



Overcoming joblessness in Australia: 12 Budget priorities



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Introduction

Joblessness remains a deeply entrenched problem in Australia, despite the existence of prolonged economic growth over many years. It is a key cause of poverty and should be our primary economic and social policy priority as a nation.

The precise extent of joblessness is hard to measure, especially because the most widely used figures — official monthly ABS unemployment data — only tell part of the story.

The ABS unemployment data ignore 'hidden unemployment' and do not account for 'underemployment'. For instance, the ABS figures exclude people who may be available for work but not actively seeking work at the time of the survey, and it also excludes people working small amounts of part-time work but who want to work additional hours. Its measure of long-term unemployment is also very restrictive in that it excludes people who have had as little as two weeks casual work in the last year.

Nevertheless, the official data shows that unemployment is stuck at just over 6.2 per cent, and is expected to stay at around that level over the next year.

ACOSS and other commentators have estimated that by taking into account hidden and underemployment the real level of joblessness is approximately double that given by the official data¹.

Recent ACOSS research estimated there are over 1.3 million Australians who do not have the paid work they need to support themselves or their families.² Compared with the those "officially unemployed", our calculations for this research took into account 'hidden unemployment' — over half a million people were available for work but not actively looking. It also took into account people who are severely under-employed — those working less than 16 hours a week and wanting to work longer hours.

Another key indicator of joblessness and economic hardship is the number of people reliant on social security payments. This is a useful indicator of joblessness and hardship because only those people who lack significant wealth or savings receive unemployment benefits. Social security figures reveal the disturbing fact that the number of people who have been reliant on unemployment benefits³ for more than one year is higher than it was almost seven years ago.

Date	Long-term unemployment benefit recipients ⁴
March 1996	361,000
May 1998	423,100
December 2000	391,600
December 2001	384,800
December 2002	393,100

¹ Using other ABS data Mathew Gray estimates there are around 900,000 marginally attached unemployed people, about half of whom are discouraged jobseekers (SMH 24/12/02). See AIFS/RBA/ANU Research Discussion Paper by Gray, Heath and Hunter: *An exploration of marginal attachment to the Australian labour market*, November 2002.

² see ACOSS Paper 118, *Generating Jobs: Fifteen Strategies for Reducing Unemployment In Australia*, October 2001.

³ That is, Newstart Allowance and Youth Allowance (other) for unemployed people.

⁴ This includes people in receipt of Newstart Allowance and Youth allowance (other) for over 12 months. Source: Department of Family and Community Services, *Labour Market and Related Payments: A Monthly Profile*.

Fifty per cent of all unemployment benefit recipients have been on income support for over a year, and the majority of these have been unemployed for over two years.

Key factors in the persistence of joblessness are:

- Increased casualisation of the labour market;
- Slow growth in full time permanent jobs;
- Under and over employment; and
- Inadequate investment in the right kinds of income support and employment assistance for jobseekers, especially the very disadvantaged and those with specific labour market barriers.

Unemployment also has specific regional aspects. While some areas, like urban Sydney have low unemployment rates, in others, like Tasmania, around 70 per cent of jobseekers are long term income support recipients (Nov. 2002). Levels of youth unemployment in particular remain unacceptably high (16 per cent, at Sept. 2002), as do levels of Indigenous unemployment (23 per cent, at February 2001).

To address this set of problems concerted action is needed on both the supply and demand side of labour market reform, including in generating jobs. ACOSS proposes the following steps in the forthcoming Federal Budget to help overcome entrenched joblessness and to reduce the economic hardship it is causing Australian s and their families.

Steps to overcoming joblessness

Job seekers who are long-term unemployed and with significant barriers to the labour market often need considerably greater support to gain employment. Over the past year the Government has made a number of structural changes to the Job Network. Many of these are welcome developments, heading in the right direction. However, ACOSS considers that greater investment is needed especially for the most disadvantaged jobseekers.

RECOMMENDATION 1

A Transitional Jobs Scheme for very long term unemployed people

This should be introduced as a replacement to Work for the Dole to give very long-term unemployed people experience in real jobs. A Transitional Jobs Scheme would:

- Offer 6 months employment, at an appropriate training wage, in the not for profit and public sectors.
- Be available to suitable job seekers unemployed for 2 years or more.
- Combine employment experience and relevant training (based on individual needs) to maximise future employment prospects.
- Be available to providers as an option to fulfil the Employment Assistance Guarantee (see below) for job seekers who are severely disadvantaged in the labour market and would benefit from a transitional job as a stepping stone to mainstream employment
- Include a remote labour market component.

