

## Chapter 1

### The background to active labour market policies in Australia

*Australia's labour force has a large foreign-born share and a generally high level of educational attainment, although the share with less-than-secondary education also remains relatively big. Labour market outcomes have steadily improved since the mid-1990s, and were not much affected by the recent recession. Australia's employment rate is now one of the highest in the OECD area. Target groups for activation measures include lone parents, people with disabilities, Indigenous Australians, immigrants, youth and older workers.*

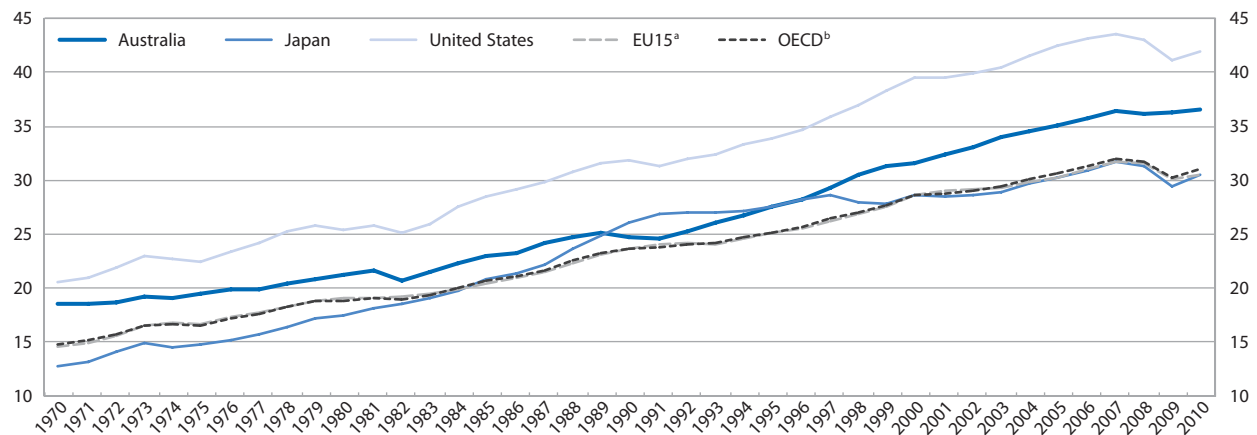
## Introduction

Australia had a resident population of 22.48 million at the end of 2010 (ABS, 2011a). It is the least-densely populated country in the OECD area (OECD, 2009a). Australia is a federal nation consisting of six states and two mainland territories which have their own parliaments. In addition, Australia has seven offshore territories: six administered by the federal government, and Norfolk Island which is self-governed.

During the decade preceding the global financial crisis, Australia's economy grew rapidly and employment rates were high. Between 1989 and 2008 the annual average GDP growth rate, 3.3%, ranked seventh in the OECD area (OECD, 2009a). Australia's employment rate,<sup>1</sup> which was close to the OECD average in the early 1990s, has steadily increased. In 2010 it was five percentage points above the G7 average, at 72.4%, and after adjustment for differences in the age range covered by national labour force surveys it was the sixth highest in the OECD.<sup>2</sup> With regard to hourly labour productivity, in the pre-recession year 2008 Australia took only a mid-field position, well below the levels in some European countries such as France, Germany, Ireland and the Netherlands as well as the United States (OECD, 2010). However, Australia's GDP per capita in 2008 ranked 9<sup>th</sup> among OECD countries (OECD, 2009a). It has been above OECD and EU15 average levels since the 1970s, and has also been higher than in Japan except in the first half of the 1990s. The shortfall relative to the United States increased in the 1970s and 1980s and stabilised in the 1990s and 2000s, then fell with the onset of the current recession (Figure 1.1).

In contrast to the high growth rates of GDP per capita, real wages grew by just 1.1% on average from 2000 to 2010, although this was still above the rate in EU15 countries, Japan and the United States (OECD, 2011a). The ratio between minimum and median wages was high as compared with other OECD countries that have a minimum wage system.<sup>3</sup> The rate of in-work poverty<sup>4</sup> was among the lowest in the OECD area, but Australia's rate of household poverty after taxes and transfers<sup>5</sup> was close to the OECD average

Figure 1.1. **GDP per capita, Australia, Japan, United States, EU15 and OECD, 1970-2010**  
Thousands of US dollars (USD)



a. Weighted average of EU15 member countries.

b. Weighted average of 26 OECD countries, excluding Chile, the Czech Republic, Estonia, Hungary, Israel, Poland, the Slovak Republic and Slovenia due to incomplete GDP data.

Source: OECD National Accounts Database for GDP per capita, USD, constant prices, 2000 purchasing power parities.

(OECD, 2009b, Figures 3.3 and 3.5). In the mid-2000s, the Gini coefficient for the degree of household income inequality was near the OECD average (OECD, 2008a).

Australia did comparatively well during the global financial crisis. Although the growth of real GDP slowed considerably between 2007 and 2009 (from 4.6% in 2007, to 2.6% in 2008 and to 1.4% in 2009), this compared with negative growth in most other OECD countries in 2009, averaging –3.5%. The average unemployment rate increased from 4.3% in the second quarter of 2008 to 5.7% in the second quarter of 2009, but fell back to 4.9% in the second quarter of 2011. Australia’s economy recovered rapidly thanks to demand from Asia, a freely floating exchange rate, a well regulated and properly-functioning banking system, an effective monetary policy response and a large fiscal stimulus. Regarding monetary policy, the Reserve Bank of Australia reduced the Official Cash Interest Rate Target from 7.25% to 3.0% between August 2008 and April 2009. Australia’s fiscal stimulus package introduced in 2009 as a response to the crisis was one of the largest among OECD countries in terms of its share of 2008 GDP (OECD, 2009b). The AUD 42 billion “Nation Building and Jobs Plan” economic stimulus announced on 3 February 2009 consisted mainly of cash payments to specific groups of the population and investment in education (Building the Education Revolution Initiative), infrastructure and housing (Australian Government, 2010a). Some regional labour markets were defined as needing specific action. A Jobs and Training Compact<sup>6</sup> was announced to support young people, retrenched workers and local communities affected by the crisis. One component was a Jobs Fund to support innovative projects that create job and training opportunities in local communities (see Chapter 5 and Australian Government, 2009b). Other stimulus measures included the AUD 10.4 billion Economic Security Strategy and AUD 15.2 billion in Council of Australian Governments reform packages.

During the long period of sustained growth prior to the global financial crisis, skill shortages emerged as a major challenge for the Australian economy, with a risk that they will persist as Australia enters a long phase of population ageing (Access Economics, 2009; and Treasurer of the Commonwealth of Australia, 2010). Thus, there is a need for making better use of labour resources. This involves reducing underemployment (involuntary part-time work) and enhancing participation rates of some groups of the population as well as upgrading skills.

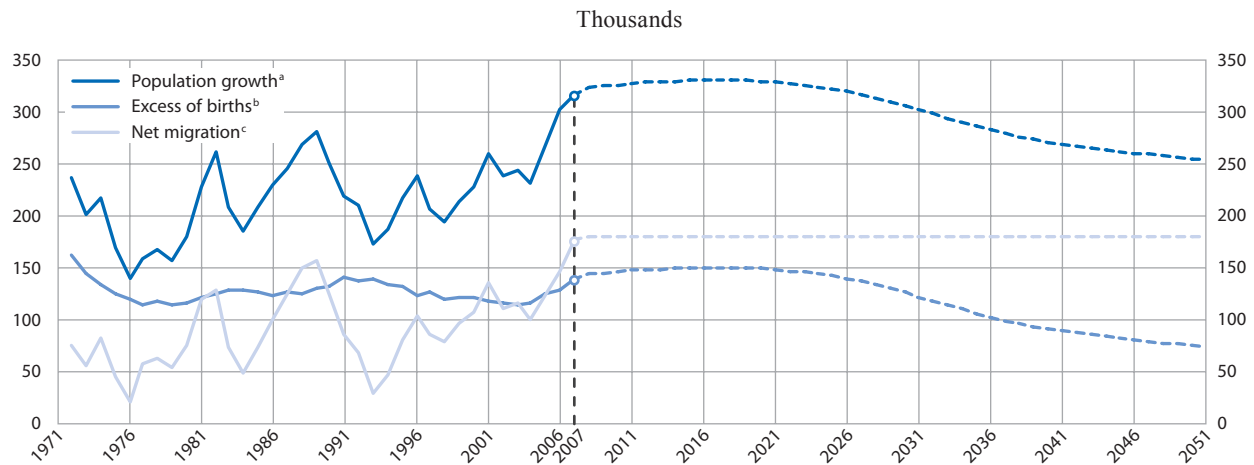
## Demography, immigration and education

Since the mid-1970s the growth rate of total population has averaged about 1.3% per year, equivalent to 30% every two decades. In 2008 and 2009, net migration exceeded the natural increase in the population. The total fertility rate also increased slightly since the beginning of the 2000s and, at 1.90, was significantly above the OECD average in 2009 (ABS, 2010a; and [www.oecd.org/els/social/indicators/SAG](http://www.oecd.org/els/social/indicators/SAG)). In the latter 2000s, annual population growth was near 2%, higher than in nearly all other developed countries.<sup>7</sup>

Figure 1.2 shows the components of past population growth, as well as population projections up to the year 2051.

