

THE AUSTRALIAN LABOUR MARKET 2001

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In this review of the Australian labour market for 2001 we examine the persistence of the unemployment problems in Australia. We then review four issues: a) the youth labour market, b) the position of older males in the Australian labour market, c) work-force access to long service leave, and d) the dominant OECD supply-side policy framework that is currently driving labour market policy in Australia. Overall, the jobs market continues to be sluggish, full-time jobs are scarce and official unemployment rates disguise the extent of labour under-utilisation in Australia.

1. INTRODUCTION

We began last year's labour market review on an optimistic note stating that 'The Australian labour market in 2000 appeared to have been at its healthiest position for more than a decade. There had been more than 7 years of jobs growth and the unemployment rate was at its lowest point since 1989' (Burgess & Mitchell 2001: 124). We qualified this praise by noting several disturbing trends including increased underemployment and a decline in secure employment arrangements. A year later, the position is decidedly gloomy. From September 2000 (the peak of the recent business cycle in employment terms) to December 2001, the Australian labour market shed 107 thousand full-time jobs (ABS 6203.0). Over the same period, 150 000 part-time jobs were created with the net gain in total employment being a modest 43 000 jobs. The corresponding labour force increase was 120 000. As a result, unemployment is rising again. It is also disturbing that despite the strong period of economic growth since 1993, the unemployment rate failed to fall below 6.1 per cent (September 2000) and averaged 8.1 per cent (over 1993–2001).

Despite the long period of robust economic growth since the early 1990s recession, the Australian economy did not remotely approach full employment. In the last four economic cycles the low point (seasonally adjusted) unemployment rates have been 4.6 per cent (June 1976), 5.5 per cent (June 1981), 5.6 per cent (November 1989) and then 6.0 per cent in September 2000 (Mitchell 2001a). The low point unemployment has steadily ratcheted upwards over successive cycles. Despite one of the stronger growth rates in the 1990s among OECD economies, the unemployment trend remains positive. The problem is even worse when one considers the rising incidence of underemployment (see Mitchell & Carlson 2001b).

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In this review we discuss developments in the labour market over 2001. We then examine the persistent unemployment problem and follow with an examination of the implications of the continued rise in part-time employment. Four special policy issues are then highlighted: (a) the youth labour market; (b) the prospects for older males and the interface with pension availability, (c) the incidence and implications of long-service entitlements, and (d) the OECD-validated supply-side policy program that is dominating Australian labour market policy.

2. THE AUSTRALIAN LABOUR MARKET IN 2001

Table 1 presents a summary of some key labour market aggregates since 1980. In the midst of the on-going debates about labour market deregulation, minimum wages and taxation reform, the most salient, empirically robust fact that has pervaded the last two decades is that the actual GDP growth rate has rarely reached the rate required to maintain, let alone achieve, full employment (Mitchell & Carlson 2001a). The assessment by EPAC (1996: 59) that 'The most obvious labour market failure in Australia in recent years has been the high and sustained level of unemployment' maintains relevance as we end 2001.

Table 2 shows that since February 1978, there have been around 3.1 million jobs created of which 49 per cent have been part-time. In that time, the labour force has grown by 3.2 million with unemployment representing the difference. In 2001, this trend was accentuated. Since 1978, the number of part-time workers wanting longer hours has risen by over four times which indicates that the demand constraint and structural changes promoting the growth of part-time employment have been forced upon the work force. There is also a considerable number of hidden unemployed (Mitchell 2001b).

Two data releases for late 2001 from the Australian Bureau of Statistics show that the Australian economy was resisting the international trend towards recession. September quarter GDP growth was unexpectedly high at 1.1 per cent, con-

Table 1 *Summary labour market statistics for Australia*

Labour market measures	1980	1985	1990	1995	2000	2001
Unemployment-vacancy ratio	10.6	9.2	10.0	10.4	5.5	7.1
Employment/Population ratio (%)	57.4	55.8	59.3	58.3	59.4	59.2
Part-time/Total Employment (%)	16.0	18.0	21.0	25.0	26.0	28.0
Part-timers who want to work more (%)	15.2	16.8	19.2	26.1	23.4	25.0
Unemployed who want full-time work (%)	84.0	84.0	81.0	82.0	76.0	75.0
Hidden unemployment (thousands)	200.3	306.7	257.0	350.0	267.3	276.7

Source: ABS, *The Labour Force*, 6203.0; ABS, *Underemployed Workers*, 6265.0.

Hidden unemployment estimates from Mitchell (2001).

The 2001 data are the average to November.

tinuing the positive growth throughout 2001. The December labour force statistics showed that the unemployment rate remained at 6.7 per cent (after reaching 7.1 per cent in October). Prior to November the unemployment rate had increased for several months. Two major (temporary) policy shifts in the last year underpin these results. First, the Reserve Bank cut interest rates six times since February 2001. Second, the Federal Government temporarily abandoned, for electoral purposes, its blind pursuit of budget surpluses. Recognising that the GST devastated home building, the Federal Government's First Home Owner's Grant injected over 2 billion government dollars into the economy and substantially stimulated an ailing construction industry. An old-fashioned Keynesian boost to say the least!

However, the recent 'good' economic figures hide disturbing trends that we noted in the opening paragraph. Part-time employment, the engine of jobs growth in recent years, declined from August through November with a slight recovery evident in December 2001. Furthermore, the labour force declined in each month between August and December 2001 (a total of 45 000 people exiting), a reflection of increased pessimism regarding job prospects. The declining labour participation was the real reason why the unemployment rate was lower in December than in October, given that total employment also fell over that period.

The systematic attrition of full-time jobs continued in 2001 with some 60 000 jobs being lost (on seasonally adjusted ABS estimates). The degree of under-employment among part-time workers increased as did the proportion of those workers seeking additional hours of work (Mitchell & Carlson 2001b). The Centre of Full Employment and Equity (CoffEE) at the University of Newcastle estimates that the proportion of willing labour resources not fully utilised exceeds 17 per cent once the hidden unemployed, marginal workers and the under-employed are included (Mitchell & Carlson 2001b). Furthermore, the 'good' GDP figures driven by the construction boom hid an 8 per cent fall in private capital expenditure in the year to September 2001 (ABS 2001a).

The November 2001 Job Vacancies data reveal a 20.4 per cent decline since November 2000 and a 2.6 per cent decline since August 2001. This was the fifth quarterly decrease in job vacancies. Since November 2000, the unemployment

Table 2 *Labour force and employment for Australia, 1978, 2000 and 2001*

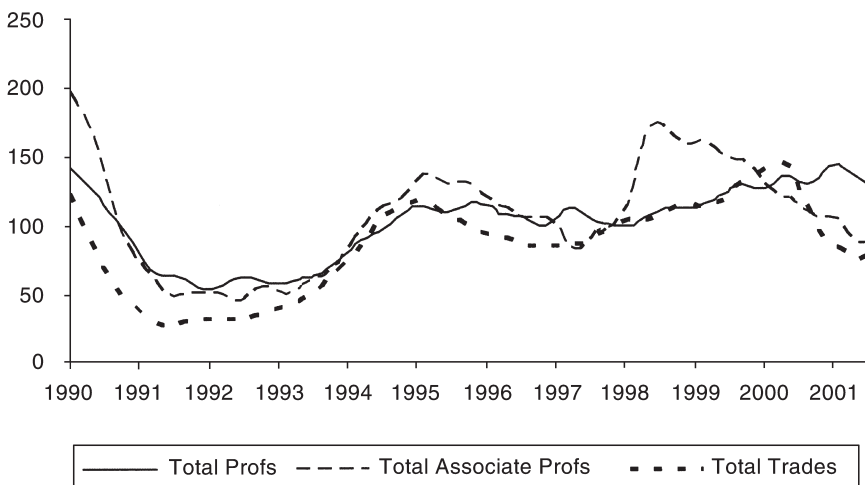
	Labour force	Full-time (thousands)	Part-time	Total	FT/total (ratio)
1978	6468.5	5099.9	885.7	5985.6	0.85
2000	9677.0	6676.1	2392.0	9068.1	0.74
2001	9818.4	6648.4	2508.3	9156.7	0.73
Changes					
1978–2001	3208.5	1576.2	1506.3	3082.5	
2000–2001	141.4	–27.7	116.3	88.6	

