

# *Pathways To Work*

## Preventing and Reducing Long-term Unemployment

This document is a collaborative initiative from  
Australian Council of Social Service (ACOSS)  
Australian Council of Trade Unions (ACTU)  
Boston Consulting Group (BCG)  
Business Council of Australia (BCA)  
Committee for the Economic Development of Australia (CEDA)  
Dusseldorp Skills Forum (DSF)  
Jobs Australia(JA Ltd)  
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We wish also to acknowledge the contribution by the Australian Student Traineeship Foundation (ASTF) to our discussions, particularly with respect to the transition of young people from school.



**THE BOSTON CONSULTING GROUP**

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# Foreword

On 1 June 2000 the Business Council of Australia convened a small meeting of organisations to share views on the paper, *Pathways to Work: tackling long-term unemployment*, prepared by the Boston Consulting Group and released by the BCA.<sup>1</sup> Subsequently, other organisations joined these discussions.

It quickly emerged that we shared a common concern over the high level of long-term unemployment and its impact on our society. It seemed to us that this is a matter of considerable urgency that warrants heightened policy attention.

This paper has been developed collaboratively as an expression of that common concern. It draws on the existing body of research, policy and practical experience of the respective organisations. It seeks simply and constructively to put before our governments and the public the dimensions of the issue, together with several key elements of what we believe to be an effective strategy for tackling long-term unemployment.

Coming as we do from business, the labour movement, the education and community sectors, we do not shirk from our own responsibilities. Individually we do much already and recognise that more waits to be done. Moreover, having articulated this common view, it should provide a basis for further collaboration.

At the same time, we say to our elected representatives that this particular issue is and will remain an important area of government responsibility. There can be no escaping the need for political leadership in delivering a comprehensive national response beyond a reliance on economic growth alone:

- A response that recognises it is better for individuals to work than to be unemployed and rely on social security payments for their income.

- A response that includes both preventative measures and improved arrangements for reducing existing levels of long-term unemployment.
- A response that provides for meaningful public accountability, including measures of performance against agreed indicators.



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President, ACOSS



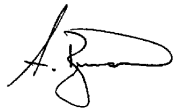
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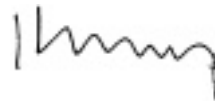
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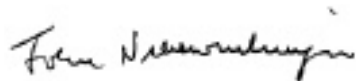
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# Executive Summary

Australia is enjoying a sustained period of prosperity and affluence. Most of the country's economic fundamentals are positive: low inflation, consistent economic growth, strong export growth, high labour productivity, sustainable fiscal policy and solid returns for investors.

This period of growth in our economy has brought with it significant reductions in unemployment. The figures, in terms of the standard ABS measures, attest to the positive effect of economic growth. Even so, the number of people unemployed long term remains unacceptably high, with 152,000 people unemployed long term in September 2000. Despite the buoyant economy, long-term unemployment only began to fall in 1998 (after remaining stuck between 200,000 and 250,000 for the three previous years).

Moreover, the ABS measure of long-term unemployment conceals much higher levels of long-term joblessness because people whose period of unemployment is interrupted for a short time by casual work, training or illness are no longer regarded as long-term unemployed. Unemployment benefit statistics, which include these people, reveal a much more worrying trend: the number of people receiving unemployment benefits for over 12 months has barely fallen over the past five years, and stood at 385,000 in September 2000.

Long-term unemployment always rises quickly after a recession, but declines very slowly through economic recoveries. This is not surprising, because the longer people remain out of work, the greater is their loss of confidence and skills and the lesser their attractiveness to employers. Economic growth of itself has not and will not deliver the conditions necessary for tackling long-term unemployment.

There are strong social and economic reasons to take determined action to reduce long-term unemployment. It is heavily concentrated. It cuts a broader swath among older workers and those who leave school early. It strikes economically disadvantaged regions such as the Mersey-Lyell region of Tasmania (where almost 30 per cent of the unemployed have been out of work for more than two years) much harder than others.

Moreover, if we fail to reduce long-term unemployment while the economic opportunity is there to do so, Australia will be confronted with higher levels of unemployment, and the associated social problems and loss of production and labour market efficiency, after the next economic downturn.

Australia's impressive economic performance has provided us with an opportunity not just to get the economic fundamentals right, but a unique chance to get the social fundamentals in order as well.

Having come together to consider these issues our organisations are agreed on the need for a strategy that simultaneously tackles the prevention and reduction of long-term unemployment.

To this end, we are proposing three priority areas for policy development, financial commitment, and action. In the context of welfare reform, high priority should be given now to action to reduce existing levels of long-term

***The number of people receiving unemployment benefits for over 12 months has barely fallen over the past five years, and stood at 385,000 in September 2000.***

***Economic growth of itself has not and will not deliver the conditions necessary for tackling long-term unemployment.***

***If we fail to reduce long-term unemployment while the economic opportunity is there to do so, Australia will be confronted with higher levels of unemployment, and the associated social problems.***

**All young people should have access to education, training and employment opportunities delivering Year 12 completion or its equivalent.**

**Governments at all levels should cooperate to provide the necessary support.**

**Businesses can assist their high-risk employees in the termination-back-to-work transition.**

**The government should support these efforts through a new employment assistance scheme.**

unemployment. At the same time, resources should be devoted to strategies to prevent people from falling into this condition in the first place.