The population is expected to grow further over the next decades in all three scenarios established by the Australian Bureau of Statistics (ABS). The medium scenario assumes a decrease of the total fertility rate to 1.8 births per woman, an increase in life expectancy to 85 years for men and 88 years for women, and net migration of 180 000 persons per year, higher than the average of 165 000 in the 2000s (ABS, 2010c). In 2008/09, these projections were exceeded as 530 000 people immigrated to Australia and 230 000 left, and net

Figure 1.2. Elements of population growth, Australia, 1971-2051



- Population growth is the difference in population on 30 June between two subsequent years. For certain years, population growth does not fully equal excess of births *plus* net migration.
- Excess of births is defined as live births net of deaths.
- Net migration is defined as the total number of immigrant nationals and foreigners *minus* the total number of emigrant foreigners and nationals. Arrivals and departures for purposes such as tourism and business travel are not included in the statistics.

Source: Australian Bureau of Statistics, *Australian Historical Population Statistics*, Cat. No. 3105.0.65.001, Data Cubes “1. Population Size and Growth” (Excel worksheet Table 1.3) for data until 2007; and *Population Projections, Australia, 2006 to 2101*, Cat. No. 3222.0, Data Cubes “Projected population, components of change and summary statistics – Australia, state/territory, capital city/balance of state, 2006-2101” (Excel worksheet Table 1.3, Australia) for data from 2008 onwards.

migration peaked at nearly 300 000, which accounted for two-thirds of population growth that year; however the higher figures are affected by a statistical break (ABS, 2010c). Despite projected net migration, Australia’s population is expected to grow older. The old-age dependency ratio (people aged 65+ over as a ratio to 15-64 year-olds) is projected to increase from 19% in 2009 to 31% by 2030 and 42% by 2056 ([www.un.org/esa/population](http://www.un.org/esa/population) and ABS, 2009a). Like Canada and the United States, Australia belongs to the group of countries which still had a comparatively low old-age dependency ratio in 2009: in a few OECD countries (Italy, Germany and Japan), it already exceeds 30%.

Australia has traditionally pursued a pro-active and skills-oriented immigration policy. While the United Kingdom has traditionally been the main country of origin, immigrants are increasingly coming from non-OECD countries, in particular from Asia. Linked to the skill-based immigration policy – since the end of the 1970s, skilled migrants account for the majority of immigrants – the average educational level of immigrants is above that of native-born Australians (Liebig, 2007). In 2004, more than half of immigrants aged 25-64 who had arrived after 1995 were highly-skilled (*op. cit.*, Table 2.2). Like Canada, Australia uses a points-based system to select economic migrants (Hawthorne, 2007). In recent years its role has declined,<sup>8</sup> and employer-sponsored skill migration, and state-sponsored migration intended to meet regional skills needs, have increased. Given the growing proportion coming from non-English-speaking countries, the selection criteria for skilled migrants now also include job-ready English. Furthermore, immigration policy now favours Australian degrees and is thus directed towards attracting and retaining foreign students (Liebig, 2007). Between 2004/05 and 2007/08, most of the net migration was on a temporary basis, consisting of students<sup>9</sup> and workers on business visas.<sup>10</sup> Net immigration on a permanent basis, mainly with work and family visas, also increased. Over the past

decade, inflows of immigrants from China and India, many of them entering as students, have increased and they made up more than a fifth of total inflows in 2009 (OECD, 2011b). About 3.2% of net overseas migrants came *via* the humanitarian channel (this share was somewhat higher in previous years).

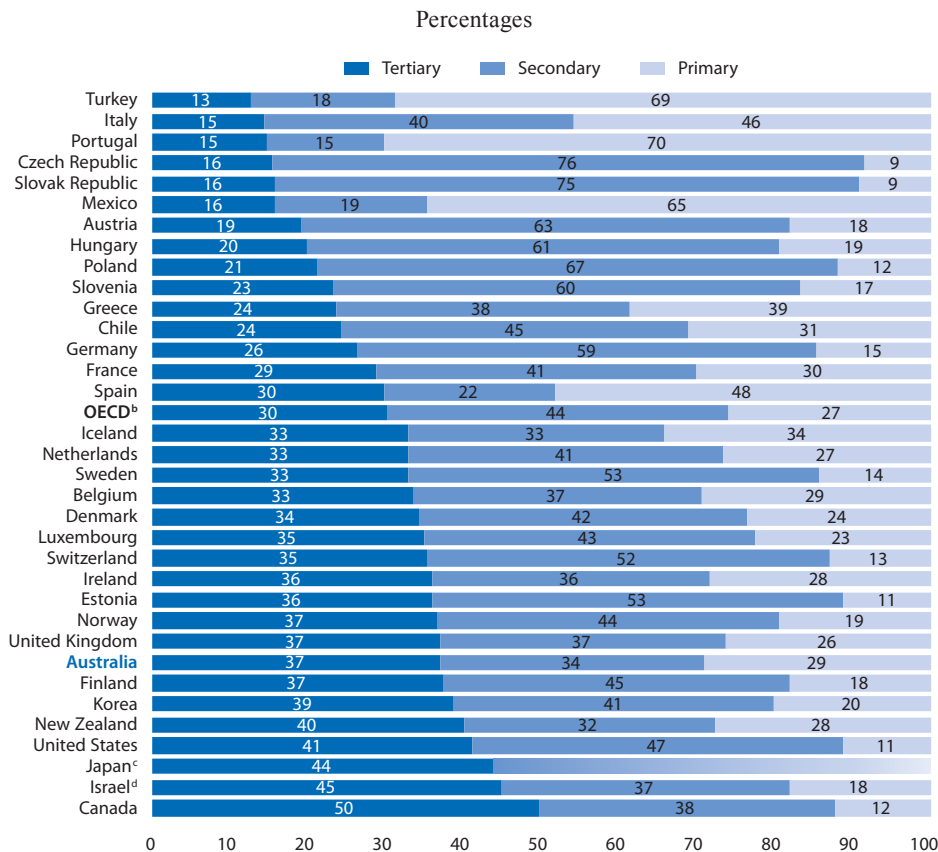
In 2003, about a quarter of the total population was foreign-born, a markedly higher proportion than in all other OECD countries except Luxembourg. A quarter of the foreign-born population came from the United Kingdom, a quarter from other European countries, a quarter from Asia, 12% from Oceania and the remainder from the rest of the world (Liebig, 2007).

In 2010, about 560 000 people or almost 3% of the population were Indigenous Australians (ABS, 2010d). They live more often in remote areas than the total Australian population (25% and 2%, respectively) and less often in major cities. The Indigenous have a very young age profile as compared with the total Australian population; they also have significantly lower rates of year 12 and post-secondary educational attainment (SCRGSP, 2009). In 2008, 46% of Indigenous households were in the bottom quintile of household incomes.

The share of Australia's population with tertiary education is comparatively high (Figure 1.3), and this is true for all age groups. This high share results partly from the skills-based immigration policy. Over 20% of students are international, the highest share in the OECD, and this contributes to the high share of population with tertiary education, as many of these students stay in Australia after completing their university education. In 2009, among 25-34 year-olds about 45% held a tertiary education degree. However, 29% of the population had less than upper-secondary education, a share that is also above the OECD average, and among 25-34 year-olds 17% had less than upper-secondary education. When comparing enrolment rates of 15-19 year-olds in public and private training institutions, Australia ranked only 25<sup>th</sup> out of 31 OECD countries; enrolment rates for both 15-19 and 20-29 year-olds have increased in many other OECD countries since 1995, but in Australia for 20-29 year-olds they remained quite stable since 2002 (OECD, 2011c, Chart C3.4, Table C3.1, Table A1.3a, Table A1.4, Chart A1.2, Chart C1.2, Table C1.2 and Chart C1.1).