Source: ABS, *The Labour Force*, Australia, 6203.0.

to unfilled vacancies ratio (a measure of demand deficiency in the labour market) has risen from 5.7 to 8.0. Since December 1974 this ratio has averaged 11.1. The unemployment to vacancy ratio clearly indicates that the labour market has been operating under conditions of persistent demand deficiency for the last 25 years.

The movements in skilled vacancies are also interesting. The Federal Department of Employment and Workplace Relations (DEWR) publish the DEWR Skilled Vacancies Index, which provides some guide to the relative fortunes of the professions and skilled trades (DEWR 2001). Figure 1 shows the Index for Professionals, Associate Professions and Trades since January 1990. In January 1990, the respective values for each group were 142.9, 197.4 and 122.4. At December 2001, the Professional index stood at 127.2, the Associate Professions at 88.6 and the Trade Index at 80.1. In the recent cycle, the peak for the latter two Index values was reached well before the Professional index peak (June 1998: 173.9 for Associate Professions, April 2000: 146 for Trades, and January 2001: 143.9 for Professionals). In aggregate, the Skilled Vacancy Index declined in 2001 from 113.1 to 106 (6.3 per cent lower). Every month since August 2000 has exhibited a year-on-year decline. The annual decline to December 2001 for Professionals was 20.7 per cent and for Associate Professionals 26.2 per cent. The Trades rose by 19.3 per cent. The Trades result is, in part, a result of the First Home Buyers Scheme with Construction Trades recording the strongest rise from November to December. Table 3 shows the DEWR Skilled Vacancy Index by occupations and states for December 2001 and computes the percentage change since November 2001 and December 2000.

Figure 1. Skilled Vacancies Index, January 1990 to December 2001, professionals, associate professionals and trades



Source: DEWR (2001).

A 1998 research paper coordinated by the Department of Communications, Information Technology and the Arts (DCITA 1998) examined skill shortages in the Information Technology and Telecommunications industry amidst a worldwide surge in IT corporate activity. They concluded that 'growth in demand for IT&T related skills is strong with the sector growing at 12 per cent per annum.' Growth was expected to be strong through 2005. The reality has been different. There was a major decline in the Information and Communications Technology (ICT) labour market in 2001. The Australian ICT Vacancy Index began in January

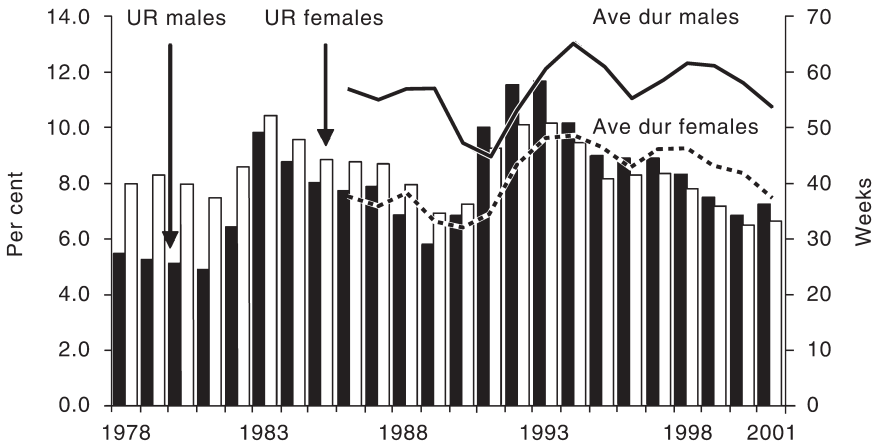
Table 3 *DEWR Skilled Vacancy Index by occupations and states, December 2001*

	Index December 2001	% change monthly	% change annual
Professionals	113	-1.3	-20.7
Science	106.8	1.8	4.6
Building and Engineering	81	-6	-13.3
Accountants and Auditors	111	-4.4	-43.3
Marketing and Advertising	59	-2	-52.8
Organisation and Information	78.6	-5.8	-25.5
Health	146.6	1.4	-5.4
Social	115.8	-0.1	-24.4
Associate Professional	78.2	-4.2	-26.2
Medical/Science Technical Officers	148.2	3.4	42.6
Building/Engineering Associates	69.7	-3.4	-14.2
Trades	103.6	4.4	19.3
Metal	103.8	5.5	85.1
Automotive	100.5	2.9	21.9
Electrical and Electronics	92.9	3.8	13.8
Construction	120	10.2	51.8
Chefs	170.4	-0.5	-10.8
Food	51	-1.8	-12.3
Printing	80	1.8	12.8
Wood and Textile	114.6	1.7	19.8
Hairdressers	109.2	2.2	-9.2
States/Territory			
New South Wales	92.1	-0.7	-28.1
Victoria	115.9	-0.5	6.3
Queensland	111.8	1.8	7.2
South Australia	138.6	2.9	16.3
Western Australia	97.5	0.8	0
Tasmania	111.3	-6.8	-22.9
Northern Territory	112.5	1.9	28.1
AUSTRALIA	106	1	-6.3

Source: DEWR *Skilled Vacancies Index* (DEWR 2001).

2000 (= 100) and is considered to be ‘a broad indicator of trends in the demand for ICT skills’ (DEWR 2001). The ICT Vacancy Index grew sharply until September 2000 with a peak value of around 144 before falling to the present low in December 2001 of 31.6 (78 per cent lower than the peak). In the four weeks to mid-December 2001, the Index fell by an alarming 16.4 per cent.

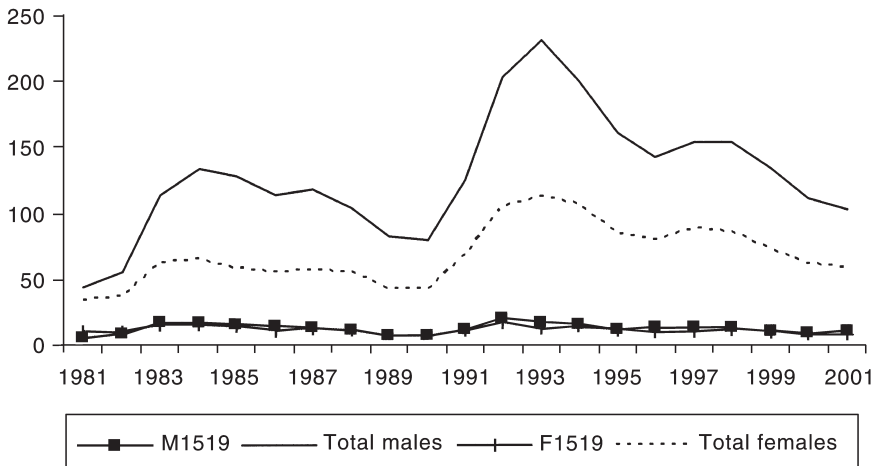
Figure 2. Unemployment rate (per cent) and average duration (weeks), 1978–2000



Source: ABS, *The Labour Force*, Australia, 6203.0.

