

EMPLOYMENT PLAN 2014

AUSTRALIA



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The new Australian Government has embarked on a comprehensive Economic Action Strategy to create one million new jobs over the next five years, restore the structural integrity of government finances, and support continued improvements in national living standards. Measures outlined in Australia's Employment Plan will facilitate job creation, lift labour force participation and better match skills with jobs.

1. Employment and labour market outlook

The Australian economy is in the midst of a major transformation, moving from growth led by investment in resources projects to broader-based drivers of activity in non-resources sectors. This is occurring at a time when the economy has generally been growing below its trend rate and the unemployment rate has been rising. Unemployment was 1.4 percentage points higher in 2013 than in 2008, and the proportion of long-term unemployed has also increased (see Table 1).

The labour market has been subdued since late 2011, characterised by soft employment growth, a falling participation rate and a rising unemployment rate. This underlines the importance of delivering on the G20's commitment to raise economic growth and pursue employment-enhancing strategies.

The economy is forecast to grow at a rate of 2½ per cent in 2014-15, before accelerating to growth of 3 per cent in 2015-16. The household sector is responding to historically low interest rates and the exchange rate is supporting rebalancing of the economy.

The Australian economy is also facing considerable challenges over the medium to longer term. For instance, the rising proportion of older Australians may lead to lower labour force participation, reducing the tax base and placing an added expenditure burden on the budget.

	Real GDP growth		GDP per capita (USD terms)		Employment growth		Employment to population ratio	
Australia	2.5	2.4	\$36,231	\$37,721	2.8	1.0	62.7	61.3
G20 Median	1.4	1.9	25,339	26,243	1.1	0.9	57.7	57.1
	Unemployment rate		Incidence of long-term unemployment		Youth unemployment rate		Youth unemployment to population ratio	
Australia	4.2	5.7	14.9	19.2	9.0	11.8	6.2	8.2
G20 Median	6.3	6.1	24.1	31.0	n/a	n/a	6.9	7.8
	Participation rate		Female participation rate		Working age (15 to 64) participation rate			
Australia	65.5	64.9	58.6	58.7	76.5	76.4		
G20 Median	60.2	60.3	50.0	51.8	70.4	71.2		

Note: Percentage figures, except in the case of GDP per capita. Growth figures are percentage change on previous year unless otherwise indicated. Point-in-time data is for the 2008 or 2013 calendar years or June quarter 2008 and June quarter 2013. Data for the incidence of long-term unemployed are expressed as the percentage of all unemployed people. The time periods were selected on the basis of the availability of data and to ensure consistency across G20 employment plans.

Sources: Australian Bureau of Statistics; ILO and OECD calculations.

Table 2: Key policy indicators, 2008 (LHS) and 2013 (RHS)

	Minimum wage (% of average wage)		Gini coefficient ⁱ		School completion rate ⁱⁱ	
	2008	2013	2008	2013	2008	2013
Australia	45.0	44.0 ⁱⁱⁱ	0.336	0.324	83.3	84.6
G20 Median	34.9	34.9	0.341	0.376	76.5	78.9
	Collective bargaining coverage		Year 12 or equivalent attainment (25 to 64)		Tertiary educational attainment (25 to 64) ^{iv}	
	2008	2013	2008	2013	2008	2013
Australia	39.8	42.0 ^v	69.9	76.4	36.1	41.3
G20 Median	n/a	28.8	69.8	74.2	n/a	n/a

Note: Percentage figures, except in the case of the Gini coefficient (a measure of income distribution ranging from 0, complete equality, to 1, complete inequality). Education data are for 2008 (LHS) and 2012 (RHS).

Sources: Australian Bureau of Statistics; ILO and OECD calculations.

Table 3: Labour market forecasts for 2014-15^{vi}

Employment growth	Unemployment rate	Participation rate
1½ per cent	6¼ per cent	64½ per cent

Source: Australian Government, *Budget Strategy and Outlook: Budget Paper No. 1, 2014-15*.



2. Employment challenges for Australia^{vii}

The Australian economy faces a significant period of structural change. While the economy came through the Global Financial Crisis in relatively good shape, employment growth has been soft in the subsequent years. Unemployment has been slowly rising, while the discouraged worker effect and population ageing has placed downward pressure on Australia's participation rate. The G20's commitment to lift growth is a key pathway to addressing these challenges.

CHALLENGE: BOOSTING LABOUR FORCE PARTICIPATION

Population aging poses a challenge to many advanced countries, including Australia. The labour force participation rate for people aged 15 years and over is projected to fall to less than 61 per cent by 2049–50, compared with around 65 per cent today. This is expected to generate fiscal pressures through a smaller labour force and income tax base as well as increased demand for age-related payments and services. Improving workforce participation rates for groups with potential for higher participation is not only a pathway to boost Australia's productive capacity, but can improve equity and opportunity for all Australians.

For example, Australia has a gender gap in participation. In September 2013, the participation rate of women 25 to 34 years old was 16 percentage points below the rate for men 25 to 34 years old. Furthermore, Indigenous Australians, mature age Australians and people with a disability also have much lower participation rates than the general population.

CHALLENGE: ADDRESSING LONG-TERM UNEMPLOYMENT

Earlier this century, Australia achieved a substantial decline in long-term unemployment, which reached a 20 year low in July 2008. The number of long-term unemployed has since more than doubled, from 65,000 to over 148,000 in September 2014. Just under 20 per cent of Australia's unemployed have now been jobless for more than 12 months. 'Hidden unemployment' is also on the rise, with many people giving up the search for work and becoming 'discouraged workers'^{viii}. Addressing this problem is important both to ensure thousands of Australians do not face long-term exclusion from work, and to improve the long-term economic and fiscal outlook by avoiding the erosion of skills and job readiness caused by prolonged absence from the workforce.

CHALLENGE: YOUTH UNEMPLOYMENT

Young people are particularly vulnerable to unemployment during periods of economic and labour market softness, as they tend to have less education, skills and experience than their older counterparts and are therefore often the first to be retrenched by employers in times of economic difficulty. Labour market conditions for youth (aged 15–24 years) over the past year have been soft, with the youth unemployment rate rising to above 13 per cent in September 2014, as young Australians entering the workforce struggle to find new jobs.

CHALLENGE: BOOSTING INDIGENOUS EMPLOYMENT

Indigenous Australians experience low labour force participation and employment rates, and high unemployment rates, relative to the rest of the Australian population. In 2012–13, 39 per cent of the Indigenous working age population was not in the labour force, compared with 20 per cent of the non-Indigenous working age population. Furthermore, even among those who are participating, the unemployment rate for Indigenous people was significantly higher than for all Australians, at 22 per cent compared with 5 per cent. Improving education and labour market outcomes for Indigenous Australians is a priority for the Australian Government.