Public and private expenditure on primary, secondary and tertiary education amounted to 5.2% of GDP in 2008, slightly below the OECD average of 5.9%, with expenditure on tertiary education, at 1.5% of GDP, reaching the OECD average (OECD, 2011c, Table B2.1).

Australia has a well-developed and flexible VET system, covering about 80% of occupations (Hoeckel *et al.*, 2008). The system allows for the completion and assessment of multiple separate modules, and for the recognition of prior learning by skilled workers. In 2009, about 1.7 million people were enrolled in the public VET system. One key feature of the Australian VET system is its well-established apprentice and traineeship schemes, with employer- and school-based training as an apprentice usually for three to four years, or as a trainee usually for one to two years. Typically, an apprentice signs a contract with his or her employer and 80% of the apprentice's time is spent on training on the job (Knight and Mlotkowski, 2009); in 2009 about 271 000 apprenticeship and trainee contracts were commenced (NCVER, 2010a). However, low completion rates are a serious concern.<sup>11</sup> Labour market outcomes for those having completed training are fairly good: in 2010, about 90% were employed nine months after completing training, and 68% of them stayed with the same employer (NCVER, 2010b, Table 10). An exceptional feature is the role that the VET system plays in supporting further training, as about 55% of students in the broad public VET system were 25 years and older in 2009 (NCVER, 2010c).<sup>12</sup>

Figure 1.3. Educational attainment in OECD countries,<sup>a</sup> 2009

a. Persons aged 25-64.

b. Unweighted average of the 34 countries shown in the chart.

c. For Japan, data refer to 2006 and persons who have completed *Primary* are combined with persons who have completed *Secondary*.

d. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD Education Database.

The number of apprentices and trainees has been rising since the reform of the system to a national system, called the New Apprenticeship Scheme in 1998; in 2009 about 3.8% of Australian workers were employed as an apprentice or trainee, up from 2.8% a decade earlier (NCVER, 2010a). In the context of the recent economic downturn (2008-09), as in previous major recessions, commencement rates declined, but a rise in completion rates more than offset the decline. The Australian Apprentices Taskforce (2009) proposed a number of actions to increase the number of apprentices who commence and complete apprenticeships, and improve the quality of the apprenticeship system.

In the 2009 Programme for International Student Assessment (PISA) results (Thomson *et al.*, 2010), Australian 15-year-olds performed well above the OECD average in all areas. Out of 65 participating countries, Australia ranked 9<sup>th</sup> in reading literacy, 15<sup>th</sup> in mathematical literacy and 10<sup>th</sup> in scientific literacy. However, scores for Indigenous



Australians and students with low socio-economic background lag considerably behind those for other students.

According to results from the Adult Literacy and Life Skills Survey conducted in 2006, the skill levels of the unemployed were markedly below those of the employed (ABS, 2007). Skills Australia<sup>13</sup> (2010) concludes on the basis of this survey that 40% of the employed and 60% of the unemployed have a literacy level below the accepted standard needed to work in an emerging knowledge-based economy.

In response to future skills demands and the reported weaknesses of the education system, the government has implemented measures targeted across the range of educational levels. For those already in the labour force, a skills voucher programme, providing up to AUD 3000 of income support for adult participants in courses leading to year 12 educational attainment or to certificate II level and accredited literacy and numeracy courses, was introduced in 2007. It was replaced under the “Skilling Australia for the Future” initiative announced later in 2007. A key element of this strategy was the five-year Productivity Places Program (PPP) which, with additional funding provided in the 2009 Budget, aimed to deliver 711 000 training places by 2012, of which 319 000 were to be allocated to jobseekers (Australian Government, 2009a). The training places cover different training levels, ranging from certificate II level to the advanced diploma level (for employed people), and to the diploma level (for the unemployed).<sup>14</sup> In 2010, a workforce development strategy (Skills Australia, 2010) recommended, among other items, increasing adult language, literacy and numeracy skills, as well as increased funding and a workforce development strategy for tertiary education.

In the area of tertiary education, the government announced a number of reforms to improve output in terms of quality, quantity and inclusion of under-represented groups, with an investment of AUD 5.7 billion in higher education and innovation between 2009 and 2013. Quantitative objectives include increasing the number of university commencements by 50 000 (10%) by 2013, and increasing the proportion of graduates among adults aged 25-34 from 32% to 40% by 2025, which implies around 217 000 more graduates than expected under previous policy settings (Australian Government, 2009b and 2009c).

The “Skilling Australia for the Future” initiative also includes the Compact with Young Australians, which introduced a requirement for all under 17-year-olds to participate full-time in education, training or employment, and introduced an “earn or learn” policy, making income support and family benefits conditional on participation in education and training for young people aged under 21 without year 12 schooling or a certificate II level qualification.<sup>15</sup>

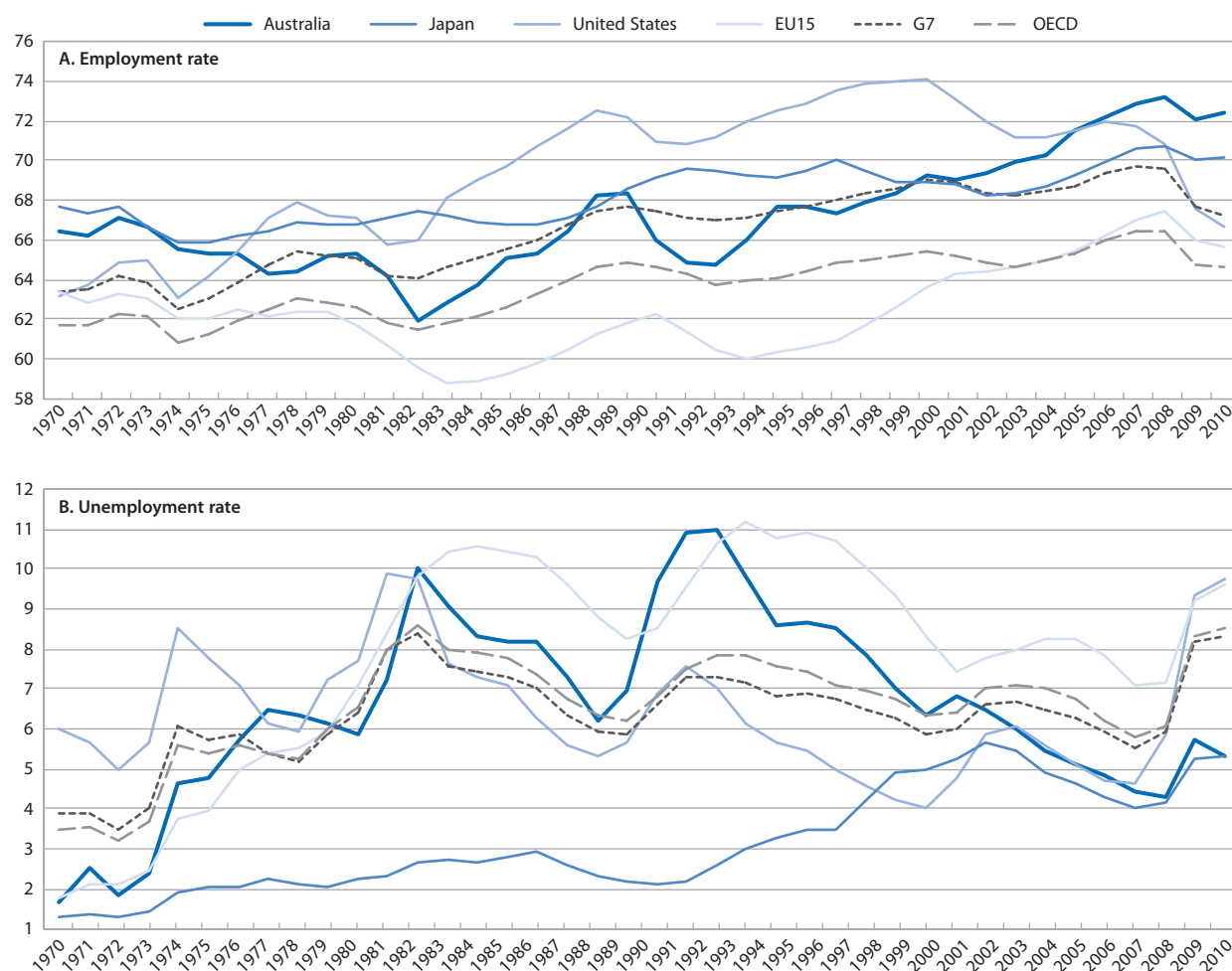
## Labour market trends

Over the two decades to 2010, the Australian labour force increased by 41% and total employment by 43%. The labour force participation rate of people aged 15-64 is comparatively high and has been on rise for many years. In 2010, it was 5.8 percentage points above the weighted OECD average, largely thanks to participation rates 8 points higher for women, and 21 points higher for 15-24 year-olds. The participation rate of prime-age people (25-54 years) was only slightly above average, and below the rates in Canada, Japan, New Zealand and many European countries.

