



Brotherhood
of St Laurence

Working for an Australia free of poverty

Line of sight: better tailored services for highly disadvantaged job seekers

Submission to the Australian Government on
future employment services from 2012

Brotherhood of St Laurence

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Summary

The Brotherhood of St Laurence has a long history of innovation in employment assistance as a not-for-profit provider, focused on developing better pathways to work for those groups who are highly disadvantaged in the labour market. Our progressive approach has resulted in trials of better integrated forms of assistance informed by our research to develop a more effective and responsive employment service system.

In early 2008, we made a submission to the new Labor Government calling for substantial reforms to the Job Network (BSL 2008). Our direct service delivery experience, our recent innovations and our research showed that the employment assistance system developed under the former Howard Government was failing disadvantaged and marginalised Australians who were seeking a better life. We urged the new Labor Government to reform the Job Network system based on four key principles: simplification, rebalancing expenditure, a focus on sustainable outcomes, and increased collaboration and choice.

The reforms implemented through Job Services Australia have gone some way in addressing the weaknesses of the previous programs, including:

- a stronger focus on disadvantaged job seekers in JSA, albeit within constrained budget
- increased capacity to deliver accredited training
- greater flexibility in brokerage dollars through the Employment Pathway Fund (EPF)
- a stronger focus on individualised pathway planning, and
- a more effective compliance system focused on re-engagement.

The Brotherhood's view, based on early available evidence, is that the changes made to employment assistance have been in the right direction, but that further reforms are essential to address the substantial levels of underutilisation and exclusion from paid work faced by disadvantaged groups in the labour market. **The underutilisation rate of the labour force represents almost 1.5 million Australians of working age. This is not a GFC outcome, as even at the peak of the boom we had over 1 million underutilised workers.**

There is inadequate program data on effectiveness and outcomes in the public arena to make a fully informed assessment of the current JSA model. In addition, the JSA contracts caused substantial upheaval for providers and job seekers. **However, despite the reforms in 2009, assistance to highly disadvantaged job seekers who are not 'job ready' and face multiple barriers to open employment remains poor and must be substantially improved.** Employment outcomes result for only 15% of JSA Stream 4 clients and only 28% of this stream are reported as achieving positive outcomes (September 2010 data, DEEWR 2010c). Only one-third of those obtaining employment have permanent jobs.

Our proposition is that the current JSA model is working reasonably well for the majority of unemployed people, especially those with work experience, skills and capacities to take up work – the 'job ready'.

However, the current universal approach, even with refinements, will fail to deliver an effective service for highly disadvantaged groups. With a return to economic growth and emerging labour market shortages, 'job ready' newly unemployed individuals will be rapidly

assisted back into jobs and will require only limited (if any) assistance from employment service providers, relying increasingly on self-help facilities. Other job seekers are likely to miss out.

A new integrated pathway

A stronger focus on those in Stream 4 and Work Experience is essential to significantly improve sustainable job pathways for those with multiple barriers to work. A fresh approach is needed. The Brotherhood calls for the development of a new integrated employment pathway for highly disadvantaged job seekers as an alternative approach to the current Work Experience.

The complex issues faced by these job seekers require a fully integrated, flexible service delivery model with a 'line of sight' to local employers, including transitional employment providers. Small-scale Australian innovative approaches and a growing body of international evidence show that substantial improvements in outcomes can be achieved.

Our experience shows that better integrated approaches, that combine personal support, soft and vocational skills development and work experience with a closer alignment to local employment opportunities, are essential. The complex and multidimensional barriers (both supply and demand side) faced by highly disadvantaged jobseekers require better engagement, effective case management and post-placement support to sustain both social and employment outcomes. Work experience must be linked to individual capacities and aspirations, as well as providing a line of sight to open employment.

As we stated in our 2008 submission, access to decent work is a life-changing experience for disadvantaged people, improving their wellbeing, opening up personal choices and creating opportunities for their families and children through better health and education outcomes.

Investment in integrated approaches to maximise social and economic participation will pay long-term dividends by way of a more inclusive and productive society. We can no longer afford to accept the current level of underutilisation of working-age Australians. Rather than leaving disadvantaged job seekers on income support payments to sit in ineffective Work Experience, we urge consideration of an alternative approach that in effect shifts job seekers 'off benefits'.

Additional reforms

In addition to our proposal for an integrated approach for highly disadvantaged job seekers, more should be done to simplify the JSA model for both providers and job seekers, in order to reduce the reporting and accountability burden and increase the focus on direct assistance to clients (job seekers and local employers). We have made a number of recommendations to strengthen the JSA.

Employment assistance in itself is insufficient to ensure that disadvantaged job seekers have the best possible chance to obtain and retain paid work. Demand-side barriers remain a critical challenge to achieving sustainable job outcomes for many disadvantaged job seekers, especially those with disabilities, Indigenous Australians and those from non-English speaking backgrounds. Taxation policies, income support and concessions policies each contribute to an individual's prospects of job retention. In addition to reform to employment assistance, a greater coherence of policy levers across jurisdictions and social policy portfolios is required.

BSL welcomes the Minister's commitment to consultation on further strengthening employment services for job seekers. We urge the government to implement the following recommendations for further reform to build on the earlier positive changes implemented in 2009.

Recommendations

Integrated Employment Pathway Proposal

We recommend the development of a complimentary integrated pathway (Integrated Employment Pathway) that would offer highly disadvantaged job seekers (Stream 4) an alternative path to the current Work Experience. We propose that job seekers would enter streamed assistance to allow employment service providers (ESPs) to offer the standard level of assistance, albeit through fewer streams. After 12 months in streamed assistance (Initial Service Period), at the review by Centrelink, the job seeker would be offered an alternative path (IEP) as a trainee or employee.

Within the proposed IEP, we envisage two forms, reflecting the type of employer offering the work opportunity. The two track approach allows larger employers to take a direct role in matching job seekers to emerging jobs, while at the same time supporting the role of ILM approaches using social enterprises to offer transitional employment. This flexibility is essential to take into account local labour market conditions in areas of high unemployment.

We suggest that the IEP be implemented across the 20 Employment Service Areas (ESAs) that have the highest levels of disadvantaged job seekers from 2012 and be aimed at job seekers who have spent one year in the JSA without a positive outcome. This approach might be targeted at specific groups with multiple barriers to employment, including Indigenous Australians and those experiencing homelessness. This would also enable specialist service delivery aimed at local priorities.

Further strengthening of the JSA

We recommend the following measures to strengthen the JSA:

- a) Consider the further consolidation of the current four streams of job seekers into three streams: job ready; disadvantaged and highly disadvantaged groups. Newly unemployed people who are job-ready could be more efficiently assisted by Centrelink rather than JSA providers.
- b) Undertake a review of the job seeker assessment process, as part of the consolidation of current streams, to simplify and improve assessment and engagement with disadvantaged job seekers. A skills audit should be included in assessment procedures to better match training to work opportunities.
- c) Further develop shared case planning for disadvantaged job seekers within Centrelink, to link employment assistance with non-vocational support, based on approaches that build trust and commitment with job seekers.
- d) Undertake a contract review of administrative and compliance requirements to substantially reduce the cost burden on ESPs, Centrelink and DEEWR and thereby refocus resources on direct assistance to job seekers.
- e) Investigate the drivers of under-expenditure of EPF monies and implement contract changes to ensure disadvantaged job seekers access the support to overcome barriers to work. In particular, approaches that give greater financial security to ESPs should be considered, for example, longer term contracts (6 years) with a quality improvement strategy to review and lift performance.

- f) Implement further changes to reduce compliance requirements imposed on highly disadvantaged job seekers, including those assessed by Centrelink as 'vulnerable', to reduce the administrative burden and encourage reengagement and participation.
- g) Reform the current suspension provisions to enable continuity of support from ESPs, while job seekers are exempt from active participation requirements.
- h) Implement changes to JSA delivery to ensure that disadvantaged job seekers are able to access and complete vocational training tailored to their needs and learning capabilities. This requires a stronger focus on individual skills audits and vocational guidance to match job seekers to training to paid work. Employment assistance including personal support, pre-vocational skills development and job placement should be better integrated with vocational training.
- i) Introduce changes to vocational training to ensure flexible and personalised course delivery matched to the learning capacities for disadvantaged job seekers.

Broader policy reforms to support work opportunities and make work pay
We recommend the development of a proactive policy initiative to adopt measures to increase employee diversity in all workplaces and encourage take-up of diversity groups.

