

After the GFC – What now for long term unemployed people?

David Thompson AM

CEO Jobs Australia

About Jobs Australia

- National and independent peak organisation for 270+ nonprofit providers of employment and related services
- In continuous operation for 20 years – many members have experienced earlier recessions and downturns
- Job Australia members deliver significant proportion of public employment services – now known as Job Services Australia – once a radical experiment and now an institution
- Sponsors of a number of ARC funded research projects on employment services and welfare to work

What's good about Job Services Australia?

- New emphasis on and inclusion of most disadvantaged unemployed people – many of whom were previously locked out
- Demise of “work foist” and significant new investment in human capital development
- More flexibility and capacity for tailoring service delivery to individual and local needs
- More compassion and humanity in compliance and penalties system
- Better calibrated performance management with real emphasis on long term job outcomes
- Less costly and burdensome red tape (perhaps)

What continues to worry us about Australia's public employment service?

- Lack of effective integration between employment services and substantial additional vocational education and training investment
- Many unemployed people already in assistance get not much from the new system
- The paucity of resources for “work experience phase” of the new system – circa \$500 per person – won't pay for quality work experience
- Future plight of people who were already at the back of the queue at the beginning of the GFC and have been pushed further back by the newly unemployed

Positive GFC adjustments made by the Rudd government through the Jobs and Training Compact and other measures

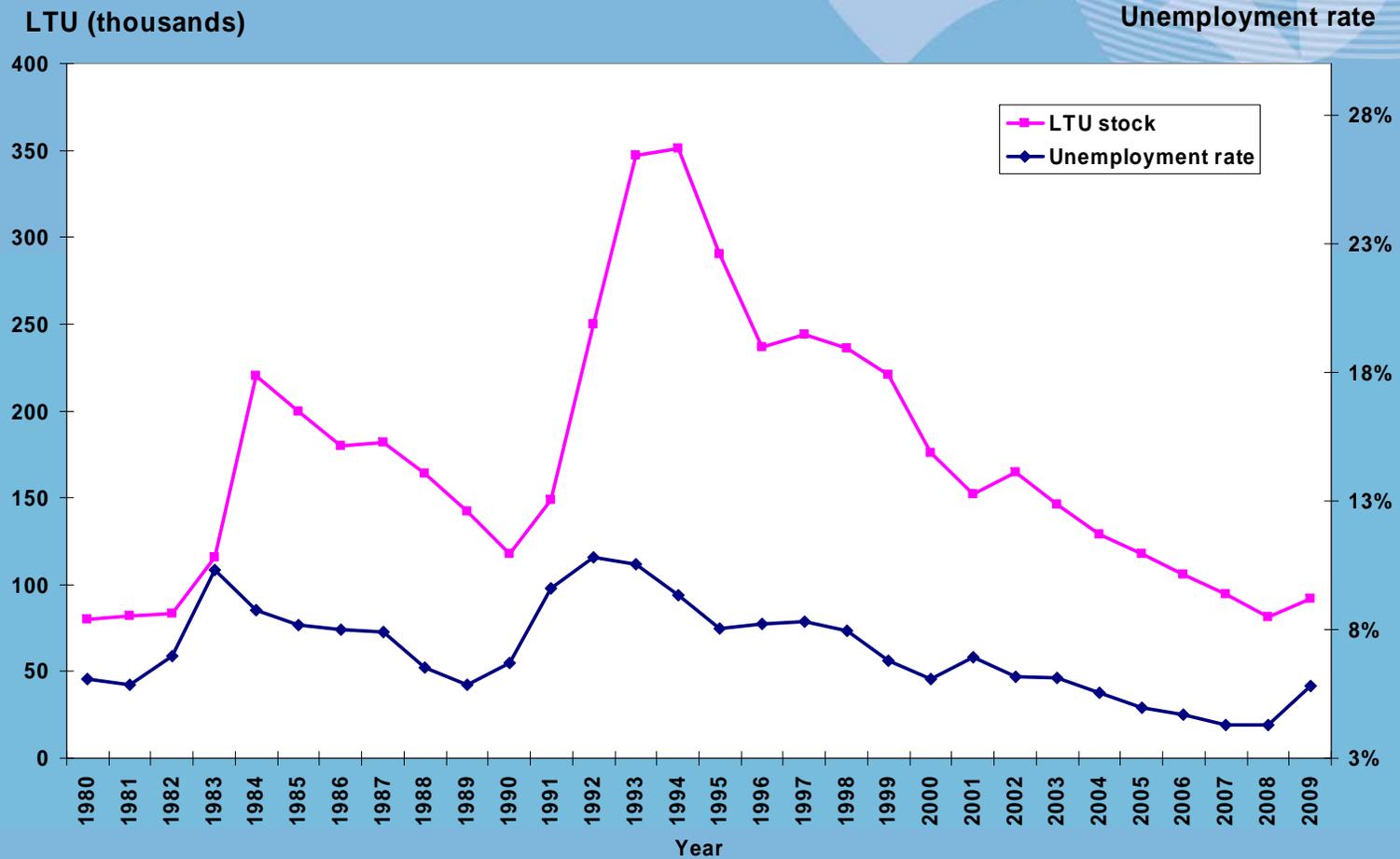
- Accelerated entry for new retrenchees (*"those people who are unemployed through no fault of their own"*) to more substantial Job Services Australia assistance
- Measures to keep apprentices and trainees in work and training and more incentives for employers to take them on
- New "learn or earn" measures for unemployed young people – with flexibility to take account of their needs and circumstances so they are effectively engaged
- Jobs Fund, home insulation ("Rudd Batts") and other employment generating stimulus measures such as school building construction
- Appointment of Local Employment Co-ordinators in 20 priority high unemployment areas - Keep Australia Working strategy
- Reprise of Working Nation Kelty/Fox roadshows and job expos