## Employment

Over the past three decades there has been a marked increase in Australia's employment rate, with cyclical variation (quite limited in the recent financial crisis) during the major world recessions (Figure 1.4). From the early 1970s to the early 1980s it fell relatively sharply, at one point reaching about the OECD average. But it widened the gap with EU15 average rates later in the 1980s and then overtook the rate in Japan at end of the 1990s, and the rate in the United States in the mid-2000s.

Figure 1.4. **Employment and unemployment rates,<sup>a</sup> Australia, Japan, United States, EU15,<sup>b</sup> G7<sup>b</sup> and OECD,<sup>c</sup> 1971-2010<sup>d</sup>**  
Percentages



a. Ages 15 to 64, employment as a percentage of the population and unemployment as a percentage of the labour force.

b. Weighted average of EU15 and G7 member countries, respectively.

c. Weighted average of the 34 OECD countries.

d. Time-series data are incomplete for some countries particularly before 1983. Regional totals for employment, labour force, population and unemployment are estimated (retropolated) by applying year-to-year growth rates which are calculated using regional totals for all the countries that have non-missing data in successive pairs of years.

Source: OECD Online Employment Database ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)).



The high employment rates are associated with a high incidence of part-time employment, which reached 25% in 2010. Among OECD countries only the Netherlands and Switzerland have higher shares. Part-time employment is not all voluntary: 27% of part-timers wished to work more hours in 2008, and this share jumped to 32% in 2009 before falling back in 2010 (*OECD Online Employment Database, www.oecd.org/employment/database*). More than half of part-time workers did not have paid-leave entitlements,<sup>16</sup> while this was the case for only 10% of full-time workers (ABS, 2010e).

In 2010, involuntary part-time employment was 7.2% of the labour force, which is the highest share among OECD countries and compares with an OECD average of 2.9% (*OECD Online Employment Database*). Since the beginning of the 2000s, the so-called “underemployment rate”<sup>17</sup> has exceeded the unemployment rate, peaking at 7.8% in August 2009. In May 2010, women had higher underemployment rates than men (9.3% versus 5.4%), more than a third of the underemployed were aged 15-24, and more than a half had low (year 12 or less) educational attainment (ABS, 2010f). Lack of vacancies, in particular during the economic downturn, as well as a lack of skills and experience were the main difficulties in finding more hours reported by underemployed workers.

Australia’s labour market is characterised by comparatively high job turnover and low job tenures among employees.<sup>18</sup> As compared with other OECD countries, employment protection legislation is not very strict (Venn, 2009). In 2009, about 2.1 million employed workers, representing nearly a quarter of all employees, had no paid leave entitlements and could be considered as having casual contracts. Casual employment may constitute a transitional phase, but it can also last for a long period of time as 57% of employees without paid-leave entitlements have been with the same employer for more than a year.<sup>19</sup> Labour market flexibility also arises from the high number of independent contractors and “other business operators”, each about 1 million and together representing 19% of total employment (ABS, 2010e and 2010g).

### ***Unemployment and population not in the labour force***

In the post-World-War-II period in Australia, the unemployment rate peaked at 10% in 1983 and again near 11% in 1993, as in the EU15. However after 1993 it declined near-continuously. The rate was already well below the EU15 and OECD average levels by the mid-2000s. It rose only moderately from 4.3% in September 2008 to 5.9% in June 2009, but has since fallen back to around 5%, so that since 2009 it has been several percentage points below the OECD average (Figure 1.4).

The incidence of long-term unemployment (12 months and over) reached a peak of 37% in 1993 but then fell. By 2009 it was 14.7%, its lowest level since 1978, and in 2010 it rose slightly reaching 18.5%. By contrast, about half of all Job Services Australia (JSA) customers have been registered for 12 months or more, and 20% for 36 months or more.<sup>20</sup>

In 2009, about 3.36 million persons of working age (15-64) were not in the labour force, representing 22% of the working-age population. Excluding those who attended an educational institution, one in six people of working-age were out of the labour force. Among this latter group, more than one-fifth was out of work due to health reasons and more than one-fifth had caring responsibilities.<sup>21</sup> Among all persons not in the labour force, more than one-fifth (745 000) declared that they wanted to work and were available for work, but were not actively looking for a job.

In June 2007, about 17.5% of the working-age population received some kind of income-replacement benefit (Daniels, 2008). Linked to the tightening of eligibility requirements for

some benefits and the abolition of others, as well as the tight labour market, the dependency rate had decreased by 30% from the peak level of 24.9% reached in 1996. In 2007-08, about a quarter of income support recipients aged 16-64 were in paid employment (ABS, 2010h).<sup>22</sup> The relative importance of different benefit categories has varied as a function of the labour market context and benefit reforms (see below and Chapter 4 for further discussion).

## Labour market situation of specific groups

### Women

The gap in employment rates between women and men in Australia is smaller than the OECD average, but it is somewhat larger than in some other major OECD economies (see Table 1.1). In 2009, the share of women working part time was high (38%) as compared with the OECD as whole (26%). Given the projected skill shortages and the higher educational attainment rates of women at tertiary level, there is a strong rationale for enhancing the participation rates of women and increasing incentives for full-time work.

Table 1.1. Gender gaps, selected OECD countries, 2010 or latest year available  
Percentages

	Employment gap <sup>a</sup>	Wage gap <sup>b</sup>	Tertiary education gap <sup>c</sup>		Tertiary type A (university) education gap <sup>c</sup>
	15-64		25-64	25-34	25-34
<b>Australia</b>	<b>84.2</b>	<b>86.0</b>	<b>117.3</b>	<b>135.4</b>	<b>136.1</b>
Finland	96.0	80.3	138.0	161.7	159.4
Germany	86.9	78.4	77.7	110.2	112.2
Ireland	87.5	89.6	117.2	130.7	123.0
Japan	75.1	71.3	95.7	113.1	67.2
Korea	71.2	61.1	76.2	101.0	91.6
New Zealand	85.4	93.2	123.0	125.2	122.3
Norway	94.7	91.9	126.3	150.2	150.1
Switzerland	85.3	80.5	63.6	87.8	96.3
United Kingdom	86.8	81.6	101.0	109.0	106.9
United States	87.9	81.2	111.3	127.6	128.5
<b>OECD average</b>	<b>78.0</b>	<b>82.9</b>	<b>108.6</b>	<b>127.0</b>	<b>126.5</b>

a. Data refer to 2010. The employment gap is calculated as the ratio between female and male employment rates multiplied by a hundred. OECD average refers to the weighted average for the 34 OECD countries.

b. Data refer to 2010 for Australia, Japan, New Zealand, Norway, the United Kingdom and the United States; for the remaining countries shown in the table, they refer to 2009, with the exception of Switzerland for which they refer to 2008. The wage gap is calculated as the ratio between median earnings of women and men multiplied by a hundred. OECD average refers to a 22 country unweighted average in 2009.

c. Data refer to 2009. The tertiary education gap is calculated as the ratio between the percentage of women and men with tertiary education (respectively, tertiary-type A education) multiplied by a hundred. OECD average refers to the weighted average for the 34 OECD countries.

Source: OECD Online Employment Database ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)) for employment gap, OECD Earnings Distribution Database for wage gap, and OECD Education Database for education gaps [see OECD (2011), *Education at a Glance 2011 – OECD Indicators*, web only, Tables A1.3b and A1.3c].

In 2005, the employment rate of mothers with at least one child below 6 years of age was significantly below the OECD average, while the rate for mothers with a youngest child aged 6-16 was above average (OECD, 2007). OECD (2008b) highlighted the need for improved access to affordable quality child-care facilities, and for tax reform to enhance the incentive to move from part-time to full-time work by reducing the relatively high marginal effective tax rates that apply in this case.