Entry-level jobs for disadvantaged job seekers are more likely to be casual, short-term or seasonal. The precariousness of such paid work necessitates better coordinated policy levers to maximise their chances to retain their jobs and smooth the transition between short-term jobs.

We recommend that a review of relevant policies across jurisdictions and portfolios be undertaken to develop a coherent policy setting that makes work pay for the unemployed.

Specifically, BSL calls on the federal government to develop a coherent set of tax and transfer measures that encourage and support workforce participation and job retention.

This should include:

- elimination of high effective marginal tax rates on earned income
- a working credit measure for at least six months after job entry
- a rental moratorium for at least one year for tenants in public housing who take up paid work
- income averaging over six months to assess income support entitlements
- retention of concession entitlements, including the Health Care Card, for one year after job entry.

Social procurement policies have been shown to be effective in supporting jobs aimed at disadvantaged or entry-level workers both through social enterprises and profit-making businesses. Governments should build on this platform to further develop effective approaches to procurement through contracting arrangements, guidelines and education initiatives.

We recommend that the federal government develop a comprehensive social procurement strategy that encourages government contractors to support the employment of disadvantaged job seekers.

1 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 a long history of service delivery relevant to employment assistance as a not-for-profit provider, both prior and subsequent to the introduction of 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).

As part of our influencing strategy, the Brotherhood decided not to tender to deliver JSA or DES services. Rather we are focused on developing and proving innovative approaches aimed at highly disadvantaged groups and building on our service delivery experience. 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.

We successfully applied for DEEWR Innovation Funding to test a better integrated intermediary approach targeting public housing tenants in inner city Melbourne through the Centre for Work and Learning Yarra. We have also collaborated with Mission Australia in a recent successful submission for Innovation Funds to build the evidence base in support of ILM models using social enterprises to offer paid traineeships to highly disadvantaged job seekers.

In delivering employment pathways to clients with complex needs, a critical component of our approach is access to personalised skills development through our Group Training Company and Registered Training Organisation, and to work experience through our growing social enterprises. These last have been expanded through government Jobs Fund allocations. We have also developed and supported innovative models of assistance with great success, 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 sought to test a joined-up approach to sustainable employment and housing outcomes (auspiced by Hanover Welfare Services).

More recently, recognising the ongoing weakness in employment assistance, the Brotherhood has committed to a significant investment through our Line of Sight strategy to prove an integrated service solution that will achieve a higher rate of sustainable job outcomes for disadvantaged job seekers and reliable recruitment solutions for local employers.

Parallel to our progressive approach to assistance that maximises social and economic participation, the Brotherhood has a substantial record in research, evaluation and analysis linked to advocacy for policy reform to ensure a more effective employment assistance system for disadvantaged job seekers.

2 Rationale for further change

Changing economy and employment market

Prior to the economic downturn resulting from the Global Financial Crisis, economic growth had gradually absorbed those unemployed people with prior work experience and reasonably competitive skills. Despite economists assuming that 5% unemployment would be as close as Australia could get to full employment, the overall unemployment rate bottomed out at 4% (February 2008).

As we emerge from this current downturn, which proved softer than predicted by the experts, the aggregate unemployment rate has dropped again to just over 5%. It may be argued that the longer term trends in Australia's labour market are re-emerging as the dominant drivers of both the Australian and global economies reassert themselves. When the Job Network was conceived, there were 825,000 unemployed job seekers on Newstart or Youth Allowances (1996 data) compared with just under 500,000 a decade later in August 2007 (Parliamentary Library 2008). There are now 632,000 Newstart and Youth Allowance (Other) recipients (November 2010 data, DEEWR 2010b). This remains a substantial level of unproductive labour.

There are still over 600,000 unemployed Australians as measured through the ABS monthly labour force surveys (ABS 2010a). Equally important, a higher number of *underemployed* workers—858,000 or 7.2% of the labour force in November 2010—are seeking more work (ABS 2010a). Over half (57%) of the underemployed are women. Over one-third have been seeking additional hours of paid work for *more than one year*.

By comparison, about 30 years ago, the underemployment rate was only 2.6%. **The present underutilisation rate of the labour force represents almost 1.5 million Australians of working age. This is not a GFC outcome, as even at the peak of the boom we had over 1million underutilised workers.**

This figure represents a waste of valuable human capital and signals untapped potential to improve our economic productivity. Labour market policy reforms should be better coordinated to harness worker aspirations to obtain work and to increase their hours through skills development, employer incentives and removal of employee disincentives and barriers (BSL 2008a).

Prior to the GFC, governments and business groups became more concerned about growing labour shortages resulting from the economic boom and longer-term demographic change. This led to calls for targeted approaches to increase the job readiness and skills of the pool of unemployed, thereby increasing the aggregate workforce participation rate (BCA 2007; COAG 2006). As our economy picks up and demographic change continues, labour shortages across industries and regions will grow. Employers will increasingly become frustrated again at the poor supply of job seekers with the foundational skills to take up entry-level jobs.

The aggregate numbers outlined above do not show the differential effects across communities and regions in term of unemployment and underemployment. As a recent ACOSS analysis has pointed out (ACOSS 2010), unemployment rates vary substantially across labour market regions, especially for young job seekers. For example in Victoria, teenage unemployment rates in North Western Melbourne (52.3%) were over double the state average in 2010. Young school leavers seeking paid work face more of a struggle, especially in economic downturns, as we have seen over the past 18

months. Nationally, the unemployment rate for 15–24 year olds is over 11% and the underemployment rate over 13%—constituting an underutilisation rate of over 25% (ABS 2010a).

People with a disability also struggle to obtain paid work. Over 780,000 are on DSP nationally (DEEWR 2010a). Less than 10% are clients of Job Service Australia as active job seekers, and another 80,000 are assisted by Disability Employment Services. Australia has a relatively poor record in the employment of those with a disability, with less than half engaged in paid work. The Brotherhood has estimated that about 150,000 of those on DSP could be better assisted into a level of paid work matched to their capabilities.

A substantial proportion of the adult population (aged over 15 years) are not in the labour force due to incapacity, disability, caring responsibilities, retirement or through choice. This includes discouraged job seekers. Australia performs poorly compared with OECD best practice in labour market participation rates. With an ageing population, workforce participation rates will decline rather than increase, placing a heavier income ‘work’ burden on a smaller proportion of the population.

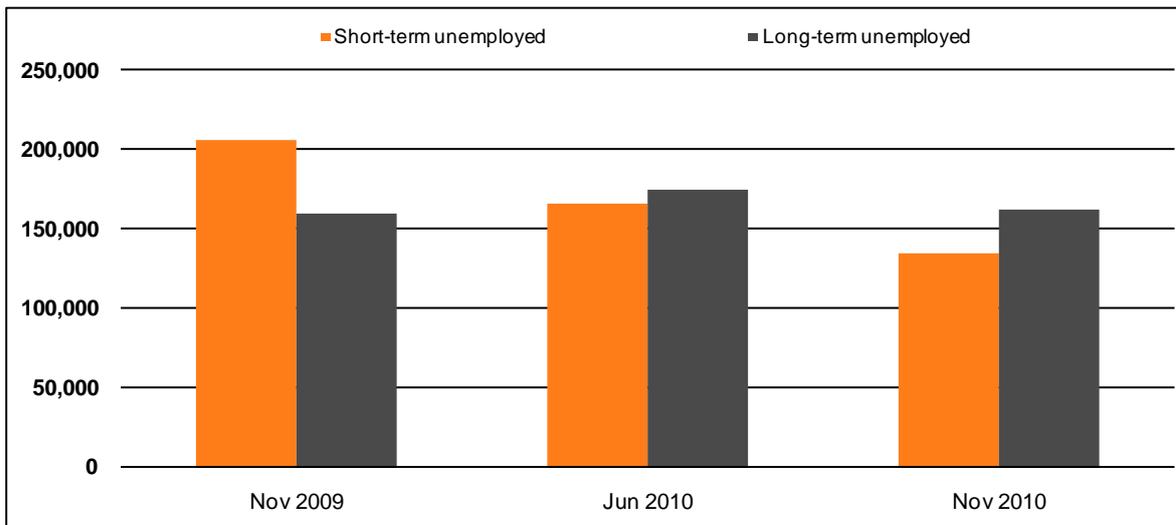
It is evident that Australia can do much better to assist the above groups into work, and therefore strengthen the productivity of the labour force.