UR, unemployment rate; Ave dur, average duration.

Figure 3. Long-term unemployment by age and gender, 1981–2001



Source: ABS, *The Labour Force*, Australia, 6203.0.

M1519, males 15–19; F1519, females 15–19.

3. THE DIMENSIONS OF UNEMPLOYMENT IN AUSTRALIA

Unemployment duration in Australia exhibits a cyclical pattern but overall has been trending upwards. It rises with the aggregate unemployment during a major downturn but persists at that new level until the next jump upwards. In November 2000, there were 152 100 workers who had been unemployed for more than 52 weeks (25.1 per cent of total unemployed) and the average duration was 50.9 weeks. A year later (November 2001), the average duration of an unemployment spell was over 51 weeks. There were 146 800 workers (23.3 per cent of the total unemployed) who had been unemployed for more than 52 weeks. These workers become increasingly disenfranchised from the labour market. Their human capital deteriorates and employers are likely to pass them over when a choice is available. This problem is particularly acute for older workers.

Figure 2 shows the unemployment rate and average duration of unemployment (weeks) for males and females for the period 1980 to 2001. Despite earlier differences, male and female unemployment rates have almost converged. It is evident that males were disproportionately affected by the early 1990s recession. The other notable feature is that males suffer significantly longer average duration. As at November 2001, there were 89 000 males (23.8 per cent of total males unemployed) who had been unemployed for longer than 52 weeks and the average duration for all males was 55 weeks. The corresponding figure for females was 51 000 (19.5 per cent of total and average duration for all females of 44.5 weeks). A year earlier (November 2000), the comparative data for males was 100 800 (28.3 per cent) and 57.7 weeks and for females 51 000 (20.4 per cent) and 41.3 weeks. Females also tend to be more likely to be discouraged from active job search (Mitchell 2001b).

Figure 3 shows long-term unemployment (unemployed spells exceeding 52 weeks) for teenage males and females (15–19 year olds), and total males and females since 1981. It is clear that while males in total experience longer average spells of unemployment than women in total, the teenage durations are common for males and females. Mitchell (2001c) analysed the relationship between the proportion of long-term unemployment and the unemployment rate and found that a rising proportion of long-term unemployed (PLTU) is not a separate problem from that of the general rise in unemployment (see also Chapman *et al.* 1992; EPAC 1996).

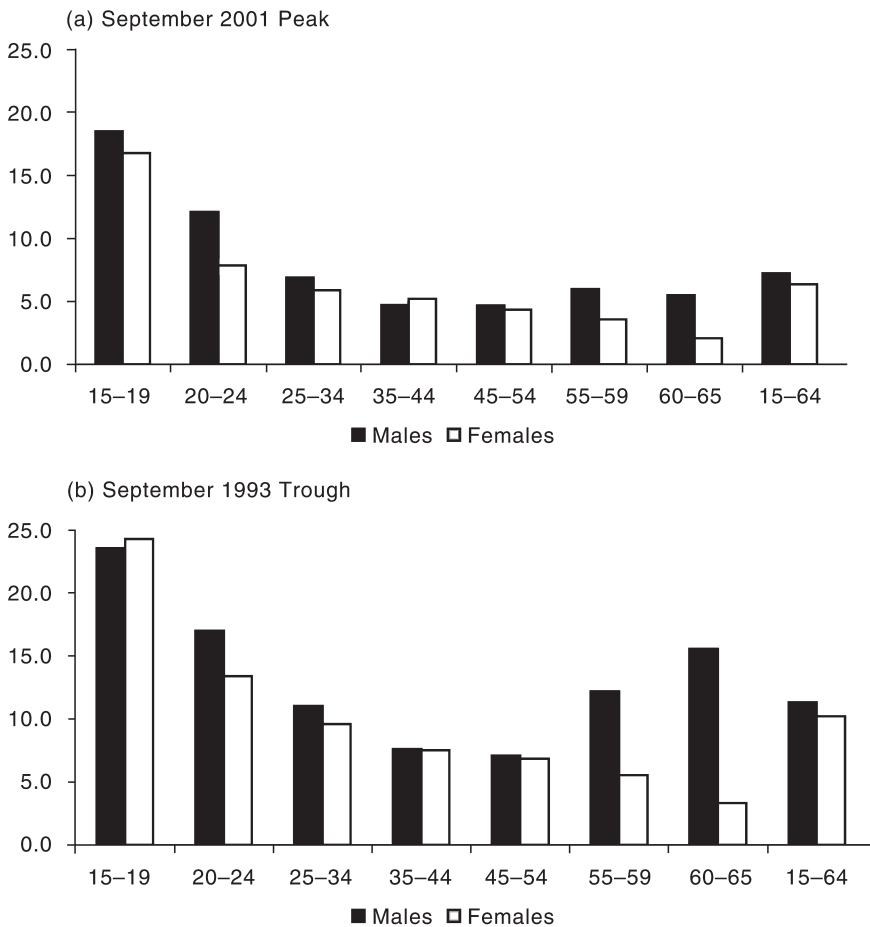
Figure 4 shows the distribution of unemployment by age and gender for: (a) the cyclical peak at September 2001 and (b) the cyclical trough in September 1993. It is clear that the unemployment rate falls with age up until prime-age and then worsens for older workers (see section 6). The comparison also shows that recession impacts disproportionately on the younger and older workers. The outcomes for older males during the 1993 recession are striking.

The regional distribution of unemployment highlights another aspect of the unequal incidence of unemployment. Table 4 shows employment, labour force participation rates and unemployment rates for the 19 DEWR Small Area Labour Markets as at the June quarter 2001. Sydney and Melbourne account for 41 per cent of national employment and both exhibit less than the All Australia

unemployment rate and above-average participation rates. The Northern Territory and Australian Capital Territory both have notably higher participation rates and average to below-average unemployment rates.

The problem areas appear to be Adelaide, Brisbane, the states of Queensland and Tasmania, and the regions of the Hunter and North Coast, and South West Australia. The diversity of these regions makes it hard to construct a simplified explanation, such as one based on using an urban-regional dichotomy. Using the 186 DEETYA administrative regions, EPAC (1996: 68) concluded that the 'lowest unemployment rates were typically recorded in wealthier areas of the big cities and some rural areas . . . The highest unemployment rates typically occurred in poorer areas of the big cities and a range of fast-growing coastal centres.

Figure 4. Unemployment rates by age and gender, September 1993 and 2001



Source: ABS, *The Labour Force*, Australia, 6203.0.

Interestingly, few were in the inland areas although many of these suffer from narrow economic bases'.

Overall, 2002 is likely to once again bring focus to the (rising) unemployment problem. Despite a decade of solid growth it has never gone away. It is very unevenly distributed and despite an array of supply-side measures, like Work for the Dole and the Job Network, the simple fact remains that insufficient jobs have been generated. Of those jobs being created, the majority are now part-time and increasingly adding to the problem of under-employment.