### ***Lone parents***

The 2006 Welfare to Work reform restricted new claims of Parenting Payment – Single (PPs) to parents with a child younger than eight, and introduced participation requirements when the child turns six or seven. Reflecting these restrictions, the number of PPs recipients with a child aged eight or more has fallen steadily. The total fell by over 100 000 between 2005 and 2009, a fall of about 24%, and most of the fall represents a net fall in sole-parent benefit reciprocity, since in 2009 there were only about 20 000 sole parents on the unemployment benefit, Newstart Allowance (NSA). After many years of increase, PPs recipients as a percentage of the working-age population peaked at 3.4% in 2004 and 2005, and fell back to 2.2% by 2010 (FaHCSIA, 2011a; ACOSS, 2009).

The employment rate of sole parents, which was 47% in 2002 and 49% in 2005, has increased significantly to 55% in 2009. However in 2005 Australia's rate was the second lowest in the OECD, and since the OECD average was about 70%, only a fraction of the gap has been closed subsequently (OECD, 2007; DEEWR, 2008, Chart 2.2; ABS, 2010j, lone parent chapter).<sup>23</sup>

As a further measure to encourage work, sole parents who started a PPs claim before July 2006 will, from 2014 (with transitional provisions in 2013) be transferred to the lower-level NSA when their youngest child is aged 12 or more.

### ***People with disabilities***

In 2010, there were 793 000 Disability Pension Support (DSP) recipients, representing 5.3% of the working-age population (15-64). The DSP share increased sharply from 3.6% in 1990 through to 2005, and fell slightly between 2005 and 2007, but rose again quite significantly in 2010 (Daniels, 2008; FaHCSIA, 2011a). About 9% of DSP recipients declared some earnings, and about 4% were registered with Disability Employment Services and 1% with JSA (FaHCSIA, 2011b; DEEWR, 2011, Figure 3.6; Table 3.6).

The 2006 Welfare to Work reforms restricted eligibility for DSP to those with work capacity of less than 15 hours per week, for new claims: people assessed with a capacity of 15 to 29 hours per week are able to claim NSA with adjusted participation requirements. Annual growth of the DSP caseload slowed to less than 1% in 2006-07, but more rapid growth soon resumed. In addition, rehabilitation services were expanded, and in March 2010 Disability Employment Services started operation.

### ***Indigenous Australians***

The employment rate of 25-64 year-old Indigenous people increased from 52% to 58% between 2002 and 2008, but still was considerably lower than for the total population (75%) (ABS, 2010d; and *OECD Online Employment Database*). Indigenous people living in major cities had higher employment rates (64%) than those living in regional areas (54%) and in remote areas (58%). In the latter, 43% of Indigenous people were working part-time, related

to their high rate of participation in Community Development Employment Projects (see Chapter 5).

In December 2007, the Council of Australian Governments (COAG) agreed to a partnership between all levels of government to work with Indigenous communities. The National Indigenous Reform Agreement (COAG, 2008) set out six “Closing the Gap” targets relating to life expectancy, child mortality rates, education (three targets) and employment. In the latter two areas, the targets are (SCRGSP, 2009):

- to halve the gap between Indigenous and non-Indigenous students in reading, writing and numeracy within a decade;
- to halve the gap in employment outcomes within a decade;
- to ensure access to early childhood education for all Indigenous 4-year-olds in remote communities within five years; and
- to at least halve the gap for Indigenous students in year 12 or equivalent educational attainment by 2020.

In October 2011, informed by feedback, the Australian Government launched the Indigenous Economic Development Strategy 2011-2018 (Australian Government, 2011). The strategy focuses on five key areas for action (Australian Government, 2010b):

- strengthen foundations to create an environment that supports economic development;
- invest in education;
- encourage participation and improve access to skills development and jobs;
- support the growth of Indigenous business and entrepreneurship; and
- assist individuals and communities to achieve financial security and independence by increasing their ability to identify, build and make the most of economic assets.

### ***Immigrants***

Linked to the skill-based immigration policy, migrants tend to be better-integrated in the labour market than in many other OECD countries. In 2007, employment rates were higher for recent migrants (those who arrived after 1997) than for native-born Australians (ABS, 2008). Recognised skills and English-language proficiency are key factors favouring labour market integration, and requirements for English language proficiency and for work experience in the case of former overseas students in the skill stream have been strengthened (OECD, 2008b). One remaining problem is the low labour market participation and relatively higher unemployment rates of migrant women (ABS, 2008).<sup>24</sup> There are also signs of incomplete labour utilisation since highly skilled migrants from non-OECD countries, in particular, tend to be overqualified for their jobs, and labour market outcomes for those who immigrated for family reasons and for humanitarian migrants are less favourable (Liebig, 2007).

### ***Youth***

The employment rate of Australian youth aged 15-24 is comparatively high. It increased from 62.1% in 2000 to 64.5% in 2008, but fell back to 60.7% in 2010. However, over the whole period, youth employment far outperformed the OECD average. In 2010,

the employment rate of young people was more than 50% above the OECD average, and the employment rate of the youngest (15-19 year-olds) more than twice as high. The high employment rates of young people are based on two quite different features: *i*) a comparatively high share of students working part time; and *ii*) a low propensity to stay in education beyond the age of 16 (OECD, 2009c).

As in other OECD countries, young people are more likely to experience unemployment than adults. In 2010, the youth unemployment rate in Australia (11.5%) was over twice the total unemployment rate (5.2%). The youth unemployment rate was below the OECD average but the ratio between the youth unemployment rate and the total unemployment rate was near the OECD average, as it had been during most of the decade preceding the crisis. Despite overall low youth unemployment rates, the problem of labour market integration of disadvantaged youth remains. As reported in OECD (2009c), longitudinal data show that youth who have already spent a year receiving Youth Allowance – other [YA(o)] or NSA are more than ten times more likely to be on income support during the five subsequent years than those who have no income-support record. Among youth not fully engaged in education and training and/or employment<sup>25</sup> (nearly a fifth of young people in 2009), nearly half were early school leavers (ABS, 2010k).

### ***Older workers***

As can be seen from Table 1.2, the employment and labour force participation rates of 55-64 year-olds are among the highest in the OECD, together with those of some of the North European countries. The effective exit age is nearly one year above the OECD average for men and a half year for women. The hiring rates of 50-64 year-olds are much higher than in most of Europe, but slightly lower than in the United States.

The labour force participation of older workers (aged 55 years and over) increased over the past decade linked to a favourable labour market context and a high demand for labour, to tax concessions for older workers and to pension policies (ABS, 2010l). Between 1994 and 2008, the participation rates of men aged 55-64 increased from 55% to 66%: for 60-64 year-olds, the most rapid increase coincided with the phasing-out of the Mature Age Allowance, which was paid to 9% of them in 2003. The participation rates of women aged 55-64 increased from 28% to 50%, probably linked also to changes in benefit eligibility (the phased increase in female age pension eligibility from 1995 and the individualisation of benefits in 1995, with the inactive benefits restricted to older age cohorts and subsequently closed). Part-time employment, in particular among older women, is high. The unemployment rate of older workers was about half of that of people aged under 55 years in June 2010, but those who do become unemployed experience greater difficulties in finding a job. ABS (2010l) shows that the underemployment rate of older workers is lower than for other age groups, but that this situation lasts longer. Difficulties in re-entering the labour market are also reflected in the fact that more than half of all discouraged jobseekers were aged 55 years and over (ABS, 2010i).

The employment rate of people aged 65 and over has increased considerably over the past decade, from 6.1% in 2000 to 10.6% in 2009. This rate is higher than in most European countries, but it compares with rates of over 15% in Chile, Japan, New Zealand, Norway, Portugal and the United States, and over 25% in Korea and Mexico. Recent pension reforms aim to increase work incentives. The effective tax rate on work and other income received in conjunction with superannuation was reduced (OECD, 2008b). The reform package announced in May 2009 included the introduction of the Work Bonus for pensioners of pension age, which consists of earnings disregards for the income test



(with this change, the previous Pension Bonus Scheme was closed to new entrants), and – starting shortly after the alignment of female and male pension ages by 2014, a process that started in 1995 – a gradual increase in the pension age starting at 65½ years in 2017 and reaching 67 years in 2023. Around half of OECD countries have already begun increasing pension ages or plan to do so in the near future, including Denmark, Germany and the United Kingdom (OECD, 2011d).