CHALLENGE: SUPPORTING JOB CREATION

Over recent years, job creation in Australia has slowed. The unemployment rate declined to a recent trough of 4.9 per cent in June 2011, but since then employment growth has been soft and unemployment has increased to 6.1 per cent in September 2014. Over the last year, employment growth has been subdued, at 1.1 per cent. This outcome partly reflects the challenge of managing structural change between industries with varying labour requirements. Strengthening job creation will require a strong commitment to boosting economic growth and ensuring that growth is job-rich.

The Australian Government has committed to the creation of one million jobs over the next five years. As many Australians as possible should enjoy the dignity and self-respect that comes with work and self-sufficiency, and restoring the rate of jobs growth to a level sufficient to bring down unemployment is essential to achieving that end.



3. Current policy settings and new commitments

The Australian Government was elected in September 2013 and is putting in place a range of new policy measures aimed at improving economic growth and reducing unemployment. The Government has committed to create one million new jobs over five years and two million new jobs over ten years. By cutting business costs and red tape, reforming workplace relations to bring balance back to the system, strengthening incentives to work and investing in both physical infrastructure and human capital, Australia aims to deliver more jobs and growth and bring the rate of unemployment (particularly long-term unemployment) down.

BROAD ECONOMIC SETTINGS

Australia's commitments on broad macro and microeconomic policy will help to stabilise our economy, and create the conditions for private sector job creation. The government's policy settings look to create a sustainable fiscal position, lower business costs, boost incentives to invest and deliver productivity-enhancing infrastructure.

Macroeconomic policy

The Australian Government makes the following macroeconomic policy commitments.

- To achieve budget surpluses, on average, over the course of the economic cycle.
- Investing in a stronger economy by redirecting Government spending to quality investment to boost productivity and workforce participation.
- Maintaining strong fiscal discipline to reduce the Government's share of the economy over time in order to free up resources for private investment to drive job and economic growth. The Government will reduce the payments-to-GDP ratio, and pay down debt by stabilising and then reducing Commonwealth Government Securities on issue over time.
- Strengthening the Government's balance sheet by improving net financial worth over time.

Under Australia's macroeconomic policy framework, in normal times monetary policy is the primary demand management tool, supported by automatic fiscal stabilisers. The independent Reserve Bank of Australia sets the cash rate and the exchange rate is freely floating. Fiscal policy is set in a medium-term framework that promotes the sustainability of government finances and supports strong and stable economic growth, where an important element is building the fiscal space to allow capacity to weather downturns and respond to exceptional circumstances.

Australia's Growth Strategy provides a more detailed overview of Australia's macroeconomic policy framework.

Monetary policy

Australia's current stance of monetary policy is accommodative, with the policy rate target set at the historically low level of 2.5 per cent. The policy rate target has remained unchanged since August 2013, with this judged to be the appropriate policy to support the economy while keeping inflation within the target range of 2 to 3 per cent, on average, over the economic cycle. Continued accommodative monetary policy should provide support to demand, and help growth to strengthen over time, with inflation expected to remain consistent with the target. On present indications, the most prudent course is likely to be a period of stability in policy interest rates.

Fiscal policy

Australia's Commonwealth (federal) and State (sub-national) governments are undertaking fiscal consolidation at a measured pace, restoring the structural integrity of government finances over the medium term without undermining the economy's transition to broader-based growth in the near term. Australian Government net debt is expected to peak as a share of GDP at 14.6 per cent and gross debt at 25.1 per cent in 2016-17. In structural terms, the budget is expected to be in balance by around 2018-19, with strong structural surpluses projected to build beyond that. These projections provide for future tax relief by assuming tax receipts as a share of the economy are capped.



The composition and timing of the new policy decisions in the 2014-15 Budget mean that additional fiscal consolidation will be achieved without a material impact on economic growth. The Government is significantly increasing investment in new infrastructure with larger multipliers than payments to households and businesses, where the bulk of the fiscal savings will be made.

The fiscal consolidation measures are also weighted towards medium-term structural savings that build over time, with the 2014-15 Budget imposing modest additional fiscal consolidation over the next three years relative to the 2013-14 Mid-Year Economic and Fiscal Outlook. The government has ensured this steady pace of fiscal consolidation will continue from 2017-18.

Regulation, finance, incentives, investment and entrepreneurialism

The Australian Government makes the following policy commitments to increase competitiveness, reform regulation, strengthen incentives and support investment and entrepreneurialism.

- Cut the cost to business of 'red and green tape' by \$1 billion by September 2014.
- Abolish the carbon and mining taxes and implement an Exploration Development Incentive to support investment in the resources sector.
- From 1 July 2015, cut the corporate income tax rate from 30 per cent to 28.5 per cent.
- Invest \$A 50 billion in land transport infrastructure to 2019–20 and beyond. In combination with contributions from state and territory governments and the private sector, this investment is expected to support over \$A 125 billion in new and upgraded infrastructure.
- Provide the right incentives to enable businesses to grow by implementing the Industry Innovation and Competitiveness Agenda

The Australian Government believes that private enterprise and private investment are the key drivers of economic growth and national prosperity. Excessive regulation discourages business investment and entrepreneurialism, distorts investment decisions and damages productivity and jobs growth.

To support Australian businesses to grow and compete internationally, the Government is implementing a new Industry Innovation and Competitiveness Agenda. This agenda includes measures to provide businesses and workers with the skills and incentives they need to adapt to changing economic conditions and seize new opportunities. As part of this agenda, over the next 18 months the Government will implement initiatives to encourage employee share ownership; reform the vocational education and training sector; promote science, technology, engineering and mathematics skills in schools; accept international standards and risk assessments for certain product approvals; and establish Industry Growth Centres.

To support job creation in the private sector, the Government is also committed to cutting the costs on business from unnecessary red and green tape, freeing business to create jobs while still achieving essential social and environmental goals. The Government's regulatory reforms are aimed at boosting competitiveness, productivity and job creation by reducing the regulatory burden that government imposes on businesses, community organisations and individuals. Regulatory reform is particularly important for small and medium enterprises, which are not as well placed to manage intrusive red and green tape.

According to the Global Competitiveness Index, taxation and regulation add significantly to the cost of doing business in Australia. The Government aims to strengthen incentives to invest, by reducing the costs of doing business and reforming the tax system; boosting job creation and increasing productivity and wages across all sectors. To achieve this, the Government plans to cut or abolish a range of taxes on business, including reducing the rate of company tax by 1.5 percentage points from 1 July 2015.

