the number of people who have been assessed with a partial capacity to work. These are people who have a disability or health condition which prevents them from engaging in paid work for more than 30 hours a week.<sup>7</sup>

**The percentage of people who are assessed with partial capacity to work grew from 22% in 2014 to 40% (363,000 people) in September 2024**

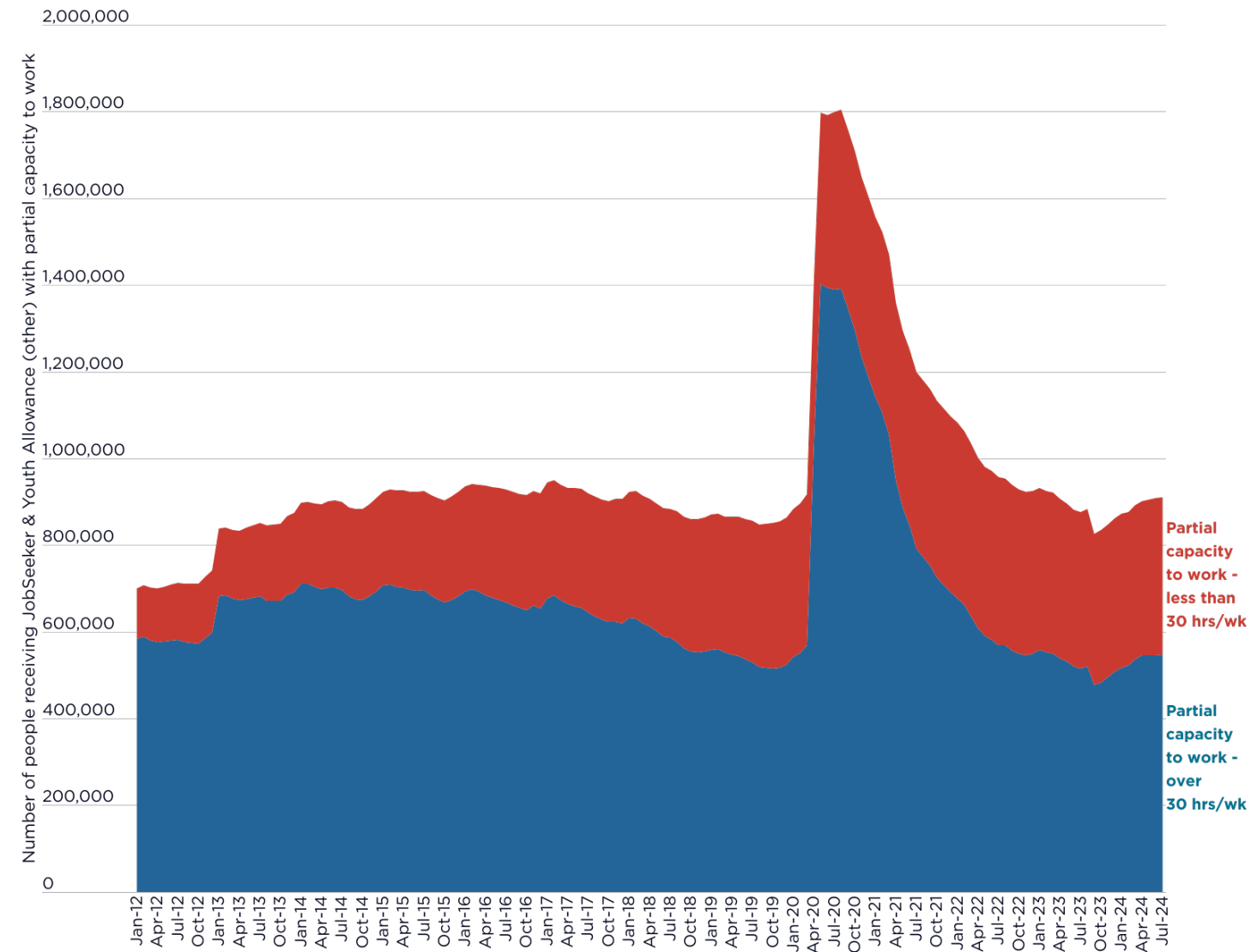
This reflects decisions by previous governments to close off access to DSP for many people with disability, first by excluding people assessed as able to work 15-30 hours per week (from 2008) and subsequently by tightening assessments using the impairment tables (from 2013). Many people affected should arguably receive the DSP, given their poor health and/or very limited employment prospects.<sup>8</sup>

<sup>7</sup> Services Australia (2024), *Reduced Capacity* <https://www.servicesaustralia.gov.au/if-you-have-reduced-capacity-to-work?context=51411#:~:text=A%20reduced%20capacity%20means%20you,II%20need%20to%20tell%20us.>

<sup>8</sup> Soldatic, K, Bowman, D, Mupanemunda, M, & McGee, P 2021, *Dead ends: how our social security system is failing people with partial capacity to work*, Brotherhood of St. Laurence, Fitzroy, Vic

It is important to note that many people in receipt of unemployment payments may have undiagnosed or unrecognised medical conditions. There is also a substantial body of evidence which finds an association between unemployment and poorer health, including mental health.<sup>9</sup> Recent analysis produced by the Australian Institute of Health and Welfare (AIHW) found that people in receipt of unemployment related payments were around four times more likely to suicide than those in the rest of the population.<sup>10</sup> Further research is needed to better understand the nature and extent of mental illness among people receiving unemployment payments, and the impact of payment rates and conditions on the risk of mental health.

**Figure 8:**  
**Number of people receiving JobSeeker and Youth Allowance (other) assessed with partial capacity to work, 2012-2024**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

**People with health conditions are more likely to be older**

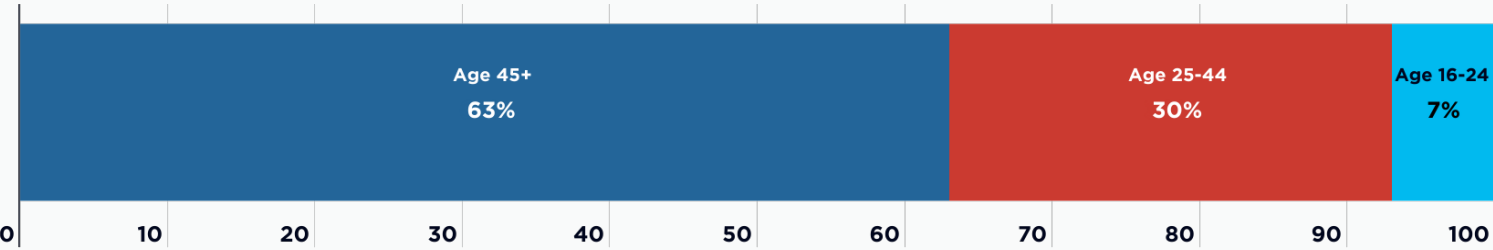
People with disability or health conditions are mostly above the age of 45, with around 60% of people assessed with partial capacity aged 45-66 years. Of those assessed with partial work capacity, 18% are aged 60-64 years.

<sup>9</sup> Sykes (2022), *How Australia's employment services system fails jobseekers: Insights from self-determination* [https://ajle.org/index.php/ajle\\_home/article/view/162/130](https://ajle.org/index.php/ajle_home/article/view/162/130)

<sup>10</sup> AIHW (2024), *Deaths by suicide among Centrelink income support recipients* <https://www.aihw.gov.au/suicide-self-harm-monitoring/data/populations-age-groups/deaths-by-suicide-among-centrelink-income-support-recipients>



**Figure 9:**  
**Assessed partial capacity to work among people on JobSeeker and Youth Allowance (Other) payments by age, March 2024**



Source: Department of Social Services (2024), *Response to Senate Estimates SQ24-000609*

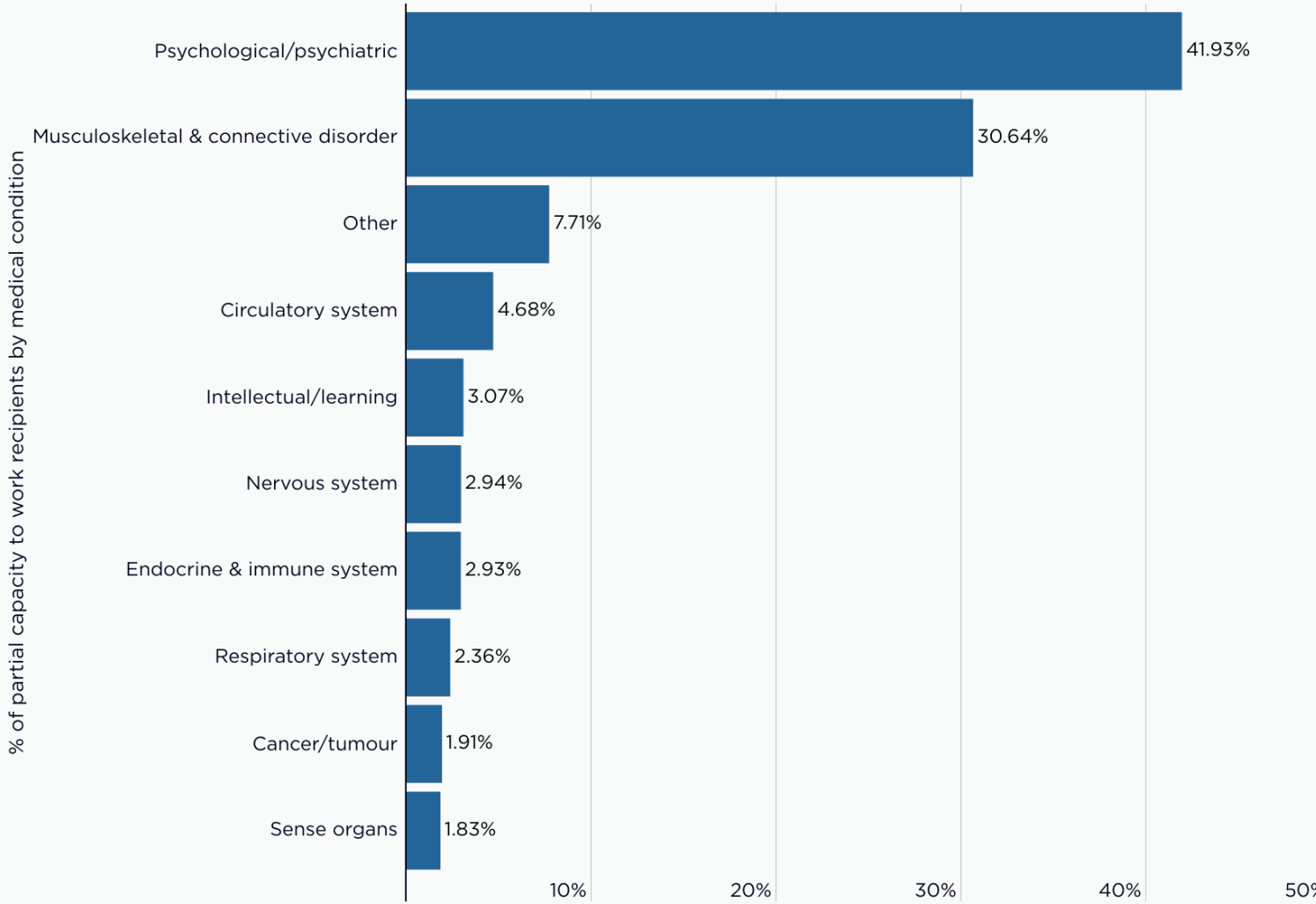
**The most frequently diagnosed disabilities or health conditions are mental illnesses**

DSS records the medical conditions for which partial capacity to work is granted. As of April 2024, the most common medical condition for which partial capacity to work was assessed was for psychological or psychiatric conditions (42% of those assessed as having partial capacity to work).

Of growing concern is the number of young people who are found to have partial capacity to work because of psychological and psychiatric conditions. This is by far the most common condition assessed amongst those in receipt of Youth Allowance (Other) and reflects broader trends in the health of young people, who are experiencing poorer mental health.<sup>11</sup>

<sup>11</sup> Australian Bureau of Statistics (2023), *National Study of Mental Health and Wellbeing*, Table 3 - <https://www.abs.gov.au/statistics/health/mental-health/national-study-mental-health-and-wellbeing/2020-2022#data-downloads>

**Figure 10:**  
**Percentage of people on JobSeeker and Youth Allowance (Other) payments with partial capacity to work by type of medical condition, April 2024**



Note: Medical conditions reflect the first recorded medical condition.  
Source: Department of Social Services (2024), *Response to Senate Estimates SQ24-000610*

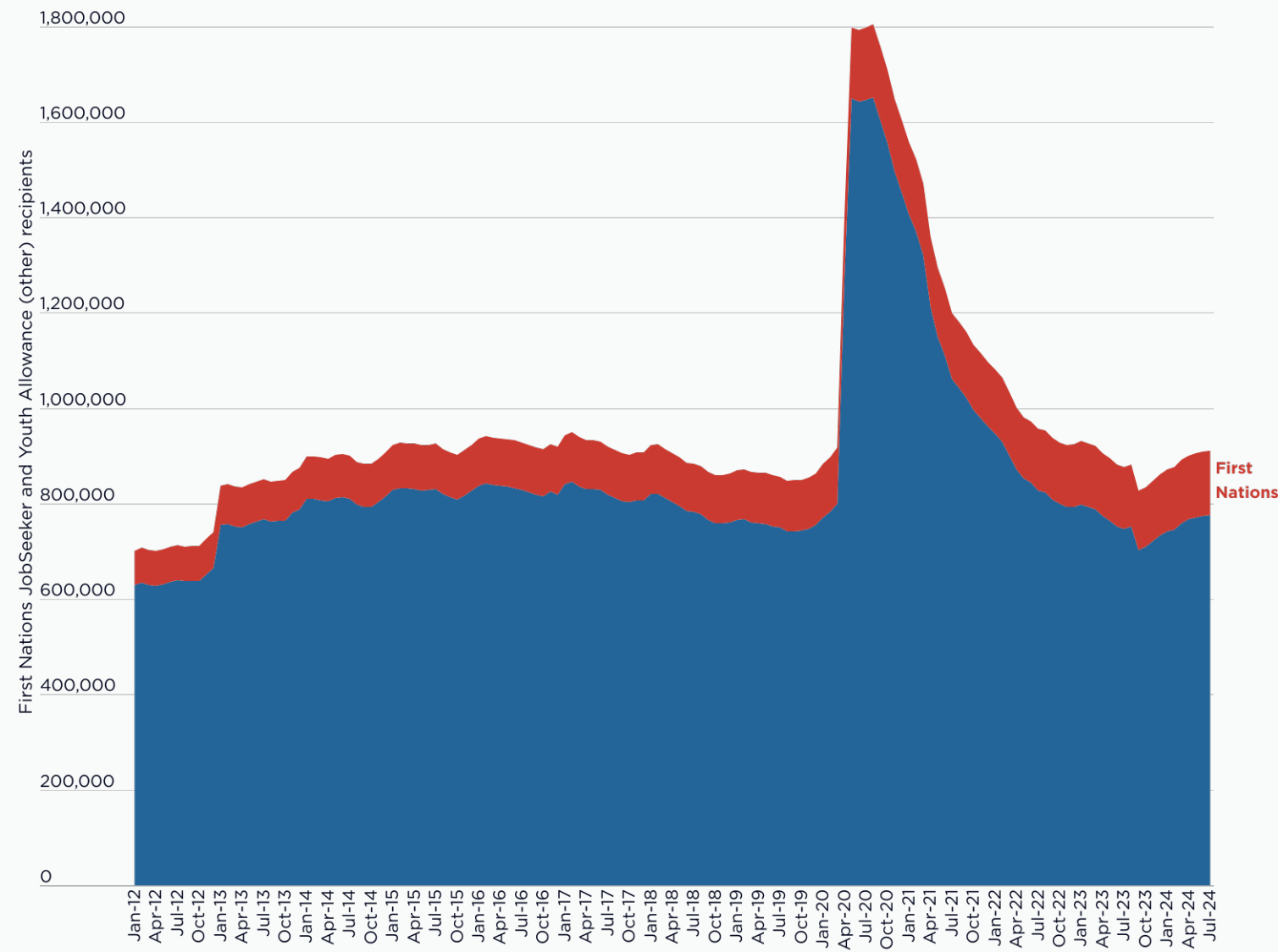
**The number of First Nations people on unemployment related payments has increased**

The share of First Nations people on unemployment payments has increased by 65,000 people (5 percentage points) since 2012, and currently stands at around 136,500 people (15% of people receiving unemployment related payments) even though First Nations people comprise just 3.8% of the total population.<sup>12</sup> This is reflective of the more difficult labour market conditions many First Nations people face, including the large numbers of people who live in remote areas and the significant discrimination which they face in the labour market and more broadly. AIHW analysis<sup>13</sup> demonstrates that the employment rate for First Nations people is 58% in major cities but falls to only 30% in very remote areas.

