

Strategies for inclusive growth: strengthening the critical role of active labour market interventions

Inclusive Growth in Australia Roundtable

21 October 2011

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Overview

- Context – *the Australian economy and labour market*
- Appraisal of Job Services Australia performance – *how well are we doing to assist the hardest to help into work?*
- Government welfare directions – *will this be sufficient?*
- Possible directions for more substantial reform – *JSA a work in progress*

Context – selected Australian statistics

- Unemployment: 5.2% or about 634,000
- LTU (over 12 months): 133,100 - *increasing*
- Underemployment: 7% or about 838,000
- Underutilisation: 12.3% or over 1.47 million Australians
- 798,000 people on Disability Support Pension – *low engagement in work*
- 443,000 on Parenting Payment (single or partnered)

Note: significant variance in underutilisation rates across regions & for specific groups.

(ABS Labour Force Survey & DEEWR data, seasonally adjusted, Aug and Sep figures)

The challenge

- Prior to GfC, Australia experienced a sustained period of economic growth - but we left behind far too many working age Australians.
- We still have an underlying policy challenge - *how to build a bridge for the pool of highly disadvantaged and disengaged groups into decent paid work that matches their aspirations.*
- As the economy picks up, and demographic change impacts on the labour force, labour shortages will reemerge across more industries and regions.
- With a more dynamic & volatile globalised economy, a stronger & responsive suite of active labour market programs is needed – as part of a more coherent & comprehensive safety net.
- This is critical for the economic productivity; for businesses needing better skilled job ready labour; critical for disadvantaged job seekers; and critical for the community.

Australian ALMP developments

- Australia has led the way in some aspects of design and governance of employment assistance system over past 2 decades:
 - *Strong suite of active participation, compliance measures and coercive penalties*
 - *Reduced role of public employment services & increased privatisation to commercial and community providers*
 - *Expansion of conditionality & activation to broader groups of income support recipients (youth, sole parents)*
 - *Stronger drivers to improve performance focused on short term job outcomes*
 - *Use of a sophisticated assessment tool to stream job seekers for levels of assistance (and \$ for providers)*
- But this innovation (Job Network) was in a period of strong economic growth until GfC
- Underpinning ALMP design was a **‘work first’** focus, based on assumptions about behavioural poverty to explain welfare dependence & job seeker behaviour
- Since GfC, immediate shift to *human capital* focus by Rudd government through a **‘training’** agenda
- Job Network model replaced by Job Services Australia, plus Disability Employment Services enhancements (2009/10)



2011 Budget initiatives

1. Current JSA and DES models will continue to June 2015 (except in remote areas)
2. Changes to be implemented that strengthen support for disadvantaged groups & areas, including:
 - i. Extension of the Priority Employment Area initiative (LECs)
 - ii. 20 pilots to model alternative approaches aimed at Stream 4 via JSAs
 - iii. Transition Support for early school leavers (15-21 yrs) via JSA for foundational skills
 - iv. Wage subsidy (\$6k) for employers taking on VLTU (2 yrs+)
 - v. Strengthening expertise, assistance & communication at Centrelink with JSAs (joint interviews, compliance and mental health skills)
 - vi. Skills & training aimed at strengthening participation (eg. LLNP)
 - vii. Some disincentives to take up work addressed
3. Strengthening job seeker compliance & income recipient participation:
 - i. Measures to encourage participation with JSA
 - ii. Teenage parent support & participation (10 locations)
 - iii. Extension of Learn or Earn requirements & YA to 21 yr olds
 - iv. Tougher obligations on the VLTU in 2nd yr of WE phase – activities for 11mths (with increased \$1k EPF credit for JSAs)
 - v. DSP recipients (<35 yrs) capable of 8 hrs work attend participation interviews
 - vi. Extension of Income Management

Performance of employment assistance system for disadvantaged job seekers

Table 1: Labour market assistance outcomes*: indicative comparison between Job Network (September 2009) and JSA (March 2011)

