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HC COOMBS POLICY FORUM

**A review of Australian government labour
market policies since 1945**

Natalie Cooper

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WORKING PAPER

**HC Coombs Policy Forum
The Australian National University**

The HC Coombs Policy Forum, The Australian National University policy think tank, is undertaking an integrated series of forward-looking reports on key policy challenges facing Australia.

The *Visioning Australia's Future* reports are major multidisciplinary horizon-scanning exercises designed to inform policy-making and public debate over the coming years. The series will draw on Australian National University public policy research, bring together current knowledge on key issues and focus in particular on Government needs and priorities.

The initial priorities for this research are an analysis of the national balance sheet and its implications for economic change over time; a look at the future of regional Australia; and an examination of labour force participation policies, with a focus on new ideas and policy solutions.

This working paper focuses on maximising participation in the labour force.

For further information on the HC Coombs Policy Forum, go to:

<http://publicpolicy.anu.edu.au/coombs/>

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ABOUT THIS PAPER

This paper is part of the HC Coombs Policy Forum research series *Visioning Australia's Future*.

Visioning Australia's Future will deliver an integrated series of forward-looking research focusing on Australia's economic and social fabric and the nation's ability to manage the implications of the resources boom and a 'patchwork' economy.

These multidisciplinary horizon-scanning exercises are designed to inform policy making and public debate over the coming years. Current projects are:

- > the future of labour market participation for enhancing productivity
- > the future of the patchwork economy and the national balance sheet
- > the future of rural and regional Australia.

The *Visioning Australia's Future* reports will draw on the public policy research strengths of the Australian National University and its partners and bring together current knowledge on key issues with a focus on Government needs and priorities. Through the HC Coombs Policy Forum and this initiative, the Government will be able to tap into broader national and international research networks and be provided with a platform for future collaboration and broader engagement with the community.

This working paper outlines the labour force participation issues facing us today and reflects on labour market reforms in Australia over time. It provides a background for further work and discussion with key stakeholders, principally Government and the Australian Public Service. It reviews past efforts to increase workforce participation in Australia and identify the areas where more innovative policies could be developed.

The paper is the first step in undertaking a longer program of work on workforce participation designed to elicit new and innovative policy ideas on this complex issue. The program will include commissioned papers drawing on expertise from Australia and overseas and a series of workshops and forums with Government, stakeholders and international visiting fellows. A final report drawing together the ideas and analysis from the program is envisaged for 2012.

WHY WORKFORCE PARTICIPATION?

If we are to develop the strength to compete in the world and maintain and increase our standard of living, we must make the most of all our resources. Greatest of all these are the talents and energies of the Australian people. When we waste them, we are weakened. When we employ them we are made stronger.

Working Nation White Paper, 1994

The economic and social arguments for increasing participation in the labour force are widely accepted among policy makers and governments. However, more could be done to identify and evaluate past policy successes and failures.

All sides of politics, along with business and charitable organisations, share the aspiration that all Australians actively participate in their communities and wider society and that those who can participate in the labour force are able to do so. Community groups, Government and economists generally agree that much more must be done to achieve this goal.

This paper defines workforce participation as a situation where:

Individuals have access to and engage in work or education, resulting in social and economic benefits to both the individual and society more broadly.

Treasury predicts that the economy will continue to expand over the coming years and there will be a continuing demand for skilled workers as a result of the mining boom. Skills Australia estimates that there will be 9.3 million job openings in the next 15 years and 4.8 million jobs will be created through economic growth alone.¹

In addition, the 2010 Intergenerational Report charts a demographic time bomb in the form of an ageing population. Maintaining real GDP growth, and therefore living standards, in the face of an ageing population presents a substantial challenge for the Australian economy.

Treasury predicts that average GDP growth per person will slow from 1.9 per cent a year to 1.5 per cent a year over the next 40 years and the number of people of working age to support every person over 65 years will halve, from five people in 2010 to just 2.7 people by 2050. Much greater pressure will be put on those in the labour force to support an ageing population and the health and economic implications that accompany it.²

It is predicted that these demographic changes will lead to a sharp drop in the labour force participation rate for people aged 15 and over from 65 per cent in 2010 to less than 61 per cent in 2050 if policy settings remain unchanged.³

In a speech given at the Committee for Economic Development of Australia (CEDA) Luncheon in 2011, Prime Minister Julia Gillard said:

It is vital that we unlock all the potential of our labour market: Both the young people who are the workers of the future. And the adults of working age whose absence from the labour force is not only a social tragedy but an economic risk.⁴

In his 2009 book *Battlelines*, now Leader of the Opposition Tony Abbott said:

Australia's economic future depends on having more people – more people in the workforce and more people working more productively.⁵

Despite this bipartisan commitment to increasing participation in the workforce, there is a growing pool of working-age Australians who want a job or want to work more hours.

¹ Skills Australia (2010), *Australian Workforce Futures: A National Workforce Development Strategy*, Canberra, p. 2.

² Commonwealth of Australia (2010), *Intergenerational Report 2010 – Australia to 2050: Future Challenges*, Canberra.

³ *ibid*

⁴ Prime Minister the Hon Julia Gillard MP, speech to the CEDA Luncheon, Hilton on the Park, Melbourne, 1 February, 2011

⁵ Tony Abbott (2009), *Battlelines*, Melbourne University Press, Carlton, p. 109.

Australia's 'lost workers'

Australia's unemployment rate is about 4.9 per cent, with 594,000 people officially unemployed.⁶ While this figure is quite low in historical terms (Australia's unemployment rate has averaged at about 7.5 per cent since the 1970s⁷), there are many more people who sit outside the official unemployment statistics who are able to and want to work.

In addition to the 594,000 unemployed, more than 845,000 people have identified themselves as under-employed. The sum of these two groups is used to calculate the Labour Force Underutilisation Rate, which is currently 12.1 per cent of the labour force.

There are more people outside of the labour force who want to work but are not included in the unemployment figures. In official terms, these people are described as "marginally attached to the labour force".

The latest data, as of September 2010, identified almost 5.9 million people aged 15 and over who were not in the labour force.⁸ Of these, nearly 1.3 million wanted to work and more than 100,000 wanted to work but were not actively looking for a job because they believed they would not find one.

Around 800,000 people are on the Disability Support Pension⁹, 127,000 young people are not engaged in full-time education or any kind of work and nearly 344,000 women who are caring for children indicated that they were not looking for work but they would be available to start work in the next four weeks.¹⁰

When considering the opportunity cost of these lost workers, it is important to calculate not only the cost of welfare payments being made but also lost tax revenue and social costs, costs to health and wellbeing and the toll on individual lives. David Hetherington has asserted that the real value of a job to society is approximately a \$4,000 gain in each month that someone maintains employment:

Say we place a single, childless worker in a job paying \$40,000 a year. The worker enjoys a net annual gain of \$25,201, made up of wages and superannuation minus benefits withdrawn. The public gains \$20,550 in tax receipts, welfare savings and reductions in health and justice expenditure. All up, this is a net gain of \$45,751, or \$3,813 for every month the worker stays employed and importantly, it is cumulative, rather than one-off, value creation.¹¹

Along with the economic impetus, there is strong evidence from the work of welfare organisations¹² and research on social inclusion¹³ that participation in the workforce provides individuals with dignity and self-respect.

According to the Australian Social Inclusion Board, being employed contributes to a person's self-esteem and provides them with skills, a daily routine and a social network.¹⁴ Conversely, those who do not participate in the workforce often suffer economic hardship, loss of connection with the community and loss of skills. Unemployment has an impact on their immediate family and can lead to poor mental health, divorce and violence.¹⁵

In families and communities where unemployment is the norm, intergenerational disadvantage can develop, as children lack role models who demonstrate the value of going to work each day and there is a higher chance of living in poverty.

6 Australian Bureau of Statistics (2011a), 6202.0 *Labour Force, Australia*, March 2011.

7 House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation (2005), *Working for Australia's Future: Increasing Participation in the Workforce*, Canberra.

8 Australian Bureau of Statistics (2010), 6220.0 *Persons not in the Labour Force*, September 2010.

9 Department of Families, Housing, Community Services and Indigenous Affairs (2010), *Annual Report 2009–2010*, www.fahcsia.gov.au/about/publications/articles/corp/Documents/2010_Annual_Report/ch10.htm

10 ABS (2010), *op cit*.

11 David Hetherington (2008), *Unlocking the Value of a Job: Market Design in Employment Services*, Per Capita, Surry Hills.

12 Lisa Fowkes (2011), *Rethinking Australia's Employment Services*, The Whitlam Institute, University of Western Sydney, Parramatta.

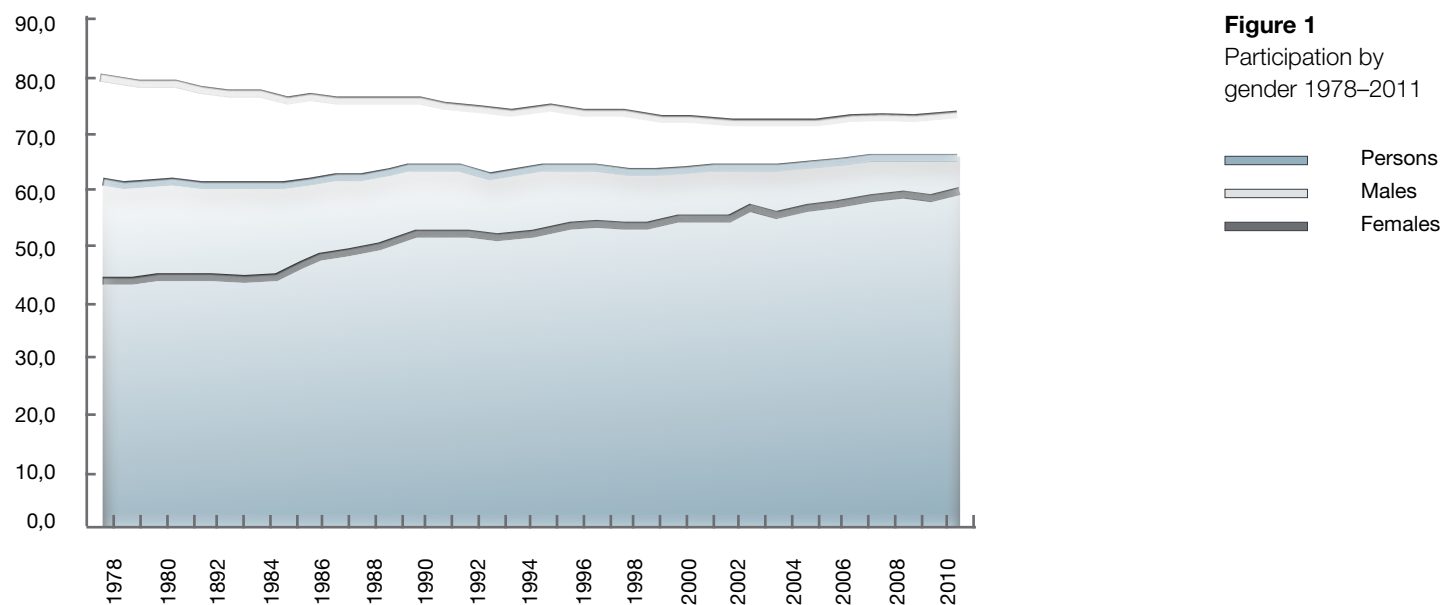
13 Tony Vinson (2009), *The Origins, Meaning, Definition and Economic Implications of the Concept of Social Inclusion/Exclusion*, Department of Education, Employment and Workplace Relations, Canberra.