<sup>12</sup> Australian Bureau of Statistics (2023), *Estimates of Aboriginal and Torres Strait Islander Australians* <https://www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/estimates-aboriginal-and-torres-strait-islander-australians/latest-release>

<sup>13</sup> AIHW (2023), *Employment of First Nations People* <https://www.aihw.gov.au/reports/australias-welfare/indigenous-employment>

**Figure 11:**  
**First Nations people receiving JobSeeker and Youth Allowance (Other), 2012-2024**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

**A majority of people using Workforce Australia have only school level qualifications**

Many people using employment services have relatively low levels of formal qualifications, with 256,000 (38%) having less than Year 12 qualifications and 106,000 (16%) having completed Year 12 only in September 2024. Opportunities at the entry level of the labour market have been declining over the last twenty years (as discussed later) and this makes it harder for people with fewer formal qualifications to move into employment.

**A significant number of low paid employed people receive unemployment payments**

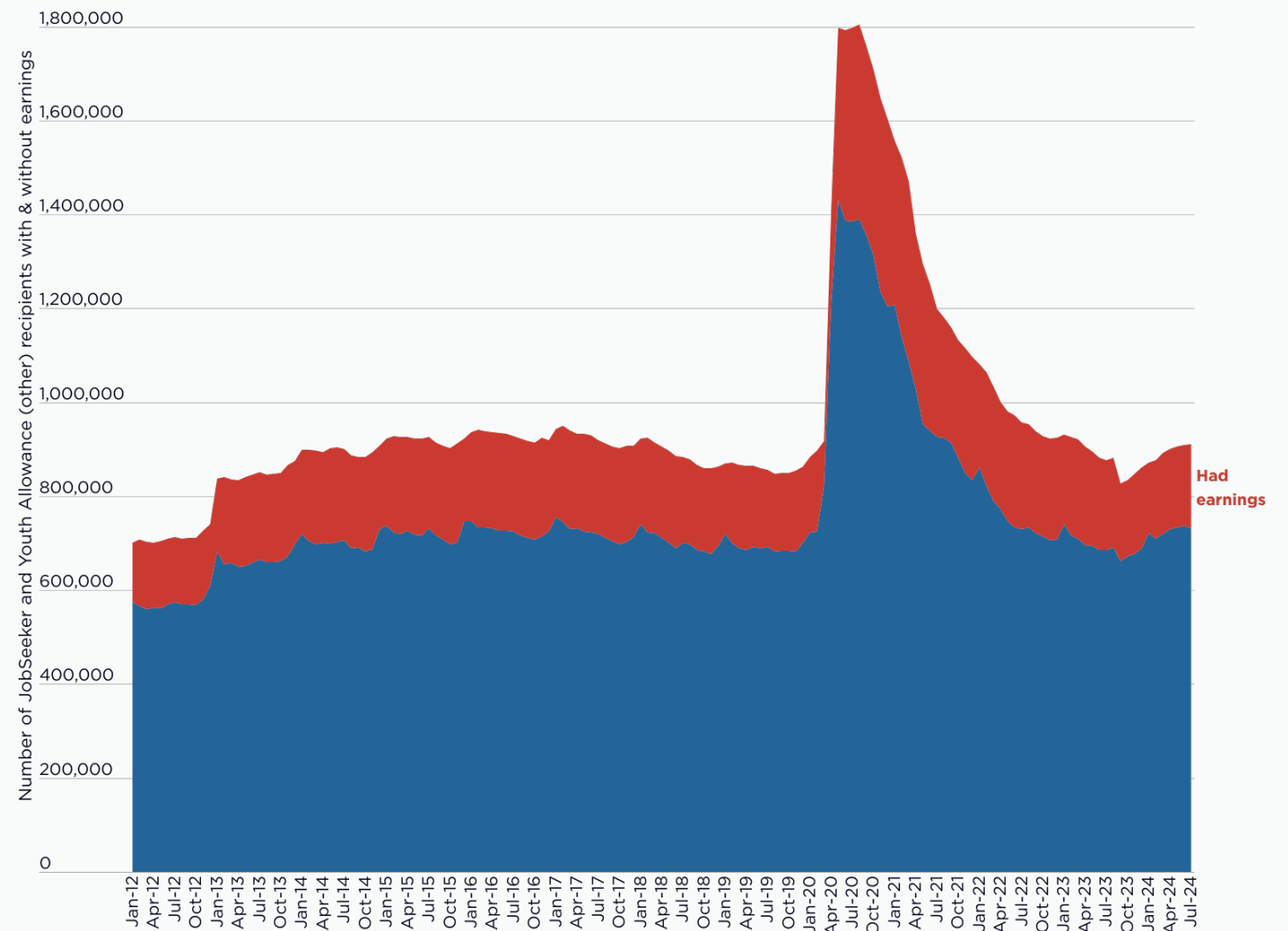
Despite these payments being described as unemployment related, a consistent percentage of those receiving them (around 20%) are employed part time. This is a deliberate feature of the system, to support transitions into employment. Some groups on unemployment payments (including many parents and people with disability) are only required to seek part-time employment in recognition of their barriers to employment.

- Currently 179,000 people report earnings.

73% of people with earnings were earning over \$500 a month as of July 2024 and the largest income group are those earning over \$1000 per month.

As discussed later, part time employment is often the only option available to people seeking an entry level job. In addition to the employment barriers noted above, this can lock people into long-term reliance on income support to supplement casual or part-time earnings.

**Figure 12:**  
**Number of JobSeeker and Youth Allowance (other) recipients with earnings, 2012-2024**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*

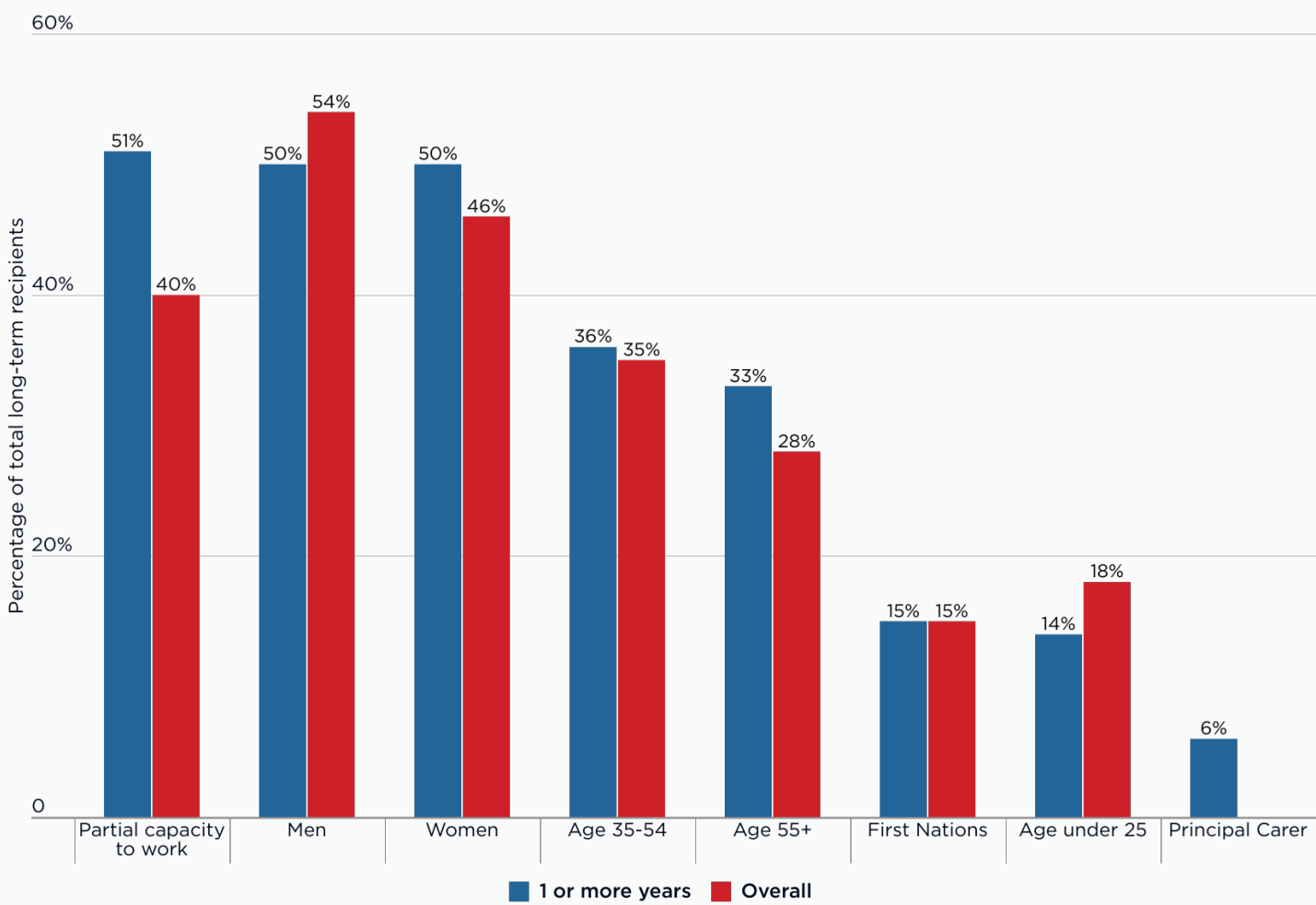
**The characteristics of people long-term unemployed are different to people short-term unemployed**

There are substantial differences in the profile of people receiving unemployment payments for over a year and those receiving payments for shorter periods.

The largest difference in characteristics is for those who have been assessed as having partial capacity to work. Over half of people in receipt of income support long-term have a disability or health condition that prevents them from being in full-time paid work. This is 11 percentage points more than the proportion in the total unemployment payment population.



**Figure 13:**  
**People receiving employment-related income support payments by demographic group, April 2024**



Source: Department of Social Services (2024), *Income Support Recipients - Monthly Time Series, Jobseeker and Youth Allowance (Other) Payments, September 2024*; Department of Social Services (2024), *Response to Senate Estimates SQ24-000626*

People long-term unemployed are also more likely to be older, with people aged 55 and over making up nearly a third of those in receipt of income support for over a year in contrast to 28% in the overall caseload. There is also a higher proportion of women than men in the long-term recipient population (by around 3.5 percentage points). This is likely due in part to lower workforce participation rates among older women and in part to the long-term impact of past decisions to lift the age of eligibility for the Age Pension for women from 60 to 67 years.

**The longer people have received an unemployment payment, the harder it is to transition to employment**

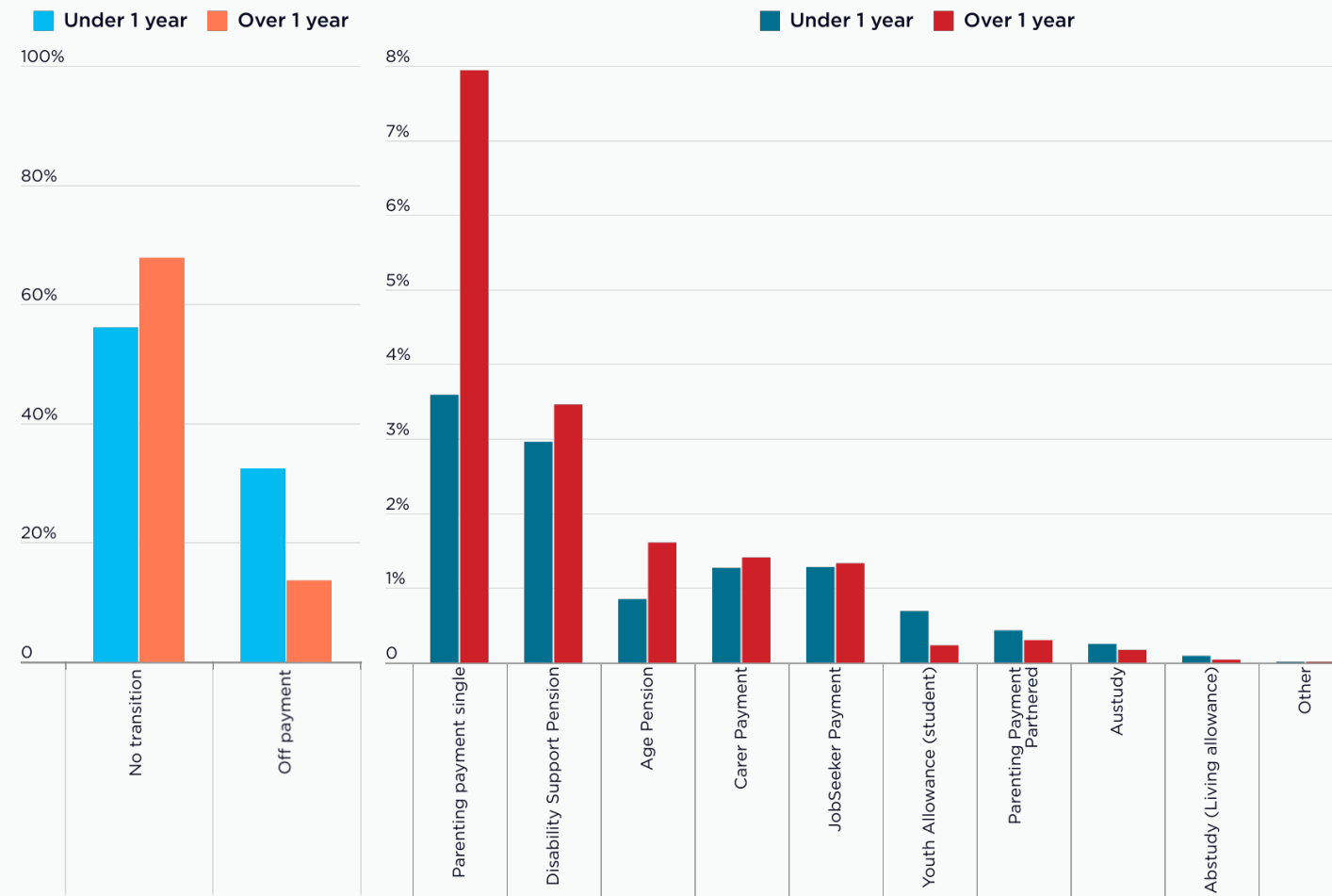
We analyse below people’s payment status one year after they have received an unemployment payment in April 2022. This gives a sense of whether most people remain on these payments or move to another income support payment, and the likely size of any flows into employment.

- The likelihood of being off unemployment payments a year later declines after people receive them long-term (12 months or more):
- Among those who have received unemployment payments for less than 12 months, 55% are on the same payment a year later.
  - Among those already on unemployment payments for more than 12 months, 70% were on the payment a year later.

While 32.4% of ‘shorter term’ group (under 12 months) were off income support altogether a year later, only 13.7% of the ‘long-term’ group were off income support. Whilst it is likely that most of these people were in paid work, we don’t have information to confirm this. An unknown proportion of this group may simply be discouraged from receiving income support, either because of the onerous conditions attached or because they have had their payment cancelled and have not lodged a new claim. The Liquid Assets Waiting Period that applies to people claiming unemployment payments can deny someone access to the payment for up to 13 weeks, which leads to many people draining savings before receiving income support. This is concerning as some face destitution when private sources of income run out.

