



Measuring Long Term Unemployment in Australia

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ACOSS has long argued that joblessness is the single main contributor to poverty in Australia. Long term jobless people are much more likely than employed people or short term unemployed people to have low education and skill levels, a chronic illness or disability, to live in a region of high unemployment, and to have an unstable employment history.¹ Reducing long term joblessness therefore requires a combination of strong jobs growth and labour market assistance and training policies to help these disadvantaged job seekers to secure a reasonable share of the jobs created.

Persistent long term unemployment has caused a large group of Australians to live in extended economic hardship. The Organisation for Economic Co-operation and Development (OECD) has commented that the “burden of unemployment is concentrated on a relatively small number of people, who often are at risk of permanent detachment from the labour market”.²

This report argues that long term unemployment in Australia has been declining far less rapidly than official Australian Bureau of Statistics (ABS) data suggest, despite strong employment growth set against the backdrop of Australia’s current economic prosperity.

Official data and local experience are disconnected, especially in job poor regions, partly due to the disparities in joblessness between different regions, but it also reflects an underlying problem with the data.

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¹ Borland & Kennedy, 1998, *Dimensions, structure and history of Australian unemployment*.

² OECD, *Employment Outlook 2002*.

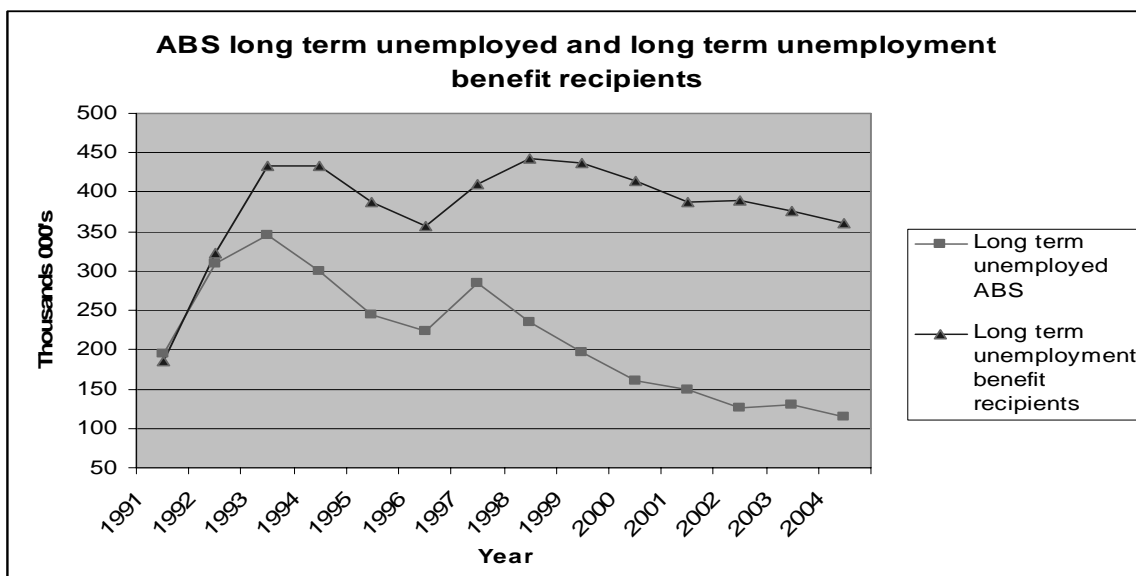
There are two purposes to measuring unemployment: to gauge the health of the economy and the health of the society. While the standard unemployment measure is a useful economic measure, it masks the true extent of joblessness and the hardship that exists for many disadvantaged people.

The unemployment rate is derived through a monthly survey conducted by the ABS. This survey asks people questions about their labour force activity, such as whether they are employed, if they have been looking for work and if they are available to start work straight away. It is from these questions that the ABS determines whether a person is counted as employed, unemployed, or not in the labour force. This survey does not relate in any way to whether a person has registered with Centrelink or a job agency.

A public debate is emerging about how unemployment is defined and whether this fully captures the extent of involuntary joblessness. ACOSS has contributed to this debate with a proposed new measure of “hidden unemployment” that takes account of people with very low, part time working hours and discouraged job seekers. We are now examining whether our official measure of long term unemployment is up to the task.

The current ABS measure regards people who have had casual work for as little as one hour in a fortnight in the past 12 months as not long term unemployed. ACOSS believes that this definition of long term unemployment is too strict in a labour market where a growing number of unemployed people move in and out of casual jobs but remain substantially reliant on social security payments and trapped in a cycle of poverty. For example, the figure below shows that while there has been a decline in the number of people the ABS has recorded as long term unemployed, there has been little reduction in the number of people in receipt of unemployment payments for over 12 months.

Figure 1: Numbers of ABS long term unemployed people and Centrelink long term unemployment benefit recipients (1991-2004)



Source: ABS Labour Force Cat no 6203.0 and Department of Family and Community Services (FaCS), *Labour Market and Related Payments: a monthly profile*, January 1991-2004.

Note: Long term unemployment benefit recipients include those in receipt of Newstart Allowance and Youth Allowance (other).

ACOSS proposes an alternative definition of long term unemployment, that is:

- **A person is long term unemployed if they have been available for and actively seeking employment, and not employed for more than 1 hour per fortnight, for at least 9 months out of the last 12 months.³**

This would bring the ABS definition more into line with Centrelink data about the number of people on Newstart and Youth Allowance (other). For example, it would mean that a person who gets casual work up to 3 months in a year is still regarded as long term unemployed. This is especially relevant in a country like Australia, that has the second highest rate of part time employment in the OECD after the Netherlands.⁴

The social security system already acknowledges the reality of “churning” where people have long spells on payments, get a short term job, then go off payments and then return to payments once the job ends.⁵ A rule known as the “12 week rule” enables a Newstart Allowance recipient to remain on payments for up to 12 weeks once they have got a job. This means they do not have to reapply if they lose the job within that time.⁶

The reality for many job seekers today is increasing casualisation of the work force and decreasing numbers of full time jobs for low skilled workers. According to ABS data, there were 578,300 underemployed workers in September 2004, many of them working for just 1-2 days a week while looking for full time work.⁷ Previous ACOSS analysis considered people who had less than 16 hours of work per week as “hidden unemployed”. The circumstances of this group of underemployed people are only marginally different from long term unemployed people, as defined by the ABS.