14 Australian Social Inclusion Board (2010), *Social Inclusion in Australia: How Australia is Faring*, Department of the Prime Minister and Cabinet, Canberra, p. 6.

15 *ibid*

Participation in Australia

Over the past few decades, successive governments have put great effort into labour market programs and policies to increase labour force participation. In 1978, participation sat at around 61 per cent, with high levels of participation among men (at 79 per cent) and relatively low participation among women (at 43 per cent). As women began to enter the workforce in greater numbers, overall participation increased, but there was a decrease in male participation over the same period (see figure 1).



Source 6202.0 Labour Force, Australia, ABS

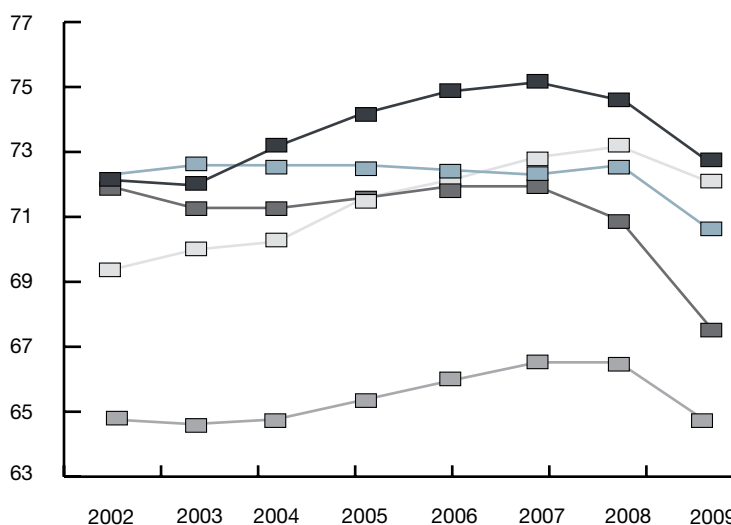
Participation today is around 65.8 per cent, with 72 per cent of men and 59 per cent of women participating in the labour force.

The measure used by the Organisation for Economic Co-operation and Development (OECD) to assess participation is the Employment Rate as a Percentage of Working Age Population. On this measure, Australia's employment rate is 72 per cent, much higher than the OECD average of 65 per cent but lower than that in countries like New Zealand (see figure 2).

Australian policy makers aim to increase participation. Skills Australia recommends that Government adopt an official target of 69 per cent participation by 2025. While this does not seem ambitious given Australia's current rate of 65 per cent, it is important to recall that current projections see participation falling to 63 per cent over the same period.¹⁶

Figure 2

Employment rate as a percentage of working age population
2002–2009 (OECD)



Source: OECD Employment and Labour Markets Key Tables 2010

Participation policies in the 2011–2012 Budget

Australia is not approaching this problem from scratch. A range of long-term and short-term policies are already in place to increase workforce participation. An analysis of the history of Australia's active policy development is provided in more detail later in this paper.

A range of measures were announced in the 2011–2012 federal Budget to increase participation. The Government has nominated a package of skills and welfare reforms as the centrepiece of the Budget and the Treasurer has said that we “don't have an Australian to waste”. The Budget Papers note:

Despite strong economic growth, not all groups and regions are sharing equally in rising prosperity. Jobless families, single parents, disengaged young people and people with disability can all benefit from the opportunities provided by a strong economy.

The Government is encouraging more Australians to participate through a combination of incentives, supports and responsibilities.¹⁷

The Building Australia's Future Workforce package includes:

- > a national workforce development fund and cofunded industry training places in skills shortage areas
- > more funding for language, literacy and numeracy programs and better access to apprenticeships for vulnerable job seekers
- > wage subsidies and incentives for employers who take on the long-term unemployed or disability support pensioners
- > changes to income tests to allow some welfare recipients to keep more income if they work part-time

¹⁶ Skills Australia, *op cit*, p. 3.

¹⁷ Commonwealth of Australia (2011), *Budget Overview*, Treasury, Canberra, p. 10.

- > a change to the low-income tax offset to encourage low- and middle-income families to work
- > greater reporting and activity obligations on some single parents and disability support pensioners and more rigorous assessments of disability
- > an extension of the requirement for the very long-term unemployed to undertake work experience or Work for the Dole from six months to 11 months a year
- > an extension of the age requirement for young people to 'Learn or Earn' for one year, to the age of 21
- > trialling new obligations on teenage parents to plan a return to work or education
- > an extension of income management trials in low socio-economic communities.

Long-term policies to increase participation

A set of long-term policies has arguably already been put in place in recent years to address some of the key barriers to participation. The effects of these policies will take some years to bear out in the national statistics.

Strong evidence has shown that employment outcomes are improved with each additional year of education¹⁸. As part of the Gillard Government's broader school reform agenda that is also seeing funds targeted to schools in low socio-economic status communities, the Government has adopted a target to increase the number of young people completing Year 12 or a Certificate III (the vocational equivalent) to 90 per cent by 2015.¹⁹ If attained, this target will increase the pool of workers with a foundation level of education, key step to taking advantage of opportunities in the workforce and to taking on further study. An obligation for young people to 'Learn or Earn' is being enforced with this end in mind.

Further initiatives have been introduced to increase participation in both higher education and training programs. Over the past decade, support for trade apprenticeships and vocational training has been boosted and there is a new focus on improving access to university for students from low socio-economic backgrounds to ensure opportunity for all.

Paid Parental Leave was introduced in 2011 to allow new parents to maintain their attachment to the workplace while taking time to bond with their new baby.

Paid Parental Leave, combined with rights to additional unpaid parental leave, a 'return to work guarantee' and the right to request part-time or flexible working arrangements enshrined in the National Employment Standards, signal to employers the importance of family-friendly working

arrangements.²⁰ These policies were designed to reduce some of the difficulties parents have in maintaining a connection to the workforce. They will need to be closely monitored to determine the impact they have on the behaviour of employers.

Both Coalition and Labor governments have for many years supported policies to give working parents more access to childcare. The Childcare Benefit and the Childcare Tax Rebate were introduced to help working parents to cover the cost of childcare. More recently, in order to address some of the non-financial concerns that parents have about care for their children, policies have been put in place to increase the quality and availability of childcare.

Some of the newly-announced policies will have an immediate impact; others will work their way through the system in the longer term and address disincentives to move from welfare into work and the growth in the number of disability support pension recipients. As these policies are implemented, it will be important to assess how effective they are in increasing participation. But, as the Prime Minister has said, "beyond this budget there will be more to do on the formidable participation policy challenge".²¹

Many of the high-impact economic shifts to drive increased participation in the workforce have already been implemented and it is unlikely that Australia will see a repeat of the large gains of the past, such as when women entered the workforce *en masse* in the 1970s and 1980s.

Further work needs to be undertaken to develop policy responses targeting specific population groups and specific disincentives to enter the workforce that can deliver results in the medium term.

18 Australian Bureau of Statistics (2011b), 4102.0 *Australian Social Trends*, March 2011, p. 19.

19 COAG Reform Council (2010), *National Education Agreement: Performance Report for 2009 – Report to the Council of Australian Governments*, Sydney.

20 Fair Work Ombudsman (2010), www.fairwork.gov.au/faqs/national-employment-standards/pages/default.aspx, accessed 11 April 2011.

21 Prime Minister the Hon Julia Gillard MP, "The Dignity of Work", address to the Sydney Institute, 13 April 2011.

WHAT POLICIES HAVE BEEN INTRODUCED IN AUSTRALIA IN THE PAST AND WHAT IMPACT HAVE THESE APPROACHES HAD ON PARTICIPATION?

The development of labour market and social security policies in Australia can be looked at in two distinct phases. Before the oil shocks of the 1970s and the economic reforms of the 1980s that opened Australia's economy to the world, the welfare system was a social security system that provided means-tested benefits to support those who could not support themselves, with no questions asked.

Significant reforms of the social security system and the development of specific labour market programs coincided with the increased vulnerability of the economy (and those in it) as the dollar was floated, banks were deregulated and trade barriers started to come down. Large numbers of people found themselves without work

and governments began introducing more activist policies and labour market programs to deal with both the cost to the Budget and to human capital. Today's participation policies are still being built on the foundation provided by these early reforms.

Timeline of welfare reform in Australia

Pre-1940	Australia's economy was closed, with almost full employment, a system of wage arbitration and the concept of a 'living wage' based on the Harvester judgment of 1907. Limited social security was provided primarily by the States.
1940s	Australia declared a goal of full employment. The Commonwealth Employment Service (CES) was established to match job seekers with vacancies. National unemployment and other social security benefits were introduced. Unemployment remained low until the oil shocks of the 1970s.
1973–1976	Introduction of large-scale labour market programs that included measures to provide temporary public sector jobs and training for both adults and young people.
1977	Establishment the Community Development Employment Program (CDEP) to promote Indigenous employment.
1980–1989	Several reviews of employment and social security were undertaken to address growing unemployment: the 1982 Carney report on youth unemployment; the 1985 Kirby report on employment services and the 1986–1988 Australian Social Security Review.
1986	Introduction of the first 'activation measures' as a requirement for receiving unemployment benefits. These included compulsory registration with the CES and reporting of job search efforts.
1988	Further activation measures were introduced for unemployed youth. Youth unemployment benefits were repackaged as the Job Search Allowance. Further reporting requirements and incentives to stay in full-time education were introduced.