Investment in infrastructure is also a central part of the Government's jobs strategy. With resources sector investment forecast to ease over the next couple of years, Australia's strong investment in roads will help to fill the gap, creating jobs and improving infrastructure to support long run growth in productivity. The Infrastructure Growth Package announced in the 2014-15 Budget will take the Government's total investment in transport infrastructure \$A 50 billion

to 2019-20 and beyond. This investment, in partnership with state and territory governments and the private sector, is expected to support projects across Australia to deliver over \$A 125 billion of additional infrastructure.

The package includes an Asset Recycling Initiative that will provide financial incentives to State and Territory Governments to sell existing assets and reinvest the sale proceeds into additional productive economic infrastructure. This initiative has the potential to catalyse close to \$A 40 billion of additional investment and contribute to the creation of a strong pipeline of projects.

LABOUR MARKETS AND SOCIAL PROTECTION

The Australian labour market has a range of areas for potential policy reform. This includes reforms to improve the efficiency of labour markets by restoring balance in the workplace relations system. There is also scope to examine Australia's social security system with a view to strengthening activation mechanisms and incentives to work, and ensuring everyone who can participate in work is required and encouraged to seek employment.

Labour market regulation

The Australian Government makes the following commitments to improve the operation of Australia's workplace laws.

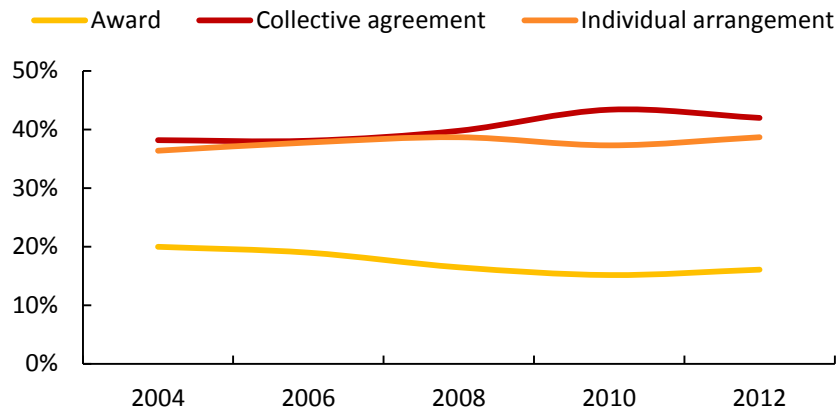
- Re-establish the Australian Building and Construction Commission, to strengthen the rule of law in the construction industry and reduce the cost of building projects.
- Establish a Registered Organisations Commission to improve the governance of unions and employer organisations, in the interests of both workers and businesses.
- Changes to improve bargaining over greenfields agreements for new work sites.
- Remove the ability for unions to take industrial action as a 'first resort' option.
- Reform union access to workplaces to ensure employers are free to manage their workplaces without unreasonable interference, while retaining appropriate capacity for unions to represent members in the workplace.
- The Productivity Commission will be tasked to undertake a thorough analysis of the existing system of labour market regulation, and the impacts it has on the economy, productivity and jobs. This review will help to inform the development of future policy in this area.

Australia's workplace relations system is unique in the developed world. While most of Australia's workforce has their wages and conditions set at the level of the individual enterprise, there is a safety net of awards providing for basic pay and conditions in all industries. The system is overseen by an independent body – the Fair Work Commission – which sets the minimum wages and working conditions in awards, and can act as an arbiter in industrial disputes.

Figure 1 shows the incidence of awards, individual arrangements (such as common-law contracts) and collective agreements in the Australian labour market. This approach of decentralized bargaining between employers and employees underpinned by a safety net and an independent umpire has the benefit of allowing individual businesses to establish agreements that suit their specific circumstances, while providing employees with security in the labour market.



Figure 1: Proportion of Australian workforce under different pay-setting arrangements



Source: Australian Bureau of Statistics, *Employee Earnings and Hours, Australia, May 2012* (cat. no. 6306.0)

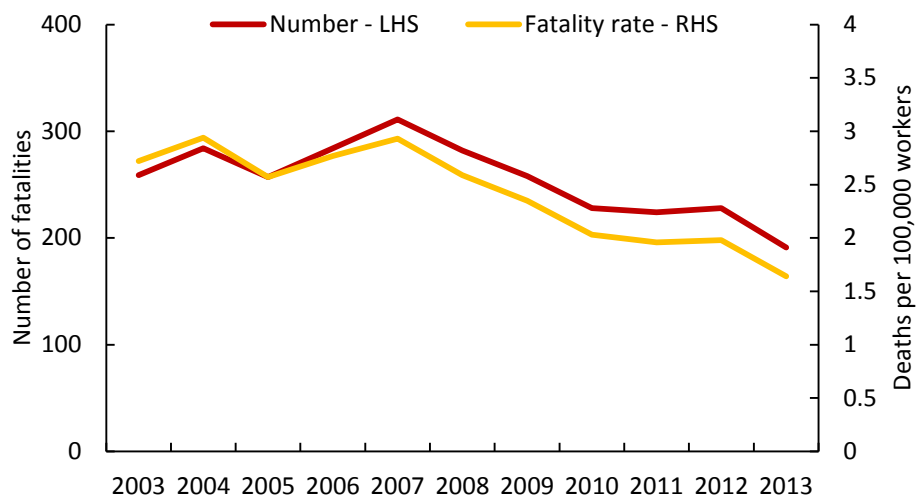
The Australian Government will establish an independent review of the Fair Work laws, which will make recommendations on how the system can be further improved. The Australian Government will consider implementing recommendations which can help to boost growth and jobs, while balancing those goals against fairness and equity.

A more balanced workplace relations system in Australia will reduce the cost of doing business, and encourage investment and new jobs growth. Australia’s policy commitments to strengthen bargaining and flexibility arrangements, and improve law and order in the construction sector, will work towards this end.

Workplace safety

Australia has steadily improved its work health and safety performance over the last decade. Between 2003 and 2013 there was a 40 per cent decrease in the incidence rate of traumatic injury fatalities (see Figure 2). The rate of serious workers’ compensation claims for injury and disease^{ix} has also declined by 32 per cent, from 16 claims per 1000 employees in 2000–01 to 11 in 2012–13.