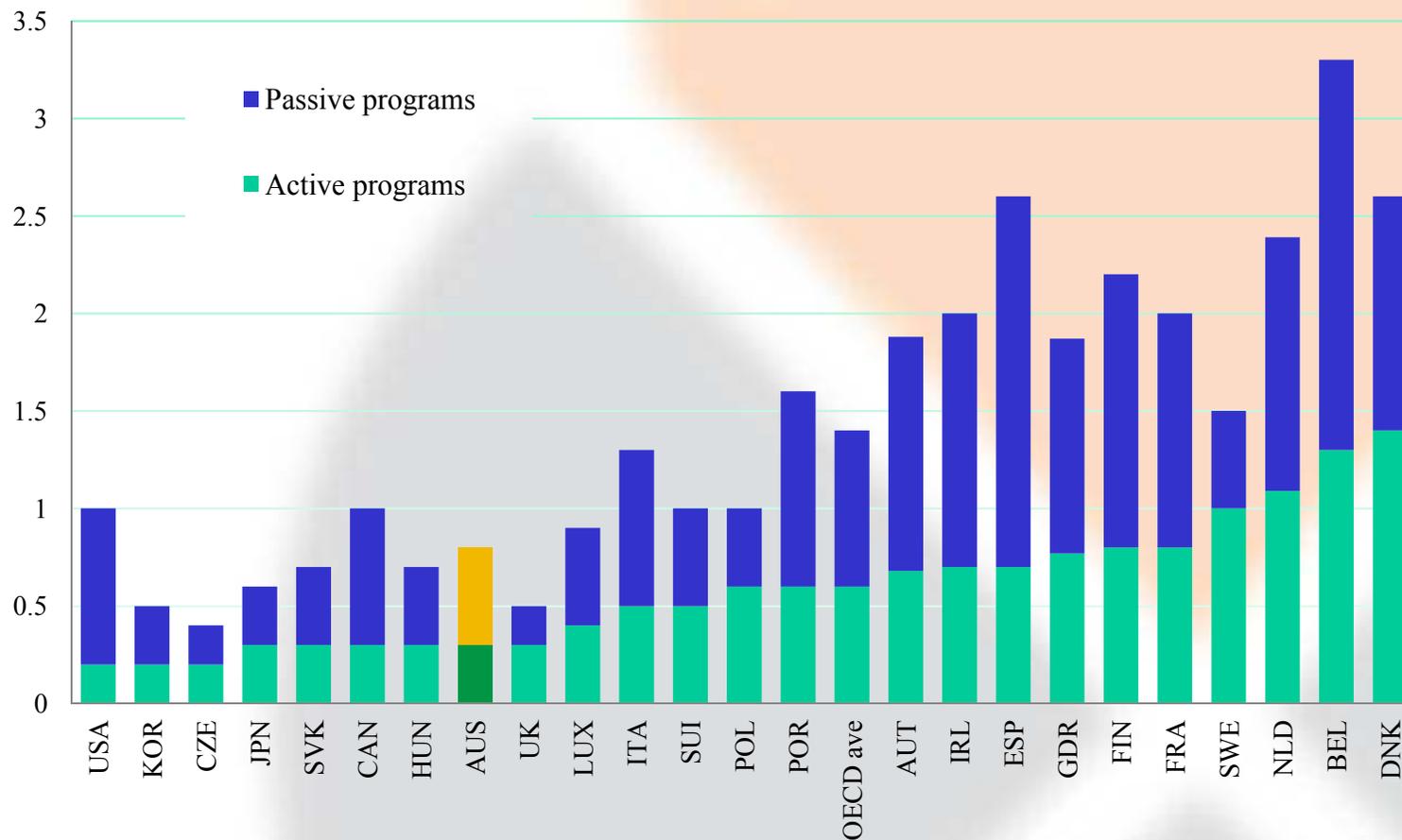
Labour market assistance	Program	Employed full time %	Employed part time %	Total employed %	Education and training %	Positive outcomes %
Job Network ¹	ISca 1	13	30	43	15	55
Job Network ¹	ISca 2	10	29	39	14	49
Job Network ¹	WfD	10	16	26	13	37
Job Network ¹	PSP	5	10	15	8	22
JSA ²	Stream 1	27	30	58	19	68
JSA ²	Stream 2	22	33	55	18	66
JSA ²	Stream 3	8	26	34	20	50
JSA ²	Stream 4	9	17	25	15	36

* Outcomes are measured 3 months after exit from program.

Sources: ¹ DEEWR 2009, Table 1.2

² DEEWR 2011, Tables 2.2 - 2.5

Appraisal of the current Job Services Australia system - Public expenditure on LMPs in OECD as % of GDP (2008/9)



Appraisal of the current JSA model

1. Underinvestment in delivery aimed at highly disadvantaged groups
 - Disadvantaged job seekers spend 12-18 months in Stream 3 or 4 assistance - after assessment by Centrelink, most enter Work Experience phase
 - Funding levels through service fees and brokerage monies in WE is substantially lower than in streamed assistance
 - Provider capacity to engage and support the most disadvantaged clients in WE is constrained (minimum frequency of client interview is 2 months)

Appraisal of the current JSA model

2. Contract management too tight with perverse incentives

- Contract arrangements and funding structure encourage rationing of expenditure on highly disadvantaged clients
- Focus on financial risk management rather than investment in this client group
- Tightly controlled contract management diverts resources and encourages ‘off the shelf’ assistance:
 - in some cases, 50% of JSA provider income is spent on contract management: the *red tape virus*.
 - clients are encouraged to take up standard group training courses: increased efficiency at the expense of individually tailored skills development
 - limited direct contact time (high case loads)
- Deskilling of provider staff has occurred over the past 15 years – capacity to hire and retain staff with the skills to engage highly disadvantaged job seekers has been weakened - high staff turnover up to 80% reported last year.