Dimensions of unemployment

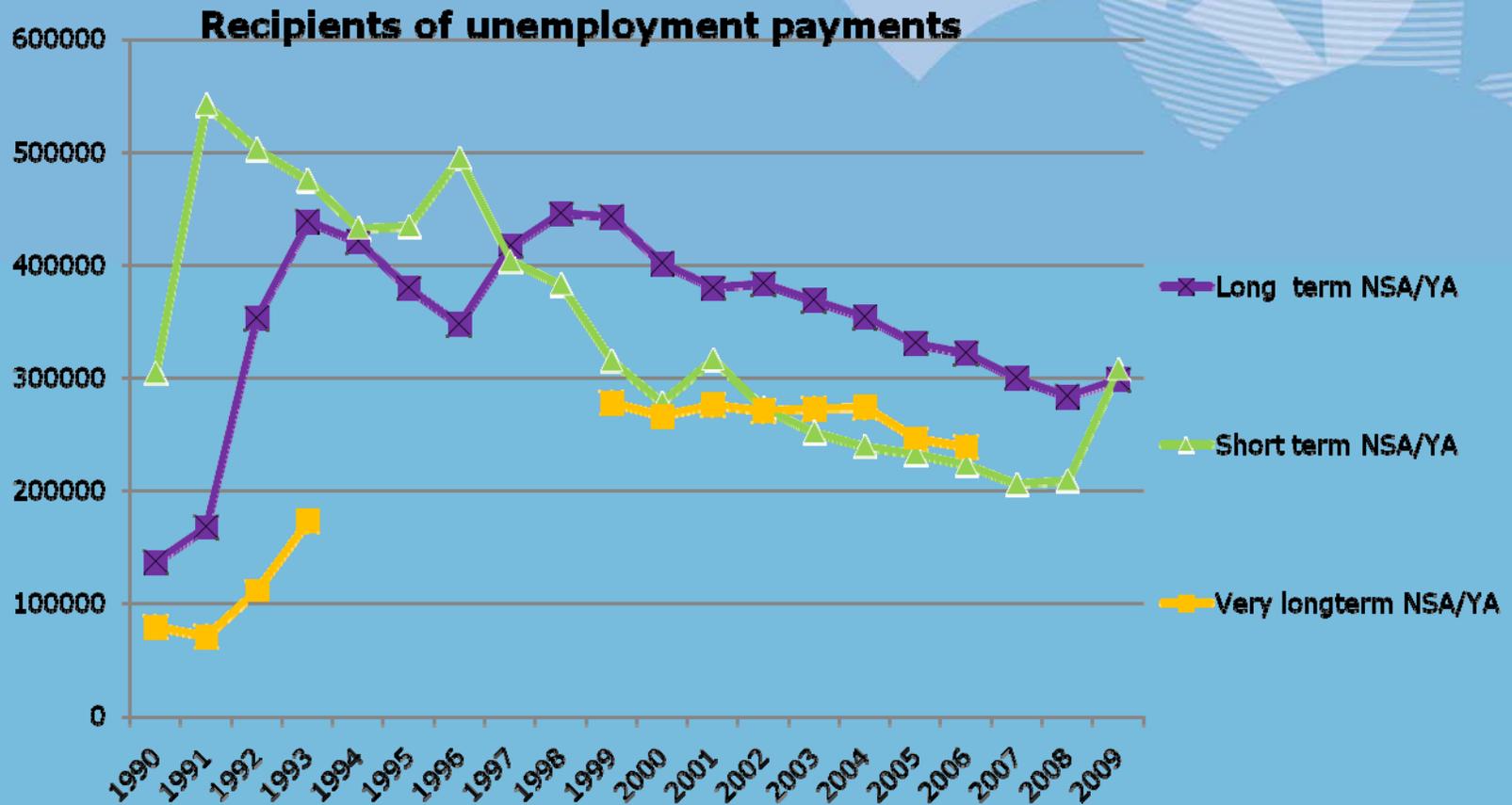
- ABS national headline rate declined to 5.7% in September 2009 (658, 600 persons)
- ABS 96 600 long term unemployed people (52 weeks plus) September 2009
- Treasury revises down estimate of peak unemployment to 6.75% by end June quarter 2010 (cf. previous forecast 8.5% for end December 2010) (MYEF – 2 November 2009)
- Treasury notes reduction in working hours since GFC equivalent to 200 000 FT jobs
- Youth unemployment rate exceeds 12% nationally and much higher in some regions
- National unemployment figures mask significantly higher levels in disadvantaged regions (eg: Far North Queensland 12.3%, Fairfield-Liverpool 9.5%, SE Melbourne 8.7%, N Adelaide 7.7% etc etc)
- Long term Newstart Allowees 280 138 persons at end September 2009 (DEEWR) – nearly 3 times ABS count