Figure 2: Worker fatalities: number of fatalities and fatality rate, 2003 to 2012



Source: Safe Work Australia. Work-related Traumatic Injury Fatalities, Australia, 2013



The Australian Government and the state and territory governments are currently undertaking an examination of the model work health and safety laws to improve safety outcomes, address issues impeding the effective and efficient operation of the laws and remove unnecessary over-regulation. There will also be a focus on developing accessible and practical guidance to aid understanding and compliance, particularly for small business.

In terms of workers' compensation, all Australian jurisdictions provide no-fault coverage of eligible employees who are injured at work through statutory workers' compensation schemes. All Australian workers compensation authorities are working towards improving outcomes for injured workers, with a focus on a safe, timely and sustainable return to work.

Social protection

Australia has a comprehensive system of social protection involving unemployment benefits, disability and age pensions, family assistance, and a universal health insurance scheme. Australia's system of transfer payments differs from most advanced countries in that it is funded through general taxation rather than a system of social contributions, and is not generally dependent on prior participation in work. It is tightly means-tested, with benefits conditional on the incomes and assets of applicants. This provides generous support to those who are unable to work, while aiming to maintain incentives to seek employment for those who can work, coupled with activation measures.

However, there is scope for reforms to improve workforce participation, encouraging all Australians who are able to work to participate in the economic life of the community, and to improve the sustainability of the social protection system. The Government has commissioned a review of working age payments to identify opportunities for reforms to strengthen work incentives. Where benefits can be reduced or eliminated at little social cost, it can help to encourage people to seek employment and self-sufficiency.

Over the longer term, increasing the age of eligibility for access to the Age Pension and reducing the rate of indexation for other benefits will encourage higher labour force participation. Australians are living longer, healthier lives, and the number of people aged 65 to 84 is expected to more than double between 2010 and 2050. Increasing the pension eligibility age will encourage more workforce participation by mature age people, and help address the costs of an ageing population.

Active labour market programmes

The Australian Government makes the following commitments to improve active labour market programmes.

- A new employment services model will be introduced on 1 July 2015 for most job seekers.^x
- Stronger Mutual Obligations will require job seekers aged up to 30 to complete 650 hours over 26 weeks (25 hours per week) and job seekers aged 30 and up to 60 to complete 390 hours over 26 weeks (15 hours per week) of an eligible activity. Job seekers under 50 years of age will undertake Work for the Dole as the principal activity.
- Employment service providers will be able to offer employers a subsidy of up to \$A 6,500 to hire, train and retain a job seeker who has been unemployed for 12 months or more. Employers will be eligible for the first wage subsidy payment of up to \$A 3,250 after the job seeker is employed for six months with a second payment of up to \$A 3,250 after 12 months.

Australia's system of public employment services is run through a decentralised model, involving private and community sector providers delivering services funded by the Australian Government. The providers operate in a 'managed market', with incentives and reward payments for providers who succeed in placing job seekers in work. The system is 'streamed', with more generous services for those job seekers identified as facing greater barriers to finding work. There are three main programmes: Job Services Australia for mainstream job seekers, Disability Employment Services and the Remote Jobs and Communities Programme for job seekers in remote areas.



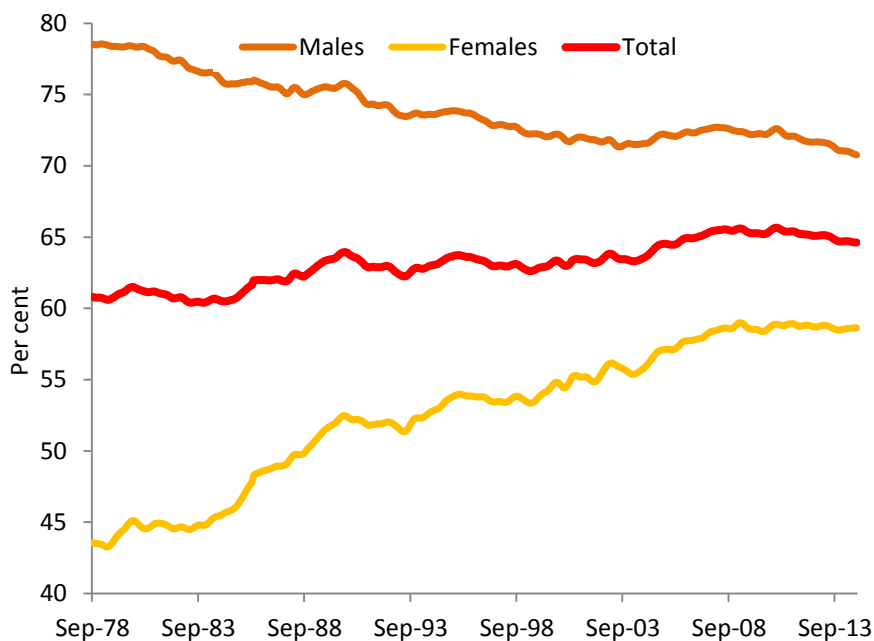
These programs are supported by other initiatives designed to encourage job seekers into work and improve their employability. Young Australians aged 18 to 30 who have been unemployed for 12 months or more will receive a \$A 2,500 Job Commitment Bonus if they commence work and remain in a job and off welfare for a continuous period of up to 12 months, along with a further \$A 4,000 if they remain in a job and off welfare for up to 24 months. An expanded Work for the Dole programme commenced in July 2014, requiring young people to participate in work-like activities in exchange for income support for 15 hours per week, expanding to 25 hours per week from 1 July 2015, for six months in every year. Mature aged job seekers are encouraged to re-enter the workforce through the Restart programme. This programme provides a wage subsidy of up to \$A 10,000 to employers who hire an eligible mature age job seeker on a full-time basis for 24 months, with this payment being pro-rated for those who are employed on a part-time basis.

The Government will fundamentally reform employment services to improve job outcomes for unemployed Australians. The key objective of the new employment services model is to promote stronger workforce participation by people of working age and help more job seekers move from welfare to work. To achieve this, the new model will reinforce the principle of Mutual Obligation, target assistance to job seekers needing the most help, improve the support that is available for businesses, foster and reward results rather than processes, and end the process of ‘training for training’s sake’ as an alternative to employment outcomes.

Policy measures targeting labour market disadvantage

Australia takes a holistic approach to addressing issues of labour market disadvantage and equity. A range of groups face multiple barriers to participation in the labour market, including Indigenous Australians, women, people with a disability, youth, the long-term unemployed, mature age Australians and people living in regions. The Australian Government works to address all of these issues through policies, programmes and anti-discrimination regulations.

