

Are there any jobs in regional areas?

- Over the year to October 2005, employment growth has been exceptionally strong in non-metropolitan areas (up by 3.7 per cent), compared with a 2.8 per cent in metropolitan areas.
- 62.0 per cent of non-metropolitan Statistical Local Areas (SLAs) recorded a fall in their unemployment rate over the year to the June quarter 2005 (latest available data at the finer SLA level).
- The unemployment rate in non-metropolitan Australia (5.6 per cent in October 2005) is higher than that for metropolitan Australia (4.6 per cent).
- Not one ABS region recorded a double digit unemployment rate in October 2005.
- The level of long-term unemployment fell by 18,300 (30.3 per cent) over the last year in non-metropolitan Australia, compared with a fall of 9,900 (17.0 per cent) in metropolitan Australia.

Increasing participation will increase total employment in the medium-longer term

- The Productivity Commission's Report on the *Economic Implications of an Ageing Australia* projects that the ageing population will have a negative impact on economic growth by 2010.
- We need to increase participation in order to maintain, let alone increase, aggregate and per capita income.

Comments on a recent Australian Council of Social Services (ACOSS) report about regional disadvantage and the Welfare to Work reforms

- The ACOSS report identifies 50 electorates with the greatest number of people they define as 'at risk.'
 - Of the top five electorates identified by ACOSS as those likely to be most affected by the Welfare to Work changes, three recorded a lower unemployment rate than the national average unemployment rate. Accordingly, these particular electorates could hardly be classified as 'disadvantaged', marked by poor labour market conditions.
- According to recent ABS data, many individual non-metropolitan regions have experienced strong employment growth over the year to October 2005. For instance, employment in Lower Western WA (which includes the electorate of Forrest - one of the 50 seats identified as 'at risk' in the ACOSS report) increased by a robust 18,600 (or 14.6 per cent). Similarly, employment in Wide Bay-Burnett in Queensland increased significantly, by 10,600 (or 10.8 per cent) over the same period.
- The average unemployment rate of the 26 regional electorates identified by ACOSS was 5.9 per cent in June 2005, just 0.6 percentage points above the national rate, which stood at 5.3 per cent in June 2005 (12 month average data). In addition, 20 of the 26 electorates identified experienced an improvement in their unemployment rate over the year to June 2005.

New jobs and employment turnover

- Over the year to October 2005, employment increased by a robust 229,100.
- Employment turnover also creates additional employment opportunities. In this regard, it is worth noting that around 2 million people who were working in February 2004 changed their job or were not working during the year.

The following table summarises an analysis of twenty Labour Force Regions (LFRs) selected on the basis of their high unemployment rate as at September 2005 (ie: these 20 LFRs had the highest unemployment rates of all ABS regions).

Unemployment rate for selected ABS Labour Force Regions, Metropolitan and non-metropolitan areas and Australia as a whole, September 2005		
Region	Location	Unemployment rate (%) Sep-05
North Western Sydney	Sydney	5.3
Hunter	Non-metropolitan NSW	5.3
North and West Moreton	Non-metropolitan Qld	5.3
Central Highlands-Wimmera	Non-metropolitan Vic	5.6
Goulburn-Ovens-Murray	Non-metropolitan Vic	5.9
Fairfield-Liverpool and Outer South Western Sydney	Sydney	5.9
Murray-Murrumbidgee	Non-metropolitan NSW	5.9
Loddon-Mallee	Non-metropolitan Vic	6.0
Outer Western Melbourne	Melbourne	6.1
Barwon-Western District	Non-metropolitan Vic	6.1
Mornington Peninsula	Melbourne	6.2
Illawarra and South Eastern	Non-metropolitan NSW	6.2
Far North Queensland	Non-metropolitan Qld	6.3
Greater Hobart-Southern	Tasmania*	6.4
Northern Adelaide	Adelaide	6.8
Wide Bay-Burnett	Non-metropolitan Qld	7.3
Mersey-Lyell	Non-metropolitan Tas	7.3
North Western Melbourne	Melbourne	7.3
Richmond-Tweed and Mid-North Coast	Non-metropolitan NSW	8.7
All Gippsland	Non-metropolitan Vic	8.9
<i>Metropolitan Australia</i>		4.5
<i>Non-metropolitan Australia</i>		5.4
AUSTRALIA - TOTAL		4.9

Source: ABS Labour Force Survey, detailed data release (cat. no. 6291.0.55.001), three-month averages of original data.