Table 4 *Regional labour market indicators, Australia, June 2001^(a)*

	Employment (thousands)	% of Total	Labour force participation (%)	Unemployment rate (%)
Sydney	2029.3	22.2	64.7	5.1
Hunter and North Coast	429.6	4.7	57.1	9.2
Illawarra and South East NSW ^(b)	256.0	2.8	58.1	5.9
Western NSW ^(b)	215.5	2.4	60.2	4.7
Riverina	134.9	1.5	65.2	5.6
Melbourne ^(b)	1717.3	18.8	64.7	6.2
Western Victoria ^(b)	374.5	4.1	62.0	6.2
Eastern Victoria	223.4	2.4	60.6	6.6
Brisbane	1141.9	12.5	65.1	9.0
Southern Queensland	199.1	2.2	61.9	9.1
Central and Northern QLD	356.9	3.9	68.0	8.0
Adelaide ^(b)	493.3	5.4	59.7	7.8
South Australia Country ^(b)	180.4	2.0	61.1	6.1
Perth	688.9	7.5	66.1	7.1
Southern Western Australia	128.2	1.4	64.5	8.4
Greater Western Australia	118.4	1.3	75.3	6.8
Tasmania	200.3	2.2	58.6	8.2
Northern Territory	96.2	1.1	72.7	6.8
Australian Capital Territory	167.4	1.8	72.6	5.5
Australia	9151.4	100.0	63.8	6.8

Source: DEWRSB, *Small Area Labour Markets*, Australia, June 2001.

Notes: (a) In April 2001, the ABS revised the definition of employment and unemployment used in the monthly Labour Force Survey. Estimates at the State/Territory level have been backcast by ABS to April 1986. Accordingly, the estimates in this table for Tasmania, the two Territories and Australia are not strictly comparable with those for the other Labour Market Regions.

(b) While the boundaries of these regions align as closely as possible to the boundaries of ABS labour force regions, there are a number of minor differences.

4. THE IMPLICATIONS OF ONGOING PART-TIME JOBS GROWTH

The relentless progress of part-time jobs growth continued over the past year. Across the OECD, Australia has one of the highest part-time employment shares, only exceeded by the Netherlands and Switzerland. Table 5 shows that while 135 000 part-time jobs were created between December 2000 and December 2001, around 60 000 full-time jobs were lost over the same period. Part-time jobs offer employees the opportunity to better integrate work with education, family responsibilities and leisure activity. However, part-time work also has disadvantages including not matching the desire for full-time work (see the above discussion on unemployment), receiving a part-time income, and being more likely to receive less training, no career advancement and few non-wage benefits as compared to full-time employees (Burgess 1997). The majority of part-time jobs are casual and this is also associated with employee benefit exclusion (Campbell & Burgess 2001a).

Part-time employment growth is an integral component of the restructuring of work in Australia. The norm of the full-time, ongoing, career path job of between 35 and 40 hours per week continues to be eroded. Consistent with the rise of part-time work, more workers are now employed for less than 30 hours per week, while at the other end of the spectrum, a growing proportion of full-time workers now work more than 44 hours per week. Indeed, average full-time hours continue to increase (Wooden 2002)—in October 2001 they stood at 42.4 hours per week.

Since October 1991 the number of part-time workers increased by slightly over 50 per cent. The Australian economy now generates more part-time jobs than full-time work. Full-time employment is more cyclically sensitive than part-time employment (ABS 2001b). The ABS (2001b) in a major review of these trends attributed the relative growth in part-time employment to:

- a) The changing industrial composition of jobs growth: part-time work is heavily concentrated in three sectors (Retail Trade; Health and Community Services; and Property and Business Services). These high-density part-time

Table 5 *Employment growth, December 2000–December 2001, thousands*

	December 2000	December 2001	Change
Full-time employment:			
Males	4436.2	4425	-11
Females	2246.8	2198.3	-49
Total	6683	6623.3	-60
Part-time employment:			
Males	670.2	722.2	52
Females	1749.6	1832.7	83
Total	2419.8	2554.9	135
Total employment	9102.8	9178.2	75

Source: ABS, *The Labour Force*, Australia, 6203.0.

industries have accounted for most of the total employment growth (see Mitchell 2001d).

- b) A growing intensity or share of part-time employment across all industries. With the exception of Utilities and Accommodation, and Cafes and Restaurants, the part-time employment share has increased in every industry. The ABS (2001b) suggests that institutional developments (for example, extended trading hours in retailing) and technological developments (for example, electronic scanning and ordering) increased the demand for part-time work in Wholesale Trade and Manufacturing.
- c) The continued relative expansion in women's employment and the associated demand for part-time work to meet with family caring responsibilities.
- d) The steady expansion in young person's full-time education participation has pushed up the share of young workers (15–24 years of age) in part-time work. Around 40 per cent of those in full-time education are in part-time work.

The continued growth in part-time employment raises important policy questions. In particular, five issues stand out:

- a) Part-time employment is predominantly casual (Campbell & Burgess 2001a). This means that part-timers are excluded from many non-wage benefits.
- b) The nature of part-time work means that part-timers are excluded from training and career path options (Connell & Burgess 2001).
- c) Another form of exclusion is that the above factors combine to compromise OHS conditions (Quinlan & Mayhew 1999).
- d) The reliance on employment-based pension systems means that part-timers/casuals are not in a position to generate retirement income; in turn this has a strong gender dimension (Preston & Austen 2001).
- e) Part-time earnings are declining relative to full-time earnings (ABS 6310). Again a strong gender dimension is present and in part reflects the inherent inequality of the enterprise wage determination system (Strachan & Burgess 2000; Carlson *et al.* 2001).

A systematic shift away from full-time employment challenges many of the assumptions that have linked employment to a range of policies including on-the-job training, career progression, retirement incomes and OHS standards. It also constitutes a major form of under-employment in the economy (see above). With nearly 30 per cent of the workforce in part-time employment (70 per cent of whom are women), and with the prospects of further full-time job losses as the economy slows, there is an imperative for a re-examination of the implications of a further expansion in part-time employment.

5. THE ONGOING DETERIORATION IN THE YOUTH LABOUR MARKET

The youth (15–24 years) proportion of the population remained steady throughout 2000 (17.8 per cent in December 1999 and 2000) but fell slightly to 17.7 per cent in December 2001. A falling proportion of the population is consistent with the long-term trend associated with an ageing population (Biddle 2001). Further, the proportion of the youth labour force continued to slowly decline from 20.7 per cent to 20.5 per cent between December 1999 and December 2001.

This occurred at the same time that structural factors such as school retention rates and participation in post-secondary education also remained relatively steady (see Table 6). On the other hand, the numbers of youth, particularly outside of education, working part-time increased considerably between December 1999 and December 2001. There has also been a large expansion in part-time employment in the youth labour market. In 1971, the share of part-time youth employment was 7 per cent (Whitfield & Ross 1996: 158) but by December 2001 it stood at 42.9 per cent (ABS 6203.0). Youth gained almost one-third of all additional part-time jobs created over the last two decades (Biddle 2001). Part-time employment for youth outside of education increased by 15 300 positions between December 1999 and December 2000. This growth accelerated in 2001 with a further 36 600 positions being generated by December 2001. The increasing rates of participation in education explain some of the growth in part-time employment, as many youth combine part-time employment with their education status.