For those who do move into employment, these movements are often transitions into part time and temporary employment. This is demonstrated below by analysis looking at outcome payments for employment service providers, which shows that a very low share of people (around 11%) are able to secure even half a year of continuous work with wages at a high enough level to remove their entitlement for income support (which attracts an outcome payment for their provider).

**Figure 14:**  
**Yearly transitions from unemployment payments by demographic group, April 2023**



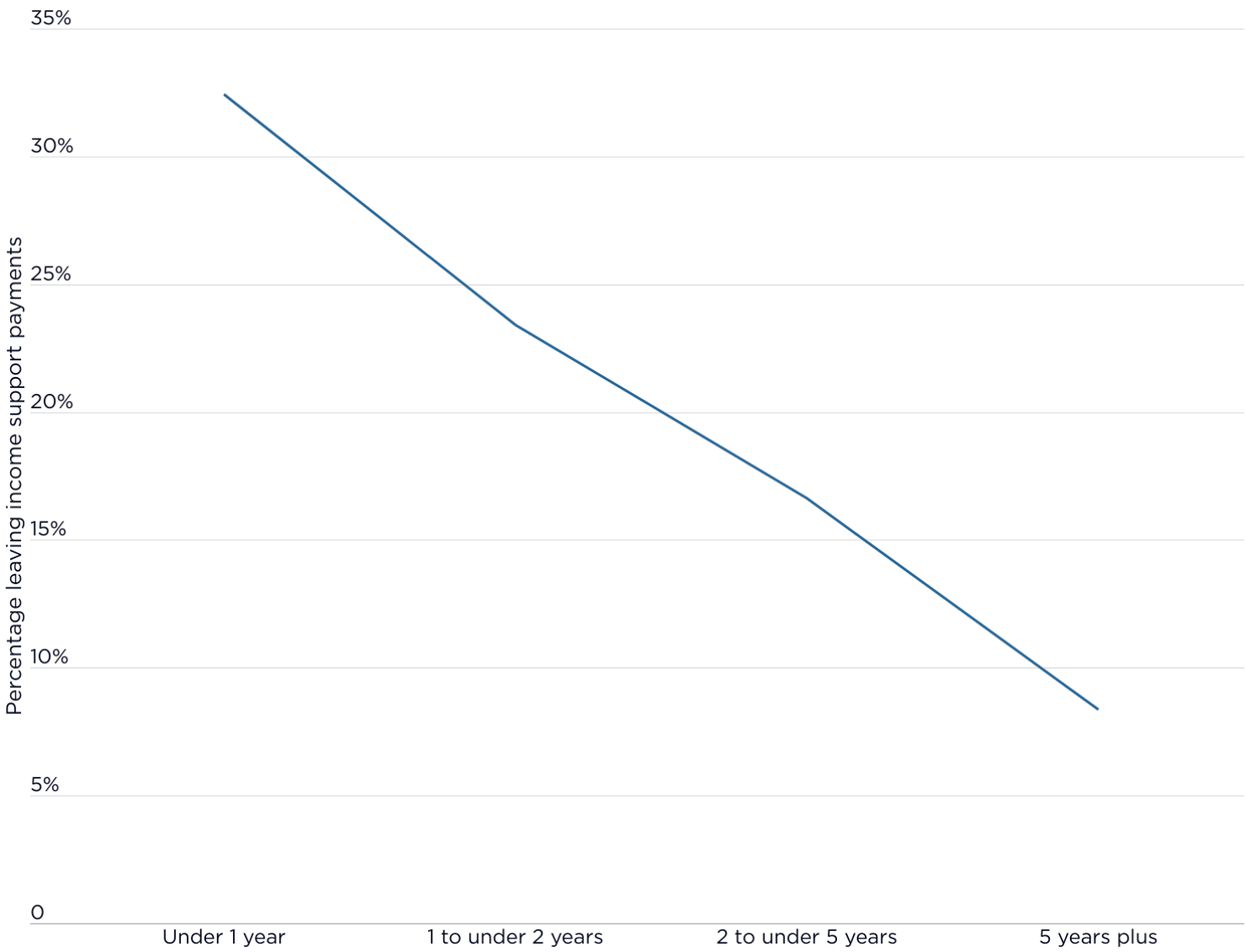
Note: the rates above refer to the proportion of people who were at the given duration as of April 2023 and whether they were receiving any income support payment twelve months later. JobSeeker and Youth Allowance (Other) are both included within this graph. The high rates of the Parenting payment single columns reflects recent policy change.  
Source: Department of Social Services (2023), *Response to Senate Estimates DSS SQ24-000627, April 2023*

The largest group moving to another income support payment are those who move to PPS, which largely reflects recent policy change to enable parents to claim the higher payment until their youngest child turns 14. The next highest transition is to the DSP, which comprises around 3% of transitions.

The flows out of income support decline significantly the longer the duration on payments (Figure 15). For those who have been recipients for over five years, the rate of transition out of income support payment is only 8%, reflecting the large structural barriers that people in this situation face.



**Figure 15:**  
**Percentage of people leaving income support payments after a year, April 2023**



Note: The groups above refer to all people who were at the given duration as of April 2023 and whether they are receiving any income support payment a year later. Jobseeker and Youth Allowance (Other) are both included within this graph.  
Source: Department of Social Services, *Response to Senate Estimates DSS SQ24-000627*







## Part 2

The labour market for people on low incomes



The government’s full employment agenda

Full employment would make a big difference to those on low incomes

The Australian labour market experienced a high level of volatility during the COVID recession but came out of the period with the unemployment rate at 3.5% in July 2022, the lowest level for 50 years. The level of underemployment (people seeking additional paid hours and unable to secure them) also fell – to 5.9% of the labour force, also the lowest level in decades.

Despite the low levels of unemployment and underemployment, there was no ‘price-wage spiral’.<sup>14</sup> Inflation rose for other reasons.

This was a historic opportunity from which to push forward and entrench an economy with full employment, where people were able to find work relatively quickly at the hours they sought and unemployment remained low. Full employment – defined in the Working Future White paper as “everyone who wants a job should be able to find one without having to search for too long” - would benefit people on low incomes the most of all, through more employment opportunities and more financial security from higher wages.<sup>15</sup>

The Reserve Bank should target full employment as it does inflation

The Reserve Bank of Australia (RBA) conducts monetary policy, primarily through setting ‘official’ interest rates which feed through to the rest of the economy. The RBA has a dual mandate under its founding legislation of maintaining price stability (which requires inflation to be low and consistent) and full employment. The RBA has an explicit target to keep the annual rate of inflation within the 2-3% range over time. Yet it has no equivalent target for full employment. This means the inflation half of the RBA’s mandate has primacy over the full employment half.

The Reserve Bank Act is under review. ACOSS has recommended that the new Act specify that equal consideration be given to price stability and full employment, as proposed by the official review of the RBA.<sup>16</sup> The Act should also require the government of the day to ensure, when it appoints people to the proposed new Monetary Policy Board, that they include people with expertise and understanding of the circumstances of people on the lowest incomes and the impact of monetary policy upon them.

Further, the government should set explicit full employment targets, including targets for unemployment, underemployment and the ratio of vacancies to unemployment.

There has been little to no evidence of incomes and wages chasing inflation. There have in fact been large falls in real wages during this period, with over two years of negative real wage growth peaking at -4.4% in the fourth quarter of 2022. Whilst real wages are now growing at a low rate, it will take years - and potentially a decade - for wages to recover their previous spending power.

The global increase in consumer price inflation (CPI) impacted Australia during 2022, with inflation peaking at 7.8% in the fourth quarter of 2022, though it been falling back towards the RBA target range since. By the second quarter of 2024, the annual increase in inflation was down to 3.8%.

During this period, the RBA raised its cash rate from 0.1% in May 2022 to 4.35% by November 2023 and has held it at this level since. As a result, demand for labour has weakened, the number of job vacancies has declined and unemployment and under-employment have increased, albeit not to pre COVID levels.

- The very real risk is that an opportunity to entrench full employment is lost, with the corresponding loss of opportunity for people on low incomes to improve their financial security and wellbeing.

14 There have in fact been large falls in real wages during this period, with over two years of negative real wage growth peaking at -4.4% at Q4 2022.  
15 ACOSS (2022), *Restoring full employment: Policies for the Jobs and Skills Summit* [https://www.acoss.org.au/wp-content/uploads/2022/08/ACOSS\\_Restoring-full-employment\\_Policies-for-the-Jobs-and-Skills-Summit\\_2022.pdf](https://www.acoss.org.au/wp-content/uploads/2022/08/ACOSS_Restoring-full-employment_Policies-for-the-Jobs-and-Skills-Summit_2022.pdf)  
16 ACOSS (2022), *Submission to the review of the Reserve Bank*. Sydney.

Recent trends in the labour market

Demand for labour was historically high two years after the COVID lockdowns

By June 2022, labour demand was very high by historical standards as the labour market recovered very strongly from COVID lockdowns, boosted by large increases in public expenditures and historically low official interest rates. Employment had grown by 520,000 people (from 62.6% to 64.1% of the working age population) from its level one year beforehand:

- The unemployment rate fell to a 50 year low of 3.5%.
- Underemployment fell to a 15 year low of 5.9% of the labour force.
- The number of people unemployed per job vacancy fell to 1.1 close to the value of 1.0 designated as a marker of full employment prior to the 1970s.<sup>17</sup>

This opened opportunities for people often excluded from paid employment

At this time, there are indications that employers were willing to consider hiring people they would not normally employ, including people unemployed long-term. Recent analysis by Jobs and Skills Australia concluded that:

‘During the very tight labour market conditions (in 2022), the labour market became more efficient in matching unemployed persons to vacant jobs, potentially due to employers having to change their preferences ...to fill positions for example by taking on workers only partially suitable for the job.’<sup>18</sup>

In response to strong demand for labour, more people joined the paid workforce

In the tight labour market conditions that prevailed over the two years after COVID lockdowns (2021 and 2022), the temporary closure of international borders reduced employers’ access to migrant workers. This temporarily increased the number of unfilled job vacancies, especially in entry level positions in sectors such as retail and hospitality.

This gap in labour supply was partly filled by a sharp rise in workforce participation, which rose from 65.9% of the working age population in June 2021 to a historic high of 66.5% in June 2022.

Since official interest rates were increased, demand for labour has weakened

The major effect of official interest rate increases on the labour market has been to reduce labour demand and job vacancies and increase both unemployment and underemployment.<sup>19</sup> Since June 2022:

- The number of job vacancies declined from 473,000 (Q2 2022) to 329,000 (Q3 2024)

Unemployment increased by around 115,000 people from 3.5% to 4.1% of the labour force.

- Underemployment rose from 6.2% to 6.5% of the labour force since mid-2022.

The following analysis breaks down these extraordinary changes in the labour market by their component parts: employment, vacancies, unemployment and underemployment.

Employment growth was strong at the end of the pandemic but has been slowing

Following a very strong period of growth from 2021 to 2022, employment growth flattened out, as a share of population. This was due to a combination of factors:

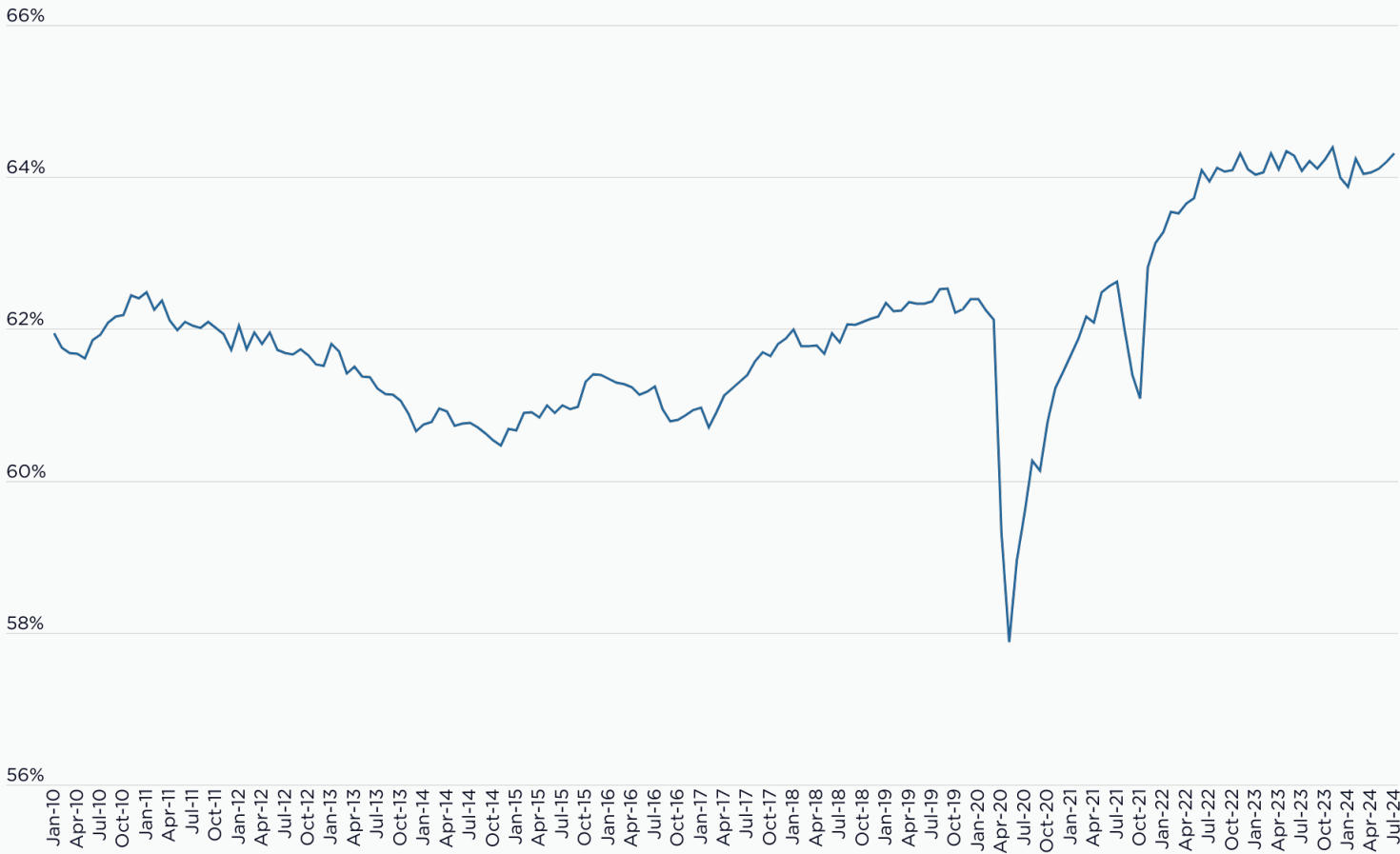
- catch-up immigration after the lifting of travel restrictions (lifting both jobs filled and the overall population);
- a sharp decline in ‘market employment’ growth from 7.5% to 0.9%;
- offset by strong growth in non-market jobs in publicly funded services.

Overall employment has increased by 876,000 since mid-2022, but the rate of growth has slowed from the high levels seen immediately after the economy was released from the pandemic.

