



Brotherhood
of St Laurence

Working for an Australia free of poverty

*Sustainable outcomes
for
disadvantaged job seekers*

Submission to the Australian Government on the
Future of Employment Assistance

Brotherhood of St Laurence

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Summary

The Brotherhood of St Laurence has a long history of service delivery relevant to employment assistance as a not-for-profit provider, both prior and subsequent to the reforms implemented by the former Howard Government. 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.

Our experience from direct service delivery, our recent innovations and our research show that the current employment assistance system is failing disadvantaged and marginalised Australians who seek a better life. Australia's strong economy has absorbed those unemployed who require only minimal help to become work ready and obtain jobs. Yet we still have over one million unemployed and underemployed people, with an *underutilisation* rate of about 11 per cent and substantially higher levels in regional and local areas.

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 Government's commitment to prioritise social inclusion and skills development. **We believe this offers a vital opportunity to complement much needed reform of mainstream employment assistance with targeted approaches to resolve structural barriers to employment and support job opportunities through infrastructure and capacity building at regional or neighbourhood levels.**

Our experience shows that the human capital development approach will not, by itself, engage disadvantaged communities and individuals. A closer alignment of employment assistance and skills building with community strengthening and neighbourhood renewal strategies is required.

We suggest that the federal government collaborates with states and territories to develop regional Employment Boards in areas facing significant disadvantage as an integral component of a Social Inclusion Framework. These boards would include government, business and community sector representatives to collaborate on agreed local priorities. The resources currently spent on the Area Consultative Committees could be redirected to this approach.

The Brotherhood believes that access to meaningful 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 outcomes.

We urge *redirection* of resources through service system reform to bring Australia's commitments up to international best practice. Investment to maximise social and economic participation will pay long-term dividends by way of a more inclusive and productive society.

We suggest that substantial savings, achievable through simplification and reconfiguration, may be diverted to implement the fundamental reforms needed to refocus and energise employment assistance in Australia for the next decade.

The Job Network and associated employment assistance programs require fundamental reform in order to become more responsive and effective for today's labour market, which will be characterised by skills shortages and highly disadvantaged job seekers. Under current arrangements:

- Service providers have become burdened with ever-increasing regulation and contractual obligations.
- Disadvantaged and marginalised job seekers have become overwhelmed with compliance obligations and penalties.
- Clients with greatest need do not receive higher levels of resources.
- The service system has become increasingly fragmented, complex and inefficient.
- The complex payments structure has led to skewed incentives and perverse outcomes.
- The competitive quasi-market model has limited collaboration and partnership, stifling innovation.

We urge the new Government to seize the opportunity to reform the system based on the key principles outlined in the box on the next page:

Principles for reform of the employment assistance system

1. Simplification:

- Merge the array of pre-employment, mutual obligation and specialist support programs into an intensive support program targeting disadvantaged job seekers with significant barriers
- Replace the transaction-based performance framework with a simplified approach that ensures minimum quality standards and sustainable outcomes
- Reduce the burden of regulation and contractual obligations on providers
- Review current assessment processes to ensure full disclosure and update of job seeker barriers, including an increased focus on skills gaps

2. Balance of investment:

- Reallocate the substantial expenditure by all stakeholders on program management, administration and reporting to direct service delivery
- Increase the proportion of resources to invest in those most distant from sustainable employment
- Increase the proportion of payments allocated to providers for service provision as investment in jobseeker skills and capabilities

3. Sustainable outcomes:

- Reconfigure program design, payments system and performance framework to focus on sustainable outcomes for disadvantaged job seekers acknowledging the importance of post-placement support
- Ensure the right balance of incentives, for providers and clients, to encourage job retention and advancement for newly employed disadvantaged job seekers
- Increase the system's capacity to collaborate with employers to ensure matching of labour to emerging job opportunities and industry needs
- Revise the active participation obligations and associated penalties on disadvantaged job seekers so as to encourage reengagement and participation, rather than exclusion

4. Collaboration and choice:

- Increase the level of choice for job seekers through multiple entry points, flexible referral and easy access to services without waiting periods
- Resource intensive support providers to implement shared case management models such as Individualised Placement and Support (IPS) that integrate employment assistance and mental health support
- Stimulate best practice and increased performance through collaboration and support initiatives
- Support access to program data, collaborative research and evaluation

The new employment assistance system must build on both Australian and overseas evidence of what works best, with a far greater emphasis on investment in the capabilities of disadvantaged job seekers.

We therefore call for a collaborative approach between business, government and community sector that incorporates models of integrated, flexible and individualised assistance.

In addition to the reforms needed to ensure a more effective and equitable system for the next decade, we urge the new government to immediately establish the following approaches:

Specific reform initiatives

1. Regional Employment Boards: develop regional employment boards in areas facing significant disadvantage and unemployment as an integral component of a social inclusion framework.
2. Intermediate Labour Market (ILM) model: develop this approach in up to 10 locations with high levels of worklessness as an approved pathway for disadvantaged job seekers to the labour market through sustained investment in skills and work experience.
3. Integrated ILM for people experiencing homelessness: establish up to 10 integrated models that provide stable housing (foyer model) with the ILM approach to employment assistance in areas of high youth homelessness.
4. Individualised Placement and Support (IPS) casework model: trial this approach in 3 PSP service sites to integrate employment assistance and specialist health support as proposed by the Brotherhood.
5. Given the Chance (GtC) employment pathway program: support the further development of effective models of specialised assistance to refugee and humanitarian entrant job seekers which utilise mentors and targeted work placements with employers.

I 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 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 the Job Placement Employment and Training (JPET) program in the mid 1990s, 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 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
- *YP^d* 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).

Parallel to our progressive approach to assistance that maximises social and economic participation, the Brotherhood has a substantial record in research, evaluation and policy analysis leading to advocacy for reforms to ensure a more effective and efficient employment assistance system for disadvantaged job seekers, for example the recent evaluation of the PSP which has led to a collaborative proposal to develop the Individualised Placement and Support model.

2 Rationale for reform

2.1 Changing economy and employment market

The strength of the economy over the past 15 years has gradually absorbed those unemployed people with prior work experience and reasonably competitive skills. Despite economists assuming that 5% unemployment would be as close as we could get to full employment, the overall unemployment rate has fallen to 4.2% (ABS 2007a).

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). This decline has had a notable impact on the flow of clients to the Job Network.

Equally important, an equivalent number of *underemployed* workers (544,000 in September 2006) are seeking more work, while another 93,000 people are discouraged job seekers who are marginally attached to the workforce (ABS 2007b).

There are therefore over 1 million Australians of working age who are either unemployed or are seeking more work. The *underutilisation* rate is about 10.5 per cent—double the official unemployment rate in any given month. Further, the *underemployment* rate has remained at about 5% throughout the period of sustained economic growth (ABS 2007c).

These figures provide a valuable insight into the untapped potential to improve our economic productivity if policy reforms are better targeted to build on worker aspirations to obtain work or to increase their hours through skills development, employer incentives, removal of employee disincentives and barriers.

Understandably, government and business groups have become increasingly concerned about growing labour shortages resulting from the economic boom and longer term demographic change. This has led to calls for targeted approaches that will increase the job readiness and skills of the pool of unemployed, thereby increasing the aggregate workforce participation rate (BCA 2007; COAG 2006).

In June 2007, over 760,000 income support beneficiaries were being assisted by the Job Network. Over half (51%) had been on benefits for over 12 months and 22% unemployed for over 3 years (DEWR 2007a). Despite the drop in the proportion of long-term unemployed among all unemployed (as measured by the ABS), we could and should be more focused on improving outcomes for those with significant or multiple barriers to employment.

There are clearly still a substantial number of long-term unemployed with little or no work experience or vocational skills who require more intensive assistance to achieve a successful pathway to meaningful and sustainable work.

These levels of unemployment, underemployment and disengagement from the labour market, especially in regional and local areas, show the urgent need for human capital development approaches that better integrate social and economic policy settings to maximise the participation of disadvantaged Australians in work.