Full-time employment for youth began declining in the mid-1960s, but this decline accelerated in the late 1970s and beyond (Irving *et al.* 1995: 225). Full-time employment has contracted for both the 15–19 year-olds and the 20–24 year-olds over the last 2 years. While overall full-time employment increased by 95 500 in 2000, youth full-time employment declined by 8400. The declining trend generalised in 2001 with overall full-time employment falling by 61 400. Alarmingly, youth accounted for more than 50 per cent of this decline (31 500 jobs), while representing around twenty per cent of the total labour force. Demand deficiencies have also driven increases in hidden unemployment and under-employment. In September 1996, 23 per cent of 15–19 year-olds and 36 per cent of 20–24 year-olds working part-time indicated that they wanted to work more hours. Around 37 per cent of those teenagers and 55 per cent of those young adults actively sought full-time employment in the 4 weeks prior to the labour force survey (ABS 1997). Further, 48 per cent of working teenagers not in full-time study hold casual jobs (ABS 1999).

Probably the most significant development over time however, has been the increasing incidence of the combination of education and employment by youth

Table 6 *Number of persons attending school and tertiary institutions while working, December 1999–2001, thousands*

Age cohort	Education and labour status	1999	2000	2001
15–19 years	At school working full-time	9.1	9.1	13.8
	At school working part-time	212.7	222.9	212.3
15–19 years	At tertiary institution working full-time	15.6	14.3	15.3
	At tertiary institution working part-time	87.7	92.3	113.1
20–24 years	At tertiary institution working full-time	29.3	30.4	36.1
	At tertiary institution working part-time	103.6	101.8	113.1

Source: ABS, *The Labour Force*, Australia, 6203.0.

(Biddle 2001). From the start of 2000 to the end of 2001, this phenomenon is not so apparent for the 15 to 19 years cohort but is particularly evident for young adults (29–24 years), especially in 2001. As well as combining education with employment, the youth labour market is characterised by relatively high employment turnover rates, low pay, low skill, and a high incidence of non-standard employment and non-career path positions for those with jobs (Biddle 2001).

The data in Table 7 show the persistence of relatively high youth unemployment rates. The rate for the 15–19 year group remains between 2.5 and 3 times the national average while for the 20–24 year group the rate is about 1.5 times the national average. Youth unemployment rates declined in 2000 but have led the national increases in 2001 (12.8 per cent in 2000 to 13.6 per cent in 2001). Youth rates have also increased relative to the national average as the labour market has deteriorated. Anderson (1998: 238) contends that persistent unemployment among youth, (and increasing part-time and casual employment) is a consequence of the collapse of the traditional career paths for school leavers, particularly apprenticeships. Consequently, there has been a transformation of the labour market opportunities available to school leavers and other youth over the last twenty years.

The youth labour market is also less separate and identifiable than it was previously. While changes in the school to work transition have blurred the distinction between education and work, the changes go beyond this. Maguire and Maguire (1997) claim that during the 1970s a separate youth labour market existed because young people were unable to compete for jobs in sections of the adult labour market, while at the same time having points of entry in which they were sheltered from competition from adults. This market was characterised by a concentration of entrants to the labour market in a restricted number of industrial and occupational sectors, by a propensity for high proportions of 15 and 16-year-olds to leave school at the minimum school-leaving age, and by a relative lack of skills and qualifications of those entering employment. Career development was possible in occupational labour markets that have traditionally involved the recruitment of unskilled school leavers accompanied with the provision of training.

The separability of the youth labour market has declined since that time. Jobs that were traditionally open to young people, particularly for relatively unqualified 15 and 16 year-olds, have disappeared. Elsewhere, young people face stiffer

Table 7 *Various unemployment rates 1999–2001, December*

Age cohort	1999	2000	2001
15–19 years	18.5	17.5	18.6
20–24 years	9.1	9.1	9.8
15–24 years	13.2	12.8	13.6
National average	6.7	6.3	6.6

Source: ABS, *The Labour Force*, Australia, 6203.0.

competition from other sections of the labour force. Crucially, there is now a need for a more highly skilled workforce. There has been a growing importance of firm internal labour markets, wherein skills that are specific to the firm are required for progression. These allocation processes have replaced the traditional occupational labour markets noted above (Maguire & Maguire 1997).

Twenty-five years ago, the transition from initial education to working life was a simple matter for most Australians (Sweet 1998). While a small fraction continued to the last 2 years of secondary school, most quickly found full-time employment after leaving school at the age of 15 or 16. While a significant proportion went into apprenticeships, many went into jobs involving little further education or training. Most job-specific skills were acquired in the workplace. Employment was continuous, permanent, and generally a matter of choice. Fundamental changes have occurred including the significant increases in skills and qualifications required for work. As a result, retention rates for youth within the education system have increased. The BLMR (1985: 72) argues that for teenagers, 'employment and education are both substitutes and complements. For many of these participants, especially those in full-time education, their (usually part-time) work arrangements are generally transitory and unrelated to their post education career path. For those not in education, particularly early school leavers, however, there can be a tendency to become trapped and unable to escape from a cycle of unemployment, low pay and employment insecurity'.

Successive Australian governments have introduced a range of labour market programs and other policies to address the youth labour market problems (Irving *et al.* 1995; Whitfield & Ross 1996; Bessant 1997). The approach to youth employment and unemployment has evolved considerably and is now dominated by a plethora of supply-side measures, with coercive overtones that attempt to correct attitudinal and short-term supply problems (Biddle & Burgess 2001; Biddle 2001). The policies of the Australian Government specifically aimed at young people concentrate mainly on 'employability'—a supply-side approach centered on training and guidance (Serrano Pascual 2000). The underlying premise is that young people lack technical and general educational skills including inadequate or poor training and poorly-developed social and moral qualities. The latter include a lack of discipline, poor work ethics, and immaturity (Serrano Pascual 2000). This approach thus blames the youth for high youth unemployment and shifts the focus away from the deficient levels of demand. Despite these measures our analysis suggests that the situation for youth has not improved in 2001. More coercive policy measures will do nothing to generate full-time jobs for youth, which have all but disappeared.

6. OLDER WORKERS, LABOUR FORCE PARTICIPATION AND SOCIAL SECURITY RELIANCE

An examination of labour force statistics in Table 8 would suggest that the labour market for older (aged 55–64) male workers over the recent decade has been relatively inert. Labour force participation rates (LFPR) remained stable at their relatively lower level, after falling substantially during the 1970s and 1980s.

Table 8 *Labour force statistics for older and prime-aged males, selected years*

	Labour force participation rate			Unemployment rate			Average duration		
	Prime -age	55–59	60–64	Prime -age	55–59	60–64	Prime -age	55–59	60–64
1976	96.8	86.9	64.0	2.5	1.6	1.8	26*	54*	50*
1981	95.9	81.9	52.3	3.4	4.0	4.1	35	73	101
1986	95.4	77.4	46.2	5.8	6.4	7.5	62	104	98
1991	94.7	74.0	51.5	8.7	10.6	13.1	46	74	94
1992	94.0	74.2	48.7	9.0	10.0	16.4	60	94	86
1993	94.1	72.1	49.1	9.4	12.1	15.8	64	115	122
1994	93.3	74.1	49.7	7.8	11.4	10.0	73	112	90
1995	94.0	75.8	46.6	7.4	11.0	7.6	65	111	81
1996	93.2	74.6	46.3	7.5	9.9	7.6	60	111	86
1997	93.4	71.9	47.6	7.1	9.2	6.5	62	104	88
1998	93.3	75.9	47.5	6.6	8.4	5.4	73	121	118
1999	92.0	73.0	48.2	6.1	6.5	6.5	64	95	103
2000	92.6	74.5	48.2	5.8	5.3	5.6	65	120	75
2001	91.7	71.6	49.4	5.8	6.0	5.4	57	127	118

Source: ABS, 6204.0 and AUSSTATS.

Note: * 1978 value.

