

***AUSTRALIA'S FUTURE LABOUR MARKET
MYTHS AND REALITIES***

FACTSHEET
**WHICH GROUPS COULD BE LEFT
BEHIND BY FUTURE CHANGES
IN THE LABOUR FORCE?**

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KEY POINTS

- The most credible estimates suggest 5 to 10 per cent of jobs could be displaced by technology over the next 10 years.
- Many of the people in these jobs will be able to successfully adapt (in some cases, after re-skilling) and will return to the workforce. However, some groups are at a higher risk than others of job losses. Research undertaken by AlphaBeta shows that men are at more risk than women; low-skilled workers are at more risk than high-skilled workers; and workers in regional areas are at more risk than those in urban areas.
- It is also possible that the forces of change in the future of work may exacerbate disadvantage already faced by some groups of Australians, such as those people in long-term joblessness, many of who receive Newstart Allowance.
- Government efforts to prepare for the future of work should be calibrated to ensure that support is available for groups who are most at risk of being left behind.

An accompanying document discusses the impact of technology on the labour market, and possible jobs that could be displaced (**Fact-sheet: Will technology destroy jobs?**).

The most important impact of technology is the tasks within existing jobs, which will require every Australian worker to adapt. Technology will also directly and indirectly create jobs.

However, it's important to recognise that a small number of jobs will certainly be substituted by technology. Although no one can predict the future, estimates of large-scale job losses are probably unfounded. The most credible estimates suggest 5 to 10 per cent of jobs could be entirely substituted by technology over the next decade.

The loss of any job has a personal, emotional and financial cost for the individual involved. It is critical to examine the groups of people who may be at most risk of job losses, to ensure that government support is available for them.

SOME GROUPS HAVE A HIGHER RISK OF JOB LOSSES THAN OTHERS

The number of voluntary job changes in the labour force is much higher than the number of involuntary transitions. In 2017, 2.6 per cent of the Australian labour force experienced a job loss, compared to 10.7 per cent who experienced a voluntary job change.

The number of job losses is also smaller, as a proportion of the Australian labour force, compared to 20 years ago: currently 2.6 per cent, down from 4.2 per cent 20 years ago.¹

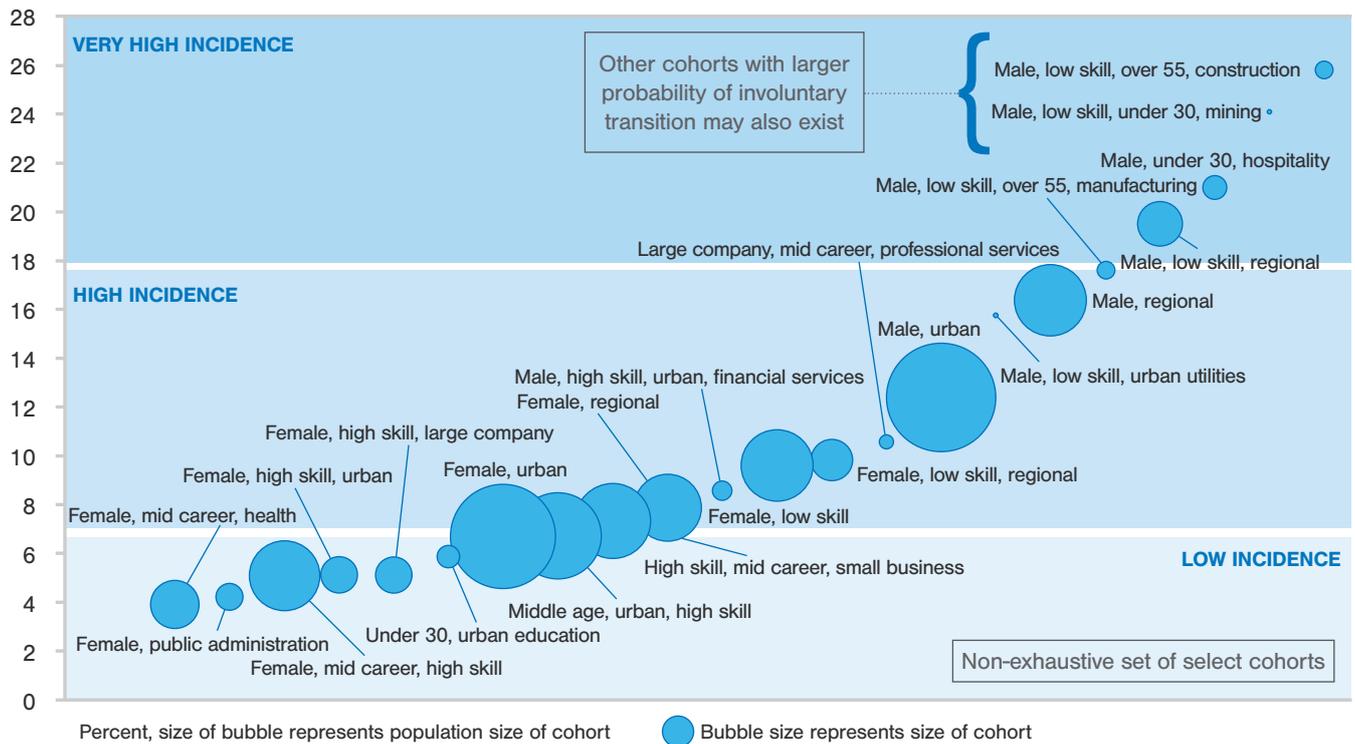
Involuntary job losses can arise from a number of circumstances where a worker may be:

- » laid off or retrenched
- » made redundant
- » dismissed (for reasons of performance or conduct), or
- » out of work because their employer had to close for economic reasons.

¹ AlphaBeta, *Mapping Australian workforce change*, October 2018.

While this is lower than historical averages, there are some groups who have experienced a higher level of job losses (Figure 1, below).

Figure 1
Incidence of experiencing job losses in the last 5 years by specific cohorts

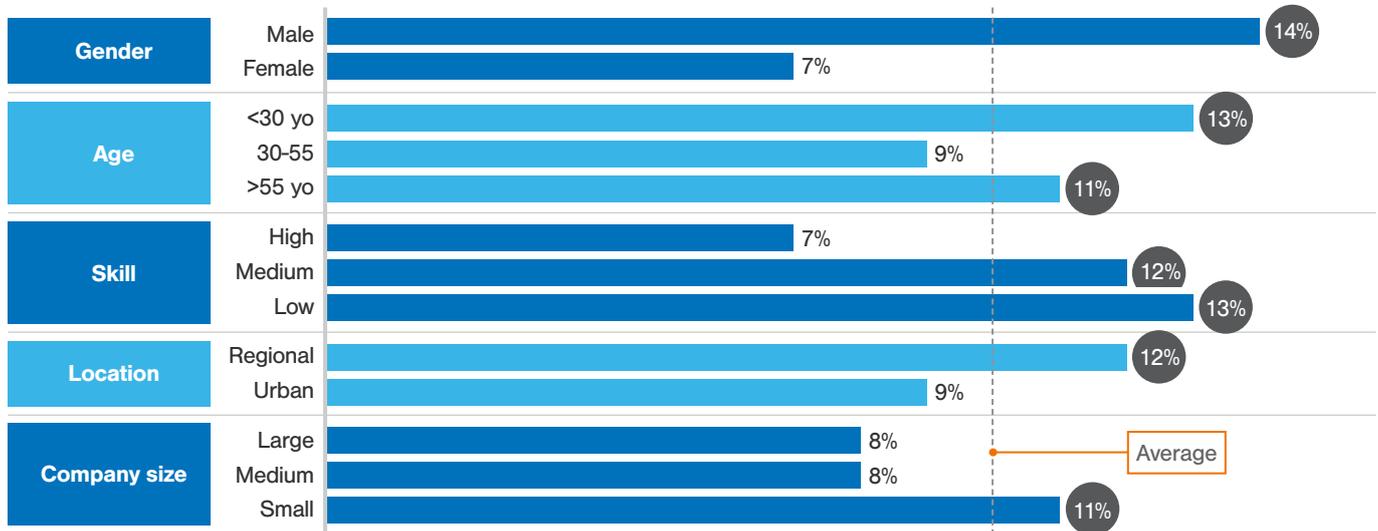


Source: AlphaBeta²

NOTE: Probability of retrenchment based on retrenchment numbers in 2015/2016 HILDA sample. Sample size restricted ability to consider all cohorts. These cohorts are a non-exhaustive subset of all cohorts chosen to represent a diverse range of relevant characteristics and illustrate the different probabilities of being retrenched

² AlphaBeta, *Mapping Australian workforce change*, October 2018.

