



Brotherhood
of St Laurence

Working for an Australia free of poverty

*Submission
to the Australian Government
on the
Future of Employment
Services in Australia
discussion paper*

Brotherhood of St Laurence

June 2008

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Introduction

The Brotherhood of St Laurence has a long history of service delivery relevant to employment assistance as a not-for-profit provider. Parallel to our progressive approach to assistance that maximises social and economic participation, the Brotherhood has a substantial record in research and policy analysis to ensure a more effective and responsive employment assistance system for disadvantaged job seekers.

Australia has had a very poor record in investment in people and communities over the past decade, as evident from OECD data across education, skills building and active labour market programs. Too many Australians of all ages lack the education and skills to take up many of the current and future job opportunities. As our population ages, it will be imperative that we invest more in human capital to ensure a fully engaged and productive workforce.

The Brotherhood welcomes the new Australian Government's commitment to prioritise social inclusion and skills development. We strongly endorse the government's appraisal of the weaknesses of the current employment services system. We congratulate the government on the broad directions proposed for the new system and believe this framework has the potential to lead to significant gains, including:

- simplification of the employment services system through a more integrated approach
- a reduction in excessive and wasteful micro-management and over-regulation
- a redistribution of resources to individuals with the greater barriers to employment especially through the Employment Pathway Fund
- increased focus on skills development and accredited training
- better service development through the Innovation Fund.

However, we have several concerns about the proposals in the discussion paper that require reconsideration. We have made a number of policy suggestions in responses to discussion points outlined.

In particular, we are concerned that the overall level of funding for active labour market assistance is still too low compared with international best practice. While the reforms rightly shift resources from short-term job search assistance to more intensive support for those with significant barriers, there is a strong risk that those with the *highest* barriers to employment will be 'parked' in Work Experience if a positive outcome is not achieved within the first 12 or 18 months in Stream 4. There is also a danger that the substantial employment outcome payments in Streams 3 and 4 will lead to parking of clients who have little chance of gaining work while in the stream. A further significant gap is the lack of focus on employment retention and advancement initiatives. Such measures are being used increasingly overseas and play an important role in supporting sustainable employment outcomes, skill development and social inclusion of disadvantaged job seekers. We call on the government to consider our recommendations for improving assistance available to this job seeker cohort.

Background on the Brotherhood of St Laurence

The Brotherhood of St Laurence works to prevent poverty through focusing on those points in the life transitions where people are particularly at risk of social exclusion. These are:

- the early years
- the transition through school to work
- in and out of work (where people are not securely attached to the labour market)
- retirement and ageing.

Through a combination of direct service provision and research, we aim to bring a fresh perspective to issues of poverty and disadvantage.

The Brotherhood has had a long history of employment-related service delivery, both before and after the reforms implemented under the former Howard government. The organisation is known for having piloted in the mid 1990s the Job Placement Employment and Training (JPET) program, which was subsequently adopted by the federal government as a key component of the Commonwealth Employment Service.

In 1997 the Brotherhood, along with 37 other not-for-profit providers, formed Job Futures for the purpose of tendering to provide employment services in the new Job Network. Since that time we have delivered employment assistance through the Job Network, the Personal Support Programme (PSP), JPET and the Disability Employment Network (DEN). Current programs delivered by the Brotherhood include PSP, JPET and DEN.

To effectively engage the most disadvantaged job seekers, the Brotherhood has sought to build flexible, responsive and integrated approaches to employment assistance. We have focused on geographical areas and population groups facing significant disadvantage and social exclusion, including young adults, those with disabilities or multiple barriers and humanitarian migrants.

In delivering employment pathways to clients with such complex needs, we have not only offered access to the suite of government-funded employment assistance programs, but also to the Brotherhood's Group Training Company and Registered Training Organisation as well as our growing Community Enterprises. We have also developed and supported successful innovative models of assistance, including:

- *Intermediate Labour Market* model offering employment through community enterprises integrated with skills acquisition and personal support
- *Given the Chance* workplace mentoring and network building program, which supports humanitarian migrants and refugees entering Australian employment
- *YP⁴* the young homeless job seeker trial that has sought to test a joined up approach to sustainable employment and housing outcomes (auspiced by Hanover Welfare Services).

The Brotherhood also has an extensive record in research, evaluation and policy analysis aiming to inform the development of a more effective and efficient employment assistance system for disadvantaged job seekers. For example, the recent evaluation of the PSP has led to a collaborative proposal to develop the Individualised Placement and Support model.