Unemployment rates for older male workers have typically been greater than those of prime aged (25–44). However, this divergence has not tended to be substantial, apart from a brief period in the early 1990s, and only for males aged 60–64. However, average unemployment duration for older males has remained higher than for prime aged throughout the 1980s and 1990s.

There has been scant analysis of LFPR trends for older males since the 1980s. At this time, explanations for older worker participation trends included: (a) early retirement and increased wealth models (Miller 1983; Hughes 1984); (b) the role of social security eligibility and value (Merrilees 1982, 1983); and (c) hidden unemployment and discouraged worker effects (Stricker & Sheehan 1981).

O'Brien (2001a, 2001b) shows that older male reliance on social security pensions has remained at a high level throughout the 1990s, accounting for a sizeable proportion of those older males not in the labour force. However, the significant finding is that the composition of pension recipients in the 1990s has changed. It has been noted elsewhere that the majority of males aged 60–64 in the late 1970s and throughout the 1980s were in receipt of the age service pension (ASP), available to the WW2 cohort of ex-servicemen, and accounting for the initial decline in LFPR (Merrilees 1982). However, older males in the 1990s tend to receive the Mature Age Allowance (MAA) and the Disability Support Pension (DSP).

The MAA specifically targeted older males (60–64 year-old) in long-term unemployment. Its introduction in 1994 coincided with a number of interesting changes to labour force statistics for males aged 60–64 years. First, unemployment rates fell by close to 10 per cent from 1993 to 1995. Second, average duration of unemployment for males aged 60–64 years fell below that applicable to 55–59 year-old males. These observations suggest that official unemployment statistics would have been much worse in the absence of MAA.

The receipt of DSP may also act to hide the otherwise unemployed, noting the special labour market related eligibility for those over 55 years. O'Brien (2001b) establishes this link between older male DSP receipt and aggregate unemployment conditions over recent decades. A case study of BHP redundancies at Newcastle in the 1980s also reveals a large number of retrenchees in receipt of DSP. Also of note is that the introduction of MAA also coincided with the stabilisation in receipt of DSP for males 60–64 at 25 per cent.

The previous high levels of ASP receipt throughout the 1970s and 1980s were explained, using the orthodox neoclassical interaction of preferences and relative prices, either to be the result of long term planning and anticipation (Miller 1983) or short term changes to pension value (Merrilees 1982). However, the change in the composition of pension recipients through the 1990s is consistent with the hidden unemployment and discouraged worker explanations. Further analysis by O'Brien (2001b) suggests that ASP receipt was also significantly related to aggregate labour market conditions. A large proportion of BHP retrenchees subsequently relied on ASP, casting into doubt its anticipated nature. Therefore, rather than signalling a fundamental shift in the older male labour market, the 1990s would seem to have continued an entrenched trend of hidden unemployment for older males in Australia. Furthermore, policy makers exacerbated this

trend by introducing the MAA, when the passing of WW2 veterans through the 60–64 age cohort meant the ASP was no longer available.

Three estimates of total (official plus hidden) unemployment are presented below to quantify this argument. These estimates are derived from specified proportions of pension recipients (PENSTAT), as well as results derived from econometric models of ASP and DSP receipt (PENMOD), and LFPR (LFPRMOD) (see O'Brien 2001a, 2001b). The estimates show total unemployment to be between 12 and 25 per cent for males 55–59 years and 30 and 60 per cent for males 60–64 years throughout the 1990s when official unemployment rates were declining.

In contrast to older males, O'Brien (2000) shows that older females have experienced rising labour force participation rates over time, largely driven by part-time employment. Furthermore, at no time does their unemployment rate exceed that for prime-aged females. On the surface they do not appear to experience the same discouraged worker effects of older males (see Mitchell 2001b for a contrary view). However, a closer inspection of statistics reveals a high level of discouragement as measured by the ABS. Furthermore, there is a high prevalence of retrenchment immediately prior to labour force exit. Older females have historically not been in receipt of ASP and MAA. Few females qualified as ex-servicemen for ASP eligibility. Furthermore, because MAA is available to those aged 60–64 years, only a small percentage of older females have qualified for this payment, with most of this age group instead eligible for the Age pension. For example, in May 1999, 92 per cent of MAA recipients were male (DFaCS, 1999). However, older females appear to be increasingly in receipt of DSP. Therefore, it may well be argued that older females also occupy an increasingly vulnerable position within the Australian labour market and that this situation is hidden behind relatively favourable official labour force statistics more so than older males.

The possibility of high official unemployment statistics appears to provide at least sufficient motivation for governments to offer labour force exit in the form of a pension rather than continued unemployment over past decades. Governments have either explicitly or implicitly found it both compassionate and convenient to allow an exit from the labour force for those in long-term unemployment with low prospects of securing a job. This was apparent with the introduction of the MAA in 1994, and its subsequent impact on official statistics. For both the individual and society, the receipt of a pension and removal of arduous job search requirements is beneficial, especially in the face of continued rejection and poor employment prospects. This has been acknowledged by government sources in the past as beneficial in times of recession (BLMR 1983: 109).

With both the absolute number and the proportion of older people in the population expected to rise in coming decades, the encouragement of later retirement was identified as a policy initiative by government as early as 1988 (EPAC 1988), and confirmed more recently by Bishop (1999a). An increase in labour force participation rates would require a reversal of the participation trends prevailing over recent decades, with the pension recipient population an obvious target. Policy initiatives to increase older worker labour force participation are contained in

Bishop (1999b), with more recent additions being put forward in the welfare reform process (DFaCS 2000), the House of Representatives inquiry into older unemployment (House of Representatives 2000), and the 2001–02 Budget (DFaCS 2001). These initiatives include increased access to training, financial encouragement to accept part-time and casual employment, and expansion of work for the dole. These initiatives are in concert with the removal of, or restrictions to, social security pension entitlements. The MAA is to be gradually removed, with no more applications approved after 2003, while eligibility for DSP is to be tightened. The abolition of the MAA means that older unemployed would remain on unemployment benefits, presumably until employed, or the age of 65 is reached. Tighter eligibility for DSP would also seem to suggest a greater reliance on unemployment benefit for older males. This implies a greater level of mutual obligation requirements and active job search, for those who would have previously been eligible for pensions. The policy proposals can largely be characterised as supply-side based with no mention of any demand stimulus required to actually create any job opportunities. This policy stance is consistent with OECD ageing society policy recommendations (O'Brien 2001c)

Therefore, the tension in a policy trade-off between high labour force participation and high unemployment rates for older males may continue especially as the labour market deteriorates over the coming year.

7. LONG SERVICE LEAVE AND EMPLOYEE ENTITLEMENTS

The year 2001 marked the collapse of several corporate giants including HIH Insurance, One-Tel and Ansett, and among the major issues to emerge, notwithstanding the employment losses, were the precariousness of workers' long service leave (LSL) and other entitlements. Employees with relatively long service are especially disadvantaged. For many long serving employees LSL constitutes one of the most significant entitlements and acts as an important financial buffer in the period between jobs. To date governments have adopted a piecemeal and partial response to the issue of protecting employee entitlements. The problem will not go away and is likely to become an even more pressing political challenge as the economy slows and more businesses close their doors.

The qualifying conditions for LSL require continuous service for a specified period. Upon the completion of this period the worker is eligible for LSL on the basis of a fixed amount of time per year for every year of service. Access to the LSL generally requires agreement with the employer or some minimum period of notice of intention to take LSL. The standard period of continuous service is 10 years. The standard term of the entitlement is 13 weeks. However, there can be variations either way in terms of the service requirement and the entitlement (see below). In general LSL can be accumulated and part of the full entitlement can be taken. In the event of the termination of employment, an employee is entitled to their accumulated LSL entitlement in the form of a cash pay-out provided they have been employed for some minimum term.