Table 1.2. **Employment rates, average exit age and hiring rates of older workers, selected OECD countries, 2010 or latest year available**

Percentages and years

	E/P ratios <sup>a</sup> (%)			Effective exit age <sup>b</sup> (Years)		Hiring rates <sup>c</sup> (%)
	50-54 year-olds	55-59 year-olds	60-64 year-olds	Men	Women	50-64 year-olds
<b>Australia</b>	<b>79.5</b>	<b>70.0</b>	<b>50.4</b>	<b>65.1</b>	<b>63.2</b>	<b>9.0</b>
Denmark	82.4	75.9	39.6	64.0	61.7	8.4
Finland	81.6	72.5	40.7	61.8	61.7	7.9
France	80.9	60.6	17.9	59.3	59.6	4.9
Germany	80.4	71.5	41.0	61.9	61.2	6.2
Ireland	68.1	59.7	40.7	63.9	63.9	5.9
Japan	81.0	74.5	57.1	70.1	67.1	..
Norway	84.1	78.2	58.9	64.2	63.7	4.4
Sweden	85.5	80.7	61.2	65.7	63.9	6.4
Switzerland	86.0	79.9	56.1	65.5	63.3	6.2
United Kingdom	78.9	70.5	43.6	64.1	61.9	6.4
United States	73.7	68.1	51.2	65.6	65.3	8.7
Europe <sup>d</sup>	72.4	59.2	30.9	..	..	5.8
<b>OECD<sup>d</sup></b>	<b>73.6</b>	<b>64.3</b>	<b>42.7</b>	<b>64.0</b>	<b>62.8</b>	<b>8.8</b>

E/P: Employment to population.

.. Data not available.

a. Data refer to 2010.

b. Effective exit age over the five-year period 2005-10. The effective exit age (also called the average age of retirement) is derived from labour force survey results for two dates separated by five years. It is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 *at the first date*, using absolute changes in the labour force participation rate of each cohort as weights. The exit age for each cohort is assumed to be the mid-point of the ages and dates involved *e.g.* 60 for the cohort aged 55-59 *at the first date* and 60-64 *at the second date*. The five-year absolute change in the participation rate is the rate for each age group (*e.g.* 60-64) *at the second date minus* the rate for the age group that was five years younger (in this example, 55-59) *at the first date*. The result of this calculation is reported as the effective exit age *at the second date*. By construction the calculation abstracts from differences in the initial size of age cohorts, and changes in cohort size through time due to death. Note also that for older workers who retire after a period of unemployment, exit from employment precedes exit from the labour market.

c. The hiring rates reported are the percentage of employees aged 50-64 with job tenure of less than one year. Data refer to 2010 (except for Australia where they refer to 2009).

d. Weighted averages, with the exception of the effective exit age where data for OECD refer to unweighted average of the 34 OECD countries.

Source: OECD estimates using national labour force survey data for effective exit age; and *OECD Online Employment Database* ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)) for E/P ratios and hiring rates.



## The role of social and labour market policies

### *Workplace relations*

Through much of the 20<sup>th</sup> century, the organisation of industrial relations in Australia was relatively exceptional, with wages and other working conditions regulated at the detailed industry level through “awards”. Although parts of the earlier system still play a role, the system as a whole has gone through several major reforms since the mid-1990s, giving a greater role to firm-level determination of conditions and to national minimum standards (Box 1.1).

#### Box 1.1. Australia’s industrial relations system

Australia’s labour relations system has evolved in a manner quite different from that in other OECD countries. Since the early 1900s, for many years state and federal conciliation and arbitration tribunals regulated industrial relations matters through instruments known as “awards”.

However, since the 1980s, bargaining has become more prominent and the role of tribunals in setting terms and conditions of employment has considerably diminished. The shift was begun by a Labor government, and gained momentum in the second half of the 1990s under a Liberal-National coalition government. Workplace reform measures initiated at the time aimed to determine wages and working conditions, as far as possible, by means of bargaining at the enterprise or workplace level, while setting the stage for a long process of award simplification.

Apart from strengthening collective bargaining arrangements, the Workplace Relations Act 1996 allowed employers to conclude agreements with individual employees (Australian Workplace Agreements – AWAs). It limited the scope of awards to “allowable matters”, and emphasised their role as a safety net above which employers and employees could bargain.

Successive governments from 1993 to 2005 changed the constitutional foundation for labour relations in Australia, basing it on the “corporations power” in the Constitution, which supports legislation in relation to trading, financial and foreign corporations. This allowed the federal government, *inter alia*, to directly legislate concerning minimum conditions of employment for most incorporated companies and their employees, although in practice it only did so in relation to a limited number of matters and left awards to deal with the remainder.

The 2005 Work Choices amendments further emphasised individual over collective workplace relations, handed the responsibility for setting minimum wages to a new Fair Pay Commission, introduced a number of restrictions on trade union activities and accelerated the process of simplifying and rationalising the award system. The Work Choices measures proved to be highly controversial, and were a major issue in the 2007 federal election campaign.

Although the Coalition lost the 2007 federal election, the constitutional basis of its Work Choices legislation had been upheld by the High Court, and the subsequent Labor government also relied on the corporations power to support its Fair Work Act 2009. In addition, the Fair Work Act was supported by referrals of legislative power from all states except Western Australia. These referrals of power enable the Act to apply to employers such as unincorporated businesses and their employees. Reliance on the corporations power has led to the creation of a national workplace relations system, greatly diminishing the role of state governments in regulating the labour market.

Some other features of Work Choices and earlier legislation were, however, reversed by the Fair Work Act, since it re-emphasised collective as opposed to individual bargaining and abolished AWAs; strengthened the

### Box 1.1. Australia's industrial relations system (continued)

“safety net” for low-wage workers; and changed the way unfair dismissal claims in small business were treated (there was no longer a total exemption, and a small business code was introduced). The Australian Industrial Relations Commission (AIRC) and the Fair Pay Commission were replaced by Fair Work Australia (FWA) as the federal body setting safety-net wages and conditions.

Industrial relations reform in Australia did not go as far as the 1991 Employment Contracts Act in New Zealand, which abolished the country's arbitration system altogether. A mixed system remains, where employees can be covered by enterprise-level bargaining arrangements, but these are underpinned by awards that set minimum standards as well as a number of National Employment Standards (NES) outside of the awards system. The Fair Work Act has defined ten standards, covering, *inter alia*, maximum working hours, leave and termination and redundancy provisions, but not minimum and award wages which are adjusted annually by a Minimum Wage Panel of FWA. The NES marks a move away from the internationally unique arbitral traditions of Australian industrial regulation. Minimum standards are now set by a combination of the NES and a reduced number of “modern awards” (currently 122).

In contrast to two or three decades ago, when wages of close to half of Australian workers were actually determined by awards, only 1 out of 7 workers today have their pay set by “awards only”. These are mainly employees in low-paid occupations in wholesale and retail trade, restaurants and accommodation services. A certain proportion of workers are still not covered by any award, many of them at the higher end of the labour market. At the lower end, those not subject to awards are, in principle, covered by the NES and National Minimum Wage regulations. There are, however, estimates that up to 15% of workers earn below the minimum wage, although estimates based on the main data sources are rather below 10%, and for a notable percentage of employees who are estimated to earn below hourly federal minimum wage rates, this could be related to long reported working hours.

The ABS Employee Earnings and Hours Survey of May 2010 reported that collective agreements were the most common method of setting pay (43%), followed by individual arrangements (37%), while 15% of wage earners were covered by awards only. Trade unions now bargain for only a minority of employees, and their membership has fallen from 50% of dependent employment in the mid-1970s to less than 20% in 2010, a steeper decline than in most other OECD countries. Union density in the private sector is even below 15%. The merger of about 360 federally-registered unions during the 1990s to form about 20 “super-unions” failed to stop the decline. Most unions are represented at peak-level by the Australian Council of Trade Unions.

The main employer bodies include the Australian Chamber of Commerce and Industry, the Business Council of Australia and, within manufacturing, the Australian Industry Group. There are also employer bodies that cover other particular industries such as retail and mining and manufacturing. These employer organisations lobby the federal government on a wide range of economic and social policy issues and often make submissions to FWA in arbitration cases; however, apart from providing advice and information to their members, they have little involvement in collective bargaining, which is normally enterprise-based.

The Department of Education, Employment and Workplace Relations (DEEWR), on behalf of the Australian Government, continues to make submissions to FWA, as it did in the past with the AIRC, presenting labour market and economic analysis as a basis for the decisions to be made on minimum and award wage setting. The government, however, no longer recommends a specific quantum for wage increases. The government continues its work on workplace relations reform, with a view, *inter alia*, to further modernising the award system and to making workplaces more flexible and competitive.