## **1. Ensuring a successful transition from education to employment**

- All young people should have access to education, training and employment opportunities delivering Year 12 completion or its equivalent, as a minimum expectation for making a successful transition from school. This requires particular support for early school-leavers or those facing other disadvantages. It should be recognised that early school-leavers, who in effect forgo government-financed school education, are entitled to government support in accessing alternative options.
- Community Partnerships should be developed and strengthened at the regional level between industry, schools, health and Job Network services, and other non-government agencies (such as organisations involved in the Jobs Pathway program), to identify those who have left school early or are at risk of doing so, and to support them in securing employment or further education and training.
- Governments at all levels—Commonwealth, State and local—should cooperate to provide the necessary political, programmatic and financial support.
- The success rate of school-to-work transition should be measured to focus attention on outcomes and ensure that feedback is collected on the success or otherwise of public initiatives.

An agreed mechanism is required to ensure an identified body is accountable at the local level for increasing the participation in work, training or education of school leavers in their region.

## **2. Ensuring a successful transition from retrenchment to re-employment**

- Timely and early intervention is critical for those facing termination of employment and who are at high risk of long-term unemployment. Businesses can, at little additional costs to themselves, appropriately assist their high-risk employees in the termination-back-to-work transition.
- Employers, unions, and employment assistance and training providers, should work together at the local and regional level to develop employment assistance packages for workers facing retrenchment who are at high risk of long-term unemployment.
- The government should support these efforts through a new employment assistance scheme targeting this group of retrenched workers, or through some refinement of existing programs.
- Appropriate instruments should be developed to identify employees facing heightened risks.

## **3. Reducing long-term unemployment**

- All long-term unemployed people should be offered substantial help (such as paid employment experience and relevant education and train-

ing) to overcome barriers to employment, through Intensive Employment Assistance within the Job Network.

- A package of employment and training assistance to meet each long-term unemployed person's individual needs should be negotiated between each job-seeker and a personal employment adviser within his or her Job Network provider. In return, it is reasonable to expect those offered such assistance to participate fully in employment and training schemes that are likely to improve their job prospects.
- As part of its response to the report of the Reference group on welfare reform, the government should substantially boost its investment in employment and training assistance for those Australians who have been unemployed long-term, so that it can implement these proposed commitments to long-term unemployed people.
- Employers and unions should work together with community organisations at the industry, enterprise and regional level to open up additional job and employment experience opportunities for long-term unemployed people.

We shall jointly be seeking meetings with the Prime Minister, other key ministers and the Opposition as soon as practicable to discuss an improved national response to long-term unemployment, including the proposals outlined above.

We are also committed to continuing our collaboration on this issue. In particular, we have agreed to convene by March 2001 a small number of Task Forces drawing on our own constituencies to focus on practical ways of tackling long-term unemployment in selected areas of high need.

***All long-term unemployed people should be offered substantial help to overcome barriers to employment, through Intensive Employment Assistance within the Job Network.***

***The Government should substantially boost its investment in employment and training assistance.***

# 1 Introduction

Australia is enjoying a period of prosperity and affluence that has largely eluded it for the past two decades. Most of the country's economic fundamentals are positive; low inflation, consistent economic growth, strong export growth, high labour productivity, sustainable fiscal policy and solid returns for investors are driving a confident, outward-looking economy. Underpinning this optimism is the knowledge that a series of policy reforms in the 1980s and 1990s, while sometimes painful, have re-positioned and strengthened the Australian economy.

This impressive economic performance has provided us with an opportunity not just to get the economic fundamentals right, but a unique chance to get the social fundamentals in order as well. Personal and community well-being depend on relationships that though essential are not so easily defined.

In tackling long-term unemployment we win the quinella. We would be foolish not to grasp the economic and social dividends that will accrue from an effort focused on preventing Australians becoming long-term unemployed in the future, and in further reducing the existing long-term unemployment problem.

Continued economic growth will be vital to maintaining the economic well-being and employment prospects of Australians. We are encouraged by the recent sharp falls in long-term unemployment as measured by the ABS,<sup>2</sup> but this measure does not fully capture the extent and scope of long-term joblessness and the impact of long-term unemployment on particular regions and population groups in Australia.

Accordingly, we cannot rely on growth alone, or be satisfied with current endeavours, to deal with the long-term unemployment problem. Concerted strategies need to be developed by government in partnership with the corporate sector, unions and local communities to provide more comprehensive and effective pathways for Australians out of work for more than 12 months, or at risk of long-term unemployment, to re-engage with work.

We suggest a number of factors that we expect to make a difference: better targeting, design and integration of existing services, some new priorities and ways of working, and an expansion of resources towards OECD average expenditure on employment services levels. We stress the importance of community relationships in ensuring an inclusive society in which all can be engaged. Other approaches are obviously possible.

The strategies we are proposing are achievable and affordable. Indeed, we expect them to actually save public sector resources over time. The cost of leaving so many Australians behind at this time is one thing we simply cannot afford and should not tolerate. For large numbers of people to rely long term on unemployment benefits is neither individually desirable nor socially appropriate.

***Concerted strategies need to be developed by government in partnership with the corporate sector, unions and local communities to provide more comprehensive and effective pathways for Australians out of work for more than 12 months, or at risk of long-term unemployment, to re-engage with work.***

## 2 Long-term unemployment: some key dimensions and issues

Despite our economic robustness, our social fabric is beginning to show signs of strain. Even after Australia has enjoyed eight years of sustained economic growth, the effects have been uneven and some of the consequences unfortunate. How we respond to the economic divisions that have opened up, and to the erosion of opportunities in certain regions and in certain sectors, will help to define what sort of nation we have become.