However, the main focus of this paper is to provide a better measurement for long term unemployment. In contrast to the definition of unemployment, there is scope within international conventions for the ABS to change the current definition of long term unemployment.⁸

Without change to the way in which long term unemployment is measured, the severity of long term unemployment will continue to be hidden from view and the impetus to assist them to overcome the multiplicity of barriers they face in achieving full time employment will be reduced.

³ This would still mean a person with as little as 1 hour per fortnight of employment throughout the year is regarded as continuously employed, not long term unemployed. However, the best way to address this problem may be to develop a measure of hidden unemployment that includes such people (see ACOSS publication *Hidden Unemployment*, 2003).

⁴ OECD, *Employment Outlook*, 2005.

⁵ Although Centrelink data takes better account of churning, it is otherwise an inferior measure of long term unemployment because many people who are actually unemployed long term are excluded from NSA/YA (o) on grounds such as: the income of their partner or parents, their eligibility for other payments such as DSP or Parenting Payment, or their personal assets.

⁶ Recipients who do not receive a payment because they have a job have up to 12 weeks without payment before they are automatically cancelled. This aims to reduce disincentives to accept short term work. Long term recipients who get a job can have another 13 weeks (25 weeks in total) after payment is cancelled and still keep their long term status if they return to income support.

⁷ ABS Cat no 6265.0 *Underemployed Workers Australia*, September 2004.

⁸ The only active ILO convention and recommendation on statistics are Convention 160 and Recommendation 170 and these do not cover duration of unemployment. It is also worth noting that the International Conference of Labour Statisticians (ICLS) on statistics of the economically active population, employment and unemployment, do not cover long term unemployment or duration of unemployment.

1. Measuring Unemployment

The current ABS definition of unemployment counts a person aged 15 years and over who was not employed (during the reference week) and satisfies the following criteria:

- actively looked for full time or part time work at any time in the four weeks up to the end of the reference week and
- was available for work in the reference week, or
- was waiting to start a new job within four weeks from the end of the reference week if the job had been available then.

All other people are regarded as not in the labour force and therefore are not included in the official unemployment statistics.

The ABS adheres to this strict definition of unemployment which has been prescribed by the International Labour Organisation (ILO) in *ILO Convention 160* and *ILO recommendation 170* which outline the standards for measurement of the economically active population, employment and unemployment.⁹ The International Labour Organisation (ILO) in 1982 adopted '*Resolution concerning statistics of the economically active population, employment, unemployment and underemployment*' at the Thirteenth International Conference of Labour Statisticians (ICLS), which outlined standards for measuring unemployment. (It should be noted that ICLS standards are in the form of resolutions and are not considered binding as are the ILO Conventions and recommendations which do not cover duration of unemployment).

The ABS has acknowledged that the standard unemployment measure alone does not capture the full extent of involuntary joblessness in the Australian labour market and has introduced a number of supplementary measures: the Labour Force Underutilisation Rate, Extended Labour Force Underutilisation Rate, and the Volume Measure to capture more adequately what many people experience in looking for work, not getting enough work and exclusion from the labour force.¹⁰ ACOSS would argue that while these measures provide a more detailed picture of the unemployment picture in Australia they do not go far enough, particularly in the case of long term jobless people.

There has been widespread public acknowledgement that the current measure does not capture the real experience that unemployed, underemployed and hidden unemployed people have in the current Australian labour market. A number of academics and other commentators have criticised present ABS definitions of unemployment, long term unemployment and not in the labour force. The Committee for Economic Development Australia (CEDA) released *A new Health of the Labour Market Index* which concluded that despite an improvement in jobs growth, full time employment remained stagnant.¹¹

There are two main problems with official data on unemployment:

1. Hidden unemployment
2. Long term unemployment which is the main subject of this paper.

⁹ ILO, *Labour Statistics Convention 160 and Recommendation 170*, 1985, Geneva Conference 71.

¹⁰ ABS, *Measures of Labour Underutilisation*, 2002, Catalogue no. 6296.0, p1.

¹¹ Watson, I 2000, *Beyond the Unemployment Rate: A New Health of the Labour Market Index*, Committee for Economic Development Australia.