The Howard Government had claimed that the Welfare to Work reforms were effective based on the evidence of declining aggregate unemployment rates. However, it may be argued that global economic change, in particular growth of the Chinese and Indian economies, has increased demand for Australian mineral resources and primary produce fuelling economic growth. The fundamental changes to our labour market, with increased reliance on service industries and a growing

knowledge based economy, require far higher qualifications and technical skills. Those job seekers with poor education, low competencies and minimal work experience rely on low-skilled entry-level job opportunities (Ziguras 2004; Jordan and Horn 2007). Demand for low-skilled labour has declined both in Australia and overseas. This is evident from the data that shows that nearly three-quarters of new jobs in the period 1990–2003 were taken up by university graduates. Only one in eight of the jobs went to job seekers without post-school qualifications (Kelly et al. 2005).

Despite this trend, there has been significant jobs growth for those with trade or comparable qualifications and those without post-school qualifications over this period of over 400,000 persons (Kelly et al. 2005). The report authors from NATSEM concluded:

Those with no post school qualifications have fared relatively poorly in the jobs race over the past decade or two. So the key for surviving in the changing Australian labour force from an individual's perspective is education. (Kelly et al. 2005, p.25)

This analysis sits in stark contrast to more recent extreme calls by the Centre for Independent Studies for policy reforms that increase demand for unskilled labour through wage reductions. Saunders (2007) stated late last year that:

Persistent calls for more education and training ignore the distribution of intelligence in the population. The employment prospects of those in the bottom quartile of the IQ distribution will not be helped by more spending on education and vocational training courses from which they are unlikely to benefit. (Saunders 2007, p.1)

To inform policy reform for the coming decade we need a well-considered understanding of the characteristics and experiences of the different categories of job seekers reliant on income payments. For example, women entering or rejoining the workforce after raising their children may have successfully completed schooling but lack work experience or vocational skills that make them competitive in their local labour market. Equally, it is grossly untenable to assume that all those with disabilities seeking work have a low IQ and would not benefit from training and skills development leading to work opportunities.

It is clear that those with poor education, low skills and minimal work experience are over-represented in the ranks of the unemployed. Data from current government programs shows this correlation. For example over half (55%) of WfD participants (93,000 commencements annually) have been on income support for over 2 years, with over one in five commencements having less than Year 10 education. In the case of PSP, nearly one third of participants have less than Year 10 education (DEWR 2007b).

However, the key point is that poor educational outcomes (contributing to low vocational skills and employability) are not solely caused by low IQ. The majority of disadvantaged job seekers face multiple barriers to obtaining work that are unrelated to IQ. Long-running factors such as family conflict and breakdown, homelessness, poor health and other personal barriers have often prevented them from completing school or training.

Of particular importance is the high level of mental health problems amongst the unemployed. Butterworth (2003) found that 57% of long-term welfare recipients reported depression, about 15% suffered from post-traumatic stress disorder, and that among the unemployed generally 34% were suffering from an anxiety, depressive or substance use disorder. Amongst participants in the Personal Support Programme, Perkins (2007a) found that 78% suffered from depression, anxiety or a personality disorder.

Research surveys of clients of community support services have repeatedly shown significant comorbidity, with around half being early school leavers with no formal qualifications (for example Horn 1998; Horn and Jordan 2006, Perkins 2007a). An evaluation of the national Reconnect

program found that a third of young people assisted by services had been suspended from school and 'in 9% of cases young people had been expelled from one or more schools' (RPR 2003, p.41). While aggregate school retention and completion rates are steadily improving through the setting of targets (such as Victoria's 90% year 12 completion target), there is ample scope and an increasing imperative to implement further reforms in compulsory and post-compulsory learning. And finally the research clearly shows the broader benefits to the economy, in terms of increases in GDP, for each extra year of schooling (for example see OECD 2005a; Dowrick 2002).

To be effective, however, the Brotherhood argues that further investment in education and skills building must take into account the social context that influences attendance and commitment to learning for those from disadvantaged backgrounds. This requires better integrated and more flexible models of learning linked with appropriate levels of community support services to ensure engagement and completion.

We believe that with the right training, work preparation and personal support, the majority of disadvantaged job seekers can take up jobs in the emerging labour market.

Australia has lagged behind global best practice in investment in people and communities over the past decade as evidenced by OECD data across education, skills building and active labour market programs.

Comparison with OECD countries shows that Australia sits in the middle in terms of expenditure on educational institutions (5.9% of GDP, 2005 data) and is below OECD average for student enrolment levels across all levels of education (OECD 2007a).

Australia ranks 10th from the bottom among 28 OECD countries in expenditure on programs that assist people who are not job-ready with vocational training, work incentives, supported employment, rehabilitation and direct job creation. Specifically, Australia spends only 0.04% of GDP on vocational training, compared with Denmark which spends 13 times more and New Zealand which spends 4 times more (OECD 2007b).

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 is imperative that we invest more in human capital to ensure a fully engaged and productive workforce. Investment is needed through the life course, from the early years through to retirement, to ensure that skills are kept up to date and, in times of economic downturn, those marginally attached to work can compete for the available jobs.

Investment in education and training is inflation-neutral. More importantly, there is a substantial efficiency dividend in better matching underutilised labour to skills demanded in the emerging labour market as well as through increasing the participation rate.

Evidence suggests that the incentive system within the current Job Network, with its larger weighting on 13-week job outcomes, results in pressure on staff to focus on placing people in poor-quality and shorter term employment, resulting in many job seekers cycling between short-term jobs and unemployment benefits (Murray 2006; Jobs Australia and BSL 2005).

The level of post-placement support provided is generally low and typically comprises basic strategies such as follow-up phone calls and re-placement when a job is lost (NESA 2007). Some providers view post-placement support as mostly an administrative and tracking function rather than a service to clients. While these approaches are likely to be sufficient for job seekers with higher levels of employability, they are unlikely to meet the needs of disadvantaged job seekers or their employers.

Particular groups requiring higher levels of assistance include people who are long and very long-term unemployed, people with disabilities, lone parents, refugee and humanitarian entrants, indigenous Australians and young job seekers (NESA 2007). Such job seekers attribute failure to sustain employment to factors including interpersonal conflict in the workplace, health and personal issues, transport problems, difficulties performing the job, disliking the job and adjusting to the routine of work (Ward 2007).

Employment advancement is not recognised as goal of the Job Network at all and is not rewarded through the incentive system unless a job seeker can increase their pay or hours sufficiently to move off benefits completely and achieve a full rather than intermediate outcome payment. No research has specifically examined case manager practices in promoting advancement once people are placed in employment but it would be safe to assume that the focus on this is minimal.

2.2 Inadequate outcomes for disadvantaged job seekers

While the Job Network has played a significant part in assisting those who are job-ready to re-enter the workforce, albeit in a period of sustained economic growth, it is our contention that it is now poorly configured to achieve optimal sustainable outcomes for the more disadvantaged and vulnerable job seekers considered within an approach better focused on capacity building and social integration in the longer term.

In part this is because of too narrow a definition of outcomes focused on performance measures for contracted employment assistance providers such as the 13-week job outcome. Underpinning this approach has been the desire to reduce the assumed high dependency of the unemployed on income support payments through a range of active participation measures, which increase the compulsion to engage in prescribed activities. Individuals can choose either to complete the activities according to the prescription or to go off benefits. Increasing the employability of beneficiaries through Job Network assistance clearly results in increased exit from income support in the short term. It is unclear to what extent the Howard Government's mix of active participation requirements and severe penalties for non-compliance has contributed to individuals opting to go off benefits.

We consider that this narrow definition of outcomes based on unsubstantiated assumptions about dependency and lack of motivation is flawed as it fails to understand the circumstances and barriers faced by disadvantaged job seekers and the need for investment and incentives that build pathways and capacities to social integration.