The recent report on welfare reform, for example, highlighted a growing divide between 'job rich' and 'job poor' households; a widening gap in the workforce in terms of both skills and incomes; and major inequalities in resources, infrastructure and employment opportunities between regions around Australia.<sup>3</sup> Significant steps must be taken if Australia is to stem the prospect of 'consigning large numbers of people to an inter-generational cycle of significant joblessness.'<sup>4</sup>

It has taken a decade for sustained economic growth to bring about a significant reduction in long-term unemployment to the recession levels of the early 1980s and the early 1990s.<sup>5</sup> As Chapman and Kapuscinski comment, 'just a few poor years of economic growth have very significant medium-term implications for long-term unemployment.'<sup>6</sup> There has been a long-term cost associated with macroeconomic settings that encouraged slow-down rather than growth, especially an unacceptable rate of unemployment during most of the 1990s.

### What is the extent of the long-term unemployment problem?

In September 2000 there were 632,000 Australians estimated to be unemployed; there are about 4.7 estimated unemployed people for every registered job vacancy.<sup>7</sup>

In addition to those Australians officially estimated by the ABS to be unemployed, there are substantial numbers of people taking active steps to find work but who are not immediately available for work due to illness or injury. Taking these people into account there were 750,000 'jobseekers' in September 2000.<sup>8</sup>

Many more Australians than appear at first glance are touched by unemployment, or the prospect of unemployment. Looking at the flow of people between various forms of employment and unemployment over an extended period rather than just month by month, almost one in seven people of working age in Australia are looking for work during the course of a year.<sup>9</sup>

Looking beyond the ABS measures of unemployment to consider those wanting to work but without jobs the numbers soar. In 1999 the ABS estimated that approximately 1.7 million people aged between 15 and 69 wanted to work (including those officially classified as unemployed).<sup>10</sup>

In September 2000 the ABS estimated that 163,000 Australians or 26 per

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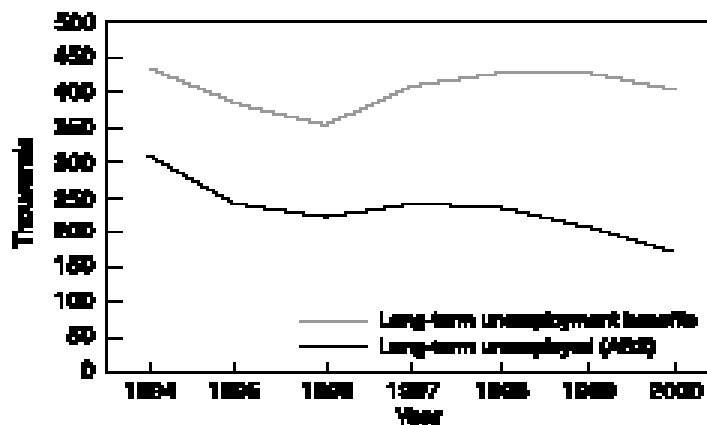
cent of the unemployed had been out of work for more than 12 months (that is, they were classified as long-term unemployed). Among long-term unemployed people, 107,000 had been out of work for more than two years.<sup>11</sup>

Official assessments of long-term unemployment in Australia are probably substantial under-estimates given labour market flows and definitional issues. An alternative measure of the scale of the problem is given by Centrelink (unemployment benefits) customer data. This reveals that in September 2000 more than 385,000 Australians had been receiving 'temporary' unemployment-related benefits for more than a year.<sup>12</sup>

Moreover, since the mid-1990s, the number of long-term recipients of unemployment payments has hardly declined at all. Figure 1 below shows trends in long-term receipt of unemployment payments. The key difference between this data and long-term unemployment data released by the Australian Bureau of Statistics (ABS) is that unemployment payment statistics are based on a broader measure of unemployment; that is, people can remain on unemployment payments for at least a short period while they undertake casual or voluntary work, or during periods of illness.<sup>13</sup>

*Since the mid-1990s, the number of long-term recipients of unemployment payments has hardly declined at all—there has been very little progress in reducing the number of people out of work for two years or more.*

Figure 1 Long-term unemployment



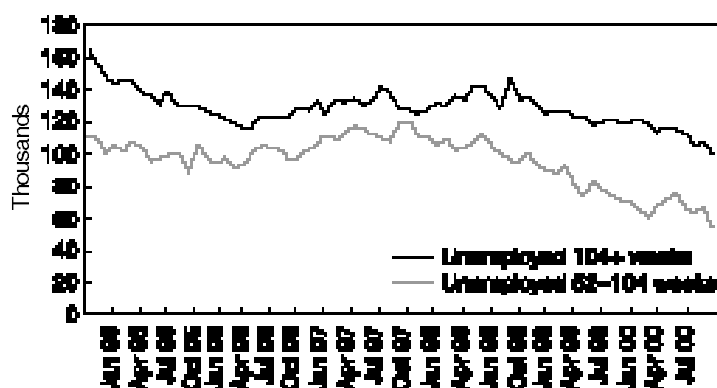
Sources: ABS *Labour Force* (Cat.No. 6203), Department of Family and Community Services, Australian Social Policy, 1999, No. 2

Note: 'Unemployment benefit recipients' include Newstart Allowance plus Youth Allowance (unemployed) recipients on payments for more than 12 months. This includes people in casual employment who are still entitled to payments, people who have returned to payments after less than three months' full-time employment, and a minority who are temporarily ill or engaged in activities such as voluntary work.

Australia's rate of long-term unemployment, although better than some OECD countries such as France, Italy and the United Kingdom, is significantly above others including The Netherlands, the Scandinavian group, the United States, and Japan.<sup>14</sup>

Although long-term unemployment has declined since reaching its peak in the mid-1990s, there has been very little progress in reducing the number of people out of work for two years or more (see Figure 2).

Figure 2 Long-term and very long-term unemployment (January 1995–July 2000)



Source: ABS Labour Force, Cat. No. 6203.0

This graph shows the overall decline in long-term unemployment as measured by the ABS Labour Force Survey, from its 1990s peak in 1994. However, very long-term unemployment has not declined significantly from its 1996 levels.