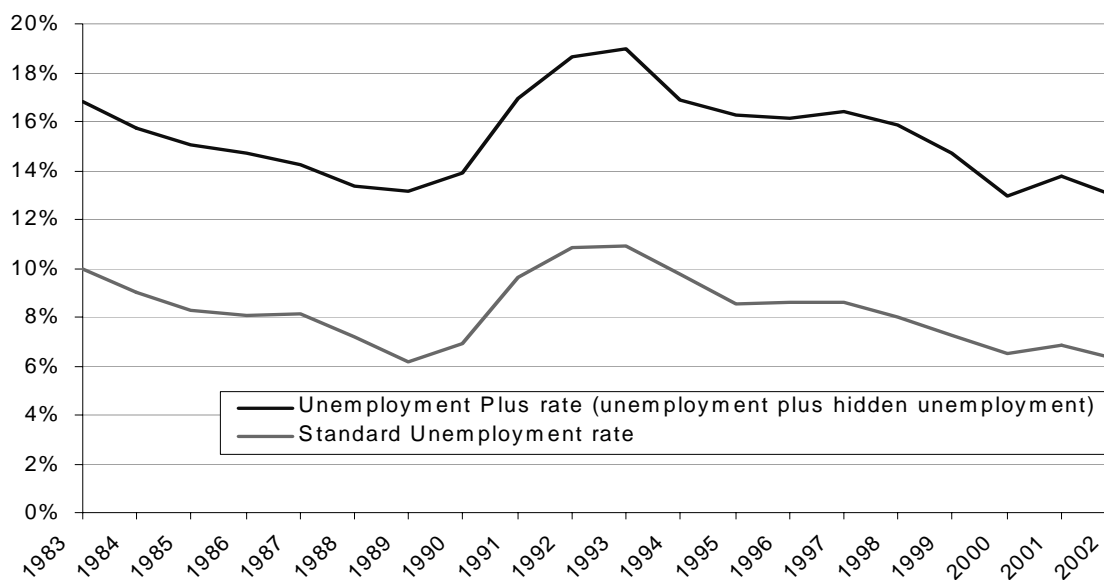
2. Measuring hidden unemployment

The official unemployment rate released each month by the ABS has been in steady decline for some time and the current headline figure, at around 5 per cent, is at its lowest level in 30 years. On the surface it would appear that the number of jobless people is in decline. This however, does not tell the whole story for many people who are underemployed and marginally attached to the labour force. Together, these groups are often referred to as “hidden unemployed”.

In its 2003 report *Hidden Unemployment*, ACOSS challenged the standard unemployment measure the Government, policy makers, the Reserve Bank and others rely upon.¹² The report argued that while the standard unemployment measure is a useful economic measure, in reality it masks the true extent of joblessness and the hardship that exists for many disadvantaged people.

ACOSS developed the **unemployment PLUS** measure to include those people who have given up or cannot get enough work and the many who remain on social security payments in the longer term. The report defined hidden unemployment as including the *severely underemployed* – people who are working for less than 16 hours per week and want to work more hours and the *excluded jobless* – a subset of people who are marginally attached to the labour force and who have a preference for working. Taking into account the hidden unemployed, ACOSS estimated the rate of unemployment and underemployment to be double that of the official rate and in November 2003 this was approximately 12%.

Figure 2: Standard Unemployment Rate and Unemployment Plus Rate, All persons



Sources: ABS Labour Force Catalogue No 6203, ABS Persons Not in the Labour Force Catalogue No 6220, ABS Underemployed Workers Catalogue No 6265, ABS Australian Demographic Statistics Catalogue No 3101.

Notes: Standard Unemployment refers to the ABS unemployment rate, i.e. unemployment as a percentage of the standard labour force.

Unemployment plus hidden unemployment refers to standard unemployment plus excluded jobless (the majority of “marginally attached” people plus severely underemployed people (<16 hours work per week) as a percentage of an adjusted labour force (standard labour force plus “excluded jobless” people).

We argued that hidden unemployment also helps explain why the number of people

¹² ACOSS, *Hidden Unemployment in Australia*, 2003, Paper 131.

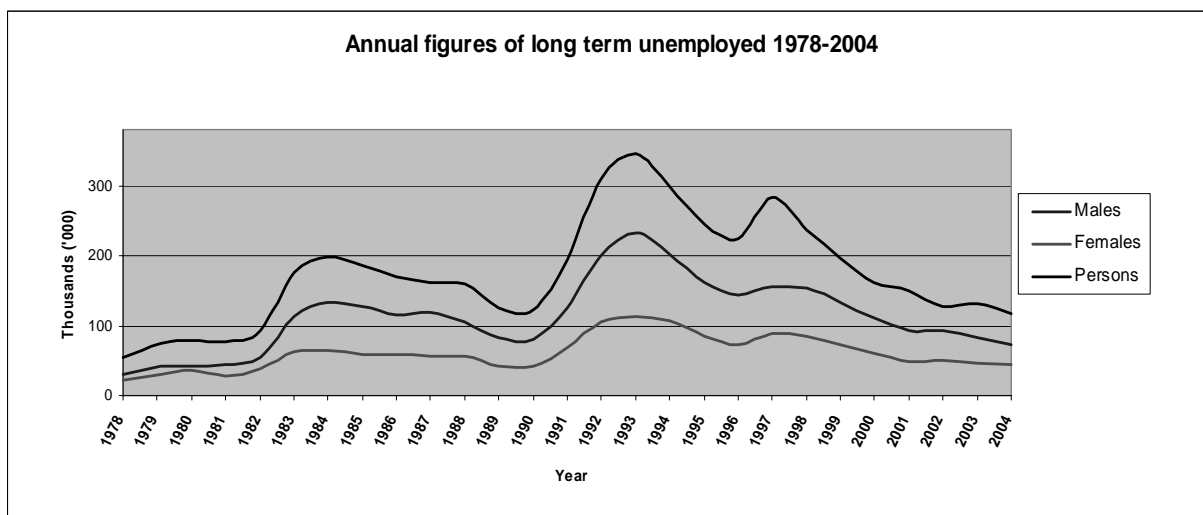
receiving income support payments has not declined at the same rate as standard unemployment, and to a greater degree long term unemployment. The report challenged the view of rising welfare dependency in Australia and that many of the people who rely on income support are actually hidden unemployed. Many may only work for a few hours a week and still need a partial Centrelink payment to top up their earned income. Further, many people are not receiving the type of employment assistance and other supports they need to enable them to get a job.

3. Measuring Long Term Unemployment

Since the 1970s, the Australian economy has weathered three recessions and with the subsequent recoveries the number of long term unemployed has risen substantially. The ABS figures reflect a decline in long term unemployment and the figure below shows that while the numbers have been in steady decline from 1997, they have not returned to the low levels experienced in the late 1970s.

The issue of what is the best measure for long term unemployment has attracted considerable public debate over recent years and months, as the official long term unemployment rate has declined yet the number of people on benefits in the long term has not substantially abated.