17 Australian Bureau of Statistics (2024), *Labour Force, Australia*  
18 Sharma K et al (2024), ‘How efficient is the Australian Labour Market?’ *Australian Journal of Labour Economics* Vol 27 No 1 pp 109.  
19 ACOSS (2024), *The Squeeze* <https://www.acoss.org.au/wp-content/uploads/2024/08/ACOSS-Briefing-Note-The-Squeeze24.docx>



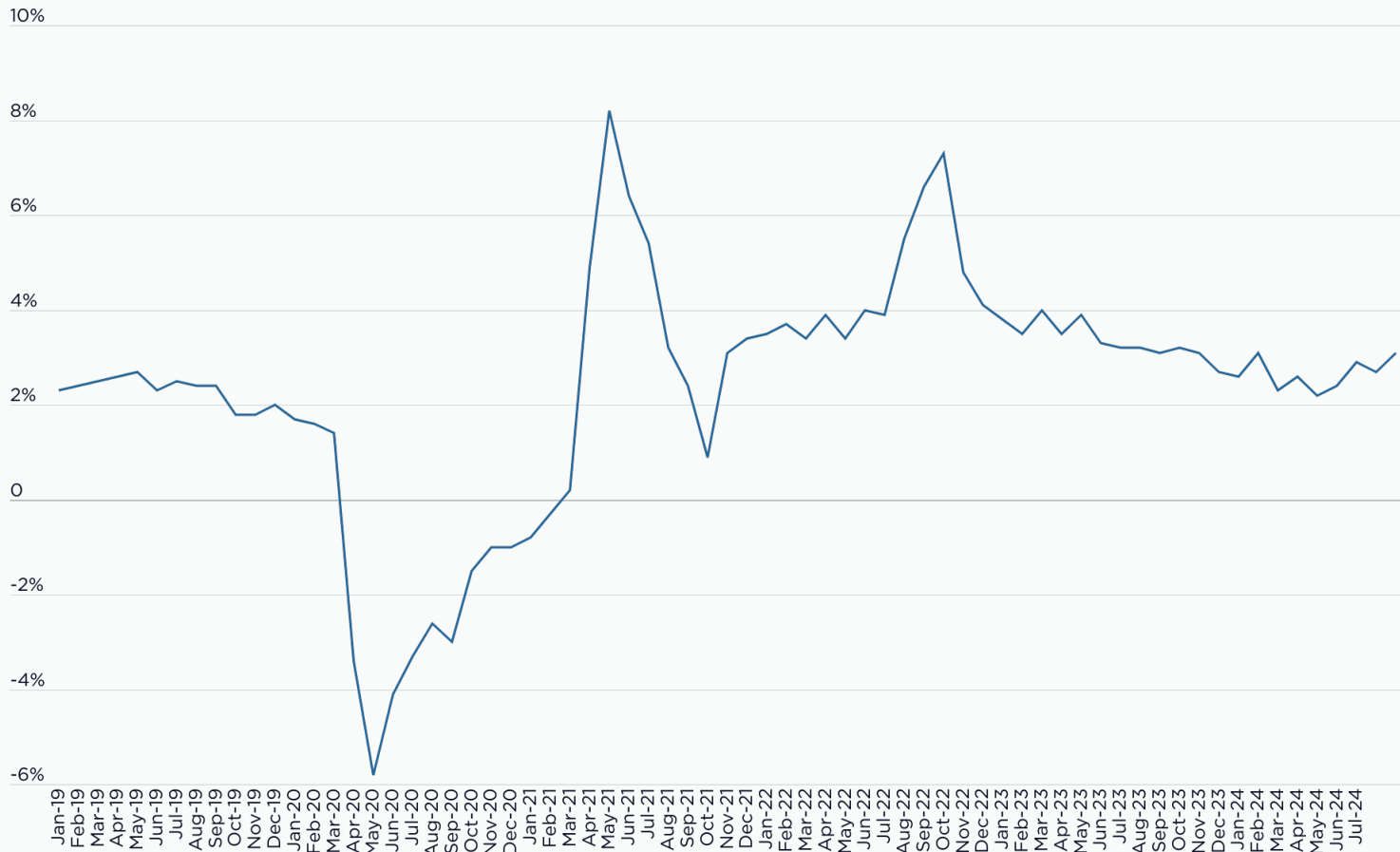
Figure 16:  
Employment to population rate, 2010 – 2024



Source: Australian Bureau of Statistics (2024), *Labour Force, Australia*

The employment to population rate is currently sitting at a record high of 64.4%, which is over 2 percentage points above the pre-pandemic rate of 62.2%. As the labour market strengthened after the end of the pandemic, the annual rate of employment growth was above its long run average and peaked at 7.3% in mid-2022 and then began to decline towards its pre-pandemic level over the next two years, reaching 2.2% in mid-2024. In recent months, it has started to increase again and reached 3.1% in September 2024.

Figure 17:  
Total employment growth (annual)



Source: Australian Bureau of Statistics (2024), *Labour Force, Australia*

This growth in this period has been particularly strong in non-market sectors of the economy, which include industries like health and aged care and education and training. These industries have held up employment growth whilst the market sector has slowed as interest rates have risen. Figure 6 shows the divergence in growth between the market and non-market sectors, with market employment growth running above non-market in mid-2022 but quickly declining over the next two years to 0.9%. In contrast, non-market employment is growing at an annual rate of 6.7%. This largely reflects the differences between the two sectors in sensitivity to interest rates, with the market sector having significantly reduced employment growth in response.

Without the increased employment and consumer spending provided by the increased public expenditure in these industries, the unemployment rate would be much higher than the current rate of 4.1%.





# Amelia's story

I was once a Payroll Officer, working for a contractor to a government department, earning over \$80,000 per year. I lived in a 3-bedroom house with my puppy and a massive backyard.

Following domestic violence, I was unlawfully evicted from my home, in 2020 during COVID lockdowns, and forced into six months of homelessness. In crisis accommodation, I was housed beside newly released male ex-prisoners, which was terrifying.

I am in safe social housing now. But I am struggling to barely survive on JobSeeker. To make ends meet each week I need to spend a large amount of time sourcing help, mainly from charities, with food, covering bills, or to put petrol in my car. I am also still dealing with the trauma from the abuse I suffered, which means I can become dysfunctional, sometimes for days on end, sometimes I'm unable to even answer my phone.

My employment services provider has been little to no help. They disregard my illness, trauma impacts and barriers to employment. I have repeatedly been cut off my entire JobSeeker payment until I "re-engage", which puts me in a continuous cycle that seems to go nowhere.

Dealing with the reality of domestic abuse involved putting time and energy into Intervention Orders and court hearings, extending over years – with little or no support from service providers. This made it difficult for me to find suitable employment at the same level or role as I previously held, or even at a lower level. I now have a gap in my resume that's difficult to explain and makes it even harder to get back into the workforce.

My once high level of confidence to find work has sunk to zero.

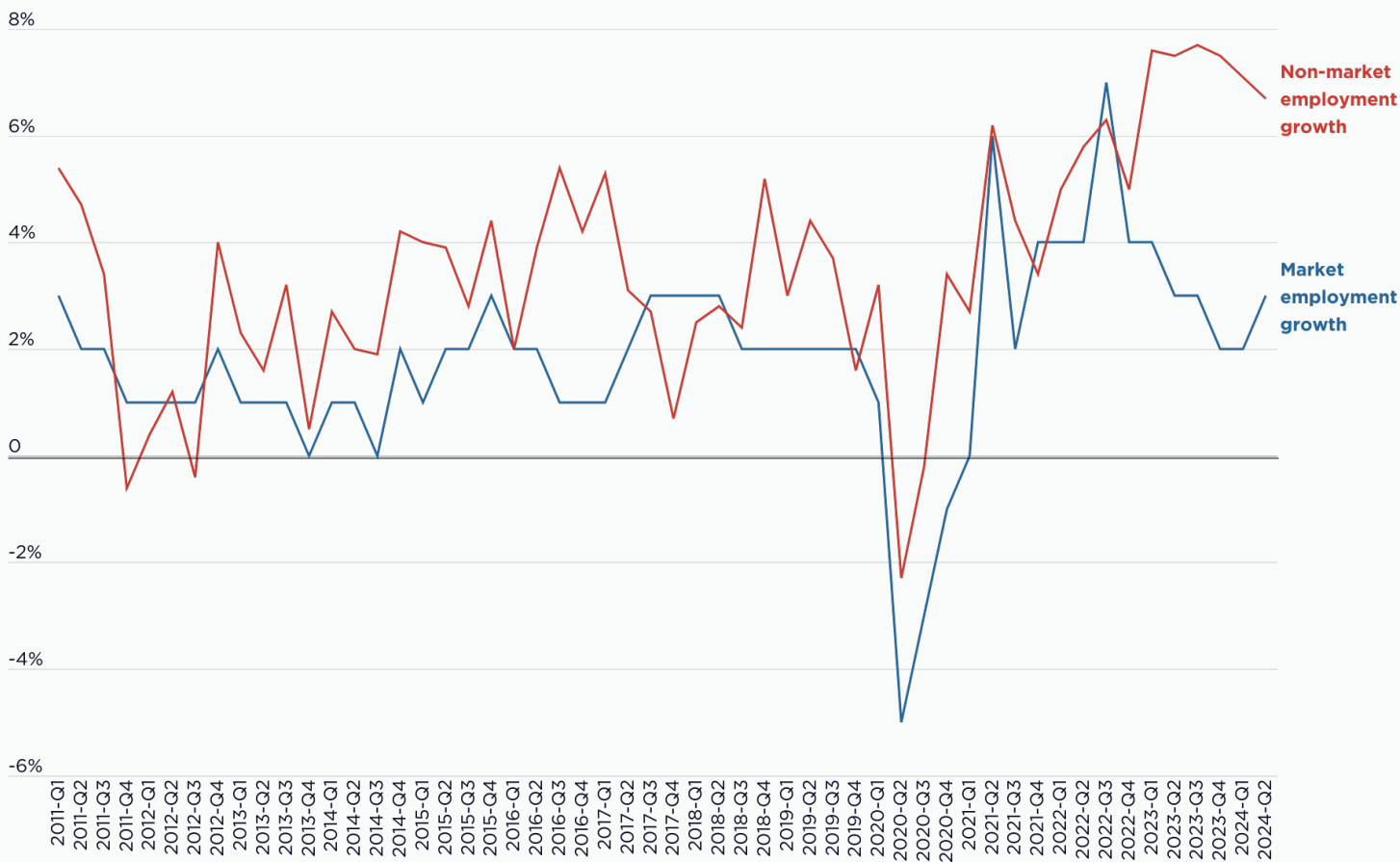
I am an intelligent, resourceful, considerate woman, with a great deal of potential, still, and a unique skill set, yet I am suffering in a social entrapment and cycle of poverty and unachievable obligations. I feel shame and embarrassment at my situation which exacerbates my depression, contributing to the cycle that I can only pray for respite from.

I, like thousands of others, don't feel that I have a life. I barely survive on JobSeeker.

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Figure 18:  
Annual growth in market employment (%)



Note: Non-Market is defined as the sum of the industries Public administration and safety, Health care and social assistance, Education and training. The remaining industries are defined as Market.<sup>20</sup>  
Source: Australian Bureau of Statistics (2024), *Labour Force, Australia*

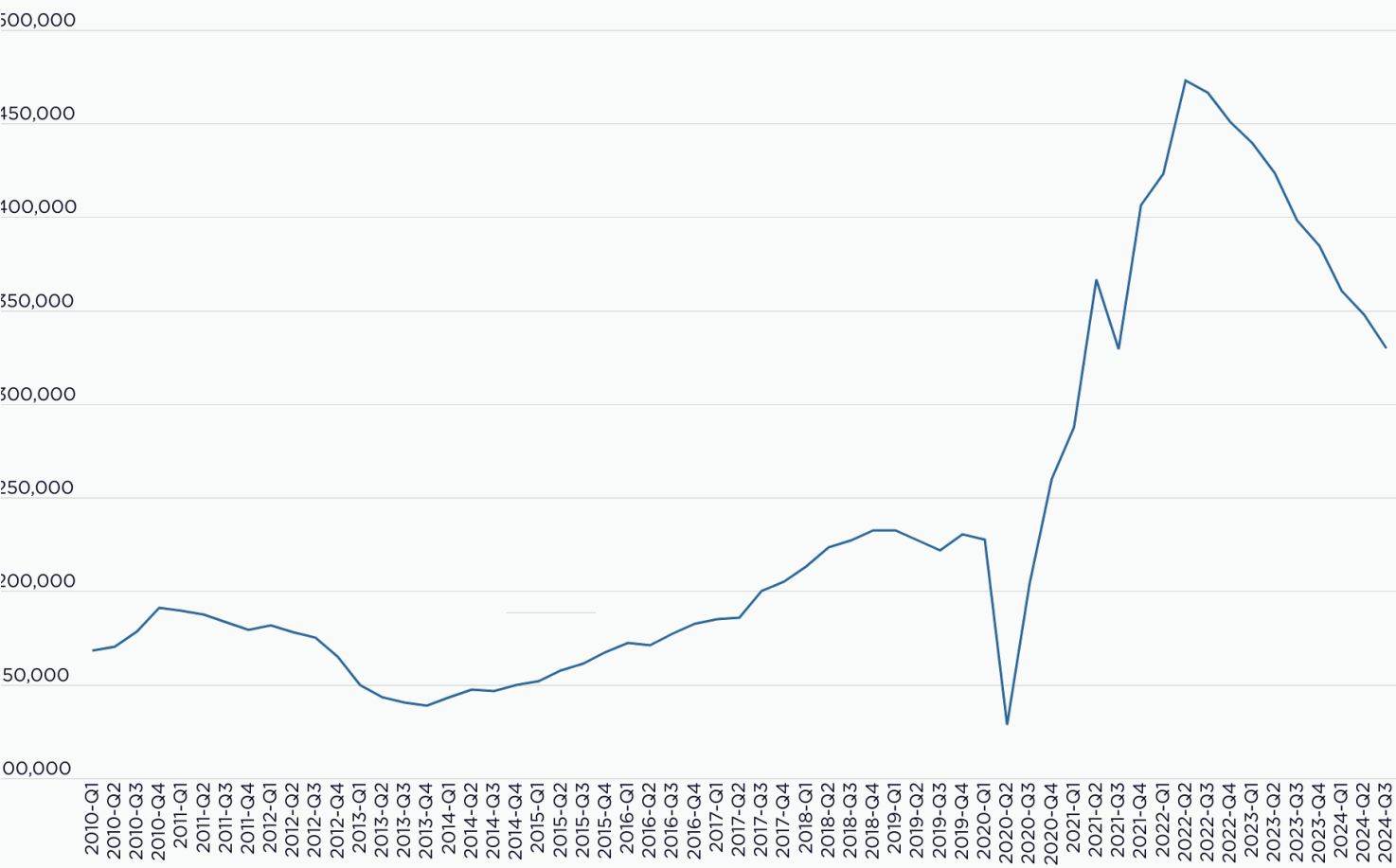
The first impact of higher interest rate on the labour market was a decline in job vacancies

After the COVID lockdowns in June 2022, job vacancies rose to an historically high level of 467,000 (ABS, August 2022) and they remain high by past standards. However, as rate rises have taken effect vacancies have fallen rapidly from their peak. This reflects the softening of labour demand, which was very high in the period immediately after the end of COVID but has reduced as inflation has risen and interest rate rises have fed through the economy.

Vacancies are a ‘leading’ indicator, which means that they are one of the first economic indicators to change as the economy adjusts and consumers feel the effects of changes in prices and incomes and employers are more reluctant to hire. The continuing rapid fall in vacancies is concerning as this may preface more rises in the unemployment rate, as fewer people have opportunities to move from unemployment into employment.

