

RE: FURTHER INFORMATION FROM ACOSS ON AUSTRALIAN STUDIES DEALING WITH THE RELATIONSHIP BETWEEN INCOME SUPPORT PAYMENT LEVELS AND UNEMPLOYMENT.

The following studies by Reserve bank economists provide evidence based on Australian experience and data that growth in unemployment in Australian is not due to the level of income support payments.

Heath & Swann 1999, *Reservation wages and the duration of unemployment*, RBA Research and Discussion Paper No 1999/02. See pp22, 27-28, 30.

Gruen Pagan & Thompson 1999, *The Philips curve in Australia*. RBA Research and Discussion Paper No 1999/01. See page 29.

Heath and Swann examined data on the level of wages sought by unemployed people and the number of job offers they received in the mid 1990s, from the ABS *Survey of Employment and Unemployment Patterns*. They concluded that:

- Most unemployed people were prepared to accept full time jobs offering low wages, even below minimum wage levels in many cases. Only 7.5% of job offers were rejected on the grounds that the job was unsuitable.
- The main reason for their continued unemployment appears to be the limited number of job offers they received rather than a rejection of low paid work.

Although receipt of unemployment benefits was associated with longer spells of unemployment, they were unable to conclude whether this was due to the effects of the payments themselves or the relatively low skills and general employability of those unemployed people on income support.

Gruen, Pagan and Thompson examined data comparing maximum rates of income support payments with wages from the 1960s to the 1990s to establish whether the level of income support payments was a significant factor in the increase in structural unemployment over the long term in Australia. They concluded that there was no statistically significant relationship between the ratio of benefit rates to wages and the level of structural unemployment over this period.

Regards

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