Figure 3: Male and female labour force participation in Australia



Source: Australian Bureau of Statistics, *Labour Force, Australia*, September 2014 (cat. no. 6202.0)



Women

Over recent decades, the gap between male and female participation has narrowed as more women have participated in the workforce (see Figure 3). Evidence from comparable countries suggests Australia could achieve a higher rate of women's participation, and that there is still scope to strengthen growth and create more jobs by addressing barriers to female participation in the workforce, especially by helping women to balance work and family responsibilities.

The Australian Government makes the following policy commitments to improve women's economic participation.

- From 1 July 2015, a new universal paid parental leave scheme will provide up to 26 weeks of support at the mother's replacement wage, up to an annual wage rate of \$A 100,000.
- Family payments will be reformed, including by tightening eligibility for Family Tax Benefit Part B (FTB-B). From 1 July 2015 families will no longer receive this payment when their youngest child turns six.
- The primary income threshold for eligibility for FTB-B will also be reduced from \$A 150,000 to \$A 100,000 per annum.

Australia's existing paid parental leave scheme is relatively modest by international standards, providing 18 weeks payment at the value of the national minimum wage. This may not be sufficient for many families who find it difficult to adjust to the change in their financial circumstances while providing high quality parental care for their child in their critical first year of life. To address this issue, the Government is introducing a new, more generous paid parental leave scheme, which will provide 26 weeks of payments at full replacement wage levels for eligible new mothers.

The new scheme will provide effective financial support for mothers to leave the workforce temporarily and care for very young children, helping them balance their work and family commitments while maintaining attachment to the workforce. It will complement existing unpaid parental leave entitlements and ease the financial burden on mothers, thereby ensuring families are able to provide care for their child for at least the 26 week period recommended for optimal maternal and child health outcomes.

Reforming the income support system to encourage women who can work to seek employment is also an important way to promote workforce participation. Adjusting eligibility for FTB - B (a payment made to principal carer parents who are not currently employed, contingent on the income of the principal earner) by limiting it to single parents with children aged 6 or younger and lowering the primary earner income test threshold from \$A 150,000 to \$A 100,000 will encourage secondary earners to increase hours worked. Low income single parents will retain access to income support and Family Tax Benefit Part 'A', including a new supplement to compensate them for lost income if they have school age children.

Youth

The Australian Government makes the following policy commitments to address youth unemployment.

- The Government will introduce an expanded Work for the Dole programme for young people.
- From 1 January 2015, young Australians aged up to 30 years with full work capacity will be subject to a waiting period of up to 6 months, after which time they will be required to undertake Work for the Dole activities before they receive income support. Those who take up approved full-time study will qualify for student income support, which will not be subject to this policy.
- From 1 July 2014, young Australians aged 18 to 30 years who have been unemployed for 12 months or more will receive a \$A 2,500 Job Commitment Bonus if they commence work and remain in a job and off welfare for a continuous period of up to 12 months, along with a further \$A 4,000 if they remain in a job and off welfare for up to 24 months.
- The Government has introduced generous Trade Support Loans to ensure Australian apprentices will have the support they need to take up a trade and complete their training.
- The Government will support an additional 80,000 higher education students per year by 2018.



The Government is encouraging young Australians to either earn or learn by requiring job seekers up to 30 years of age with full work capacity who apply for Newstart or Youth Allowance (Other) to participate in job search and employment service activities for up to six months before receiving any payment. The waiting period will be reduced if a job seeker has previous employment. Job seekers must participate in employment services and actively search for work during the waiting period. At any time while unemployed, job seekers are able to choose to undertake further study and are able to apply for Youth Allowance (Student) or AUSTUDY.

After six months these young job seekers will be required to participate in six months of Work for the Dole for 25 hours per week in return for receiving income support. If job seekers have not secured a job at the end of their Work for the Dole participation, employers who take them on will be eligible to receive a wage subsidy.

Indigenous people

The Australian Government makes the following policy commitments to address Indigenous unemployment.

- The Council of Australian Governments has in place a target to halve the employment gap between Indigenous and non-Indigenous Australians by 2018.
- The Australian Government is providing up to \$A 45 million to support new employer demand driven Vocational Training and Employment Centres (VTECs).
- The 2014-15 Budget invests \$A 4.8 billion to replace more than 150 individual programmes and services with five streamlined broad-based programmes under an Indigenous Advancement Strategy.

Australian job seekers residing in remote regions (76 per cent of the Australian land mass) receive assistance under the Remote Jobs and Communities Program (RJCP). Around 85 per cent of RJCP participants are Indigenous – many of whom reside in discrete small communities significantly distant from strong labour markets and services. As job seekers in remote regions (especially Indigenous job seekers) face more barriers to employment than job seekers in non-remote regions, they receive a higher level of servicing tailored to accommodate local conditions and requirements.

The vast majority of Indigenous job seekers are serviced by the mainstream employment service Job Services Australia. As the majority of Indigenous job seekers face more barriers to employment on average they receive a higher level of servicing. There are also a number of specialist Indigenous Job Services Australia providers. Furthermore, there are a number of incentives to encourage effective servicing of Indigenous job seekers by Job Services Australia providers.

To date more than 4000 Indigenous Australians have been guaranteed jobs through contracts signed with VTECs. VTECs have been set up to provide support and employment to Indigenous job seekers in regions such as the south coast and Hunter regions of New South Wales, the Kimberley and the Pilbara in Western Australia, and north and central Queensland, as well as the capital cities.

The new employment services model, to commence on 1 July 2015, is designed to deliver better employment outcomes for Indigenous people. There will be targets for increasing Indigenous employment outcomes, and they will be part of Employment Providers' ongoing performance assessment. Indigenous job seekers will be able to access the Long Term Unemployment Wage Subsidy at 6 months unemployment while other job seekers wait until they have been unemployed 12 months. The recent review of Indigenous Training and Employment Programmes has recommended a number of reforms aimed at improving employment and training services. The Government has not yet released its response to the Review.

Regional areas

Regional unemployment rates vary widely in Australia. Against the backdrop of soft economic and labour market activity over recent years, conditions in a number of regions have deteriorated. As result, over time, the difference between the highest and lowest unemployment rate has increased. Prior to the Global Financial Crisis (GFC), the difference stood at 6.1 percentage points in April 2008, widening to 15.0 percentage points in March 2010. While there has been some narrowing in regional labour market disparity since the global recession, it remains more pronounced than it was prior to the GFC, at 7.1 percentage points in September 2014 (see Figure 4 below).