### Where is long-term unemployment impacting?

Long-term unemployment is more prevalent in certain parts of Australia than others. In areas such as inner Sydney, which are strongly linked to global markets, employment growth is strong; but in other local economies with declining capital investment and static population growth, national economic growth has been insufficient to compensate for lost opportunities.<sup>15</sup>

Over the past decade Tasmania and South Australia especially have experienced high rates of long-term unemployment. Regional economies traditionally dependent on manufacturing, and communities with high population growth but a narrow economic base, have also experienced a disproportionate level and incidence of long-term unemployment.<sup>16</sup> There is a significant danger that some regional communities will become chronically marginalised, losing the capacity to contribute fully to the national and global economy.

Those areas most affected by high rates of long-term and very long-term unemployment as estimated by the ABS are presented below in Table 1. Concerted strategies in these regions involving taskforces of government, business, unions and community agencies are required to prevent and reduce long-term unemployment.

**Long-term unemployment is more prevalent in certain parts of Australia than others—there is a significant danger that some regional communities will be chronically marginalised.**

**Table 1 Long-term unemployment in disadvantaged regions (July 2000)**

Region <sup>17</sup>	Unemployment rate (%)	Percentage of unemployed people out of work more than 2 years (%)
<i>Mersey-Lyell, Tasmania</i> (West and North-west Tasmania)	9.0	28.3
<i>Southern and Eastern South Australia</i> (Riverland, Gawler, Murraylands, Southern Adelaide Hills, South-east, Fleurieu/Kangaroo Island)	5.3	18.0
<i>Canterbury-Bankstown, NSW</i> (Canterbury and Bankstown municipalities)	7.6	17.3
<i>Loddon-Mallee, Victoria</i> (Sunraysia, Mid-Murray, Bendigo, Eureka)	5.7	27.2
<i>Central Highlands-Wimmera, Victoria</i> (Grampians)	5.7	23.6
<i>Wide Bay-Burnett, Queensland</i> (Fraser Coast, Bundaberg & Gympie)	8.5	32.6
<i>Richmond-Tweed and Mid-North Coast, NSW</i> (Tweed, North Coast, Richmond, Grafton, Coffs Harbour, Kempsey, Hastings & Taree)	10.3	33.4

Source: Adapted from data from DEWRSB, 2000

**Major life transitions such as the school-to-work transition and the termination-back-to-work transition are among the key stages when people are at significant risk of entering long-term unemployment.**

## Who is most affected by long-term unemployment?

Long-term unemployed people are the least advantaged in the labour market, and are likely to have low formal skills and education. Of those who had no full-time job in the last two years, one-third were labourers. In 1997 more than half of long-term unemployed people had not completed upper secondary education.<sup>18</sup>

Indigenous Australians experience unemployment at almost three times the rate of other Australians.

Older workers and young people transiting into and from sustainable employment are also vulnerable to long-term unemployment. The Boston report for the Business Council pinpoints major life transitions such as the school-to-work transition and the termination-back-to-work transition as among the key stages when people are at significant risk of entering long-term unemployment. Boston estimates that failure in these two transition areas account for over 50 per cent of entries to long-term unemployment.<sup>19</sup>

Over the past decade teenage women and men in their early 20s and late 50s have had higher rates of long-term unemployment than men and women of other age groups. Older workers are over-represented in terms of long-term unemployment (see Table 2), with those 35 years and older experiencing an average of 70 weeks without work.<sup>20</sup> Nearly a quarter of a million mature age Australians were involuntarily jobless in 1998.<sup>21</sup>

Despite this there are some very significant groups of young people whose limited exposure to the labour market or relative lack of skills make them vulnerable to long-term unemployment. Early school-leavers especially fall into this category.

The transition from school to work is a turbulent and uncertain period for most young people, even if many of them start on the right track. It may

**Table 2 Long-term unemployment by age and duration (August 2000)**

Unemployment Duration	15–19 years	20–24 years	25–34 years	35–64 years	Total (%)
1–2 Years	6.7	6.3	8	17	38
2 Years & over	3.4	7	14.3	37.3	62
Total (%)	10.1	13.3	22.3	54.4	100
Average (Weeks)	22	37	50	70	60

Source: Labour Force Australia, August 2000, Cat.No.6203.0

involve several steps forth and back between education and work. Living through this transition is a stressful time for many young people. Young Australians aged 18–24 years have the highest prevalence of mental health disorder of any age group. Over a quarter of young people (27 per cent) report suffering from some form of mental health disorder such as anxiety (involving feelings of tension, distress or nervousness), affective (mood) or substance abuse disorders.<sup>22</sup>

Nearly two-thirds of the long-term unemployed are men, and a third of the long-term unemployed are married.<sup>23</sup>

### Long-term unemployment and employment patterns

Work opportunities are not only unevenly distributed by geography, they are also strongly affected by the way these opportunities are shared among those in the labour force. CEDA's Health of the Labour Market Index measures full-time employment, underemployment, working hours and earnings dispersion, providing a more comprehensive picture of the labour market and emerging disadvantage than just the official unemployment rate.<sup>24</sup> Over the past decade all the indicators in the Index have been either stagnant or in decline:

- the full-time employment to population ratio has declined;
- the proportion of part-time workers seeking more hours is high (30%);
- earnings dispersion has also increased.