Timeline of welfare reform in Australia – continued

1991	Newstart replaced traditional unemployment benefits. The principle of 'reciprocal obligation' was established. Case management, compulsory 'activity agreements' and a plan to return to work were required for the unemployed.
1994	Working Nation was released. A Job Compact with the long-term unemployed was introduced and several disincentives were removed from the welfare system: changes were made to the treatment of married couples and women and to the taper rate for part-time work. More case management, training programs, a training wage and tailored assistance for individuals were introduced.
1997	Introduction of Work for the Dole for 18 to 34 year olds.
1998	Labour market assistance was reformed through the privatisation of employment services under the Job Network.
2000	Establishment of the Reference Group on Welfare Reform, which provided a report endorsing the concept of mutual obligation.
2001	The Australians Working Together – Moving Forward package of reforms was announced in the 2001–2002 Budget. Work for the Dole was extended to 35 to 49 year olds, changes were made to the Job Network and stricter participation requirements were introduced for parents, the mature-aged and those with a disability.
2008–2009	As a response to the Global Financial Crisis, the Keep Australia Working package was developed. The package included a 'compact' with retrenched workers and Local Employment Coordinators were placed in regions of high unemployment.
2009	A new employment services system, Job Services Australia, was introduced on 1 July 2009 following a review of employment services in 2008. The system maintained mutual obligation principles and strict participation targets, and made changes to funding arrangements for employment service providers to support more disadvantaged and intractable clients.
2011	A training and welfare reform package, Building Australia's Future Workforce, was announced as part of the 2011–2012 Budget. The package tightens participation requirements for young people, single parents and those with disability, and provides an industry-focused training fund, wage and training subsidies, and more funding for apprenticeships.

The impact of these labour market reforms and economic and demographic changes can be seen by looking at the patterns of employment, unemployment and long-term unemployment in Australia's labour market over time (see figures 3, 4 and 5).

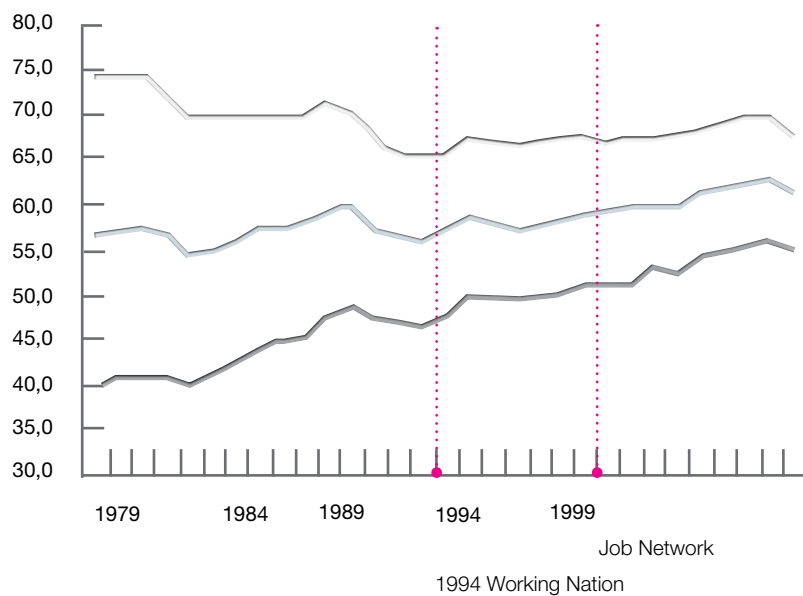


Figure 3

Employment to population ratio 1979–2009

Males
 Females
 Persons

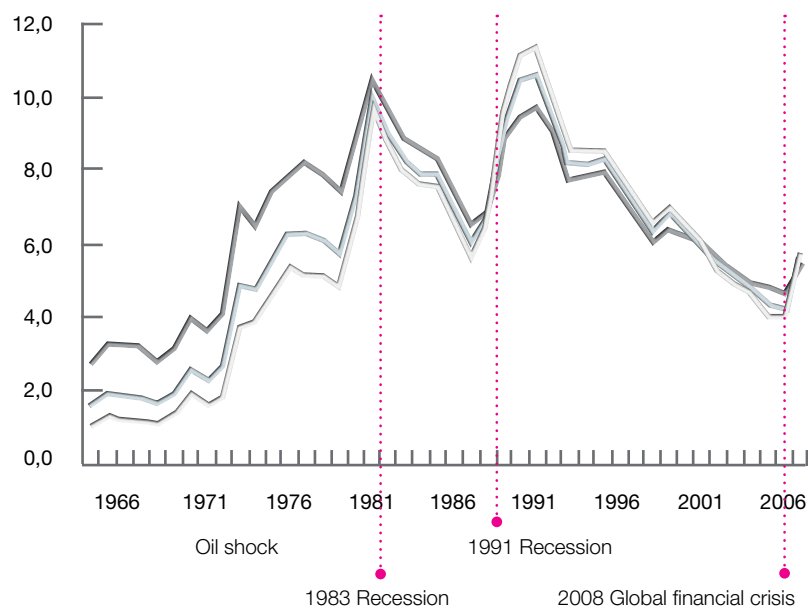


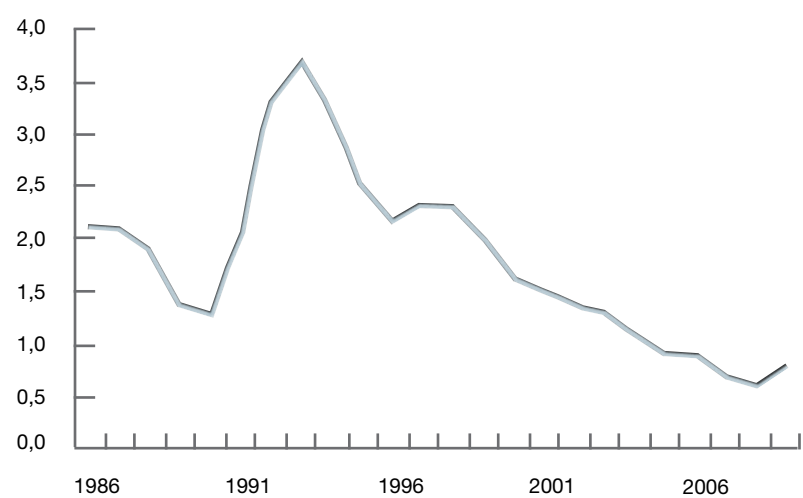
Figure 4

Unemployment rate annual average 1966–2009

Males
 Females
 Persons

Figure 5

Long-term
unemployment rate
1986–2009



Source: ABS 1370.0 Measures of Australia's Progress

The development of the welfare state: 1901 to 1945

Before the Second World War, Australia had a closed economy and a system of centralised wage fixing based on the idea of a 'living wage' that would support a man, his wife and three children. There was no national unemployment program and social security was restricted to old age and invalid pensions and a maternity allowance. The system is famously described by Castles as a "wage earners' welfare state", where protectionism and minimum wage guarantees were used rather than a welfare system to ensure the wellbeing of the working class.²²

During the Depression of the 1930s and other economic downturns, unemployment support was provided primarily by the States (although, following the establishment of the Commonwealth Grants Commission in 1933, the smaller States received some assistance from the Commonwealth to meet these costs).²³ Social spending as a proportion of GDP remained minimal, only creeping up to about 5 per cent by the 1940s.²⁴

In the 1940s as part of the post-war reconstruction the national Government started to take a greater role in providing social security. It introduced means-tested child and family benefits; payments for old age, widowhood, sole parenthood, sickness and disability; a pharmaceutical benefits scheme; and unemployment benefits. Unemployment benefits were conditional on a person's availability to work and accept a suitable job. While some European states were implementing contributory welfare systems, the Australian system was financed through Consolidated Revenue.²⁵

In 1945 the Government released a white paper declaring a commitment to the goal of full employment. It established the Commonwealth Employment Service (CES) to support this goal.²⁶ Saunders noted that, for 30 years after the establishment of the welfare state, the system thrived – primarily because, in an environment with no real unemployment, it was never put to the test:

The labour market delivered jobs for all who wanted them and the wages system ensured that wages were adequate to meet the needs of workers.²⁷

The changing shape of the labour force: 1945 to 1980

The face of the labour force changed dramatically in postwar Australia, particularly from the 1960s onwards. As immigration and the overall population increased and women began to enter the workforce, the labour force grew at an average of 2.3 per cent a year between 1966 and 1989.²⁸

Both productivity and participation increased, but the structure of the workforce changed. Figure 6 below shows that between 1966 and 1977 there was a 1.5 per cent increase in workforce participation rate, but this was primarily due to the entry of married women into the workforce. There was a dramatic increase in female participation (from 36.3 per cent to 44.2 per cent), but the overall participation rate increased only slightly,

as there was an equivalent decrease in the participation of men. This trend escalated after the 1970s as female participation in education also increased and a greater number of skilled jobs were within the reach of women. Wayne Swan discusses this in his book *Postcode: The Splintering of a Nation*, saying:

Women have picked up the lion's share of these employment opportunities at the expense of older men – whose careers have been abruptly terminated well in advance of retirement pension age. Since the 1970s there has been a 20 per cent decline in the number of male full-time jobs, throwing the unskilled and the old especially into long-term unemployment or onto the Disability Support Pension.²⁹

²² Francis G Castles (1985), *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand 1890–1980*, Allen & Unwin, St Leonards.

²³ Francis G Castles and John Uhr (2007), "The Australian Welfare State: Has Federalism Made a Difference?", *Australian Journal of Politics and History*, Vol. 53, No. 1, pp. 96–117, p. 105.

²⁴ *ibid*, p. 99.

²⁵ Bettina Cass (2005), "From Meeting Needs and Establishing Entitlements to Enforcing Obligations: 1967–2004", *Australian Journal of Social Issues*, Vol. 40, No. 1, pp. 33–54, p. 34.

²⁶ OECD (2001), *Innovations in Labour Market Policies: The Australian Way*, OECD Publishing, Paris, p. 75.

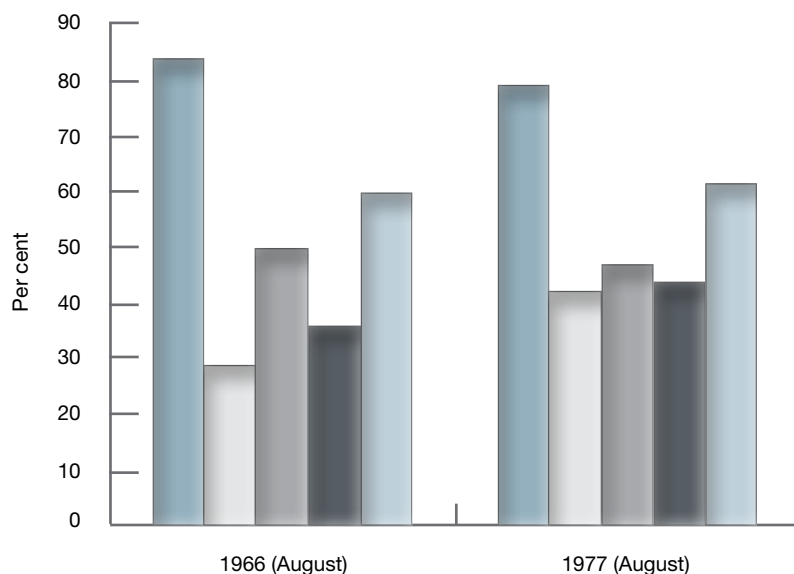
²⁷ Peter Saunders (1999), "Social Security in Australia and New Zealand: Means-tested or Just Mean?", *Social Policy & Administration*, Vol. 33, No. 5, pp. 493–515, p. 497.