This requires a more coherent set of policy reforms, including active labour market programs, to arrest the impending decline and increase the adult participation rate.

Relying on the open labour market will be insufficient. Current employment services are reasonably efficient and effective in helping the ‘job ready’ into jobs, but they are still relatively poor at helping disadvantaged job seekers (see next section).

As the economy picks up, an increasing proportion of job seekers will be long-term unemployed with poor foundational and vocational skills to meet employers’ recruitment needs. We are already seeing this trend. DEEWR data over the past year shows that job seekers in receipt of income support for over 12 months now make up the majority of all Newstart and Youth Allowance (other) recipients as shown in Figure 1 (DEEWR 2010b).

Figure 1 Trend in job seeker numbers in receipt of Newstart and Youth Allowance (Other) (November 2009 to November 2010)



Looking at the profile of Job Services Australia clients of working age on Newstart Allowance, 119,000 (24.3%) have been unemployed for 1–2 years, 51,000 (10.5%) for 2–3 years and 107,000 (22.0%) for 3 years or longer, out of 490,000 JSA clients (DEEWR 2010a).

It is important to consider the demand side in shaping active labour market policy levers. The total number of job vacancies was 190,000 in November (ABS 2010b). There are about three unemployed job seekers for each vacancy.

Over three-quarters of advertised job vacancies (internet) are in the three eastern states, despite the strong WA economy (DEEWR 2011). The great majority of vacancies are in skilled occupations. Even allowing for informal labour recruitment, only a small proportion of jobs are in unskilled or low-skilled occupations. Forty-one per cent of internet vacancies in December 2010 were at Certificate III or under (DEEWR 2011). This has implications for the design of more effective forms of employment assistance. Australia has a highly segmented labour market, requiring well-targeted policies to better match labour to jobs.

In summary, the longer-term trends in underutilisation and disengagement from the labour market, especially in regional and local areas, strengthen the case for further changes to employment assistance to maximise the participation of disadvantaged Australians in sustainable work.

While the government’s prompt response through its stimulus package ameliorated the downturn’s impact on jobs, particular groups disadvantaged in local labour markets require a more effective model of employment assistance than is currently available. With better resourced and integrated approaches that provide the individualised training, work experience and personal support, the majority of disadvantaged job seekers can be assisted to take up jobs in the emerging labour market. However, a clear local line of sight to real jobs must be built into these approaches through stronger understanding of local job markets and development of social procurement provisions.

In the following section, we assess the current state of employment assistance, focusing on the JSA system. Our assessment indicates that a fresh approach is needed to offer more effective models of

assistance aimed at disadvantaged groups with a focus on labour market regions with high levels of unemployment.

Inadequate outcomes for highly disadvantaged job seekers

In early 2008, we made a submission to the new Labor Government calling for substantial reforms to the Job Network (BSL 2008). Our experience from direct service delivery, our innovation projects and our research showed that the employment assistance system developed under the former Howard Government was failing disadvantaged and marginalised Australians who seek a better life. We urged the government to reform the Job Network system based on four key principles: simplification, rebalancing expenditure, a focus on sustainable outcomes and increased collaboration and choice.

The reforms implemented through the introduction of Job Services Australia have gone some way in addressing the weaknesses of the previous programs, including:

- a stronger focus on disadvantaged job seekers in JSA, albeit within a constrained budget
- increased capacity to deliver accredited training
- greater flexibility in brokerage dollars through the EPF
- a stronger focus on individualised pathway planning, and
- a more effective compliance system focused on re-engagement.

The Brotherhood's view, based on the available evidence, is that the changes made to employment assistance have been in the right direction, but that further reforms are essential to address the substantial levels of underutilisation and exclusion from paid work of disadvantaged groups in the labour market and to provide a more responsive recruitment solution for employers.

There are a number of limitations comparing the effectiveness of the JSA and previous employment services. There is inadequate program data on effectiveness and outcomes in the public arena to make a fully informed assessment of the current JSA model. The changes in eligibility for the different levels of assistance and consolidation of programs into streamed assistance pose challenges in determining improved outcomes and in attributing any improvements on specific changes to program design.

In addition, the JSA contracts caused substantial upheaval for providers and job seekers, requiring an extended settling period before outcomes measurement (for example through the reallocation of Personal Support Programme and JPET clients into the JSA).

The increasing complexity of post-program monitoring also limits our capacity to make informed assessments to compare performance of the JSA with previous models of employment assistance.

However, based on the available data, the JSA, like its predecessor the Job Network, is a reasonably effective and cost efficient service system compared with systems in similar OECD countries, in its delivery of basic job search and placement assistance. For the majority of 'job ready' unemployed people, the JSA system is operating reasonably well.

However, despite the changes made in 2009, assistance to highly disadvantaged job seekers who are not 'job ready' and face multiple barriers to open employment remains poor and can be substantially improved.

Taking into account the caveats in making comparisons between the Job Network and JSA programs and streams, the data shown in Table 1 paints a clear picture on the overall outcomes of assistance aimed at highly disadvantaged job seekers. Employment outcomes for JSA Stream 4 clients total 15%—the same level as achieved to date for PSP clients in JN.

Table 1: Labour market assistance outcomes*: indicative comparison between Job Network (September 2009) and JSA (September 2010)

Labour market assistance	Program	Employed full time %	Employed part time %	Total employed %	Education and training %	Positive outcomes %
Job Network ¹	ISca 1	13	30	43	15	55
Job Network ¹	ISca 2	10	29	39	14	49
Job Network ¹	WfD	10	16	26	13	37
Job Network ¹	PSP	5	10	15	8	22
JSA ²	Stream 3	9	23	31	20	48
JSA ²	Stream 4	6	9	15	15	28

* Outcomes are measured 3 months after exit from program.

Sources: ¹ DEEWR 2009, Table 1.2

² DEEWR 2010c, Tables 2.3 & 2.4

Examining Stream 4 employment outcomes (15%), only one-third become permanent employees. Nearly half (48%) have casual, temporary or seasonal work. This is consistent across all Streams of job seekers in JSA (DEEWR 2010c: Table 1.2). The Brotherhood’s research into employment retention with the Melbourne Institute shows the substantial level of drop-out from work experienced by job seekers exiting the former Job Network (Perkins et al 2008). This is clearly associated with a pathway into short-term casual work which too often is not sustainable.

It is also of concern that 42% of Stream 4 job seekers are no longer in the labour force 3 months after employment assistance, adding to the longer term welfare burden (DEEWR 2010c, Table 1.1).

The federal government’s budget expectations on outcomes of the JSA are relatively low, at 13% of Stream 4 in paid work and 12% in education or training 3 months after exit (DEEWR 2010d, Table 2.4.1). BSL believes that expectations can and should be raised.

A test of the new model is the level of sustainable job outcomes (employment lasting 6 and 12 months) for highly disadvantaged persons who are long-term unemployed. A range of evaluation data on more innovative approaches is being generated that, together with overseas examples of best practice, show that we can further strengthen active labour market interventions with the prospect of higher levels of sustainable employment outcomes for highly disadvantaged groups.

Yet the current model places greater emphasis on those unemployed for less than one year through the classification and funding model. Once job seekers have spent a year in streamed assistance (up to 18 months in Stream 4) without a positive outcome, they move into Work Experience phase. In October 2009, 104,000 long-term unemployed persons were in Work Experience phase (Davidson 2010). Over the past year, this group has been increasing and will continue to grow both in number and as a proportion of all unemployed.

With the majority of Stream 4 JSA clients not achieving employment outcomes, most will enter Work Experience. BSL and others criticised the work experience phase of employment assistance under the JN as poorly conceived and under resourced (BSL 2008). This weakness in employment assistance has not been addressed through the JSA. The level of engagement and support is inadequate. The resources available to providers are grossly insufficient. The drivers in the contractual model serve to limit investment in highly disadvantaged job seekers. **The accumulation of increasing numbers of long-term unemployed in an ineffective form of assistance will increase welfare dependence and undermine the economy by exacerbating skill shortages over the next decade.**

At a time when employers will be desperate for labour with good foundational skills and core competencies, we risk having a pool of long-term unemployed Australians of working age and increasing levels of poverty and social exclusion.