### Costs of long-term unemployment

The failure to develop more inclusive patterns of employment comes at a price. One estimate of the loss in output due to unemployment generally is in the order of 5–6 per cent of Gross Domestic Product (GDP). Once this GDP is lost, it is lost forever.<sup>25</sup> For unemployed individuals and their families there are serious consequences in terms of significantly reduced incomes, and for many, the threat of poverty. One example cited by Boston Consulting estimated that a 24-year-old worker, previously on \$28,000 per annum, would suffer a net loss of income of \$12,400 for an average episode of long-term unemployment.<sup>26</sup>

In 1996 three-quarters of unemployed people and their families were below the Henderson Poverty Line, compared to less than 5 per cent of employed families. Income issues impact on housing status and affordability: unemployed people are more dependent on public housing and are often consuming the highest proportion of their income on rent if they are

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in the private market. They are also twice as likely to report only being in fair or poor health than employed men and women, and they report 30–40 per cent more serious chronic illness than employed people.<sup>27</sup>

The evidence may not be complete but it is likely that a lack of parental employment may harm child development, especially the educational and employment outcomes of young people.<sup>28</sup> Added to that are the moments of deeply personal burden: self-doubt, loss of self-confidence and self-esteem, the loss of skills and personal affirmation.

As a result there are large economic costs and budget implications for governments and the rest of society. For example, Boston Consulting estimates that the public cost for one episode of long-term unemployment will vary from \$51,000 in the case of a single 21-year-old early school-leaver earning \$15,000 per annum prior to unemployment, to \$146,900 in the case of a 50-year-old white-collar worker with a pre-unemployment income of \$42,000 per annum.<sup>29</sup>

# 3 Policy directions to prevent and reduce long-term unemployment

An effective strategy to reduce long-term unemployment must focus on both prevention and cure. It must reduce the number of people who become long-term unemployed in the first place, and help those already in that situation to find a secure job.

Clearly, strong growth in employment opportunities, and action to prevent recessions is crucial to reducing long-term unemployment.<sup>30</sup> However, this is not enough on its own. People become stuck in long-term unemployment because they lack recent employment experience, their education or job skills are insufficient to meet the needs of employers, or because they face other barriers to employment such as discrimination or a lack of job opportunities in their particular region.

The approach we take here is two-sided:

- To prevent people from becoming long-term unemployed in the first place, by focusing on the events in life in which people can fail to make an attachment to the workforce and to see whether policies can be designed that increase their chances.
- To improve employment and training assistance for those who are already long-term unemployed in order to enhance their prospects of leaving unemployment.

Given the large social and fiscal costs associated with long-term unemployment, and the difficulty in clearly identifying those most at risk, high priority should be given to assisting those who are already unemployed long-term into employment. At the same time, greater policy attention and public resources should be devoted to preventing long-term unemployment. Otherwise, there is a danger that those long-term unemployed people who are successfully helped (often at significant cost) to return to employment will simply be replaced by those 'at risk' groups who were not assisted earlier.

Long-term unemployed people and those most at risk are generally drawn from groups in the community with limited formal education and workforce skills, who have been left behind in a labour market that demands higher levels of skill and adaptability. In this context, greater weight should be placed on upgrading basic education and vocational skills, including cases where this doesn't markedly improve people's immediate employment prospects. A stronger investment in education and skills now will help protect disadvantaged job-seekers from long-term unemployment in the future. At the same time, programs that seek to improve the skills of disadvantaged job-seekers are more likely to succeed (especially for young and mature age job-seekers) where education and training is connected with the workplace rather than 'traditional' classroom settings.

***Priority should be given to assisting those who are already long-term unemployed into employment. At the same time, greater policy attention should be devoted to preventing long-term unemployment.***

## Preventing long-term unemployment

Long-term unemployment is often the result of unsuccessful transitions at critical stages in working lives, including:

- from education to secure employment;
- from retrenchment to re-employment;
- from caring for children back into the paid workforce; and
- ‘forced’ early retirement.

If people who are at high risk of long-term unemployment (such as people with limited formal education and vocational skills) were helped to overcome barriers to employment at these critical points, a substantial part of long-term unemployment could be prevented.

We focus here on the first two of these transitions, but emphasise that they are not the only circumstances in which people face a high risk of long-term unemployment. A failure to successfully return to the workforce after a period of long-term parenting or caring, and ‘forced’ early retirement also leads in many cases to long-term joblessness. Under these circumstances unemployment is more likely to be ‘hidden’ (not included in official unemployment statistics) as former parents or mature age workers become discouraged from seeking a job.

There are programs to assist parents to return to the workforce after caring, and some of these (notably the Jobs Education and Training program for those receiving social security benefits) have been reasonably successful in improving employment outcomes. However, there are waiting lists for these programs and an injection of more resources is likely to prove cost effective.

Employment assistance for mature age jobless people is much less developed in Australia, and there are indications that this group does not receive its share of assistance through mainstream programs such as the Job Network. Long-term joblessness among mature age workers is also complicated by wider community attitudes, and incentives within the retirement incomes system, that discourage people from labour force participation in their fifties and early sixties. Reversing the trend towards long-term joblessness among mature age workers as the workforce ages is one of the major challenges for public policy over the next decade.<sup>31</sup>

### 1 Education to employment

Over the past 30 years, full-time employment opportunities have collapsed for young people who have not completed either 12 years of schooling or an entry-level training scheme such as an apprenticeship. The 15 per cent of 15- to 19-year-olds and 23 per cent of 20- to 25-year-olds who are neither in full-time education or training, nor in full-time employment face a high risk of long-term exclusion from mainstream employment opportunities.

Jobless young people (from ages 16–25) who have not successfully completed either Year 12 or an equivalent need a ‘second chance’ to either secure a job or pursue education and training that improves their prospects of doing so.<sup>32</sup> Otherwise, many jobless young people will continue to fall through the cracks of existing employment assistance and welfare programs as soon as they leave school.