²⁸ Department of Employment, Education and Training (1991), *Australia's Workforce in the Year 2001*, Australian Government Publishing Service, Canberra, p. 34.

²⁹ Wayne Swan (2005), *Postcode: The Splintering of a Nation*, Pluto Press, North Melbourne, p. 85.

Figure 6
Labour force
participation 1966–1977

Men
Married women
Non-married women
All women
Persons



The increase in female participation in the workforce also led to an increase in the number of Australians working part-time, from 16 per cent of the workforce in 1966 to 21 per cent in 1989.³⁰

In the 1970s a number of economic shocks put pressure on the social security system for the first time since its establishment. An oil crisis was brought on in 1973 by an OPEC embargo and subsequent increases in the price of oil. Inflation and a stock market crash in 1973–1974 put pressure on developed economies across the world. Unemployment grew and significant long-term unemployment developed.

Australia experimented with its first large-scale labour market programs under the Whitlam Government in 1973. Social spending (including spending on health and education as well as social security) almost doubled in this period, from 4.3 per cent of GDP to 8.2 per cent. However, this was still relatively low by international standards, with Australia in front of only two other countries in the OECD in terms of social security spending.³¹

Some of the labour market programs introduced at this time involved temporary public sector jobs and training programs for both adults and young people. The Fraser Government later halted these programs and the commitment to full employment in order to focus on fighting inflation, which was seen by the Government at the time as the greater threat to the economy.³²

The Fraser Government did not reject labour market policies as such. In 1977 it established the Community Development Employment Program (CDEP) to address the growing issue of welfare dependency within Indigenous communities where there were few or no job opportunities.

Under the scheme, Indigenous communities could elect to reject traditional welfare, pool the welfare funds of the community, use them to develop community employment projects and pay participants a wage. Those who did not work would not be paid and therefore welfare dependency would be discouraged.

³⁰ Department of Employment, Education and Training (1991), *op cit*, p. 35.

³¹ Castles and Uhr (2007), *op cit*, pp. 107–108.

³² OECD (2001), *op cit*, p. 76.

³³ OECD (2001), *op cit*, p. 34.

Over time, the tension between the community decision to reject welfare and impose 'no work, no pay' rules and the right of individuals to a minimum entitlement equivalent to the unemployment benefit meant that participants were effectively entitled to a wage without a clear obligation to work for it.³³

In 2006 there were 14,200 CDEP participants, 76 per cent of whom were in very remote areas. According to the Australian Bureau of Statistics (ABS), compared with all Indigenous people who were employed, Indigenous people identified as CDEP participants were:

- > twice as likely to report working part-time hours (75 per cent compared with 39 per cent)
- > more likely to report working in a low-skill occupation (78 per cent compared with 60 per cent)
- > one-third less likely to report a non-school qualification (13 per cent compared with 37 per cent).³⁴

Despite these internal difficulties, CDEP survived over the decades under various governments. A major reform package was announced in 2009 which closed down CDEP in communities with established economies, changed the role of CDEP from providing direct employment to providing training that would enable participants to get jobs outside of CDEP, and shifted new participants onto income support payments rather than CDEP wages.³⁵

It is widely agreed that the economic reforms of governments in the 1980s and 1990s were necessary and paved the way for Australia's current economic strength. The reforms forced open Australia's borders and made it part of a globalised world economy. These reforms included deregulation of the financial sector, the floating of the dollar, the abolition of exchange and interest rate controls, the opening of the banking sector to foreign competition, liberalisation of foreign

investment policy, reducing disparities in industry policy and cutting tariffs, and deregulation of the oil markets and the airlines. However, the reform process was painful and this was reflected in the labour market. The 1980s saw significant levels of unemployment and a range of capacity constraints developing within the economy.

As Cass notes in a retrospective look at Australia's labour market:

[T]he 1980s began to take into account the increase in the unemployment rate, the extent of long-term unemployment, the high unemployment rates of young people, and the vulnerability of various low income groups to poverty, especially sole parent and their children.³⁶

34 Australian Bureau of Statistics (2006), *4713.0 Population Characteristics, Aboriginal and Torres Strait Islander Australians*.

35 Department of Families, Housing, Community Services and Indigenous Affairs, www.fahcsia.gov.au/sa/indigenous/progserv/families/cdep/Pages/default.aspx#how, accessed 13 April 2011.

36 Cass (2005), *op cit*, p. 40.

The active society: 1970s

ABS data shows that between 1966 and 1972 the unemployment rate averaged less than 2 per cent. Between 1973 and 1981, this average increased to 6 per cent and long-term unemployment began to emerge, increasing from just 4 per cent of unemployment in 1973 to 21 per cent of unemployment by 1981.³⁷

There was a strong push at this time from the OECD and others to respond to rising unemployment with a shift from the existing welfare state structure to more active labour market reforms based on the idea of the 'active society'. According to Gass, the postwar welfare and full employment policy settings in much of the OECD had performed an important role in driving economic growth, but they were not going to deliver economic security into the future:

At least up to the early 1970s, the 'full employment' of all available resources and the 'welfare state', the twin pillars of the system, were linked, in a combination that proved to be a powerful engine of high rates of economic growth, rising standards of material and social welfare, and widening opportunities as a massive expansion of education brought new social groups into positions that society rewarded.³⁸

However, in a changing environment faced with oil shocks, high unemployment, longer term unemployment and inflation, there were increasing demands on the welfare state and reduced revenue to pay for it. It was argued that there was a need for a fundamental change:

The outstanding rates of growth that followed the Second World War were built on the principle that a full-employment economy, based on the active population, was productive enough to provide at least a minimum income for its non-active members. This required the redistribution of income through taxes and social transfers ...

In macro-economic terms, a shrinking active population coupled with a growing capital stock of increasing sophistication ... might continue to generate sufficient income for the tax system to provide the non-active population with a reasonable material standard of living.

But in human and political terms such a 'dual' society, composed of 'insiders' and 'outsiders' is incompatible with accepted standards of social justice ...

The goal that is the most desirable, as well as realistic, alternative is the 'active society', in which government policies should help as many people as possible to participate fully in economic and social life.³⁹

The fundamental idea behind the active society formed the basis of Australia's approach to labour market participation for decades and can still be seen in the policy approaches of both major political parties today. Even the relatively new emphasis on social inclusion in Australian policy debate today can be traced back to the active society theory that participation in economic and social life through work and opportunity is the best way to deliver on ideals of social justice.

³⁷ Australian Bureau of Statistics (1994), 4102.0 *Australian Social Trends*, 1994, "Underutilised labour: Long-term unemployment".

³⁸ James R Gass (1988), "Towards the 'Active Society'", *OECD Observer*, No. 152, June–July 1988, pp. 4–8, p. 5.

³⁹ *ibid*

The economic agenda: 1980s

As a result of the recession in the early 1980s, unemployment peaked at 10.8 per cent in June 1983. By August of that year, long-term unemployment made up 28 per cent of all unemployment – the number of long-term unemployed doubled in the space of just one year, from 88,000 in August 1982 to 189,000 in August 1983.⁴⁰ The recovery from the recession was solid, with employment growing at about 3 per cent a year from 1983 to 1990. However, the growth was not a result of the long-term unemployed re-entering the workforce; rather, it came from an increase in participation by women. From 1983 to 1990, an additional 337,000 women aged between 35 and 44 entered the workforce (albeit many of them in part-time and casual roles). Long-term unemployment was still at 153,000 by 1988.⁴¹

In response to the challenging economic times and growing unemployment, a series of substantial reviews was undertaken in the 1980s looking at issues such as youth unemployment (the Carney report in 1982), employment services (the Kirby report in 1985) and social security (the Social Security Review from 1985 to 1988). These reviews canvassed a range of interconnected and intransigent problems and provided the evidence base for a long and intense period of reform that introduced means testing, activation measures and superannuation.

The Social Security Review ... was given the tasks of identifying areas where reform was needed, setting new directions and devising specific reforms ... The Social Security Review concentrated on three main areas: assistance for families with children; assistance for those of working age; and retirement income support.

In the first area, the major goal was to target payments better, and although the Review defended the universal family allowance, it was income-tested in order to help fund new measures in other areas – one of the first steps in the new era of Australian targeting. The proposed reform of working age benefits was inspired by the ‘active society’ approach developed by the OECD, while the strategy for

retirement income support was to make it less reliant on the pension through the introduction of mandatory private occupational pensions (superannuation).⁴²

The Carney report in Victoria highlighted the growing issue of youth unemployment and the increasing proportion of young people living in poverty because of a tighter social security regime with lower payments and a harsher ‘taper rate’ that provided a disincentive to take on part-time work.⁴³ At the same time, the Kirby report criticised a lack of coordination across programs in employment services and the labour market, which left clients confused – an issue that persists to this day.⁴⁴

The Social Security Review emphasised the role of education and training in getting people back into the workforce, in line with the principles of the ‘active society’. The review led to the development of a number of new labour market programs that were targeted at and tailored to client needs:

- > Jobstart – a wage subsidy scheme
- > the New Enterprise Incentive Scheme (NEIS), which permitted unemployment benefits to be used in support of small business start-ups and which continues to operate today
- > the Australian Traineeship System – the foundation of today’s apprenticeship system
- > Jobtrain – off-the-job training
- > local or pilot initiatives to increase school–work linkages
- > the Skillshare program, which offers community-based assistance for disadvantaged youth, long-term unemployed and others with multiple barriers to employment
- > the Jobs, Education and Training (JET) program, which provides childcare support for lone parents and continues to operate today.⁴⁵

A range of activation measures and requirements were also placed on social security payments. These measures can be seen as the first steps toward a ‘mutual obligation’ approach to policy and marked a distinct shift from the postwar welfare

⁴⁰ ABS (1994), *op cit.*

⁴¹ *ibid*

⁴² Saunders (1999) *op cit.*, p. 499.

⁴³ Cass (2005), *op cit.*, p. 41.

⁴⁴ OECD (2001), *op cit.*, pp. 76–77.

⁴⁵ *ibid*

Working Nation: 1990s

state system, where social security was seen as a reasonable social entitlement for those who could not provide for themselves, to an obligation-based system where recipients were asked for more in return.⁴⁶ This shift was heavily criticised by welfare activists within community groups and academia.

From 1986, pre-existing rules that social security recipients had to register with the CES and show evidence of their job search efforts began to be actively enforced.

