

Investing in people

Intermediate Labour Markets as
pathways to employment



Brotherhood
of St Laurence

Working for an Australia free of poverty

SUMMARY

- * **This is an overview of recent research findings. The full research report, including references, may be accessed on the Brotherhood's website.**

KEY ISSUES

- * **What needs to be done to assist long-term unemployed people to enter mainstream employment?**
- * **What are the costs and benefits of an Intermediate Labour Market (ILM) approach?**
- * **What can be learned from the Brotherhood's experience of operating ILMs?**
- * **How might ILMs be integrated with government strategies to create a more effective employment assistance framework?**

The challenge

Getting the long-term jobless into mainstream employment is a major challenge for Australian governments, especially in areas of concentrated disadvantage. Labour shortages in particular industries such as building and construction, trades, aged care, child care and hairdressing present an opportunity for business, government and the community sector to work in partnership to address industry needs and to improve economic and social outcomes for the long-term jobless.

Australia's current system of vocational support essentially follows a 'work-first' strategy. International evidence, alongside experience of the Brotherhood of St Laurence, shows that work-first is not a viable strategy for these harder-to-employ population groups. These groups need personal support to acquire skills and greater self-esteem in the workplace before they can maintain a mainstream job. Government funding for these more intensive types of programs is limited and fragmented.

The Brotherhood's approach, also used effectively overseas, is to use an Intermediate Labour Market (ILM) as a bridge between long-term unemployment and the mainstream labour market.

The aim of this research report is to examine the effectiveness of using ILMs to get the long-term jobless into mainstream employment, with a particular focus on the Brotherhood's ILM approach.

The Allen Consulting Group

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Intermediate Labour Markets

According to researchers Finn and Simmonds, ILMs are 'a diverse range of local initiatives that typically provide temporary waged employment in a genuine work environment with continuous support to assist the transition to work'.

ILM programs target the most disadvantaged jobless groups, offering employment in a workplace for up to 12 months, with close supervision, guidance and support and enabling participants to earn a wage rather than government income support. The job also offers a combination of accredited training and development of workplace skills. Also provided are job search assistance towards the end of the employment contract and continued support after its completion. ILMs provide place-based responses in regard to recruitment of employees and operation of business activities, with strong involvement by local government and non-government organisations.

ILMs typically operate as small businesses competing with for-profit providers or carrying out services required by local authorities. They require government funding to assist in the delivery of the program.

Lessons from international experience

In the UK, there has been rapid growth in the use of ILMs as a means of tackling long-term unemployment. They have become a major component in place-based regeneration strategies. The scale of ILMs in the UK is significant: Bickerstaffe and Devins estimate there were at least 8700 ILM placements in 2004.

Key characteristics of successful ILMs are that they:

- clearly define a target group amongst the disadvantaged, either through a place-based approach or by targeting specific populations

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- provide for voluntary participation, to avoid stigmatisation of participants and encourage genuine commitment
- replicate the conventional employment market in terms of application process, wages, workplace protocols and employee rights
- create individual pathways, encouraging practical work experience as early as possible
- provide intensive case management, including workplace supervision and support, with low participant-to-staff ratios (generally 25:1)
- offer a program lasting between 9 and 15 months, with a specified time-limit to reinforce its role as a transition into the conventional labour force
- include job search assistance, help with job applications and possibly even an arrangement with an external employer to provide ongoing employment, in order to ensure a transition to employment after the ILM
- involve a lead agency embedded in local community networks and prepared to take the financial risk.

The Brotherhood of St Laurence's ILM programs

The Brotherhood of St Laurence initiated its ILM programs after recognising that mainstream employment assistance services were not offering the kind of support required to enable the most disadvantaged job seekers to obtain ongoing employment. The Brotherhood's approach is to improve employment outcomes for participants by providing them with a bridge to the mainstream labour market.

Employment opportunities are provided either within one of the Brotherhood's Community Enterprises or through direct employment placement within the organisation. The transitional nature of ILMs makes direct placement within

the organisation difficult, as managers like to retain good staff. The Brotherhood therefore set up five enterprises in a range of industries including gardening/landscaping/energy retrofitting, street cleaning, commercial cleaning and security/community development, providing employment opportunities for a range of skills. The advantage of operating as a business is that some of the running costs are met by contract sales. However, the enterprises are non-profit making businesses requiring government investment as they are quite risky to set up. To secure contracts, they tend to rely on social procurement initiatives of local and/or state government and, more recently, of the private sector. The enterprises are all set up in labour-intensive industries, with quick skills acquisition providing pathways to skills shortage areas.

From their beginning in 2004, the Brotherhood's community enterprise programs have grown considerably. Thirty people had completed their traineeships in a Community Enterprise by December 2006, with 37 people employed as trainees in September 2007.

Vocational pathways approach

The vocational pathways model used by all of the Brotherhood's ILM programs is presented in the diagram.

Features of the vocational pathways approach include:

- The program targets particularly disadvantaged locations with high concentrations of joblessness, such as Hastings, Braybrook and the two public housing estates in Fitzroy and Collingwood.
- Participants are long-term unemployed or people who require intensive support in order to obtain a job.
- Participation in the program is voluntary.
- On entering the program, participants receive pre-vocational training.

Vocational pathways approach used by the Brotherhood's ILM programs



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- On completing this training, participants' work readiness is assessed. Those deemed ready for the ILM go through a formal job application process.
- Successful participants are placed in a job for up to 12 months, with access to accredited learning, individualised personal support and high levels of supervision.
- Participants receive job search assistance and support with job applications towards the end of their employment contract.
- On completing the employment contract, participants have gained work experience, a set of industry-specific skills and an accredited qualification.
- The flow of participants provides the local community with ongoing employment and training opportunities for other long-term unemployed people.

