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**Author/Contributor:**

Bittman, Michael; Aldridge, Duncan

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## MATURE AGE WORKERS – REDUNDANCY, ‘EARLY’ RETIREMENT AND PROSPECTIVE WELFARE EXPENDITURE

BY MICHAEL BITTMAN

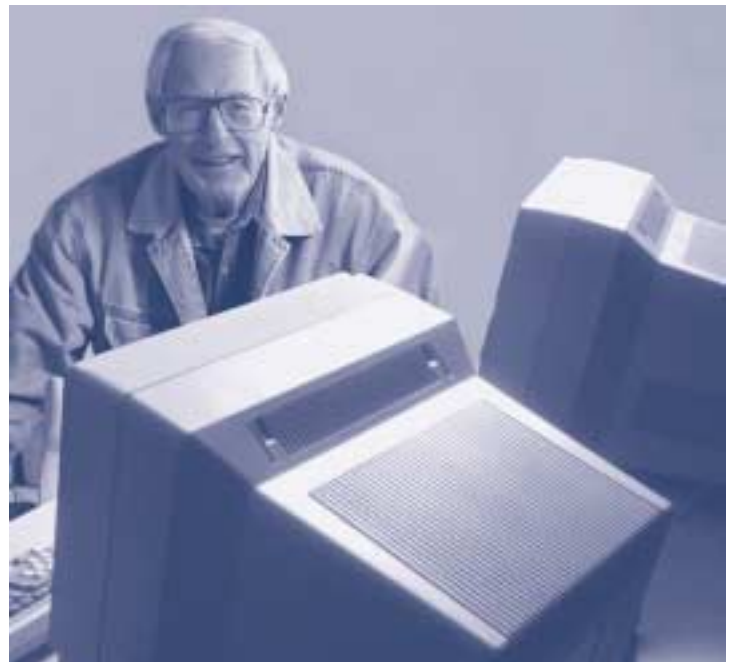
Officially the whole population between the ages of 15 and 64 are ‘workforce age’. During the period November 1978 to November 2000 the proportion of men aged 60 to 64 in paid employment fell from two-thirds to a half. During the same period the proportion of men aged 55 to 59 who were employed declined by eight percentage points. Mature aged males have high rates of withdrawal from the workforce, higher likelihood of unemployment and long average durations of unemployment (Van den Heuvel, 1999; ABS, 2000a).

Typically, demographers define the ‘baby-boomers’ as the generation born between 1946 and 1965 – those who would now be between 36 and 55 years of age.

The combination of these two observations has led to growing social policy interest in employment prospects and retirement intentions of ‘mature aged employees’. There is concern about the relatively low employment rates and high social security dependence of Australians

as they approach retirement age, combined with the projected increase in this age cohort as a proportion of the population. This led the Department of Family and Community Services to commission the Social Policy Research Centre to undertake a series of projects on mature aged workers. The commissioned research involved four separate projects conducted by four separate teams of researchers.

1. An analysis of a survey of retirement and retirement intentions (by Jenny Chalmers and Kate Norris)
2. A study of employment patterns of people aged over 55 years and the implications for income (by Kate Norris and Bruce Bradbury)
3. A study of employers’



attitudes towards recruiting mature aged workers (by Michael Bittman, Mardi Flick and James Rice)

4. An examination of the flows into and out of relevant income support payments (by Jenny Chalmers)

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EDITORS ♦ MICHAEL BITTMAN & DUNCAN ALDRIDGE

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# SPRC STAFF

Social Policy Research Centre

<i>Director</i> Professor Peter Saunders	Helen Studencki Jacqueline Tudbull
<i>Deputy Director</i> Professor Sheila Shaver	<i>Business Manager</i> Melissa Roughley
<i>Senior Research Fellows</i> Michael Bittman Dr Bruce Bradbury Dr Tony Eardley Karen Fisher Dr Natasha Posner	<i>Office Manager</i> Rosita Lang  <i>Librarian</i> Katherine Cummings  <i>Administrative Assistant</i> Duncan Aldridge
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<i>Post Doctoral Fellows</i> Dr Xiaoyuan Shang Dr Saba Waseem	Roger Patulny Judy Schneider (part-time) Nick Turnbull
<i>Honorary Research Associates</i> Emeritus Professor Peter Baume Dr Judy Cashmore Emeritus Professor Sol Encel Dr Sara Graham	<i>Social Policy Research Centre</i> Rupert Myers Building (South Wing) University of New South Wales Sydney NSW 2052, Australia Phone: +61 (2) 9385 7800 Fax: +61 (2) 9385 7838 Email: <a href="mailto:sprc@unsw.edu.au">sprc@unsw.edu.au</a> Internet: <a href="http://www.sprc.unsw.edu.au">http://www.sprc.unsw.edu.au</a>
<i>Research Officers</i> Judy Brown Sharon Burke Jude Eccles Sonia Hoffmann Carla Janssen Marilyn McHugh Justin McNab Kate Norris James Rice Peter Siminski	

## THE SOCIAL POLICY RESEARCH CENTRE

The Social Policy Research Centre is an independent research centre of the University of New South Wales. Under its original name, the Social Welfare Research Centre was established in January 1980, changing its name to the Social Policy Research Centre in 1990. The SPRC conducts research and fosters discussion on all aspects of social policy in Australia, as well as supporting PhD study in these areas. The Centre's research is funded by governments at both Commonwealth and State levels, by academic grant bodies and by non-governmental agencies. Our main topics of inquiry are: economic and social inequality; poverty, social exclusion and income support; employment, unemployment and labour market policies and programs; families, children and older people; community needs, problems and services; evaluation of health and community service policies and programs; and comparative social policy and welfare state studies.

*The views expressed in this Newsletter, as in any of the Centre's publications, do not represent any official position of the Centre. The SPRC Newsletter and all other SPRC publications present the views and research findings of the individual authors, with the aim of promoting the development of ideas and discussion about major concerns in social policy and social welfare.*

## STAFF AND VISITOR UPDATE

### NEW ARRIVALS:

DUNCAN ALDRIDGE has joined the centre to work in the administration area.

JUDY BROWN has taken up a position at the Centre from the position of research co-ordinator in Medical Psychology at Royal Prince Alfred Hospital.

KATHERINE CUMMINGS joined the SPRC as librarian, from her previous position as an Information Analyst for ABIX in Melbourne.

DR ROBYN DOLBY has joined us after extensive experience with psychology particularly in the field of infant mental health. She is involved on the ARC study: 'Outcome Study of the Use of Children's Services as a Strategy in Child Protection'.

JUDE ECCLES has been appointed to work on the Youth Drug Court Evaluation.

SONIA HOFFMANN joined us from the School of Social work where she was employed as a research assistant.

CARLA JANSSEN is working with the Centre temporarily while on a visit from the Netherlands.

PETER SIMINSKI joined the Centre in August moving from the Centre for Regional Research and Innovation (CRRI) at the University of Western Sydney.