In 1988, in a pattern of policy implementation that continues today, further activation measures were placed initially on unemployed youth. Castles suggests the lack of sympathy the public has for the unemployed and particularly for unemployed young people allows governments to use this approach to test policies in the court of public opinion before implementing them fully in groups that attract more sympathy, such as older people and single mothers.⁴⁷ In an attempt to discourage young people from leaving full-time education, unemployment benefits for young people were repackaged as the Job Search Allowance and new reporting and other requirements were introduced. Three years later, the Job Search Allowance was expanded to cover all short-term unemployed.⁴⁸

In 1991, the Newstart allowance was created to replace benefits for the long-term unemployed and greater emphasis was placed on case management and tailored assistance – policies that are still being tweaked and refined 20 years later under the new Job Services Australia scheme.⁴⁹ Clients had to enter into an ‘activity agreement’ with their case manager, which required them to participate in an approved activity such as training or work experience and develop a plan to return to work.

This move towards activation was foreshadowed and endorsed by the Social Security Review, which saw unemployment benefits as having two potential uses – firstly as a traditional safety net and secondly as an active tool to manage labour market policy and support job search and structural readjustment of the labour force.⁵⁰

The economic reforms introduced by the Hawke and Keating governments between 1983 and 1996 mentioned above led to a significant restructure of the Australian economy. With significant restructuring of the economy came a restructure of the labour market.

Shaver argues that the economic reform agenda had a radical impact, leaving Australia with “a residual welfare state in the liberal mould” and focusing more on reducing the financial burden on the Budget than on increasing participation and economic growth.⁵¹

According to the OECD:

[T]he economic expansion in the 1990s was associated with increases in real per capita GDP, substantial employment growth and declining rates of unemployment overall, for example. At the same time, some segments in the population (such as Indigenous people, young males and people in some local areas away from the main urban centres) continued to experience relatively high rates of unemployment. Although the rate of long-term unemployment has decreased, it remains higher than at a similar point in the previous period of economic expansion.⁵²

⁴⁶ Cass (2005), *op cit*, p. 41.

⁴⁷ Francis G Castles (2001), “A Farewell to Australia’s Welfare State”, *International Journal of Health Services*, Vol. 31, No. 3, pp. 537–544, p. 542.

⁴⁸ OECD (2001), *op cit*, p. 77.

⁴⁹ *ibid*

⁵⁰ Sheila Shaver (2002), “Australian Welfare Reform: From Citizenship to Supervision”, *Social Policy & Administration*, Vol. 36, No. 4, pp. 331–345, p. 335.

⁵¹ *ibid*, p. 339.

⁵² OECD (2001), *op cit*, p. 85.

A second recession in the early 1990s pushed unemployment to 12 per cent and long-term unemployment to a peak of 38 per cent of total unemployment (or 366,000 people) in 1993. It was clear that more needed to be done to assist those who had lost their jobs over the previous decade.⁵³

In 1994 the Working Nation policy was released. Working Nation set out a social and economic case for major reforms to labour market assistance and, for the first time since a policy of full employment was abandoned in the 1970s, laid down the goal that anyone who wanted a job should be able to find one and that unemployment would be down to 5 per cent by the year 2000.⁵⁴

Working Nation was a comprehensive package that dealt with labour market reforms, education and training reform, changes to social security, regional development, workplace relations and industry policy, as it was recognised that unemployment had many causes and many enablers. Despite this, the policy had a particular emphasis on dealing with the long-term unemployed:

People who are denied employment for long periods are denied the income, social contact, and creative outlets that work provides – they are denied an essential element of what it means to be an Australian ...

The experience of the 1980s tells us that growth will deliver jobs to the new entrants to the labour market, and to some of those temporarily unemployed; but the long-term unemployed and truly disadvantaged will frequently miss out.⁵⁵

Aside from the social benefits, the OECD claims addressing long-term unemployment was the focus of the strategy, as it was seen as a major impediment to growth and the efficiency of the labour market.⁵⁶

The problem of long-term unemployment was very real. Saunders notes that, from 1977 to 1997, the proportion of the unemployed who had been receiving benefits for more than a year increased from just over 10 per cent to 48.6 per cent – almost a five-fold increase. The number of people who had been on benefits for two years or more increased from 1.7 per cent to 24.7 per cent over the same period.⁵⁷

The Job Compact was at the centre of the Working Nation strategy. Once again, themes of mutual obligation and responsibility started emerging:

In a reform which heightens the obligations on both the Government and those receiving unemployment benefits ... fundamentally the Job Compact means that unemployed Australians will not be left to drift.

Through the Compact, the Government will offer a job to those who have been on unemployment benefits for eighteen months or more. They in turn must take up the offer or they will lose their benefits.⁵⁸

The Job Compact consisted of individual case management, training and support to develop job readiness, a 'job' for six to 12 months, a training wage if necessary, local employment generation schemes and intensive job search assistance and referrals.

Clients were required to accept 'a suitable offer' of work – whether it was subsidised or part of a work experience or training program – and risked their benefit being sanctioned if they failed to accept it.⁵⁹

There was also recognition of the place-based nature of unemployment. There was a focus on local and regional development in employment policies, with the department of employment being made responsible for developing links with regional organisations so that employment services could better respond to the needs of local employers.⁶⁰

For young people, Working Nation again concentrated on the need to increase participation in education and training:

The youth labour market has changed. We are not going to return to a world where large numbers of full-time jobs are available for unskilled young workers. For all young Australians education and training are the keys to employment.⁶¹

The Job Search Allowance was abolished and replaced with the Youth Training Allowance that attracted "greater reciprocal obligation for recipients to undertake approved education, training, work experience and job search activities".⁶² This was accompanied by intensive case

53 S ABS (1994), *op cit*

54 PJ Keating (1994a), *Working Nation: The White Paper on Employment and Growth*, Australian Government Publishing Service, Canberra.

55 *ibid*, p. 2.

56 OECD (2001), *op cit*, p. 78.

57 Peter Saunders (2002), 'Mutual Obligation, Participation and Popularity: Social Security Reform in Australia', *Journal of Social Policy*, Vol. 31, No. 1, pp. 21–38, p. 24.

58 Keating (1994a), *op cit*, p. 9.

59 OECD (2001), *op cit*, p. 79.

60 Keating (1994a), *op cit*, p. 10.

61 *ibid*, p. 11.

62 PJ Keating (1994b), *Working Nation: Policies and Programs*, Australian Government Publishing Service, Canberra, p. 96.

management, a comprehensive skills assessment, access to more training places and job search assistance.

This was in many ways a precursor to the controversial Work for the Dole program introduced three years later. For the first time a 'reciprocal obligation' was placed on young people to undertake work-like activities in return for the receipt of unemployment benefits.⁶³

Employment services and case management were also reformed. The Government-owned Employment Assistance Australia was created and limited contestability was introduced into the sector. A new body, the Employment Service Regulatory Agency (ESRA), was established "to promote the development of community and private sector case managers and to ensure fair competition between the CES and other agencies".⁶⁴ This could be seen as the first step towards the privatisation of employment services that occurred under the Howard Government some years later.

A range of training programs were introduced, traineeships were expanded to cover more industries and a National Training Wage was established whereby employers could receive subsidies for hiring and training the unemployed.⁶⁵ Funding was provided for three years for the Workplace English Language and Literacy (WELL) program to assist those with poor language and literacy; however, the program's success and the demand for this type of training means the program still exists today.⁶⁶

Some seemingly small but very important changes were made to the provision of social security to reduce inbuilt disincentives to take on work. Dramatic social changes since the development of the welfare state meant the current arrangements were not geared towards a labour market where women participated in their own right. Working Nation highlighted important changes that needed addressing:

Since the 1940s when Australia's Social Security system for unemployed people was designed, the labour market has radically changed. In recent years, there have been three major changes with significant implications for our system of income support:

- > The growing proportion of part-time work
- > The greater number of married women in the labour force
- > The narrowing gap between unemployment benefits for married couples and low wage full-time work.⁶⁷

⁶³ Shaver (2002), *op cit*, p. 335.

⁶⁴ Keating (1994a), *op cit*, p. 10.

⁶⁵ OECD (2001), *op cit*, p. 80.

⁶⁶ Keating (1994b), *op cit*, p. 104.

⁶⁷ Keating (1994a), *op cit*, p. 14.

The first measure was a change to the treatment of married couples by treating each member of a couple as a separate recipient of social security benefits. Research had shown that disincentives existed for the wives of unemployed men to accept even a small income from employment, as it could push them over the couple income test that was required for the man to continue receiving benefits. Under the new measure, each member was obligated to look for work for both members to be eligible for unemployment benefits (although exceptions were made for older women). This change not only reduced disincentives for married women to participate in the workforce but also finally sounded the death knell of the 1907 Harvester judgment, under which a male breadwinner was socially responsible for supporting a wife and family, instead treating each member of a couple as a potential worker.⁶⁸

The second important change was to the taper rate to remove disincentives to taking part-time work. Before this change, every dollar earned led to the loss of a dollar of income support. The new policy introduced a 70 per cent taper, meaning that part-time work was more financially rewarding for benefit recipients. The intention of this policy was not only to provide additional labour for employers but also to allow benefit recipients to top up their income, improve their quality of life and gain important experience and connections in the workplace that could help them to find a full-time job in the longer term.

The effectiveness of labour market changes is notoriously difficult to measure, as external economic and population factors are difficult to isolate. It is an even harder task to assess the outcomes from Working Nation – it was rolled back two years later when the Coalition Government came to power in 1996, which left very little time for the policies to be implemented and demonstrate tangible outcomes.

According to the OECD, difficulties with the implementation (such as high case management loads) drew criticism and long-term unemployment fell more slowly than expected both in the period of Working Nation and under the new Coalition Government.⁶⁹

The OECD points to the persistence of unemployment during periods of expansion following recessions in the early 1980s and 1990s and unemployment rates that had not returned to pre-1980s recession levels even 20 years later. Long-term unemployment and male youth unemployment were the worst performing elements in the recovery – long-term unemployment was 2.5 per cent higher in 2000 than 1989 and male youth unemployment was 4.7 per cent higher in 1999 than 1989 (14.7 per cent compared to 10 per cent).⁷⁰

⁶⁸ Shaver (2002), *op cit*, p. 335.

⁶⁹ OECD (2001), *op cit*, p. 80.

⁷⁰ *ibid*, p. 70.

Mutual obligation and the Job Network: 1996 to 2007

In 1996 the Coalition Government undertook a new reform program, abolishing most Working Nation policies, reshaping employment services and social security and making substantial Budget savings at the same time.

The key elements of the labour market restructure over several years included the following:

- > The CES was shut down and most Working Nation labour market and training programs were cancelled (the NEIS program was maintained along with the JET program).
- > A fully contestable market for employment services was created in the form of the Job Network, made up of around 300 public, private and community providers.
- > Centrelink was established and replaced the CES as the 'first stop' for job seekers before they were connected with an employment service provider.
- > The Job Network undertook job-matching services, job search training, intensive assistance for the long-term unemployed and project contracting for seasonal labour such as fruit picking.
- > A 'community support program' was established following consultation with community organisations to support job seekers suffering multiple disadvantages (such as homelessness and mental illness).
- > Newstart was restructured and a more onerous activity test was introduced.
- > Work for the Dole, which required young people aged 18 to 24 to spend 30 hours a fortnight for six months undertaking an approved activity, was piloted in 1997.