Where long term unemployment comes from

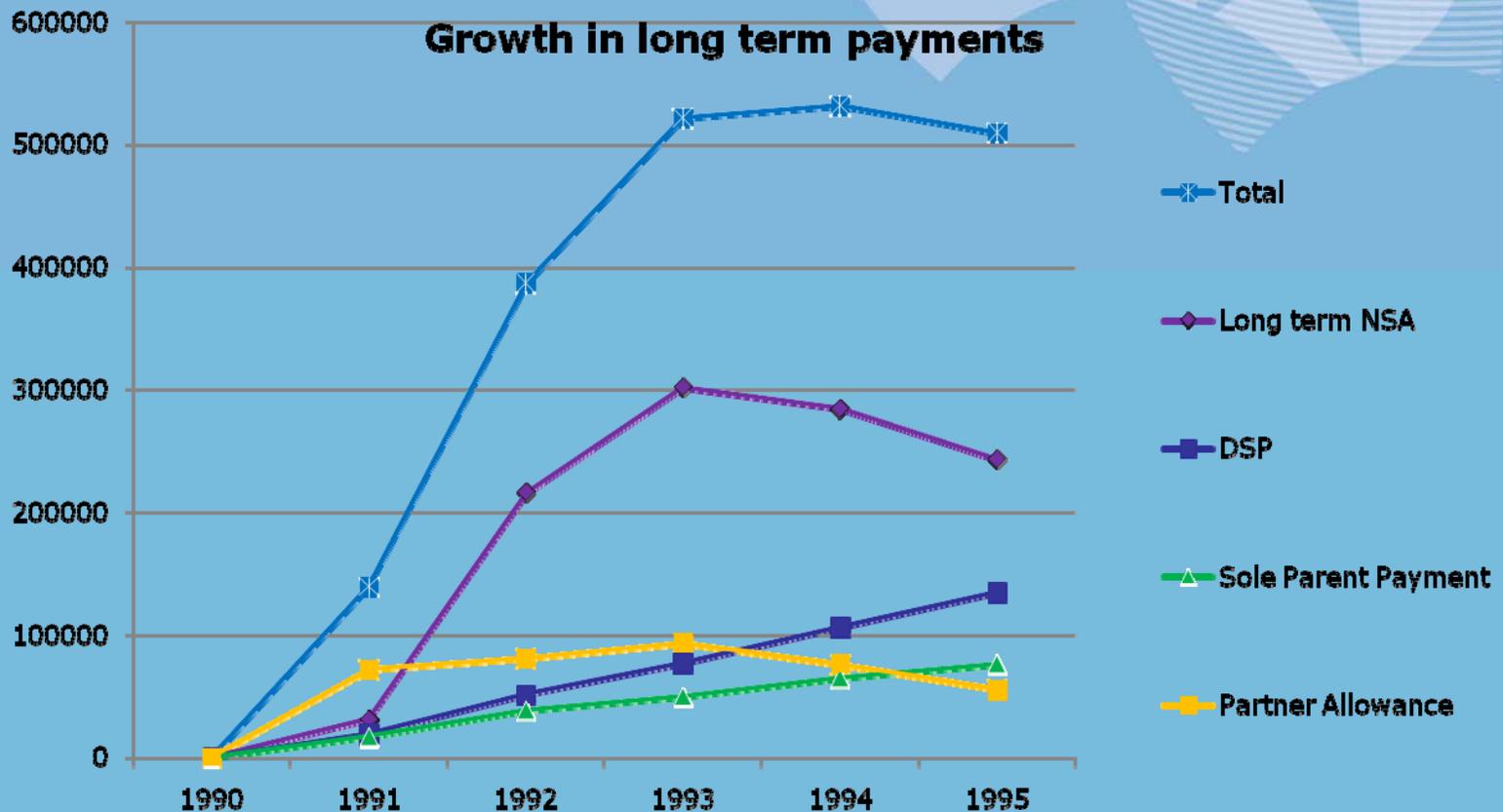
Bruce Chapman and colleagues - ANU