To be fair, early school-leavers, who in effect forgo government-financed

***Long-term unemployment is often the result of unsuccessful transitions at critical stages of the working life. If people who are at high risk of long-term unemployment were helped to overcome barriers to employment at these critical points, a substantial part of long-term unemployment could be prevented.***

school education, should have access to alternative forms of government support to raise their workforce skills to an equivalent level. Though significant progress has been made in implementing alternative education and training pathways for this group, it should be recognised that early school-leavers are entitled to government support in accessing alternative options.

***1 All young people should have access to education, training and employment opportunities delivering Year 12 completion or its equivalent, as a minimum expectation for making a successful transition from school.***

The responsibility for mapping out alternative education and training pathways for disadvantaged young people does not lie entirely with a single level of government, business, or the non-government sector. Outcomes for young people are most likely to be improved if these sectors collaborate in a partnership at regional level. At the same time, the ultimate responsibility for ensuring that disadvantaged young people receive the help they require must lie with a single body at that level. This should be agreed among the partners.

***2 Community partnerships should be developed and strengthened at the regional level between industry, schools, health organisations and Job Network services, and other non-government agencies (such as organisations involved in the Jobs Pathway program), to identify those who have left school early or are at risk of doing so, and to support them in securing employment or further education and training.***

***3 An agreed mechanism should be established to ensure that an identified body is accountable for increasing the participation in work, training or education of school-leavers within each region.***<sup>33</sup>

It is essential that Commonwealth and State governments work in partnership to support Community Partnerships rather than attempting to monopolise control of the program or (on the other hand) shifting financial responsibility to the other tier of government.

***4 Governments at all levels—Commonwealth, State and local—should cooperate to provide the necessary political, programmatic and financial support.***

Any programs established to assist disadvantaged young people to improve their prospects for secure employment should be constantly evaluated in order to ensure that they achieve positive outcomes in a cost-effective manner.

***5 The success rate of the school-to-work transition should be measured to focus attention on outcomes and ensure that feedback is collected on the success or otherwise of public initiatives.***

## 2 Retrenchment to re-employment

Most retrenched workers either obtain alternative employment within around 12 months<sup>34</sup> or voluntarily leave the workforce to pursue other activities (such as retirement or caring for children). However, those whose

education and workforce skills are limited, those lacking a strong employment 'history', and mature age workers generally, face a particularly high risk of long-term unemployment.<sup>35</sup>

A significant proportion of long-term unemployment could be prevented by offering these 'high-risk' retrenched employees (and those who are about to lose their jobs), retraining and other employment assistance at an early stage, before or immediately after they lose their jobs.<sup>36</sup> Businesses can, at little additional costs to themselves, appropriately assist their high-risk employees in the termination-back-to-work transition, if they work in partnership with government, unions and non-government employment assistance services.

Assistance could include vocational training, help with literacy and assistance with job search. This intervention would be much more effective if these bodies work together to develop a package of employment assistance and training for each affected employee, preferably before retrenchment occurs.

***1 Employers, unions, and employment assistance and training providers, should work together at the local and regional level to develop employment assistance packages for workers facing retrenchment who are at high risk of long-term unemployment.***

The employer contribution could include support for on-the-job retraining, or (during a general recession or economic downturn when the company is no longer able to guarantee ongoing employment) by continuing to employ people for a fixed period on a part-time basis while they undertake further education and training. On the other hand, many employers, especially those who are retrenching workers due to financial difficulties (for example, during a recession) are not in a position to devote substantial resources to retraining and employment assistance for retrenched workers. On the face of it, it would be unfair to deny these workers access to this kind of help. This implies a role for government in financing such support.<sup>37</sup>

***2 The government should support these efforts through a new employment assistance scheme targeting this group of retrenched workers, or through some refinement of existing programs.***<sup>38</sup>

One of problems associated with any form of early intervention to prevent people from becoming unemployed long term is deadweight cost; that is, many unemployed people will secure employment without the need for such intervention and public funds may be to that extent wasted. It is therefore important that the publicly funded component of early intervention for retrenched workers (above and beyond basic assistance with job matching and job search) is carefully targeted towards those who face the highest risk of long-term unemployment.

***3 Appropriate instruments should be developed to identify those employees facing heightened risks of long-term unemployment.***

## Reducing long-term unemployment

Given the major social and fiscal costs of long-term unemployment, and the problem of deadweight costs, high priority should be given to getting those who are already long-term unemployed back to work. There is a strong body of evidence suggesting that well-designed employment assistance schemes can significantly improve their employment prospects.<sup>39</sup> Such policies should form part of our overall strategy to reduce long-term unemployment.

At present, a substantial minority of long-term unemployed job-seekers are denied Intensive Employment Assistance through the Job Network. They are instead offered basic job-matching assistance or short job search training courses, even though many need much more substantial help to secure employment.<sup>40</sup>

Welfare reform will fail to achieve the key goal of reducing prolonged unemployment and joblessness unless this deficiency is addressed.

The evaluation literature suggests that paid employment experience in a mainstream job is a particularly effective form of employment assistance for long-term unemployed people, whether on its own or combined with relevant training.<sup>41</sup> On the other hand, not all long-term unemployed people will need, or immediately benefit from, this kind of assistance. Some long-term unemployed people need assistance with literacy (including IT literacy) while others need help to overcome personal barriers to employment such as an episodic psychiatric condition. Assistance for these job-seekers should therefore be packaged to meet individual needs.