- > New Apprenticeships were introduced, with a shift to competency-based training and greater flexibility in design.
- > The Language, Literacy and Numeracy Program was introduced.
- > In the area of school-to-work transitions, the Australian Student Traineeship Foundation (ASTF) was turned into Enterprise and Career Education Foundation (ECEP).
- > JPET (Job Placement Employment and Training program) was introduced for young homeless people.⁷¹

Saunders, in summarising the changes, wrote that the principles behind the reforms included "an all-out attack on welfare fraud, an emphasis on participation and welfare-to-work schemes, and the encouragement of personal responsibility and private sector involvement in the delivery of effective outcomes".⁷²

While there was certainly heated political debate about these reforms, in some ways they were an extension of the 'active society' idea and policies introduced in Working Nation, albeit with a greater focus on penalties and an eye on the Budget bottom line.⁷³

The contestable employment services market created by Working Nation was extended to become a fully privatised system. Reciprocal obligations, reporting requirements, activity tests and 'sanctions' were increased and the language of 'mutual obligation' and 'breaches' was created: the Work for the Dole program was a stricter version of the youth training requirements of the earlier system.

⁷¹ *ibid.*, pp. 81–85.

⁷² Saunders (2002), *op cit.*, pp. 22–23.

⁷³ Castles (2001), *op cit.*, p. 542; Saunders (2002), *op cit.*, p. 22; Jeremy Moss (2001), "The Ethics and Politics of Mutual Obligation", *Australian Journal of Social Issues*, Vol. 36, No. 1, pp. 1–14.

Work for the Dole

The Work for the Dole (WfD) program was introduced in 1997 for 18 to 24 year olds who were unemployed. It was later extended to 25 to 34 year olds.

According to the Minister at the time, Dr David Kemp⁷⁴, the aim of the program was to “help break the cycle of despair experienced by thousands of young Australians who have been unemployed for many months or years. They will now be able to make a valuable contribution to their community through a worthwhile work experience. It will build up their self esteem and help establish a work ethic.”

Importantly, improved employment outcomes were not a specified outcome for the program.

The underlying principle of the program was mutual obligation: “Communities look after those without a job by providing them with financial support. In return, it is fair and reasonable to ask those in receipt of this support to put something back into their community a couple of days a week.”

“Under the pilot phase of WfD eligible unemployment payment recipients were required to participate in specified projects of benefit to the community. The target population for the scheme was recipients of NSA aged 18 to 24 years on full rate of income support who had been in receipt of income support for at least six months. Participation in WfD was required for a maximum of six months; working for six hours per day for two days if aged 18 to 20 years, and working for six hours per day for two and a half days if aged 21 to 24 years.”⁷⁵

The outcomes of the program were highly contested. An assessment by the Melbourne Institute in 2003⁷⁶ found that the program was not successful and that participation in WfD actually had a negative effect on participants obtaining ‘real’ jobs – possibly because while undertaking WfD activities they were not undertaking job search activities to find long-term work and because of a stigma related to the program.

These findings were disputed by Neville and Neville⁷⁷, who found that “Work for the Dole was successful both in terms of soft outcomes and in terms of the number who find jobs as a result of participating in the program”. However, it was suggested that the program was not reaching its full potential in providing soft skills such as training and work experience to participants, as it was seen as merely a legal requirement under mutual obligation instead of a development opportunity.

There was evidence in some longitudinal data that, on its initial introduction, WfD provided an immediate ‘deterrent’ effect in reducing the number of young people who reached the point where they were classified as ‘long-term unemployed’ and therefore subject to mutual obligation requirements in the first place.⁷⁸

Despite initial ALP objections over the value, effectiveness and stigma of the program, over time Work for the Dole received bipartisan support and, while the Department of Education, Employment and Workplace Relations (DEEWR) continued to stress that “employment outcomes are not part of the program’s immediate objectives”, its analysis of the program showed that in September 2008 “over a third of participants’ who had been on income support for more than three years when they commenced achieved a positive outcome”.⁷⁹

74 Kemp (1997), Work for the Dole Legislation, Media Release, March 19, 1997

75 *ibid*

76 Borland and Tseng (2003), Does ‘Work for the Dole’ work?, Melbourne Institute, June 2003

77 Neville and Neville (2005), Realising the Potential of Work for the Dole, Centre for Applied Economic Research Working Paper, UNSW, 2005

78 OECD (2001) *op cit*, p.28

79 Department of Education, Employment and Workplace Relations (2008), Labour Market Assistance Outcomes Report, Commonwealth of Australia, September 2008, p.9

Following the reforms that established the Job Network, the Government established a Reference Group on Welfare Reform made up of community and welfare leaders, academics and public servants to review the arrangements.

In 1999 the responsible Minister, Jocelyn Newman, outlined what she called “the challenge of welfare dependency in the 21st century” in a discussion paper to the reference group. She highlighted a range of trends:

- > The proportion of working-age people receiving income support payments had risen from 3 per cent in 1965 to 10 per cent in 1978 and 18 per cent in 1998.
- > There was increased inequality in the distribution of employment: as well as more two-income families, there were now more no-income families, and 850,000 children were living in families without a parent in work.
- > Over the previous 10 years, the number of people on unemployment payments who had been paid for 12 months or more had tripled, while the number of short-term unemployed on these payments had changed little.
- > More than one-half of lone parents and more than one-half of single people aged 55 to 64 received most of their income from social security pensions and allowances.
- > Young people from families in receipt of income support were much more likely than other young people to leave school early, become unemployed, become teenage parents and themselves be highly dependent on income support.⁸⁰

In response to its brief, the reference group highlighted five key features it felt were necessary for an effective welfare system:

- > individualised service delivery
- > a simpler income support structure
- > improved incentives and financial assistance
- > mutual obligations
- > social partnerships.⁸¹

The reference group’s support for the principle of mutual obligation and suggestions for it to be extended to groups such as single parents and those with disabilities was perhaps the most controversial element of the review. According to Saunders:

The Interim and Final Reports of the Welfare Reform Reference Group attempt to give concrete expression to the idea of mutual obligation. The Final Report proposes that some groups not currently subject to activity testing, including sole parents and disability support pensioners, should be required to demonstrate some form of social or economic participation in return for receiving income support. The proposed new system of participation support adopts a broad definition of participation that includes not only paid work, but also unpaid caring and voluntary work that contribute to social capital through social participation. The report also suggests that mutual obligation can be strengthened by the imposition of sanctions, including withdrawal of all payment ‘as a last resort’.⁸²

Again, the themes of the OECD’s active society and the Social Security Review of the 1980s re-emerged in the reference group report in a call for a change in the way income support benefits are perceived – from merely meeting people’s financial needs to helping them “maximise social and economic participation over the longer term”.⁸³ No longer was it merely the role of the state to support those who could not support themselves; in return for providing that support, the state was seeking active social and economic participation from its citizenry.

The 2001–2002 Budget featured another package of employment and welfare reforms in the form of the Australians Working Together – Moving Forward policy. Work for the Dole was extended to 35 to 49 year olds, changes were made to the Job Network, supplements for training and a ‘working credit’ were introduced for job seekers and changes were made to the assistance and participation requirements for parents and the mature-aged. More support was provided for people with disabilities to help them find work and more

⁸⁰ *ibid.*, p. 193.

⁸¹ Shaver (2002), *op cit.*, p. 337.

⁸² Saunders (2002), *op cit.*, p. 26.

⁸³ Shaver (2002), *op cit.*, p. 336.

regular medical assessments were required to confirm an ongoing disability. CDEPs were tasked with operating as Indigenous employment centres to help participants find paid work outside of the CDEP and to deliver more effective case management.

Shaver notes that in this period:

In and of itself, the care of school-aged dependent children, even without the assistance of a partner, no longer fulfils the conditions attached to the receipt of public support. Recipients of parenting payments, both sole parents

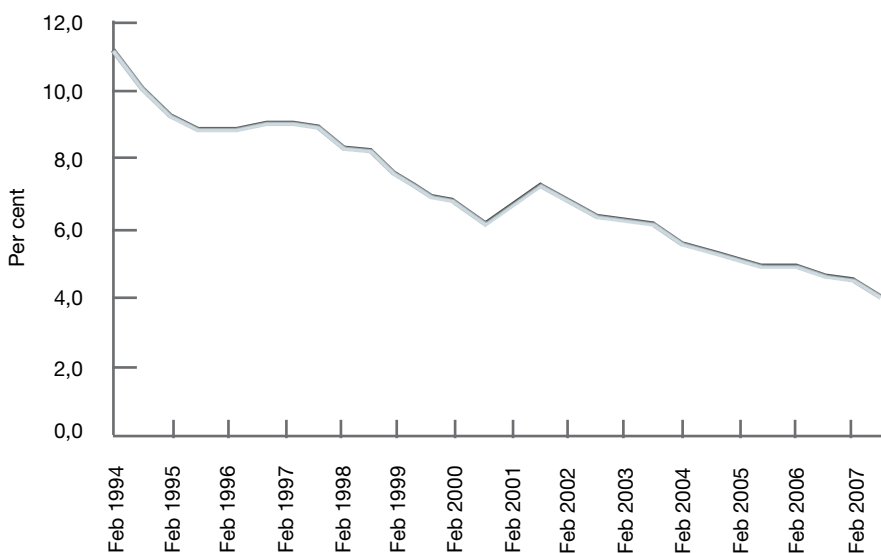
and unemployed partners, now must show they are preparing themselves for employment when their children reach an age of relative independence. These requirements are not greatly burdensome, and it is at least arguable that they are beneficial to the individuals concerned. Their imposition nevertheless marks a new stage in the evolution of Australian income support, in which the male breadwinner family model is being replaced with one predicated on employment for all adults.⁸⁴

Comparing two approaches: Working Nation and the Job Network

Two decades of rigorous and relentless reforms ... has produced a 'reform fatigue' accompanied by a general mood of confusion, anxiety, cynicism and resignation over the need for the reforms and their impact.⁸⁵

After 30 years of relative calm, economic growth and stable unemployment, the recessions of the early 1980s and 1990s hit Australia's labour market hard. Structural changes to Australia's economy to deregulate and lower trade barriers, combined with social changes that saw more women participating in education and work, dramatically reshaped the labour market.

While accepting that this analysis does not account for external economic factors, figure 7 below shows that total unemployment steadily declined over the 13-year period both Working Nation and the Job Network were in place. One reading of this data is that prevailing economic conditions have more of an impact on unemployment than a particular policy approach; more detailed data is needed to examine micro-economic impacts.