DR SABA WASEEM joined the Centre in May after completing a PhD at Cornell University on 'Rural poverty in India: An examination of the embeddedness of work structures'. She is working on the SPRC/ABS ARC-SPIRT project on 'Household Income, Living Standards and Economic Inequality in Australia and its Regions'.

YOUNGHEE NA has commenced studying at the centre. Her PhD is entitled: 'The Social Impact of the Financial Crisis in Korea on Social Policy'; she is being supervised by Peter Saunders.

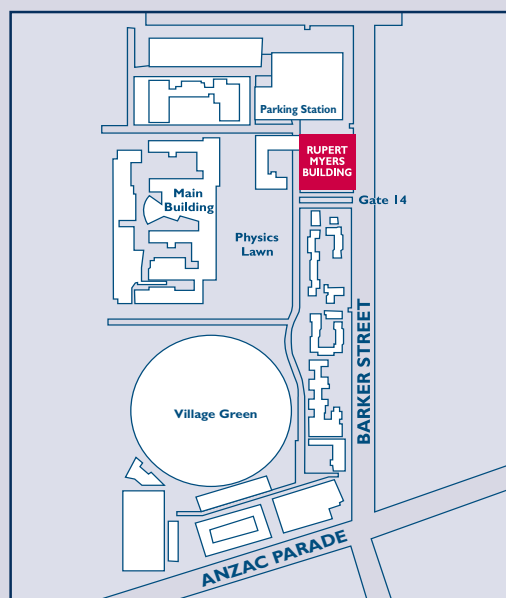
### DEPARTURES:

MARDI FLICK has taken up a position at the Department of Public Prosecutions in Wollongong.

CHRISTINE JENETT has returned to Charles Sturt University.

FENG PING has left the centre and has returned to China

JAMES RICE has taken leave for six months to complete his PhD.



**The Social Policy Research Centre is located on Level 3 of the Rupert Myers Building, South Wing, Kensington Campus. Enter by Gate 14, Barker Street.**

# FROM THE DIRECTOR

BY PETER SAUNDERS

I write this with just over one week to go before the federal election on 10 November but you will be reading it after the outcome is known. I do not intend to offer a prediction on the likely outcome (who would in these circumstances?) but I think it is useful to reflect on the role that social policy has played in the election campaigns of the major parties. The short answer is that while social policy issues have featured prominently in the campaign, this has not been matched by a commitment of the resources required to make a difference in most areas.

It is a sign of the times that few prospective governments are prepared to commit large amounts of taxpayers' funds to policies that they are not sure will succeed – either in terms of their stated goals or, more significantly, in the voting intentions of electors. The political parties must be seen to be doing something about social issues, but are unwilling to promise to do enough to matter for fear of being cast with the mantle of fiscal irresponsibility – code for a commitment to an active and significant role for the state. Both major parties in an election campaign being fought as the world economy heads into recession are competing to offer a *budget surplus* that will inevitably add to the nation's economic problems when the recession arrives. This is sensible economic management turned on its head and it must make Lord Keynes feel relieved to shelter in the truth of his famous dictum that 'in the long-run we are all dead'!

The unfortunate but inevitable outcome of the proliferation of 'Clayton's electoral promises' that are *fully-funded* but also *under-funded* is that social policy itself will end up the loser. Whether it is a small baby bonus, a marginal increase in

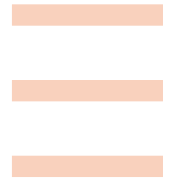
university funding, a few extra nursing home beds, or a slight lowering of the GST or HECS, the impact will be too small to make a difference, but large enough for the critics to argue that state intervention is ineffective. Yet the longer the underlying issues remain untreated, the more it will need a substantial effort (in terms of design and resources) to address them. This election shows quite clearly that our political leaders are a long way from accepting this uncomfortable reality.

Another noticeable aspect of the campaign is the similarity in the broad positions taken by both major parties on many of the social issues. This is not new, but has been a feature of the political landscape since mid-1970s. Think of what has happened over the last two decades in the area of social security reform, for example. Without knowing the details, which party would you have expected to have cashed out a tax rebate and given it as a universal family benefit? What about making the new payment income-tested? Or introducing an assets test? Or re-introducing tax benefits for families? Or separating policy development from program delivery?

Discussion of welfare reform was noticeable by its absence from much of the campaign, as if this issue has already received enough attention and can now be put to rest. Nothing is further from the truth. The McClure Report raised a number of fundamental issues that still need to be carefully examined and vigorously debated. Is mutual obligation a helpful idea and, if so, what form should it take, to whom should it apply and what are the appropriate penalties for failing to comply? Should all forms of economic and social participation be encouraged, how can this be done and what will it achieve?

Where does labour market reform fit into the welfare reform agenda? There are few answers to these questions, yet both parties seem equally committed to policies that accept the principles underlying and articulated in the McClure Report.

But the most depressing similarity of the election campaign has been the unwillingness of either side to discuss openly what needs to be done about unemployment. They would answer that the key to this problem is 'responsible economic management' (whatever that means – who would ever favour anything else?) yet their fiscal policies will add to unemployment, not reduce it. Unemployed people can take no comfort from this aspect of the election campaign.



# MATURE AGE WORKERS – REDUNDANCY, ‘EARLY’ RETIREMENT AND PROSPECTIVE WELFARE EXPENDITURE

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## POPULATION PRESSURE ON PENSIONS

The unusually high rates of birth during the baby-boom period show up as a significant bulge in the age pyramid. Over the next fifty years, as this generation ages, it is predicted that Australians of advanced age will outnumber young Australians, standing the conventional age pyramid on its head. Figure 1 contrasts the projected age structure of the Australian population in fifty years time (when the baby-boom generation will have passed the age of 55) with the age structure at the end of the twentieth century.

*“There is a concern about the relatively low employment rates and high social security dependence of Australians as they approach retirement age”*

The increased tendency for workers to withdraw from the paid labour market before the age of admission into public old-age pension systems has exacerbated the pressure on the public purse to fund old-age pension systems as the population ages. ‘In the next 25 years across the OECD, the