Figure 3: ABS annual long term unemployed figures (1978-2004)



Sources: ABS Labour Force Cat no 6203.0

The former Department of Social Security (DSS) published a discussion paper in 1987 which explicitly compared data on unemployed people as defined by the ABS, paid unemployment benefit recipients by the DSS and people registered as unemployed with the Commonwealth Employment Service (CES). The paper noted that while all three measures had highlighted an increase in the number of unemployed people and in particular long term unemployed people, this was a reflection of the overall labour market conditions during the selected time frame, and concluded that “because of the different bases for the series, both in structure and content, ABS, DSS and CES data may appear to be very different”.¹³

¹³ Fisher, E 1987 *Occupation: Unemployed Trends in Unemployment in Australia 1970-1986*, The Social Security Review Background/Discussion Paper No. 20/1987, p94.

ABS long term unemployment statistics

The official ABS definition of employment counts a person with one hour of work in week as being employed, while the official rate of long term unemployment is derived from measuring the duration of unemployment for those people who have less than a fortnight of casual work for as little as an hour a week over 52 weeks. Data derived from the monthly Labour Force Survey records long term unemployment for both 52 weeks and under 104 weeks and 104 weeks and over.

Centrelink unemployment data

The monthly Centrelink data collects information on the numbers of unemployed people on Newstart Allowance and Youth Allowance, and focuses on the total number of jobseekers. This measures the average number of people who are unemployed and who meet the income and assets and other eligibility criteria over the reference month. These averages are calculated from the figures collected each Friday in the reference month.¹⁴ The monthly profile of labour market and related payments divides recipients into short term clients (those people who are on income support for up to 12 months) and long term clients (those people who are on income support for 12 months or more).

The table below outlines the criteria used by the ABS to calculate the official unemployment figures, and by Centrelink to calculate figures on recipients of income support.¹⁵

Figure 4: Current ABS and Centrelink data unemployment measurements.

ABS Labour Force Survey & Labour Force Australia	Centrelink Unemployment Data - Labour Market and Related Payments - a monthly profile
<p><u>Employed</u></p> <p>Employed persons include all persons aged 15 years and over who, during the reference week:</p> <ul style="list-style-type: none"> • worked for one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (comprising employees, employers and own account workers) • worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers) • were employees who had a job but were not at work and were <ul style="list-style-type: none"> - away from work for less than four weeks up to the end of the reference week - away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four week period to the end of the reference week 	<p>Data in the publication relates to the average number of people who are both eligible (eg. meet 'unemployed' qualification) and entitled (eg. meet income and assets criteria) to receive a payment calculated over a reference month. Averages are calculated using figures collected for each Friday throughout the reference month.</p> <p><u>Newstart Allowance Eligibility</u></p> <ul style="list-style-type: none"> • Must be unemployed, capable of undertaking, available for and actively seeking work, undertaking an activity to improve employment prospects or temporarily incapacitated for work; • Aged 21 or over but under Age Pension age and registered as unemployed; • May do training and voluntary work with approval; • Willing to enter into activity agreement if required, allowing participation in a broad range of activities; • NSA recipients incapacitated for work remain on

¹⁴ DEWR, 2005, p24.

¹⁵ See Attachment A for a summary of the major changes to these definitions over time.

<ul style="list-style-type: none"> - away from work as a standard work or shift arrangement - on strike or locked out - on worker's compensation and expected to return to their job • were employers or own account workers, who had a job, business or farm, but were not at work. <p><u>Unemployed</u></p> <p>Persons aged 15 years and over who were not employed during the reference week, and</p> <ul style="list-style-type: none"> • had actively looked for full time or part time work at any time in the four weeks up to the end of the reference week and <ul style="list-style-type: none"> - were available for work in the reference week, or - were waiting to start a new job within four weeks from the end of the reference week if the job had been available then. <p><u>Duration of Employment</u></p> <p>Duration of unemployment is defined as the elapsed period to the end of the reference week since the time a currently unemployed person began looking for work, or since a person last worked for two weeks or more, whichever is the shorter. Brief periods of work (of less than two weeks) since the person began looking for work are disregarded.</p> <p><u>Long term unemployment</u></p> <p>A person is counted as long term unemployed if they have been unemployed for 52 weeks or longer. Data derived from the <i>Labour Force Survey</i> records long term unemployed for both 52 weeks and under 104 weeks and 104 weeks and over.</p>	<p>NSA, subject to medical certificates.</p> <p><u>Youth Allowance (other) Eligibility</u></p> <ul style="list-style-type: none"> • Unemployed, aged under 21, looking for work or combining part time study with job search, or undertaking other approved activity, or temporarily incapacitated for work <p><u>Long-term customers</u></p> <p>Persons on Newstart Allowance or Youth Allowance who have been receiving income support for 12 months or more. Duration of long-term customers can be reset to zero if they exited from payments for more than 13 weeks.</p> <p><u>Short-term customers</u></p> <p>Persons on Newstart Allowance or Youth Allowance who have been receiving income support for less than 12 months. Duration of short-term customers can be reset to zero if they exited from payments for more than 6 weeks.</p> <p><u>Income Test</u></p> <p>The basic requirements of eligibility for Newstart Allowance include; must be unemployed, capable of undertaking, available for and actively seeking work, undertaking an activity to improve employment prospects or temporarily incapacitated for work and must be an Australian resident. The income test applies as follows; fortnightly income between \$62 and \$142 reduces fortnightly allowance by 50 cents in the dollar and for income above \$142 per fortnight, fortnightly allowance by 70 cents in the dollar. In the case of partner income which exceeds cut-out point, it reduces the fortnightly allowance by 70 cents in the dollar. Under the recent Welfare to Work measure changes to taper rates are 50 cents in the dollar up to \$250 per fortnight and 60 cents in the dollar above \$250 per fortnight. The partner income test taper rate is also 60 cents in the dollar.</p>
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The main differences between these and ABS data are as follows:

First, not all people who are receiving unemployment payments from Centrelink are officially counted as unemployed. Many people assume that registering as unemployed with Centrelink includes them in the unemployment statistics. This is not the case:

- NSA/YA(o) data include people temporarily exempt from work and activity tests on grounds such as illness and disability. They are involuntarily jobless, but unlikely to be actually seeking employment at the time
- NSA/YA(o) data include people who obtain temporary full time employment for up to 12 weeks, or ongoing part time employment.