Response to the discussion paper

Discussion point 1:

In addition to the development of job seekers' job search techniques, training and work experience, are there other activities that should be approved as an 'intensive activity'? How should we best balance the need to ensure a job seeker receives assistance appropriate to their needs with the provider's responsibility to manage funds cost effectively across their case load?

Intensive activities for people in streams 3 and 4 should include non-vocationally focused activities such as drug and alcohol counselling and social activities. This should also apply where an intensive activity is required to avoid an 8-week non-payment period.

Discussion point 2:

Employment service providers will be given flexibility to determine the frequency of their contacts and other activities in accordance with the needs of the job seeker. However, to ensure a reasonable level of service, providers will be expected to meet regularly with job seekers and this will be reflected in the job seeker's EPP. Should there be a minimum contact requirement? For example, should providers need to meet with job seekers at least once per month?

In the case of highly disadvantaged job seekers, an important feature of effective assistance is the development of a relationship with their provider. For Streams 3 and 4 there should be a minimum of one contact every fortnight. This will ensure that these participants facing a range of personal barriers have a minimum level of engagement. It will also reduce the potential for providers to 'park' individuals in this stream that have little chance of achieving an outcome.

Discussion point 3:

What are the practical administrative issues that will need to be resolved in order to ensure the streams are as effective as possible?

The critical first stage in effective assistance is the full assessment of job seekers' needs and barriers, including skills audit, to ensure the appropriate level of resources. The allocation to each stream through a revised JSCI should be based on need not rationing.

Also the revised JCA must be undertaken by skilled assessors with the capacity and time to fully assess the individual job seeker's capacity to work or reasonable prospect of work following a period of rehabilitation. It is our view that this function should not be contracted out to private organisations, but undertaken by Centrelink. The Brotherhood's recent evaluation of the Personal Support Programme found that the use of JCAs outside Centrelink was hindering the effective flow of information and causing a division of knowledge (Perkins 2008).

We strongly endorse the implementation of an accessible and responsive procedure to review barriers and incapacity to take into account changes in circumstances of job seekers, as many health and social barriers change significantly over time. A job seeker or provider should be able to initiate a review at any time.

Discussion point 4:

What should and should not be able to be purchased with the EPF? Which is preferable, a principles-based approach to prohibited items or an exhaustive list of prohibited items? Is there anything about the proposed EPF that may contribute to it being under-utilised? At what level should purchases be permitted on the basis of a simple invoice and without the need for detailed case-by-case justification?

We support the increased access and flexibility of the proposed Employment Pathway Fund with the proviso that its use should be consistent with the job seeker's Employment Pathway Plan. However, we believe the EPF nominal bank should be segmented by stream for use with job seekers within each stream, to reduce the risk of EPF funds associated with highly disadvantaged clients being used for less disadvantaged clients in streams 1 and 2.

We consider that the EPF should be able to be used for a broad range of non-vocational items such as health services and housing for streams 3 and 4 clients.

The EPF should also be available to fund additional provider contacts, if a case can be made that these will improve outcomes for participants. This will allow increased innovation through new models such as the Individual Placement and Support (IPS) model that has achieved very high employment outcomes with highly disadvantaged job seekers overseas, but requires intensive support with caseloads of around 25.

We support the simplification of guidelines for expenditure of the EPF through an invoicing method. However, in order to ensure appropriate utilisation of monies, a stronger audit process and contract penalties should be considered to ensure misuse does not occur.

Discussion point 5:

How can the legitimate interests of a job seeker to choose a service provider be balanced with the need to provide certainty?

The current arrangements do not enable job seekers to make an informed choice of their Job Network provider. Their options for changing providers have also been too limited. There is good evidence of significant levels of dissatisfaction reported by clients (see, for example, Horn & Jordan 2006). Highly disadvantaged job seekers are generally less able to raise legitimate concerns about the quality or appropriateness of the employment assistance they receive.

It is therefore important that easily understandable and regular reporting of provider performance is developed. The information on providers under the new contracts must be made available to job seekers through both Centrelink CSCs and Job Capacity Assessors to ensure job seekers can make informed choice of local providers. The review of the star ratings system should be used as an opportunity to develop user-friendly reports of performance against the key criteria of job placement, retention **and** service quality. The referral process must be transparent and equitable for all providers within the local ESA.