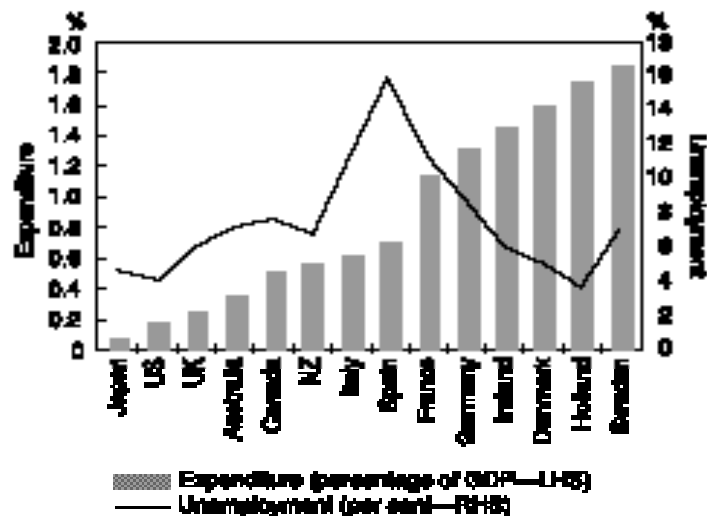
***1 All long-term unemployed people should be offered substantial help (such as paid employment experience and relevant education and training) to overcome barriers to employment, through Intensive Employment Assistance within the Job Network.***

***2 A package of employment and training assistance to meet each long-term unemployed person's individual needs should be negotiated between each job-seeker and a personal employment adviser within his or her Job Network provider. In return, it is reasonable to expect those offered such assistance to participate fully in employment and training schemes that are likely to improve their job prospects.***

It is important that mutual obligation be contextualised as one part of a policy response. It is not in itself the answer to these questions of social and economic participation.

Present funding levels for Intensive Assistance are not sufficient for Job Network providers to offer this kind of systematic help. A stronger financial commitment to employment and training assistance appears to be required from the Federal Government. While comparisons are difficult given the different institutional structures, Australia lags behind most comparable OECD countries in its expenditure on employment assistance for job-seekers. Many OECD countries (such as the United Kingdom and Denmark) have recently boosted their expenditure in this area as part of broader strategies to improve employment opportunities for long-term welfare recipients while Australia has moved in the other direction.

Figure 3 Public employment expenditure for jobless people, and unemployment, in OECD countries (1998–99)



Source: OECD Employment Outlook, June 2000

Note: This graph shows employment assistance expenditure for jobless people rather than total employment assistance spending. As the graph shows, levels of expenditure are not consistently related to unemployment levels. They reflect instead national variations in the political commitment to employment assistance.

This is a false economy, as the direct fiscal cost of long-term unemployment is high, let alone its wider economic and social costs. For example, Boston Consulting Group estimates the direct cost to government of an average bout of long-term unemployment for a married mature age blue-collar worker (including social security payments and tax foregone) at around \$82,900.

**3 As part of its response to the report of the Reference Group on Welfare Reform, the Government should substantially boost its investment in employment and training assistance for those Australians who have been unemployed long-term, so that it can implement the proposed commitments to long-term unemployed people outlined in the first and second proposals above.**

However, reducing long-term unemployment is not a responsibility of government or unemployed people alone. For example, the most successful employment assistance providers are those that establish close relationships with local employers and structure their services around the needs of employers as well as those of job-seekers.

**4 Employers and unions should work together with community organisations at the industry, enterprise and regional level to open up additional job and employment experience opportunities for long-term unemployed people.**

# Notes

- <sup>1</sup> Boston Consulting Group, *Pathways to Work: tackling long-term unemployment*, Business Council of Australia, New Directions Discussion Paper No. 3, 2000.
- <sup>2</sup> See ABS, *Labour Force. Selected Summary Tables. Australia*. September 2000, Cat. No. 6291.0.40.001, Canberra, 2000.
- <sup>3</sup> *Participation Support for a More Equitable Society* (the McClure Report), Department of Family and Community Services, Canberra, July 2000; see also Australian Bureau of Statistics (ABS), *Australian Social Trends 2000*, Cat. No. 4102.0, Canberra, 2000.
- <sup>4</sup> McClure Report, *ibid.* p 3.
- <sup>5</sup> ABS, Cat. No. 4102.0, *op. cit.*, p. 121, and ABS, Cat. No. 6291.0.40.001, *op. cit.*
- <sup>6</sup> B Chapman & C Kapuscinski, 'Avoiding Recessions & Australian Long-term Unemployment', Centre for Economic Policy Research Discussion Paper No. 418, July 2000, p. iv.
- <sup>7</sup> ABS, *Labour Force. Australia*, September 2000, Cat. No. 6203.0, Canberra; ABS, *Job Vacancies, Australia*, Cat. No. 6354.0, Canberra 2000. Data based on the 'original' series.
- <sup>8</sup> ABS, Cat. No. 6203.0, Table 27, *ibid.*
- <sup>9</sup> Interim Report of the Reference Group on Welfare Reform, *op. cit.* p. 12.
- <sup>10</sup> Unemployed Australians are only a small group of the total number of people without paid work. The ABS monthly estimates of unemployment can mask the extent to which joblessness is impacting on Australian individuals and families. ABS, *Persons Not in the Labour Force*. September 1999, Cat. No. 6220.0, Canberra, June 2000; see also Interim Report of the Reference Group on Welfare Reform, 'Technical and other Appendices', Department of Family & Community Services, March 2000.
- <sup>11</sup> *Ibid.*
- <sup>12</sup> Department of Family and Community Services, 'Labour Market and Related Payments. A Monthly Profile', September 2000, p. 3
- <sup>13</sup> This means that the unemployment payments data include job-seekers who are being 'churned' in and out of employment without obtaining a long-term full-time job (whereas they are removed from the ABS long-term unemployment data as soon as they obtain a day's employment). There is some evidence to suggest that their number is increasing. See, for example, Le Anh & Miller P: 'Job quality and churning of the pool of the unemployed,' *ABS Occasional Paper Cat. No. 6293.0.00.003*, 2000. The unemployment payments data should be treated with care because changes in payment criteria effect trends in the number receiving payment. However, the changes made since 1994 do not appear to have substantially affected the overall trends observed in Figure 2 (for further explanation, see Warburton M. et al., 'Long-term unemployment: a statistical analysis of FACS customers' in *Australian Social Policy* 1999, No. 2.
- <sup>14</sup> ABS, Cat. No. 4102.0, *op. cit.*
- <sup>15</sup> See National Institute of Economic & Industry Research, *State of the Regions 1999*, Sydney 1999.
- <sup>16</sup> ABS, Cat. No. 4102.0, *op. cit.* As a proportion of unemployed people, the long-term unemployed in Tasmania are 47% and 32% in South Australia, ABS, Cat. No. 6291.40.001, *op. cit.*
- <sup>17</sup> ABS Statistical regions.
- <sup>18</sup> ABS, Cat. No. 4102.0, *op. cit.*
- <sup>19</sup> Boston Consulting Group, *op. cit.*, p. 10.
- <sup>20</sup> ABS, Cat. No. 4102.0, *op. cit.*