Recessions and long term unemployment

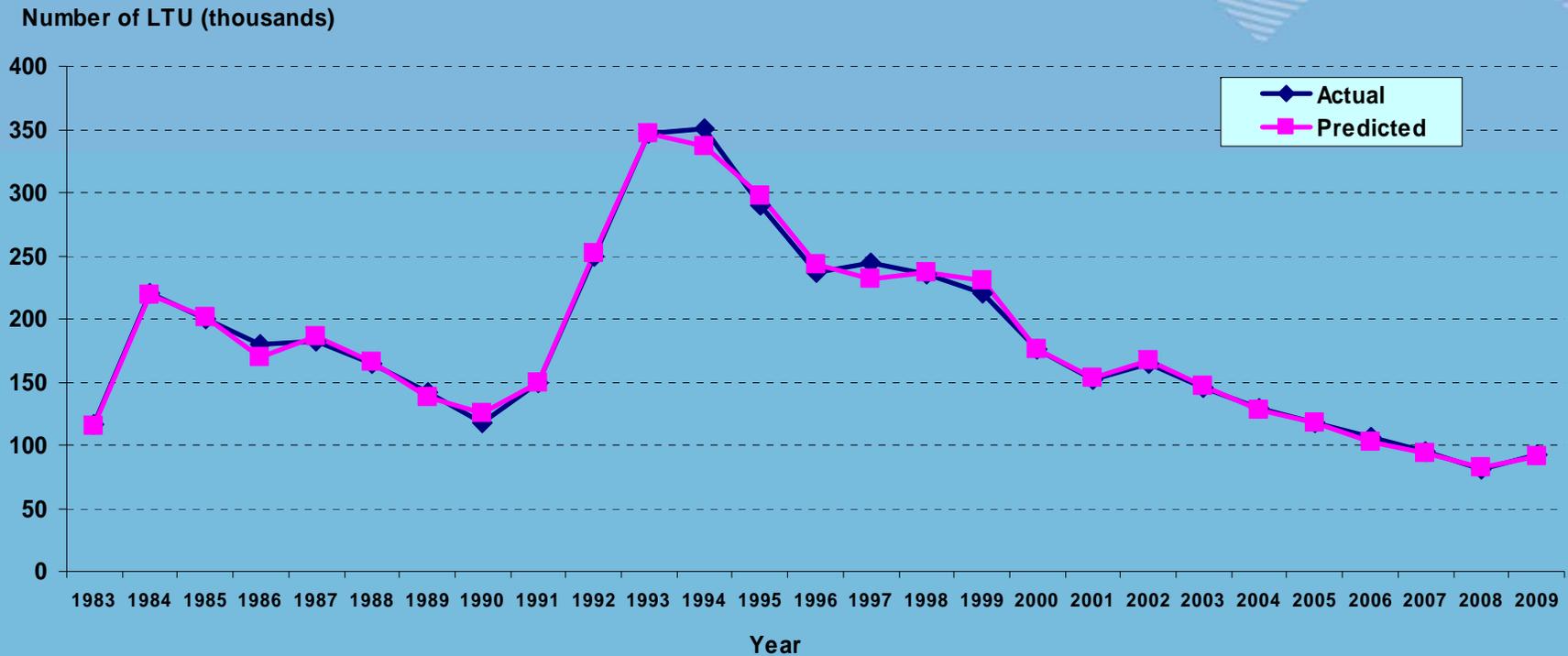


Recessions and long term income