The current policy position has contributed to increasing confusion and tension felt by providers as specialist programs such as PSP, DEN and JPET have increasingly been constrained to focus on short-term job outcomes that compromises critical social benefits that contribute to sustainable outcomes.

Analysis of measured outcomes for the various categories of disadvantaged job seekers has been hampered by the lack of access to program data, partly because of the competitive privatised environment (see further comment in section 3.10). . The regularity of changes to contractual and administrative arrangements and program parameters to both the Job Network and related specialist programs also placed limitations on making definitive or comparative assessments of the outcomes achieved by the employment assistance system.

A recent review of government department evaluations of the Job Network has pointed to both the methodological limitations in measuring program impacts (in terms of employment and off-benefit outcomes) and the difficulties in comparing net impacts with prior assistance approaches such as Working Nation (Thomas 2007).

Aggregate analysis by DEWR of selected performance indicators has indicated that the Job Network achieves comparable outcomes to previous forms of assistance (for example under

Working Nation), that it has improved its performance over time, and that these results have been achieved at lower unit cost per job outcome (Thomas 2007). These findings contrast, however, with the range of targeted evaluations or reviews that have highlighted the substantial weaknesses and anomalies within the overall employment assistance system.

The employment outcomes (3 months post-exit) achieved by selected programs of the current system are summarised in Table 1. Focusing on those job seekers with significant barriers to employment, the performance measured by placement in full time work, for example, is relatively poor: 18% of Intensive Support customised assistance 1 (ISca1) clients in the Job Network and 12% for ISca 2 clients. Less than half of all Job Network ISca participants achieve an employment outcome, including part-time work.

Whilst the primary objective of WfD is to ‘develop the work habits of participants’, only 13% achieve full-time employment, while 59% remain unemployed and 10% drop out of the labour force altogether (DEWR 2007b). The Personal Support Programme (PSP) was created as a pre-employment program for those not ready to engage in Job Network assistance: only 6% of participants achieve full time employment.

Table 1: Labour market assistance outcomes*, 12 months to March 2007

Labour market program	Employed full time %	Employed part-time %	Unemployed %	Education and training %	Job seeker exits
ISca 1	18.4	28.0	39.6	13.3	186,436
ISca 2	11.9	28.8	48.8	11.5	81,652
WfD	13.5	17.2	59.2	10.8	95,368
PSP	6.3	10.7	39.4	7.3	28,150

* Outcomes are measured 3 months after exit from program.

Source: DEWR 2007b: Tables 1.1 & 1.2

Taking into account the attachment effects in measuring net outcomes, DEWR has calculated a 10-point *aggregate* net impact for customised assistance participants in the Job Network and 7-point net impact for WfD participants, claiming these to be ‘effective forms of assistance with significant impacts from commencement in the programme’ (DEWR 2006, p.3). The measurement of net impacts of the current system is problematic because of the fragmented program mix and performance framework. The sequential nature of assistance renders it difficult to assess the real effectiveness of the overall system, as we cannot account for multiple spells recycling through the various levels of assistance over time, often interspersed with periods of medical incapacity or short-term/casual work.

It is of concern that effectiveness measurement to date has relied on a narrow construction of positive outcomes, especially in relation to vulnerable and marginalised unemployed persons. A successful pathway to *sustainable* employment requires a range of social and work-focused gains to be accrued for this category. A narrow focus on a 3-month job outcome ignores the prospect of a return to income support when the job ends. The underlying aim to reduce the number of income support recipients (‘off-benefit outcomes’) through robust active participation requirements and penalties, on the assumption of significant levels of working, can produce a perverse outcome in the increasing disengagement and marginalisation of vulnerable unemployed people.

In the absence of more detailed longitudinal data analysis for disadvantaged job seekers, tracing their spells through the range of sequential assistance in the current system, we can still point to relatively poor outcomes for this category from community based research.

Melbourne Citymission carried out 2 surveys of their clients in 2005 and 2007 who were unemployed, were looking for work and had utilised the employment assistance system. Both samples could be described as having considerable barriers to employment. The findings indicated significant levels of dissatisfaction with the Job Network for those receiving assistance: 56% in the 2005 survey and 32% in 2007 found their Job Network provider to be unhelpful or very unhelpful (Horn and Jordan 2006; Jordan and Horn 2007). More worrying, considering the 2007 sample's marginalised backgrounds, was the finding that over half the job seekers had not participated in any employment or training programs in the previous two years. The authors concluded that:

Despite the range of reforms to the Job Network since its inception, this finding clearly indicates that some high need job seekers are missing out on vocational training and skills development. (Jordan and Horn 2007, p.41)

Whilst care must be taken in drawing strong conclusions from small-scale, local studies, this evidence supports other findings about the poor responsiveness of the current assistance system to the needs and circumstances of the more marginalised and vulnerable unemployed. This has been due in part to the perverse incentives built into the funding structure that discourages timely and effective investment in 'difficult-to-place' clients in Customised Assistance (see Thomas 2007). It is also related to the proportionately reduced investment in this category of job seekers over the period.

Using a more holistic definition of sustainable outcomes built on a human capital development approach, analysis of the broader social impacts of the current approach indicates its failure to strengthen social inclusion and build pathways to economic participation in the longer term. This failing can be exemplified through evidence on both the level of breaching penalties imposed on those unable to meet the active participation requirements and the impact of these penalties on individuals and households (see 2.3 below).

2.3 Inappropriate obligations placed on disadvantaged job seekers

There is general acceptance of the concept of mutual obligation between individuals and society, in that those in receipt of income support payments should be expected to actively seek to resolve their barriers to work, participate in training activities and look for work or contribute to the community in other ways. However, there is little evidence to support the extent of current requirements placed on disadvantaged job seekers nor the harsh penalties imposed on individuals and families for breaches.

The recent Melbourne Citymission survey of its client group, who represent a sample of marginalised and vulnerable job seekers mainly using the Job Network, PSP and JPET, found that:

Over half of all participants had at some stage been breached or had their payments suspended by Centrelink. Of those currently living in insecure housing, 72% had experienced a suspension or breach at some stage. As a result of their breach or suspension, almost half of respondents were unable to pay for necessities such as food and a quarter were unable to pay for accommodation. (Horn and Jordan 2006, p. 42)

The survey also found that 13% reported resorting to illegal activities such as petty theft and fare evasion, because of reduced income support payments.

The Howard Government's overly rigorous and punitive approach has been shown to have perverse impacts on those most in need of meaningful engagement and support (ACOSS 2000; Parkinson and Horn 2002; Pearce et al. 2002; Eardley et al. 2005).

Following the weight of evidence of the unfairness and inappropriateness of the former breaching regime, the most recent 'welfare to work' reforms (July 2006) softened key aspects of the

provisions by creating two categories of non-compliance: ‘serious’ failures or ‘participation’ failures. In the latter case, a less critical non-compliance would not incur loss of income as long as the job seeker re-engaged as directed by Centrelink. Three participation failures in 12 months incur an eight-week withdrawal of benefits, as does any ‘serious’ failure.

In the first year to June 2007 under these new arrangements, a total of 15,109 people had their payments stopped for eight weeks (Peatling 2008). The number of participation failures has increased significantly as the new welfare-to-work compliance framework has been invoked—a 21% increase between September and December quarters in 2006—with the main reason for failure reported as not attending appointments with service providers (DEWR 2007c). It is unclear how this approach serves to engage job seekers in meaningful activities leading to participation and social inclusion.

In this period of increasing labour shortages, approaches that rely on coercion and compulsion do little to build individual capabilities and skills leading to economic participation and a more productive economy.

The focus on strong activation requirements has been predicated on the underlying assumption that most unemployed people are reluctant to engage in genuine activities that will lead to work and going off benefits. However, there is strong evidence from Australia and overseas that unemployed people, even when facing severe and multiple barriers, have a strong desire to re-enter the workforce but are prevented by lack of appropriate support (Horn 2006; Perkins 2007b). In addition to the lack of hard evidence for the opposite view, especially in respect of highly disadvantaged job seekers, the present system ignores other disincentives that contribute to decisions not to take up work opportunities. These include financial disincentives (marginal tax rates and loss of entitlements), discrimination by employers, lack of transport and childcare (access or costs).