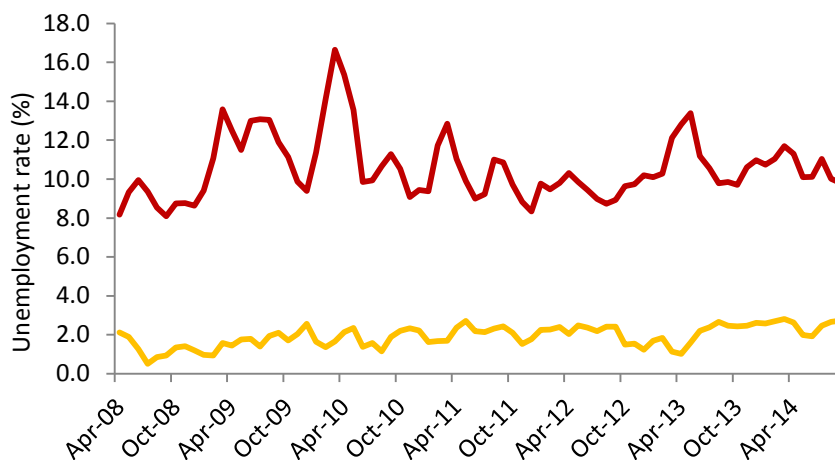


The Government is also seeking to strengthen activation requirements and encourage the long-term unemployed to move to new areas of opportunity.

The Relocation Assistance to Take Up a Job programme is designed to encourage labour mobility by providing relocation assistance. The programme provides practical and financial assistance to job seekers to relocate to take up ongoing work and to support employers by matching workers from outside their local areas.

Job seekers who have been unemployed for 12 months or more are eligible for up to \$A 6000 if they move to a regional area to take up a new job, or up to \$A 3000 if they move to a capital city to take up a new job. Families with dependent children are eligible for up to an extra \$A 3000 to help cover the additional costs of relocation. Funding is flexible and can be used for a range of relocation related purposes such as two months' rent, removalist and travel costs.

Figure 4: Regional unemployment disparity – highest and lowest unemployment rates



Note: Data are three month averages of original estimates

Source: Australian Bureau of Statistics, *Labour Force, Detailed - Electronic Delivery*, September 2014 (cat. no. 6291.0.55.001)

Manufacturing workers

The Australian Government makes the following policy commitments to support workers in industries facing structural decline.

- The Government is implementing a \$A 155 million Growth Fund to transition automotive workers to new jobs and accelerate private sector investment in regions facing pressure on their manufacturing sectors.
- The Government also committed employment support to redundant automotive workers through the Automotive Industry Structural Adjustment Programme.

The Australian Government supports redundant workers to find alternative employment through a range of programmes such as Job Services Australia.

Manufacturing employment has been in general decline over recent decades, with automotive manufacturers set to close their Australian facilities in the next few years. To address the labour market consequences of these closures, the Government has announced a package to support job creation in regions facing significant job losses. This is in addition to the wide range of labour market services and programmes already provided by the Australian Government to unemployed job seekers.

The Government’s wide ranging industry initiative includes a \$A 155 million Growth Fund to transition automotive workers to new jobs and accelerate private sector investment in South Australian and Victoria. It will also include the development of a National Industry Investment and Competitiveness Agenda later in 2014.



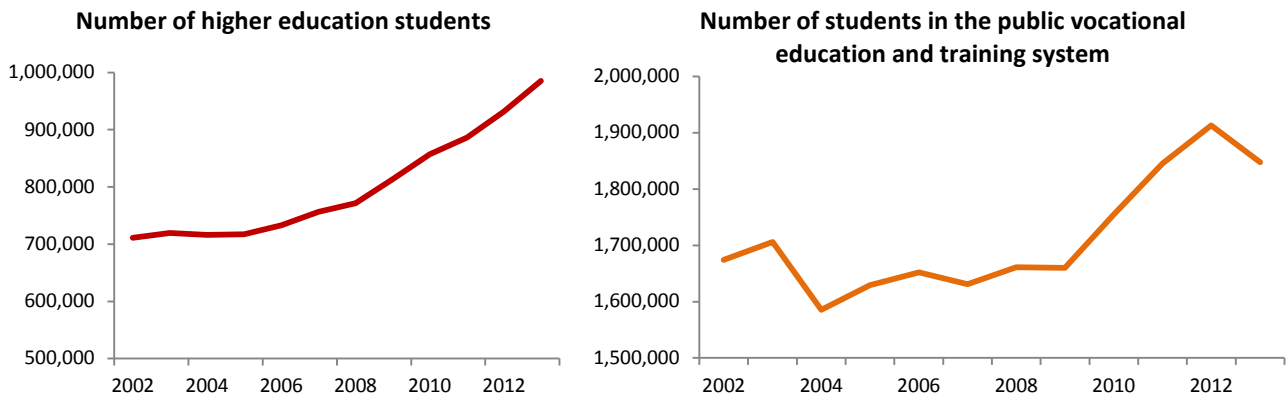
SKILLS DEVELOPMENT

The Australian Government makes the following policy commitments to improve skills development.

- Further deregulation of the higher education sector will be achieved by removing fee caps and expanding the demand-driven system to bachelor and sub-bachelor courses at all higher education providers.
- In the 2014-15 Budget the Australian Government announced a new \$A 476 million Industry Skills Fund to streamline training and better position Australian industry to succeed in a rapidly changing global economy. The fund will commence on 1 January 2015 and will deliver close to 200,000 targeted training places and training support services over four years.
- The Government is also supporting those learning a trade by providing concessional Trade Support Loans of up to \$A 20,000 over the life of an apprenticeship. These loans will assist with the cost of undertaking an apprenticeship.
- The Australian Government will invest up to \$A 200 million annually to establish the Australian Apprenticeship Support Network to deliver a new generation of support services to Australian Apprenticeships participants to lift apprenticeship completion rates.

Australia has a universal system of public schools, and broad vocational and university education systems, providing high quality services at all levels. The Australian Government plays a central role in the funding of all three tiers of education, and policy reform to strengthen education and training is ongoing. Educational attainment has increased rapidly in recent decades, and record numbers of students are enrolled in post-school education and training (see Figure 5).

Figure 5: Enrolments in post-school education



Source: Department of Education, *uCube – Higher Education Data Cube*; National Centre for Vocational Education Research, *Australian vocational education and training statistics: Students and courses 2013*

Over recent decades, growth in demand for skilled labour has outstripped growth in demand for unskilled labour, both in Australia and in most other developed countries. Basic schooling remains essential to foster economic growth, as a workforce with a high level of foundation skills (such as literacy and numeracy) is more able to adapt to the dynamic shifts in the demand for skills that are typical of a modern economy. Investing in higher level skills is also essential, to foster productivity growth and support the strong service and primary industries Australia needs into the future.