support payments



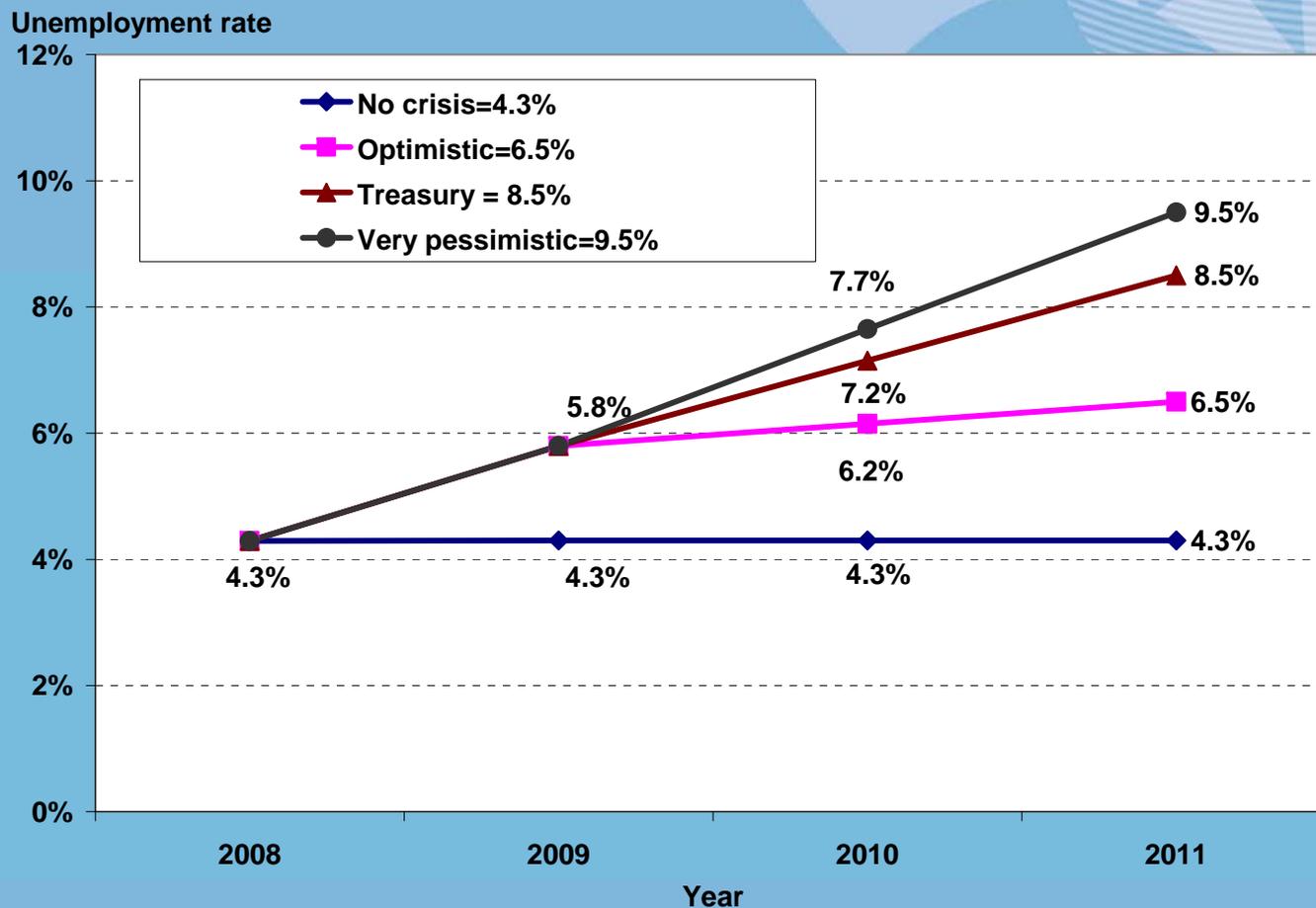
After the GFC - where to for long term unemployment?