A user-friendly review process by Centrelink is also needed to respond to grievances or complaints made by job seekers about their service provider. One outcome of such a process would be to give the job seeker an option of changing providers.

Discussion point 7:

Should activity test requirements be made more flexible and responsive to job seekers needs? If so how? The Government has already acted to ensure that job seekers participating in approved training are no longer forced to accept work that would interfere with that training. Are there other areas in which a similar approach should be adopted? Should job seekers with recognised qualifications or skills be permitted to restrict their job search to their chosen field for a period? If so, for how long, and in what circumstances?

We would suggest reconsideration of the current level of activity test requirements against criteria of improving skills, motivation and efficacy for obtaining a job. In particular, the requirement for approaching up to 10 employers per fortnight should be reconsidered.

Activity test requirements for stream 4 participants should be made more flexible. They should allow participants to attempt work without the threat of sanctions if they find the job is not appropriate and wish to leave voluntarily. Research suggests that for job seekers with severe personal barriers, a job that matches their needs and preferences (defined by them) is much more likely to be sustainable. Among people with mental health problems, individuals placed in an area they are interested in tend to have higher levels of satisfaction with their jobs, and longer job tenures (DPRS 2006). Research looking at the PSP has also found that while many participants wanted to work there was significant anxiety about a job not being right, or being too much for them to cope with (Perkins 2007). The threat of sanctions on top of this compounds these anxieties and is likely to discourage people from moving into work.

Discussion point 10:

How can best practice be disseminated to encourage adoption elsewhere? How should the success of innovation projects be judged?

While we are concerned at the relatively small allocation to the Innovation Fund (\$41m nationally over 3 years), it does provide a vital opportunity for trialling innovative approaches to strengthen the social and economic participation of highly disadvantaged job seekers. In particular, such trials will take time to develop, implement and evaluate. The timelines for projects must be flexible to enable trials to be fully implemented over a reasonable time period that takes into account the prospective target groups of job seekers and criteria for genuine innovation.

We are concerned that the discussion paper indicates that only successful providers for delivery of core employment assistance services will be able to obtain innovation funds as part of the single Request for Tender. We would urge an open tendering process for the Innovation Fund to enable specialist organisations to participate in particular locations of high need.

Innovation Fund allocation to projects should be based on submissions assessed against clearly defined performance criteria and principles of best practice in the delivery of integrated models of assistance. The tender documents will need to address the conditions under which job seekers are able to fully participate in innovation projects without breaching active participation requirements.

All innovation projects should be required to build in an evaluation that includes a process analysis and outcomes and cost–benefit measurement. Evaluations should also incorporate assessment of the extent to which projects contribute to social inclusion, against a specified framework.

Evaluation reports should be public documents and circulated to all employment services stakeholders. In addition to requiring dissemination plans as part of tender submissions, we suggest that DEEWR should be proactive in disseminating of the evidence base through seminars and at provider conferences.

A robust evaluation plan for Innovation Fund projects should be considered as one element of a wider knowledge strategy on practice and program data made freely available to interested stakeholders.

Discussion point 12:

How should ESAs be determined and how can they be aligned more closely with natural labour markets?

The Brotherhood believes that Employment Service Areas reduce the efficiency of the system by distorting the allocation of job seekers and employers. If ESAs are to be retained, they should be for performance management purposes only and not be used to allocate job seekers or employers.

ESAs based on natural labour markets would be an improvement, but however boundaries are created there will always be providers on the edge of the ESA that may be somewhat disadvantaged.

If retaining ESAs for allocation purposes, then one option would be to create a central metropolitan ESA in each large city that would incorporate a significant proportion of inner city highly disadvantaged job seekers, for example those in high-rise public housing.

Discussion point 13:

Should both Centrelink and employment service providers be required to contact job seekers about Participation Reports?

General comments on the proposed compliance framework:

We strongly endorse the discussion paper's assessment of the failure of the current compliance framework. However, we do not believe the proposed changes go far enough to soften the penalties regime for highly disadvantaged job seekers. Evidence is clear that this cohort usually have reasonable cause for non-compliance with the current harsh active participation requirements, and that these reasons often relate to their non-vocational barriers, such as housing crisis, homelessness and ill health.

For these reasons, we recommend that:

- Stream 3 and 4 clients should be able to obtain exemptions from active participation requirements (suspension) in instances of hardship or crisis until these are resolved.
- Definition of a reasonable excuse for non-compliance for stream 3 and 4 clients should be left to the discretion of the provider.