Overseas evidence indicates that a more balanced or mixed approach works best. It is acknowledged that newly unemployed people and those who are job-ready should be encouraged to rejoin the workforce as quickly as possible to avoid loss of skills and minimise risk of dependency on income support. Rapid movement back into the workforce is also important for vulnerable and marginalised job seekers, but the focus should be on positive incentives and meaningful support, with a line of sight to a sustainable employment outcome. A minimum level of activity obligations and associated penalties should be sufficient to encourage re-engagement and participation.

2.4 Increasingly complex and fragmented employment assistance system

The evolution of the current employment assistance system, including Centrelink’s role, the Job Network and specialist assistance programs, has been punctuated by frequent contractual and administrative changes to maintain the viability of the partially privatised model, eliminate or nullify the emergent weaknesses (including perverse payments structure) and respond to impact of the changing labour market on the flow of unemployed into the Job Network.

The changes introduced through the three contracts and through legislative reforms cannot be seen as minor adjustments to ensure the right balance of incentives on providers and job seekers to maximise employment outcomes. Rather they may be characterised as radical shifts to operational and administrative elements of the system, including for example:

- redefinition and administration of the assessment and referral processes (JSCI and JCA) that lowered the proportion of highly disadvantaged clients in the system
- introduction of tied budget allocations to stimulate investment in training and other assistance (Job Seeker Account)

- iterative strengthening of mutual obligation requirements, including the Active Participation introduction
- redesign of quality and performance framework, including eventual introduction of the Star Rating system
- replacement of competitive price setting by fixed service fees for Intensive Assistance (ESC3)
- increased payments to JN providers to maintain its viability
- increasing the pool of job seekers in the system through ‘welfare to work’ reforms aimed at those with disabilities, sole parents and mature aged workers
- including specialist or targeted assistance programs (e.g. JPET, PSP) under the ‘work first’ umbrella, with active participation requirements extended to disadvantaged client groups
- upgrading of data collection and reporting systems
- increased prescription and micro-management of service delivery processes.

The changes have substantially increased the fragmentation and complexity of the overall system, undermine the confidence of providers, and increase the expenditure on program monitoring and compliance—both of funded providers and job seeker clients. This level of control and regulation in the face of increasing evidence of system failure has led to ongoing problems of perverse incentives that ultimately increase inefficiencies (greater proportion of expenditure expended on monitoring contractual performance and micro-management) and distorted outcomes (parking and churning of highly disadvantaged clients).

In its recent proposal for reform to employment services, the National Employment Services Association concluded that:

Current employment service arrangements are designed on a linear progression and ration job seekers’ access to services primarily on the basis of duration of unemployment. There are a number of programmes within the current employment services framework, however they operate with minimal integration. (NESA 2007)

We would also argue that the partially privatised and heavily administered system has restricted collaboration and sharing of best practice between providers and therefore stifled innovation—for example, through partnerships with employers and training organisations to develop more flexible, responsive and integrated services to match job seekers with emerging local labour shortages. The increasingly prescriptive, sequential model of assistance under ESC3 runs counter to the evidence from evaluations and innovative approaches in Australia (for example, the ILM model (Mestan and Scutella 2007); YP⁴ (Horn 2004) and Given the Chance (Mestan 2008 forthcoming)), as well as overseas experience that favours mixed models combining mutual obligation elements with intensive capability building models.

The current system can be viewed as disempowering for disadvantaged job seekers due to the nature and extent of active participation requirements, their irrelevance to meaningful pathways to work and the lack of real choice that reflects aspirations and capabilities.

The Howard Government made some attempts to improve the system’s responsiveness to job seekers—for example in the introduction of Personal Advisers in Centrelink and the fast tracking of new clients into the Job Network (Rapid Connect). But increasing complexity, with emphasis on sequential triggers for additional assistance or cross referral between programs, has limited the system’s capacity to meaningfully assist disadvantaged job seekers. The capping of several key programs (PSP and DEN) has prevented eligible clients from accessing support at the time when there are ready.

All parties are being affected by the extreme micro-management and increasing insecurity of current arrangements. For example, the Chief Executive Officer of Centrelink recently reported to

the Ombudsman that over half a million participation failures have been reported to Centrelink staff for investigation in the first year of the welfare-to-work provisions (2006–07). This results from increased obligations on providers to document and report any non-compliance, such as not turning up to an interview. The waste of resources must be significant and not conducive to effective outcomes—especially considering the low substantiation rate of less than half of reported failures. (Commonwealth Ombudsman 2007).

2.5 Overseas evidence for policy reform in Australia

As we pointed out above, comparative OECD data shows that Australia lags significantly behind in levels of spending in education, skills development and active labour market programs. While our investment, especially aimed at those who are not ‘job-ready’, falls short of best practice, for example in Denmark, Sweden and the Netherlands, Australia spends a far higher percentage of resources on public employment service programs, including job assessment, search assistance and placement, administration and compliance: we rank fifth highest by spending measured as a proportion of national GDP amongst 28 OECD countries (OECD 2007).

In contrast to European directions towards a mixed model that combines elements of the ‘work first’ approach with a stronger emphasis on human capital development aimed at those with significant barriers to employability, under the Howard Government, changes to the system have sought to increase the applicability of ‘work first’ elements to cover all job seekers. Thus, those with disabilities, those experiencing homelessness, sole parents with school age children, mature aged job seekers and young adults who typically would be referred to PSP, DEN and JPET programs became subject to active participation requirements. These programs were designed to offer a more holistic support service with agreed case plans looking at personal issues, health concerns and skills development as stepping stones to both social and employment outcomes. Under the reforms described above, these programs have had to adopt ‘work first’ approaches considered incompatible with best practice.

In the UK, a key plank in the reforms introduced by the Labour Government—the New Deal employment assistance programs—is confronting the same dilemma, in that short-term assistance models based on ‘work first’ assumptions struggle to be effective for those with multiple barriers. Evidence is pointing to significant churning between spells of assistance and casual or short-term jobs that do not lead to sustainable employment (Lindsay et al. 2007).

While a more complete analysis of employment assistance pathways leading to outcomes, especially the levels of churning experienced by job seekers, is not available in Australia, the data suggest significant levels of multiple spells moving between specialist programs, customised assistance, work for the dole and periods of employment (DEWR 2007b). An earlier research study using a Freedom of Information process looking at effectiveness of employment assistance for job seekers with multiple barriers including homelessness found substantial multiple use of programs interspersed with periods of medical incapacity without employment outcomes (Parkinson and Horn 2001).

The most recent UK reforms appear to adopt the mixed model of employment assistance. Elements appear to have been borrowed from the Australian approach that tighten access to disability benefits and increase obligations on income support beneficiaries to actively engage in employment programs. However, targeted approaches for more intensive and individualised assistance to those with moderate health barriers have been implemented through Pathways to Work (Lindsay et al. 2007). A key element of this initiative, in addition to thorough compulsory assessment interviews, short training and employability skills courses, a tax-free return-to-work credit scheme and brokerage fund, is the resourcing of a voluntary Condition Management Program (CMP). This program is based on a cognitive behaviour therapy model using professional allied health staff to resolve barriers and strengthen active participation in employability activities.

