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The Jobs and Training Compact

Since the onset of the global financial crisis, Australia – unlike most advanced economies – has maintained reasonable economic growth rates with real GDP increasing by 2.3 per cent in financial year 2009–10 and growth of a similar magnitude expected in 2010–11.¹ This sound performance has been achieved despite setbacks caused by several natural disasters in the last year. The Government's early and substantial fiscal and monetary stimulus package and a well-regulated financial system were instrumental in avoiding the deep recession experienced in most other advanced economies.

The Australian labour market – which is governed by legislation that conforms to international labour standards and is characterized by well-developed labour institutions – has also significantly outperformed labour markets in other advanced countries. Employment growth averaged 2.8 per cent annually over the five years to September 2008 and the participation rate reached a near record high of 65.5 per cent. Nevertheless, there was some deterioration in labour market indicators in Australia during the crisis as a slowing in employment growth led to an increase in the unemployment rate, from 4.3 per cent in September 2008 to a peak of 5.8 per cent in October 2009. However, the remarkable resilience of the Australian labour market, which has seen employment grow at an annual average rate of 2.7 per cent since September 2009, has helped push the unemployment rate back

down to 4.9 per cent (roughly half that of the United States and the EU).² The labour market is expected to remain strong in the medium term, with a further 500,000 jobs expected to be created by mid-2013.³

In spite of this positive performance, labour market problems have emerged in some regions and among a number of disadvantaged groups, particularly young people (table 1).

The focus of labour market policies in Australia has thus been on providing opportunities for disadvantaged groups and regions as well as developing human capital to avoid skills shortages. Increased resources for training, skills development and special assistance for disadvantaged groups and regions have been the highest priorities in labour market programmes. Since 2009, the main vehicle for delivering this approach was the Jobs and Training Compact. In May 2011 the Government announced, as the centrepiece of its 2011–12 Budget, an additional A\$3 billion programme to upgrade skills further and develop human capital as the country prepares for the second stage of an intense investment boom in the resources sector, a return to GDP growth rates of about 4 per cent a year and even tighter labour markets. This new initiative, Building Australia's Future Workforce, represents a considerable expansion of resources, while building on the experience of recent labour market programmes.

Table 1. Youth unemployment from September 2008 to April 2011 (trend data unless otherwise indicated)

	September 2008	Peak in global recession (June 2009)	April 2011
Unemployment rate 15–24-year-olds (%)	8.9	12.0	11.2
Teenage full-time unemployment rate* (seasonally adjusted) (%)	16.6	24.9	23.2
Unemployment level 15–24-year-olds	190,400	255,600	242,300
15+ unemployment rate (%)	4.3	5.8	4.9

* 15–19-years-olds who are unemployed and looking for full-time work as a proportion of that age group who are either employed full time or looking for full-time work.

Source: ABS, Labour Force, Australia.

Focus on target groups

Measures included in the Jobs and Training Compact were announced progressively by the Government over the period April to May 2009. In April 2009 the then Prime Minister outlined the Compact strategy to “steer Australia through the global economic storm”.⁴ The key objectives were to reduce unemployment duration of retrenched workers; enhance job retention and employment prospects of disadvantaged groups; expand the national skills base through easier access to education and training and employment; and ensure support for regions particularly vulnerable during the expected economic downturn.

The three main target groups for the Compact were retrenched workers, young people and depressed local communities. These target groups are broad, and within each there were specific at-risk groups including Indigenous Australians and the long-term unemployed. The Compact was not a single new activity but rather an expansion of several existing labour market programmes combined with new initiatives. Some of the specific measures included:

- more rapid access to employment services including skills assessment, career advice and referral to education and training for retrenched workers;
- additional resources for improving basic skills such as language, literacy and numeracy proficiency for the unemployed;
- significant expansion of available places in a variety of existing training programmes;
- an increase in transfer payments made to eligible jobseekers who decided to undertake full-time accredited training;
- alterations to existing tax benefits and youth allowances to link eligibility requirements

more tightly with participation in education and training programmes;

- a wide variety of measures to maintain and expand apprenticeships, including additional incentive payments to employers and state governments who provided apprenticeships; and
- increased funding for infrastructure projects and upgrading community services that generate job creation in economically depressed regions.