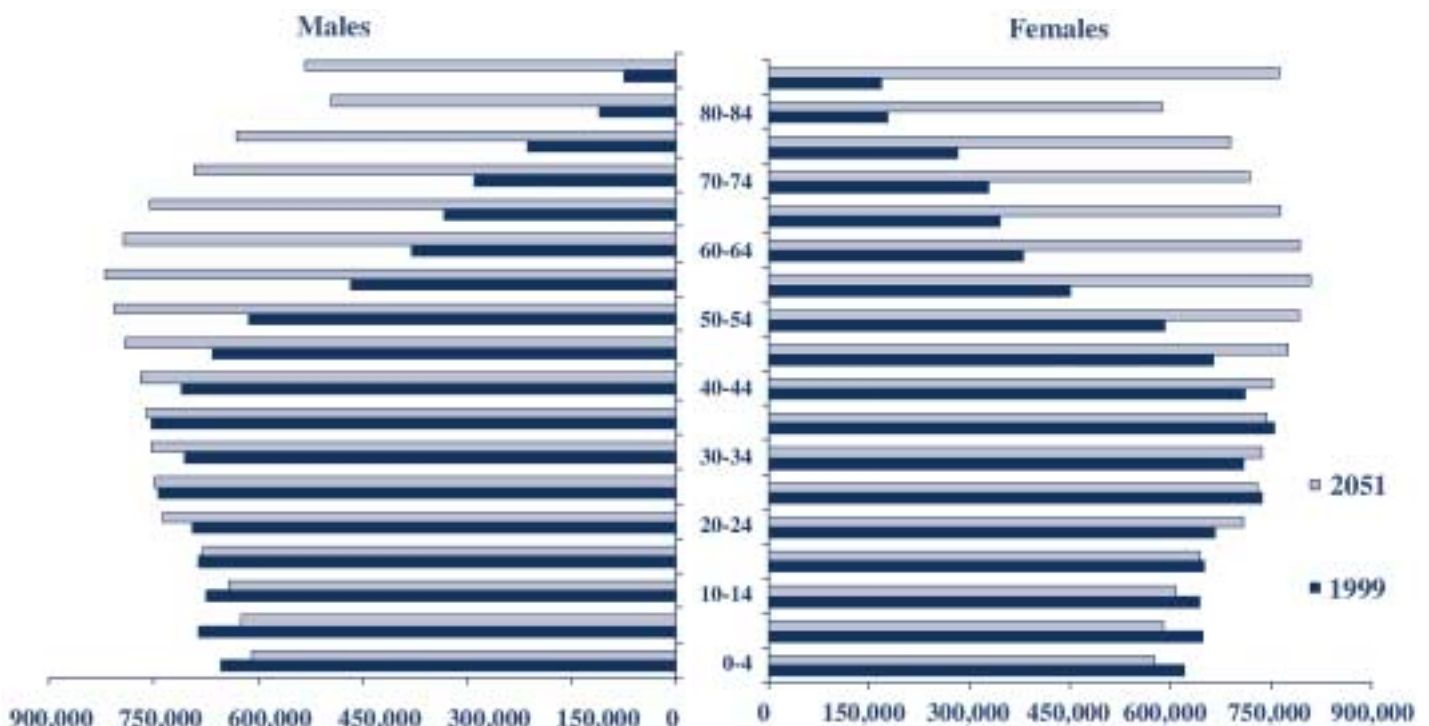
number of persons of pensionable age will rise by 70 million, while the working age population will rise by only 5 million’ (OECD, 1999: 1). In contrast to most of the OECD countries, Australia does not have a contributory retirement income scheme and instead pays a flat-rate Age Pension out of general revenue. Forecasts like this have, therefore, obliged Australian policy makers to promote greater self-sufficiency, especially in retirement, by encouraging people beyond the age of 45 to remain attached to the labour force and by creating conditions that guarantee or favour superannuation contributions.

## RETIREMENT – A PHENOMENON OF LABOUR SUPPLY OR LABOUR DEMAND.

In theory there are two alternative explanations of the low rate of employment among Australians aged over 45. One

alternative is that Australians have become wealthier by accumulating savings and are choosing to retire ‘early’ before they become eligible for the Age Pension. In contrast to this ‘supply-side’ explanation, a ‘demand-side’ explanation attributes low rates of employment to employers’ preference for younger workers. Lack of demand is shown by the disproportionate retrenchment of workers over 50 years of age, the lack of effort to train or take steps to retain such staff, and the difficulties this age group faces in regaining employment. A prolonged experience of unsuccessfully competing for job openings may lead to a significant ‘discouraged worker effect’, where individuals become resigned to failure and withdraw from the very process of seeking jobs. It is, of course, possible that the phenomenon of low employment among people in this age category is the product of both supply-side and demand-side influences. There may even be

Figure 1: Projected Age Distribution for Australia at 2051 and Actual Population in 1999 (Australian Bureau of Statistics, 2000b, 1999)



<sup>1</sup> Series II data is used for the population projections (total fertility rate 1.60, net overseas migration 90 000).

complicated cases where people jump (retire) before they are pushed (made redundant) to save themselves the painful experience of retrenchment.

## RETIREMENT INTENTIONS

Who retires early? Retirement appears to have greater significance in the lives of men than in the lives of women<sup>2</sup>. Other things being equal, the more educated the man the more likely he is to retire early. Compared with self-employed men, male employees are more likely to retire early. Among women a significant factor is whether their partner has retired early. In contrast, men's decisions about the timing of their own retirement tend to be unaffected by their partner's retirement plans.

Who expects to retire early? Among men, it seemed that financial preparedness was an important factor. This is captured by a proxy measure – having difficulty finding work or working part-time in their older years. Those working full-time were most likely to expect to retire early. Women appeared to base their retirement decision on their partner's ability to retire early. Separated or divorced women and widows were less likely than never married women and partnered women to expect early retirement, although this pattern was not observed in analysis of the characteristics of actually retired respondents.

What do those who are planning to retire early expect to live on? Generally, workers' retirement intentions seem to be based on realistic financial planning. The research showed that expectations and outcomes are remarkably consistent. Of particular interest to policy makers is how much of the planning for early retirement is based on reliance on state transfers, such as the Age Pension, rather than on self-funded retirement<sup>3</sup>. Despite the fears of policy makers,

those anticipating early retirement are actually less likely than other workers of the same age to expect that they would need the Age Pension to provide income security in their old age. The highly educated early retirees are especially likely to look forward to a self-funded retirement and this expectation is underscored by the fact that the highly educated are less likely than those with less education to be receiving Age Pension payments. Our research shows that there has been no historical increase in average replacement rates (the ratio of gross income available when not employed to income when employed).

Taking superannuation as a lump sum has been viewed as inimical to self-funded retirement and currently tax regimes are designed to discourage the practice. Contrary to expectations, men's occupation had no effect on expected receipt of lump-sum super. Women managers were less likely to anticipate lump-sum super – instead they expected investment income. The survey also showed that retired women managers were actually more likely to rely on investments as their main source of income.

## EMPLOYMENT PATTERNS AND RETIREMENT INCOME

To what extent does job loss for an older worker translate into permanent non-employment and reduce the likelihood of self-funded retirement? Do retrenched older workers manage to maintain contact with the labour market? What characteristics of the job or worker are associated with job loss and continued non-employment?

Employment rates for older men have remained reasonably steady since 1986. The significant decline of older men's employment (especially for those aged 55-59) was halted by the early 1980s. In contrast, female employment has

grown steadily over the period, with the largest growth among women aged 45-54. Among those aged 45 years or over without employment, the majority are simply not seeking employment only a minority are unemployed. For unemployed men aged above 55 the probability of exit from the labour force over a seven month period is about the same as the probability of re-employment.