While strengthening the obligation on disadvantaged job seekers to actively seek work, it appears that the UK Government is also investing in HCD approaches through better-resourced individualised and flexible assistance together with financial incentives for job seekers to take up job opportunities (work credits). The relationship between Jobcentre Plus personal advisers and NHS professionals acknowledges the importance of shared casework with specialists to address multiple needs of the longer term unemployed. Lindsay and his colleagues conclude, however, with a warning which is pertinent to further reforms planned for Australia: they observe that progress towards a mixed model through investment initiatives such as PtW is being

... threatened by proposed changes that will re-impose contracting mechanisms that reward 'quick wins' and favour certain types of provider; once again, the benefits reported by innovative pilots may be lost to the rigid contractualism and centralism that characterises too many UK labour market initiatives. (Lindsay et al. 2007, p.557)

Comparative analysis of employment assistance policies in Denmark, UK and Germany which historically represent differing forms of welfare state, suggests that both work first and 'enabling' elements have been strengthened in the first two countries while Germany has strengthened its work first elements (Dingeldey 2007). The key point is that several leading Western European countries have a comparable characteristics of the pool of unemployed to Australia, but have made much higher investment in 'enabling' or human capital development strategies.

Problems have also occurred overseas with disadvantaged job seekers not retaining jobs or advancing to more secure or better paying work once placed in work. This has led to the development of employment retention and advancement programs in the US, Canada, the UK and Europe. The OECD has now recognised the need for 'welfare in work' policies to assist the low-paid in making work pay, increasing retention and improving career prospects (OECD 2005b).

The programs involve modifying existing employment assistance to focus more on retention and advancement or adding services that operate alongside current employment programs. They are case management based and use a combination of other interventions including financial incentives, skill development and employer incentives (Yeo 2007).

Evidence so far has been mixed regarding the effectiveness of ERA programs (see for example Dorsett et al. 2007; Bloom et al. 2005). Nevertheless evaluations are starting to identify components of ERA models that are important for success. Programs centred on case management strategies that also provide some training, a range of services and supports, financial incentives and access to better employers appear to be the most effective (Holzer and Martinson 2005). Other features of effective programs include pre and post-employment support, low case loads, targeting to the needs of particular groups, service provision outside office hours, a focus on initial placements in good jobs, and strong links with employers and other support services. Training includes a wide range of options from on-the-job to accredited training and is closely linked with the needs of employers and the local labour market. The most effective interventions are complemented with financial incentives in the form of retention bonuses, training incentives and emergency financial assistance (for further discussion see Perkins and Scutella 2007).

There are lessons here for Australia in considering the most appropriate balance of policy settings that will deliver sustainable outcomes to meet labour shortages and increase the participation rate through investment in skills and capabilities.

3 Key elements for a more effective and efficient system

The above analysis of Australian and overseas policy settings, our direct delivery of services as a funded provider on behalf of both Victorian and federal governments and our trial of new approaches for addressing disadvantage and social exclusion provide a basis for the following proposals for a more efficient and effective employment assistance system for the next decade.

Consistent with the Rudd Government's 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 today's labour market.

In addition to reconfiguration of the current system, we propose the development of regional Employment Boards in areas facing significant disadvantage, as an integral component of a Social Inclusion Framework. These Boards would develop local priorities to resolve structural barriers to employment and support job opportunities through infrastructure and capacity building at regional or neighbourhood levels.

The Brotherhood believes that access to meaningful 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 outcomes.

We suggest that substantial savings, achievable through simplification and reconfiguration measures, may be diverted to resource the reforms needed to refocus and energise employment assistance in Australia.

The Brotherhood believes that additional investment is warranted at this time to support human capital development, as employers will continue to require semi-skilled and skilled labour in the future. Spending in this area is non-inflationary and Australia lags considerably behind international best practice in skills building and active labour market program expenditure. Increased investment to maximise social and economic participation will pay long-term dividends by way of a more inclusive and productive society.

Our proposals for fundamental reform of the current system are outlined below.

3.1 Simplification of the employment assistance system

The impending expiry of current contracts in 2009 offers an opportunity to restructure the overall system based on a more balanced approach supported by evidence of sustainable outcomes, efficiency and a test of fairness. The current system fails to meet these requirements. The transfer of specialist programs from FACS to DEWR responsibility in 2006 now offers scope for further integration of employment assistance services to reduce confusion for all stakeholders, eliminate overlap between funded programs, improve collaboration and strengthen flexibility.

The reconfigured service system should be more responsive to the needs of both job seekers and prospective employers, especially small and medium-sized businesses, and offer a clearly defined and coherent approach placing more emphasis on investment in marginalised job seekers.

Its design should be informed by understandings of the circumstances and barriers faced by the majority of disadvantaged job seekers in the open labour market. As qualitative research has repeatedly found, most are motivated to obtain skills and a job. However, they require investment

in capabilities, support and opportunities to pursue a trajectory out of poverty and welfare reliance into sustainable work.

We suggest that a reconfigured service system be simplified into two main components:

- (1) short-term assistance to those unemployed who are job-ready or have minimal barriers to job sustainability
- (2) an intensive support program for those with significant or multiple barriers to taking up open employment.

The core objective of short-term assistance is to provide new and recently unemployed with skills and support to obtain and sustain jobs—one of the core components of the Job Network. However, there is scope for improvement through a stronger engagement with employers to match job seekers to work opportunities and to ensure vocational training relates to aspirations and builds on existing skills relevant to their job search plan.

Overseas and Australian evidence supports an element of activation through participation requirements to ensure skills are not lost and job seekers actively seek a return to work. However, a more balanced approach through ‘incentive’ policy levers that encourage participation and take-up of work opportunities is essential.

The second component of a simplified system would merge WfD, Green Corps, PSP, JPET and DEN with Customised Assistance (JN) into a single intensive support program. Allocation of dollars to contracted providers would be based on a full assessment of individual barriers including skill gaps. A modified JSCI and improved JCA would be used to define levels of assistance (and hence resources) that acknowledge special needs of particular categories of job seeker.

Simplification as we propose is necessary not only to improve efficiency in administration but also to make the system more comprehensible to prospective clients and to improve job seeker choice.

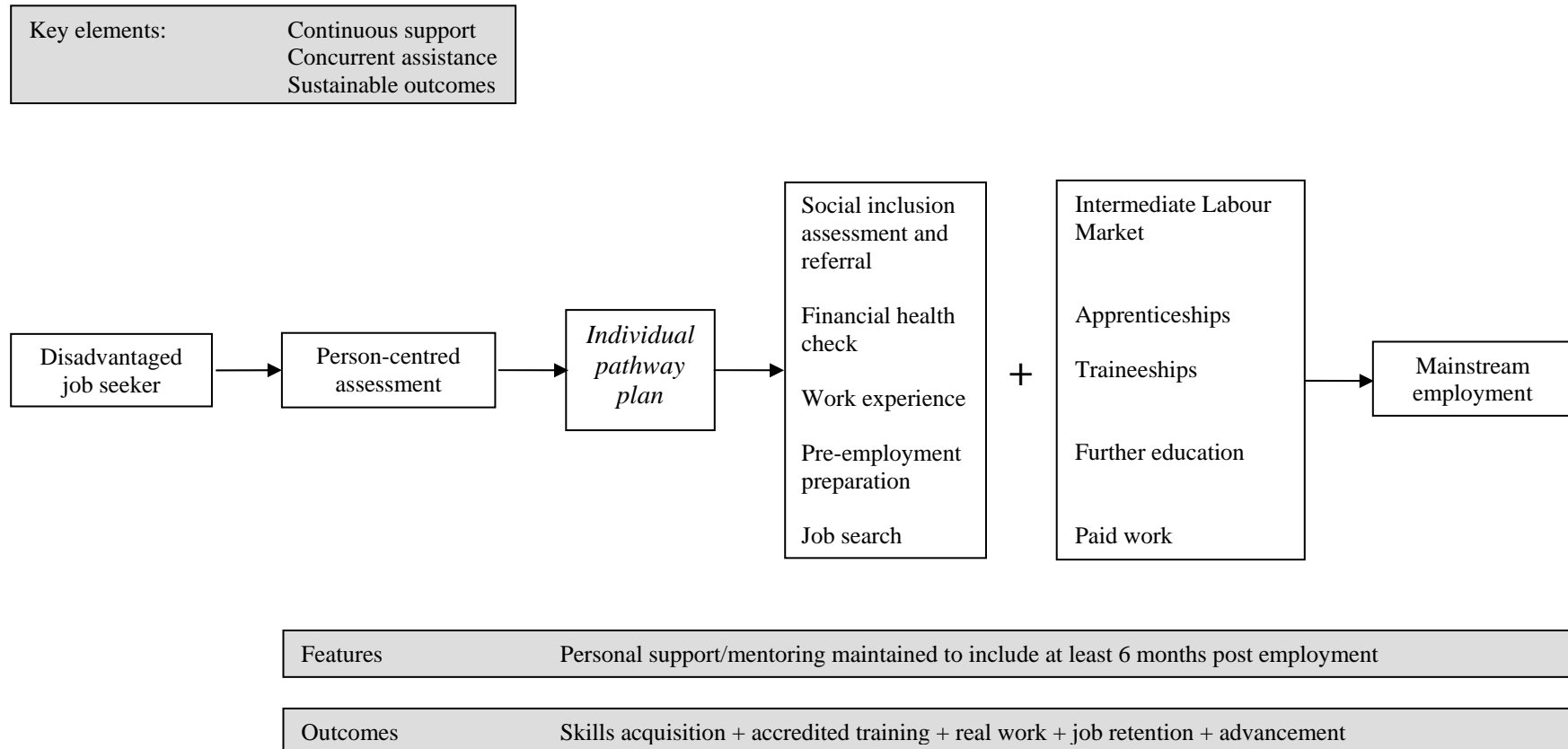
Absorption of current specialist programs into a single model need not result in loss of special skills or weaken any targeted focus by providers on particular needs groups. The key question is whether there are fundamental differences in approaches and elements of assistance that warrant a separate identity and framework. We consider that there is sufficient consistency in both the principles and fundamental practices for assisting vulnerable and disadvantaged job seekers to warrant a single program structure.