Australia has performed poorly in the area of labour market participation of disadvantaged groups, including Indigenous Australians, youth, those experiencing homelessness, those with disabilities and NESB migrants. The most recent JSA outcomes data supports this conclusion, with lower employment outcomes and higher labour force drop-out rates. The very long-term unemployed and those with below Year 10 education fare particularly poorly (DEEWR 2010c, Table 2.4).

In part, this is because of long-term under-investment in active labour market programs compared with OECD best practice (BSL 2008; Horn 2010a).

It is also due to the inefficient use of the resources available through income support and employment assistance appropriations. While there are improvements to the current JSA delivery model that should be implemented as soon as possible, BSL strongly advocates a fresh approach to more effectively assist the long-term unemployed with multiple barriers to mainstream employment. Such an approach should be based on an acceptance that minor enhancements to JSA will not lift outcomes for this cohort.

Appraisal of the JSA

The following section summarises our appraisal of the JSA based on the assessment by the Labor Government of the former Job Network's weaknesses, which led to the changes implemented from July 2009 as the JSA (see DEEWR 2008).

1. *Poorly targeted assistance*

Within the overall budget constraint for employment assistance, the stronger focus on disadvantaged job seekers (Stream 3 and Stream 4), including the former PSP client group, has been implemented with some effect. BSL advocated the simplification of the model by bringing into mainstream assistance JPET and PSP. The redistribution of funding to disadvantaged groups and the implementation of the EPF were welcome reforms to the JN.

As stated above, **Australia under-invests in active labour market programs (ALMPs) especially for highly disadvantaged jobseekers.** The top five OECD countries spend over 1.15% of GDP on such programs, compared with just 0.32% by Australia (2007/08 data) (OECD 2009, Table J). The current JSA model in particular under-invests in the long-term unemployed individuals who move into Work Experience phase. The funding through service fees and EPF monies is substantially lower in WE than in streamed assistance, limiting provider capacity to engage and support clients. The minimum frequency of client interview at two months is inadequate to offer meaningful support.

There is anecdotal evidence that JSA providers ration expenditure on disadvantaged clients on initial assessment of their likelihood of becoming WE clients. The contract arrangements and funding structure exacerbate this effect for many providers who are reluctant to spend EPF monies on clients with a lower prospect of a paying outcome within the streamed assistance phase. It appears that financial risk management is driving decisions on the level of assistance offered to highly disadvantaged job seekers. This effect is an inevitable unintended consequence of the complex contractual arrangements and funding structure, for example the high number of outcome payment types.

The Brotherhood has argued that the current model, like its predecessor, is a tightly controlled contractual regime. This limits the extent to which assistance can be personalised to meet the needs of individual job seekers (Bowman & Horn 2010). Rather we see a fragmented and inflexible delivery model as shown below.

2. *Continuum too rigid*

One of the important changes through the JSA was the implementation of an Employment Pathway Plan based on the needs of the individual job seeker. Together with the more flexible EPF brokerage monies available to a larger cohort of disadvantaged job seekers, these measures were designed to improve flexibility and enable a more personalised assistance.

We would argue that the tight contractual obligations and complexity, together with financial management decisions by providers in managing risk, still constrain the delivery of timely and flexible assistance to the more disadvantaged job seekers.

Participants in the Brotherhood's current evaluation of our innovative Centre for Work and Learning at Yarra have reported poor service from their JSA provider and complain that they do not invest time or resources to help them obtain work.

One client told us:

They provide you with a telephone and a computer, but even with the computer we have no time to use it. You cannot use the computer for more than one hour. How many jobs can you find? The telephone, you have to call them and they connect it for you and often the line is busy so you have to wait sometimes 10 to 15 minutes. There might be three people waiting to make calls. [At] my JSA, there are only 3 computers; and considering the amount of people that go there, it is not enough. (CLWY male job seeker, unpublished data).

Another client described discrimination experienced as ‘the expectation of certain jobs being for certain people’. This participant had postgraduate qualifications in social sciences, but felt he was being pushed into aged care by his JSA. But even in seeking work in this area, he experienced discrimination:

I don’t mind working in aged care or working as a cleaner, but even those opportunities you can’t get. There are people who have not been to school getting these jobs. You are not regarded as equal. I have other friends that say you should go and drive taxis. That is what I mean by the expectations of certain jobs for certain people. (CWLY Sudanese job seeker, unpublished data).

3. Lack of incentives for skills and training in areas of skills shortage

A key element of the changes accompanying the JSA was the additional training places (238,000) made available through the Productivity Places Program. One of the key features of the Howard Government welfare reforms was the primacy of ‘work first’ interventions coupled with strong compliance requirements. The Labor Government correctly committed to a stronger emphasis on human capital development, including the PPP. This makes good sense in a recessionary period with limited jobs growth and high unemployment. There are risks, however, of over-reliance on training provision, including training churn, credentialism and poor matching of skills development to available jobs.

There is anecdotal evidence from both job seekers and employers of these unintended outcomes emerging. For example, clients have sought assistance at the Brotherhood’s Centre for Work and Learning despite being ‘engaged’ with existing JSA providers and have expressed dissatisfaction with the assistance received from their provider. Many have been through accredited training courses at certificate II or III levels.

A lack of recognition of skills and employment experience in their former country is a frequent criticism expressed by overseas-born job seekers at the CWLY:

We come along with overseas qualifications, and they say, ‘We don’t recognise your qualifications’. So we get more qualifications and they are still saying the same. (CLWY job seeker, unpublished data).

Building capacity in the vocational training system that enables job seekers to gain the requisite foundational and vocational skills has clearly been important. However, better integration of training with support and paid work experience is essential, with training tailored to individual job seeker needs and job prospects. This is especially important for highly disadvantaged job seekers. A substantial proportion of disadvantaged job seekers have not achieved Year 10–12 education. Early school leaving is often caused by students being alienated by standard forms of structured group learning. In the case of mature aged workers, formal qualifications and credentials were less

important when they entered the labour market, but have become critical to being competitive in the current environment. This requires training that is tailored to their needs.

Standard ‘off the shelf’ training that does not lead to a job, does not address basic skill needs or match the aspirations of disadvantaged job seekers is a waste of resources.

The Brotherhood’s recent trial of the Individual Placement and Support (IPS) which seeks to support people with a severe mental illness into work exemplifies the experiences of disadvantaged job seekers trying to find paid work. Most of the participants did not want to undertake further training: as one male job seeker said:

I don’t want to do any more courses. I mean, like my résumé is like two pages long. I’ve done all the courses I need to do. I just wanna get a job. I don’t wanna go back and do my VCE. I just wanna get a job—and that’s it’ (Bowman & Lawlor 2010, p. 25).

Interviews with participants in our Employment Retention and Advancement research study with the Melbourne Institute exemplify the ongoing weaknesses in training aimed at disadvantaged job seekers, including:

- mismatch between training courses offered or available and job seeker career path and aspirations
- inadequate careers advice
- unwillingness of ESPs to fund training sought by job seekers
- too much training (BSL ERA study, unpublished data).

While the current configuration of the JSA and training provision may be effective for those job seekers who are close to being ‘job ready’ and merely require skills to be updated, the integration of employment assistance and vocational skills is critical to job entry for job seekers with multiple barriers to work. As the OECD’s John Martin has correctly pointed out: ‘A persistent mismatch between skills acquired by individuals and those required by firms to navigate in a globalised and more competitive environment still represents a barriers to employability of certain groups’ (Martin 2008, p. 12). These include Indigenous people, those experiencing homelessness, those with disabilities and ethnic minorities.

Brotherhood service delivery experience indicates that training providers remain isolated and have too little concern for individuals coming from ESPs. Rather they are motivated by organisational training goals or, if linked to an employer, to targeted training goals. ESP provider staff have limited understanding of effective learning pathways that would lead to sustainable employment outcomes, as they are driven by short-term contractual imperatives. Better integration between support, training and real job opportunities is required.

Recent BSL research has shown the diversity of the job seeker population in terms of their learning abilities, soft or foundational skills and vocational backgrounds. Participants in a review of our training delivery supported the provision of personalised and flexible learning by committed teachers (Bowman & Souery 2010).

The development of skills for this cohort requires a different pedagogy based on applied learning techniques to deliver more personalised training matched to capabilities and aspirations. It also requires a flexible suite of learning opportunities—both classroom-based and ‘on the job’. The concept of applied learning goes beyond ‘hands on’ experience, by encompassing contextualised

learning to empower and motivate trainees, while fostering skills and knowledge required for employment and more structured education or vocational training. This is why engagement with disadvantaged job seekers is so important, as it enables a better match of personalised learning to capabilities and individual aspirations.

