



## HC Coombs Policy Forum

# Workforce participation paper executive summary

Community groups, policy makers and governments have long recognised the economic and social importance of ensuring that all individuals in society who are capable of participating in the workforce are able to do so.

Successive governments have taken different approaches to tackling the issue of workforce participation. However, despite more than 30 years of labour market reform and a period of economic boom, workforce participation has increased by only 4.6 per cent since 1978. Furthermore, while there has been a 16 per cent increase in the number of women in the workforce, the number of men in the workforce has declined.

Australia faces specific challenges to its productivity over the coming years. Treasury predicts that the Australian economy will continue to expand, but it is also expected that participation could fall to 63 per cent of current levels by 2025 as a result of ageing of the population. All sides of politics agree that effective labour market policies to increase workforce participation must be introduced to address these challenges.

While Australia's current unemployment rate of 4.9 per cent is quite low in historical terms, it does not reflect the large number of 'lost workers' within the system – those who are under-employed, those who are discouraged from looking for work and those who can be described as 'marginally attached to the workforce'. Also, while many policies have been successful in assisting those who have been out of the workforce only a short time, they have had less success in reducing the number of job seekers who have been unemployed for a long period.

This paper focuses on 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 the Government and the Australian Public Service. It reviews past efforts to increase workforce participation in Australia and identifies areas where more innovative policies could be developed.

It recommends a more holistic and citizen-centric approach to solving the complex issues associated with workforce participation to ensure that there is an understanding of the impacts of policies on an individual level. Solutions should take into account information about the circumstances of individuals and characteristics of affected groups and take a closer look at who is affected by changes to the labour market over time. To allow individual cases to be better managed and understood, employment service provider case loads must be reduced and linkages with other Government service providers improved.

To make further substantial participation gains, there may need to be renewed focus on key parts of the population and the reasons for their inability to participate in the workforce to the extent that they wish. For example, keeping women with children attached to the workforce or prolonging the workforce involvement of older Australians could hold potential for significant gains in participation rates.

To develop effective solutions to participation issues and meet the challenges that face Australia over the coming years, it is critical to examine how the current arrangements came to exist, whether they are achieving the goals they should be and whether they have been able to adapt to new goals as situations have changed.

We need to recognise that the Government has multiple policy goals for participation – for example, to increase productivity, reduce social exclusion, reduce Budget impact and fill job vacancies to meet economic growth and skills shortage – and ensure that policy responses are properly aligned to these goals.

For all labour force participation measures we should have a firm idea of what we expect a policy to achieve so that success of the policy can be measured. It is also important that more detailed data be collected so that we can properly gauge the impacts of policies, especially at an individual level, and find out whether policies are really working or whether they are, for example, just shifting people from one type of benefit to another.

To fully explore the range of labour force participation issues and obstacles to increasing participation, broader and deeper research and discussion will be required. A demographic snapshot will be developed to examine barriers faced by key population groups in which participation could be increased. To further inform further policy development, work has been commissioned to examine labour market reform and efforts to increase participation in other OECD countries.