School education

The Government has introduced a range of funding and policy measures that will support improved outcomes for all Australian students. Significantly, the Government has introduced a needs-based funding model which applies across Australia, and which provides a per student price of education coupled with six loadings to target disadvantage. This



additional funding is provided, regardless of sector, for students with disability, Indigenous students and students from low socio-economic backgrounds.

The Government recognises that while funding is important, national and international research indicates that it is not a sufficiently effective driver of improved outcomes by itself – countries that spend a high proportion of the GDP on education do not automatically produce high performing education systems.

As a result, Australia's needs-based funding approach is supported by a focus on four key areas which have a significant impact on student achievement:

- teacher quality;
- school autonomy;
- engaging parents in education; and
- strengthening the curriculum.

International evidence shows that clear accountability for school results helps create a learning environment that encourages innovation and excellence from school leaders, teachers and students. Greater access to information has been shown to inform better decision making, enabling teachers, parents and students to make better informed choices about children's education. The Australian Government is investing in an improved performance information system to ensure quality data is available to track progress, inform policy development, evaluate interventions and hold education systems to account.

Apprenticeships, vocational training and higher education

Australia's vocational education and training (VET) system operates nationally by agreement between the Commonwealth, state and territory governments with input from industry. Governments provide funding, develop policies and contribute to regulation and quality assurance of the sector. Industry and employer groups contribute to training policies and priorities, and in developing qualifications that can deliver skills to the workforce.

The Australian Government provides significant funding to states and territories for VET. However, state and territory governments are responsible for the training systems within their jurisdictions, including student eligibility and access to public subsidies, and the setting of strategic priorities for the delivery of courses and qualifications.

The Australian Apprenticeships system supports skills formation in an employment context. As well as providing funding to state and territory governments to support apprenticeship training, the Australian Government also funds a range of incentives and personal benefits for employers and apprentices. The Government is in the process of establishing the Australian Apprenticeship Support Network to deliver a new generation of support services to Australian Apprenticeships participants to lift apprenticeship completion rates.

The higher education sector is predominantly public, and funded through a combination of student contributions and government support – primarily from the Australian Government. A system of subsidised student loans – the Higher Education Loan Programme (HELP) – allows students (including those on low incomes who may otherwise be deterred by the cost) to defer fees while allowing limited public resources to be spread over a greater number of students.

Higher education has been one of the most successful new export industries to emerge in the last generation, with education now our fourth largest export earner. However, the sector operates in a highly competitive and globalised market, where overseas universities are rapidly building their quality and global reputation.

Full deregulation of the higher education sector will be achieved by removing fee caps and expanding the demand-driven system to bachelor and sub-bachelor courses at all higher education providers. Higher education institutions will be responsible for the setting of course fees. This change will allow Australian universities to continue to compete with the best in the world by giving them the freedom to innovate, a greater ability to invest in world class research, and the capacity to respond to the needs of students and businesses in terms of choice and quality.

Students will benefit through more accessible higher education supported by the continuation of the Higher Education Loan Programme (HELP) and more courses and institutions receiving Commonwealth support. Higher education



providers will be required to direct 20 per cent of additional revenue from increases in new student contributions to a scholarship scheme which will support access for disadvantaged students.



4. Monitoring of commitments

This section reports on the implementation of Australia's commitments made under recent G20 presidencies, including the Los Cabos Jobs and Growth Plan and the Saint Petersburg Action Plan. It highlights the major measures Australia has taken to address its commitments, as well as identifying the steps it has taken to follow through on strategies endorsed by G20 Labour and Employment Ministers.

Los Cabos and Saint Petersburg commitments

1. Tax and benefit reforms to enhance productivity and improve incentives to work

Increasing the tax-free threshold from \$A 6,000 to \$A 18,200 has enhanced incentives to work, as well as simplifying the tax system by eliminating the need for many Australians to fill out a tax return. This G20 employment plan outlines a number of further policy measures which are aligned with this Los Cabos commitment.

Both the Carbon Tax and the Minerals Resource Rent Tax have been abolished, and a new Exploration Development Incentive will encourage resource exploration and support mining investment. This tax break will allow investors to deduct the expense of mining exploration from their taxable income, providing an incentive to undertake marginal exploration activity and boosting future investment in the resources sector in Australia.

From 1 July 2015, the Australian Government will cut the rate of company tax from 30 per cent to 28.5 per cent. This reform will strengthen incentives to invest and improve business opportunities.

2. Enhancing education, training and skills development

The Australian Government is committed to delivering a more effective and efficient skills and training system with a focus on providing job-ready skills. In this employment plan, the Australian Government has committed to delivering a \$A 476 million Industry Skills Fund to streamline training and better position Australian industry, as well as a new income-contingent loan scheme for Australian Apprentices.

3. Encouraging the participation of females in the labour force through, for example, reforming benefit systems and providing affordable child care services

Australia has implemented reforms to strengthen incentives to work for single mothers on income support by moving them onto a lower rate of welfare benefits when their youngest child is eight years of age. This reform encourages single mothers with school age children to find work, by increasing the relative financial return to work compared with non-work. Reforms to the indexation of payments to single parents with pre-school age children will also encourage their participation in the workforce over the medium to long term.

The reforms to eligibility for family payments announced in the 2014-15 Budget and committed to in this employment plan will further strengthen incentives for secondary earners (typically women) to enter the workforce.

4. A new disability insurance scheme

Australia is progressing work on the National Disability Insurance Scheme (NDIS). Trial sites have commenced operation, and full implementation will proceed from 1 July 2016. New NDIS trials began in Western Australia, the Australian Capital Territory and the Northern Territory on 1 July 2014, along with a trial of the Western Australian My Way programme, assisting around 14,000 people with permanent and significant disabilities over the trial period. This brings the total number of people with disability being assisted through the trial period to more than 35,000 (including the My Way programme).

Once the NDIS is fully rolled out across Australia, it is expected to provide flexible and appropriate funding for necessary services and support to over 460,000 Australians suffering from a disability. The Government is determined to ensure the foundations for the scheme are sound and that the scheme is sustainable into the future.



5. Reforms to improve skills development through schools and tertiary education

The Australian Government is implementing an additional \$A 2.8 billion of investment in schools through a national school funding agreement with the States and Territories. The reforms to the higher education sector committed to in this employment plan will strengthen competition, giving universities the freedom to innovate, a greater ability to invest in world class research, and the capacity to respond to the needs of students and businesses in terms of choice and quality.