The core principles comprise:

- (a) complete assessment of barriers and needs, including skills, with regular review/update
- (b) agreed Individual Pathway Plan, including work experience and training components
- (c) a social inclusion assessment to ensure health, housing or personal barriers are addressed
- (d) accessible or integrated specialist support skills (allied health, mental health, disability)
- (e) continuity of a primary caseworker (optimum 1:25 caseload)
- (f) immediate access to paid employment or work experience
- (g) strong emphasis on individual work preferences and capabilities
- (h) accredited training relevant to capabilities and aspirations using applied learning techniques
- (i) availability of long term mentoring and post-placement support (up to 18 months)
- (j) linkages to paid work opportunities with local employers, including community enterprises.

A schematic representation of an integrated intensive support model is shown in Figure 1.

Figure 1 A conceptual model for a simplified employment assistance system for highly disadvantaged job seekers



The contracting process for selecting service providers in particular regions would include criteria to ensure that organisations have the essential skills, infrastructure and experience in assisting specific target groups, such as those with disabilities, ex-offenders, the homeless, refugees and humanitarian entrants and young adults. Quality audits would ensure maintenance of specialist skills appropriate for contracted client groups.

Resource allocation would be based on a redesigned JSCI to categorise intensive support job seekers for particular levels of assistance. The critical starting point is for Centrelink to be able to undertake a full assessment of job seeker barriers and circumstances, including a skills audit, to ensure access to the appropriate level of service (see section 3.2).

Payments to service providers should be based on realistic costs for identified elements of assistance for individual clients. Simplification of the payments system is clearly warranted, together with reweighting of payments so that a higher proportion of total fees is paid for service delivery. This approach is based on the underpinning philosophy of emphasising engagement and capacity building.

As an example, a job seeker with some previous work experience, a history of homelessness and low skills might be assessed as eligible for a total payment of \$10k, payable to the provider subject to defined milestones and outcomes. The provider would be able to use this resource in a flexible way according to individual needs agreed in the pathway plan. Another job seeker with a higher level of barriers, including a psychiatric disorder, might require \$14k for meaningful assistance. The provider working with this second client group would tender on the basis of adopting a shared casework support model (such as the IPS model) employing mental health specialists. Contract specifications might outline models of assistance for particular client categories.

As part of the simplification of the overall system, we recommend the abolition of Work for the Dole, in part because of its weak outcomes, but also because:

- its participants are not paid a wage
- it is a stigmatising program that is not useful on a job seeker's CV
- work placements are relatively short
- experience gained is not relevant to paid work opportunities
- participation is not linked to an integrated pathway to work, e.g. with accredited training (Mestan and Scutella 2007).

WfD resources should be absorbed into the integrated intensive support model that builds in meaningful paid work experience matching capabilities and aspirations such as the Intermediate Labour Market (ILM) approach. Rather than maintain WfD which appears to have provided a means of parking marginalised job seekers, who have not been helped through ISca or have failed the activity participation requirements, in a dead-end program, redeployment of these resources would enable paid experience in a real work situation integrated with personal support and mentoring.

3.2 Review of assessment procedures and tools (JSCI & JCA)

As a critical element of a responsive and effective employment assistance system, the Brotherhood urges a review of the current assessment procedures and tools. The initial assessment process needs to be strengthened to fully take into account job seeker barriers and circumstances, including their vocational skills.

Qualitative research at front door service providers through interviews with highly disadvantaged job seekers has shown that:

... despite frequent changes to procedures over the past 5 years, there remain systemic weaknesses in the assessment and referral of disadvantaged income support recipients, resulting in:

- a. poor and ineffective communication with Centrelink
- b. incomplete information on barriers to work
- c. inappropriate breaching and suspension of payments
- d. further marginalisation and social exclusion
- e. increased welfare dependence and poor welfare-to-work transitions. (Horn and Jordan 2006, p.43)

The introduction of the Job Capacity Assessment process has not addressed these failings. While complete evaluation of its impact has not been possible without access to program data, anecdotal feedback from provider staff indicates that a rethink of the assessment process is required.

The imperative should be to invest sufficient front-end resources to ensure positive engagement of disadvantaged job seekers through a better trained and personalised staff.

This will result in a more accurate assessment of circumstances and barriers to work, leading to referral to the right service response first time and eligibility for assistance matched to the assessed needs.

Under a simplified system, Centrelink would remain the main entry point to all forms of assistance and would retain responsibility for assessment of income support entitlements as well as for work capability. However, we encourage consideration of multiple entry points through community-based providers who often have developed trusting relationships with their clients. There are already good examples of collaborative assessment between Centrelink and specialist providers, for example the HOME family homelessness prevention program and Centrelink Community Contact Officers outsourcing to homeless service facilities. In these cases, an alternative access point is available to vulnerable and marginalised individuals, fostering disclosure of personal circumstances and barriers.

Many marginalised income support recipients are reluctant to disclose personal issues such as family violence or substance abuse to strangers including Centrelink staff, especially in the context of assessment for income support entitlements. Young people, those with learning difficulties or refugees, for example, fall into this category. More flexible approaches to assessment should be built into the procedures that are based on collaboration with welfare service providers (such as homeless services).

One of the limitations of the current assessment process is the lack of responsiveness to changes in the circumstances of job seekers. Many disadvantaged job seekers have ongoing health problems that fluctuate and affect their capacity to work. Whilst a more complete initial assessment should recognise likely health fluctuations, timely reviews and updates are essential.

3.3 Getting the incentives right (quality, quantity and sustainable outcomes)

The current main strategies for ensuring efficiency and effectiveness in the employment assistance system—the Outcome Payments structure and Star Ratings—need to be redesigned. There is ample evidence of weaknesses in the over-prescriptive, transaction-based approach. This warrants a redesign to simplify performance measurement to focus on sustainable outcomes, high-quality service delivery and best practice (for example Catholic Social Services 2008).

Star Ratings were introduced to provide a fair and transparent comparison of provider performance in a contestable quasi-market. However, the star ratings are irrelevant to job seekers as no *genuine* choice in providers is currently available. The combination of star ratings and outcome payments structure has distorted service delivery away from being a high-quality, responsive service to job seekers. We argue that the focus on short-term outcomes (through the 13-week employment outcome payment) is not conducive to sustainable outcomes for those most distant from open employment. This position is supported by our evidence on poor outcomes for vulnerable and marginalised job seekers already cited.