4. Employment services too complex and fragmented

The Brotherhood welcomed the JSA reform that combined seven programs into a single contract incorporating prevocational and work experience programs. However, we argued for greater consolidation and simplification. In the context of the emerging labour market, there is a solid case for further simplification of the current four streams of assistance into the 'job ready' and 'not job ready'. The job ready will increasingly be able to access self-help services with low-level assistance (job matching and placement) and a level of activation incentives. One option would be to return Stream 1 to Centrelink to reduce the current duplication of assessment and job matching assistance. Consolidation of the other streams in two streams focused on those needing more assistance, including more intensive support, may be more efficient.

For those unable to be assisted into a paid job over 12 months in streamed assistance, an alternative approach should be developed, utilising income support payments and JSA allocations for work experience with local employers or intermediaries (social enterprises). This approach is described in more detail below.

The tendering process for JSA encouraged specialist providers with a focus on particular groups, such as people experiencing homelessness, youth and humanitarian migrants. **BSL supports the principle that specific needs groups require provider staff to have specialist skills and knowledge.** However, it is evident that specialist providers have been struggling in the JSA. The tendering process, contract management and job seeker referral processes have undermined the effective delivery of specialist assistance. Further changes to the JSA contract arrangements and processes are required to ensure specialists are able to focus on their niche markets. If there is value in having, for example, youth specialist providers, there needs to be adequate coverage across all ESAs.

Another adverse consequence of wholesale contracting out of employment services has been the erosion of expertise and case management skills from the system (O'Sullivan et al. 2009; Horn 2010a).

The initial assessment process through Centrelink to classify job seekers into streamed assistance requires review. Efficiency goals in an increasingly depersonalised service model (for example telephone interviews) limit the capacity to engage fully with disadvantaged job seekers. Self-help services are appropriate for Stream 1 job seekers who are job ready and can understand and negotiate income support and employment assistance processes. However, they act against effective outcomes for vulnerable groups by limiting full disclosure of their barriers to employment. Research has also pointed to levels of humiliation and stigma experienced by vulnerable groups in the current arrangements (Murphy et al. forthcoming).

Poor understanding, complexity and lack of choice still characterise the current entry procedures. While undue reliance on satisfaction measures within a mandatory employment service system with little choice is inappropriate, the latest data shows a relatively poor level of satisfaction reported by all streams of job seekers with a range from 49% (Stream 1) to 61% (Stream 3) expressing positive satisfaction (DEEWR 2010c, Table 3.1).

The justification for Stream 1 assistance to job ready unemployed with minimal engagement and support from JSAs and duplication of effort with Centrelink through the entry process appears to be weak. Consideration should be given to reabsorb newly unemployed job seekers who are able to manage 'self-help' into Centrelink from 2012. If they fail to find work through self-help facilities available within Centrelink after a reasonable period, then they would be referred to JSA's for additional job search assistance.

A simplified gateway assessment process that identifies barriers to work and skill needs, with a more responsive review process, is essential to ensure that job seekers obtain the appropriate level of support. This requires a face-to-face interview with those who have barriers to finding work. Initial evidence from the New Zealand Community Link approach and the current Australian derivative (Local Connections to Work) indicates that integration of assessment and engagement leads to improved case plans, motivation of job seekers and efficiency in assistance (Horn 2010b). Simplified pathways for disadvantaged job seekers, with facilitated handover and shared case planning, should be developed based on the findings of the current pilots.

5. Excessive red tape

Despite the consolidation of programs and a range of simplification measures (for example the administration of the EPF), there is solid evidence that the level of red tape has worsened in the JSA. The Nous Group in its appraisal for Jobs Australia has conservatively identified \$130m in wasted effort by providers in the current system (Ashkanasy 2010). Feedback to the Brotherhood from providers indicates that 50% of provider staff time is spent on administrative and compliance tasks. This is valuable time unable to be spent in direct service delivery. JSAs also report high staff turnover (in some cases 80%) and recruitment constraints – especially in regional areas. The Nous Group recommends a shift to a risk based approach to compliance as the employment services system is now a 'mature' business. Further reform is essential to strengthen the focus on service delivery.

6. Insufficient employer focus

A key change in JSA has been the provision of higher payments for provider brokered job outcomes as an incentive for providers to engage with local employers. There is no evidence available publicly on the impact of this initiative. However, the learnings from innovative local approaches that integrate personal support, skills development and paid work through local employers or intermediate social enterprises need to be considered.

ESPs must be encouraged to reach out more assertively in their local jobs market to target job opportunities especially aimed at disadvantaged job seekers. We would argue that there needs to be more systematic encouragement to privilege these groups. While there are already too many categories of outcome payments, one option is to introduce an outcome payment for 52 week job retention for disadvantaged job seekers (Stream 4 and WE).

BSL research with the Melbourne Institute indicates a significant level of job loss and churn of low-skilled workers following employment assistance: in a large-scale study of 1250 former employment assistance clients who had found work, a quarter were out of work within four months (Perkins, Tyrrell & Scutella 2008). There is good evidence for longer term post-placement support for disadvantaged job seekers who take up work to ensure that their participation in the labour market 'sticks'.

Demand side barriers remain a critical challenge to achieving sustainable job outcomes for disadvantaged groups. A stronger focus on addressing employer reticence and discrimination to take on highly disadvantaged job seekers beyond a three-month period requires a more systematic approach to the JSA provision, together with broader policy levers to encourage employee diversity across all categories of businesses. Progressive organisational practices in support of diversity in staffing have been shown to improve business performance. There are thus both economic and moral arguments for strategic policies that support higher rates of employment of disadvantaged job seekers.

7. Underutilised brokerage fund

The JSA introduced a more flexible brokerage fund (EPF) to replace the former Jobseeker Account. The consolidation of PSP and JPET programs into streamed services has enabled disadvantaged clients to access resources to overcome barriers to work. However, BSL is concerned at the low level of expenditure of the EPF funds, reported at only 60%. This under expenditure is an ongoing weakness in the delivery of employment assistance, as the Job Seeker Account under Job Network was under-spent by \$200m (CSS 2008).

Feedback from ESPs indicates that EPF monies are being withheld as part of prudent financial management. Whilst some ESPs favour a more flexible funding arrangement that eliminates the need for a brokerage fund, the Brotherhood strongly supports the retention of a separate fund to focus direct expenditure on human capital development and resolution of broader barriers to participation. This is consistent with a social inclusion approach to economic participation.

More important, it is essential that the underlying drivers leading to underspend of EPF monies are addressed. These drivers include too many providers in some ESAs, insufficient referrals of clients and related contract arrangements that fail to deliver financial security for ESPs. One option is to build greater security through longer term contracts (six years) with a quality improvement strategy to review and lift performance where necessary.

8. A counterproductive compliance system

Significant changes to the previous compliance arrangements were introduced through the Social Security Legislation Amendment (Employment Services Reform) Act 2009 along with the JSA, including the introduction of the ‘no show, no pay’ principle as part of a rebalancing towards re-engagement of job seekers rather than punishment. The main evidence on the impact of these changes comes from the recent Compliance Review (Disney, Buduls & Grant 2010).

We would argue that the compliance data endorses the federal government’s shift in focus.

However, we urge further simplification of the compliance framework to reduce the waste of resources on tasks which do not contribute to effective job seeker outcomes. We also remain concerned that the current provisions still put too much onus on the individual job seeker, rather than take into account the range of external or structural barriers to their active participation. This is evident from the range of research and data on conditionality and compliance.

There is very limited research evidence in support of strongly coercive measures, compared with the larger body of research which raises questions about their value especially in respect of young people, sole parents and highly disadvantaged job seekers (Scarpetta et al. 2010; Cortis & Meagher 2009). A level of conditionality for government income support is largely accepted across the OECD to encourage reasonable job search activities. However, there appears to be no justification

for harsh penalties (that is the eight-week non-payment period) still being imposed on disadvantaged job seekers who often have multiple barriers to participation.

As a greater proportion of job seekers allocated to Streams 3 and 4 move into Work Experience phase, the complex compliance system will become more problematic both in monitoring and enforcement. The rationale for strongly coercive measures is also far weaker, with a stronger argument for integrated models of support with positive incentives for those with multiple barriers to work.