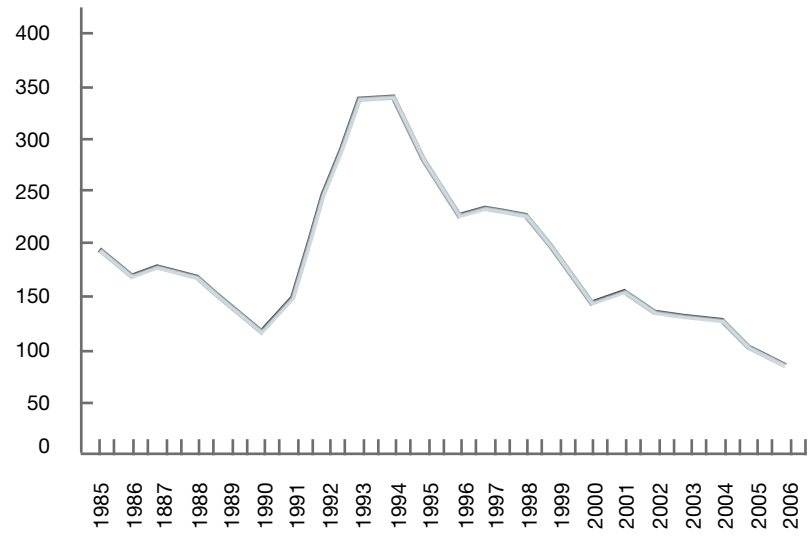
Source: ABS (2011) *Labour Force, Australia*

Figure 7
Unemployment rate – Working Nation to Job Network 1994–2007

⁸⁴ *ibid*, p. 340.

⁸⁵ Saunders, (1999), *op cit*, pp. 498–499.

Figure 8
Long-term
unemployed
1985–2006



NB - Break in data set in 1997. Data from 1985-1997 from Australian Social Trends summary tables; Data from 1998-2006 from Labour Force, Australia.

Source ABS, *Australian Social Trends*; *Labour Force, Australia*

The level of long-term unemployment, however, is a more revealing indicator of the success of the two labour market policies, as those who have been unemployed for more than a year are generally more vulnerable and less likely to obtain employment without assistance, regardless of external economic growth. The impact of labour market programs focusing on the long-term unemployed is therefore likely to be more pronounced.

Figure 8 highlights the emergence of long-term unemployment as a serious threat to economic growth and social participation in the early 1990s. There was a clear decrease in long-term unemployment both from 1994 to 1996 when Working Nation policies were in place and from the introduction of the Job Network and mutual obligation policies around 1997 and 1998 – indicating both had a positive impact on tackling long-term unemployment. Again, because Working Nation had been implemented for such a short time period before being replaced by the Job Network and mutual obligation, it is difficult to forecast what the impact of Working Nation may have been had it remained in place for a longer period of time. However, the drop in long-term unemployment over the initial two years of the program looked promising.

According to the OECD, the Government developed the new Job Network system by drawing on lessons from the limited implementation of Working Nation: screening and classification tools to target the most at risk; case management results indicating the effectiveness of job search assistance as an alternative to vocational training for clients who were job-ready; and case manager observations on the need to focus employment assistance on those most able to benefit.⁸⁶

While recognising that the privatisation of employment services through the Job Network was a radical change and a world first, the OECD notes that “it also needs to be seen as the continuation of changes set in motion by previous Federal governments”.⁸⁷

While there is a lot of common ground between the two major political parties in Australia over labour market reform, one consistent divergence in the development of labour market programs over recent history is the place of training as a labour market solution. Training programs were generally favoured by Labor governments (Whitlam, Hawke/Keating, Rudd/Gillard) but were often shut down by Coalition governments (Fraser, Howard), which appeared to favor market activities over training.

Fowkes summarises the primary difference between the two systems as follows:

Working Nation fit within Labor's wider skill formation and economic adjustment agenda. It encouraged training both off the job, and on the job. It encouraged employers to take on unemployed people through direct wage subsidies. And it included job creation as a vehicle for very long term unemployed people to gain work skills and engage in employment. The new Job Network was designed on ‘work first’ principles. The aim was to get people into full time work and get them there fast.⁸⁸

There is also a significant difference in the budgetary approaches to labour market policies of the political parties. As it did under the Whitlam Government, over the period of the Hawke/Keating governments, social spending increased (by 5.1 per cent of GDP) while, in the first seven years of the Coalition Government to 2003, social spending declined by 1 per cent of GDP, including a 0.8 per cent decrease in expenditure on unemployment.⁸⁹

While again urging caution because of changes in labour market conditions and participant characteristics, a substantial OECD review of Australian labour market policies in 2001 compared outcomes from the Job Network and Working Nation with mixed results.

⁸⁶ OECD (2001), *op cit*, p. 89.

⁸⁷ *ibid*, p. 90.

⁸⁸ Fowkes (2011), *op cit*, p. 6.

⁸⁹ Castles and Uhr (2007), *op cit*, p. 113.

Key OECD findings were as follows:

- > Against a background of rapid economic growth, unemployment fell rapidly during the early years of these new policies.
- > Total spending on active labour market programs declined from 0.8 per cent of GDP in 1995–1996 to just over 0.4 per cent of GDP in 1998–1999, making the Job Network more cost-effective.
- > Between 1998 and 1999, only one in five disadvantaged job seekers receiving Intensive Assistance had a recognised employment, education or training outcome. The remaining 80 per cent stopped receiving Intensive Assistance without a change in their circumstances.
- > The majority of participants in Job Search Training or Intensive Assistance remained unemployed or moved out of the labour force following their participation in these measures. Very few were in receipt of further assistance through an alternative labour market program.
- > Only the Job Matching and NEIS measures had a majority of positive outcomes.
- > Average employment rates were somewhat higher for participants who exited Job Search Training or Intensive Assistance (level A) than for those who exited most of the intensive measures under Working Nation.
- > Larger shares of Working Nation participants went on to further assistance than was the case with Job Network.
- > A greater share of former Intensive Assistance participants left the labour force than was the case for the Working Nation measures.

The review concluded that:

Job Network has delivered similar results to those of the CES [Working Nation].

Working Nation targeted an especially difficult-to-place client group in focusing on individuals unemployed 18 months or longer. Under Job Network, less than two-thirds of IA [Intensive Assistance] clients are long-term unemployed, as are less than one-third of JST [Job-Search Training] clients. This difference in approach may have contributed to the relatively high share of CES placements accounted for by those unemployed between 12 and 24 months (18%). Job Network had a lower proportion of such placements (13%) ... CES also had somewhat higher shares of placements among those with educational attainment of less than completed secondary school, Indigenous Australians and persons with disabilities. On the other hand, Job Network had a higher proportion of placements comprised of those unemployed 24 months or more (17% for Job Network as compared to 13% for CES).⁹⁰

Concrete results in terms of labour market outcomes are also an essential element of an assessment. Here, the available statistics indicate that Job Network has delivered results that are not dramatically different from those obtained under the Working Nation programme of the previous government.⁹¹

In sum, the results of the Job Network approach during its first years of operation might be considered mixed. On the one hand, the system delivered results comparable to those of the previous approach, but at significantly less cost overall. On the other hand ... it may have been possible to improve some results ... faster during the recent period of economic upswing.⁹²

Making specific observations about the Job Network, the OECD noted that more needed to be done to improve case management for both better outcomes and a better client experience:

Centrelink has only very limited resources for individual case management ... More case management assistance might also improve outcomes from Mutual Obligation, helping people to find regular work before they are referred automatically to Work for the Dole, or to otherwise choose the most appropriate option ...

By default, responsibility for longer-term case management lies within Centrelink. However, Centrelink does not maintain individual case management records which might, for example, include the outcomes of a psychological assessment, remedial training undertaken and jobs applied for during Intensive Assistance. Thus, a type of 'carrousel' effect may arise as people 'go back to zero' in the terms of the system's case management expertise concerning their individual barriers to employment. Better arrangements for managing the very long-term unemployed, whose barriers to employment should have been relatively well identified by this stage, are needed.⁹³

The OECD assessed the effectiveness of some of the activation measures put in place under the Job Network, such as job search monitoring and mutual obligation. They noted that these policies did seem to have an impact on the short-term unemployed, with increased numbers exiting the system; however, they did not tend to have a behavioural impact on the long-term unemployed.⁹⁴ This would support findings from the Work for the Dole program that it provided a deterrent effect for the short-term unemployed but did little to deter those entrenched in the welfare system.

⁹⁰ OECD (2001), *op cit*, pp. 138–141.

⁹¹ *ibid*, p. 20.

⁹² *ibid*

⁹³ *ibid*, pp. 30–31.

⁹⁴ *ibid*, p. 28.

These findings would tend to indicate that time-consuming or arduous activation measures may be effective in ensuring those who have more recent connections to the workforce and are less disadvantaged do not stay in the social security system for longer than is necessary between jobs.

The impact on the long-term unemployed who tend to face multiple disadvantages is less apparent, perhaps because they have fewer alternatives and less capacity to gain employment without intensive assistance in the first place.

A former CEO of a Job Network provider, Lisa Fowkes, has supported this view:

While our labour market programs are geared to 'activation', they are poorly placed to support adaptation ... While assistance is provided, the major form of intervention is to increase pressure and to change behaviour of job seekers.⁹⁵

The OECD noted the difficulties the long-term unemployed faced, where "open vacancies suitable for long-term unemployed people are in short supply judging by the limited proportion of IA clients that is sent to a job interview, and referrals to short training and related courses or work experience could be a useful additional activation tool".⁹⁶

Overall, Working Nation was more expensive to administer but concentrated on harder cases with greater success. With substantially reduced costs, the OECD analysis concludes that the Job Network did a good job, particularly with less disadvantaged clients.

⁹⁵ Fowkes (2011), *op cit*, p. 4.

⁹⁶ OECD (2001), *op cit*, p. 32.

Job Services Australia and beyond: 2007 onwards

The Federal Government's Job Network is no longer fit-for-purpose. The program has been successful, but its economic backdrop has changed. Job Network was established to place large numbers of unemployed people into scarce jobs. Its role today is vastly different – preparing a smaller number of (often) disadvantaged individuals for a wide variety of jobs. Its focus must similarly change: the primary task must be to build 'employability' rather than to act as a job matching service.⁹⁷

Around a decade since the Job Network was introduced and in a climate of economic growth, prosperity and skill shortages, the new Labor Government commissioned a review of employment services in 2008.

The review confirmed much of the analysis of the OECD, that the Job Network was effective in assisting the short-term unemployed into employment at low cost but was less effective in supporting the long-term unemployed into sustainable work.