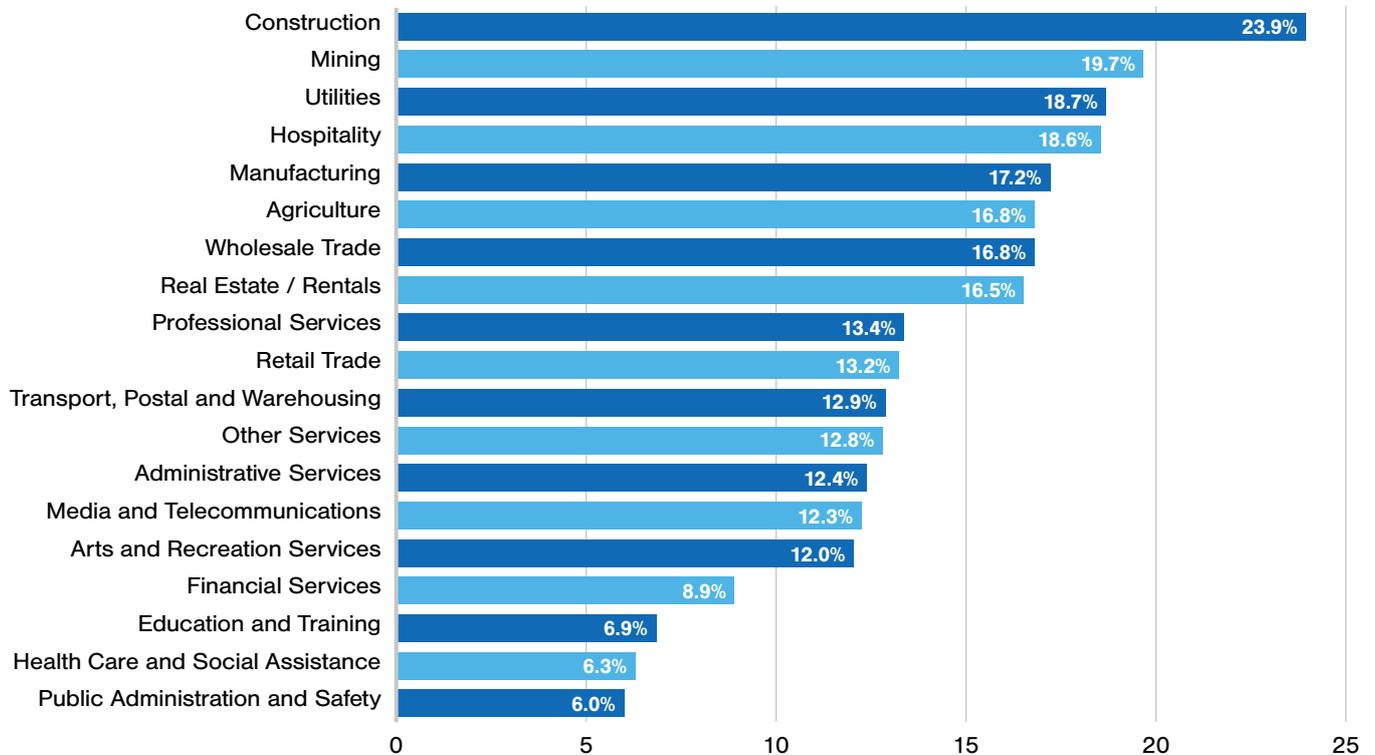
Figure 2
Incidence of job losses by personal characteristics
Average incidence of experiencing job losses in a five year period



Source: AlphaBeta

The incidence of job loss is higher for groups with some sets of personal characteristics, including: men; low skilled workers or workers in regional areas (Figure 2, above).

Figure 3
Incidence of job losses by industry
% incidence of job losses in the last five years



Source: HILDA 2015/2016 wave (n=10,000, AlphaBeta analysis)

However, AlphaBeta find that the factor with the biggest impact on job losses is the industry that a worker belongs to (*Figure 3, above*).