Over a twelve-month period (in 1994), the probability of being retrenched was low (under 5 per cent of all workers aged 55 to 64 were retrenched). However, only 26 per cent of retrenched workers aged 55-59 and nine per cent of those aged 60-64 were re-employed. Having any of the following characteristics increased the likelihood of a person being retrenched: having no education beyond secondary school, being male, 55 years and over, unmarried, being born outside the main English speaking countries and being a tradesperson or labourer. Of those people who left a job at some time in the 12 months due to ill-health, only 13 per cent were working at the end of the period.

Older homeowners have lower employment rates than those still paying mortgages. These results are possibly due to a wealth effect, with renters, and to some extent mortgagees, unable to afford to take early retirement. Not employed older workers have much lower household incomes than employed workers and their housing wealth levels are significantly lower.

At the same time, Australian households are increasingly reliant upon sources of income other than government transfers or wages and salaries. A much smaller proportion of persons aged 65 years and over in 1996-97 was dependent principally on the government for their household income than in 1986. For men, this proportion fell from 75.7 per cent to 64.5 per cent, and for women from 73.1 per cent to 58.1 per cent.

*“There may even be complicated cases where people jump, (retire) before they are pushed (made redundant) to save themselves the painful experience of retrenchment.”*

# MATURE AGE WORKERS – REDUNDANCY, 'EARLY' RETIREMENT AND PROSPECTIVE WELFARE EXPENDITURE

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FROM PAGE 5

## EMPLOYERS ATTITUDES AND THE RECRUITMENT OF MATURE AGED WORKERS

To develop a better grasp of demand-side phenomena associated with the labour market for mature-age workers, the Department of Family and Community Services commissioned a survey of over 1,000 employment decision-makers in Business Services, the industry with Australia's fastest growing employment. The Business Services industry has a reputation for providing employment opportunities for mature-age workers. This is the largest survey of its type<sup>4</sup> and sheds new light on employers' views of and practices towards older workers. The study focuses on the actual recruiting practices of employers, rather than duplicating the emphasis of earlier studies on attitudes alone. It is also the first study to explore the link between attitudes and recent recruitment decisions.

The study found that small businesses are the greatest source of employment for mature-age workers – only five per cent of employers of older workers were businesses with a staff of 200 or

more. In contrast to other surveys, the SPRC study found that employers actually often prefer qualities assumed to be part of the negative stereotype of older workers. Despite their reputation for favouring younger, risk-taking innovators, the study revealed a preference for a diverse workforce of intelligent, reliable, team workers with industry rather than computing experience. The majority of employers thinks that employees make their greatest contribution to the organisation before they turn 45. Employers do not hold negative views toward older workers who have been retrenched. They view people made redundant as experienced, but unlucky, workers who deserve a second chance. The age of the typical customer and the perceived age of best contribution to the business were key factors in selecting an older worker.

The study suggests policy initiatives should target small business employers and that incentives, including wage subsidies, for the employment of mature-age people have the potential to influence recruitment decisions. Employers currently recruit workers through personal networks and advertisements. They rarely make use of the services of

employment agencies and this has implications for the design of the Jobs Network. A program designed to maintain industry experience and skills would increase mature-aged people's employment opportunities. Early intervention is crucial to maximising the job-readiness of the mature-age unemployed. Training in job search and interview skills may be effective policies for promoting the economic participation of older Australians.

## EXAMINING THE FLOWS INTO AND OUT OF RELEVANT INCOME SUPPORT PAYMENTS

In June 2000, the income support dependency of Australian men aged 25 to 54 was around 15 per cent. For each year over the age of 50, however, income support dependency increased at a steady rate reaching almost 70 per cent at men's official retirement age of 65. The story is similar for women, although women's income support dependency is almost double that of men's over the age range during which they undertake child-care. Furthermore their dependency rate falls somewhat from the age of 40, before starting to rise five or so years later. Of particular interest are the circumstances of entry into the Age Pension, the flows into and out of Disability Support Pension (DSP) and the exit from unemployment benefits. This study was based primarily on the Department of Family and Community Services' Longitudinal Data Set (LDS), built from its own administrative records of customers.

How common is it for Age Pension customers simply to move from other forms of income support at age 65? An estimated logit model predicted that the typical single man had a more than 50 per cent chance of entering the Age Pension from another form of income support. In contrast, there is a less than 50 per cent chance the typical

*"Despite their reputation for favouring younger, risk-taking innovators, the study revealed a preference for a diverse workforce of intelligent, reliable, team workers with industry rather than computing experience."*



married man will become an Age Pensioner directly after receiving other income support payment. The typical married woman is even less likely to continue a career of income support by becoming an Age Pensioner.

Some commentators have suggested that over the past few decades DSP has become a parking place for the mature aged unemployed until they become eligible for the Age Pension. Unfortunately, the steep increase in the numbers receiving DSP occurred before the successive records were linked to form the LDS and cannot be analysed using this tool. However, it is possible to say that the stock of disability payment recipients increased in size over the second half of the 1990s, both in gross terms and in relation to the population. Structural changes to the income support system – a shift away from payments to spouses of male breadwinners to payments designed to support care – explain much, if not all, of the relative increase. The number of partnered female DSP recipients increased by over 80 per cent, and there was an increase in the relative share of older women (aged 50 or more), following the disbandment of the Wife Pension. There has been only slight increase in the proportion aged 55-59, so the recent growth of

Disability Support Pensioners is attributable mostly to causes other than mature age unemployment. The propensity to exit the income support system either from disability payments or from unemployment payments decreased with age.

## CONCLUSIONS

Taken together these studies show that the tendency to ‘early’ retirement is no more profound among the baby boom generation than among earlier generations. What is unique is the sheer numbers in this generation. Those planning to leave the workforce before pensionable age have usually planned a self-funded retirement. Education protects against retrenchment and increases the probability of self-funded retirement. Lack of education and training is a barrier to re-employment. Retrenchment and difficulties in finding new employment is a disproportionately common experience among older workers. Employers do have a preference for younger workers, although this is not because they see older workers as having less desirable characteristics, but seems to be based purely on age prejudice. The most hopeful signs for older workers are found in small firms in the fastest growing industries in the countries.

Indications are that employers will be more likely to recruit older workers as their core customers age. There are also indications that employers would respond favourably to central government programs that provide employment incentives and training opportunities for older workers. Long spells of income support, for those aged 45 or over make continued reliance on the income support the most likely outcome.

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“The recent growth of Disability Support Pensioners is attributable mostly to causes other than mature age unemployment.”