About 74% of all job seekers are active, that is currently required to engage in job search or other activities to become 'work ready' (Disney, Buduls & Grant 2010, Table A1). Based on data for 2009–10 (4th quarter), 109,216 active job seekers (19%) received a Participation Report (PR) (Table A4). The great majority of these reports are for job seekers who fail to attend JSA provider appointments (83%) or to comply with their Employment Pathway Plan (16%) (this includes non-attendance at an activity). Centrelink rejected participation failures in 70% of cases in 2009–10. One-third of the reasons for rejecting participation reports were due to procedural errors, reflecting the complexity of current arrangements. More important, in two-thirds of PRs, the job seeker had a reasonable excuse for not complying with participation:

- medical reasons (39%)
- personal crisis (11%)
- caring responsibilities (8%)
- homelessness (6%)
- transport problems (6%)
- cultural/language barriers (6%)
- participation in another acceptable activity (20%) (Disney, Buduls & Grant 2010, Table A7b).

This data shows the extent to which personal or external barriers prevent full participation in approved activities. It questions the efficacy of the current complex compliance system, since such a high level of inaccuracy places additional burdens on all stakeholders, including job seekers. Moreover, as the jobs market strengthens, a higher proportion of job seekers will be the long-term unemployed who have multiple barriers to work readiness. Over 93% of active job seekers do the right thing and have not had a participation failure imposed on them (Disney, Buduls & Grant 2010, Table A9, data for 4th quarter, 2009–10). Of those who have a participation failure, the great majority are 'connection failures' (79%), for which a reconnecting appointment is made but no financial penalty. Only 15% were 'no show, no pay' failures and 1% were serious failures. An overly rigid, costly and insensitive compliance system is not conducive to engaging and supporting the cohort of highly disadvantaged job seekers into employment.

As BSL has previously shown (BSL 2010), Australia has a long history of placing expectations on citizens to fulfil reasonable obligations to society. **The ongoing challenge is to ensure the appropriate and fair balance between compliance measures and effective support that builds capabilities and participation.**

The intention of the new compliance arrangements has been to encourage engagement with support and active job search. Recent data shows that over one-quarter (26%) of all job seekers are under suspension from active job search (Disney, Buduls & Grant 2010, Table A1). Over half this group

are temporarily exempt or have a reduced work capacity which means ESPs are unable to work with them. While it is reasonable that this group should be exempt from active participation requirements, ESPs should still be able to provide support to these job seekers.

The compliance data supports a case for simplification to reduce red tape and the unnecessary burden on disadvantaged jobseekers who struggle daily with recurring poor health, housing crisis, financial hardship and personal issues. Reform of the current suspension provisions is also required to enable continuity of support from ESPs.

3 Proposals for more effective and efficient employment assistance

The above analysis of current JSA employment assistance and our assessment of the labour market—increasing labour shortages and current workforce underutilisation—provide a strong rationale for additional changes to significantly lift outcomes for highly disadvantaged job seekers and further increase cost savings in the longer term.

Consistent with the Gillard Government’s continuing commitment to social inclusion and skills development, we call for a more collaborative approach between business, government and community sectors that incorporates models of integrated, flexible and individualised assistance such as the ILM model that are shown to be more effective for the emerging labour market.

To reiterate our previous submission in 2008, access to decent work can be a life changing experience for disadvantaged people, improving their well-being, opening up personal choices and creating opportunities for their families and children through better health and education.

We suggest that savings achievable through further simplification and reconfiguration measures may be diverted to partly resource the changes needed to employment assistance in Australia. The implementation of the JSA was designed to achieve a budget saving of \$300m over four years from 2009. Australia under-invests in active labour market programs compared with OECD best practice (Horn 2010a). The softer than expected downturn with unemployment reducing at a faster rate has provided savings to the budget. We urge the government to invest in more effective pathways for highly disadvantaged job seekers who are moving into Work Experience. A cost effective approach would be to utilise income support payments (Newstart/Youth Allowance) to fund an integrated model of assistance with a direct line of sight to sustainable employment.

Our proposals for the next iteration of reform to the current system are outlined below.

Integrated Employment Pathway- a new strategy for highly disadvantaged job seekers

BSL strongly advocates a new strategy that is designed to build on the recent success of innovative integrated models being tested by leading not-for-profit organisations.

As we have set out above, the current approach largely fails highly disadvantaged job seekers – those who are in Stream 4 and who transition into Work Experience. Their prospects of securing a sustainable paid job are very poor.

A higher level of success in employment assistance can be achieved, as a growing body of evidence indicates. BSL research and service innovation shows that a greater investment is needed to enable an integrated package of foundational skills building, vocational training, personal support and paid work linked to a prospective employer, to be delivered over a period of 9 to 12 months. The Brotherhood’s own experience in using social enterprises to offer supportive transitional paid employment (Intermediate Labour Market approach) has shown significantly higher outcomes with a better return on investment in the longer term. Initial cost benefit modelling of the social enterprise model of ILM has shown a \$14 return for every \$1 invested in these programs (Mestan & Scutella 2007). A wide range of effective ILM approaches using social

enterprises are emerging across Australia—for example, Fair Repairs in western Sydney (ABC 2011).

International research endorses integrated models that can achieve better job outcomes for disadvantaged job seekers and provide a platform to sustainable employment (Finn & Simmonds 2003; Lindsay et al 2007; Marshall & Macfarlane 2000).

A US review of 27 work experience program evaluations assessed that 19 programs showed ‘strong impact’: that is, they had a substantial likelihood of yielding a major change in life outcomes for individuals or improvements in community standards of living. The two strongest adult programs as assessed by the review incorporated basic skills training, education, paid and unpaid work lasting from six months to one year. In one of these programs, participants were guaranteed a full-time, subsidised job for up to 12 months. The same researchers’ analysis of youth programs also supports an integrated model (Sattar 2010).

Another substantial analysis of US transitional employment programs aimed at highly disadvantaged groups (long-term unemployed ex-prisoners) points to more effective models to achieve sustainable outcomes (Bloom 2010). Care must be taken in comparing employment outcomes between US and Australian employment programs—not just due to design elements and participant characteristics but also due to open labour market conditions, including unskilled wage rates, conditions of employment and employer discrimination. Nevertheless, Bloom’s analysis shows that between 40 and 50% of program participants found open employment after a spell in transitional paid work, but over the follow-up period a statistically significant improvement in job retention only lasted for about six months. The service models of the evaluated large scale programs did not enable job retention, but did improve social integration in the longer term. In part, this may be accounted for by service delivery elements such as:

- mandatory participation
- poor engagement
- low take-up of transitional employment
- short duration of transitional employment (less than 3 months)
- lack of supportive work based supervision
- absence of accredited training
- poor integration between transitional job and open employment placement provision, and
- lack of post-placement follow-up.

Bloom concluded that subsidised ILM approaches can be configured to provide a valuable pathway for highly disadvantaged job seekers if some of the above factors are addressed. Australian best practice, through small-scale integrated models, has largely addressed the above limitations to achieve higher open employment outcomes with a prospect of better retention rates.

A new key UK evaluation of the Work Experience Program (called Backing Young Britain) that offered relatively short term work placements with support for young long-term job seekers provides important lessons for effective transitional employment pathways (Riley, Deaton & Roberts 2010). It points to the following critical aspects of assistance:

- building soft or foundational skills

- provision of opportunities and insights into job options and career aspirations through ‘tasters’
- building confidence
- short term placements insufficient to embed ‘on the job’ experience
- matching of individual skills/interests to job type
- employer engagement and support

While the intention of both the JSA and DES is to assist highly disadvantaged job seekers into paid work, the core contractual framework assumes a sequential delivery of assistance that job seekers undertake to resolve barriers to work, then complete training and find a job. For disadvantaged job seekers with multiple barriers, some of which may be long-term, permanent or episodic, the current fragmented model is ineffective.

The ongoing limitation of the current universal service model in Australia (JSA) is the lack of integration of the key elements of an effective approach as shown above. There is scope for significant improvement in job outcomes through direct engagement with local employers to match job seekers to work opportunities and with job seekers to ensure vocational training relates to aspirations and builds on existing skills relevant to their employment pathway plan.

How an Integrated Employment Pathway could work

We recommend the development of a complementary integrated pathway (Integrated Employment Pathway) that would offer highly disadvantaged job seekers (Stream 4) an alternative path to the current Work Experience phase.