Potential costs and benefits of ILMs

Benefits of ILMs potentially accrue to all levels of government and to society in general. They include:

- benefits that accrue to individuals:
 - reduced worklessness
 - increased lifetime earnings
 - improved education and health outcomes
- benefits to government revenue (and therefore to taxpayers):
 - reduced spending on social security and concessions
 - tax on increased earnings
 - reduced use of government-funded health and welfare services
- social and community benefits, such as:
 - community regeneration
 - the benefits associated with a healthier and more educated society.

Offsetting the benefits of ILMs are the following costs:

- net program costs, reducing the actual program costs by the value of the service provided by the employees of the program
- reduced lifetime earnings for people who are displaced by ILM participants.

Due to resource and data limitations, this study focuses on estimating the benefits associated with individuals' increased lifetime earnings and the direct benefits that accrue to government revenue.

Simulations undertaken using a range of assumptions find that benefits of ILMs consistently outweigh the program costs. The

ratios of benefits to costs range from 4:1 to 31:1. Our medium range assumptions for the model indicate that for every dollar of investment in ILM programs, society would receive around \$14 worth of benefits.

Although not included in the cost-benefit framework, other benefits of ILM programs can be significant. International evidence suggests that in addition to those benefits that can be confidently quantified, ILM programs generate a number of other benefits, including:

- reduced worklessness. Evidence from the UK has shown that ILMs contribute to reductions in worklessness in areas of high unemployment.
- health benefits. ILM program participants in the UK report better health outcomes than non-participants.
- local community regeneration. ILMs exert a positive influence on local areas and can complement other community-building or regeneration programs.
- higher levels of education. Participants report higher educational attainment following their participation in ILM programs.

Initial program observations

Findings from interviews and questionnaires involving Brotherhood staff members, past participants of Brotherhood ILM programs and staff involved in overseeing the contracts with the Brotherhood's community enterprise services reveal the following initial program observations.

Employment outcomes

- Sixteen of the 35 past-participants of the Brotherhood's ILM programs took part in the study.
- Twelve of the 16 responding participants were currently in paid employment; eight of these were working at least 30 hours a week. Nine of the 12 currently employed felt that the program had directly contributed to their obtaining employment.
- Of the four respondents that were not currently in paid employment, three were confident that they would obtain employment that matched their skills and experience in the near future.
- Eleven of the 12 respondents that were employed had been in their current jobs for at least three months; nine had been employed at least six months.
- All 16 participants of the study reported feeling more confident and more motivated since completing the program.

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Program strengths and potential

- The ILM approach appears to be more effective at getting the long-term jobless into jobs than mainstream employment assistance delivered through Job Network and/or Work for the Dole.
- Elements of the approach key to its success included:
 - establishing a trusting relationship with residents in target areas
 - providing skills that are in demand in today's labour market
 - providing on-the-job training, as participants typically struggle with 'classroom-based' training
 - providing personal support, encouragement and supervision in the workplace to build the self-esteem and confidence of participants
 - enabling people to gain a qualification
 - developing communication skills, working with others and problem solving.
- Two areas of the program that could be strengthened are job search assistance and post-placement support.
- The quality and performance of the services were felt to be similar to or greater than mainstream providers would have delivered.
- Price competitiveness was important for organisations contracting the services.

Policy recommendations

Mainstream employment assistance services do not seem to be effective at getting the most disadvantaged job seekers into employment. ILMs have been shown to be a more effective approach for this group of people. Initial observations suggest that the Brotherhood's programs are achieving the goal of getting participants into longer term employment.

ILMs have the potential to deliver benefits to all levels of government, to business and to society in general. Current labour shortages in a range of industries present a unique opportunity for business, government and the community sector to work in partnership to address industry needs and to improve economic and social outcomes for the long-term jobless.

As ILMs are essentially labour market programs, the majority of their funding should be provided by the federal government. For instance, ILMs could be approved as alternative employment assistance pathways for disadvantaged job seekers, with entitlements consistent with intensive support needs.

State governments' role is to promote the use of Community Enterprises and ILMs in their neighbourhood regeneration strategies and to adopt social procurement practices across government. They can provide resources to allow ILM providers to engage with disadvantaged communities and job seekers. They also have a vital role in funding skill acquisition that clearly matches regional and metropolitan skills shortages.

Like state governments, local governments have a vital role in promoting ILMs in their community regeneration strategies, in purchasing services from ILM Community Enterprises and adopting broader social procurement practices.

Both state and federal governments could provide potential ILM Community Enterprises start-up funding and an enabling environment within mainstream employment services to assist them to operate effectively.

Finally, all sectors could take a role in the development of ILMs through social procurement policies, for instance by offering service contracts to ILM Community Enterprises, and/or by providing direct employer traineeships for disadvantaged job seekers. Examples of these initiatives are becoming more apparent across private, government and non-government organisations. A larger commitment would multiply the opportunities for disadvantaged job seekers.

Substantial benefits can accrue to the whole community through up-front investment and facilitation by governments of Intermediate Labour Markets and the broader social economy.

Research report

The full report by Kemran Mestan and Rosanna Scutella with the Allen Consulting Group, *Investing in people: Intermediate Labour Markets as pathways to employment*, is available at <www.bsl.org.au>.