- 1 In June 2000 the House of Representative Standing Committee on Employment, Education and Workplace Relations (Chaired by Brendan Nelson, M.P.) also has published the findings of its inquiry into the issues specific to mature-age workers under the title of *Age Counts*
- 2 This work is based on an analysis of the a special survey of Workforce Circumstances and Retirement Attitudes of Older Australians commissioned by the Department of Family and Community Services.
- 3 Shaver and Thompson (2001) remind us that during the 1980s and 1990s mandated private occupational superannuation supplemented provision of the age pension. This period also saw a widening in the spread of private pension coverage. Although heavily subsidised from the public purse, this private saving is intended to contain public expenditure and thus reliance on it is preferred over reliance on the age pension.
- 4 The study of employers attitudes to mature aged workers conducted by Urbis Keys Young for DEWRB was based on sample of 400.



# BOOK REVIEW

*The Dynamics of Child Poverty in Industrialised Countries*, edited by Bruce Bradbury (SPRC), Stephen P. Jenkins (ISER, Essex University) and John Micklewright (UNICEF), published by Cambridge University Press (Paperback \$62.95).

A child poverty rate of ten percent could mean that every tenth child is always poor, or it could mean that all children are in poverty for one month in every ten. Where the reality lies between these extremes is vital to understanding the problem of poverty among the young which is facing many countries today. This study goes beyond the standard analysis of child poverty based on poverty rates at one point in time, and documents how much movement by children into and out of poverty there actually is. It covers a range of industrialised countries - USA, UK, Germany, Ireland, Spain, Hungary and Russia. Five main topics are addressed: the conceptual and measurement issues associated with a dynamic view of child poverty; cross-national comparisons of child poverty rates and trends; cross-national comparisons of children's movements into and out of poverty; country-specific studies of child poverty dynamics; and the policy implications of taking a dynamic perspective.

The numbers of children who stay in low income households from one year to the next can be compared most easily across different countries by looking at the percentage always found in the poorest fifth of all children. In

Ireland, Spain, Hungary, the UK, Germany and the USA, at least six out of every ten children found in this poorest fifth in one year are still there a year later. Between five and nine per cent of all children are in the poorest fifth for each of five consecutive years.

The chances of children moving out of the bottom of the income distribution are better in some countries than in others. The USA has the highest rates for persistent low income out of the seven countries surveyed, challenging common perceptions about mobility and opportunity in the world's leading economy. The research also demonstrates that black children in the USA are more likely to be chronically poor. Forty-seven per cent of white children in the poorest fifth of all children at the start of the 1980s were also poor at the start of the 1990s, but the figure was as high as 78 per cent for black children.

An analysis of the UK asks what percentage of children would still be poor if families were able to even out the variation in their incomes from year to year. Using data for the six-year period 1991-6, the authors conclude that, even if incomes could be perfectly smoothed out over time, the child

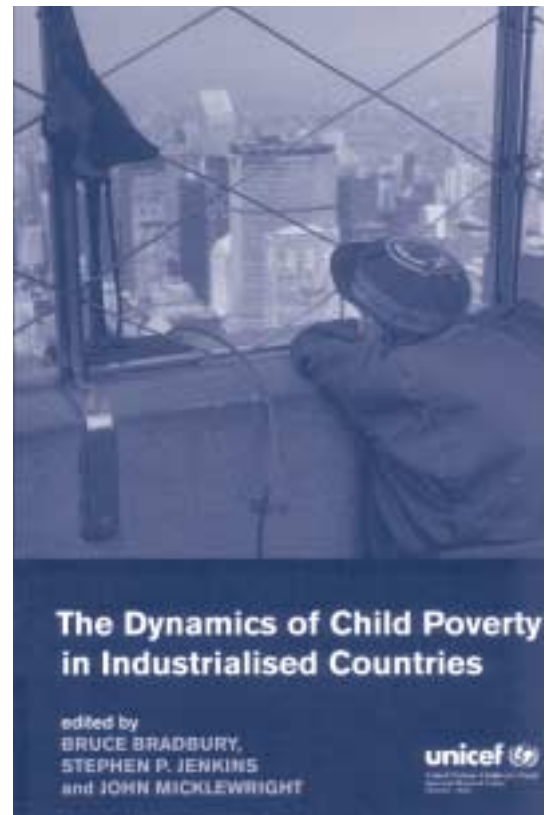
poverty rate would only be halved. This clearly indicates that high numbers of UK children are living in deep and long-term poverty.

These results are just as relevant to countries like Australia where the data to undertake similar calculations do not yet exist. In particular, the whole approach to anti-poverty policy may be influenced by taking a dynamic perspective, emphasising the prevention of entry into poverty and the promotion of exits, rather than simply paying benefits to the currently poor.

More details about the book (including the text of most of chapter 1) can be found at [www.sprc.unsw.edu.au/nonsprc/dynamics-of-child-poverty.htm](http://www.sprc.unsw.edu.au/nonsprc/dynamics-of-child-poverty.htm)

"A major step forward in our understanding - with both conceptual and empirical breakthroughs."

(Timothy M. Smeeding, Syracuse University, USA, Luxemburg Income Study, and SPRC Visiting Professorial Fellow January to June 2002)



# 'SOFT OUTCOMES' AND 'DISTANCE TRAVELLED' - A TIMELY ISSUE FOR AUSTRALIAN EMPLOYMENT POLICY?

BY JUDE ECCLES

The evaluation of services for unemployed people has traditionally focused on the 'hard' outcomes from these interventions, such as the number of jobs or placements obtained, or the number of those achieving qualifications or progressing to further education and training. Increasingly, public funding for such services is tied to hard outcomes of this kind. But for some clients with multiple barriers to employment, there is something vital missing from this approach, namely, the recognition that hard outcomes may not be achievable or realistic within the time frame of the intervention. Disadvantaged clients may have immediate problems that need to be addressed, and they may need to work toward intermediate outcomes which are less tangible than employment or qualifications. Hence, although they do not achieve any 'hard' outcomes during the course of the intervention, it is possible they will travel some distance towards employability nonetheless, and achieve outcomes that might be called 'soft'.

In Australia, the basis for service funding has moved away from inputs and towards competitive outcomes, first under Working Nation and more recently under the Job Network. This shift seems to have resulted in little discussion or debate about soft outcomes. A quick survey of the literature on Australian programs targeted towards the 'hard to help' revealed little about the measurement of soft outcomes and distance travelled, even though this is an important issue for the design of assistance in the Community Support Program, for example, as well as for the coming Personal Support Program. This is not to argue that there should be a wholesale return to 'process' funding: clearly this is

neither possible nor desirable. However, around 60 per cent of disadvantaged job seekers receiving intensive assistance through Job Network agencies emerge from this without a payable 'hard' outcome at present (DEWRSB, 2001). How do we know whether this has been a waste of time and money for them? Would it not be better if there were some way of measuring the progress that they *have* made?

From the beginning, policy makers and practitioners should be addressing questions about whether the progress that clients make towards harder outcomes should be more widely recognised and valued within current employment policy and, if so, how such outcomes can be measured.

How organisations and programs take into account these softer employability outcomes, and how the debate on soft outcomes should be advanced, has been the focus of a recent piece of research in the UK (Dewson, Eccles, Tackey and Jackson, 2000).