Cost: \$145 million (\$145 million in 2004-05)

RECOMMENDATION 2

Introduce an 'Employment Assistance Guarantee' for long-term unemployed people

- Available to job seekers after three months of the Job Network's Customised Assistance (CA) if they have not secured employment or been referred to a specialist program.
- Provides substantial assistance tailored to the person's individual employment and training needs beyond personal support such as counselling, job referral and job search training.
- The current amounts of the Jobseeker Account for CA participants (\$900 is the base rate) for the first round of CA (including supplements) should be set as a fixed minimum entitlement for each participant. Any additional investments by Job Network members pursuant to the Guarantee should be matched dollar for dollar up to a cap for each period of CA.
- Encourage Job Network members to use wage subsidies offering providers the direct savings to Government in Newstart/Youth Allowance arising from each wage subsidy placement (with a placement of a maximum period of 6 months). Subsidised employment should be subject to compliance with specified minimum standards to ensure fair rates of pay, minimise displacement, and prevent abuses of the subsidy.

Cost: \$117 million (\$117 million in 2004-05)

RECOMMENDATION 3

Enhancing Customised Assistance and personalising assistance

Extend Customised Assistance (CA) from 6 months to 12 months and:

- Maintain the level of job seeker account for those receiving CA for the second time, at the level provided the first time (i.e. \$900 base rate).
- Increase resources for rural and remote providers to enable full servicing of job seekers.
- Immediate referral to CA for all job seekers at high risk of long term unemployment.

Many job seekers need one-to-one assistance to manage the new electronic systems of job matching in order to access and respond to job vacancies. Job Network member funding for initial interviews with Job Search Support customers should be doubled to enable personalised help with job search.

Cost: \$154 million (\$154 million 2004-05)

RECOMMENDATION 4

More effective income support for jobseekers and students

Adequate income support is fundamental to effective social protection and support for jobseekers and students. The present payment structure is characterised by a large and growing gap between allowance and pension rates as well as anomalies between payments for students and unemployed people.

- Priority should be given to gradually bringing up the rates for single unemployed adults so that they align with pension rates.
- The payments for Youth Allowance (independent) should be aligned with those for Austudy payments for mature-age students and both should be gradually increased to align with pension payment levels.

Cost: \$141 million (\$232 million in 2004-05)

RECOMMENDATION 5

Limiting social security penalties

The harsh level of penalties for breaches of social security requirements also continues to hinder the ability of jobseekers to look for work and creates enormous hardship.

The Government should implement the recommendations of the Independent Review of Breaches and Penalties in the Social Security System. In particular:

- penalties should be fully recoverable if the jobseeker takes 'reasonable steps' to comply with reasonable requirements not later than four weeks after the imposition of the breach;
- the duration of penalties should not exceed eight weeks; and
- the rate of reduction in allowance not exceed 25% of income.

Cost: \$133 million (\$133 million in 2004-05)

RECOMMENDATION 6

A boost for the Personal Support Program

The Personal Support Programme (PSP) is aimed at assisting some of the most disadvantaged in our community who may need to address significant barriers before participating in the labour market. PSP is better funded and reaches more people than its predecessor, the Community Support Programme. However, PSP is still insufficiently funded and dependent on providers being able to access health and welfare services for their customers that are free or low cost. Such services are often not available or have extensive waiting times. This means that the effectiveness of PSP for clients is highly related to the ready availability of the required service. PSP needs to be resourced at a level that will enable providers to purchase services for customers as they are required.

- PSP payments should be increased by 50% and be spread throughout milestone and outcome payments.

Cost: \$74 million (\$74 million 2004-05)

RECOMMENDATION 7

Employment and education for young people

A national entry-level State and Territory public sector youth recruitment program should be established with matched federal and state funding.

- The program should provide employment opportunities for young people who might not otherwise find jobs.
- The program should be equity based and enable employment of young people from disadvantaged backgrounds.
- The program should be introduced incrementally over a three year period with 5,000 places in the first year, 10,000 places in the second year and 20,000 places in the third year.

Cost: \$27.5 million (\$55 million in 2004-05)

RECOMMENDATION 8

A new National Youth Transition Service

As proposed by the Prime Minister's Youth Pathways Action Plan Taskforce, a National Youth Transition Service should be established that provides a comprehensive transition support system, including learning pathways plans for each young person, individual support for those at risk of leaving school early, and transition follow-up mechanisms.