*Source:* Lansbury, R.D. and N. Wailes (2011), “Employment Relations in Australia”, Chapter 5 in G.J. Bamber, R.D. Lansbury and N. Wailes (eds.), *International and Comparative Employment Relations – Globalisation and Change*; Cooper, R. (2010), “The New Industrial Relations and International Economic Crisis: Australia in 2009”, *Journal of Industrial Relations*, Vol. 52, pp. 261-274; Healy, J. (2010), “The Minimum Wage Workforce in Australia: Extending the Evidence”, National Institute of Labour Studies, Flinders University, Working Paper No. 162; ABS (2011), “Employee Earnings and Hours, Australia: May 2010”, Cat. No. 6306.0; and Nelms, L., P. Nicholson and T. Wheatley (2011), “Employees Earning Below the Federal Minimum Wage: Review of Data, Characteristics and Potential Explanatory Factors”, Fair Work Australia Research Report No. 3/2011.

### *Features of the welfare state and labour market policies*

Australia has a market-oriented economy. This is reflected in the low share of government expenditure in GDP, 34.1% in 2008 (OECD, 2009a).<sup>26</sup> At only 7.7% of GDP, social security transfers were among the lowest in the OECD. In contrast with most other OECD countries, benefits are generally income-tested or asset-tested and are thus targeted to the poor; they are flat-rate entitlements financed from general revenue (Whiteford, 2010).<sup>27</sup>

“Mutual obligation” is a broad principle of the Australia’s activation strategy. From 1998, “Mutual Obligation” referred to a formal requirement in the benefit system that people who have been unemployed for some time should take up one of a number of options (including part-time and voluntary work) or participate in the Work for the Dole programme, which involves participation in non-market work activities. Other elements of the strategy included the phasing out of several inactive benefits so that for income support their former target groups would generally need to claim NSA (unemployment benefit), where activity requirements apply. The 2006 Welfare to Work reform introduced part-time participation requirements for sole parents and partnered principal carer parents with children aged 6 or more, and for people with a disability with an assessed work capacity of 15 to 29 hours per week, again transferring many of them to NSA, with additional changes for jobseekers aged 50 to 54 and the very long-term unemployed. It also provided additional services to help people find a job, reformed the compliance framework and encouraged employers to hire disadvantaged groups (DEEWR, 2008).

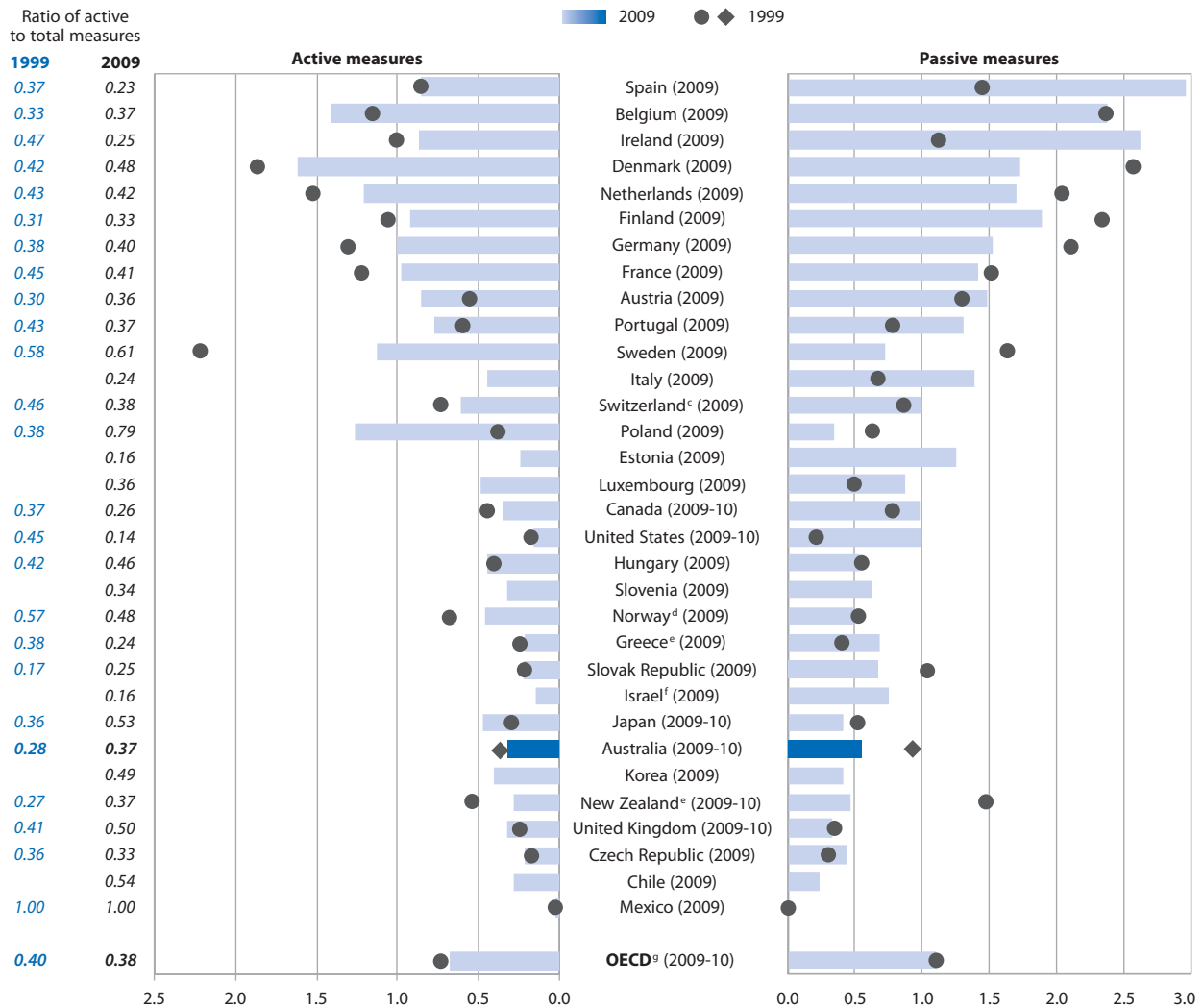
The delivery of employment services by private providers was developed in the mid-1990s, and in May 1998 the Job Network replaced the former Commonwealth Employment Service. The national government defines interventions and processes to be implemented by Centrelink and, to some extent, the private employment service providers. Jobseeker target groups are defined in terms of age, type of benefit, duration of unemployment and stage in the scheduling of interventions, and individual characteristics as summarised by the Job Seeker Classification Instrument (JSCI). National data sets are used to assess the placement performance of over 2 000 local employment offices across Australia.

The government elected in 2007 introduced some major changes. In July 2009, Job Services Australia (JSA) replaced the Job Network. This reform integrated several formerly-separate types of employment services and programmes, and aimed to better serve disadvantaged groups through the classification of jobseekers into four streams according to their level of disadvantage (see Chapters 2 and 3). The jobseeker compliance framework was reformed (see Chapter 4) and in 2010 disability employment services were restructured (see Chapter 5). As already described, the government launched initiatives in response to the downturn that began in late 2008, and for Indigenous Australians, vocational training, and youth. The government’s Social Inclusion agenda ([www.socialinclusion.gov.au](http://www.socialinclusion.gov.au)) focuses on disadvantaged groups such as Indigenous Australians, jobless families and children at risk of long-term disadvantage.

### **Patterns of labour market spending**

Figure 1.5 shows patterns of labour market programme spending in OECD countries, where such data are available. In terms of spending on active and passive measures as a share of GDP, Australia ranked considerably below the OECD average. The share of passive spending in GDP fell by about 40% in the ten years to 2009/10, despite the impact of the recession in 2009/10. The share of active spending in GDP fell, but not so much, and the share of active measures in total LMP expenditure increased from 0.28 in 1999-10 to 0.36 in 2009-10, which was near the OECD average of 0.37.

Figure 1.5. Active and passive labour market programmes<sup>a</sup> in OECD countries,<sup>b</sup> 2009 versus 1999  
Public expenditure as a percentage of GDP



Countries are ranked in decreasing order of the total of both active and passive measures.

