

Long-term unemployment in Australia

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Long-term unemployment is defined as a person being unemployed for over 52 weeks.

Of approximately 640,000 unemployed Centrelink customers in 2010, over 370,000 (59%) were identified as long-term unemployed – that is, having been in receipt of income support for over 52 weeks (FaHCSIA, 2011: 39-40).

Who are the long-term unemployed?

Long-term unemployed people are less well-educated than others – 49% did not reach year 12, compared with 41% of those unemployed for less than 12 months (ABS, 2011). Indigenous, mature aged and people with disabilities are all overrepresented amongst the long term unemployed.

Mature aged (over 45s) make up 34% of the unemployed and 46% of the long-term unemployed. In 2010-2011 33% of unemployed people aged 55-64 were long term unemployed.

Some locations have a much higher rate of long-term unemployment than others. These communities often have social, health, and infrastructure disadvantages which may require action on a range of fronts (DEEWR, 2009a).

Australia has a higher incidence of jobless households by international standards. However, the vast majority (around 84%) of households that have been jobless for a year or more are headed by single parents, and over half have a child under 6 years old (Social Inclusion Board, 2011).

Impact of long-term unemployment

Long-term unemployment is associated with poor physical and mental health, social isolation and poverty (Butterworth, 2009; Saunders, 2006). Workers who remain outside the workforce for some time find it much harder to re-enter – their skills lose currency and employers tend to screen them out in favour of people with more recent experience (an effect described as “hysteresis”) (Chapman & Kapuscinski, 2000).

Mature aged unemployment

Australia’s labour force participation rate for older workers is less than many OECD countries – reflecting both voluntary early retirement and involuntary exit.

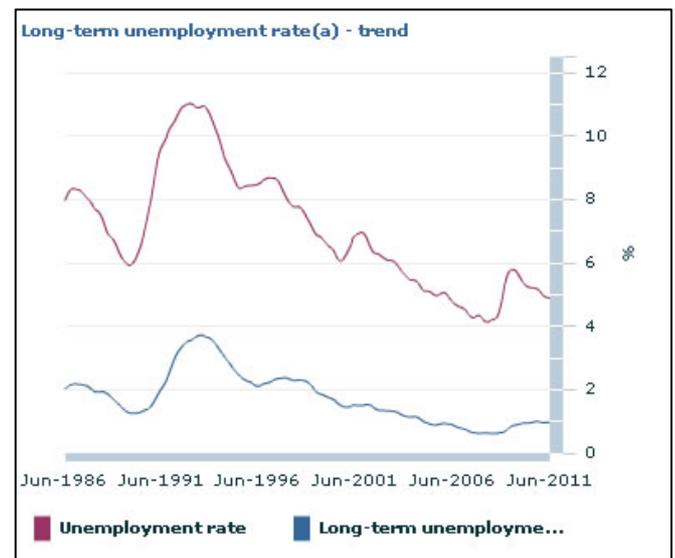
Discrimination by employers is a key factor impacting on older people’s ability to secure and retain work (HREOC, 2010).

Poor education levels, outdated skills, or skills associated with declining industries/occupations reduce employment prospects for mature aged job seekers. Mature aged workers are less likely to participate in vocational training and generally respond to different approaches to training (SPOEHR *et al*, 2009).

Australia’s poor record in employing people with disabilities impacts on older workers who experience either age related or work related health conditions or injuries.

Structural unemployment

While, at an aggregate level, unemployment rises and falls with economic conditions, there is a group of people who tend to remain unemployed even in good times. In Australia today, unemployment can persist even at times of skills and labour shortage.



Source: ABS (2011)

The 1994 OECD Jobs Study described structural unemployment as arising from the “gap between the pressures on economies to adapt to change and their ability to do so”.

The study identified these pressures as arising from technological change and global competition. Structural changes in the economy have differentially impacted on men and women, and on particular locations.

Background to current policies

Since 1994 the OECD has promoted a shift from “passive provision of income support” to “active measures which assist re-employment”. Active measures include making receipt of unemployment benefits conditional on job search, training, job counseling and job creation.

Since 1986 most unemployment benefit recipients in Australia have been subject to a requirement that, in order to receive their benefit, they undertake a certain level of job search and take any job deemed suitable (the “activity test”). In 1994 the Keating Government’s Working Nation package marked the start of more concerted efforts to address long term unemployment through active labour market programs; however it was the Coalition Government (1996-2007) that established the basic architecture of the system we have in place today.

Employment services

In 1997 Australia became the first country in the OECD to completely privatise its public employment service. It established a suite of programs which included job matching, job search training and case management – collectively referred to as the Job Network. Contracts to deliver these services were put to tender and awarded to a mix of private, non-profit and public providers. At the same time the Government substantially reduced spending on labour market assistance.

The new approach to service provision was combined with increased compliance activity. In 1997 the Coalition implemented a “Work for the Dole” pilot program, requiring unemployed people to spend six months of each year in part-time, unpaid work experience on projects to benefit the community. These programs were designed to “hassle and help” - providing light touch assistance, and moving job seekers as rapidly as possible into work.

Current policies and programs

In 2009 the Labor Government replaced these programs with [Job Services Australia](#) (JSA). There are now greater provider incentives for job linked vocational training and for longer-term employment (over 26 weeks). Program places for the most disadvantaged have been uncapped. But the centrality of compulsion and low cost assistance remains.