ABS data on job duration suggest that around one quarter of current employees have stayed in their job for 10 years or more. These workers thus constitute the percentage who would be eligible to take LSL if they so wished. Not all employees exercise their LSL on completing the required period of service. There are also those employees who are accruing LSL entitlements with less than 10 years of service and there are also awards and agreements where less than 10 years' service is required before an employee is eligible for LSL. Additionally in some awards and agreements, the employee may have pro-rata access to entitlements despite serving less than the required period for qualifying for full entitlements.

The ABS has published a series on employee benefits and entitlements since the mid 1970s (ABS 6334.0) but only included benefits like LSL since 1984. Table 9 constructs a history of LSL access in Australia up to the latest available data. The data reveal a downward trend for males in both full and part-time employment and an increasing trend for females in both full and part-time employment. Part of the recent male decline may be attributable to owner managers of incorporated businesses, the majority of whom are male full-time employees (Campbell & Burgess 2001b). Overall there has been a slight decline in the share of the workforce covered by LSL entitlements. On average males have a higher coverage than females and full-time employees have a higher coverage than their part-time counterparts. However, there is an increasing trend of coverage for both full-time and part-time female workers. This could reflect the fact that there has been an increase in male full-time casual employment and that more part-time employees (mainly female) are acquiring permanent or ongoing employment status (Campbell & Burgess 2001a). Over this period the male employee share has been declining and the full-time employee share has been declining. These structural developments would tend to reduce the LSL coverage. Re-weighting the 2000 proportions by the gender shares in 1984 would result in a lower LSL density of around 58 per cent. Re-weighting the 2000 proportions by the full-time/part-time share for 1984 would result in a LSL density of around 69 per cent. The shift to part-time employment has been a major factor in explaining the overall reduction in the LSL density. Once again the changing structure of employment is at odds with a benefit that largely originated in the on-going and full-time (male) employment model. Not only is the LSL density falling, the composition of that density is shifting towards the lower earning female and part-time workers.

Table 10 indicates that LSL has the lowest density of standard benefits for employees. This raises the question of how a benefit can be standard when it only potentially applies to 60 per cent of the workforce. Also not all of those eligible will realise this benefit due to their inability to meet minimum service thresholds. Over the last decade the retirement policies of successive governments have seen a rapid growth in the superannuation density, largely as a result of legislative action associated with an ageing population. At the same time access to other standard benefits including holiday leave, sick leave and LSL has declined as a consequence of the growing casualisation of the workforce (Campbell & Burgess 2001a). Legislative action has dramatically increased the superannuation

Table 9 *Employee eligibility to LSL entitlement (%)*

Year	FT	Male PT	Total	FT	Female PT	Total	FT	Total PT	Total
1984	76.9	19.9	73.8	72.5	24.8	55.9	75.7	24.0	66.7
1985	77.0	21.2	74.0	71.8	25.9	55.7	75.4	25.4	66.7
1986	n/a	n/a	72.2	n/a	n/a	56.3	74.7	25.0	65.8
1988	75.1	9.3	70.3	73.2	23.4	53.8	73.2	22.6	63.4
1990	78.1	8.1	72.6	77.9	26.2	57.7	78.1	22.5	66.2
1991	77.7	11.3	73.2	77.7	28.6	59.1	77.7	25.3	67.1
1992	78.2	13.7	72.5	78.9	29.8	58.9	78.4	26.2	66.5
1993	76.2	10.4	69.6	77.2	30.1	57.4	76.5	25.6	64.2
1997	75.4	12.4	67.2	77.8	33.5	57.8	76.2	27.9	62.9
1998	73.2	12.2	65.0	78.3	34.0	58.3	75.1	28.2	62.0
1999	72.6	12.7	64.1	77.8	33.5	57.3	73.9	27.9	61.0
2000	73.5	14.3	64.7	78.9	33.9	58.2	75.4	28.5	61.7

Source: ABS, *Employee Benefits*, 6334.0 and ABS, *Weekly Earnings of Employees*, 6310.0.

The data were not published in 1994 and 1995 and were not collected in 1996.

In 1986, a full-time, part-time rate by gender was not published.

Table 10 *Distribution of standard benefits 2000 (% of employees)*

Benefit	Males	Females	Total
Superannuation	90.0	88.3	89.3
Holiday leave	75.6	66.2	71.3
Sick leave	75.5	65.7	71.4
Long service leave	64.7	58.2	61.7
No benefit received	8.0	10.3	9.0

Source: ABS, *Employee Earnings, Benefits and Trade Union Membership*, 6310.0.

coverage of the workforce; however, at the same time there is declining access to other standard employment benefits within the workforce, including LSL.

The cross-sectional density of LSL from ABS (2000) endorses a number of prior expectations. Access to LSL is positively related to earnings, occupational status and size of establishment. There is a great disparity across industries. Hospitality, retailing and agriculture have a relatively low LSL density while Utilities, Finance and Insurance, and Government Administration and Defence have a relatively high LSL density. Industries in which employment is often seasonal, fixed-term, part-time and irregular have low LSL densities. Industries where employment arrangements are ongoing, regular and typically full-time have a relatively high LSL density. As expected the public sector has a higher density than the private sector. The gender disparity in some industries such as Mining and Construction reflects the very low employment numbers and share of female workers. Surprisingly about 5 per cent of casual workers are eligible for LSL while 20 per cent of permanent workers are not eligible for LSL. The 20 per cent of permanents who do not have access to LSL may include those who are on fixed term contracts that qualify for holiday and sickness benefits but have a contract that is of too short a duration to qualify for LSL. This is only conjecture. However, growing casualisation of the workforce (Campbell & Burgess 2001a) goes hand in hand with exclusion from LSL.

An emerging issue that challenges the relevance of LSL is the cashing out of the LSL entitlement. The cashing out of LSL through workplace agreements directly compromises the respite rationale of LSL. The Queensland Government submission to the State LSL Review opposed cashing out as being incompatible with the purpose of LSL (Queensland Government 1999). However, taking all or part of the LSL as a cash payment enhances the flexibility of LSL and should not be an issue if it is agreed to between the parties. Where it does become an issue is if 'cashing out' is the only option available and if the cashing out process is a means of removing access to paid LSL conditions from employment. The danger is that cashing out could become a process for eroding and eventually removing the LSL entitlement. The cashing out may assist employees who wish to use the entitlement to reduce debt, purchase a house etc.

Where the nature of LSL requires some modification is that it should be seen as an entitlement that provides some security to employees in the event of job

termination. Often LSL is the largest accrued entitlement available to those employees who have a record of continuity of service. Since Australia has few protections regarding notice of termination and employment assistance in lieu of termination, in the case of corporate restructuring and closures the LSL entitlement is an important form of employee insurance that provides assistance in job search and transition into a new job. Not only does this provide financial assistance to workers when they are most in need, it also provides financial support for localities hard hit by job loss on occasion of closure or major restructuring. For employees LSL is an entitlement that can support families in the contingency of job termination and facilitate transition to another job. This provision remains extremely relevant despite the restructuring of the workforce and the discussion about the flexibility of entitlements. Without access to LSL entitlements redundant workers will be forced to seek State-provided income support. This alone should suggest to governments who claim to be fiscally responsible that allowing employee entitlements to be caught in the complex web of corporate liquidation is offering corporations an incentive to treat employee entitlements as part of working capital.