As Figure 3 represents the incidence of job losses by industry over the last five years, it will reflect the economic and business cycles in those industries at that time. Different industries will experience different business conditions at different times.

In some cases, the rate of job losses is determined by the dynamics within an industry. Some industries have more job change than others, due to the nature of the work.

It is critically important to understand the areas where people regularly go through transitions – even if they often secure employment shortly thereafter. Government needs to provide a different set of support services for people who regularly go through change.

The analysis undertaken by AlphaBeta is only an initial piece of work; it is not an exhaustive analysis of every possible cohort. But we believe government should undertake a comprehensive cohort analysis to make sure that employment and welfare services are tailored for the particular circumstances of high-risk cohorts.

THE FORCES OF CHANGE CAN EXACERBATE EXISTING DISADVANTAGE AND BARRIERS TO WORK

While these cohorts may be most likely to experience retrenchment in coming decades, other cohorts will continue to face complex barriers to work (such as people with disability).

One critical cohort that could be further disadvantaged in the future of work are those Australians in entrenched joblessness. Of those people who receive the Australian Government's Newstart Allowance (the primary unemployment

payment), over 45% (340,000 people) have been on the payment between one to five years. Around 20% (over 145,000 people) have been on the payment for five years or more and this includes almost 25,000 people who have been on Newstart for 10 years or more.³ The circumstances of Newstart recipients are discussed further in **Box 1** (below).

The future of work will sharpen the need to assist disadvantaged people to enter or remain in the workforce, and make support available for those who may lose their jobs over the short to medium term.

PEOPLE WHO ARE ON NEWSTART FOR MANY YEARS ARE AMONG THE MORE VULNERABLE MEMBERS OF OUR COMMUNITY

Long periods of unemployment can make it difficult for people to move back into steady work and may put people at risk of relying on income support for much of their lives. Such entrenched disadvantage can and, too often, does reach across generations.

We are particularly concerned for the wellbeing of people who are already at risk of being left behind and who may face further challenges in a changing labour market.

The adequacy of income support payments should be reviewed as part of a broader package to improve the ability of long-term unemployed Australians to return to work.

We believe that income support for those out of work should not be punitive. Income support should not act as a disincentive to working, but nor should it diminish the capacity of people to get a job. Job seeking is not costless and should be accessible. If a bus fare or a collared shirt become unaffordable, then getting to job interviews and presenting as a credible employee may move out of reach.

Steady work is the best way out of hardship and disadvantage. Changes to the welfare system alone – be they small or wholesale – will not be enough. Improving the welfare system must be

combined with policies that reduce disincentives to work, improve employment services and lift the competitiveness of business taxes and regulation to create jobs and stronger wages growth.

The welfare system also needs to be fiscally sustainable over the long term to prevent the need for sudden and blunt cuts in spending. This challenge will increase, not lessen, over the coming decades as the population ages. Getting people into jobs thus delivers a double dividend.

DESPITE RECENT IMPROVEMENTS, A LARGE AND GROWING PROPORTION OF PEOPLE STAY ON NEWSTART LONG-TERM

Almost 730,000 people were receiving Newstart at the end of June 2018.⁴ Over time the number of people on Newstart has closely followed the number of people who are unemployed.

There is a substantial group of people who are new to the welfare system and only need Newstart for a reasonably short time. Over 60 per cent of people who begin Newstart payments (who haven't been on another form of income support before starting Newstart) leave the payment within a year – or roughly 255,000 people.⁵

While there is no publicly available data on the proportions of people who stop receiving Newstart because they have found a job compared to people moving to another payment, it is likely that this group of people is largely accessing Newstart

³ Department of Social Services, *DSS Payment Demographic Data*, June 2018.

⁴ Department of Social Services, *DSS Payment Demographic Data*, June 2018.

⁵ Department of Social Services, *DSS Payment Demographic Data*, June 2018.

as it is primarily intended – as a short-term stop-gap while they search for a new job.

But despite recent improvements, there is a large and growing proportion of people who have been on Newstart for years (Figure 4). Around 52 per cent of Newstart recipients, or almost 380,000 people, have been on the payment for less than two years. But a growing number of people are receiving Newstart for two years or more. In 2014, only a third of people on Newstart had been receiving the payment for two years or more (or about 230,000 people). That figure is now 48 per cent or about 350,000 people.