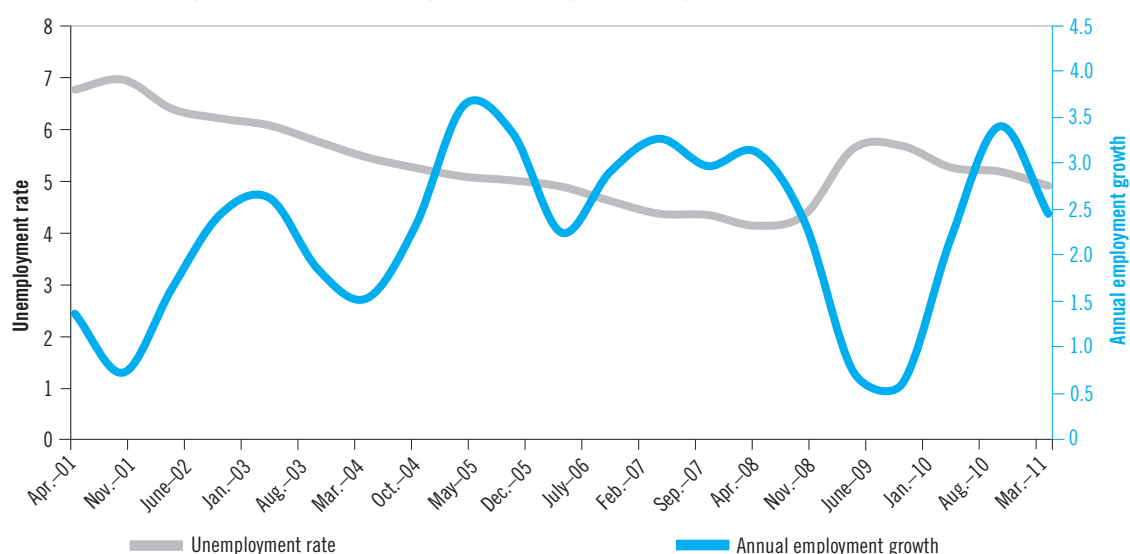
Between 2009 and 2011 the Compact was progressively refined and augmented in response to changing economic circumstances.

Assessment of the Jobs and Training Compact

The Australian Government is committed to a thorough evaluation of the Compact and is scheduled to release a report on this topic later in 2011.⁵ This evaluation will measure performance in terms of access to services, take-up, maintaining labour force attachment, boosting employment opportunities, participation in education, skills acquisition and community value. Without the results of this evaluation it is difficult to draw firm conclusions about the impact of the Compact. Nevertheless it is apparent from aggregate labour market data that Australia has had considerable success in tackling the problems that it targeted through the Compact (figure 1).⁶

In mid-2009, key aspects of the Compact were starting to be implemented. It is likely that the Compact helped prevent youth unemployment from rising to much higher levels, although without the abovementioned evaluation it is difficult to be definitive about its impact. Over time the youth labour market has

Figure 1. Annual employment growth and unemployment rate, April 2001 to April 2011 (%)



Source: ABS Labour Force, Australia, April 2011, trend data.