We propose that job seekers would enter streamed assistance to allow ESPs to offer the standard level of assistance albeit through a simplified number of streams. After 12 months in streamed assistance (Initial Service Period), at the review by Centrelink, the job seeker would be offered an alternative path into IEP as a trainee or employee.

Resources for the new IEP would come from the following sources:

- income support payment savings for individual job seekers who take up traineeships or paid employment at award level
- unspent funds from the resources available to ESPs, including EPF monies, service fees and (unpaid) outcome payments, and
- income to social enterprises from business operations

Within the proposed IEP, we envisage two forms of the approach reflecting the type of employer offering the work opportunity. The two track approach allows for larger employers to take a direct role in matching job seekers to emerging jobs, as well as supporting the role of ILM approaches using social enterprises to offer transitional employment. This flexibility is essential to take into account local labour market conditions in areas of high unemployment.

In the first approach, local employers with job opportunities work with IEP providers to offer paid employment linked to the provision of the integrated package of support. This approach builds on the range of job subsidy programs implemented over the past decade (for example New Workforce Partnerships in Victoria) and other local models that provide an integrated but individualised

package of assistance to a job. The central feature of the approach is the direct relationship with employers with a focus on matching job seeker skills to the job offer and supporting them to ensure the retention and productivity of the job seeker.

The key success factor with this approach is the direct line of sight to a paid job in a supportive environment.

In the second approach, transitional employment is delivered through the Intermediate Labour Market model using social enterprises to provide a 9 to 12-month traineeship. There is sufficient evidence to support a more structured pathway using this model if the enterprise offers work experience and training in a growth industry with solid job prospects. However, social enterprises which aim for a high social return have to bear additional business costs, such as staff turnover (deliberate), increased supervision and quality assurance. These costs need to be offset through a level of subsidy. BSL has led the development with Mission Australia of a DEEWR Innovation Fund project—the Working Futures Initiative—that will add to the local evidence base on the benefits of the ILM approach using social enterprises to deliver traineeships and the level of capacity support required for long-term viability.

The IEP therefore addresses the fundamental weaknesses of the current Stream 4 and WE phases—poor integration and inflexible assistance—with additional investment to offer paid work experience. It is in effect an ‘off benefits’ approach.

We suggest that the IEP be implemented from 2012 across the 20 ESAs with the highest levels of disadvantaged job seekers as a complementary pathway to the existing Work Experience phase. This would yield sufficient scale to compare outcomes across geographies and labour markets with the standard model of JSA delivery. Detailed examination of ESA active job seeker numbers completing Initial Service Periods in Stream 4 would be required to guide the number of participants the IEP. But, taking the example of the Victorian ESA of Calder (15,400 unemployed, September 2010), we estimate an eligible population of 800 active job seekers who have spent 12 months in Stream 4 without a positive outcome. This suggests a population nationally of 16,000 highly disadvantaged job seekers eligible to be offered an IEP place.

In addition, this approach might be targeted at specific groups with multiple barriers to employment, including Indigenous Australians and those experiencing homelessness, thereby overcoming the current concerns with the effectiveness of specialist providers.

We envisage that a submission process similar to that for the DEEWR Innovation Fund or Jobs Fund would be developed to appoint local IEP providers who might be employers or not-for profit organisations. An essential selection criterion would be a contract commitment of collaboration between local employer and support provider to ensure delivery of the integrated package, including traineeships or employment opportunities.

The core elements of the IEP would comprise:

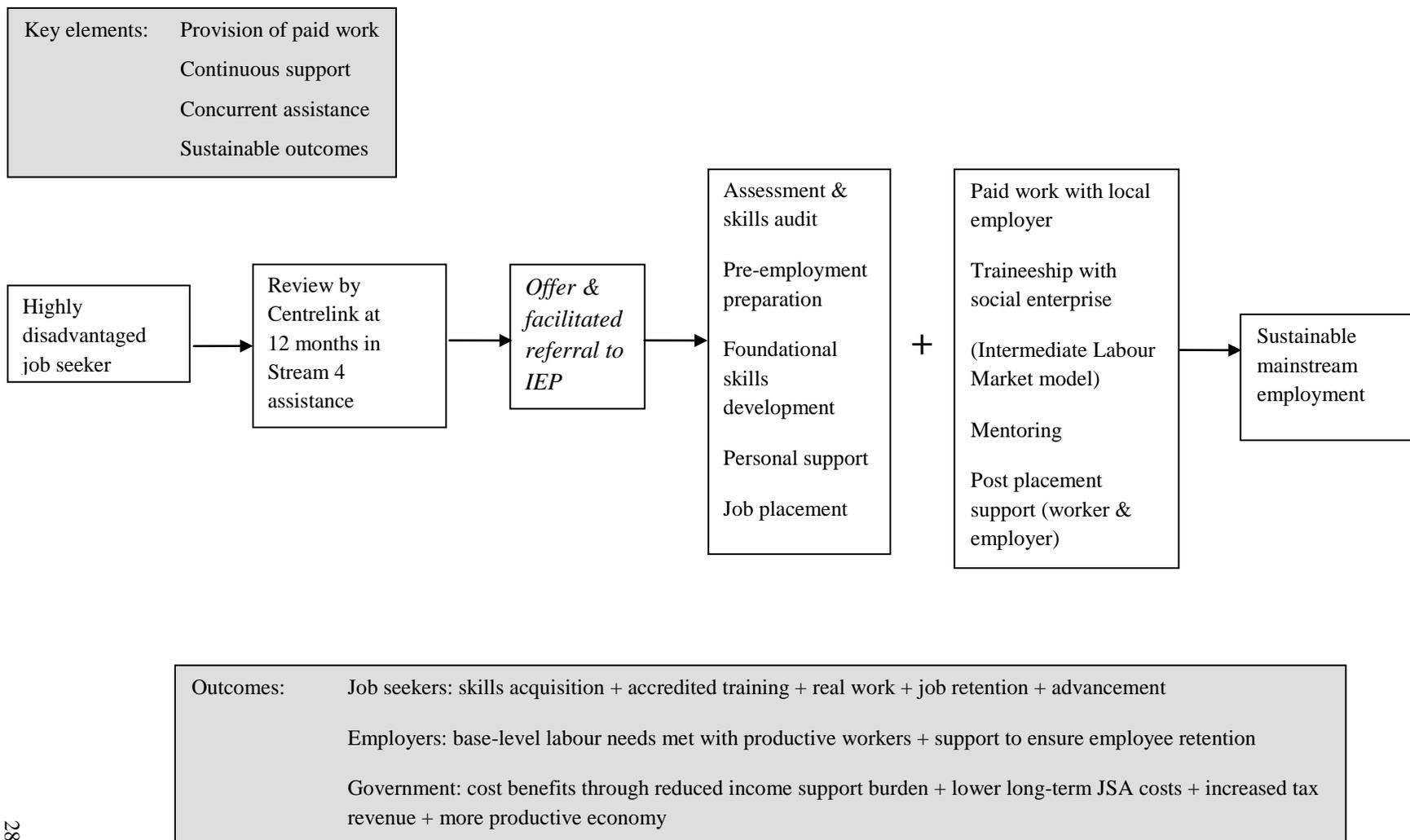
- review by Centrelink of job seeker at completion of Initial Service Period
- offer made to job seeker with facilitated referral to selected local IEP provider
- assessment of barriers and needs, including skills audit, completed by IEP provider
- agreed Individual Pathway Plan, including paid work experience and training components
- specialist local knowledge of local jobs market to guarantee job opportunities

- health, housing or personal barriers addressed through case management support
- continuity of a primary caseworker (optimum 1:25 caseload)
- strong emphasis on individual work preferences and capabilities
- accredited training relevant to capabilities and aspirations using applied learning techniques
- mentoring and post-placement support for job seeker *and* employer

A schematic representation of an integrated intensive support model is shown in Figure 1 (next page).

A robust evaluation of the IEP will need to be resourced, with input from key stakeholders using quasi-experimental methods. The evidence should be used to inform further reforms to the employment assistance system from 2015.

Figure 1 A conceptual model for a the Integrated Employment Pathway (IEP) for highly disadvantaged job seekers



Further simplification of the JSA

As our assessment has indicated, there is scope to further simplify the JSA model that brings it into line with the emerging labour market. The savings from these changes should be redistributed to resource more effective approaches aimed at highly disadvantaged job seekers.