<sup>20</sup> Jericho, G. (2024), “Australians have lost 14 years of progress on living standards. A wages breakout? Please. If only” *The Guardian*, 16 May 2024. <https://www.theguardian.com/business/grogonomics/article/2024/may/16/australia-wage-price-index-figures-inflation-salary-growth>

Figure 19:  
ABS vacancies



Source: Australian Bureau of Statistics (2024), *Job Vacancies, Australia*

The number of unemployed people for every job vacancy has increased from an historic low

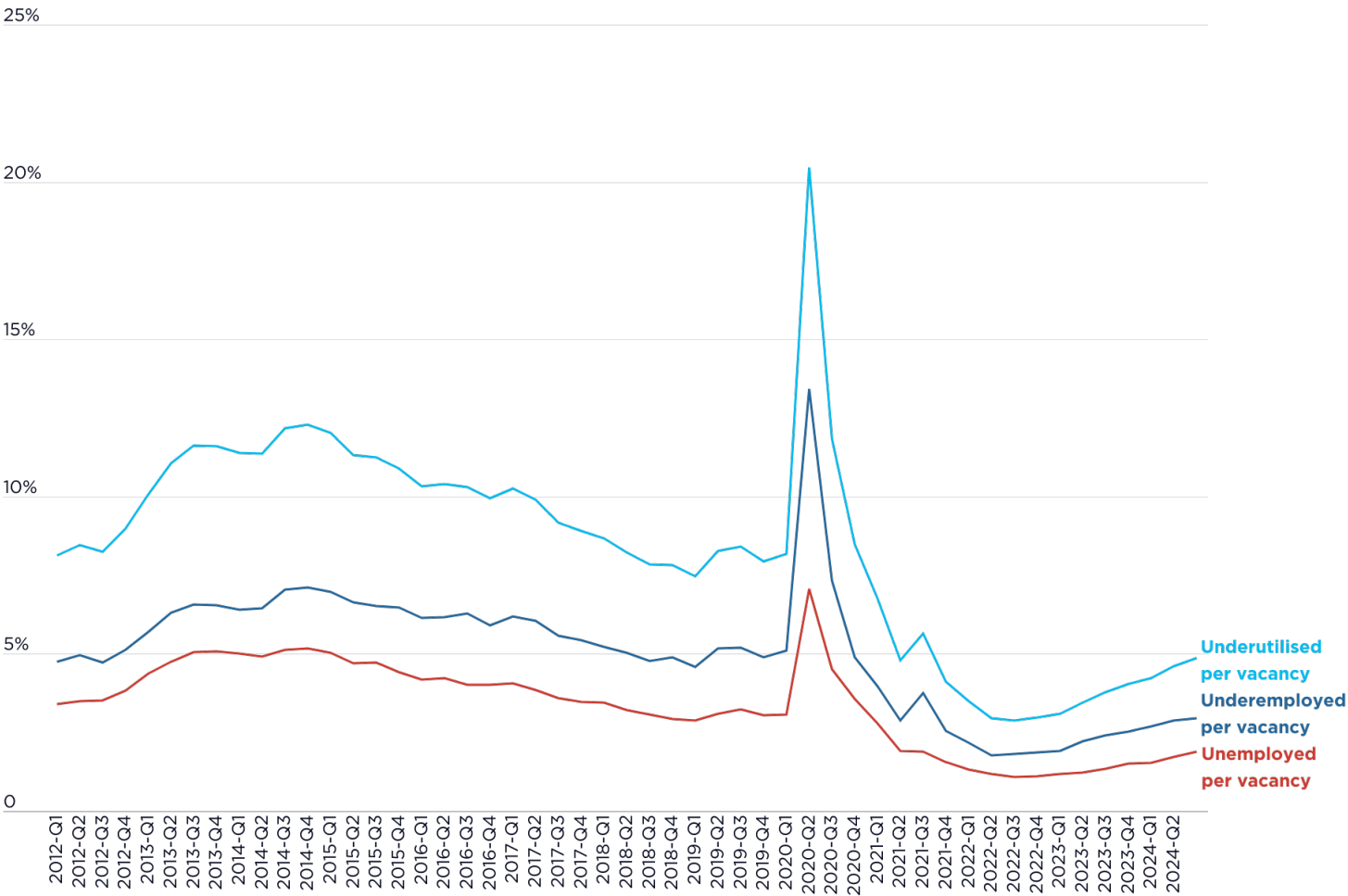
This statistic is an indicator of how easy or hard it is for the average person who is unemployed to quickly secure a job. Of course, it underestimates the number of applicants for jobs because most applicants are either already employed elsewhere or entering the paid labour market from education or caring work.

The number of people unemployed per job vacancy dropped to 1.1 - an historic low after the end of the pandemic. It has since risen to 1.9 in Q3 2024 as the labour market has cooled off.

Another measure of labour demand is the level of ‘underutilised workers’ per vacancy, which includes both people who are unemployed and those who are underemployed (seeking additional paid hours but unable to secure them). This rose from a low of 2.9 in mid-2022 to 4.9 at the most recent data (Q3 2024). This is still significantly below the pre-pandemic level of 8.2, indicating there is still relatively high demand for workers in the economy.

However, demand may not be strong enough to encourage employers to consider people many would not ordinarily employ - due to discriminatory recruitment practices or a perception that they would not be as productive as other workers - including people unemployed long-term, older people, people with disability and First Nations people.

Figure 20:  
Measures of underutilisation per vacancy

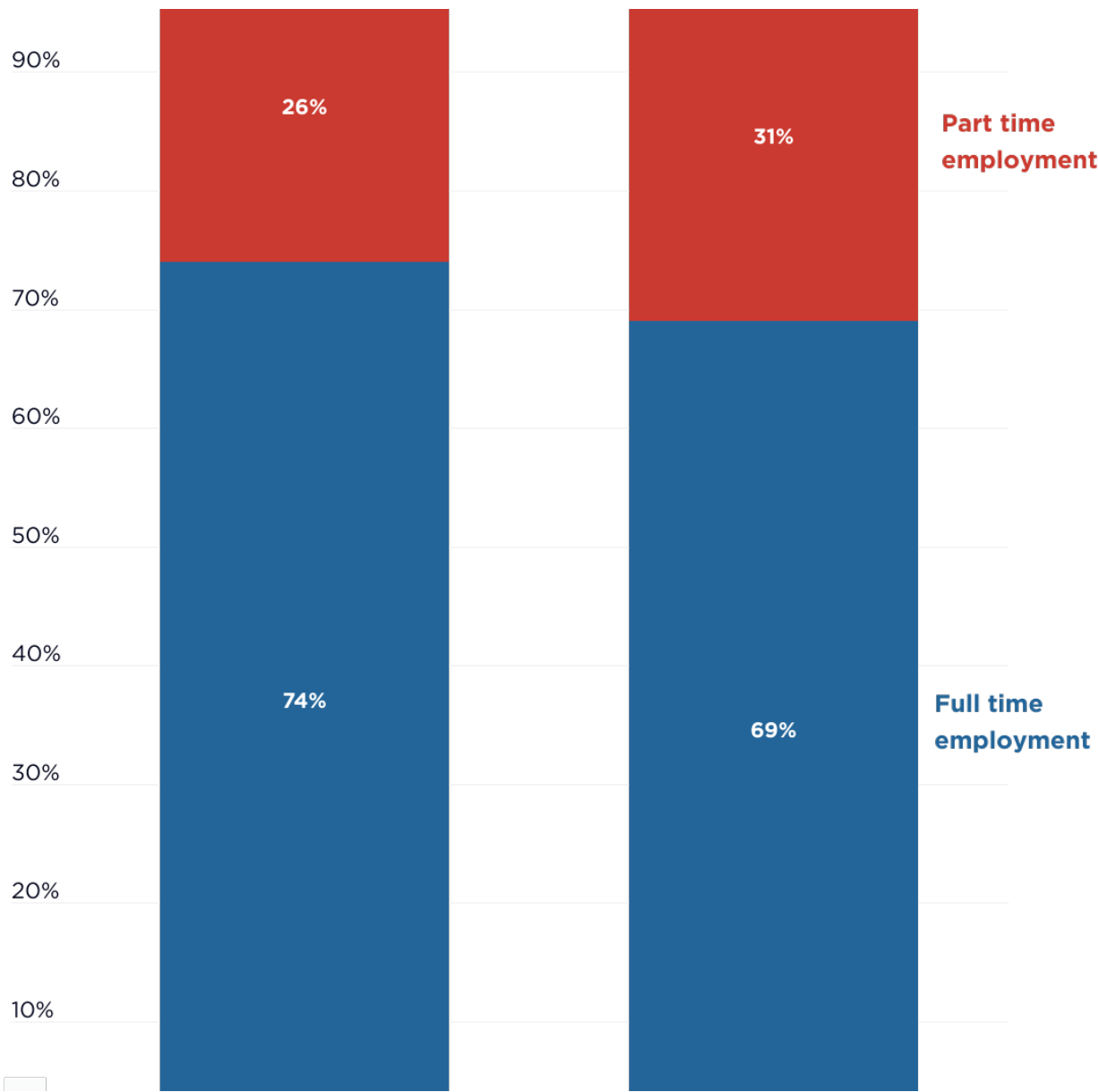


Source: Australian Bureau of Statistics (2024), *Labour Force, Australia (Detailed); Job Vacancies, Australia*  
Note: Underemployed = people seeking additional paid hours but unable to secure them; underutilised = includes both people who are unemployed and those who are underemployed.

As the labour market has weakened, the share of part-time jobs has increased over time.

Part-time employment has been increasing over the longer term as a share of all employment, up from 26% in 2000 to 31% in 2024. As discussed later, many part time roles are at the entry level of the labour market and they are much more likely to be undertaken by women.

Figure 21:  
Growth in part-time employment, 2000 – 2024



Source: Australian Bureau of Statistics, *Labour Force, Australia*

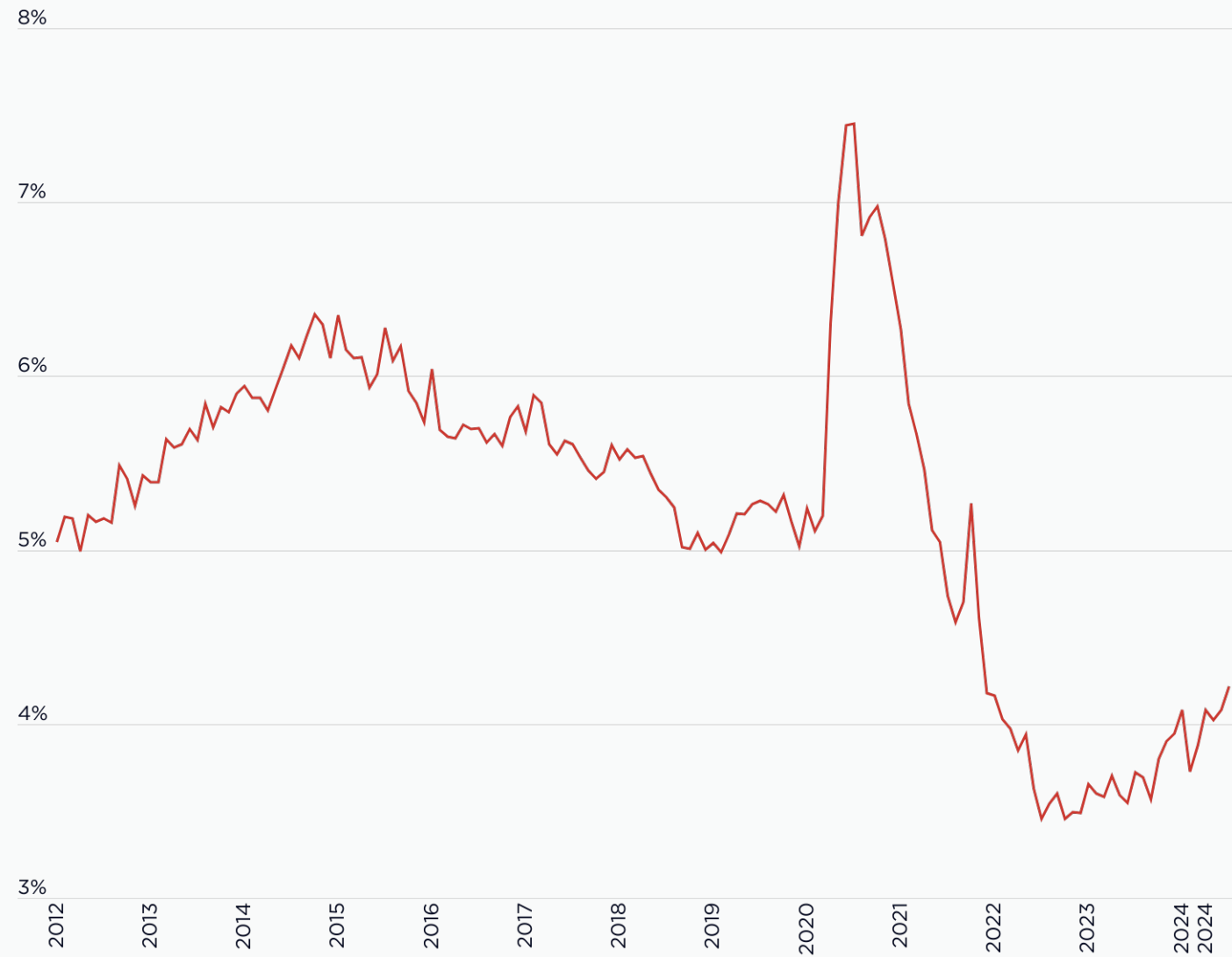
Casual employment has also increased since June 2022, by around 100,000 positions. However, it has declined as a share of all employment as the labour market has loosened, from 19.8% to 18.9% of all employment up to August 2024.

Unemployment has risen by 115,000 since mid 2022 and young people are most affected

Whilst employment has expanded over this period, unemployment has also risen substantially as high inflation and interest rate rises have impacted the economy. Unemployment has risen by 115,000 since mid-2022. The unemployment rate has risen by 0.5 percentage points from 3.5% to 4.1%, as unemployment has risen across all age groups. The increase has been most pronounced amongst younger people, who have experienced the largest rise in their unemployment rate of over 1 percentage point from 8.0% to 9.2%.



Figure 22:  
Unemployment rate



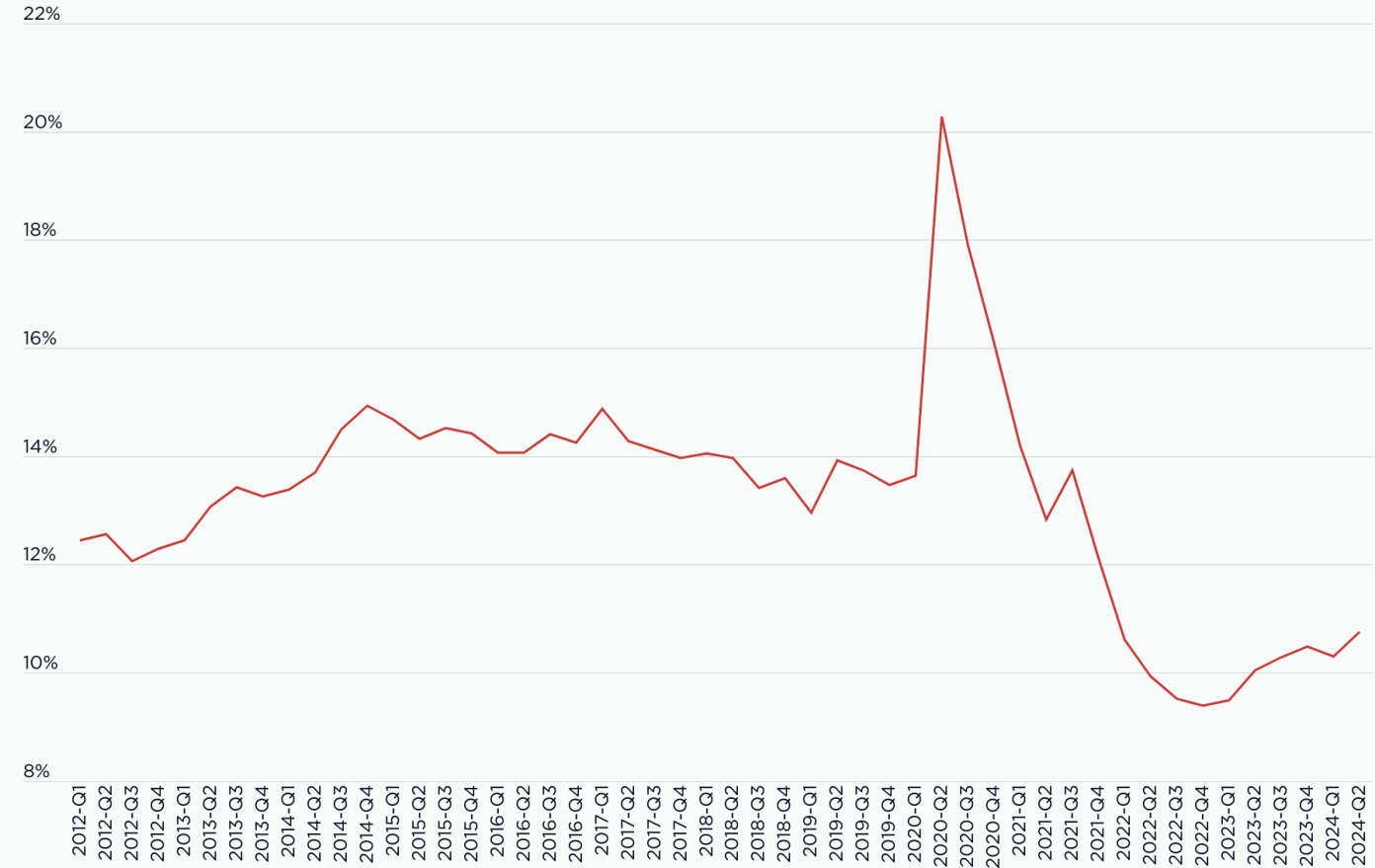
Source: Australian Bureau of Statistics (2024), *Labour Force, Australia*

Underemployment has also increased over the last two years

Another measure to consider is the degree to which people are able to access the hours that they would prefer - underemployment. This is an overall measure of the strength of demand for labour (and is a channel employers use to respond to economic conditions) but it is also likely to be an issue which affects many people working in entry-level jobs.