The study was commissioned by the European Social Fund (ESF) Evaluation Team of the Department of the UK Education and Employment (DfEE). It sought to establish what projects and organisations were actually doing 'on the ground' with a view to the development of a 'toolkit' and a set of national monitoring indicators for ESF Objective 3 projects. ESF Objective 3 monies are used to support interventions which are targeted at people who experience particular labour market disadvantage, and who are often



the hardest-to-help of the unemployed. A review of current practice was undertaken through a literature search and a survey of projects working with disadvantaged job seekers. The findings from the research raise some important issues of relevance for Australian policy makers and practitioners.

The review found that although 'soft outcomes' is a term that is gaining currency very little has been written about these or about "distance travelled" *per se*, and much confusion exists over the terms. Work organisations were doing was found to be very varied, with some projects having no soft outcome monitoring systems in place, and others (which generally seemed to have received development funding), much further along in designing and implementing such systems. The systems which had been developed were found to be disparate, often informal, and plagued with weaknesses such as subjectivity and inappropriate language for the target group. While those working on the projects were keen to have their work recognised, and to

*"Disadvantaged clients ... may need to work towards immediate outcomes that are less tangible than employment or qualifications."*

receive guidance on the development of appropriate systems, the study found that a single model of soft outcome measurement did not fit all projects. Similarly, the goal of a set of national monitoring indicators was deemed to be unattainable. The multifarious target groups within the ESF Objective 3 program and the other employment-related programs renders the development of one model and one set of indicators unlikely. However, if the full impact of programs designed to assist those with multiple barriers into the labour market is to be assessed, whether in Britain or Australia, there is a need to establish some sort of soft outcomes monitoring at the national level.

The study concluded that programs should include longitudinal case studies of project participants to explore soft outcomes, that projects should be encouraged to devise soft indicator systems, and that beneficiaries should be routinely followed up to determine soft (and hard) outcomes and distance travelled.

Australia should also be considering the issue of soft outcomes, not least because there are several programs in operation which would benefit from a recognition of these less tangible achievements, including Intensive Assistance, the Community Support Program and Jobs Pathways. Many of those entering these programs do not exit with employment outcomes, and there is

no formalised system that recognises the progress that has been made towards employment. Both the UK and Australia are now facing a situation in which those without work are more likely to have greater barriers to finding it, while those remaining in the pool of long-term unemployed are increasingly likely to face multiple disadvantages.

While it may be unrealistic for funding to be tied to soft outcomes, it is nevertheless important that soft outcomes and distance travelled are given the necessary recognition by Federal and State policy makers. The understanding that hard outcomes are neither realistic nor achievable for certain target groups in short time frames needs to be built into the policy process.

The soft outcome debate is embryonic in Australian employment policy. The aim of this article is to highlight the need for further research into existing practices, and for a move towards greater recognition for organisations achieving effective progression towards employability for harder-to-help client groups.

The UK research clearly indicated that those working on projects or in service provision needed guidance in order to bring about more systematic measurement of these important achievements. *A Guide to Measuring Soft Outcomes and Distance Travelled* was prepared in order to help those working on ESF Objective 3 projects to devise systems or

improve the ones they already use. This guide may also be of interest to organisations or projects working with client groups who are some distance away from labour market participation. The guide is available as a downloadable document from the ESF website

<http://www.esfnews.org.uk/goodpractice/eematerial>.

Further information about the UK research can be obtained from the author of this article.

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# HALF SUCCESS AND HALF FAILURE: THE EMPLOYMENT INSURANCE SYSTEM IN KOREA RESPONDS TO THE KOREAN FINANCIAL CRISIS

BY YOUNGHEE NA

The financial crisis at the end of 1997 was not only a great shock to the Korean economy, but also to Korean society overall. Beginning in November 1997, the Korean economy went into a devastating economic crisis, and that crisis brought about major labour market disruptions.

The unemployment rate jumped from 2.1% in October 1997 to a peak of 8.6% in February 1999. This left 1.8 million people without jobs. Major labour market disruptions included not only this increase in unemployment but also an increasing number of bankruptcies, a fall of 9% in real wages, increasing job insecurity and increased inequality between the rich and the poor.

This economic crisis was also accompanied by social pain: the growing number of the homeless, a rising crime rate, accelerating rates of divorce and domestic violence, and increasing numbers of children abandoned by their unemployed parents.

But, fortunately, since the second half of 1999 economic conditions have improved markedly. GDP has grown by more than 10.7% and real wages have

increased. The unemployment rate fell below 5% in September 1999, and then further still to 3.7% in August 2000. Many factors have contributed to the rapid recovery, including low interest rates, a favourable international economic environment, and the Korean government's various efforts to tackle unemployment and to reduce its social effects.

Here the focus is on how the Employment Insurance System (EIS) was changed during the crisis. The reason for the changes lies in the fact that, even though EIS is a major social safety-net for the unemployed, it has always had weaknesses in terms of its limited coverage, low benefit rate and inappropriate administration. Although it was non-regular workers and workers with little education who suffered most from the economic crisis, EIS was unable to protect them because it was originally designed to cover relatively privileged workers employed in large businesses with secure job conditions.

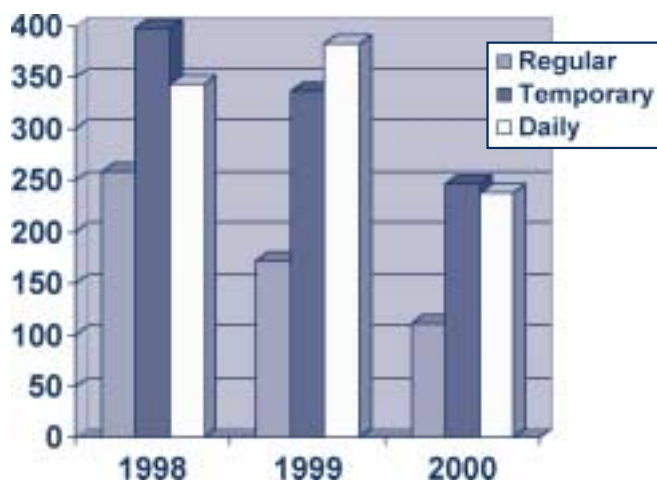


## THE DISPROPORTIONATE IMPACT ON DIFFERENT SEGMENTS OF THE LABOUR MARKET

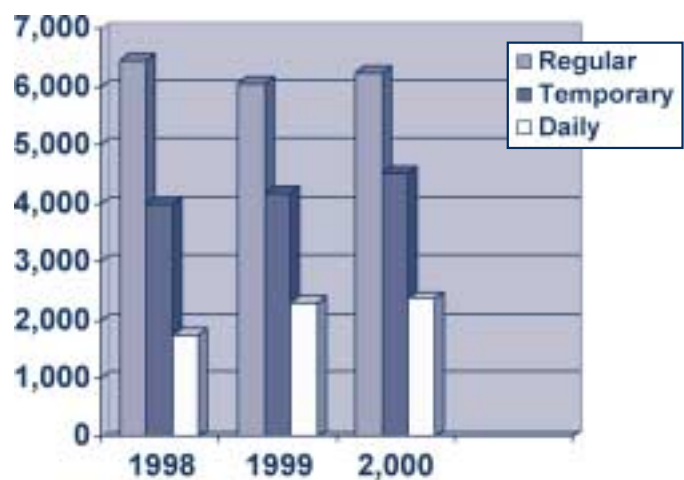
During 1998-2000, non-regular employees were 50.4% of the total wage workers but 78.7% of the unemployed. Given this labour market situation, it was the non-regular daily and temporary workers who needed a safety net most, but they were not covered by EIS. This forced EIS to change in an attempt to meet the needs of the non-regular unemployed.