Table 2. Unemployment in Priority Employment Areas

Regions	Unemployment rate (%)			
	Sep.–08	Peak since Sep.–08	Apr.–10	Apr.–11
Ballarat-Bendigo	6.8	7.8 (Feb.–09)	7.1	5.3
Bundaberg-Hervey Bay	5.2	8.7 (May–09)	6.1	5.8
Caboolture-Sunshine Coast	3.1	6.8 (July–09)	5.7	5.2
Cairns	5.0	12.4 (Mar.–10)	11.8	10.5
Canterbury-Bankstown and South Western Sydney	6.7	9.4 (June–09)	6.7	6.9
Central Coast-Hunter	4.9	6.7 (Apr.–09)	5.4	5.6
Illawarra	5.1	8.3 (May–09)	5.7	6.3
Ipswich-Logan	4.4	7.4 (Apr.–11)	7.1	7.4
Mid-North Coast	7.5	10.1 (Mar.–09)	8.1	6.2
North Eastern Victoria	4.4	7.6 (Nov.–10)	5.8	6.1
North West/Northern Tasmania	4.6	7.2 (Aug.–10)	6.8	6.3
North Western Melbourne	5.1	7.6 (June–09)	7.1	6.2
Northern and Western Adelaide	5.9	8.7 (Mar.–09)	6.8	7.5
Port Augusta-Whyalla-Port Pirie	6.0	6.5 (Oct.–08)	4.2	6.0
Richmond-Tweed and Clarence Valley	7.5	10.1 (Mar.–09)	8.1	6.2
South Eastern Melbourne	3.9	8.8 (Oct.–09)	7.5	6.3
South West Perth	3.1	6.2 (Apr.–10)	6.2	4.1
Southern Wide Bay-Burnett	5.2	8.7 (May–09)	6.1	5.8
Sydney West and Blue Mountains	5.9	8.0 (Apr.–09)	7.6	5.8
Townsville-Thuringowa	2.0	6.3 (Mar.–10)	5.3	5.1

Source: ABS Labour Force, Australia, Detailed – Electronic Delivery, April 2011 (Cat. No. 6291.0.55.001). Data are three-month averages of original estimates.

strengthened, but with an unemployment rate of 11.2 per cent in April 2011 this segment of the labour market remains an area of concern. As noted above, one of the objectives of the Compact was to enhance human capital development and it is notable that the proportion of 15–24-year-olds in full-time education rose from 47.8 per cent in May 2008 to 48.7 per cent in May 2010.

Another objective of the Compact was to limit the growth in long-term unemployment that normally accompanies a pronounced recession and mitigate the economic and social harm that can result from a substantial increase in discouraged jobseekers. The level of long-term unemployment (measured as the proportion of the labour force that has been unemployed for six months or more) did increase in Australia from about 1 per cent at the end of 2008 to about 1.7 per cent in April 2011. On this important measure Australia performed much better than many other advanced economies.

A key target of the Compact was depressed local communities. As part of the Compact, the Government established 20 Priority Employment Areas (PEAs), which received additional financial and human resources to promote employment, skills development and local economic development. This included the establishment of Local Employment Coordinator as well as Jobs and Skills Expos. At the height of the global recession unemployment had increased significantly across all of the PEAs (table 2). However, in 19 of the 20 PEAs unemployment rates are now below their peak levels.

Uneven rebound in labour market

For the country as a whole, labour market indicators have rebounded with employment increasing by 2.4 per cent in the year to April 2011, with most of these being full-time jobs. Furthermore, even with a pick-up in labour force participation rates, the un-

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employment rate fell back below 5 per cent in March and April 2011.

Despite these gains, data on labour market performance show continued disparities across geographical areas. Prior to the downturn the gap between the highest and lowest regional unemployment rates areas reached a low of 4.9 percentage points in April 2008.⁷ This difference widened to 9.9 percentage points in August 2009. The gap narrowed significantly in 2010 but since the start of 2011 the differential appears to be widening again. In fact, the gap between the highest and lowest regional unemployment rates remained at 9.3 percentage points in March 2011. This reflects the uneven nature of the economic recovery and the heavy reliance on investment in the resource sector, which is expected to accelerate significantly in the period ahead. Given this outlook a key challenge will

be to further enhance the occupational and geographical mobility of the workforce. The emphasis in the 2011–12 Budget on accelerated public investment in skills training is a step in the right direction as this should facilitate labour mobility, promote social inclusion and prevent skills shortages in the resource sector generating wage push inflation.

¹ Australian Treasury (2011).

² *ibid.*, box 5, p. 2-30.

³ Swan (2011).

⁴ Rudd (2009).

⁵ DEEWR (2010).

⁶ It is worth noting, however, that this peak is well below original forecasts. For instance, the May 2009 Budget forecasts were for the unemployment rate to rise to 8.25 per cent by the June quarter 2010, before peaking at 8.5 per cent in the June quarter 2011.

⁷ ABS (2011). Based on three-month averages of original data.