Underutilisation has also risen over this period, which sums together those who are unemployed and those who are working less hours than they seek. This has increased by 220,000 since mid-2022, with the rate having increased by a percentage point. This demonstrates that there has also been a reduction in hours for some workers as a response to the slowing economy.

Figure 23:  
Underutilisation rate



Source: Australian Bureau of Statistics (2024), *Labour Force, Australia (Detailed)*.  
Note: underutilisation includes both people who are unemployed and those who are underemployed.

The entry level labour market

Opportunities at the entry level have been on the decline

A long run trend in the labour market has been the decline in opportunities for those without formal qualifications and a shift towards work which requires higher levels of formal education. This makes it relatively hard for people receiving unemployment related payments, especially those unemployed long-term, who are more likely to lack qualifications in demand.

Over recent decades, high paying jobs (usually requiring tertiary qualifications) have grown much more strongly than lower-paying jobs. Among lower paying jobs, positions in the care economy have grown (with particularly strong growth in the period after the Pandemic) while manual jobs have seen very limited growth outside construction booms. Middle-level jobs such as trades positions have grown the slowest overall.

Consequently, higher paying jobs have grown as a share of all employment over the last 30 years to nearly 40% of all employed persons. The shares of both medium and low skilled employment have decreased commensurately over the same period, reflecting declining employment opportunities for people in receipt of unemployment related payments. Entry level employment now makes up 36% of all employment as of May 2024, a reduction of over a percentage point since 2020 (pre-COVID) and by nearly 4 percentage points since 1998.



# Jodie's story

I was a bakery assistant at a supermarket. I worked a second job in the local RSL kitchen and also did cleaning there. In the bakery I would often start at 4am, I did everything from putting loaves into the oven to stacking the trays in the afternoon. I also spent a lot of time in the freezer getting out the dough to put in the oven, we handled boxes of up to 18 large loaves or frozen pre-baked loaves.

In 2015 I had a serious fall at work which injured my back. After that I had chronic sciatica and they found I had damaged 2 lumbar discs LS 4 AND 5. I had to have an operation on my spine in 2016. I never got worker's compensation for that, and I haven't been able to work full-time since then. Since then I developed other health issues – I've got rheumatoid arthritis and osteoporosis, and I developed an immune disorder called lupis. I get these horrible discoid sores in my nose and mouth and on my hands.

I'm in constant pain but I try not to take pain medication every day. The lupis medication is expensive, I only take it when I get a big flare up.

If you say you have a bad back, employers are not interested. I was a reliable worker, but I can't promise now that I'll be able to work every day. With lupis (especially in winter) I often feel like I have the flu, everything hurts. It's hard to know from one day to the next how I'll feel.

I miss working, I'd much rather be out earning money and interacting with people. I did some data entry work part-time in 2016 – 2017. But the job agencies you have to attend don't seem to be able to find jobs that I can physically cope with – that are part-time or I can work from home.

The worst thing about the job agency is that they send out compulsory appointments to meet with them, and if you say you're sick they don't believe you. I even had a doctor's certificate that they wouldn't accept. If you miss the appointment you lose points and then they cut your JobSeeker payment, or cut you off completely with no warning.

I often don't eat all day, especially that second week. With my health issues, the lupis - I need to eat healthy and it's so expensive.

I wouldn't survive if it wasn't for my family and friends. They bring me food, home cooked meals, sometimes my dad will send me a Hello Fresh box of groceries.

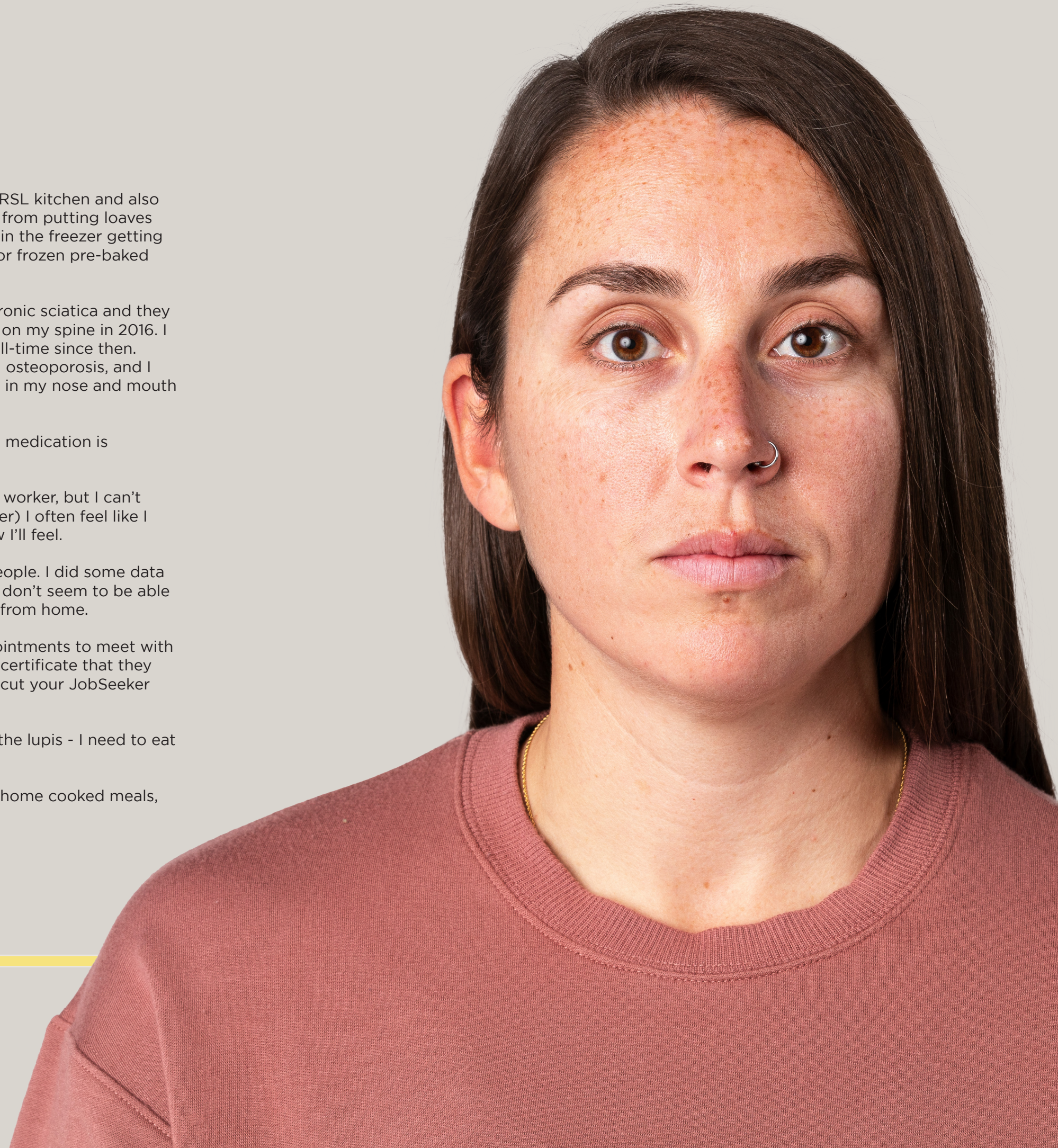
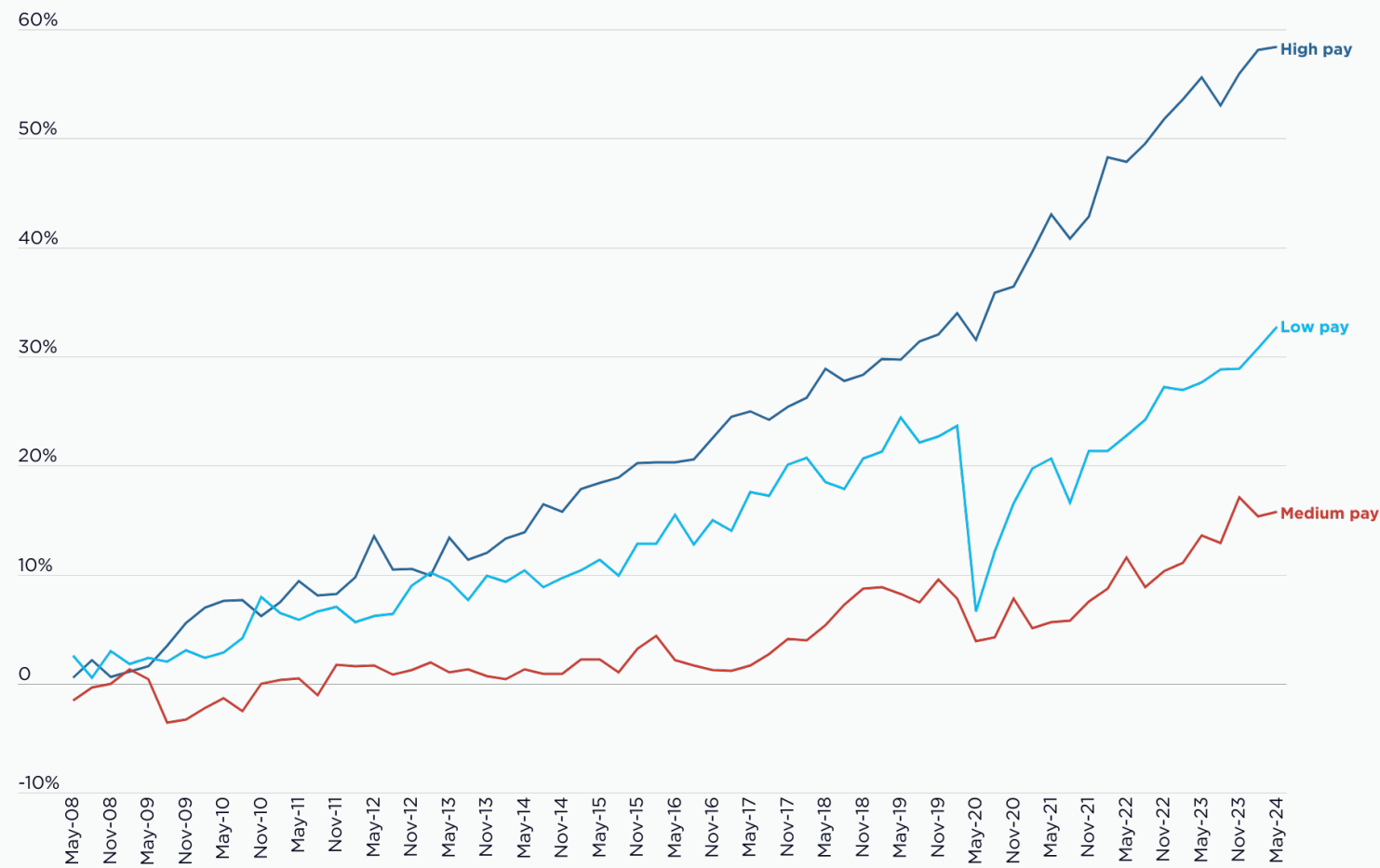




Figure 24:  
Employment growth by pay level, 2008 – 2024



Note – Skill levels ascribed to different occupations based on ABS ANZSCO skill level definitions.  
Skill Level 1,2 – High Pay  
Skill Level 3 – Medium Pay  
Skill Level 4,5 – Low Pay  
Source: Australian Bureau of Statistics, Labour Force (Detailed), EQ07b

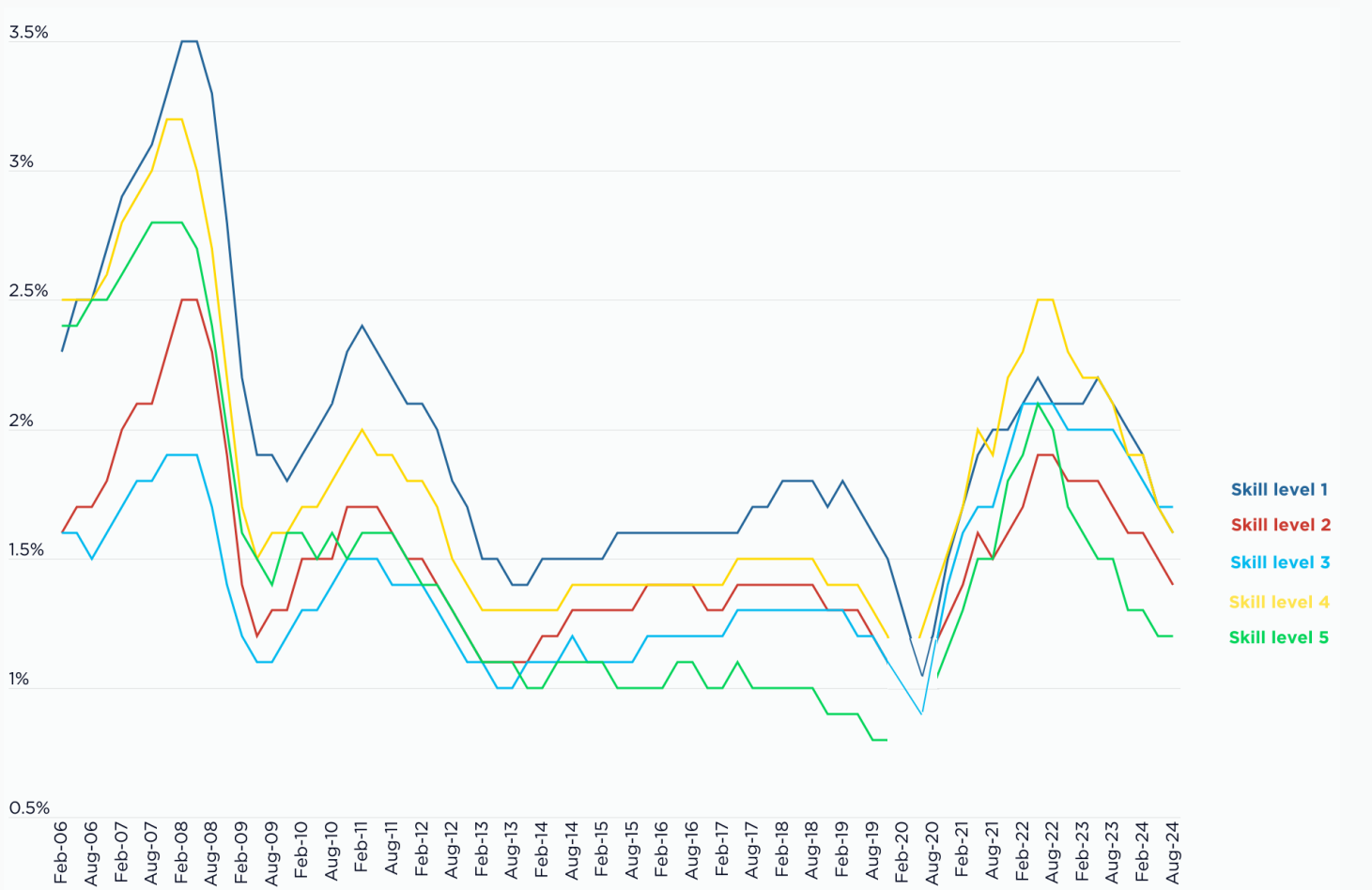
Low education vacancies have been most impacted by falling labour demand

Demand for workers was high across all skill levels in mid-2022, with vacancy rates across all categories elevated relative to their level before the pandemic. Vacancy rates are one indicator of how much demand there is for workers, with higher vacancy rates being both an indicator of more opportunity for people out of the labour market and a sign that employers are struggling to fill jobs and may start to consider employing those they otherwise might not. In mid-2022, vacancy rates were at their highest in a decade across all skill levels, reflective of the high number of vacancies accumulated over the pandemic and the very low unemployment rate.