We also support initiatives to increase job seekers' choice of employment assistance provider through the availability of multiple entry points and specialist providers for groups such as refugees, young adults and those with disabilities, as well as regular information on performance available through Centrelink.

The overall cost burden of the current performance framework based on a transaction model is too high. We support proposals to simplify performance monitoring based on a combination of:

- measurement of client outcomes against defined milestones
- performance audits on quality
- specialist assistance teams to support best practice.

3.4 Rebalancing of service and outcome fees

The Brotherhood questions the net benefit to our community of the partially privatised approach to employment assistance. From our perspective, the strong focus on outcome payments has led to perverse incentives for providers conscious of maintaining their rating to ensure contracts. This is resulting in overall program outcomes inconsistent with the aims of building skills and capabilities, achieving *sustainable* employment outcomes and meeting the needs of prospective employers.

We believe that a reweighting of the payments structure for intensive support is essential to reduce the proportion of total payments made for defined outcomes and increase the resources paid for service delivery to enable implementation of the human capital development approach. The elements of a best practice intensive support model would be resourced at defined unit costs, with payments based on providers' achievement of agreed milestones for each element, for example finalisation of an Individual Program Plan, provision of mentoring and post-placement support.

The payments structure should be simplified to place greater emphasis on sustainable outcomes for disadvantaged job seekers, including 26-week and 52-week outcomes. Payments for service delivery should specifically include post-placement support and mentoring for particular categories of job seeker at risk of job loss. A reconfigured framework should include an emphasis job retention and advancement.

3.5 Increased focus on investment in highly disadvantaged job seekers

Under successive employment service contracts (ESC1 to 3) for the Job Network, the proportion of job seekers eligible for the higher levels of assistance has declined significantly, from 33% in 1998 to 10–13% under ESC3 (NESA 2007). As NESA and other stakeholders have consistently observed, the complexity of needs and barriers of Job Network clients has increased rather than decreased, as unemployment overall has declined and the flow of marginalised unemployed has increased through the welfare-to-work policy settings.

We have already alluded to the under-investment in active labour market programs and skills building in Australia compared with overseas best practice.

The fragmentation of the current employment assistance system has also led to significant anomalies in the level of resources available to different program clients. For example, one has to question why clients in the Personal Support Programme (PSP) who are more distant from employment outcomes than those in the Job Network have a negligible level of brokerage funds (average less than \$150) to address needs compared with the resources available through the JN Jobseeker Account.

At a broader program level, it is essential that highly disadvantaged clients referred to specialist programs such as PSP and DEN are assisted immediately rather than sit on waiting lists because these programs are capped. A critical element to successful engagement and commitment of this target group is rapid referral after their assessment by Centrelink, to build on initial interest and energy.

It will be essential to ensure that waiting periods and delays currently experienced by many highly disadvantaged job seekers, for example through capped program numbers, are minimised. It is also critical that the new integrated system does not residualise those who have not achieved job outcomes by transfer into poorly funded programs—such as WfD for those who have completed two periods in ISca. Long-term unemployed job seekers should be allowed to continue in intensive support programs.

As outlined previously, a simplified employment assistance system should enable intensive support providers to implement *shared case management models* such as the Individualised Placement and Support (IPS) and Condition Management Program (CMP) that integrate employment assistance and specialist mental health support.

Clear weaknesses in the present Australian employment assistance system point to a strong need to embrace learnings from US and UK employment retention and advancement (ERA) trials in designing a more effective system that places increased emphasis on ERA rather than simply job entry. This type of approach has the potential to improve labour market prospects and reduce the risk of social exclusion among low-skilled and disadvantaged households, as well as supporting workforce participation, skill development and productivity objectives.

Key elements of a system that has an ERA focus include:

- continuity of pre and post-placement support
- staff training relevant to ERA role
- career placement assistance
- financial incentives to stay in work and to take-up training
- advice on training and skill development opportunities while in work matched with employer and local labour market needs.

3.6 Skills building as part of employment assistance

A critical element of an integrated employment assistance system to achieve effective pathways for disadvantaged job seekers is the building of vocational skills and capabilities that match emerging labour market industries and job opportunities.

Overseas policy directions have emphasised the integration of employment assistance and skills development as the key to sustainable employment. New approaches in the UK include skills audits of job seekers and both pre and in-work training. These reforms followed a pivotal review of skills which concluded that productivity, growth and social justice were being held back (Leitch Review of Skills 2006).

The new Rudd Government has rightly committed to strengthen the education and vocational skills of those both in and out of the workforce. The major commitment to expand training places to build the basic skills level of Australians to Certificate III level or higher is especially welcome.

In the absence of appropriate skills building through training and education, the emphasis of the current employment assistance system on rapid job entry for short-term outcomes puts at risk job retention and limits productivity. The training provided by the Job Network using the Job Seeker Account monies too often is not individualised and is designed to support the rapid entry to any job. In addition, this budget has been underspent, with a surplus of about \$200m nationally (CSS 2008).

As we pointed out previously, a substantial percentage of disadvantaged job seekers have not achieved Year 10 education. Early school leaving is often caused by factors which alienate people from participating in formal or structured learning formats.

We believe that an integrated model of assistance to disadvantaged job seekers requires a much stronger focus on skills assessment and development. Further, the approach to skills building must be based on applied learning techniques shown to work best with disengaged and poorly educated job seekers. The Victorian Government has already indicated its confidence in applied learning through the implementation of the Certificate of Applied Learning (VCAL) as an alternative senior school qualification. It argues that such models enhance confidence and motivation, leading to increased commitment to learning and develop generic skills that are valued in the workplace, including problem solving and teamwork (Victorian Curriculum and Assessment Authority 2006).

Reforms to the employment assistance system should therefore include:

- introduction of foundation and vocational skills audits as part of the initial assessment of disadvantaged job seekers
- increased focus on skills development and lifelong learning in individual pathway plans work within an integrated assistance model
- training matched to individual learning needs and job prospects
- applied learning approaches to deliver training to disadvantaged job seekers.

While there has been a recent shift towards the provision of learning and training through voucher systems, there is some evidence from Germany and the United States' employment assistance experience that vouchers do not increase choice, but rather lessen specialist training options and weaken the integration of training with work opportunities (Hipp and Warner 2008). To be effective, it is critical that the format, delivery and content of training is more closely matched to the capabilities of disadvantaged job seekers.

3.7 Build in flexibility and innovation for integrated forms of assistance

The current employment assistance framework has become strangled by extreme levels of performance monitoring, reporting and compliance requirements. The contractual arrangements as a partially privatised model have eroded provider incentive to innovate or share best practice.

Most innovation has been supported from *outside* the purchaser–provider relationship. The capacity for change to respond to emerging trends in the labour market has been constrained, as evidenced by the growing frustration of employer bodies.

A simplified system, including payments structure and performance framework, should enable flexibility, collaboration and innovation. This requires a more open and trusting relationship between purchase and provider to enable diverse models of service delivery. It also requires stronger integration with employers and training providers at local and regional levels.

We have identified several approaches that are worthy of considering as part of the reforms to the employment assistance system:

(1) Intermediate Labour Market (ILM) model:

One model that the Brotherhood has successfully trialled with disadvantaged job seekers is the Intermediate Labour Market (ILM) model that provides a clear pathway to the labour market through a sustained investment in skills and work experience for up to a 12-month period. UK research suggests that this approach delivers better outcomes for the long-term unemployed and a platform to sustain employment once they are there (Finn and Simmonds 2003; Marshall and Macfarlane 2000). Our program provides this experience through Brotherhood-created community enterprises and through collaborative approaches with employers. We also provide personal support through caseworkers, vocational guidance and training and, importantly, post-placement support. A key component of ILMs is the continuing support available to participants once in work.