We believe that the provision that a job seeker who leaves a job voluntarily is not entitled to income support should apply only to streams 1 and 2. This should not apply to stream 3 and 4 participants (see *Discussion point 7*). If this provision is retained, however, we urge a more proactive preventative intervention that encourages the job seeker to pursue alternatives to departure. As part of a stronger post-placement support focus to employment assistance, clients should be encouraged to obtain advice from either their provider or Centrelink *prior* to leaving their job.

With regard to the current provision that both Centrelink and providers contact the job seeker about non-compliance with a participation requirement, we support the proposal that puts the onus on providers to contact job seekers when deciding about making a Participation Report. Providers are best placed to know their client's circumstances and history and therefore make an informed judgement on the application of discretion for genuine reasons. However, contract provisions should allow for an audit process (with strong penalties for inappropriate behaviour) to ensure decisions are based on follow-up and are reasonable in their application of discretion. Job seekers must retain the right for a review of any decision by their provider.

Discussion point 14:

Remembering that the comprehensive compliance assessment is an opportunity to identify barriers or service options, what number of Participation Reports submitted in a particular timeframe trigger an assessment? Should the trigger be the same for rapid reconnection failures as for No show, No pay failures?

The definition of trigger levels of 'no show, no pay' penalties or rapid reconnection events within a given period is only possible based on analysis of past data on participation reports substantiated after review by category of non-compliance and client background (JSCI and JCA). The Brotherhood of St Laurence has no access to this data and is therefore unable to make an informed recommendation on this issue.

Discussion point 15:

What should happen if the job seeker re-engages through participation in an intensive activity but then again fails to meet their requirements (a persistent no show)? Should payment be lost on a No show, No pay basis or should the job seeker, at some point, become fully precluded from income support for a period? If a job seeker is unable to undertake intensive activities for 50 hours per fortnight due to personal circumstances, what is an appropriate activity for them to undertake?

Payment should not be lost for a set period for persistent failure to meet requirements but on a 'no show, no pay' basis.

In the new model that will offer more integrated and concurrent support than previously available, the range of allowable intensive activities should include non-vocationally focused activities, such as drug and alcohol counselling, and social activities for those unable to undertake vocationally focused activities. In other cases, there should be provision for exemptions from activities due to temporary incapacity for health or personal reasons.

Discussion point 16:

Based on your experience with previous transitional periods, what are the key issues that you believe will need to be managed? How can we learn from what has worked, and what hasn't worked, in the past?

Appendix 5 of the discussion paper indicates that PSP clients who have spent over 12 months in the program will transfer to streams 2 or 3 or straight to Work Experience. We do not understand the rationale for not allowing highly disadvantaged job seekers in this situation the option of transferring to stream 4 for up to 12 additional months of assistance. We suggest this would enable a more meaningful level of support that offers the best opportunity for this cohort to achieve positive outcomes.

Discussion point 17:

How can we best ensure the new employment services system retains specialist providers? Is there anything DEEWR can and should do to assist providers in delivering a quality service for the remainder of this contract period?

There appear to be very limited options for specialist providers to tender (either in partnership or individually) because of the payments framework and proposed contract conditions. The risk of further aggregation to a small number of large *generalist* providers is high, limiting both client choice and responsiveness to special needs groups.

The contract conditions specify that providers must deliver all streams and Work Experience, either alone or in partnership. However, because of the low fee structure for streams 1 and 2, it is unlikely that a provider (current or new) will be interested in partnering with niche providers who would take on only stream 4 or Work Experience clients. Therefore a specialist organisation working in a local region with expertise with a particular client group will have to tender for all streams. While we understand the rationale for this approach in improving the integration of support and assistance, informal feedback from colleague not-for-profit providers suggest that these arrangements may result in loss of expertise through specialist providers.

We recommend reconsideration of the proposed contract conditions to enable specialist niche players to tender to deliver specialist services.

Specialist providers should also be allowed to tender for proportions of each stream that vary from the overall stream allocation (S1 52%, S2 25%, S3 8%, S4 15%) identified in the discussion paper.

Additional issues

Employment retention and advancement

Evidence from Australia and overseas has suggested that many disadvantaged job seekers become stuck in a 'churning' cycle of low paid work and unemployment. Employment assistance programs can contribute to this problem by focusing too strongly on short-term outcomes and paying insufficient attention to achieving a good match between the job seeker and the job (Perkins & Scutella (forthcoming)).