From May 2022 onwards, vacancy rates across all occupations have started to fall. Vacancy rates can fall for different reasons – they can be reduced by employers filling vacancies and thereby increasing employment, or they can be reduced by employers posting fewer job vacancies. We investigate below why vacancy rates have been falling at different levels of skill across the economy.

Falls in vacancy rates have been driven by increasing employment growth across most skill levels, and this effect was most pronounced for those with degree level qualifications (Level 1) and for those at a Certificate 2/3 level (Level 4). This reflects the high demand for professional workers and care workers (which is the dominant occupation at skill level 4) respectively, which have both seen relatively large growth in employment since mid-2022 (8.4% and 9.3% respectively).

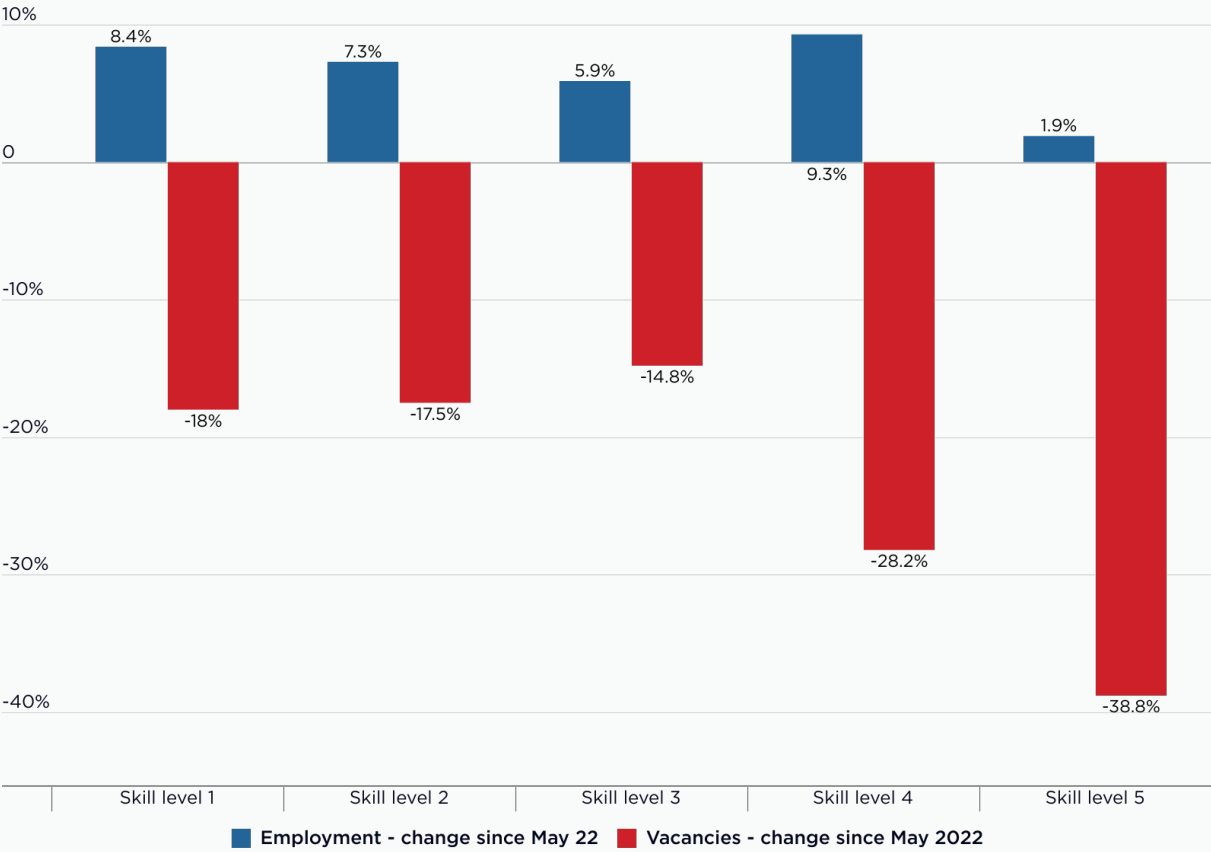
Figure 25:  
Vacancy rate by pay level



Note: This series uses trend data for both vacancies and employment by skill level  
Source: Jobs and Skills Australia: Vacancies by Skill (Trend), Internet Vacancy Index, Labour Force Trending

For people in the lowest skill level (Level 5, those with school level qualifications or less), the story is quite different. The fall in the vacancy rate for this group has been driven much more by falling vacancies than by rising employment, with vacancies having fallen by 39% since mid-2022 while employment has only increased by 1.9%. In the current year, the annual rate of employment growth for occupations at the lowest skill level turned negative. This suggests that the labour market for this group has been much more sensitive to broader economic conditions, and that interest rate rises had a much larger impact on opportunities in the labour market for those with school level qualifications or less.

**Figure 26:**  
**Changes in employment (%) and vacancies (%) from May 2022 by occupation skill level**



Note – Pay Levels ascribed as above.  
Source: Jobs and Skills Australia, *Vacancies by Skill*; Australian Bureau of Statistics, *Labour Force, Australia (detailed)*, EQ07

Employers advertising positions at the lowest skill level report the greatest reduction in recruitment difficulty since mid-2022 – from 71% to 43% in October 2024.<sup>21</sup>

**People on income support mostly rely on entry-level jobs in specific industries for employment opportunities**

There are differences across industries and occupations in the degree to which employers will hire people who are not currently employed. Most hires are of people moving from another job, reflecting the fact that employers tend to hire people with experience (even in roles that don’t explicitly require it).

The Recruitment Experiences and Outlook survey<sup>22</sup> from Jobs and Skills Australia gives a breakdown of the proportion of people hired who were not already employed, by industry and occupation. It found that:

- Only 44% of employers had hired at least one applicant not already employed in the 12 months to September 2023.
- Employers who were hiring for labourers (72%) and sales workers (52%) were the most likely to have recruited candidates who were not currently employed – with the least likely occupations being Professionals (20%) and Managers (13%).
- At the two-digit occupation level (which provides more granular description of job roles) – the occupations most likely to have hired a candidate not already employed included Food Preparation Assistants (85%), Factory Process Workers (74%) and Hospitality Workers (62%).
- The industries which were most likely to have hired a candidate who was not already employed were Accommodation and Food Services (66%) and Retail (52%).

21 Jobs and Skills Australia (2024), *Recruitment Insights Report*, October 2024 data file <https://www.jobsandskills.gov.au/data/recruitment-experiences-and-outlook-survey#downloads>  
22 REOS Spotlight (2023), *Employers who hired a jobless applicant* <https://www.jobsandskills.gov.au/sites/default/files/2023-12/REOS%20Spotlight%20-%20Jobless%20applicants%20December%202023%20.pdf>

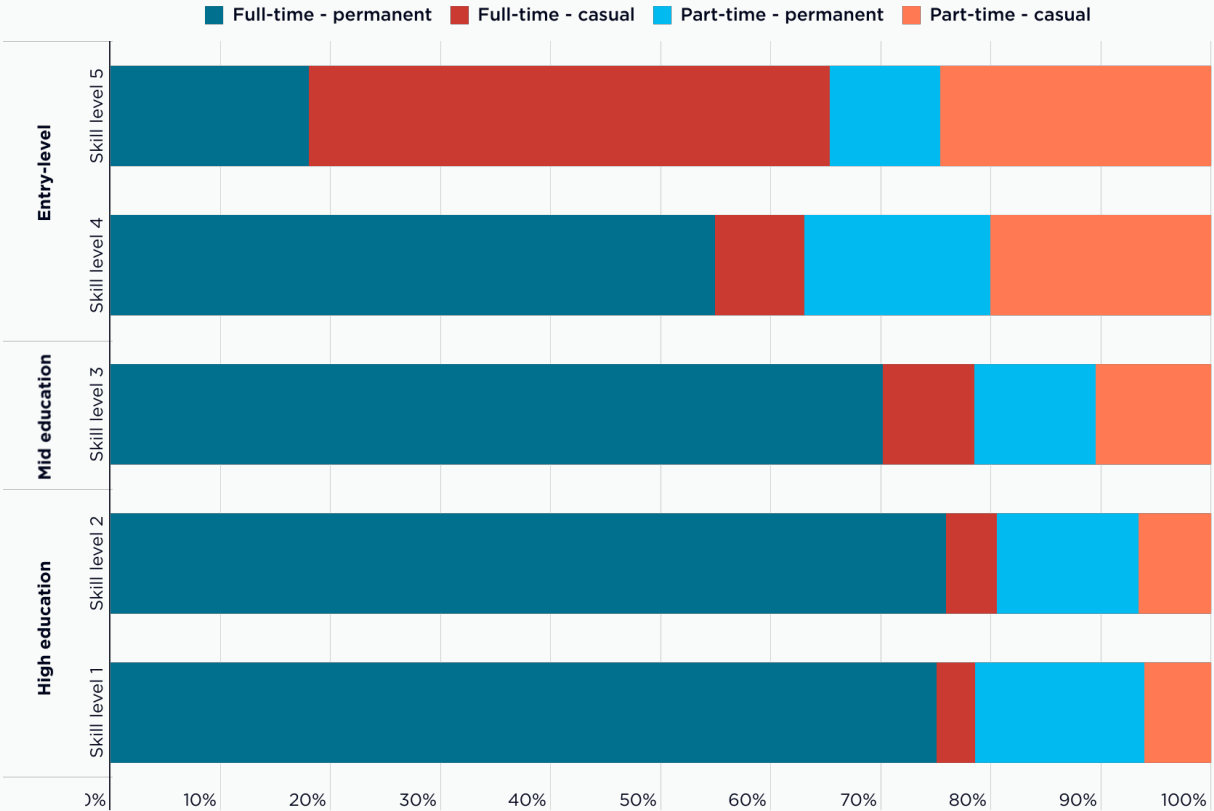
The above demonstrates the features of the labour market that those on income support will typically face, which is concentrated in occupations at the lowest skill levels and specific industries such as Retail or Accommodation and Food Services. Higher official interest rates (the effects of which have been felt acutely in these industries and occupations)<sup>23</sup> has had a substantial negative impact on opportunities for people on income support, who often rely on these opportunities to make the transition into paid employment.

**Employment requiring low levels of education is much more likely to be part time and casual**

Entry-level employment is much more likely to be casual and part time than those positions which require a higher level of formal education. Only 45% of employees in entry-level employment are employed on a full time and permanent basis, with the next largest group being part-time casual employment comprising around 25% of entry-level employees. Employment for those with school level qualifications only is dominated by part time and casual work

In contrast, of all jobs requiring tertiary qualifications, around 75% are permanent full time positions.

**Figure 27:**  
**Vacancy rate by pay level**



Note: Education levels ascribed by skill level. Casual workers defined as employees without paid leave entitlements  
Source: Australian Bureau of Statistics, *Characteristics of Employment, Table04a*

Given the relatively low educational profile of people receiving unemployment related payments (discussed previously), they are often competing in a labour market which is characterised by lower hours and job insecurity. This increases the likelihood that people will need to receive income support over a longer period and the propensity for people to cycle in and out of receiving income support. This is due to the structure of the economy and demand for labour at lower levels of skill, rather than choices made by the individuals involved.

23 Jericho, G. (2024) 'Retail figures show we’re desperate for a bargain rather than flush with cash. The RBA should take note' *The Guardian* 11 January 2024. <https://www.theguardian.com/business/grogonomics/2024/jan/11/retail-spending-figures-australia-reserve-bank-rba-interest-rates-announcement>





## Part 3

### Employment Services

### 3.1 What support do unemployed people receive from the government?

Australia provides a lower level of support to people without paid work compared to other wealthy nations. This is true both in terms of income support payment rates and in total spending on programs to support people enter the paid labour market.

People on unemployment payments are generally required to undertake onerous requirements (such as applying for up to 20 jobs a month even if they have been unemployed for years) under threat of loss of income support.

Most are required to join the Workforce Australia employment services system which enforces compliance with activity requirements and provides some limited assistance to secure employment, such as help with resumes and advice on jobs available locally. Those assessed as close to employment (i.e. with few or no barriers to employment) receive an online service while those more disadvantaged in the labour market are referred to a non-government employment service provider.

In practice, Workforce Australia focusses mainly on compliance with activity requirements and offers most people little practical help to secure employment. Only a minority are referred directly to employers and assistance to overcome barriers to employment (such as wage subsidies to encourage employers to give people unemployed long-term an opportunity) are infrequently offered.

