

PM calls recession as world body urges Work Choices revival

Labor risk to youth jobs: OECD

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THE OECD has warned that the rollback of the Howard government's Work Choices industrial relations laws may result in higher youth unemployment, as Kevin Rudd conceded for the first time that recession in Australia was inevitable.

The Prime Minister's concession came as the OECD called on the Labor Government to return to individual contracts and move away from industry awards if youth unemployment starts to rise. The OECD said young workers would be hardest hit by the downturn, with their jobless rate set to rise twice as fast as that of adult workers.

"The key priority for the coming months should be to avoid the build-up of a large pool of youth at risk of becoming long-term unemployed," an OECD report on youth employment in Australia says. With all but two of the 30 OECD member countries suffering at least one-quarter of economic contraction, Mr Rudd warned yesterday that Australia too faced a downturn.

"The worst global economic recession in 75 years means it's inevitable that Australia, too, will be dragged into recession," Mr

Rudd told a forum on employment in Adelaide.

He said he hoped this recession would not repeat past experience with youth unemployment.

"One of the tragedies which has occurred is that we have lost too many of our young people, not just for the one or two years of economic dislocation, then for a generation, then beyond a generation," Mr Rudd said.

The OECD strongly endorsed the Government's efforts to increase the number of young people remaining in school to Year 12, identifying the high number of people who drop out of school at 16, never to return to education, as the employment policy's biggest challenge.

However, the agency raised concerns about the Government's industrial relations changes and its plan to replace the Howard government's "work-for-the-dole" system.

Deputy Prime Minister Julia Gillard welcomed the report, which she said supported the Government's initiatives to raise the mandatory minimum school age and increase the education requirements for people receiving income support.

"Young people with low skills and those who face barriers to achieving educationally are partic-

ularly vulnerable to the labour market effects of an economic downturn," she said.

Australia is entering the downturn with much lower youth unemployment than most other countries. In 2007, the youth unemployment rate of 9.4 per cent was four percentage points below the OECD average.

The OECD believes the rollback of the Howard government's Work Choices industrial relations regime may make the plight of young workers worse.

"Care should be taken to avoid discouraging bargaining at the workplace level and pricing low-skilled youth out of entry-level jobs," the report says.

It says low wages at entry level help youth job prospects. The OECD believes individual contracts under Work Choices "increased the labour market competitiveness of low-skilled youth" and it is concerned that the greater role of awards under the new system will undermine that.

The OECD urged the Government to monitor the effect of the new industrial relations legislation, to determine if the result was significantly higher entry wages for low-skilled youth and/or less demand for these workers.

"Policymakers should be prepared to take steps to amend the

new rules if sizeable negative effects are detected."

A spokesperson for Ms Gillard said the Government's industrial relations reforms had retained youth wages and had committed to a review of the effect of the reforms after two years.

The chief executive of the Australian Chamber of Commerce and Industry, Peter Anderson, said the retention of youth wages still left scope for unions to increase the cost of employing young people through awards.

"That remains industry's paramount concern," he said.

"This is a timely warning to government and to the new regulator, Fair Work Australia, that the youth labour market is highly vulnerable both to excessive regulation and to the effects of a recession."

The OECD warned that the replacement of the Howard government's "work-for-the-dole" scheme with a requirement that the long-term unemployed undergo some work training could prove ineffective.

Whereas the Howard government cut off unemployment benefits for eight weeks for people who failed to comply with job activity requirements, including work for the dole, the Rudd

Government has emphasised training. Benefits will more gradually be withdrawn from people who fail to undertake the required courses.

The OECD said this system would be harder to implement and monitor, and would require a greater capacity and willingness by Centrelink to manage the problem cases reported to it by the Job Network providers.

The OECD said there was little international evidence that putting the low-skilled unemployed through short-term training programs made any difference to their employment outcomes.

A program run in the US for disadvantaged youth had produced some good results, but the cost was more than \$US20,000 (\$28,300) per participant.

"The Australian authorities would need to pilot such a program and evaluate it before deciding whether this would be a worthwhile investment."

Coalition employment spokesperson Andrew Southcott said that youth unemployment rose disproportionately during economic downturns. "This is likely to be further exacerbated by the Rudd Labor Government's decision to water down the mutual obligation requirements for job-seekers," he said.