These factors largely explain the higher number of long term NSA/YA(o) recipients compared to ABS data.

Second, on the other hand, many unemployed people as defined by the ABS are not NSA/YA(o) recipients, due to:

- partner's income or assets
- personal assets
- receipt of alternative payments e.g. Disability Support Pension, Parenting Payment
- being over 65 years old
- not residentially qualified (e.g. new migrant).

Differences in ABS and Centrelink data over time

While it can be argued that the ABS and Centrelink measures are capturing different groups of people in the labour market, we believe that the strict ABS definition for long term unemployment underestimates the actual extent of long term unemployment. If the changes to the definition of the long term unemployment we propose in this paper were to be adopted by the ABS, this in our view would better capture the effects of long term unemployment on jobless Australians.

However, as the current measure stands, the gap between the figures is highlighted in the comparison of the ABS long term unemployed people with the numbers of long term unemployment benefits recipients in the Centrelink benefits data in the table below.

Figure 5: Unemployed, long term unemployed and long term income support [NSA and YA (o)] recipients - November for each year.

Year	Unemployed People	Long Term Unemployed People	Total recipients of unemployment payments	Long term recipients of unemployment payments
1992	942, 000	333, 800	849, 800	381, 500
1994	854, 000	284, 100	809, 900	406, 100
1996	783, 400	219, 100	825, 900	363, 800
1998	750, 000	242, 100	786, 800	436, 200
2000	637, 900	155, 800	673, 900	386, 600
2002	629, 000	138, 500	631, 200	377, 800
2004	548, 600	109, 900	570, 800	341, 600

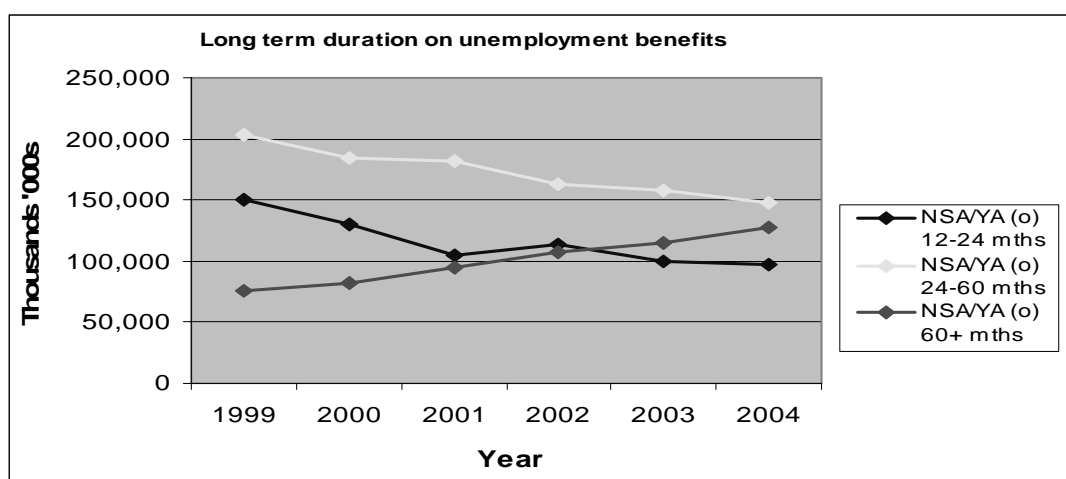
Sources: ABS Catalogue No. 6105.0, 6204.0, Family and Community Services (FaCS), *Labour Market and Related Payments: a monthly profile*, November 1991, 1996, 2000 and 2004.

Growth in very long term unemployment

Of special concern is the increasing concentration of prolonged joblessness within the population of long term unemployment payment recipients.

The table below shows that the incidence of people in receipt of unemployment payments for five years or more is actually increasing and while there has been a modest decline in the number of people in receipt of unemployment payments for one year and up to five years, the most disadvantaged recipients are still stuck in a cycle of involuntary joblessness.

Figure 6: Long term duration on unemployment benefits (1999-2004)



Sources: Senate Official Hansard 15 June 2004, Pp 23796-23798.

4. The case for change:

There are three main arguments for change in the way in which the ABS measures long term unemployment:

1. The growth of casual employment
2. Underemployment, and
3. Churning of people between employment and unemployment and between income support and wages.

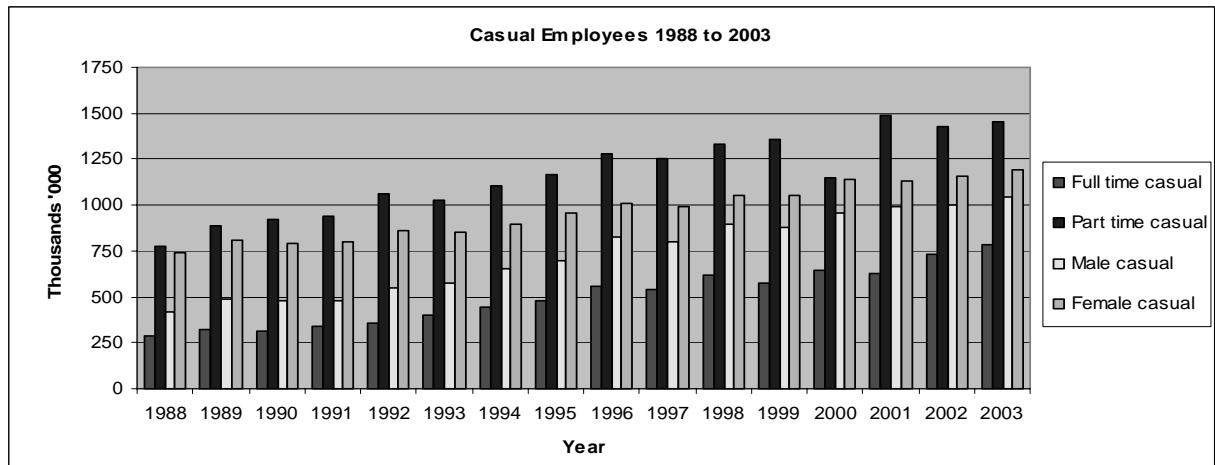
Growth of casual and part time employment

