Welfare and related policies in Australia – some labour market and economic perspectives

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“It’s better to arrive late than never.” – Chief Police Commissioner.

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SLOW DOWN
SPEED KILLS.
Scope

• Employment services
• Job search and acceptance
• Incentives in the tax & transfer systems
• Changing consumption behaviour
• Skills shortages
Employment services – supply side

• JobActive:
  – ‘ensure Job Seekers better meet the needs of Employers’
  – ‘increase Job Seeker activation by removing the option of passive welfare’

• Work for the Dole (WfD)
  – ‘develop the skills that employers want—like team work, communication and reliability’
  – ‘increase your confidence and show that you are ready to start working’

• Wider Debates on unemployment
  – Dole Bludger/Job Snob/relying on others
Unemployment rate – selected countries

Canada
New Zealand
United Kingdom
United States
OECD
Australia
Job search and placement

• Theory
  – Human capital depreciation
  – Signaling
  – Job search

• Evidence
  – Generally stepping stones work
  – But:
    • Some forms of employment are negative
    • Impact not heterogeneous – higher educated
Incentives – tax and transfers

• Level of income support payments
• Income tax
  – “Our existing taxation system is increasingly reducing the incentive for many Australians to work harder, earn more”
• Theory
  – Both incentive and income effects of tax
    • And not homogeneous across population
  – Relative income comparisons
  – Non-income benefits from work
Male labour supply

More Responsive

Inelastic

More Responsive

Blundell 2014

Source: Own calculations based on [1].

IZA World of Labor
Changing behaviour – income management

• “To encourage socially responsible behaviour”
• Reduce hardship and deprivation
• Ensure money was spent on ‘basics’ and reduce alcohol & tobacco spending
• Reduce financial harassment
• “Lays the foundations for pathways to economic and social participation”
IM evaluation

- “could not find any substantive evidence of the program having significant changes relative to its key policy objectives, including changing people’s behaviours”

- “appears to have encouraged increasing dependence upon the welfare system, and the tools which were envisaged as providing people with the skills to manage have rather become instruments that relieve them of the burden of management”

- Some positive for voluntary and targeted with support services.
Duration of skills shortages

- Wall and Floor Tiler: 5 Years
- Valuer: 10 years
- Surveyor: 29 years
- Stonemason: 5 Years
- Sonographer: 10 years
- Solid Plasterer: 29 years
- Sheetmetal Trades: 5 Years
- Roof Tiler: 10 years
- Physiotherapist: 29 years
- Panelbeater: 5 Years
- Motor Mechanics: 10 years
- Midwife: 29 years
- Metal Machinist (1st Class): 5 Years
- Hairdresser: 10 years
- Construct. Estimator: 29 years
- Child Care Manager: 5 Years
- Cabinetmaker: 10 years
- Bricklayer: 29 years
- Baker: 5 Years
- Auto Elect.: 10 years
- Arborist: 29 years

Proportion of period with a shortage (%)

- 0
- 10
- 20
- 30
- 40
- 50
- 60
- 70
- 80
- 90
- 100
Skills shortages – by earnings

Number of occupations in decile with a skills shortage

Decile of earnings

Lowest <------------------------> Highest

[Bar chart showing the number of occupations in each decile with a skills shortage]
Summary

• Unemployment - supply side
  – Unbalanced emphasis

• Job search
  – Right priority – but some questions to answer

• Incentives
  – Severely overblown – and is complex

• Income management and behaviour
  – Ineffective

• Skills shortage
  – Looking in the wrong place