Prof Bruce Chapman and ANU colleagues – simple model



LTU Forecasting Scenarios

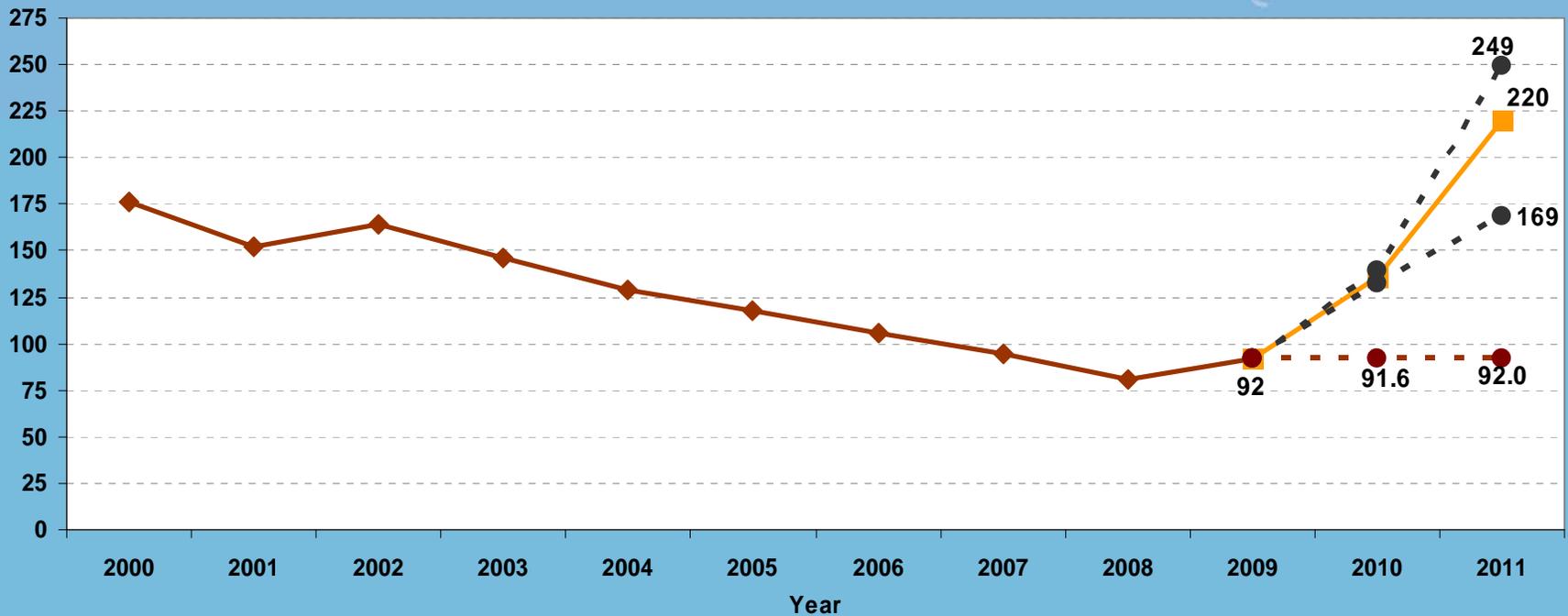
Prof Bruce Chapman and ANU Colleagues



LTU Projections to 2011

Prof Bruce Chapman and ANU colleagues

Number of LTU (thousands)



Long term Newstart Allowees to 2011?

- Bruce Chapman and colleagues predict LTU numbers will rise to the order of 136 000 in 2010 and 170 000 in 2011 – up from 96 600 at end September 2009 – others are more pessimistic
- On the basis of current long term Newstart Allowee numbers, long term income support beneficiaries are expected to rise from 280 000+ at end September 2009 to of the order of 395 000 in 2010 and 491 000 in 2011
- From the experience of previous downturns and recessions, we know that people who reach the state of long term unemployment will remain stuck there for very long periods – for the 1990s recession male LTU rates took 15 years to get back to pre-recession levels and 12.45 years for females.
- For these people and their families the GFC will continue to bite for a considerable period after the rest of the community thinks the worst of the crisis has passed us by.

What to do about long term unemployment?

- Current Job Services Australia system design and resources settings were designed at the end of a 32 year low in unemployment levels with high levels of employer demand for labour and historically low levels of LTU.
- The Rudd government has made a number of positive and useful adjustments to the employment services system and through the stimulus package to accommodate the needs and interests of many people who have lost employment or would otherwise have done so as a consequence of the GFC.
- Notably, however, the government has not yet acknowledged or addressed the need for more investment in active and substantial labour market assistance to tackle and reduce long term unemployment – and there is a risk that it might not do so as it winds back the stimulus and tightens its fiscal belt.
- The resources available to JSA providers for the provision of “work experience” will not be sufficient to provide the combinations of substantial (at least 6 months) of paid work experience and training that will be needed to help long term unemployed people to retain their footing in labour market.

OECD Employment Outlook 2009