The increasing casualisation of the work force and the decrease in the number of full time jobs for low skilled workers are realities which have characterised the labour force in the last two decades. In most cases, only full time employment gives people the earnings they need to lift themselves out of income poverty. The trend of the past decade of very sluggish growth in secure full time jobs has left many low skilled workers relying on combinations of social security payments and a succession of temporary, mostly part time jobs. This group, much larger in number than social security statistics taken at a point-in-time might suggest, face a high risk of poverty and long term joblessness.

While the trend towards part time rather than full time jobs growth began in the 1980s, it was most apparent during the 1990s.

The graph below shows the steady rise of both part time and full time casual work.

Figure 7: Casual employees (1988-2003)



Sources: ABS Employee Earnings, Benefits and Trade Union Membership Cat. No. 6310.0

Taking 1980 as a reference point, about 85 per cent of employees were working full time. Throughout the 1980s, about 57 per cent of all new jobs were full time. During the 1990s, only 25 per cent of new jobs were full time.¹⁶

The underlying problem is not so much the creation of casual and part time jobs. It is the rationing of secure full time employment to those who have higher education and skill levels, and a solid history of employment. The social impacts of long term joblessness and underemployment include difficulty in maintaining relationships, family, and establishing home ownership. The table below shows the lack of growth in permanent full time low skilled jobs during the 1990s while roughly over half of the all jobs created during this time were for part time or casual low skilled jobs

Figure 8: Change in employment by skill level and job status (1990-2000)

Skill level	Full time permanent	Full time casual	Part time permanent	Part time casual	Total
Managers and professionals	387,000	135,000	115,000	20,000	657,000
Trades, advanced sales and service	-238,000	59,000	25,000	27,000	-127,000
Lower-skilled workers	-200,000	138,000	215,000	446,000	600,000
Total	-51,000	333,000	356,000	493,000	1,130,000

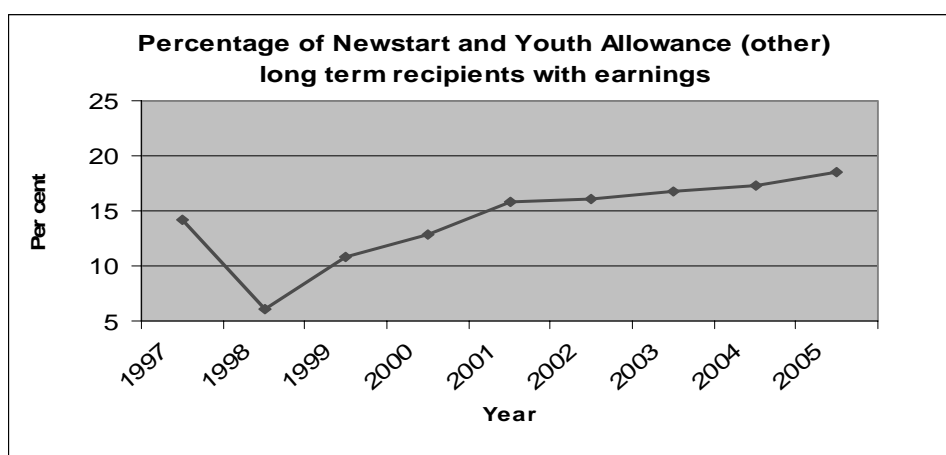
Sources: Borland, Gregory & Sheehan, 2001, *Inequality and economic change*, in Borland et al, *Work rich, work poor*, Victoria University.

¹⁶ Borland J, Gregory B, Sheehan P 2001, pp9-11.

Underemployment

Related to these trends is growth in underemployment over the last two decades. According to ABS data, there were 578,300 underemployed workers in September 2004, 236,400 of whom worked for less than 16 hours a week while looking for more hours.¹⁷ Twenty years previously there were 265,900 underemployed workers of whom 109,900 worked less than 16 hours per week. The circumstances of this group of underemployed people are only marginally different from long term unemployed people, as defined by the ABS. Many of these people receive income support. A single adult can earn up to up to \$655.29 per fortnight and still receive part NSA. The good news is that the proportion with earnings has risen (see graph below). The bad news is that most of those with earnings are only marginally better off than those on “full” NSA.

Figure 9: Percentage of Newstart and Youth Allowance (other) long term recipients with earnings (1999-2005)



Sources: Department of Social Security, Department of Employment and Workplace Relations (DEWR) and Family and Community Services (FaCS), *Labour Market and Related Payments: a monthly profile*, January 1997-2005.