Youth employment, training and quality apprenticeships

In April 2012, Commonwealth, state and territory governments agreed a number of significant reforms to the VET sector, including a national training entitlement, better consumer information and expansion of the Commonwealth's income contingent loans scheme. These reforms are underpinned by Australian Government funding of \$A 1.7 billion over five years from 2012.

A process is underway to reform Australian Apprenticeship Support Services, in order to deliver better support and assistance for apprentices and improve completion rates in the apprenticeship system. Australian apprentices will have the support they need to take up a trade and complete their training, with the Government providing loans of up to \$20,000 over the four years of an apprenticeship.

Australia has introduced a national youth participation requirement which requires all young people to participate in schooling (or an approved equivalent) to Year 10, and then participate full-time (at least 25 hours per week) in education, training or employment, or a combination of these activities, until age 17. These requirements were implemented through changes to school leaving age legislation in states and territories, and Commonwealth changes to income support eligibility requirements.

Two pilots announced earlier this year will also encourage businesses to employ and invest in young people. These pilots will trial a new way of boosting economic activity in regional areas and improving job prospects for young people. The Training for Employment Scholarships pilot, which initially includes 7500 places, and Youth Employment Pathways pilot, which will initially have 3000 places, will commence in March 2015.



ANNEX A: Policy measures to address the identified employment challenges

Policy Challenges	New commitments	Existing settings
<p>Stronger job creation</p>	<ul style="list-style-type: none"> • Fiscal sustainability and a budget surplus of 1 per cent of GDP by 2023-24. • Cut the cost to business of ‘red and green tape’ by \$A 1 billion. • Abolished the carbon and mining taxes • Implementing the Industry Innovation and Competitiveness Agenda • Implement an Exploration Development Incentive. • Cut the corporate income tax rate from 30 per cent to 28.5 per cent. • Invest \$A 50 billion in land transport infrastructure. • Re-establish the Australian Building and Construction Commission • Establish a Registered Organisations Commission. • Establish realistic timeframes for greenfield agreements on new work sites. • Reform union access to workplaces. • A thorough analysis of the existing system of labour market regulation to inform the development of future policy in this area. 	<ul style="list-style-type: none"> • Expansionary monetary policy • Automatic fiscal stabilisers • Stable investment climate • Flexible labour market regulations • Public investment in infrastructure • Job Services Australia
<p>Boosting labour force participation</p>	<ul style="list-style-type: none"> • Family payments will be reformed. • Indexation of Parenting Payment Single (PPS) and other pensions will be reduced. • The pension age will be increased from 67 to 70 years. • The Low Income Supplement will be abolished. • The new arrangements for Job Services Australia will strengthen requirements around mutual obligation. • An expanded Work for the Dole programme. • A new universal Paid Parental Leave scheme. • Further deregulation of the higher education sector. • Review of working age payments • A new Australian Apprenticeship Support Network 	<ul style="list-style-type: none"> • Incentives to work in the tax-transfer system <ul style="list-style-type: none"> ○ A high tax-free threshold ○ Lower effective marginal tax rates for groups with high labour supply elasticities, such as single mothers • Child Care Benefit and Child Care Rebate • Job Services Australia • Disability Employment Services • Universal schooling • Demand-driven higher education • National Partnership on Skills Reform

<p>Addressing long-term unemployment</p>	<ul style="list-style-type: none"> • The new employment services model will provide improved services for job seekers and employers, and strengthen the principle of mutual obligation. • The Restart programme provides a wage subsidy of up to \$A 10,000 for mature age job seekers. • A wage subsidy of \$A 3,250 to any employer who hires long-term unemployed Tasmanians and keeps them on for at least six months. • A wage subsidy of up to \$A 6500 paid to employers who hire a long-term unemployed job seeker. • \$A 100 million growth fund to support regions facing pressure in their manufacturing sectors. • Employment support to redundant automotive workers. • Financial Assistance of up to \$A 9000 for unemployed job seekers who relocate to start a new job through Relocation Assistance to Take Up a Job. 	<ul style="list-style-type: none"> • Job Services Australia <ul style="list-style-type: none"> ○ Job search assistance ○ Tailored support for job seekers ○ Streamed by level of need for assistance • Disability Employment Services • Remote Jobs and Communities Programme
<p>Youth unemployment</p>	<ul style="list-style-type: none"> • The Government will support those learning a trade by providing concessional Trade Support Loans. • New job seekers up to 30 years of age with full work capacity will be subject to a 6 month waiting period before they receive income support, with subsequent non-payment periods for 6 months out of every 12. • Young Australians aged 18 to 30 years who have been unemployed for 12 months or more will receive up to a \$A 6,500 Job Commitment Bonus if they remain in a job and off welfare. • A wage subsidy of up to \$A 6500 paid to employers who hire a job seeker under 30 years old. • Training for Employment Scholarships and Youth Employment Pathways pilots. 	<ul style="list-style-type: none"> • Youth wages • High school attendance required until age 17 • Australian Apprenticeships Incentives Programme • Australian Apprenticeships Support Services • Job Services Australia
<p>Indigenous employment</p>	<ul style="list-style-type: none"> • The 2014-15 Budget invests \$A 4.8 billion to replace more than 150 individual programmes and services with five streamlined broad-based programmes under an Indigenous Advancement Strategy. • A review of employment and training to deliver recommendations for better targeting and administration of Indigenous training and employment services in order to connect unemployed Indigenous people with real and sustainable jobs. 	<ul style="list-style-type: none"> • Job Services Australia • Remote Jobs and Communities Programme

ⁱ 2007-08 and 2011-12 data.

ⁱⁱ Australian data expressed as Year 12 or equivalent attainment for people aged 20 to 24 years

ⁱⁱⁱ 2012 data

^{iv} Expressed as the proportion of people aged 25 to 65 who have attained an ISCED Level 5 or 6 qualification, as defined by the ISCED 97 classification.

^v 2012 data

^{vi} June quarter 2015

^{vii} See also Annex A for a list of new policy commitments and existing policy settings categorised according to the challenges.

^{viii} Hidden unemployment refers to the phenomenon of workers who would like to work becoming discouraged by poor labour market conditions and dropping out of the labour force, in the technical sense that they are no longer seeking employment on a regular basis.

^{ix} Serious claims include injuries or diseases that result in one working week or more absence from work, excluding fatalities and claims relating to a journey to or from work or a recess period.

^x The new employment services model will not apply to job seekers in remote parts of Australia or job seekers who are assisted through Disability Employment Services