Recent corporate collapses in Australia have highlighted the vulnerability of employee entitlements, with the insurance aspect of LSL being severely eroded. The problem is that LSL is a contingent liability of employers and employees have no rights in terms of how these entitlements are funded or managed. While the management of entitlements is a separate issue the fact remains that the important insurance aspect of LSL is lost if entitlements remain vulnerable to corporate failure. It seems certain that the protection of entitlements will be enhanced through either changes to the ordering of creditors and to industry or government managed contingency funds.

8. THE POLICY OUTLOOK: THE OECD SHINES ITS LIGHT BUT LITTLE IS ILLUMINATED

The position of the Federal Government remains firmly fixed on supply-side remedies to labour market problems. In early 2000, the Federal Treasurer, Peter Costello, predicted that the Australian economy would continue to achieve strong economic growth and generate full employment where 'every Australian who wanted a job would be able to find work if wages growth and inflation were kept under control' (Hudson 2000). He predicted that full employment was equivalent to an unemployment rate of around 4 per cent. In November 2000, the Treasurer was questioned on national radio (Costello 2000) about how low unemployment could go. He replied 'The OECD was saying a few years ago that the structural rate of unemployment that is the lowest it could go in Australia would be in the 7s. Now we know it can go lower than that because it is now at 6.3.' He believed that full employment was close to 6 per cent.

A few months later, the December quarter national accounts data released by the ABS showed that the Australian economy had not digested the Goods and Services Tax easily, with negative GDP growth as a consequence. Further context was provided by the slowdowns in the US and then Japan and East Asia and sometime later the European economies. As 2001 unfolded, the manifestations

of 8 or so years of growth fuelled by private debt accumulation and squeezed by the pursuit of budget surpluses (see Mitchell & Mosler 2001) became apparent with a sequence of high profile corporate bankruptcies mentioned in section 8. It became commonplace for companies to announce major layoffs, as the full extent of the economic slowdown became apparent.

The Federal Government's response has been to avoid any explicit demand-side policies aimed at reducing this upward trend in under-utilisation. The Federal Minister for Employment, Tony Abbott, sees the problem in terms of the generosity of the welfare system eroding individual incentives. In the Bert Evans Lecture in late 2000 he said:

In the absence of rigorous work tests, welfare benefits pitched close to the level of minimum wages eventually create a glass floor below which unemployment cannot fall. Why do some people not work? Because they don't have to. Why might a generous safety net designed to help people on the dole coupled with wage restraint designed to boost jobs turn out to make unemployment worse? . . . The role of the welfare system in creating and sustaining unemployment has been one of the great unmentionables of Australian public policy debate. . . . Tackling unemployment today is not just a matter of creating more jobs or training-up skilled workers. It requires powerful incentives for long-term job seekers to take the jobs that are there as well as new types of work for people who can't readily find paid employment (Abbott 2000).

In one sense it is fortunate that the unemployed can survive, in a manner of speaking, on welfare payments. Withdrawing this lifeline would not improve their employment prospects given that the Australian labour market does not produce enough jobs.

A major OECD report came out in 2001 endorsing the Federal Government's supply-side approach (OECD 2001). The report recognises that Australia has led the way in introducing 'market-type mechanisms into job-broking and related employment services' (OECD 2001: 11) with three major components: (a) the Job Network, (b) the increasingly parsimonious array of 'cost-effective labour market policies', and (c) the 'increased emphasis on the principle of "Mutual Obligation" in the benefit system'.

The OECD (2001: 14) concludes that in terms of labour market policies Australia 'has been among the OECD countries complying best' with the OECD Jobs Strategy (see OECD 1994). The OECD (2001: 14–15) also 'supported further developments along the same lines' in terms of the 1996 Workplace Relations Act. They singled out a reduction in award conditions ('simplification') and an increase in common law relationships between labour and capital to diminish the role of the AIRC in conciliation and arbitration (OECD 2001: 48–49). The closest the OECD (2001: 33) gets to advocating demand-side policy is to hesitantly suggest that there is 'some scope for also using subsidised private-sector jobs' in the manner of the activation strategies pursued in Denmark and the United Kingdom.

Discretionary monetary and fiscal policy decisions have meant that the Australian economy, like most others, has been prevented from generating enough

jobs in the last 25 years to match the growth of the labour force. The same policy decisions have also not allowed the economy to generate enough hours of work to match the preferences of the employed. The result has been persistently high unemployment and rising levels of underemployment (Mitchell & Carlson 2001a).

As an alternative to the OECD (2001) conclusions about Australian labour market policy, the importance of paid-work opportunities for the unemployed is raised in another major 2001 report published by CEDA entitled 'Pathways to Work: preventing and reducing long-term unemployment'. This report involved the collaboration of the Australian Council of Social Service, the Australian Council of Trade Unions, Boston Consulting Group, Business Council of Australia, the Committee for the Economic Development of Australia, Dusseldorp Skills Forum, Jobs Australia and the Youth Research Centre. CEDA (2001: 15) found that 'a substantial minority of long-term unemployed job-seekers are denied Intensive Assistance through the Job Network ... [and] ... many need much more substantial help to secure employment.' CEDA (2001: 15) argues that 'The evaluation literature suggests that paid employment experience in a mainstream job is a particularly effective form of employment assistance for long-term unemployed people, whether on its own or combined with relevant training.' (DEETYA 1997; Martin 1998; DEWRSB 2000).

CEDA (2001: 15) identifies three actions that are needed to help reduce long-term unemployment: (a) paid employment experience, (b) intensive assistance with literacy (including IT literacy), and (c) help to overcome personal barriers to employment such as mental and physical disabilities. It argues for more funding to Intensive Assistance to allow Job Network providers to offer more adequate levels of help to the long-term unemployed. Australia 'lags behind most comparable OECD countries in its expenditure on employment assistance for job-seekers. Many OECD countries (such as the United Kingdom and Denmark) have recently boosted their expenditure in this area as part of broader strategies to improve employment opportunities for long-term welfare recipients while Australia has moved in the opposite direction' (CEDA 2001: 15). In 1994 the Australian public sector spent an amount equal to 2.5 per cent of GDP on labour market programs. By 2000 this had fallen to 1.5 per cent (OECD 2001: 85).

By embracing the OECD path to full employment Australia has been presented as a benchmark for other countries to follow. However, a supply-side based policy program can only succeed where there is strong and sustained jobs growth. Without the jobs growth the policy objective of full employment has to be redefined in order to demonstrate policy success.

9. CONCLUSION

For 2002 we see unemployment once again becoming a major policy issue. We also see ongoing growth in non-standard employment arrangements. The position of youth and older workers will remain vulnerable in such a context. The protection of employee benefits will remain an important unresolved issue in the context of a slowing economy and further job loss. Fresh from its electoral success the government will vigorously pursue further labour market 'reforms' in

response to these developments. In the context of pressure on the fiscal surplus this will mean ways of reducing the access to, and the duration of, unemployment benefits. It will mean further pressure on trade unions and award conditions in order to 'free' up the labour market. There will be pressure on public sector employees and the employees of contractors to the public sector to shift to non-union collective agreements and to AWAs. However, supply-side responses are not going to generate jobs; they usually undermine employment conditions and limit welfare access. See the US experience for the implications of extreme supply-side responses (Mishel *et al.* 2000). We can suggest that job generation or a discussion of job quality will not be on the policy agenda.

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