A number of approaches to simplify the JSA should be considered for implementation in 2012:

- (1) Consolidation of the current four streams of job seekers into three groups:
 - Stream 1 (work ready)
 - Disadvantaged stream (short-term assistance to address minimal barriers to work)
 - Highly disadvantaged stream (intensive support for those with multiple barriers to work)

Work ready job seekers will increasingly be accessing 'self-help' facilities and require low levels of job search assistance. There is a solid case for reabsorbing the provision of initial job search help for Stream 1 into the gateway public provider, Centrelink. There are cost efficiencies in this reform, as it would reduce current duplication of assessment and engagement by both Centrelink and JSA providers with little real benefit.

We recommend consideration of the further consolidation of the current four streams into three streams of job seekers.

- (2) Simplification of assessment procedures:

Under the JSA reforms, relatively minor changes were made to the 'looking for work' and job capacity assessment procedures (JSCI and JCA) despite their limitations under the Job Network. Full and accurate assessment of job seeker capabilities, skills, experience and barriers to work is the critical first stage in delivering effective and efficient employment services. Despite claims about the accuracy of current assessment procedures, 'on the ground' experience indicates ongoing shortcomings that impact in particular on disadvantaged and vulnerable job seekers. These include the inaccuracy of basic information, poor engagement with job seekers to elicit disclosure of barriers (such as homelessness, substance abuse or family conflict), lack of a skills audit and inefficient review mechanisms. In part, the assessment system is not sufficiently flexible to adjust service delivery to take into account the dynamic nature of some of these barriers over time. This is evident from the high rate of rejections of PRs due to justifiable reasons related to health or other personal or environmental factors (Disney, Buduls & Grant 2010).

In addition to the above core assessment processes, there is increasing use of a vulnerability indicator by Centrelink to flag particular barriers and issues faced by job seekers. More than one in five clients (163,000) now have a vulnerability indicator. This appears to be a duplicative process for identifying job seekers with specific personal issues for Centrelink, DEEWR and ESPs. The highest proportion relate to recent psychiatric problems or mental illness (45%) (Disney, Buduls and Grant 2010).

BSL recommends a review of the assessment process as part of the consolidation of current streams to simplify and improve assessment and engagement with disadvantaged job seekers.

Evidence from the Local Connection to Work initiatives led by Centrelink, based on the New Zealand Community Link approach, shows the potential benefit of coordinated engagement and assessment leading to better case plans and stronger commitment by job seekers (Horn 2010b).

A simplified screening assessment into a job ready 'self-help' group (Stream 1) and those with one or more significant barriers (other streams) should lead to a new engagement approach based on the findings from the above pilot. Shared case planning with ESPs and facilitated hand-over to other non-vocational service providers with regular review of circumstances should be central elements of service delivery for highly disadvantaged job seekers.

We recommend the further development of shared case planning within Centrelink for highly disadvantaged job seekers.

- (3) Improving JSA efficiency:

BSL recommends a contract review to be undertaken to consider changes to administrative and compliance requirements to substantially reduce the cost burden on ESPs, Centrelink and DEEWR and enable a focus of resources on direct assistance to job seekers.

- (4) Ensuring full utilisation of EPF funds:

BSL recommends that the underlying drivers leading to under-expenditure of EPF monies are addressed, in particular by approaches that give greater financial security to ESPs. One option is to build greater security through longer term contracts (six years) with a quality improvement strategy to review and lift performance where necessary.

- (5) Strengthening engagement and participation:

BSL recommends reducing compliance requirements imposed on highly disadvantaged job seekers, including those assessed by Centrelink as 'vulnerable', as part of an integrated approach to employment assistance for this cohort of job seekers.

This should include reform of the current suspension provisions to enable continuity of support from ESPs, while job seekers are exempt from active participation requirements.

A better balance of compliance measures should accompany a more coherent set of policy levers to build motivation, create positive incentives to take up paid work and support employer retention of entry level workers.

(6) More responsive vocational training:

BSL recommends changes to JSA delivery to ensure that disadvantaged job seekers are able to access and complete vocational training tailored to their individual needs and learning capabilities. This requires a stronger focus on individual skills audits and vocational guidance to match job seekers to training linked to paid work. Employment assistance including personal support, pre-vocational skills development and job placement should be better integrated with vocational training.

The development of skills for this cohort requires a different pedagogy based on applied learning techniques to deliver more personalised training, matched to capabilities and aspirations. It also requires a flexible suite of learning opportunities, both classroom-based and 'on the job', developed through close collaboration between registered training organisations and employment service providers. The BSL's proposed IEP (see above) would enable a fully integrated approach to skills development (foundational and vocational) and work experience. However, training courses must be reconfigured to suit highly disadvantaged job seekers.

BSL recommends further reform to vocational training to ensure flexible and personalised course delivery matched to the learning capacities for disadvantaged job seekers.

Broader social policy reforms to support work opportunities and make work pay

As pointed out in our appraisal of the current JSA, demand-side barriers remain a critical challenge to achieving sustainable job outcomes for many disadvantaged job seekers, especially those with disabilities, Indigenous Australians, those experiencing homelessness and those from non-English speaking backgrounds.

African Australian clients at our Centre for Work and Learning Yarra frequently relate bad experiences of employer reticence and discrimination despite having the skills to take up the job. Reliance on supply-side solutions through the JSA will be insufficient. A stronger set of policy levers are required to support business diversity and prevent discrimination to ensure disadvantaged job seekers have a fair chance to obtain work.

We recommend the development of a proactive policy initiative to strengthen the adoption of measures to strengthen employee diversity in all workplaces and encourage employer take-up of diversity groups.

Recent Brotherhood research and submissions to the Henry taxation review have drawn attention to the current range of disincentives faced by many job seekers to taking up paid work and increasing their hours to support advancement (BSL 2008b; Bodsworth 2009; Bowman & Lawlor 2010).

Disincentives may include increased tax, reduced income support, loss of concessions, increased housing rent for those in public housing.

Active labour market policy and program design is critical to achieving a close match of labour demand and supply both over the life course and across economic cycles. Best practice in the OECD supports the need for a dynamic balancing of the three key components of labour market policy comprising:

- a flexible labour market with employers encouraged to invest in up-skilling and labour retention
- a generous benefit system for the newly unemployed to enable social and economic participation
- active labour market policies to motivate and reskill workers and support pathways into work (Horn 2010a).

Australia will continue to have a dynamic and flexible economy. The Prime Minister last year drew attention to the mismatch between demand and supply of labour, expressing her concern that Australia is having ‘a patchwork recovery where localised unemployment at higher than the national average remains’ (Gillard 2010, p. 4). Entry-level jobs for disadvantaged job seekers are more likely to be casual, short-term or seasonal (DEEWR 2010c). The precariousness of paid work necessitates the development of better coordinated policy levers to maximise job seeker chances to retain their jobs. For disadvantaged job seekers, in particular, a minimum of one year is required to strengthen the probability that participation in paid work will continue.

We recommend that a review of relevant policies across jurisdictions and portfolios be undertaken to develop a coherent policy setting that makes work pay for the unemployed.

Specifically, BSL calls on the federal government to develop a set of tax and transfer measures that encourage and support workforce participation and job retention.

This should include:

- elimination of high effective marginal tax rates on earned income
- a working credit measure for at least six months after job entry
- a rental moratorium for at least one year for public housing tenants who take up paid work
- income averaging over a six-month period to assess income support entitlements
- retention of concession entitlements including the Health Care Card for one year after job entry.

The federal government is planning to hold its tax summit mid-year. While the terms of reference for the summit have yet to be announced, BSL urges the inclusion of a specific brief to develop reforms to deliver a more equitable tax and transfer system that provides an adequate safety net to enable social participation and, equally important, includes policy levers essential to encourage workforce participation.

Social procurement policies have been shown to be effective in supporting the provision of jobs aimed at disadvantaged or entry level workers both through social enterprises and profit making businesses. In effect they give some privilege to those job seekers who are less competitive in the open labour market and in local areas where there is a scarcity of entry-level or low-skilled work or employer reticence to take on such job seekers. Increased interest in social procurement strategies is occurring in Australia. Governments should build on this platform to further develop effective approaches to procurement through contracting arrangements, guidelines and education initiatives.

BSL recommends that the federal government develop a comprehensive social procurement strategy that encourages government contractors to create procurement opportunities to support the employment of disadvantaged job seekers.

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