- In its latest Employment Outlook (p 12) , the OECD observes that “high and persistent unemployment brings in its train major social and economic costs; poorer health; lower living standards and less life satisfaction for the unemployed and their families; increased crime and lower growth potential for society.”
- “A second priority is to scale up effective active labour market policies so as to provide increased numbers of jobseekers with the re employment assistance they require and minimise the build-up of long-term joblessness. Core job-search assistance should be maintained through the downturn, but an increased emphasis on training, hiring subsidies and subsidised work experience may be required to ensure that more disadvantaged jobseekers do not disconnect from the labour market. ”

What about social enterprise and green jobs?

- The Rudd government has invested substantial resources from the stimulus package to promote green jobs through the Local Jobs stream of the Jobs Fund and through the Get Communities Working stream for intermediate labour market models of social enterprise – both aimed at disadvantaged unemployed people.
- The approaches will yield tangible benefits for a relatively small proportion of the LTU but are unlikely to be brought to sufficient scale and sustainability during the limited life of the stimulus package.
- The heavy lifting in terms of some form of job guarantee (substantial combinations of training and paid work experience) for the majority of long term unemployed people will have to take place in mainstream private and public sector domains.

And so?

- Despite the Australian economy having avoided the worst of the GFC, it is inevitable that we are going to experience significant increases in the numbers of unemployed people who are long term recipients of income support over the next two years.
- It is also inevitable that active steps to invest in substantial labour market assistance will be needed to get those numbers down to pre-GFC levels in the medium to longer term – and that the longer this is not done, the longer it will take to get the numbers down again.
- High levels of long term unemployment are deleterious for the people and families who experience it, for their communities and for the economy.
- People who experience long term unemployment by and large live in poverty and on income levels which are now well below more generous pension rates. They deserve high priority attention and investment if that is to change and they are able to get the fair go they deserve.