Figure 1: Wage workers' Employment and Unemployment Composition by Status

Unemployment by former Status (Unit: thousand)



Employment by Status (Unit: thousand)



( Source: National Statistical Office, Economically Active Population Survey Database)

# THE EMPLOYMENT INSURANCE SYSTEM IN KOREA RESPONDS TO THE KOREAN FINANCIAL CRISIS

CONTINUED FROM PAGE 11

## THE PURPOSE AND MAIN COMPONENTS OF EIS

*The Employment Insurance Act*, under which EIS was established, was enacted in December 1993 and took effect on 1 July 1995, just before the crisis struck. Initially, EIS provided Unemployment Insurance (UI) only to regular workers in firms with more than 30 employees.

Its purpose was two-fold: to help unemployed workers by providing them with unemployment benefits; and to enhance workers' employment stability and job competency through active labour market policy.

EIS has three major pillars: the

employment stabilisation program, the job-skill development program, and unemployment insurance benefits.

## MAJOR CHANGE IN THE EIS DURING THE CRISIS AND ITS LIMITATIONS

Faced with increasing unemployment and the greater vulnerability to unemployment of low-wage workers in small sized firms, it was deemed critical to extend UI coverage in order to widen the social protection of the unemployed.

Given this situation, the Korean government gradually extended the coverage of EIS - to firms with more than 10 employees in January 1998 - to firms with more than five employees in March 1998, and to all firms with at least one employee in October 1998.

However, despite these three consecutive amendments to EIS, many vulnerable workers were still excluded from coverage, namely, those who had been working part-time for less than one month and those who had been working daily for less than one month.

A second change related to the qualifying conditions for EIS. Under the old rules, a worker had to have been contributing insurance premiums for more than 12 months out of the last 18 months in order to qualify for UI benefit after being laid off. But under these strict requirements, many temporary or daily workers were again ineligible for UI benefits.

So the benefit qualification

conditions were relaxed, in order to allow those who became unemployed after being employed in non-regular work or in smaller firms to claim unemployment benefits. Between 1 March 1998 and 30 June 2000, the former requirement was shortened to six months out of a 12-month base period.

The UI benefit rate was also adjusted. Job-Seeking Allowance (JSA) was approximately 50% of the basic daily wage. But this benefit rate was too low, so the minimum amount of JSA was increased from 50% of the minimum wage to 70% of the minimum wage from 1 March 1998, and to 90% of the minimum wage from 1 January 2000.

In addition, a Special Extended Benefit (SEB) was introduced in March 1998, and implemented from 15 July 1998. It extends the duration of JSA by 60 days when the unemployment rate is 6% or higher in three consecutive months.

With the introduction of the above changes, the average duration of JSA increased from 98.1 days in 1998 to 103.3 days in 1999. Nevertheless, the actual benefit period is relatively short in Korea, and this partly contributes to the low proportion of recipients of unemployment benefits.

But despite all these changes (extension of coverage, relaxation of eligibility criteria, and lengthening of benefit period), beneficiaries still represented too small a proportion of the unemployed for EIS to be the primary safety-net against

*Continued on page 16*



Table I: Ratio of UI beneficiaries with respect to total Unemployment

Country	Unemployment (A) ('000s)	Beneficiaries (B) ('000s)	B/A* 100 (%)
Germany (1990)	1,971	858	43.5
Japan (1992)	1,420	358	27.8
Korea (1999)	1,353	145	10.7
USA (1990)	6,874	2,475	36.0
UK (1993)	2,900	870	30.0

Source: Hur, 2000

# FROM THE PROJECTS

## **ECONOMIC AND SOCIAL PARTICIPATION BY INCOME SUPPORT RECIPIENTS**

The current welfare reform agenda is based on the idea that social and economic participation by income support recipients should be encouraged and increased, both because it represents a form of social mutuality and because it could lead to eventual financial independence. The Department of Family and Community Services (FaCS) has been running a number of projects identifying the current scope of participation by recipients. It has commissioned the Social Policy Research Centre to review the available evidence and to attempt to identify the underlying determinants of different forms of participation.

For the purposes of the study, 'social participation' includes mainly those forms of participation currently recognised within the income support system, including caring and unpaid community involvement. 'Economic participation' is defined fairly broadly, to take in all forms of paid work (including self-employment) and preparation for work, including job search and education, while recognising that in relation to educational activities there is some overlap between the 'social' and the 'economic'. Part of the study will involve unpacking these definitions and testing their validity.

The main aim of the research is to describe overall patterns of participation, to examine how income support recipients

themselves view the purpose and value of different kinds of participation, and, so far as possible, to identify what factors determine the types and levels of participation for different groups. Despite the fact that maximising participation is already a key

goal of social support policy, it is useful to explore what the various forms of participation involve in practice, how they might contribute to increased life satisfaction, and whether and how they promote financial independence.

The study will contribute to policy development by helping to identify ways in which income support recipients might be assisted to increase their participation, especially through transition into paid employment.

The research comprises a review of literature and other existing findings on the topic, together with secondary analysis of relevant survey data, especially those from FaCS' Customer Participation Survey, carried out in 1998. The analysis also involves the application of revised versions of two composite indices of economic and social participation previously developed at the SPRC in research commissioned by FaCS. The indices combine and quantify the different dimensions of participation in a way that reflects their contribution to paid work and socially useful activities.

The project will be completed



by the end of 2001 and findings will be reported in future Newsletters. SPRC staff involved are Peter Saunders, Tony Eardley and Judy Brown.

## **VETERANS' HOME CARE EVALUATION**

The Veterans' Home Care Program (VHC) was introduced by the Department of Veterans' Affairs (DVA) and commenced in January 2001. The aim of the program is to enhance veterans' independence and health by reducing avoidable illness and injury and by helping them to stay in their own homes as long as possible. Services under the program are provided by a contracted assessment and brokerage firm, and include personal care, domestic assistance, respite care and home and garden maintenance.