The system would have two parts:

- provision for "transition brokerage" for all Government and most non-government schools that might take various forms including: case management and personal support; mentoring; peer supported programs; and
- additional funding to further extend the Jobs Pathway Program.

The cost of such a service would be met jointly by the Commonwealth and the States on a 60:40 ratio based on commitments already agreed in the Stepping Forward statement of MCEETYA Ministers in July 2002.

Cost: \$102 million (\$102 million in 2004-05)

RECOMMENDATION 9

Improving apprenticeships and traineeships

A taskforce should be established that develops strategies to:

- improve targeting of apprenticeships and traineeships to ensure they are undertaken by people who can most benefit from them and in industries where they provide the most advantages; and
- improve the retention rate of apprentices and trainees in all areas but with particular attention on innovative strategies to overcome the unique barriers to completion in rural areas.

Cost: \$0.5 million (\$0.5 million in 2004-05)

RECOMMENDATION 10

Better rewards for paid work

Paid work should be rewarded within the social security system. Currently, unemployed people who gain part-time or casual work lose up to 70 cents in the dollar from their social security payment and also pay income tax on their earnings. Families in this situation also stand to lose a proportion of their Family Tax Benefit.

As a first step to simplify the current system and reduce the high effective tax rates for unemployed people, the taper rate in the allowances income test should be lowered to 60 cents in the dollar for all income over a free area of \$80 per fortnight.

Cost: \$52 million (\$176 million 2004-05)

RECOMMENDATION 11

Reduce the costs of participating in work or study

New payment supplements should be introduced to offset the often prohibitive costs of participating in work or study. These payments would help cover the additional costs of transport, clothing and work/study expenses.

- Introduce a 'Job Search and Work Experience Allowance' to offset job search, work experience and related costs incurred by social security recipients who are required or who undertake active job search or voluntary work activities. In the first year, the rate should be \$5 a week, moving to \$10 a week in the second year and \$20 a week in the third year (indexed to CPI).

Cost: \$122 million (\$317 million in 2004-05)

- Introduce an 'Education and Training Allowance' to offset the education and training costs of Newstart, Youth Allowance and Austudy recipients who undertake approved further education or training programs. In the first year, the rate should be \$10 a week, moving to \$20 a week in the second year and \$30 a week in the third year (indexed to CPI).

Cost: \$87 million (\$351 million in 2004-05)

- Conduct trials to test the efficacy of tiered 'Cost of Disability Allowances' for people on Disability Support Pension (DSP) as a contribution to the extra costs incurred for supports needed to participate in paid work or 'social activities'.⁵

Cost: \$0.5 million

Total Cost: \$209.5 million (\$668 million in 2004-05)

⁵ Refer to Physical Disability Council of Australia July 2001 report *Towards a Disability Allowance* for background information.

RECOMMENDATION 12

Helping jobless families into work by more affordable child care

The affordability of child care for families on low and modest incomes has been of concern to ACOSS for some years. For this reason, we particularly welcome evidence which indicates that affordability has improved for many families since the introduction of the Child Care Benefit in July 2000⁶.

However, more work is required to ensure that families can access and pay for the care they need. In particular, families using centre-based long day care continue to face affordability problems, impeding the ability of families to combine work and family responsibilities.

Further, recent findings on improvements in affordability rely on inadequate benchmarks and do not address the complex mix of variables which affect affordability. Additional research is required so that reliable benchmarks can be developed for the different types of care, and evaluated on an ongoing basis. Research also needs to be undertaken on demand, supply, and affordability of care at a regional level to enable effective modelling of the impact of funding and policy changes.

- The Government should ensure that improvements to the affordability of child care continue by increasing the maximum rate of Child Care Benefit by \$17.50 a week and reducing the part time loadings from 33 per cent to 20 per cent for family day care and outside of school hours care.
Cost: \$170 million (\$175 million in 2004-05)
- The Government should commission further research into the affordability of care with a view to developing robust benchmarks, as well as research into regional and local impacts of recent policy changes.
Cost: \$0.75 million

Total cost: \$170.5 million (\$175 million in 2004-05)

Overcoming joblessness	Total cost of proposals
2003-04	\$1.326 billion
2004-05	\$2.032 billion

⁶ See Australian Institute of Health and Welfare 2001, *Trends in the affordability of child care services*. Canberra: AIHW (Welfare Division Paper no. 29); and John Powlay 2000. Child Care Affordability. Paper to 7th Australian Institute of Family Studies Conference.