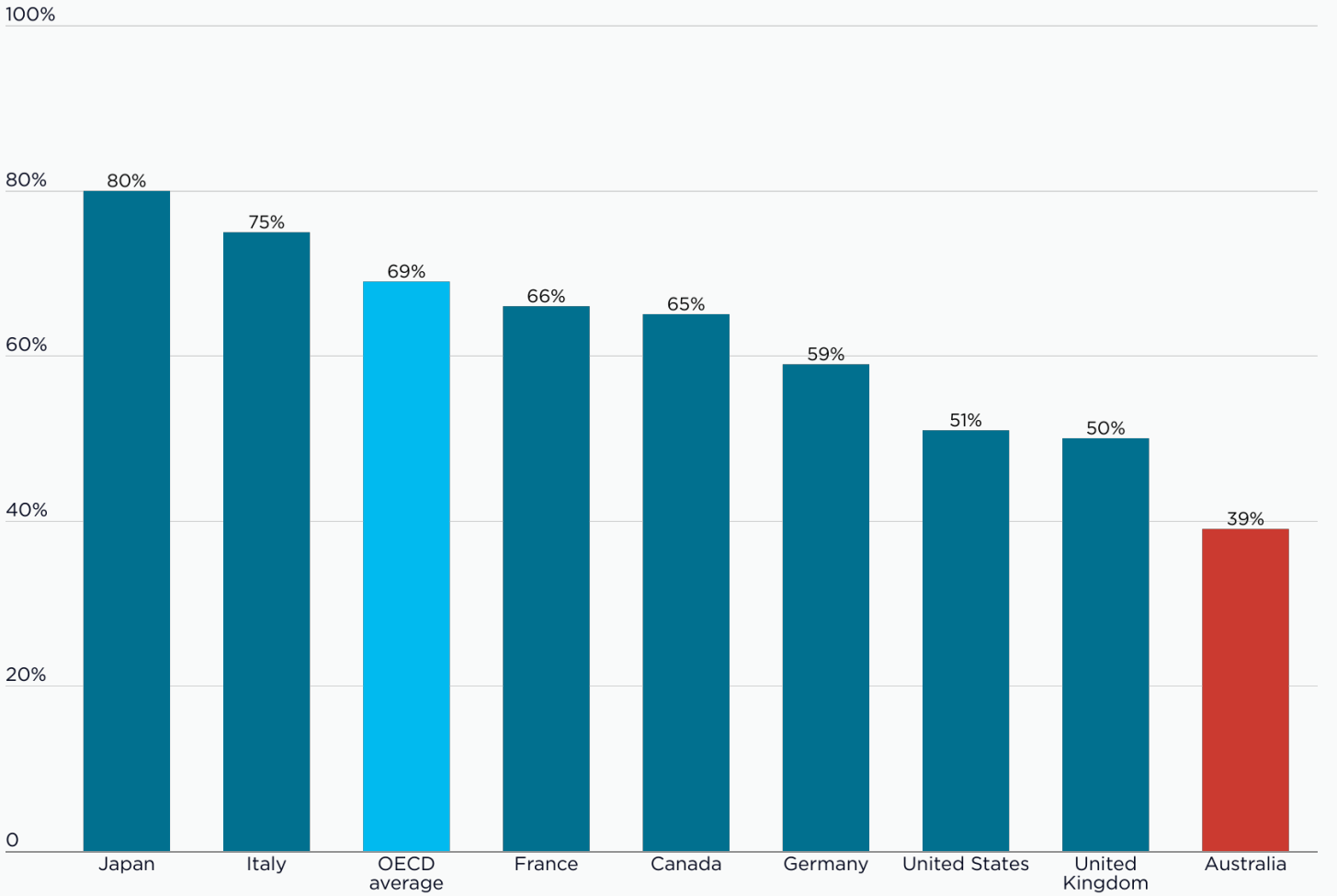
A recent Parliamentary inquiry into Workforce Australia was strongly critical of the service, including its over-emphasis on compliance and limited engagement with employers. It recommended fundamental reform of the employment services system.<sup>24</sup>

**Australia has the lowest unemployment payment in the OECD**

There are two types of unemployment payment for people who are unemployed and live in a low-income household. JobSeeker Payment is for people aged 22 to 66 and as at September 2024, is \$56 a day. For younger people who are unemployed, Youth Allowance (Other) is paid at \$45 a day. If the person rents privately, they may be entitled to Rent Assistance paid on top of this, which is approximately \$105 a week for a single person.

Australia has one of the lowest rates of unemployment payments among other comparable wealthy nations. The replacement rate for those short term unemployed is 39%, and this is significantly below comparable countries in the G7 and the OECD average of 69%.

**Figure 28:**  
**Australia’s unemployment payment replacement rate compared with G7 countries**



Note: Replacement Rate in unemployment for a single person receiving housing assistance and social assistance, at one month duration, who previously earned 67% of the average wage  
Source: OECD, *Net Household Income during Unemployment*

24 Select Committee on Workforce Australia Employment Services (2023) – Rebuilding Employment Services - [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000017/toc\\_pdf/RebuildingEmploymentServices.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000017/toc_pdf/RebuildingEmploymentServices.pdf)



### 3.2 Most people receiving income support face onerous requirements to keep their payments

The mainstream employment service program, Workforce Australia, was introduced in 2022 to replace the previous jobactive program. The major change was the introduction of a self-service online option for people who were deemed to be capable of managing their own search for sustainable employment, who would therefore not have an employment services provider.

Those who are not assessed as able to self-serve are placed into Workforce Australia services, which continues to contract private providers. The people using this service will on average have been without paid work for a longer period and there will be higher representation of people who face significant challenges in the paid labour market.

Activity requirements (called ‘mutual obligations’) for people on unemployment payments are among the strictest in the OECD. They must typically agree to a Job Plan, attend regular appointments with their Workforce Australia provider, apply for up to 20 jobs each month, and for a certain period of time every year they are unemployed participate in compulsory ‘Annual Activities’ such as part-time employment, part-time study or vocational training, or employability training. The default activity is Work for the Dole (working for their benefits for 15 to 25 hours a week).

**If people don’t meet the requirements in full, they are automatically threatened with payment suspensions**

If people do not meet their requirements, they are subject to the Targeted Compliance Framework. This framework uses an escalating level of threats and penalties to compel people to ‘re-engage’ with their requirements. The process is outlined below:

- Where a person does not meet a requirement, they are first sent a threat which notifies them they have not met a requirement and that their payment may be suspended if they don’t complete an activity or contact their provider.
- If a person does not do so within five business days, their income support payment is automatically suspended. This suspension can be lifted once they comply, with full backpay, but the constant threat of loss of payment undermines a person’s income security and mental health.
- If a person repeatedly does not meet their requirements and are then subject to review of their circumstances by Services Australia, they face penalties of up to 4 weeks loss of income support or cancellation of their payment.

**Almost half of people using Workforce Australia have been threatened with a payment suspension**

Official data shows the widespread use of threats and suspensions against people using employment services, with nearly half of people in the Workforce Australia system receiving threats to their payments and over a third receiving payment suspensions within the latest three-month period:

- From April to June 2024, 300,000 people were threatened with a payment suspension and almost 250,000 had their payments suspended.<sup>25</sup>

The main reason for compliance action is missing a meeting with a provider. Another common reason for payment suspensions is that people have not reported meeting their full activity requirements (such as job applications). However, in many instances payment suspensions are applied where people had a good reason to miss an appointment or not complete an activity, or they were not aware of the appointment or other requirement.

The government recently changed the system to reduce the number of payment suspensions, including by extending the waiting time between a threat to payment and applying a suspension from two business days to five business days. These are welcome measures but do not address the fundamental unfairness in a system which automatically threatens people’s income support payment without first establishing their circumstances. ACOSS has called for an immediate end to automated payment suspensions and the introduction of a new compliance system that respects human rights and natural justice.

25 Department of Employment and Workplace Relations (2024), *Jobseeker Compliance Data* <https://www.dewr.gov.au/employment-services-data/job-seeker-compliance-data>

### 3.3 What help do people receive from employment services?

**Australia spends too much on compliance and monitoring and not enough on support**

Australia spends less than the majority of OECD countries on labour market policies, spending 0.4% of GDP.<sup>26</sup> This is significantly less than many other wealthy countries, including Denmark and New Zealand (both spend 1.7%).

**Most people receive very limited assistance**

People using Workforce Australia services are interviewed regularly to assist with job search and monitor compliance with activity requirements. However, beyond this there is limited investment in effective programs that make a difference for people, particularly those that have been out of the paid labour market for an extended period.

Table 1 below shows the number of people who access different types of services and the expenditure and unit cost of the different programs. These are funded by a combination of national employment programs (such as Work for the Dole), schemes run by other government departments (such as vocational training) and an Employment Fund which providers can use to invest in assisting people to overcome barriers to employment. The majority of participants in Workforce Australia are not engaged in any of these additional or ‘complementary’ employment programs at any point in time. Over the nine months from July 2023 to March 2024, of the approximately 629,000 participants:<sup>27</sup>

- Up to 73,900 participants in Workforce Australia also engaged in vocational education or training - the largest complementary program.<sup>28</sup>
- Up to 90,000 people joined the other complementary programs listed in Table 1 below.

Evidence from evaluations of employment programs internationally (discussed below) suggests the most effective programs for people disadvantaged in the labour market include wage subsidies and vocational training.<sup>29</sup> The unit costs of vocational training and wage subsidies are higher, reflecting the resources needed up-front to support people, whether that be through subsidising the connection to the employer or delivering job-relevant training. These costs are often more than offset by the benefits to participants and the wider economy. To the extent that the vocational education and training places are of good quality and tailored to individual and labour market needs, large-scale investment is likely to significantly reduce future unemployment. In contrast, current investment in wage subsidies is meagre despite their effectiveness.

Investment in Work for the Dole and Employability Skills Training is unlikely to be cost-effective. These programs have been used to enforce compliance with activity requirements rather than improve the employment prospects of those who join them.<sup>30</sup>

26 OECD (2021), *Public Spending on Labour Markets* <https://www.oecd.org/en/data/indicators/public-spending-on-labour-markets.html?oeecdcontrol-df9123c98c-var3=2021> Measure constructed through removing Out of work income maintenance and support from Total Spending on Labour Markets

27 The average number of participants in Workforce Australia at a point in time (August 2023) is 629,000 - of which approximately 540,000 had activity requirements. The total number of participants throughout the period from July 2023 to March 2024 is likely to be much higher.

28 Data provided by Department of Employment and Workplace Relations.

29 Card et al (2018), *What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations* <https://academic.oup.com/jeea/article-abstract/16/3/894/4430618?redirectedFrom=fulltext>

30 ACOSS (2024), *Employment Services Reform and the Hill Report* <https://www.acoss.org.au/wp-content/uploads/2024/03/ACOSS-brief-on-employment-services-reform-March24.pdf>





**Table 1:**  
**Participants and expenditure on employment programs, July 2023 – March 2024**

Type of Assistance	No. of clients	Expenditure (millions)	Unit costs	Units of assistance
Employment Fund	24,495	\$19.3	\$726	26,620
Skills for Education and Employment	16,885	\$74.9	\$4435	16,885
Employability Skills Training	15,840	\$14.3	\$885	16,195
Wage subsidy	10,920	\$47.7	\$4310	11,060
Small Business Training	8,755	\$8.8	n/a	9,005
Work for the Dole	7,705	\$5.3	n/a	8,630
Career Transition Assistance	4,655	\$6.2	\$1330	4,665
Voluntary work - Community/non-profit sector	575	n/a	n/a	615

Note: Units of assistance refers to episodes of participation in a program. The same people may participate in more than one.  
Source: Department of Workplace Relations: *Senate Estimates Response SQ24-001645*

**Table 2:**  
**Participants (and length of time in Workforce Australia) and expenditure on employment programs, July 2023 – March 2024**

Type of Assistance	Under 12 months	12 - 23 months	24 - 59 months	60+ months	Total
Employment Fund	5,205	4,395	8,395	6,725	24,495
Employability Skills Training	12,035	1,050	1,640	1,125	15,835
Skills for Education and Employment	2,875	1,685	4,675	4,310	13,455
Wage subsidy	1,255	1,935	4,975	2,765	10,920
Small Business Training	4,300	1,320	2,190	970	8,755
Work for the Dole	725	1,165	2,775	3,115	7,705
Career Transition Assistance	1,935	535	1,015	1,165	4,645
Voluntary work - Community/non-profit sector	100	70	130	115	410
Launch into Work	40	30	40	25	140

Note: Limited to people also participating in Workforce Australia (so totals are lower than in the previous table). Units of assistance refers to episodes of participation in a program. The same people may participate in more than one.  
Source: Department of Workplace Relations: *Senate Estimates Response SQ24-001645*

**The international evidence indicates that people unemployed long-term need more than job search assistance to secure employment**

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).

These programs have significant long-run impacts and are particularly effective in supporting people who have been without paid work long term to find suitable employment. While they are more expensive than job search assistance alone, there are large benefits to society from these programs, as found recently in a UK evaluation of wage subsidies for younger people.<sup>31</sup> This study suggested that the social return on investment from wage subsidies was 3:1 after five years of the program.

31 Department for Work and Pensions (2024), *Kickstart Scheme: A Quantitative Impact Assessment* <https://www.gov.uk/government/publications/kickstart-scheme-a-quantitative-impact-assessment>

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 secure one, but simply applying for more won’t make a difference if employers are reluctant to engage them.

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*
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 side 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 a college or work setting	Medium (9.7%); stronger in long term; wide variation in impacts

\* 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.  
Source: Card D, Kluve J, Webber A (2015), ‘What works? A meta-analysis of recent active labour market program evaluations’, *NBER Working Paper 21431*, Cambridge MA, tables 3a & 8. Department of Employment (2015), *Work for the dole evaluation*

**Outcome payments for Workforce Australia providers tell us the extent to which people transition to employment**

To assess the efficacy of the system, we can look at the payments that are made to providers for employment outcomes. These outcome payments are only made to providers in Workforce Australia Services, given that the Government is the deliverer of employment services in the online service. The outcome payments are useful because they give us some sense of whether moves into employment were sustained and of a sufficient level of pay to reduce the amount of income support payment that a person can receive over the period.

One limitation of these data is that they only measure outcomes sustained for up to 26 weeks and we have little information on the quality of the jobs obtained.

Outcome payments are made to providers where a person in their service increases their earnings through paid work. A partial outcome is received if they increase their earnings to the point that there is a 60% reduction in their income support payment. A full outcome is recorded where a person’s income support payment is reduced by 100%.

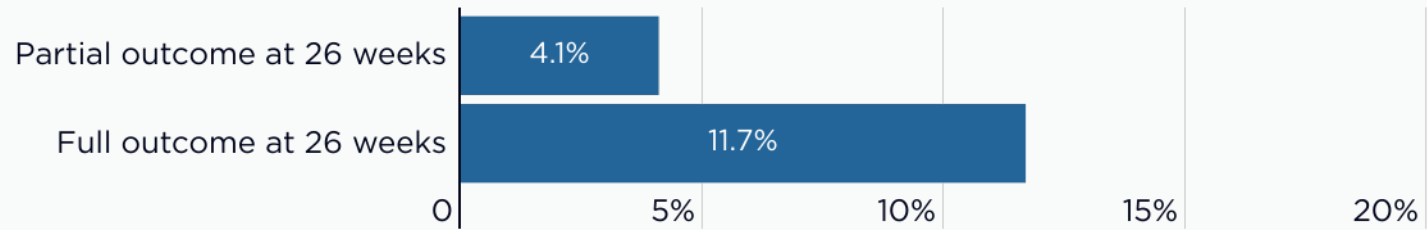
There are different levels of outcome payments depending on how long the reduction in income support payment persists – for 4, 12 or 26 weeks.

**Few participants move into sustainable employment**

Of those using Workforce Australia services from July 2022 to March 2024, only 12% sustained employment for at least 26 weeks at a level of pay which reduces their income support payment to zero. An additional 4% of people record a partial outcome, which is a move into employment at a lower level of pay. A higher proportion of people recorded shorter term outcomes at 4 weeks and 12 weeks respectively.



**Figure 29:**  
**Workforce Australia outcome payments, July 2022 to March 2024**



Note: This analysis only considers the Workforce Australia Provider Service – there are no outcome payments in Workforce Australia Online  
Source: Department of Employment and Workplace Relations, *SQ24- 001647 Senate Estimates Response*

It is important to note that providers can claim an outcome payment regardless of whether they directly contributed to their transition into employment.

**The system needs a complete overhaul**

The 2023 Hill Report recommended a structural overhaul of employment services in Australia, having found that the current model was not fit for purpose.

The fundamental problems with the system are well-established:

- 1. It is not helping people without paid work into sustainable employment
- 2. It is harming people with unrealistic activity requirements and large-scale automated income support payment suspensions.

Since the release of the Hill Report, the government has only taken modest steps to improve the system. There have been some positive measures announced around compliance (which include the extension of the resolution time period from two to five business days as discussed, amongst other measures to reduce the burden of compliance) but these have not addressed the critical under-investment in effective labour market programs nor the fundamental problems with automated compliance and the harms it causes.

To date, no large-scale structural reform to the commissioning model and associated labour market programs has been announced. A system of this scale and complexity cannot be reformed instantaneously, but for reform to occur the government must demonstrate its commitment through taking initial steps and setting out its roadmap for reform. We call on the government to:

- 1. Publicly commit to the major directions for reform outlined in the Report and set clear goals and principles for reform.
- 2. End automated payment suspensions in employment services and introduce a new unemployment payment compliance system informed by a human rights framework and natural justice principles.
- 3. Lift direct investment in national employment capacity-building programs such as wage subsidies and vocational education and training that underpin Workforce Australia services and make a difference for people unemployed long







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