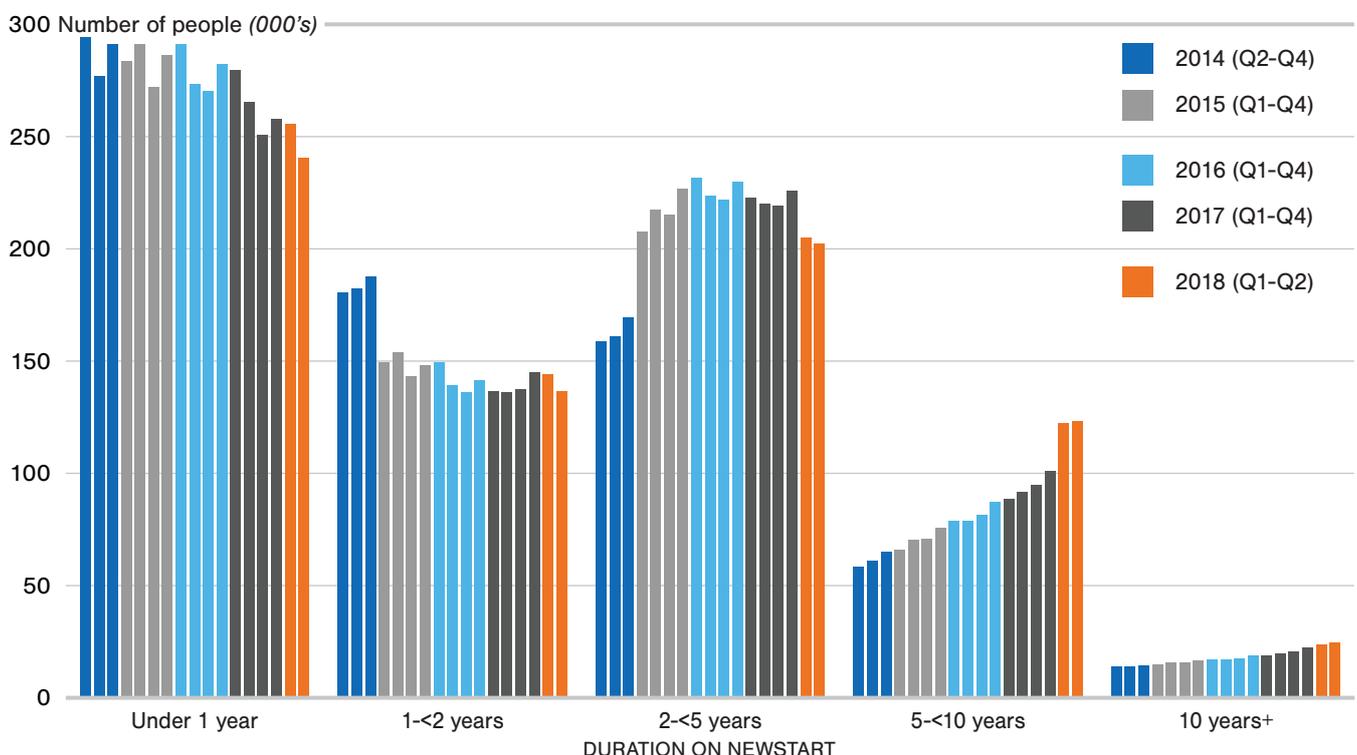
The average amount of time a person on Newstart has spent in the welfare system has almost doubled over the past 16 years. In June 2002, people who were receiving Newstart had been

on some form of income support for an average of 141 weeks (more than two and a half years), by June 2010 this average had risen to 165 weeks (more than three years). By June 2018, the average duration had doubled to 285 weeks (five and a half years).⁶

Further work should be done to understand the skill level of people who have been on Newstart for years and the barriers they face to gaining and maintaining employment. It is likely that a larger investment in building skills and work readiness, as well as more intensive support to seek and maintain employment, will be needed for this group of people to move into sustained employment and less reliance on welfare.

Figure 4

A large and growing number of people have been on Newstart for years



Source: Department of Social Services, DSS Payment Demographic Data, June 2014 through to June 2018

⁶ Department of Social Services, *Income support customers: statistical overviews*, various papers published from 2002 to 2013; Department of Social Services, *DSS Payment Demographic Data*, June 2014 through to June 2018.