- Active measures refer to Categories 1-7, passive measures to Categories 8-9 of the *OECD/Eurostat Labour Market Programme Database*.
- Iceland and Turkey are excluded.
- For Switzerland, data for Category 5 (Supported employment and rehabilitation) were extrapolated because data related to the sub-category 5.1 (Supported employment/*Emplois protégés*) were not provided by the Swiss labour market authorities.
- For Norway, active measures are calculated as the sum of Categories 2-7.
- For Greece and New Zealand, active measures are calculated as the sum of Categories 1.1 and 2-7.
- The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
- Unweighted averages for countries where both active and passive measures are shown, *i.e.* except Chile, Estonia, Israel, Italy, Korea and Slovenia.

Source: *OECD/Eurostat Labour Market Programme Database*, available online at [www.oecd.org/employment/database](http://www.oecd.org/employment/database). For further country notes, see OECD (2011), *OECD Employment Outlook 2011*, Statistical Annex, Table K. For data at the national programme level of detail for Australia, see Annex 5.A1.

## Notes

1. Employment to population ratio for 15-64 year-olds (*OECD Online Employment Database*, [www.oecd.org/employment/database](http://www.oecd.org/employment/database)).
2. The employment rates in Sweden, Denmark, the Netherlands, Norway, Switzerland and Iceland were higher in unadjusted labour force survey (LFS) data. However the LFS in Sweden, Denmark and Norway covers ages 16-64 years, and after a downwards adjustment of about 1 percentage point to bring data onto an estimated 15-64 year-old basis, Sweden's rate was slightly below Australia's. DEEWR estimates that Australia's employment rate for 16-64 year-olds was 1.0 percentage points higher than for 15-64 year-olds in 2010, based on ABS (2012). See Abhayaratna and Lattimore (2007) for a discussion of several other data comparability issues: they highlight that the working-age population reported on the basis of the labour force survey includes the institutionalised population in Australia but not in other countries.
3. The Australian ratio of 0.54 in 2010 was markedly above the corresponding figures in the United States (0.39), Canada (0.42) and the United Kingdom (0.46), but below the ratio in France (0.60) and New Zealand (0.59) (*OECD Online Employment Database*). From July 2011, the minimum wage is AUD 15.51 per hour or AUD 589.30 per week ([www.fairwork.gov.au/pay/national-minimum-wage/pages/default.aspx](http://www.fairwork.gov.au/pay/national-minimum-wage/pages/default.aspx)).
4. The in-work poverty rate is defined as the percentage of individuals living in households with disposable income, adjusted for family size on the basis of the "square root equivalence scale", below 50% of the median, among all individuals living in a given type of household with a head of working age and at least one worker.
5. Calculated with poverty defined as income below 50% of the median.
6. Measures in the "Compact" were mainly designed and financed by the federal government, but it included a framework agreement with the states in relation to training (the Compact with Young Australians), and sought to engage local business people, community leaders and community organisations.
7. Annual population growth from 2005 to 2010 was 1.9% in Australia, above the rates of 0.5% in the France, Sweden and the United Kingdom, 1% in Canada and the United States and 1.2% in the world as a whole (ABS, 2010b).
8. A new points test which was introduced in July 2011 "will deliver the best and brightest skilled migrants by emphasising high level qualifications, better English language levels and extensive skilled work experience" (DIC, 2010).
9. In 2007/08, 108 700 net migrants were students (ABS, 2010b).
10. People entering Australia on a business visa are sponsored by an employer to fill skilled positions for a period of up to four years. Net migration based on business visas more than tripled between 2004/05 and 2007/08, when it reached 33 400, although it declined in the downturn. The largest sending countries were the United Kingdom, the Philippines, South Africa, India and China (ABS, 2010b).
11. Remarkably, the 271 000 apprenticeship and trainee contracts commenced in 2009 correspond to over 85% of the average size of an annual population cohort in the age range 15 to 34. Completion rates have been about 50%, in recent years, and about a third of apprentices and trainees are existing workers and about a third are aged 25 or more, which suggests that some people commence two or more apprenticeship or trainee contracts within their career. However, there is evidence that short-term breaks in training that is later completed are statistically recorded as non-completions, and this could also be inflating the commencement numbers (Mitchell and Ward, 2010).



12. In 2009 about 45% of apprentice and trainee commencements were by people aged 25 and over, and about 40% of apprentices and trainees in training were aged 25 and over (NCVER, 2010a; McDowell *et al.*, 2011).
13. Skills Australia is an independent statutory body providing advice to the Minister on Australia's workforce skills and workforce development needs.
14. Vocational and educational training (VET) may lead to four different certificate levels, to a diploma or an advanced diploma. The latter two can also be obtained through university qualification and correspond to the International Standard Classification of Education (ISCED) 5B level. Certificate I and II levels correspond to ISCED 2B, certificate III to ISCED 3C and certificate IV to ISCED 4B. In 2006, about 15% of completed VET qualifications were at diploma or higher level, 17% at certificate IV level, 38% at certificate III level, 22% at certificate II level and 7% at certificate I level. Among the trainees and apprentices having completed their training, 84% obtained either certificate III or IV level, and 16% obtained certificate I or II levels; while the share of those obtaining a diploma or higher level was negligible (Knight and Mlotkowski, 2009, Table 19 and Table 21).
15. See [www.deewr.gov.au/Youth/YouthAttainmentandTransitions/Pages/compact.aspx](http://www.deewr.gov.au/Youth/YouthAttainmentandTransitions/Pages/compact.aspx) and Chapter 5; the Compact was agreed by the Council of Australian Governments.
16. Roughly a quarter of the part-timers without paid leave entitlements were sales workers.
17. The underemployed include part-time workers who wish to work more hours and who are available for work, as well as full-time workers working shorter hours for economic reasons.
18. In 2009, about 43% of workers had stayed with the same employer for less than three years and only 23% for ten years or more. In many other OECD countries, workers stay longer with the same employer. For example, 42% were with the same employer for ten years or more in Germany, and between 30% and 33% in the United Kingdom, Canada and Ireland (*OECD Online Employment Database*, [www.oecd.org/employment/database](http://www.oecd.org/employment/database)).
19. Thus, casual employment in Australia is not necessarily precarious (see OECD, 2001, Box 1.2). Since casual employment is not treated as temporary employment, Australia has a relatively low incidence of temporary employment in international comparative statistics (see the *OECD Online Employment Database*).
20. Data from [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip) referring to September 2011 (viewed on 24 October 2011). Over 75% of JSA customers are on unemployment benefits (see Table 3.6 in Chapter 3). A provision for an allowable break of 13 weeks and the possibility of reversing a cancellation of status for up to 12 weeks afterwards make it possible for a long-term beneficiary to retain long-term beneficiary status after an employment spell of up to 25 weeks (OECD, 2001).
21. More concretely, 21% were out of work due to health reasons (19% long-term illness or disability and 2% short-term illness or injury), 21% had caring responsibilities (16% caring for children and 5% for ill or disabled persons), 14% were retired or voluntary inactive, 35% declared as their main activity home duties and 9% reported other activities including unpaid voluntary work, travel, holiday and leisure (calculations based on ABS, 2010i, Table 2).
22. In these data from the ABS Survey of Income and Housing, "income support recipients" refers to individuals who reported an income support payment in a specific recent period (probably often a fortnight, since this is the standard period in Australia), and individuals "in paid employment" refers to individuals who reported this status and that they worked an average of one or more hours of paid work per week, but not referring to a specific payment period. See Chapter 4 for administrative data about employment while on income support.
23. Australia has one of the highest rates of family joblessness among OECD countries, but this outcome is mainly due to the low sole-parent employment rates, since by 2007/08 76% of jobless families were one-parent families, the incidence of other types of family joblessness having fallen sharply over the decade (ABS, 2009b).



24. While the participation rate of recent male migrants and temporary residents was higher than that of native-born men, the reverse was the case for women. The gender gap in participation was 42% for foreign-born recent migrants and temporary residents as compared with 21% for native-born. Even for those holding a Skill visa the participation gap (31%) was higher. The unemployment rate for women who recently immigrated was 7% in 2007, compared with 4.3% for native-born women and for men who recently immigrated.
25. The ABS concept of “not fully engaged” is broader than the widely-used concept of “neither in employment nor in education or training” (NEET), since it includes young people who work part time and are not enrolled in study.
26. This share was 35.7% in Ireland, 36% in Japan, 33.7% in Switzerland and 37.3% in the United States, while in most European countries it is above 40%, or even 50% as in the cases of Sweden, Denmark and Belgium.
27. Expenditure on income-tested benefits in Australia as a percentage of GDP is more than four times the OECD average (Whiteford, 2010).

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