Churning

For some jobless people, casual and part time jobs provide a stepping stone from unemployment to more secure, full time employment.¹⁸ However, many low skilled workers move between unstable employment and social security payments. For these people, casual jobs are the only employment option available to them in the foreseeable future, and they don't provide sufficient income to lift them out of this cycle. The prospects of full time employment appear to be only slightly greater for job seekers in part time employment than they are for people who are unemployed. Of job seekers in part time work in 1995, 21 per cent had found full time work a year later. Of job seekers who were unemployed, 17 per cent found full time work.¹⁹

Long term jobless people are much more likely to suffer the adverse affects of “churning” from unemployment to low paid casual work without the level of skills or

¹⁷ ABS Cat no 6265.0 *Underemployed Workers Australia*, September 2004

¹⁸ Keating M, 2003,

¹⁹ ABS, *SEUPDATE*, Edition 1 of 1998, p2.

training to necessarily break this cycle. While the solid growth in casual low skilled jobs does offer some job seekers the opportunity to move from casual work to a more secure job, this is so far small numbers of long term jobless people and is limited without the provision of adequate investment in employment assistance and support.²⁰

An important study recently charted the movement of low paid workers in and out of employment over a two-year period. The labour market status of a randomly selected group of low-paid workers (on less than \$10 per hour), and another specially selected group of low-paid former job-seekers was tracked between 1995 and 1997, and compared with the outcomes for higher paid workers (that is, the majority of workers who earned more than \$10 per hour). The results, drawn from the *ABS Survey of Employment and Unemployment Patterns* (SEUP) are summarised in the table below.²¹

This table indicates that 81% of the "higher paid" group (comprising the 80% of workers who were then paid more than \$10 per hour) maintained that status at the end of the two-year period. However, only half the bottom 20% of workers on low pay progressed into better-paid jobs, and 16% of this group fell into joblessness.

Figure 10: Changes in the labour market status of high-paid, low-paid and formerly jobless workers (1995-1997)

Labour market status in 1995	Labour market status in 1997			
	Higher paid job	Low paid job	Jobless	All
Higher paid workers	81%	10%	9%	100%
Low paid workers	50%	33%	16%	100%
Low paid former job-seekers	36%	32%	32%	100%

Sources: Dunlop Y, 2001, 'Low paid employment in the Australian labour market'. in Borland et al, 2001, *Work rich, work poor*, Victoria University.

The most disadvantaged group, those low paid workers who had recently been unemployed, had much worse outcomes. One third were jobless two years later, and another third remained in low paid employment. This is not surprising, given that two thirds of this group were only in casual employment at the commencement of the survey. Job turnover within this group was high, and among those with part time work, the majority wanted to work longer hours.²²

This "churning" in and out of employment is also reported in longitudinal social security data. Many people move on and off payments from month to month as they find casual work, but spend a larger proportion of their time on income support, over the longer term.

The table below summarises patterns of receipt of various social security payments for people of workforce age. We focus on these payments because the risk of poverty is relatively high among recipients of workforce age payments. This information should be treated with caution because receipt of social security does not necessarily equate

²⁰ Chalmers and Galb (2000), ACOSS, 2002 "Obligation is Mutual".

²¹ Dunlop (2001), 'Low paid employment in the Australian labour market'.

²² ABS surveys indicate that a majority of all part time workers are satisfied with their working hours.

with poverty, or even joblessness. For example, many recipients have casual earnings, or assets (such as their home) that serve as a buffer against poverty. However, since about half of all people in income poverty are social security recipients of workforce age (or their children), social security data gives us a good overall indication of movements in and out of poverty.

Figure 11: Patterns of receipt of social security payments (1996 to 1999)

Payment type	Recipients as a % of persons of workforce age (%) ²³	% leaving payments within 1 year	% on payments after 3 years ²⁴	Most common number of spells on payments	Most common length of each spell	% employed while on payments	Comment
Unemployed <21, males	0.4%	40%	30-50% ²⁵	3	<3 months	10-15%	High level of "churning"
Unemployed <21, females	0.3%	60%	40-60%	3	<3 months	15-25%	High level of "churning"
Unemployed 21-59, males	2.3%	30%	40-60%	2	<3 months	10-20%	High level of "churning"
Unemployed >21, females	0.9%	50%	40-65%	2	<3 months	20-30%	High level of "churning"
Parenting Payment, Partnered	1.9%	10-40%	65-80%	2	<3 months	10%	High level of churning, but more long-term recipients
Parenting Payment, Single	3.2%	10-20%	65-80%	2	12-24 months	25-30%	Longer spells on payment, but more part time work
Unemployed, over 60 years	0.4%	<10%	90-95%	2	12-24 months	<5%	Mainly long-term recipients with limited earnings
Disability Support Pension	4.9%	<10%	95% (after 2 years)	1	>3 years	9%	Mainly long-term recipients with limited earnings

Sources: Flatau & Dockery, 2001, How do income support recipients engage with the labour market? FACS 2001, Income support and related statistics, Occasional paper No 1.

For DSP data: FACS Policy Research paper No 12, FACS 2001, Characteristics of Disability Support Pension recipients. Cai 2002, *The dynamics of DSP recipients in Australia*, Thesis submitted to economics Program, Research School of Social sciences, ANU. Whiteford P 1999, Issues in measuring welfare dependence. Unpublished.

The table above suggests that there are two groups of workforce-age social security recipients of roughly equal size, those who frequently move on and off payments, and

²³ In 2000.

²⁴ This indicates their income support status after 3 years. It does not imply that they were in receipt of payments, or the same payment, for the entire period. Many would have left the system and subsequently returned, while others changed payments.

²⁵ The lower estimate is for those who had part time earnings at the outset, the higher estimate is for those who did not.

those who remain continuously on payments for periods of one to two years or more. Together these groups comprise just under 20% of the population of workforce age at a single point in time. The number of people who rely on social security payments *at any time* during a given year would be much greater. This suggests that opportunities for upward mobility for people on low incomes may have declined since the 1970s. Large numbers of people are either "churning" between reliance on social security and short bouts of employment or "stuck" on income support long-term.