Appraisal of the current JSA model

3. Weak integration of assistance for the hardest to help:

- Foundational skills critical first step
- Evidence of ‘training churn’ emerging with increased capacity in vocational training sector
- Mismatch between credentials and employer requirements

“ I don’t want to do any more courses. I mean, like my resume is like 2 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.”

(Male job seeker in recent BSL research study, Bowman & Lawler 2010)

Appraisal of the current JSA model

4. Insufficient employer focus:

- Employers continue to struggle to fill entry level vacancies
- Employers reluctant to take on some categories of job seekers
- Focus of JSA is still on relatively short term outcomes
- Too often, jobs do not ‘stick’ for disadvantaged cohort: casual, temporary & ‘brokered’ jobs.

Appraisal of the current JSA model

5. Counter productive compliance system:

- JSA included a softening of the compliance requirements and penalties under Job Network, focusing on re-engagement of job seekers, rather than punishment, for example through the ‘no show, no pay’ provisions
- Majority of participation reports (83%) are for non-attendance at JSA appointments
- In 2009-10, 70% were rejected on the grounds of reasonable excuse or procedural errors
- Evidence of waste of resources (reporting, assessment & review) due to inaccuracies, extent to which personal/external barriers limit full participation for highly disadvantaged groups

(Source: Disney et al 2010)

Summary of appraisal

1. Current JSA model, like its predecessor (Job Network), is reasonably effective in assisting the ‘job ready’ back into work
2. Signs that highly disadvantaged job seekers are more likely to achieve a positive outcome (*aggregate data*) – *incremental improvements from Job Network*
3. The 2011 Budget proposals may address some of the weaknesses in the JSA at the margin, **but**
4. Further reforms still required to significantly lift *sustainable* outcomes for those who face multiple barriers to mainstream employment **and** to provide recruitment solutions to employers, including:
 - » Long term unemployed
 - » Those marginally connected to paid work
 - » Discouraged job seekers
 - » Those with disabilities

Case study: findings from the BSL's Centre for Work & Learning Yarra

- 431 clients assisted (July 2009-Aug 2011) testing a better coordinated approach to assisting highly disadvantaged job seekers
- *Profile:* 65% in public housing; mean age 33 years; 77% on income support; 97% born overseas; 53% male; 40% very poor/poor English
- *Training & work history:* 43% studying at registration; 20% completed 3+ courses in past 5 yrs; only 13% not had paid work in past 5 yrs; 60% of paid jobs were casual for up to 1 year.
- *Work outcomes:* 39% of clients assisted into paid work; 13 week employment outcome of 34%; **but** 49% in casual jobs.

(Source: CWLY client database – unpublished data)



Reform directions as part of an 'inclusive growth' agenda

1. Further simplification of the JSA model:
 - *Reduce overhead costs and focus \$ on service delivery*
 - *Increase focus on sustainable job outcomes (1 year plus)*
 - *Workforce development strategy*
2. Expand coverage of effective models aimed at highly disadvantaged groups:
 - *Integrated place based approaches offering case management, individualised skills building, vocational training with paid work*
 - *Develop 'off benefits' funding model to utilise income support payments and employment assistance funds to support traineeships (alternative to WE phase)*
 - *Expand coverage of wage subsidy model with a sustainability focus*
3. Increase emphasis on demand side barriers:
 - *Workplace diversity measures to encourage take up of disadvantaged categories*
 - *Social procurement policies to support local enterprises*
 - *Incentives for business to up skill low skilled employees (in case of job loss)*
4. Make work pay measures to address disincentives to take up and retention of jobs:
 - *Loss of concessions or payments/income averaging/ public housing rent moratorium*



Thank you

Background reference for this presentation:

BSL (2011) *Line of sight: better tailored services for highly disadvantaged job seekers*, Submission to the Australian Government on future employment services from 2012, BSL, Fitzroy, January 2011.

For Brotherhood of St Laurence research publications:

www.bsl.org.au