- <sup>21</sup> A VandenHeuvel, 'Mature Age Workers: are they a disadvantaged group in the labour market?', *Australian Bulletin of Labour*, Vol. 25, No. 1, March 1999, p. 21.
- <sup>22</sup> ABS, *Mental Health of Australian Adults, Year Book Australia. 1999*, ABS Cat. No.1301.01, 1999.
- <sup>23</sup> ABS, Cat. No. 4102.0, *op.cit.*
- <sup>24</sup> I Watson, 'Beyond the Unemployment Rate', *Committee for the Economic Development of Australia (CEDA) Bulletin*, July 2000, pp 6-8.
- <sup>25</sup> P N Junankar, 'Unemployment in Australia: models, myths & mysteries', *Economic Papers*, Vol. 18, No. 1, March 1999, p. 30.
- <sup>26</sup> Boston Consulting Group, *op. cit.*
- <sup>27</sup> See R G Gregory & P Sheehan, 'Poverty & the Collapse of Full Employment', in R Fincher & J Nieuwenhuysen (eds), *Australian Poverty. Then & Now*, Melbourne University Press, 1998, pp. 165-84; S Richardson & A Harding, 'Unemployment & Income Distribution', in G Debelle & J Borland (eds), *Unemployment & the Australian Labour Market*, Reserve Bank & CEPR, ANU, Canberra 1998, pp. 16-30; D Schofield & C Mathers, 'The Health Consequences of Unemployment: the evidence', *Medical Journal of Australia*, Vol 168, 1998, pp. 178-82.
- <sup>28</sup> A McClelland et al., 'Young People & Labour Market Disadvantage. The Situation of Young People not in Education or Full-time Work', in Dusseldorp Skills Forum, *Australia's Youth: Reality and Risk*, Sydney, 1998, pp. 103-23
- <sup>29</sup> Boston Consulting Group, *op. cit.*
- <sup>30</sup> Chapman and Kapuscinski show that the recessions of the early 1980s and 1990s were responsible for more than 50 per cent of the current level of long-term unemployment. See B Chapman and C Kapuscinski: 'Avoiding Recessions and Australian Long-term Unemployment.' Australia Institute, 2000.
- <sup>31</sup> See Council on the Ageing: 'Older Australians, a Working Future.' Committee for the Economic Development of Australia, 2000.
- <sup>32</sup> See J Spierings, *Why Australia Needs a Youth Commitment*, Dusseldorp Skills Forum, 1999.
- <sup>33</sup> See Boston Consulting Group *Pathways to Work: tackling long-term unemployment*. Business Council of Australia New Directions Discussion Paper No. 3, 2000.
- <sup>34</sup> ABS, *Australian Social Trends*. 1998 Cat. No. 4102.
- <sup>35</sup> See ABS, *A Risk Index to Unemployment*. Cat. No. 6293.0.00.001, 1999, ABS, *Job Search Experience of Unemployed Persons*. Cat. No. 6222.
- <sup>36</sup> See Boston Consulting Group: *Preventing Long-term Unemployment*. Business Council of Australia New Directions Paper No. 3, 2000.
- <sup>37</sup> Job Network providers could play an important role in delivering this assistance. However, it is desirable to separate any new program of assistance for this group from Intensive Assistance for long-term and disadvantaged job-seekers. This is because any scheme to assist recently retrenched employees would have different objectives, target groups and modes of assistance. Further, it would be unfair to other unemployed people at high risk of long-term unemployment to offer those who recently held a permanent job priority access to Intensive Assistance.
- <sup>38</sup> A former Federal Government program, TASK, offered temporary income support (to top up part-time wages) and access to training for employees in this situation during the last recession.
- <sup>39</sup> Webster E, 'Micro-economic Evaluations of Australian Labour Market Programs,' *Australian Economic Review*, Vol. 31, No. 2, 1998.
- <sup>40</sup> ACOSS, *Is the Job Network Working?*, ACOSS Paper No. 108, 2000.
- <sup>41</sup> Martin J, 'What Works Among Active Labour Market Policies,' Labour Market and Social Policy Occasional Paper No. 35, OECD, 1998; DEWRSB, 'Labour Market Assistance Outcomes,' 2000; DEETYA, 'The Net Impact of Labour Market Programs', 1997.