The Commonwealth has also invested in some “place based” employment initiatives with the appointment of [Local Employment Coordinators](#) and flexible funds to work in 20 identified employment priority areas (DEEWR, 2009b).

Evaluations of effectiveness

In its 2006 evaluation the Government identified a “net employment impact” for job seekers in Intensive Support Customised Assistance (generally long term unemployed) of 10.1% (DEEWR, 2006: 8). By 2008 a slightly different measure, the “off or part benefit impact”, was estimated at around 5.8% (DEEWR, 2010c). This might reflect

diminishing returns over time from new activity measures (Davidson, 2011: 80-81).

In March 2011, DEEWR’s [Labour Market Assistance Outcomes Report](#) identified overall employment outcomes of between 39.1% for those unemployed for 12-24 months and 30.5% for those unemployed 3 years or more. Most of these jobs were part time or casual.

Criticisms of current policies

The Job Services Australia system and the Job Network that preceded it have been criticised for applying a “one size fits all” approach, which is poorly suited to long-term unemployed job seekers with complex needs (Social Inclusion Board, 2011a). It has been argued that this problem is a consequence of providers needing to ration resources in the context of competitive and financial pressure (Fowkes, 2011). Many job seekers participating in employment services have reported poor staff skills, high turnover and limited time with caseworkers (Murphy *et al*, 2011).

The [Social Inclusion Board](#) has suggested that the Government attempt to move the system to deliver more holistically, and to encourage provider collaboration (Social Inclusion Board, 2011b). Another reform option would place more control of resources in the hands of participants (Bennett & Cooke, 2007; Fowkes, 2011).

Income support and welfare traps

Government decisions over the last several years have widened the gap between the unemployment benefit ([Newstart](#)) and pensions. The Australian Council of Social Service’s ([ACOSS](#)) calls for the rate to be increased have been bolstered by recommendations from the Henry Tax review and the OECD’s comments on the inadequacy of the rate (ACOSS, 2011; 2009; Whiteford, 2010).

When Newstart beneficiaries take on part time work they face significant effective marginal tax rates as benefits are withdrawn, as well as potential loss of other benefits (like access to social housing) (Saunders, 2006).

Successive governments have tried to reduce financial obstacles in the tax-transfer system to staying in work, and implemented initiatives to make training and JSA support available (Swan, 2011).

Debates over compulsion

While some degree of conditionality applied to income support appears to be widely (although not always warmly) accepted, the scope, severity and application of measures are the subject of continuing debate. The negative effect of “breaching” (suspension, partial or complete withdrawal of benefits) on particular groups of job seekers (youth, Indigenous, people with mental illness) has been a particular area of concern (DEEWR, 2010a).

Compulsion is experienced by many job seekers as demeaning (Murphy *et al*, 2011). But there is evidence that intensive activity measures do make a difference to whether and how quickly long term unemployed people move into work, although these impacts may be diminishing over time (van Ours, 2007). Proponents of compulsion point out that, even if unemployed people say that they want work, this does not necessarily mean that they will act on this (Saunders, 2003). Behavioural economics might provide insights into why people who say they want work sometimes act in ways that seem counterproductive (Fowkes, 2011).

The role of training

Evidence of the efficacy of training programs in helping long term unemployed to secure work is mixed. This issue has been characterized as a debate between “work first” and “human capital” approaches (Davidson, 2011: 80-81).

Programs which include direct work experience with employers are more likely to succeed, as are those that integrate job search assistance. However, labour market assistance and vocational training investments have generally been poorly linked. The [Productivity Places Program](#), a centrepiece of Labor’s efforts to improve vocational skills (including for the unemployed), has been disappointing. The current overhaul of Commonwealth vocational skills investments includes an attempt to overcome some of the poor targeting in previous systems (DEEWR, 2010b).

Role of employers

Despite labour shortages in many areas, employers are often wary of engaging people who have been long-term unemployed (VECCI & Brotherhood of St Laurence, 2009). Perceived poor attitude, poor motivation and lack of recent work experience are all reasons given for leaving jobs vacant rather than employing available job seekers.

Many employers are critical of employment service providers and the JSA is not widely used by larger employers. Successive Governments have struggled to improve the engagement of employers with the system but have faced challenges because of its complexity, and competition between providers.

Direct engagement of employers in development of tailored programs for the long-term unemployed is one of the most effective ways of motivating participants and ensuring that employers have access to this otherwise underutilised pool of labour (Wren, 2011).

Stepping stones and career advancement

Most long-term unemployed people will move into part time or casual jobs, often low paid. Many argue that these provide a stepping stone to better paid, more permanent work (DEEWR, 2008). There is evidence that this is the case for some. However, Indigenous employees, homeless and longer term unemployed are less likely to retain

employment (DEEWR, 2008; Productivity Commission, 2006).

Employment creation

Australia’s labour market programs aim at addressing employability, rather than at providing full employment. Very few long-term unemployed people will be fully employed, even after receiving labour market assistance.

Newcastle University’s [Centre of Full Employment and Equity](#) has argued that the Government should act as “employer of last resort”, guaranteeing a right to work and mitigating the effects of long term unemployment (Mitchell, 2004).

Creation of jobs, either as long term options or pathways into other work, has been a key driver in the development of social enterprise. Social enterprises are social purpose organizations that derive some or all of their income through trading. While these are limited in scale, the experience of social enterprise tends to support the view that paid work, even if subsidised, can provide excellent social and economic outcomes for long term unemployed (Mestan *et al*, 2007).

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