* Greater Hobart-Southern contains both the metropolitan area of Greater Hobart and the non-metropolitan area of Southern Tasmania.

- Latest available data for October 2005 indicate that (in three-month average terms) the unemployment rate for metropolitan areas stood at 4.6 per cent, the unemployment rate for non-metropolitan areas was 5.6 per cent while the unemployment rate for Australia as a whole stood at 4.9 per cent.
- The Australian unemployment rate of 5.3 per cent, referred to earlier in the hearing, relates to the recent Australian Council of Social Services (ACOSS) report about regional disadvantage and the Welfare to Work reforms. The rate of 5.3 per cent was for June 2005 and was used for consistency purposes, as the ACOSS report examined federal electorates, the latest data for which are for June 2005.

There are many unfilled lower skilled vacancies

The following table summarises an analysis of filled and unfilled vacancies (of ESAs within the 20 LFRs) between September 2004 and September 2005.

Occupation	Vacancies	Filled 28 Days	Not Filled 28 Days %
Labourers and Related Workers	209,711	100,074	52%
Tradespersons and Related Workers	49,396	19,542	60%
Intermediate Clerical, Sales and Service Workers	58,721	26,588	55%
Intermediate Production and Transport Workers	48,514	22,567	53%
Elementary Clerical, Sales and Service Workers	50,808	22,821	55%
Total	417,150	191,592	54%

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Labour Supply Impacts of Cutting Benefits

Brief answer:

Research in Australia and overseas provides abundant evidence that if people have non-labour income, their labour supply will fall. That is to say, income support payments have a suppressing effect on people's labour supply because income support can help them reach their desired level of income with less work. While returns from work provide a positive incentive to increase work, the effect of income which reduces work effort at the same time can be calculated.

Studies of the effect of non labour income can vary significantly in its estimated impact, although the effect of non-labour income is negative and mothers with young children (especially single parents) seem to be especially sensitive.

Labour supply impacts of changes in benefit levels generally need to take into account the effect of participation requirements and incentive effects to get the full picture.

Specific studies and headline findings

Research on US Unemployment Insurance shows that a 10 per cent increase in payment rates extend an unemployment beneficiaries duration by 10 per cent.

Source: Krueger and Bruce D. Meyer 2002), *Labor Supply Effects of Social Insurance*, NBER Working Paper No. 9014
Publicly available.

Research shows that an increase in benefit rates for Denmark's Unemployment Assistance leads to a delay in females leaving benefits and a 10 per cent increase leads to a reduction of female labour supply by 4 per cent.

Source : Ott-Siim Toomet , August 2005, "Does an Increase in Unemployment Income Lead to Longer Unemployment Spells? Evidence Using Danish Unemployment Assistance Data"

Publicly available, not commissioned by DEWR.

For women a 10 per cent rise in non-labour income for married women, will lead to a reduction of labour supply between 0.6 per cent and 4 per cent (although this rate is typically higher for mothers with young children).

Source: Alan Duncan, Lecture Notes "Lecture 1: The Classical Model of Labour Supply" L1D032, MSc/MA Programme in Economics, University of Nottingham

Publicly available.

Benefit levels have a negative impact on the exit rate from unemployment and on labour supply for both men and women.

Source: The Impact of Social Policy Initiatives on Labour Supply Incentives; A Review of the Literature Guyonne Kalb Melbourne Institute of Applied Economic and Social Research University of Melbourne, August 2002

Publicly available.

Abolishing the income support system would lead to a significant increase in labour supply for lone parents. This paper is a test of modelling approaches and served a technical purpose, not a policy one.

Source: Creedy, Kalb and Scutella (2003), Income Distribution in Discrete Hours Behavioural Microsimulation Models: An Illustration of the Labour Supply and Distributional Effects of Social Transfers

Publicly available.