In response to these problems, Employment Retention and Advancement (ERA) programmes have been implemented in countries such as the UK and the US that provide in-work support and training for disadvantaged jobseekers re-entering the workforce after a prolonged jobless period. These programs are designed to improve longer term prospects of the unemployed and low-paid by

providing personal support that continues into the period following entry to work, and encouraging training and skills development to improve opportunities for career advancement and wage progression. Successful program elements include longer term case management support, financial incentives and training incentives.

There has been, and continues to be, a notable absence of such initiatives in Australian employment services.

The addition of such support is particularly important in stream 4, given the high level of personal barriers and evidence from the Personal Support Programme that almost 90% of participants want to remain on the program after moving into work (Perkins 2008).

To reduce 'churning' and achieve more sustainable employment outcomes for disadvantaged job seekers we recommend the following changes be considered for stream 3 and 4 participants:

- Pay a service fee where a minimum level of contact is maintained with participants who are in work or education, until the end of their time in the stream.
- Pay a service fee where a minimum level of contact is undertaken with employers to support retention and/or advancement.
- Pay a retention bonus directly to participants at 3, 6, 9 and 12 months.
- Make a training payment directly to individuals for accredited training undertaken within 52 months of starting work.
- Introduce a 52-week outcome payment for providers and build this into the performance measurement and reporting system.
- Incorporate job seeker satisfaction with employment placements in the performance measurement system.
- Provide a bonus of 20% of outcomes fees where employment-related accredited training is undertaken within 52 weeks of individuals commencing work.
- Make training payments to employers that provide employment-related accredited training within 52 weeks of individuals commencing employment.
- Ensure that the EPF is flexible enough to address a range retention issues and can be used to support retention for up to 52 weeks.

Ensuring support for the most disadvantaged

The BSL strongly supports the increase in resources for individuals with the highest levels of barriers, taking part in stream 4. A recent evaluation of the PSP (the client group that will primarily make up stream 4 in the new model) found that participants were facing severe and multiple personal barriers, with around 80% facing some type of mental health problem, as well as low levels of social participation, high social isolation, and extreme financial deprivation. There was also strong evidence of personal barriers persisting over time, and a need for ongoing support in critical areas including counselling, accommodation and mental health after exiting the program (Perkins 2007). Initial modelling based on likely outcome payments for Work Experience clients also suggest that meaningful projects over an indefinite period will not be possible. Under this scenario there is some risk of 'parking' clients in Work Experience.

- Given client characteristics, we believe that indefinite work experience after completing 12–18 months in is not appropriate. Instead stream 4 participants should be assessed after completing 12 months work experience and either receive a further 18-months assistance in stream 4 or another appropriate stream or assistance through DEN/VRS or be eligible for DSP.
- Work Experience service fees (to enable 12 contacts minimum per annum) and EPF credits should be doubled.

- If participants are to remain in Work Experience longer than 12 months, services fees and EPF credits should be payable annually.
- Paid employment in social enterprises using traineeships must be recognised as employment outcomes, to make highly successful models such as those run by the Brotherhood viable.

The increased focus on employment for stream 4 participants through substantial outcome payments is welcomed by the BSL. This change is in line with research suggesting that many such clients have a desire for participation in work and or education, and that appropriate employment can play a central role in assisting people to overcome other barriers and reduce social exclusion (Perkins 2008). However, a significant proportion of participants (based on current PSP case load) will not be ready for employment or vocational assistance. Therefore it is important that a focus also be retained on addressing non-vocational barriers and increasing social participation, as existed under the PSP. There is also a risk that the large outcome payments will result in parking of those stream 4 participants with little chance of securing employment.

To mitigate these risks and ensure that stream 4 delivers vocational **and/or** personal support appropriate to the needs of individuals, the following changes should be considered:

- Include increased social participation as one of the objectives of stream 4.
- Ensure that all stream 4 participants receive a minimum level of contact (once every 2 weeks).
- Provide a bonus outcome payment, and/or build a measure into the performance measurement system, to reward providers that achieve higher proportions of clients moving into employment from each 6-month cohort. This will reduce the incentive to park less work-ready clients.
- Ensure that Stream 4 EPF funds can only be spent on Stream 4 clients.

Facilitating cooperation

To improve cooperation and build relationships between employment service providers, education, skills and training providers, and employers, regular local level forums should be established. These should be led by DEEWR and provide a forum for information sharing, knowledge transfer and sessions on particular local issues.

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