Another important feature of ILMs is that they require strong local partnerships. The Brotherhood works closely with employers to ensure that their needs for reliable and skilled employees are met. Investing in the potential of disadvantaged people is clearly one way of starting to address Australia's skills shortage. The focus on matching the needs of employers and the unemployed also means that the program is well suited for adaptation to the different circumstances of different communities. The return on investment is particularly impressive. Typically, ILMs have been found to achieve significantly better employment outcomes and earnings levels compared to mainstream programs (Marshall and Macfarlane 2000). Recent cost benefit modelling of the community enterprise model of ILM showed a \$14 return for every \$1 invested in these programs (Mestan and Scutella 2007).

We suggest the:

- development of ILMs in up to 10 locations (with high levels of worklessness) as an approved pathway for disadvantaged job seekers that would provide a clear pathway to the labour market through a sustained investment in skills and work experience.

(2) Integrated ILM for people experiencing homelessness:

Each year homeless services assist about 40,000 people who are actively looking for work and are generally in the first third of their working lives. Research suggests that at least an equivalent number of people experience homelessness but do not use homeless services.

The current 'housing first' focus of SAAP (Supported Accommodation Assistance Program) service delivery addresses acute housing related crises. While it is effective in assisting clients with no income to obtain Centrelink income support, it provides them with minimal engagement with employment assistance and personal support. Homeless services could provide a unique opportunity to start building the capacity of homeless people in order to find a long-term solution to their homelessness. Under current models of service provision, this opportunity is all too often lost.

Existing pilots and trials, including YP⁴, delivered by the Brotherhood and others, suggest that a better integrated approach that links stable and secure housing with the ILM approach comprising work experience, vocational training and personal support could have beneficial outcomes.

Overseas experience in Europe has shown the benefits of the foyer model for young people most marginalised from social and economic participation. This provides to young people housing that is conditional on them participating in employment programs. In Australia to date we believe that only three foyer services are currently operating, with promising results.

The integration of foyer-type elements with the ILM approach would enable more sustainable outcomes for young people who currently drift in and out of SAAP services with far too little focus on training and employment assistance.

We suggest:

- establishing ten integrated foyer and ILM projects in areas with high levels of homelessness amongst youth and young adults
- undertaking an evaluation, including cost benefit analysis, of this approach to inform the future reforms of the SAAP program to better integrate responses to homelessness that have a greater focus on employment pathways for young people.

(3) Individualised Placement and Support (IPS) casework model:

The core element of this model involves shared case management of clients by workers with mental health qualifications co-located with primary case workers (for example in the Personal Support Programme) who are provided with specialist employment assistance skills. The high levels of mental health problems experienced by disadvantaged job seekers warrant the additional support capacity. This model allows better integrated support including specialist employment assistance required to make the transition into work.

The key principles of the IPS model include:

- integration of vocational and mental health professionals (who retain their identity as separate practitioners)
- services focused on competitive employment
- rapid job search, rather than lengthy pre-employment programs
- strong attention to participant preferences and capacities in identifying appropriate work
- time unlimited and individualised follow-up
- benefits counselling (Bond 2004).

Research suggests such approaches deliver stronger outcomes (Perkins 2007a). A variant of this approach is the Condition Management Program (CMP) based on a cognitive behaviour therapy model using professional allied health staff to resolve barriers and strengthen active participation in employability activities. It has been adopted in the UK as part of the Pathways to Work Program (Lindsay et al. 2007). The IPS model could be incorporated into a reconfiguration of the employment assistance system focused on disadvantaged job seekers.

We suggest:

- establishing a trial of the Individualised Placement and Support approach in three Personal Support Programme sites to integrate employment assistance and specialist health support.

(4) Given the Chance (GtC) employment pathway program for refugees and humanitarian entrants:

Given the Chance (GtC) has been developed by the Brotherhood as a specialist support program focused on education and employment pathways to help refugee and humanitarian entrants integrate into Australian society. The support model offers an integrated suite of work placements, tutoring, personal support, job preparation and mentoring. By working with local communities and employers, the program seeks to enhance social cohesion. Evaluation suggests significant benefits from this approach (Mestan 2008 forthcoming).

We suggest the:

- Government supports the further development of effective models of specialised assistance to refugee and humanitarian migrant job seekers such as Given the Chance.

3.8 Addressing local disadvantage through social inclusion initiatives

In addition to the above reconfiguration of employment assistance, it is essential to address regional and local disadvantage. Spatial research data has clearly shown the variance in disadvantage across communities and regions. State governments have developed localised responses, for example Neighbourhood Renewal in Victoria. However, a national impetus is required to extend these efforts into a comprehensive social inclusion framework.

The welcome commitment by the new Government to prioritise social inclusion offers a vital opportunity to complement reform of the employment assistance system as part of a broader social inclusion framework. This would enable the implementation of targeted approaches aimed at resolving structural barriers to employment and supporting opportunities within highly disadvantaged communities and neighbourhoods, through infrastructure and capacity building projects.

The Brotherhood, together with employer organisations (VECCI), has recognised the urgency for a new framework that would include:

- leadership from the federal and state governments to facilitate and enable regional Employment Boards in areas facing defined disadvantage and worklessness
- partners including local government, business and community sector representatives to collaborate on agreed priorities based on evidence of social and economic disadvantage and lack of capacity in the regions
- resources to fund specific infrastructure projects and seed new employment and training initiatives, for example, intermediate labour market businesses.

The current resources spent on the Area Consultative Committees could be redirected to develop this framework. Such an approach would bring together employers, vocational training providers and employment assistance providers to implement a better coordinated and integrated response to worklessness.

3.9 Releasing resources to reform the employment assistance system

We believe there is scope to divert significant resources from within the current budget allocation for the employment assistance system, including administrative expenditure, through the following simplification and reconfiguration measures:

- simplifying the program structure into two streams
 - 1) short-term assistance to those unemployed who are job-ready or have minimal barriers to job sustainability
 - 2) an intensive support program for those with significant barriers to taking up open employment
- redeploying WfD and Green Corps resources into an integrated intensive support model that incorporates meaningful work experience, matched to individual capabilities and aspirations
- merging PSP, JPET and DEN and Customised Assistance (JN) into the single intensive support program
- reducing the high level of regulatory burden and contractual obligations on providers (thereby reducing the administrative costs within government departments, Centrelink and enabling service providers to allocate more resources to direct assistance)
- reducing the level of active participation obligations on disadvantaged job seekers and associated penalties, reducing the level of reporting and administrative burden on both government, Centrelink and service providers, as well as eliminating the need for the financial case management budget
- replacing the current performance framework with a simplified approach that focuses on sustainable employment outcomes, capacity building and best practice development across the system

3.10 Evidence-based reform and access to program data for research purposes

The Brotherhood of St Laurence believes that greater transparency in program outcomes is essential to implementing an effective and responsive employment assistance system. For evidence-based policy reform to occur, independent researchers and evaluators need to be able to access program data to objectively determine the effectiveness of current policies and programs. It is also important for the government to encourage partnership and collaboration between employment assistance providers, academic institutions and government departments to encourage the sharing of knowledge as a basis for building collaboration and stimulating innovation from a robust evidence base.

The Brotherhood feels that this is an area that can be improved considerably. In recent years, a number of research projects would have been greatly enhanced by access to program data, subject to the relevant privacy legislation provisions. This includes evaluations of the Personal Support Programme and the innovative YP⁴ program. In many research projects involving the Brotherhood, client records are obtained through a lengthy and cumbersome process of submitting freedom of information requests. This is extremely inefficient and curtails analysis of program effectiveness. Other means to make available confidentialised program data must be examined. Anecdotal

evidence suggests that this problem is not isolated to the Brotherhood but a common problem for researchers and program evaluators in other non-government organisations and in academia.

We seek the new government's support to:

- foster initiatives that will stimulate best practice and increased performance through collaborative research and evaluation initiatives involving all stakeholders
- facilitate access to data for research and evaluation purposes by appropriate stakeholders

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