According to DEEWR's net impact analysis:

[T]hree-quarters of those who participated in Customised Assistance and subsequently found work would have found employment anyway. This means taxpayers' money is spent on job seekers who could get a job without assistance. Conversely, the most disadvantaged job seekers do not receive enough help.⁹⁸

The analysis also showed the importance of contract arrangements with employment service providers in order to achieve desired outcomes. For instance, under the Job Network:

Evaluations have shown that greater engagement with providers is a determinant of successful outcomes for disadvantaged job seekers ... Evaluations of Job Network have shown the value of individualised and flexible service delivery.

[C]ontract arrangements and incentives skew employment provider behaviour towards obtaining short-term jobs rather than equipping job seekers with the skills they need to obtain sustainable employment and contribute to Australia's skills base and productivity.

Current settings do not encourage or reward providers to focus on labour market shortages or the suitability of the job seeker to a particular role ... Because of the focus of the existing contracts, providers have not always developed strong labour market knowledge.

[E]mployment services providers are not appropriately rewarded for investing in job seekers' potential through education and training. There is little structural support or recognition that education and training can and does lead to more meaningful employment for the individual, improved potential for long-term financial independence and better contribution to highly demanded skills required by business.

The array of different programs means that job seekers are not effectively serviced for long periods of time. For example, job seekers referred to WfD effectively lose touch with their Job Network provider for six months as they are 'out-of-sight, out-of-mind'.⁹⁹

This critique is backed up by those with direct experience in the Job Network. Fowkes argues:

Job Network paid on results, leaving providers to decide whether spending on training or employer incentives was necessary. Under Job Network, assistance was light touch. The reward to providers for early placement in a full time job, regardless of the quality of the job, was substantially greater than the reward for equipping job seekers with skills (for example through TAFE) prior to placement. So any strategic effort to upskill or reskill unemployed people prior to placement was discouraged by the system itself.¹⁰⁰

⁹⁷ Hetherington (2008), *op cit*.

⁹⁸ Commonwealth of Australia (2008), *The Future of Employment Services in Australia: A Discussion Paper*, Department of Education, Employment and Workplace Relations, Canberra, p. 5.

⁹⁹ *ibid*

¹⁰⁰ Fowkes (2011), *op cit*, p. 6.

Work in Job Network became characterised by large caseloads – a minimum of 100 people per case worker – but usually many more – with substantial time (up to 60%) spent in administration/red tape.¹⁰¹

One of the most startling things about these raw numbers is the low level of achievement of full time work. Less than one in three of the jobs that were achieved by Job Network (ISCA) participants were full time.¹⁰²

Those least likely to see improvements over the period were those who were Indigenous, male, homeless or had longer duration of unemployment. These groups were more likely to fall back into unemployment.¹⁰³

The system, it was argued, needed to be reconfigured for the economic times. Unemployment is low, the economy is facing capacity constraints in the face of a second mining boom and long-term unemployment and disadvantage remains an intractable problem.

There is a growing recognition by Government that the unemployed want to work and that employers are crying out for skilled workers – unfortunately the long-term unemployed are typically low-skilled and face multiple disadvantages that act as a barrier to sustainable employment.

By 2008, 29 per cent of job seekers registered on the Job Network case load had been in receipt of benefits for five years or more and the same proportion was classified as highly disadvantaged.¹⁰⁴

As a significant aside, during the review and redesign of the employment services system, the Global Financial Crisis hit with the collapse of Lehman Brothers investment bank in September 2008 and altered the global economic outlook.

Australia's response to the Global Financial Crisis saw the development of the Keep Australia Working package to support employment. This included a Government 'compact' with retrenched workers whereby retrenched workers were offered training and Local Employment Coordinators were placed in regions of high unemployment to develop regional employment plans and connect people with apprenticeships and employment opportunities.

It is difficult to separate the impact of these employment measures from the substantial fiscal stimulus package and aggressive monetary policy implemented by the Reserve Bank of Australia. The end result of these measures (and the fundamental strengths of the Australian economy and financial system) was that Australia emerged strongly from the global recession, unemployment remained relatively low throughout and there was no need to fundamentally change the approach of developing a low-unemployment, high-disadvantage labour market strategy.

A new employment services system, Job Services Australia, was introduced on 1 July 2009. The system included changes to funding arrangements for employment service providers to support more disadvantaged and intractable clients.

While maintaining mutual obligation principles, the new system has a greater emphasis on participation in skills development and training as well as the existing Work for the Dole and Green Corps programs. Work experience, brokered placements and training are also listed as acceptable activities to meet mutual obligation requirements. In addition, job seekers are required to have regular face-to-face contact with Centrelink in order to receive income support payments.

¹⁰¹ *ibid*, p. 8.

¹⁰² *ibid*, p. 10.

¹⁰³ *ibid*, p. 11.

¹⁰⁴ Commonwealth of Australia (2008), *The Future of Employment Services*, *op cit*, p. 4.

According to the Government, new features of the system are:

- > incentives for sustainable employment outcomes, particularly for the most disadvantaged job seekers
- > a system that emphasises lasting results and prevents job seekers from being churned through the system or parked without assistance appropriate for their needs
- > encouragement for skills development and training that lead to sustainable employment
- > increased emphasis on employer needs
- > support for the social inclusion of job seekers, including through partnerships and local solutions
- > rewards for Job Services Australia providers for working with employers to supply work-ready job seekers who can meet local labour market demands.

Fowkes has argued that the new Job Services Australia “has more in common with Job Network than it has differences ... it rests on the same underlying assumptions about unemployment, and a very similar approach to addressing the problem”.¹⁰⁵

While there is clearly a greater emphasis on training and skill development that will lead to long-term attachment to the workforce rather than a short-term exit from income support, a substantial part of the Job Network framework remains, particularly in relation to the competitive employment services market, mutual obligation and penalty regimes.

Fowkes asserts that, 18 months after it began, early indications show the Job Services Australia is performing at least comparably with the Job Network and slightly better in terms of education and training.¹⁰⁶

As well as containing a number of measures that extend the policies of mutual obligation and activation, the 2011–2012 Budget also indicates that further ‘enhancements’ are to be made to the employment services system and that disability employment services will be put to tender for the first time. The rollout of these measures and adjustments to the system will continue the ongoing process of labour market reform.

105 Fowkes (2011), *op cit*, p. 5.

106 *ibid*, p. 10.

CONCLUSIONS

Over the last 30 years, An enormous amount of policy ground has been explored in an effort to increase participation. All sides of the political spectrum have developed reform packages that have been delivered by both public and private sectors and with a focus on training and on work. Why current institutional arrangements exist and how they came about, and to ask whether they are serving the purpose they set out to and whether they have been able to adapt to new goals is worthy of further reflection.

This analysis concentrates on the macro-level and is therefore limited in its ability to make specific program-level recommendations. What can be said, however, is that after more than 30 years of labour market reform and in a booming economy, 123,700 people have been unemployed for more than a year and participation has increased by only 4.6 per cent since 1978 despite a 16 per cent increase in the number of women in the workforce.

Labour market policies assist in getting people into the workforce, however, a more holistic approach – one that looks at who is missing out and why – may be needed to increase participation further. For example, this paper identifies training as a strategy that has been used intermittently by Government. The impact of education and training policy interventions could be further explored.

What is the problem?

We know a lot about the groups that are not participating in the workforce and the impact of different labour market approaches to encourage participation. It is worth reflecting on the multiple policy goals for participation and the key problems that Government is seeking to address – for example:

- > increasing productivity
- > reducing social exclusion and improving the lives of individuals
- > reducing the Budget impact of pensions and beneficiaries
- > filling job vacancies to meet economic growth and skills shortages.

What does success look like?

Visioning success and what this looks like to citizens as well as Government is a useful exercise in shaping effective policy to deliver it: is it to get people into a job, fill skills shortages or provide long-term employment outcomes or all of the above? What are the measures of success that could shed light on these issues: a reduction in the number of people on the Disability Support Pension, more people with a disability working part-time and improving their social outcomes or higher skill levels and a promise of greater returns to the economy? These are very different outcomes and Government

Who is affected?

Those most affected by changes to the labour market and therefore the subject of Government intervention in relation to increasing workforce participation have changed over time. In the early 1970s the phenomenon of youth unemployment came to the fore. Later, the recession of the early 1990s impacted most heavily on mature-aged men. Not only do policy settings change over time but also recipients change. Government intervention cannot rely solely on looking at what worked in earlier settings, helpful though it is.

contracts with employment service providers influence which outcomes are sought.

One of the key things learnt through the Job Network experience was that there is a high level of recidivism amongst many unemployed people. Contracts were shaped around getting an employment outcome and did not take account of the length of employment and the likelihood of long-term employment. People therefore took jobs that they were not properly equipped for and then found themselves back in unemployment sooner rather than later.

A citizen-centered approach: the way forward?

Case management for the long-term unemployed has been part of labour market policy for decades. Has it had the resources necessary for effective implementation? Under Working Nation and again under the Job Network, case managers had responsibility for too many individuals and the attention they received was ineffective in getting long-term employment outcomes. Reform leading to citizen-centred approaches, where the circumstances of individuals and the characteristics of affected cohorts are taken into account, holds promise. There is a need to reduce case loads and improve linkages with other Government service providers and departments (housing, hospitals, mental health facilities, family services, shelters for victims of domestic violence, legal aid, schools and justice facilities).

Other considerations

We need better data

It is difficult to assess the impact of individual reforms with major sets of reforms being implemented at the same time and superseded within a matter of years. As part of a citizen-centric approach, we should consciously seek to improve the individual-level data being collected to enable individual movements to be tracked between different types of benefits and throughout the tax system. This would give policy makers a better idea of how the tax and transfer systems interact with people's real lives. Are they actually employed long term, are they benefit-jumping or are they moving into relationships where they no longer need Government support?

We need to focus on key parts of the population to make further gains

The big participation gains (from women entering the workforce) have already been made and change from here on in will be incremental. It will need to be implemented both from the bottom up, responding to the drivers of individual participation, and from the top down, using incentives and disincentives. Programs and policies will need to take into account the circumstances of individuals and groups of the population. For instance, keeping women with children attached to the workforce and prolonging the attachment of older Australians to the workforce present policy makers with significant potential for participation increases. The next piece of work will examine the different population groups and the policy directions likely to lead to positive outcomes.

NEXT STEPS

The complexities of workforce participation issues are well known to policy makers. The HC Coombs Policy Forum is taking a staged approach in this project to fully explore the range of issues and obstacles to increasing participation.

The next task in this project will be to provide a demographic snapshot and examine the barriers faced by key population groups where participation could be increased, including:

- > young people
- > Indigenous Australians
- > middle-class women
- > single-parent pensioners
- > low-skilled men
- > migrants
- > the long-term unemployed
- > people with disability
- > older Australians
- > the underemployed
- > low socio-economic status communities.

Further work is also being commissioned on experiences of labour market reform and efforts to increase participation in a range of OECD countries.

A series of workshops, forums and lectures given by visiting international fellows will also be held over coming months and targeted research will build on this work to develop new and innovative policy ideas for this long-standing problem.

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