The UNSW Evaluation Consortium has now completed the First and Second Interim Evaluation Reports. These describe the development of VHC and its early impacts, and give a preliminary profile of people assessed for VHC

and a framework for the Financial Evaluation. The sources of information contributing to the Evaluation were: focus groups with veterans and widow(er)s, assessors, coordinators, service providers and DVA State office staff in six States; interviews with DVA National Office staff; the SF-36 health and well-being survey; in-depth telephone interviews with veterans and war widow(er)s; written surveys of agency managers, assessors, coordinators and service providers; and data from the information systems for VHC.

VHC administrative data from DVA showed that, between January and June 2001, 80 per cent of people receiving VHC were new recipients of home care services. The remaining 20 per cent had been transferred from HACC. More HACC transfers were made towards the end of the period than at the beginning. The data also show that 97 per cent of approvals for VHC were for services at the standard level, chiefly domestic assistance, followed by home and garden maintenance and respite care. There was usually just a single type of service per client.

The preliminary profile from the SF-36 suggests that the group experiences considerable impairment in terms of physical functioning, and evaluates their health as fair or poor and expects it to get worse. They were also found to experience quite limiting pain and some interference with social activities, and to often feel tired or worn out; but they had few difficulties with daily activities resulting from emotional problems, and were in good mental health. Their scores were lower than the general population for most measures of health and wellbeing, but further work is needed to confirm these comparisons.

In the interviews and focus groups, veterans reported that the processes of application and assessment for VHC generally appear to have worked well. They saw the telephone assessment as sensitive and acceptable, although



there was some confusion about the availability and limits on some services (especially home and garden maintenance). The focus groups and interviews suggest that the services have been generally well received by veterans. In many cases, they appear to be making an appreciable difference to veterans' quality of life and their worry about the future.

The network of assessors and service providers is fully established, and includes a wide range of organisations of differing types and sizes. Focus groups indicated that the system of assessment and service provision is working, although with some difficulties. In the establishment stage, the IT system was seen as a major barrier: it was slow, difficult to use, and limited in the information it provided. The surveys showed that both assessor/coordinators and service providers generally thought they had systems for working with each other and with those with whom they exchanged referrals, but there was room for improvement in the way these were managed.

The next steps in the Evaluation will include: analysing the service use of VHC recipients and comparison group(s); further analysing SF-36 results; administering a VHC satisfaction survey designed to assess different types of care in the VHC program; monitoring service provision development with a particular focus on the assessment of need, the coordination of services and quality assurance processes; conducting further telephone interviews; and analysing VHC-related expenditure as DVA financial data become available.

## ASSESSING THE COVERAGE GAP

The International Social Security Association (ISSA) has launched an initiative whose general aim is to establish to what extent current public and private social provisions meet people's expectations. Assessing the Coverage Gap is one of the studies included under the ISSA initiative with the goal of identifying which groups are excluded from social security coverage and the factors that lead to such exclusion. It is also examining efforts being taken to extend coverage and the results of such effort.

The research consists of a broad international comparative study of social security coverage in terms of the persons protected under a range of programs. An individual is considered to be covered for a specific social contingency (old-age, illness and invalidity) if he or she can expect to receive a benefit – or a service – from a social security program (defined to encompass the health care system) if and when the contingency arises.

Because ISSA is interested in how social security coverage enhances individual security, the study will examine not only the extent of coverage as reflected in the numbers registered with social security institutions but also the actual numbers currently in receipt of benefits under each program.

The study is developing statistical measures of coverage across three broad groups of countries. Group A (which includes Australia) includes countries with a comprehensive and fully structured social security system. Group B is made up of countries that have acquired considerable experience in the design and implementation of social security programs but where coverage remains incomplete. Group C includes countries with relatively few social security provisions due to the impact of precarious economic and

*Continued on page 16*



# ARC SUCCESS

## A PERFECT TEN: SPRC SUCCESS IN ARC COMPETITIVE GRANTS

by Michael Bittman

The SPRC had a remarkable year, being awarded funding for all of the five grant proposals submitted to the Australian Research Council. These peer-reviewed grants are highly competitive, with less than one in four Discovery Grant proposals and less than one in two Linkage Grant proposals being successful. The ARC funded projects beginning 2002, with the names of Chief Investigators and the level of support in brackets are listed below:

### Discovery Grants

The Role and Impact of the Social Support System on the Well-being of the Elderly in China (Peter Saunders and Xiaoyuan Shang - \$158,000 over 3 years)

Domestic Technology and the Management of Time Support (Michael Bittman and Judy Wajeman - \$144,000 over 3 years)

### Linkage Grants

Reaching Isolated Carers: Contacting Carers with Unmet Needs for Information and Support (Michael Bittman and Cathy Thomson - \$122,000 over 2 years)

The Smith Family View Clubs of Australia: From Philanthropy towards Social Enterprise (Sheila Shaver and a post-graduate student - \$67,635 over 3 years)

The Costs of Foster care in Australia (Peter Saunders, Judy Cashmore and Marilyn McHugh - \$67,635 over 3 years)

More information about each of these projects will appear in future SPRC Newsletters.

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## THE EMPLOYMENT INSURANCE SYSTEM IN KOREA RESPONDS TO THE KOREAN FINANCIAL CRISIS

from page 12

unemployment. This was especially the case with the unemployed who had been non-regular workers. In June 2000, only 70% of workers qualified under EIS, with the remaining 30% still excluded. This 30% was mainly composed of non-regular workers.

In 1999, the beneficiary ratio in Korea was 10.7%, which was considerably lower than in any other country.

### CONCLUDING REMARKS

As mentioned in the introduction, EIS along with other social insurance schemes originally covered only employees who were working in relatively secure employment. During the crisis, EIS was challenged in terms of equity and social adequacy. But although it has been extended to all firms regardless of their size, its coverage remains quite incomplete. In summary the achievement of EIS

in tackling unemployment during the crisis can be said to be half failure and half success.

At present, the main obstacle to UI coverage of non-regular workers is that there is no mechanism which certifies their employment career. Hence the creation of an employment record-system is the first step towards covering non-regular workers and turning the half failure of EIS into complete success.

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## NEW PUBLICATIONS

Continued from page 14

social conditions.

The programs being covered include: old-age pensions, disability pensions, survivors benefits and statutory health care schemes, although the precise details will differ across different countries to reflect their actual experience. The countries included in the study are: Group A; Australia, Germany, Finland, the United Kingdom and

the United States; Group B; Chile, Costa Rica, Czech Republic, Hungary, Mexico and Uruguay; Group C; India, Mali, Morocco, Tanzania and Thailand.

The project is being run from the Centre for Research on Social Policy (CRSP) at Loughborough University in the United Kingdom. An initial inception report has been prepared for each country that

provides an overview of its social security arrangements, and a series of country statistical studies is being prepared to conform to a standardised template. The SPRC's Peter Saunders and Tony Eardley are acting as the Australian national experts for the project, which is expected to be completed in the first half of 2002.