5. Conclusion - ACOSS Proposal

ACOSS proposes an alternative definition of long term unemployment, that is being unemployed for more than 9 months out of the last 12 months. This would bring the ABS definition of long term unemployment more into line with the Centrelink definition, although these two measures of unemployment will always differ. In particular, it would mean that a person who gets casual work for up to 3 months in a year is still regarded as long term unemployed. This in our view, is appropriate in today's labour market. The social security system already acknowledges the reality of "churning" where people have long spells on payments, get a short term job, then go off payments and then return to payments once the job ends.

The current ABS measure of long term unemployment obscures the true level of involuntary joblessness being experienced by many people in long term receipt of income support payments. The negative social impacts on individuals, families and communities will become even more entrenched until the necessary changes are made so that Government and policy makers can get a true picture of the level of long term unemployment in Australia.

A better measure for long term unemployment is required if we are to develop policies and assistance to those people who have actually experienced long term joblessness. The new definition of long term unemployment should better capture the dynamics of unemployment by measuring, in effect, the proportion of time in a given year that people are unemployed.

ACOSS proposes an alternative definition of long term unemployment:

- ***A person is long term unemployed if they have been available for and actively seeking employment, and not employed for more than 1 hour per fortnight, for at least 9 months out of the last 12 months.***

Attachment A

Figure 12 – Summary of Major Changes to Definitions

ABS Labour Force Survey & Labour Force Australia	Centrelink Unemployment Data - Labour Market and Related Payments - a monthly profile
<p>May 1976 – Following February 1975 question changes, definition of unemployment revised to incorporate active job search, and availability to start work in the reference week (with separate provision for temporary illness and future starters). Series revised from February 1975.</p> <p>February 1978 – Monthly national survey commenced. The Labour Force Survey adopted as the official national measure of unemployment. New definitions of employment and unemployment adopted. Definition of unemployed persons looking for first job was revised to ‘unemployed persons who had never worked full time for two weeks or more’. Prior to November 1977 the definition was ‘unemployed persons who had never had a job’.</p> <p>April 1986 - Definition of employed persons was changed to include persons who worked without pay between 1 and 14 hours per week in a family business or on a farm, in line with ILO definitions (ICLS 1982). Minor question wording and sequence changes in consequence. Significant break in series for employed, employed part time, unemployed and related unemployment rates.</p> <p>August 1995 – Seasonally adjusted and trend estimates of long term unemployment published for the first time.</p> <p>April 2001 – Definition for duration of unemployment is revised to refer to the period of time since a person last worked in any job for two weeks or more, regardless of whether it was full time or part time. Aligns the ABS definition with ILO guidelines for measuring duration of unemployment.</p> <p>Included under the new definitional change are;</p> <ul style="list-style-type: none"> • persons who had been away from their job without pay for less than four week up to the end of the reference week because of insufficient work (that is, temporarily stood down), were reclassified from unemployed to employed (Historical data has been revised 	<p>December 1995 -Publication introduced. Prior to December 1995, this publication was titled the ‘<i>Monthly Job Search and Newstart Allowance Statistics</i>’.</p> <p>May 1998 - duration has been defined according to the time a customer spends on income support – short-term customers are those who have been on income support for up to 12 months and long-term customers are those who have been on income support for 12 months or more. Prior to 1998, duration was defined according to the time a customer was registered as unemployed – short-term customers were people who were registered as unemployed for up to 12 months and long-term customers were people who were registered for 12 months or more.</p> <p>July 1998 - The main changes in data presentation are: the method of counting customers; the inclusion of some CDEP customers in the total customer numbers; the introduction of Youth Allowance in the way ‘jobseeker’ is defined; and the way duration is calculated.</p> <p>July 2002 - FaCS introduced a new method to more accurately measure the number of people receiving labour market and related payments. For those receiving labour market and related payments, their eligibility and entitlement status is administered by a payment system called Newstart Common Platform System. Within this system customers who are both eligible and entitled to receive a payment have a determination status of ‘current’. The new method therefore counts these ‘current’ customers. The old method of counting customers was specified to include all paid customers – those who received a payment within a given fortnight. As compiled, however, this count excluded, from mid 1998, customers who received a ‘one-off’ payment. These can occur, for instance, when a normal payment is interrupted (eg. payment is cancelled and then restored within that pay period) and a portion of the normal payment is paid. The time series in Tables 1 and 4 reflect the revised method, as does the remainder of the publication. Revised historical data for these time series back to May</p>

<p>back to April 1986 to incorporate these changes and provide continuity in the series); and</p> <ul style="list-style-type: none"> • People who were not working, were actively seeking work, but were not available to start work during the reference week due to temporary illness, reclassified from unemployed to not in labour force. <p>Duration of unemployment in months introduced for people who last worked between two and five years ago. This supplements breakdown of duration of unemployment in weeks for persons who last worked less than two years.</p> <p>February 2003 – Monthly publication <i>Labour Force, Australia</i> (cat. no. 6203.0) discontinued, final release issued in March 2003. Additional question on underemployed workers and their availability to work extra hours within four weeks of the survey data included.</p> <p>February 2004 – Estimates and population benchmarks based on 2001 Census data. All estimates for the period January 1999 to January 2004 revised. The definition of unemployed persons was changed to include ‘future starters’ (persons who had not actively looked for work because they were waiting to start a new job within four weeks from the end of the survey reference week, and could have started in the reference week if the job had been available then). These persons had previously been classified as not in the labour force. Historical series from April 2001 were revised to the new basis as part of the benchmark revision.</p>	<p>1998 can be found in the July 2002 publication.</p> <p>July 2003 - FaCS introduced a more sustainable methodology for this revised customer count.</p> <p>Due to limitations in available data sources in 2002, the revised customer count had to be derived through a complicated process. This more sustainable methodology resulted in slight differences from the customer numbers used in previous editions.</p> <p>October 2004 - responsibility for publication transferred from FaCS to DEWR.</p>
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Figure 12 – Summary of Major Changes to Definitions

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